



Australian Government

Australian Customs and
Border Protection Service



Annual Report

2013
2014

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Australian Government

Australian Customs and
Border Protection Service



Annual Report

2013
2014

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LETTER OF TRANSMITTAL



Australian Government

**Australian Customs and
Border Protection Service**

CHIEF EXECUTIVE OFFICER

Customs House
5 Constitution Avenue
Canberra ACT 2601
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 Australian Customs and Border Protection Service (ACBPS) Annual Report for the financial year ended 30 June 2014, 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 2014.

This report details performance for ACBPS's three programmes 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 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 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

A handwritten signature in blue ink, appearing to read 'M Pezzullo'.

Michael Pezzullo

Chief Executive Officer
19 September 2014

A WEEK IN THE LIFE OF...

Each week on average...

WE CLEAR



626,012
air passengers

arriving and departing Australia
on more than 3,667 flights



661 ships

arriving and departing Australian
ports and assess and intervene with
approximately 118 arriving vessels



22,931 sea crew

arriving and departing Australian
sea ports



21,099
sea passengers

arriving and departing by ship



25 pleasure craft

arriving or departing Australia



26,170
export entries and
69,987 import entries

588,237 imported air cargo
consignments reported and 55,257
imported sea cargo reports

WE SURVEIL



3 million
square nautical miles

of the Australian Maritime
Jurisdiction in conjunction with
the Australian Defence Force
to combat threats to Australia's
sovereignty, the marine environment
and offshore resources, and for
the security of maritime trade and
commerce

WE DEPLOY



42 highly trained
detector dog teams

across our airports and the
waterfront that made 1,674
detections

WE COLLECT



\$264.1 million

in revenue on behalf of the
Australian Government

THE AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE

WE PATROL



Australia's 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 illegal maritime arrivals and illegal exploitation of natural resources



seaports, wharves and waterfront

establishing and maintaining robust waterfront and cargo security to detect, deter and disrupt the movement of illegal people and goods across the border—achieved through information gathering, observation, interception, questioning and search activities



remote coastal areas

for information collection, reconnaissance and observation tasks in remote coastal areas including beaches, banks, harbours, marinas, boat ramps, coastline, rivers and bays



airside locations

to identify and detect border breaches

WE INSPECT



1,967

twenty-foot equivalent units in sea cargo



30,648 air cargo

consignments



1,000,000 mail items

including letters, Express Mail Service, parcels and packets

WE DETECT OR SEIZE



prohibited items

including weapons, replica firearms, dangerous goods, protected wildlife, illegal pornography, material involving breaches of copyright and tobacco



487 drug imports

including performance and image enhancing drugs

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INTRODUCTION

Summarises issues and trends in the reporting period, particularly those that had an impact on achieving our goals.

PART 1 - AGENCY OVERVIEW

Details our role and functions, agency structure and performance reporting framework, including our priorities for the reporting year.

PART 2 - OUR PROGRAMME PERFORMANCE

Reports on our effectiveness in achieving programme objectives, including our performance during the year against the deliverables and key performance indicators set out in the Portfolio Budget Statement. Also outlines how effectively we managed our support functions as well as their contributions to the achievement of outcomes in the reporting period.

PART 3 - GOVERNANCE AND ACCOUNTABILITY

Provides information on external scrutiny, client service standards, asset management, consultants and contractors and other administrative activities.

PART 4 - FINANCIAL STATEMENTS

Contains audited financial statements for the year ending 30 June 2014.

PART 5 - APPENDICES

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

PART 6 - REFERENCE MATERIAL

Lists tables and figures, abbreviations and acronyms, an alphabetical index and where to find information specified in the *Requirements for Annual Reports for Departments, Executive Agencies and Financial Management and Accountability Act 1997 Bodies*.

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INTRODUCTION

From the Chief Executive Officer



Figure 1: Michael Pezzullo, Chief Executive Officer, Australian Customs and Border Protection Service

The Australian Customs and Border Protection Service (ACBPS, the Service) has a long and proud history of serving the nation and responding to change.

Since July 2013, significant work has been progressed to align the Service to our reform vision, as articulated in our *Blueprint for Reform 2013–2018*. We have made great strides to reform the Service through strengthening our integrity regime, developing our core service behaviours, implementing career planning and a new people and operating model. We have also made improvements to our intelligence and information communication technology capabilities to enhance the border experience for legitimate traders and travellers.

Significant efforts during 2013–14 established the groundwork for the Strategic Border Command (SBC), incorporating a new operating model underpinned by a command and control system. On 1 July 2014 the SBC and five Regional Commands were stood up, with the Strategic Border Command Centre—the nerve centre of our border operations—now operating in Canberra to oversee all operational activities and priorities. The SBC also hosts the National Border Targeting Centre, also launched in July 2014, which brings together nine law enforcement and national intelligence partner agencies to analyse and target high-risk passengers and cargo.

This new operating model for the Service is underpinned by our vision for a mobile and technologically-enabled workforce. We are building a connected information environment where our officers will be supported by reliable, accessible and secure systems, with centralised databases supporting streamlined data entry and access from the field, and reporting back to the SBC. Putting the operator and the field officer at the centre of that process will be critical.

In support of the government's counter people smuggling policy the Service has also made major contributions to Operation Sovereign Borders and continues to provide the headquarters for the Joint Agency Task Force. We have collectively supported the government in achieving several milestones and I am proud of our officers, who have contributed tirelessly to these efforts across all roles and responsibilities.

We have also worked towards the establishment of four career streams: Border Force, Intelligence, Trade and Customs, and Support—which has further supported our ambitious organisational change. This has been a strategic initiative which captures the skills and capabilities required to perform any role in the Service.

Over the past year the Service has faced many challenges at an operational and policy level. Our people are fundamental to our ongoing programme of reform and the continued protection of Australia's borders.

Overview of performance

The 2013–14 year has been characterised by increased volumes of trade and travel, the expansion and diversification of organised crime groups, and the exploitation of vulnerabilities in border processes and management. These factors have all challenged how the Service thinks and responds to Australia's national security.

Volume of Cargo

Travel and trade patterns within and to Australia are becoming more complex, with the range of goods, biosecurity hazards and economic risks growing. The geographic area in which the Service operates is also expanding, with an increased number of remote ports coming online and increasing operational activity.

Air and sea cargo has shown a significant increase in volume from 2009–10 with incoming air cargo increasing by 173 per cent from 11.2 million to 30.6 million consignments, while inwards sea cargo has increased by 22 per cent from 2.4 million to 2.9 million sea cargo reports. Government funding will be critical in maintaining current levels of interception of restricted, regulated and prohibited goods in the face of a projected increase in cargo for 2014–15.

People Movement

In the past four years, international air and sea passengers have increased 28 per cent from around 26.3 million in 2009–10 to approximately 33.6 million in the 2013–14 financial year. During 2013–14, the Service achieved an overall incoming passenger facilitation rate of 93.7 per cent against a target of 92 per cent. This is predominantly due to a greater number of passengers accessing SmartGate, which the Service is continuing to expand in terms of both terminals and the nationalities able to use the technology.

Drugs

The risks to the Australian community posed by the movement of drugs and precursors continue to be high with the Service's performance during the year resulting in 25,347 drug detections of which 11,316 were major illicit drugs and precursors with a represented weight of approximately 4,196 kg.

Amphetamine-type stimulants detections for 2013–14 have shown an increase in detections of nearly 19 per cent on the previous year, the majority of which occurred in the cargo and postal environments. The disruption of online markets for illicit drugs by ACBPS officers has resulted in a trend of declining detections through the international mail environment during the latter months of 2013, although this will remain a focus for the Service in 2014–15.

The Service has continued to work collaboratively with domestic and international law enforcement agencies to disrupt organised crime groups involved in the import of illicit drugs. A leading example of this partnership was the multi-agency operation that resulted in the seizure of 200 kg of methamphetamine with a potential street value of \$200 million.

Firearms

The identification and analysis of illicit firearm trafficking networks is a high priority and we have strengthened our targeting regime and enhanced opportunities to increase detections of illicit firearms. The number of undeclared handguns detected at the border has increased by almost

60 per cent with several deliberate attempts at concealing handguns through the international mail stream.

During 2013–14 there were a total of 1,737 undeclared firearms, firearm parts and accessories and magazines detected at the border.

To further assist in combating this threat, the Service has also increased the training and screening effort in the international mail environment.

Tobacco

Traditionally, illicit tobacco has entered Australia through sea cargo—however the reporting period shows significant increases in detections of undeclared cigarettes through the international mail and air cargo streams. During 2013–14 the Service has obtained good results in combating the importation of illicit tobacco with an increase of almost seven per cent in the number of detections in sea cargo. Despite this, the equivalent weight of detections has decreased by about 14 per cent over the same period. This variation is indicative of the shift in smuggling methodology to more frequent shipments of smaller size, rather than an overall increase in smuggling activities.

This shift in smuggling methodology was evident through a saturation exercise which took place during this reporting period targeting tobacco in the international mail stream. Approximately 33 million sticks of declared tobacco and 42 million sticks of undeclared tobacco were detected, with an estimated duty evaded of over \$34 million.

Areas for Improvement

Although we strive to do a good job every day, I believe that we can, and must, do better.

While the overall performance of the Service is to be commended, Task Force Pharos—established in December 2013 to identify any officers currently working in the Service who pose a significant risk to the integrity of the Service—has confirmed that managing integrity risks is an ongoing challenge. The Service will maintain close focus on this area during 2014–15, and in the years to come.

The Service has also developed a set of Core Service Behaviours to support and embed cultural change within the Service. These behaviours are based on the APS ICARE model—which is to say we strive for a public service which is Impartial, Committed to Service, Accountable, Respectful and Ethical.

Summary of significant issues and developments

Building on our ambitious Reform Programme, on 9 May 2014 Minister for Immigration and Border Protection, the Hon Scott Morrison MP, announced the consolidation of the operational border protection functions of Immigration and Customs to form a single operational organisation—the Australian Border Force (ABF)—within the Department of Immigration and Border Protection (DIBP).

On 1 July 2015 the ABF will be established as Australia's frontline border protection agency. Corporate, strategy, policy and regulatory functions will be consolidated within the broader department.

The Portfolio Reform Task Force (PRTF) was established in May 2014 and is overseeing the consolidation of the DIBP and the Service, as well as the creation of the ABF. The PRTF will exercise a measured pace of implementation, in collaboration with policy, operational and corporate areas in both agencies. The task force has also assumed responsibility for guiding the existing suite of reforms already underway within our Service.

These reforms demonstrate the government's continued commitment to increasing our national security operations, and are designed to further strengthen our borders and enhance our capacity to manage ever increasing trade and travel across these borders.

The opportunity to work with the DIBP to shape our future and construct the next stage in our evolution is an exciting and rewarding time which is full of opportunity. However, while we are focused on ensuring the success of our future, we are also focused on capturing the great tradition and the great legacy of both agencies, so that as we go forward we preserve the 'best of both' and recognise both the past and the future. In recognising the long and proud history of the customs function in Australia, this year I was pleased to announce the launch of From Federation to the Australian Border Force (the History Project) which will capture our extended history, celebrate our success and acknowledge the hard work of our officers, in many different guises, since 1901.

Our financial performance

In 2013–14 the Service incurred an operating loss of \$107.3 million. When the impact of depreciation and amortisation expenses is excluded, the Service's result for 2013–14 was a loss of \$5.4 million. A number of statutory and one-off events contributed to this financial result:

- ▶ Unfunded depreciation and amortisation costs of \$101.8 million. Under the Commonwealth's Net Cash Funding arrangements, expenses for depreciation and amortisation are no longer funded as part of the Service's appropriation funding. When these expenses are excluded the financial result is a more conventional measure of the Service's operating result.
- ▶ The continuation of a tight fiscal funding environment.
- ▶ The high operational tempo at play in our maritime space to stem the traffic of illegal entrants.
- ▶ The urgent need to reform the Service to prepare for the significant challenges facing the border environment in the future.

Limiting the operational loss to the level identified above reflects the high level of scrutiny the Service applies to financial management.

Looking to the Future

We will continue on our reform journey in 2014–15 in order to create a strong foundational capability for the ABF and the broader department. Key areas of focus will include:

- ▶ continuing the development of the SBC to formalise command and control of the border, and to improve the supporting capability to mitigate future risk
- ▶ providing a nationally coordinated approach to border operations by enabling participating agencies to use shared systems and information of the National Border Targeting Centre
- ▶ enhancing intelligence systems and the analytical capability required to better support intelligence threat and risk assessments
- ▶ designing and implementing a stable, scalable traveller processing platform capable of supporting next generation eGates
- ▶ designing a Trusted Trader programme to foster more efficient trade
- ▶ enhancing technology systems, including improvements in capability to process 'big data' holdings

- ▶ working closely with the Office of Deregulation within the Department of the Prime Minister and Cabinet to implement the government's deregulation agenda
- ▶ the procurement of six fast inshore patrol craft designed to support tactical response operations and routine maritime patrol activities in rivers, bays, coastal and island locations
- ▶ establishing a College to deliver the professional, technical and operational training of Border Force officers in order that they can work effectively in the future border environment.

These activities will also mean that we can deal more effectively with rising volumes and complexities in relation to both trade and travel and the increasing sophistication of organised transnational criminal groups.

In the broader context, cooperation with other Commonwealth departments and agencies will intensify over the next five years as new whole-of-government arrangements in areas such as cyber security and national security science and innovation are institutionalised. The Service will play a key role in these arrangements. Some key initiatives the Service is managing to mitigate the future risk to our borders include:

- ▶ *The Tackling Crime Measure*—As a result of the government's 2013 election commitment, the Service received funding to increase screening activities at our borders and invest in capabilities to maximise detections of illegal goods. The Tackling Crime measure will continue through 2014 to focus on the inspections of high risk cargo and mail which is expected to result in increased detections of illicit firearms, tobacco and drugs.
- ▶ *A strengthened strategic partnership with the Australian Federal Police*—Our intelligence-led approach to targeting crime and enhanced opportunities to detect illicit goods continues to be a key focus for the Service. A new referral process and joint triage model in partnership with the Australian Federal Police has been successfully implemented. The collaborative support of both agencies has resulted in significant detections and disruption to organised criminal groups dealing in firearms, tobacco and illicit drugs.

- ▶ *Increased processing through Automated Border Control*—Forward planning around the implementation of Automated Border Control systems will be essential for the Service given an estimated growth rate in border departures of approximately 23 per cent over the next four years. As a result of the successful implementation of the SmartGate arrival technology, the Service is working towards automating the departures process at Australia's eight major international airports. It is envisaged that this eGate technology will provide a seamless departure experience for eligible travellers. From July 2014, the Service has commenced a live trial of this technology at the Brisbane International Airport.

At the heart of our reform and our business is our people and I sincerely thank the dedicated and professional members of the Service and recognise their hard work, commitment and contributions.

I also extend my thanks to the Service's many stakeholders and partners who have provided assistance and advice throughout the year.



PART

1

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AGENCY OVERVIEW

Our role

The Australian Customs and Border Protection Service (ACBPS, the Service) is Australia’s primary border agency, and its role is to:

- ▶ foster legitimate trade and travel
- ▶ support and enforce Australia’s trade and industry policy at the border
- ▶ prevent, deter and detect the illegal movement of people across Australia’s border
- ▶ prevent, deter and detect the unlawful movement of prohibited, restricted or regulated goods into Australia
- ▶ counter civil maritime security threats in Australian waters in collaboration with the Department of Defence
- ▶ collect border-related revenue and trade statistics.

“Our borders are a national asset, possessing both economic and strategic value. Our borders define a space within which we can apply the rule of law, to conduct commerce, to allow the operation of markets, to create the space for civil society, to enable expression of culture and to provide for the freedom and liberties of our citizens, as established by our respective constitutions”.

— Minister for Immigration and Border Protection, the Hon Scott Morrison MP

The border is no longer considered a purely physical barrier. Instead, the border is conceptualised as a continuum that commences overseas, traverses our maritime zones to the physical border and involves domestic activities within Australia (Figure 1).

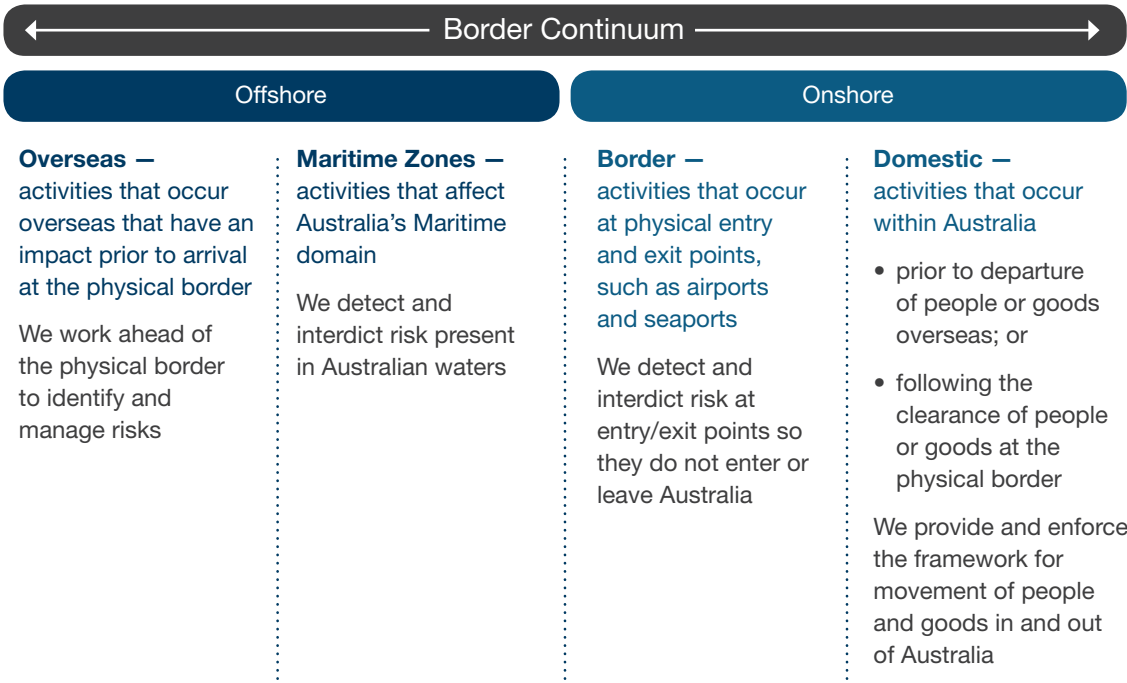


Figure 2: The border continuum

The Service works closely with its partner agencies to employ an intelligence-led operating model in which sophisticated intelligence enables a more targeted intervention strategy across the border continuum. This approach relies on a strong collaborative approach with government, international and industry partners.

Effective management of the border is essential to the protection of the community and economic prosperity. These objectives are not contradictory—the Service manages functions across the border continuum to foster legitimate trade and travel, while undertaking enforcement activity for national security, law enforcement and community protection purposes.

The Service's presence in the passenger, cargo, maritime and coastal surveillance environments ensure that the ACBPS contributes to Australia's national security. This requires continued investment in intelligence, analytical and targeting capabilities, sophisticated surveillance and response capabilities drawing on industry knowledge and innovation.

Our operating environment

The operating environment for the ACBPS is characterised by an increasing volume and complexity of border transactions, occurring in diverse channels across a range of physical and electronic environments, being managed with limited resources and reduced time in which to intervene at the border.

This environment has experienced significant growth and continues to evolve, presenting new challenges and opportunities. In the past four years, international air and sea passengers have increased 28 per cent from around 26.3 million in 2009–10, to approximately 33.6 million in the 2013–14 financial year. Over the same period, incoming air cargo consignments has increased by 173 per cent from 11.2 million to 30.6 million, while inwards sea cargo has increased by 22 per cent from 2.4 million to 2.9 million sea cargo reports.

Travel and trade patterns are becoming more complex, with the range of goods, biosecurity hazards and economic risks growing. The geographic area in which the Service operates is also expanding, with an increased number of remote ports coming on-line and increasing operational activity. At the same time, entities trying to breach Australia's borders are becoming increasingly responsive and resilient to law enforcement interventions and tactics. Opportunities for organised crime today are unprecedented. Increased globalisation, escalating cross-border movements of people, goods and money, emerging international markets, and rapidly developing and converging technologies provide a fertile operating environment for organised crime. The risk of infiltration and corruption remains high, with the events of Operation Marca/Heritage during 2012–13 demonstrating the need for the ACBPS to continue its focus on such vulnerabilities.

Technological advancements will also impact heavily on the future operating environment. These advancements offer increasing opportunities to improve how the Service enables and facilitates its business needs, using functionality such as biometrics for enhanced entry control, expansion of automated entry systems and an evolving cyber security environment. It also offers challenges through the exploitation of technological advances by criminal networks to compromise the security of the border and the processes and systems used to protect it. Internet trade is also increasing its reach over global markets, presenting challenges to the traditional format of trade relationships—both licit and illicit, with an exponential growth in the volume of online purchased goods crossing the border.

The evolving operating environment presents a range of opportunities and challenges specific to the Service's information management environment. Greater volumes of information than ever before are available across multiple boundaries for ACBPS to manage border risk. This information must be managed effectively and appropriately to be used to greatest effect. However, this also requires discipline and governance to ensure the Service is appropriately responding to the corresponding challenges of establishing and assuring identities, controlling access, and integrating and using the information effectively. Similarly, technological innovations mean there are an abundance of tools available for the Service to utilise, but the challenge is to use these innovations intelligently, protecting the integrity and security of the information we hold, to ensure we can extract the greatest benefit—while concurrently protecting the privacy of individuals.

“Every officer in the Service must take time to understand why we need to reform and the importance reform plays in realising the vision we have set out for the Service.”

— Michael Pezzullo, Chief Executive Officer

Reforming the Service — An update on progress

The reform of border protection arrangements in 2014–15 will build on a significant programme of reform the Service has already undergone throughout 2013–14. The ACBPS Reform Programme was developed as a means to navigate and prepare for the challenges facing the future border environment

In July 2013, the *Australian Customs and Border Protection Service Blueprint for Reform 2013–2018* was published and draws on a number of inputs including the Australian Public Service Commission Capability Review, Operation Heritage Interim Report, and the reporting of the Customs Reform Board. These reports identified that the Service required holistic reform to ensure the Service keeps pace with a rapidly evolving border environment. These reports identified areas of improvement in leadership, workforce, business model, information technology, officer engagement and effective change management. The *Blueprint for Reform 2013–2018* also served as the basis for engagement with the Service's stakeholders to invite co-design of the Reform Programme.

The vision set out in the *Blueprint for Reform 2013–2018* was based on three key tracks of reform:

- ▶ our people and operating model to build a professional and agile service that is adaptive to change
- ▶ modernisation to create efficient business systems and streamlined processes and sophisticated intelligence
- ▶ integrity which strives for a disciplined Service culture and workforce hardened against corruption.

These reforms will position the Service to deliver strong border protection, and foster lawful trade and travel that contributes to economic growth.



Figure 3: Blueprint for Reform 2013–2018

Significant work was progressed in 2013–2014 to align the Service with the aims of the *Blueprint for Reform 2013–2018*, particularly in relation to integrity, professional standards, culture and values. Other key reform in 2013–2014 included:

- ▶ the establishment of a dedicated project team which delivered an interim National Border Targeting Centre in July 2014
- ▶ redesign of our approach to investigations, compliance and enforcement
- ▶ entering into a new Strategic Partnership with the Australian Federal Police
- ▶ the introduction of enhanced organisational suitability assessments
- ▶ Regional Command pilots in Queensland and Western Australia to refine the reorganisation and improvement of ACBPS Command and Control systems
- ▶ the appointment of a Special Integrity Adviser to manage the investigation of complex and serious cases of misconduct
- ▶ establishment of Task Force Pharos, an internal integrity task force set up to address corrupt and serious misconduct within ACBPS

- ▶ the development of a new Career Planning framework which provides officers with the opportunity to develop individualised career plans linked to reform
- ▶ the launch of an Awards and Recognition Framework to formally recognise our officers, including CEO Awards ceremonies which took place in February and June 2014, recognising and honouring acts of bravery, conspicuous conduct, excellence, innovation, and contribution to health and safety in the Service.

In December 2013 a number of key organisational changes were also implemented, including the establishment of the Trade and Customs Division as well as three non-ongoing Specialised Reform Task Forces on: Customers and Channels, the Border Force and College, and Future Traveller System. These task forces drove the detailed design and implementation plans for some of the Service's key reform initiatives, and have since transitioned to routine business, in recognition of the achievement of significant reform milestones.

ACBPS officers have played a vital role in informing the Service's reform journey throughout 2013–2014. The Service has utilised a range of engagement mechanisms, including a *Have Your Say* email campaign, and the establishment of the CEO Reform Advisory Group. The group is made up of officers from across the Service, representing a cross section of levels and work streams, to provide the CEO with advice about the design and development of reform initiatives. The group meets monthly and is chaired by Vice Admiral Russ Crane AO, CSM (rtd).

Two-way engagement with officers at all levels will continue to be an important component of the Service's Reform programme as it move towards new border protection arrangements in 2015.

Further detail regarding progress against our documented reform initiatives is in Part 3 of the Annual Report.

The *Blueprint for Reform 2013–2018* can be found at:

<http://www.customs.gov.au/webdata/resources/files/ACBPS-Blueprint-for-Reform-2013-2018.pdf>

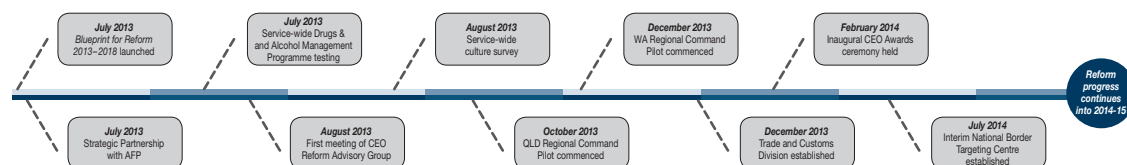


Figure 4: ACBPS reform timeline

Portfolio structure

From December 2011 the Hon Jason Clare MP served as the Minister for Home Affairs and the Minister for Justice. During this time the Service sat within in the Attorney-General's portfolio. The change of government in late 2013 resulted in the move of the Service from the Attorney-General's portfolio to the newly-created portfolio of Immigration and Border Protection. The Hon Scott Morrison MP, Minister for Immigration and Border Protection, and Senator the Hon Michaelia Cash, the Assistant Minister for Immigration and Border Protection make up the portfolio's ministry.

Organisational structure

The Service is led by the ACBPS CEO with the support of the Chief Operating Officer (COO) Deputy Chief Executive Officer (DCEO) Border Management, and the DCEO Border Enforcement, who lead national programmes.



Figure 5: Michael Pezzullo CEO (centre), with Marion Grant COO/DCEO Border Management and Roman Quaadvlieg DCEO Border Enforcement

Senior managers in all Australian States and Territories report directly to National Directors or Managers. There is an illustration of this structure in Figure 6: ACBPS organisation chart as at 30 June 2014.

ACBPS officers are located throughout Australia and overseas. The Service's central office is located at Customs House in Canberra and ACBPS has regional offices located throughout Australia, along with permanent representation at Australian Embassies and High Commissions in Bangkok, Beijing, Brussels, Jakarta, Kuala Lumpur, Colombo, Washington DC, New Delhi and Port Moresby—with officers undertaking capacity building projects in the Pacific. See ACBPS Australian Offices at Figure 7: ACBPS domestic representation.

As of 30 June 2014, ACBPS employs 5,358 people in offices around Australia and overseas.

Michael Pezzullo CEO

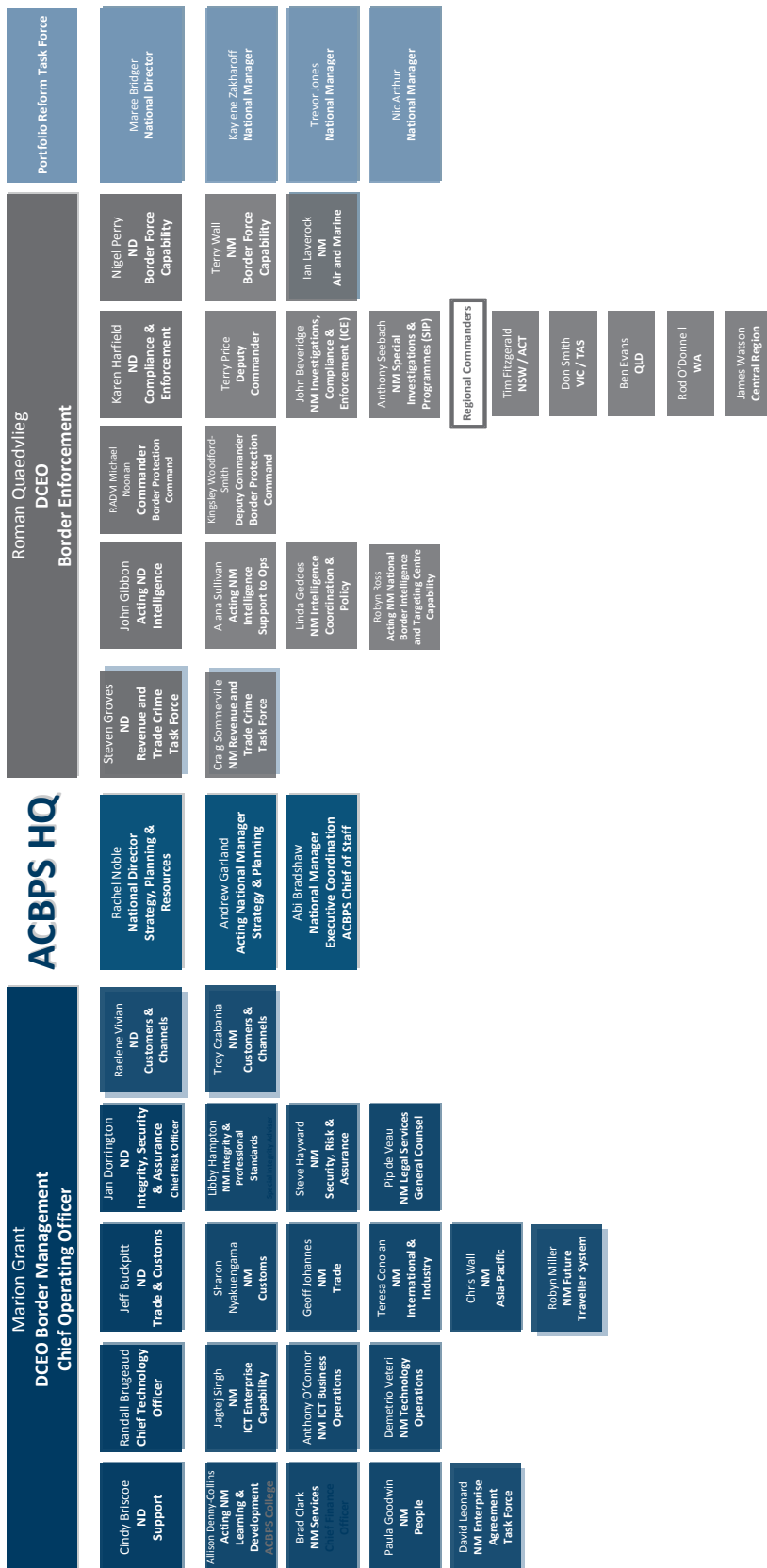


Figure 6: ACBPS organisation chart as at 30 June 2014



Figure 7: ACBPS domestic representation

The Service has permanent representation at Australian Embassies and High Commissions as outlined in Figure 8. Each overseas post has a regional responsibility as follows:

Post	Regional responsibility
Washington DC	North America, South America, Caribbean
Brussels	Europe, Africa, United Kingdom (UK), Ireland
Beijing	Mainland China, Macau, Hong Kong, North and South Korea, Taiwan, Japan, Mongolia
New Delhi	India, Bangladesh, Bhutan, Nepal, Gulf Cooperation Council countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates)
Bangkok	Thailand, Myanmar, Cambodia, Laos, Vietnam
Colombo	Sri Lanka, Afghanistan, Pakistan, the Maldives
Kuala Lumpur	Malaysia, Brunei, Philippines
Jakarta	Indonesia, East Timor, Singapore

Officers undertaking capacity building programmes under the auspices of the Australian Government's aid programme are located in Papua New Guinea. A decision has been made to strengthen our work beyond the border and increase our overseas representation by opening two new overseas posts in London and Hong Kong during 2014–15.



Figure 8: ACBPS international representation

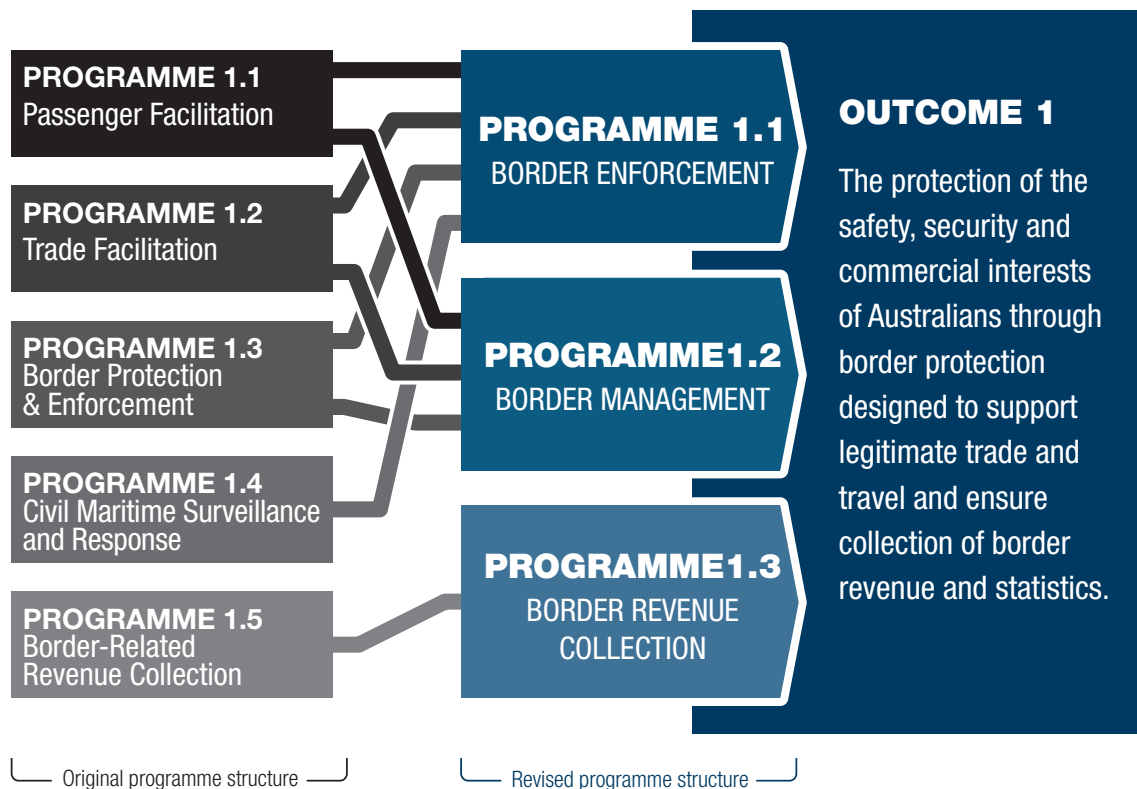


Figure 9: ACBPS programme structure

Our reporting framework

In 2013–14 the Service began a review of the programme structure contained within the Portfolio Budget Statements (PBS) and Portfolio Additional Estimates Statements (PAES). This review aligned with a whole-of-government requirement to create greater transparency around programme costs, and coincided with a period of significant and holistic reform of the Service, as captured in the *Blueprint for Reform 2013–2018*.

The Service's vision is to 'protect Australia's borders and foster lawful trade and travel'. The change of the Service's programme structure from five to three programmes enabled the Service to tighten the focus on our vision, reflect on our new operating model, simplify the programme structure and streamline financial and reporting requirements. The revised structure applied from the 2013–14 PAES process.

Further, the revised structure has not resulted in any change to OUTCOME 1. The key strategies used to achieve PBS OUTCOME 1 have been updated to reflect the revised programme structure:

Programme 1.1 Border Enforcement:

- ▶ Manage border risks through intelligence-led interventions that enable targeted inspection and examination of people and goods at the border, whilst streamlining border processes for legitimate trade and travel.
- ▶ Support collaborative cross-agency civil maritime security activities, including intelligence analysis, coordinated surveillance and on-water response. This strategy encompasses working ahead of the border with international partners to provide controls for maritime security threats.

- ▶ Continue to develop highly sophisticated and effective intelligence and targeting capabilities.
- ▶ Partner with law enforcement agencies to address risks and vulnerabilities at the border through joint operations and intelligence sharing.

Programme 1.2 Border Management:

- ▶ Develop and coordinate border management policies, in conjunction with partner agencies, to deliver Australia's customs, trade and industry policy.
- ▶ Facilitate legitimate trade and travel by co-designing services in a way that streamlines the trade and travel experience, identifying and enhancing new business systems to maximise service delivery.
- ▶ Support an open economy by ensuring compliance with the rules of trade so that competition occurs on a level playing field and the benefits of competition flow through to the Australian economy.

Programme 1.3 Border Revenue Collection:

- ▶ Maintain border-related revenue collection capabilities.
- ▶ Improve the Service's understanding of economic risk.
- ▶ Assess, report, collect and pay border-related revenue, including the application of refunds, concessions and exceptions.
- ▶ Undertake an effective risk-based compliance programme, utilising pre and post clearance monitoring and intervention activities to promote observance of Australian border laws as they relate to revenue reporting and payment obligations.
- ▶ Effectively administer the Tourist Refund Scheme.

Cross-programme strategies:

- ▶ Foster collaboration with domestic and international partners to enable the Service to operate across the entire border continuum.
- ▶ Develop a proactive approach to the challenges of the border environment through: the Reform Programme, transitioning to a new business model, modernising business processes and systems, augmenting workforce capability and strengthening the Service's culture of integrity.
- ▶ Operate efficiently, within a sustainable four-year budget, across a number of diverse operational requirements by continuing to develop risk-based priority settings to align with resource allocation.
- ▶ Maintain investment in key capital infrastructure that support the Service's operations across a diverse range of activities protecting Australia's border.

A key element of the annual reporting framework is contained within PART 2—OUR PROGRAMME PERFORMANCE—the programmes through which the Service works to achieve outcomes as set out in the PBS. Part 2 sets out the Service's commitments to the Australian Government and community, and represents one of the key accountability mechanisms for ACBPS. It outlines outcome, programmes, deliverables, key performance indicators and the financial resources available to the organisation. Within this framework, the outcome statement explains the purpose of funding appropriation by the Parliament and describes the overall benefit the government expects from the Service.

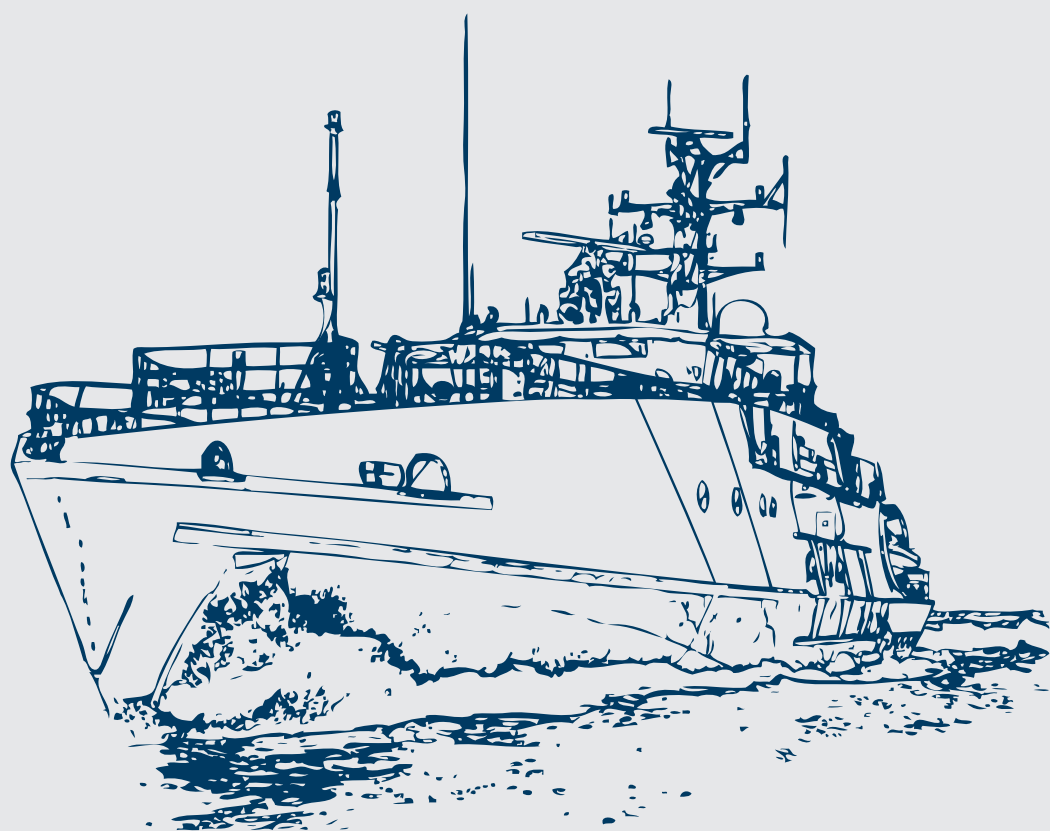


PART

2

OUR PROGRAMME PERFORMANCE

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PART 2—OUR PROGRAMME PERFORMANCE

This section of the Annual Report outlines the Australian Customs and Border Protection Service's (ACBPS's, the Service's) achievements against the Portfolio Budget Statement (PBS), the major improvements outlined in the *Australian Customs and Border Protection Service Corporate Plan 2013–14* and the initiatives outlined in the Reform Programme.

Improving and refining our PBS performance measures

In 2013–14 the Service has continued to improve and refine PBS strategies, deliverables and Key Performance Indicators (KPIs). This has included the introduction of new performance measures, consolidating existing measures and providing targets that enable performance to be reliably forecast.

This continuous improvement approach to performance measurement strengthens the accountability mechanisms within the PBS, increasingly shifting focus from 'outputs' to 'outcomes'. It enables the Services to create clear links between our PBS and business planning activities, simplifying lines of accountability and ensuring that we continue to prioritise against and deliver on core outcomes.

Table 1: Financial and staffing resources summary

OUTCOME 1: 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 2013–14 ^(a) \$'000	(B) ACTUAL 2013–14 \$'000	VARIATION (B)–(A) \$'000	BUDGET 2014–15 ^(b) \$'000
Administered revenue				
Taxation	9,940,761	10,368,026	427,265	10,523,640
Non-taxation	2,500	3,784	1,284	2,500
Gain	0	9,331	9,331	0
Total administered revenue	9,943,261	10,381,141	437,880	10,526,140
Administered expenses				
Administered expenses	3,428	13,238	9,810	3,434
Total administered expenses	3,428	13,238	9,810	3,434
Departmental programmes				
Programme 1.1: Border Enforcement	949,954	963,612	13,658	957,943
Programme 1.2: Border Management	143,177	143,739	562	126,555
Programme 1.3: Border Revenue Collection	72,289	74,385	2,096	79,075
Total price of departmental programmes	1,165,420	1,181,736	16,316	1,163,573
Total for outcome (administered expenses and price of department programmes)	1,168,848	1,194,974	26,126	1,167,007
Average staffing level (no. of officers)	5,000	5,000	0	4,920

^(a) Data derived from 2013–14 Portfolio Additional Estimates Statements

^(b) Data derived from 2014–15 Portfolio Budget Statements

PBS Programme 1.1: Border Enforcement

With its focus on the security of Australia's borders, Border Enforcement is the largest and most diverse of the three programmes. Border Enforcement plays an integral role in achieving the Service's mission through the interception of people illegally entering Australia, in addition to intercepting regulated, restricted and prohibited goods in Australia's territorial seas, ports, airports and mail centres. The Border Enforcement Programme is also responsible for targeted operations including counter people smuggling operations to address risks and vulnerabilities at the border and intelligence and targeting functions to enable the Service's intelligence led approach to its frontline role.

The Border Enforcement Programme contributes to the protection of Australia's border through:

- ▶ undertaking border activities that streamline processes for legitimate trade and travel and prevent the illegal movement of people and goods across the border
- ▶ generating awareness of activity in Australia's maritime domain and coordinating whole-of-government efforts to mitigate, or eliminate, the risks posed by security threats (including illegal activity in protected areas, illegal exploitation of natural resources, marine pollution, prohibited imports and exports, illegal maritime arrivals (IMAs), compromise to biosecurity, piracy, robbery or violence at sea, and maritime terrorism)
- ▶ supporting whole-of-government delivery of integrated regulatory, transactional and physical security measures that safeguard people, goods, vessels and aircraft against border-related threats
- ▶ supporting cross-jurisdictional efforts at both domestic and international levels to prevent, detect and disrupt the activities of organised crime syndicates.

The identification and interception of illegal travellers, vessels and cargo attempting to cross the Australian border requires: sophisticated intelligence and risk assessment activities, onshore and offshore surveillance and patrols, targeted enforcement operations, detained goods management, investigation of suspected breaches and the development of technology to support border enforcement activities. Collaboration with domestic and international partners is an important component of this programme. This programme supports whole-of-government efforts to respond to people smuggling, including Operation Sovereign Borders Joint Agency Task Force (OSB JATF).

Border Enforcement comprises a significant number of the Service's business functions that were previously reported under Programmes 1.1 to 1.4 (Passenger Facilitation, Trade Facilitation, Border Protection and Enforcement, Civil Maritime Surveillance and Response).

REPORT AGAINST THE PBS

Table 2: Programme 1.1: Border Enforcement—performance against PBS targets, 2013–14

DELIVERABLES	TARGET ^(a)	ACTUAL	TARGET MET
Processing of international passengers (air and sea):			
Arrivals	16.991m	16.905m	×
Departures	16.866m	16.745m	×
Processing of international crew (air and sea):			
Arrivals	1.437m	1.502m	✓
Departures	1.451m	1.501m	✓
Total number of eligible travellers who presented at SmartGate kiosk	6.5m	5.3m	×
Total number of eligible travellers who successfully cleared SmartGate	5.2m	4.6m	×
Number of international vessel movements ^(b)	–	53,514	NA
Number of reported vessel arrivals ^(b)	–	17,224	NA
Number of referrals received by Investigation Branch ^(b)	–	2,635	NA
Volume of cargo subject to inspection and examination^(c)			
Sea Cargo:			
number of TEU inspected	101,500	102,288	✓
number of TEU examined	14,200	14,788	✓
Air Cargo:			
number of consignments inspected ^(m)	1.54m	1.59m	✓
number of consignments examined ^(b)	–	85,810	NA
Mail:			
number of mail items inspected ^{(d)(e)(m)}	41.7m	52.1m	✓
number of mail items examined ^{(b)(f)}	–	212,142	NA
Aerial surveillance coverage (square nautical miles):			
ACBPS contracted aircraft and RAAF assets (square nautical miles) ^(g)	144.5m	151.6m	✓
Commercial contracted satellite (square nautical miles)	9.6m	8.8m	×
Southern Ocean vessel surveillance (patrol days) ^{(h)(i)}	180	329	✓
Northern waters surveillance ACV <i>Triton</i> (patrol days) ^(h)	308	326	✓
Ashmore Vessel (station and steaming days) ^(h)	191	168	×
ACBPS Marine Unit (patrol days) ^(h)	2,400	1,847	×

TEU = twenty-foot equivalent unit

RAAF = Royal Australian Air Force

ACV = Australian Customs Vessel

ADV = Australian Defence Vessel

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

^(b) Performance cannot be forecast reliably.

^(c) All cargo is risk assessed.

^(d) Inspection may include the use of x-ray technology, detector dogs or physical examination.

^(e) The amalgamation of previous measures (number of parcels/Express Mail Service/registered items inspected and number of letter class mail items inspected) will enable a more flexible response to shifts in risk between mail classes and more effective management of increasing volumes. These measures were amalgamated at Portfolio Additional Estimates Statements (PAES).

^(f) Examination means physically opened by ACBPS.

^(g) The target is based on the contribution made by both ACBPS and Defence Force assets.

^(h) ACV *Ashmore Guardian* was deployed near-permanently at the Ashmore Reef National Nature Reserve and Cartier Island Marine Reserve. The contract for ACV *Ashmore Guardian* ceased in December 2013. ACV *Thaiyak* will be deployed near-permanently at the Ashmore Reef National Nature Reserve and Cartier Island Marine Reserve once it commences operations in September 2014.

⁽ⁱ⁾ These patrol days are completed by *Bay Class* and *Cape Class* vessels. In addition to ACBPS Marine Unit assets, on any given day the Australian Navy provides seven of the 14 *Armada* Class Patrol Boats in support of Operation Resolute.

^(j) Deliverable for 2014–15 comprises 92 patrol days for the ACV *Ocean Protector* and 80 days for the ADV *Ocean Shield*. Funding for ACV *Ocean Protector* will terminate 31 December 2014.

^(k) Funding for the ongoing programme will be considered in the 2017–18 Budget.

^(l) Programme will terminate in December 2014.

^(m) The increase in targets reflects the additional deliverables / appropriation for the *Tackling Crime - increased cargo and mail screening at the border measure*.

KEY PERFORMANCE INDICATOR	TARGET ^(a)	ACTUAL	TARGET MET
Percentage of passengers processed within 30 minutes of joining the inwards queue	92%	93.7%	✓
Number of arriving international air passenger referrals to the Department of Immigration and Border Protection ^(b)	–	171,453	NA
Percentage of eligible arriving travellers who presented at a SmartGate kiosk	80%	67.0%	✗
Percentage of total arriving travellers who presented at a SmartGate kiosk	39%	33.7%	✗
Traveller satisfaction with primary line services	95%	95.1%	✓
Percentage of eligible travellers who successfully cleared SmartGate	64%	58.6%	✗
Number of potential irregular, unregulated and unreported vessels detected in Australia's Exclusive Economic Zone in the Southern Ocean ^(b)	–	0	NA
Number of irregular, unregulated and unreported vessels boarded in the Southern Ocean ^(b)	–	0	NA
Number of irregular, unregulated and unreported vessels apprehended in the Southern Ocean ^(b)	–	0	NA
Number of sightings of potentially illegal foreign fishing vessels in Australian northern waters ^(c)	–	7,910	NA
Number of detections and interceptions of suspected illegal entry vessels ^(b)	–	–	NA
Number of IMAs intercepted at sea (including ship's crew) ^{(b)(d)}	–	–	NA
Number of apprehensions of illegal foreign fishing vessels ^(e)	45	26	✗
Number of illegal foreign fishers apprehended and processed	400	169	✗
Percentage of reported vessels risk assessed at first port	100%	100%	✓
Percentage of high risk vessels where targeted operational responses were performed	100%	100%	✓
Number of reported vessels subject to targeted intervention activities ^(b)	–	6,802	NA
Number of mainland IMAs responded to and processed ^(b)	–	–	NA
Number and weight of illicit drug detections ^(b)	–	25,347 Detections of which 11,316 major illicit drugs and precursors—4196.48 kg weight ^(f)	NA
Percentage of referrals accepted for investigation ^(g)	18–25%	27.6%	✓
Percentage of high-priority cases accepted for investigation	80–90%	100%	✓
Percentage of prosecution briefs completed that resulted in a conviction ^(g)	85–95%	88.5%	✓

Kg = kilogram

IMA = Illegal Maritime Arrivals

^(a) Targets may be performance targets, service level targets or estimates.^(b) Performance cannot be forecast reliably.^(c) Sightings of Type 3 and Type 4 fishing vessels are generated from reports by Border Protection Command surveillance units, including ACBPS and Defence Force. The number of sightings cannot be forecast through any reliable statistical or other method.^(d) This includes IMAs transferred to Australian Government authorities in Australian Territory.^(e) The total number of apprehensions by ACBPS and Defence Force assets.^(f) 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.^(g) This indicator refers to prosecution briefs prepared by the Service and dealt with by the courts. 'Conviction' includes guilty verdicts where no conviction is recorded.^(h) Estimated weight values for performance and image enhancing drugs (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.

Table 3: Explanation of shortfall against target in Programme 1.1

DELIVERABLE OR KPI NOT MET	EXPLANATION OF SHORTFALL
Processing of international passengers (air and sea): Arrivals and Departures	While international traveller numbers for arrivals and departures continue to grow (6.7 per cent growth on the previous year), the actual figures are slightly below the forecast figures. Factors including increased fuel prices and an uncertain global economy contributed towards forecasts not reflecting actual numbers of travellers arriving and departing Australia.
Total number of eligible travellers who presented at SmartGate kiosk	Presentation rates continue to increase and although there was a shortfall in achieving the target, there was an overall increase in the presentation rates compared to the previous year. International Airports have continued to deploy various measures such as improvements to signage and way finding to meet the KPI target.
Total number of eligible travellers who successfully cleared SmartGate	Contributing factors include Perth Airport experiencing a 100 per cent reduction in automated systems for a two month period due to airport building activity and Sydney and Brisbane Airports experiencing minor system interruptions due to construction activities.
Commercial contracted satellite (square nautical miles)	There was a shortfall in collection of 0.83 million nm ² as a consequence of the failure of the RADARSAT 1 space vehicle. The RADARSAT 2 space vehicle has been used for all subsequent collection but was not sufficient to meet the target.
Ashmore Vessel (station and steaming days)	There was a shortfall in station and steaming days completed by the Ashmore vessel as the contract for ACV <i>Ashmore Guardian</i> terminated in December 2013, and ACV <i>Thaiyak</i> will not begin operations until September 2014. As the contract to build ACV <i>Thaiyak</i> was signed after PBS targets were agreed, the Ashmore Vessel target included only an estimate of station and steaming days achievable by ACV <i>Thaiyak</i> this financial year—due to the length of contract negotiations and the program agreed by ACBPS and the contracted ship builder, it was not possible to meet this estimate.
ACBPS Marine Unit (patrol days)	This 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> and crew shortages, particularly in relation to critical skills and maintenance issues.
Number of apprehensions of illegal foreign fishing vessels	Foreign Fishing Vessel (FFV) apprehensions were below PBS target as a consequence of the deterrent effect of our surveillance and enforcement efforts that has pushed illegal foreign fishing outside of the Australian Exclusive Economic Zone (EEZ). Focused operations resulted in more than three times as many apprehensions compared to the previous financial year (2012–13: 7, 2013–14: 26).
Number of illegal foreign fishers apprehended and processed	There were fewer apprehensions of illegal foreign fishers than expected as an outcome of targeted and effective patrolling that deterred incursions. While the target for the number of apprehended illegal foreign fishers has not been achieved, there has been a significant increase in the number of apprehensions compared to the previous year. ACBPS continues to work in conjunction with the Australian Fisheries Management Authority (AFMA) who has carriage for the illegal foreign fishing activity.

Operation Sovereign Borders Joint Agency Task Force

On 18 September 2013, OSB JATF commenced as a military-led, border security operation established to ensure a whole-of-government effort to combat maritime people smuggling.

OSB is supported by a wide range of Federal Government agencies. It comprises a headquarters and three operational task groups:

- ▶ Disruption and Deterrence Task Group—led by the Australian Federal Police (AFP)
- ▶ Detection, Interception and Transfer Task Group—led by Border Protection Command (BPC)
- ▶ Offshore Detention and Returns Task Group—led by the DIBP.

The OSB JATF headquarters was established on 1 October 2013 and is located in the Service's Central Office. ACBPS played an integral role in establishing the OSB JATF with substantial functions and ACBPS officers transferred into the OSB JATF headquarters to enable it to commence early operations. BPC has been critical to the operational success of the OSB JATF. As at 30 June 2014, the OSB JATF headquarters is made up of 49 officers from nine contributing agencies.

OSB JATF highlights the Service's key role in border protection, as well as the benefits of a collaborative and integrated approach to border challenges. As a result of the joint agency approach, it has been approximately six and a half months since a boat has arrived in Australia and there have been no deaths at sea. There has been a significant decline in the willingness of potential illegal immigrants to travel this way and renewed public confidence in the management of Australia's border.

Substantially changing the irregular flow toward Australia requires continued vigilance and drawing down the pool of potential illegal immigrants in transit countries will require years of collective regional effort.

Expanding the use of automated border control systems

The *Blueprint for Reform 2013–2018* highlighted the need to expand the use of automated border control systems, providing more travellers with options for self-processing.

In 2013–14, this was achieved through three key streams of activity:

- ▶ strengthening existing capabilities—projects in this stream have improved the stability of the existing

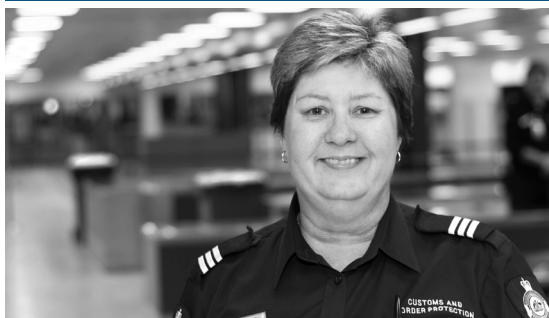


Figure 10: **Leesa Catto**
Duty Manager
Melbourne Airport

As a Duty Manager at Melbourne Airport Leesa's days are never dull. As there is no curfew at Melbourne Airport, it is open for business 24 hours a day. Leesa's role is to manage the day-to-day operations and ensure that the Airport is appropriately addressing all aspects of risk. The role entails significant liaison with partner agencies including the Australian Federal Police (AFP), Department of Agriculture and Department of Immigration and Border Protection (DIBP), and key stakeholders such as Melbourne Airport Management and airlines. This liaison is crucial to ensure operations across the airport run smoothly and efficiently. Leesa spends as much time as possible "on the floor" at the airport to support and assist officers, noting that investing time to develop officers and create a professional Service is an essential part of any management role. One of the highlights of Leesa's 28 year career in the Service was the move to Airport Operations in June 2012, having previously worked there in 1987. Leesa has found her current role to be both the most rewarding and challenging role of her career to date. When Leesa transferred from the then Passenger Processing Branch to Inland Revenue in 1987, she knew that she wanted to return to the Airport Operations environment but never envisaged that it would be 25 years before she returned. Those 25 years were well spent preparing her for her current role.

In a previous role, Leesa worked at the Geelong District Office, where she enjoyed participating in a number of interesting operations, and on one occasion travelled to New Zealand to process passengers on a cruise ship en-route to Melbourne. Leesa's work with the Service has also taken her to Darwin, where she filled an Acting Manager's role in 2011.

Leesa is very proud to be an ACBPS officer and finds it difficult to single out one thing in particular that she likes the most about working for the Service. The opportunity to experience a variety of interesting roles and environments alongside fantastic people is one of the obvious benefits. Another is having the opportunity to influence and contribute to the Service during such an important organisational transition.

technical platform, increased essential maintenance, improved system performance and provided better reporting capabilities

- increasing self-processing throughput/uptake rates—projects in this stream have increased the number of travellers who self-process
- extending functionality—projects in this stream include extending eligibility to other nationalities and overcoming impediments to SmartGate usage.

Additional SmartGate facilities were installed in Sydney in September 2013, in Perth in November 2013, and in Brisbane in June 2014.

The Service has extended eligibility to use SmartGate to more nationalities. The system can now be used by Australian, New Zealand, Singaporean, United States of America (USA) and United Kingdom (UK) ePassport holders under permanent arrangements and by Swiss ePassport holders under trial arrangements. The Service anticipates that eligibility will continue to be extended to a range of other nationalities over the next two years.

The reform initiatives relating to the modernisation of the traveller business processes and systems are discussed further under the Cross Programme Strategies section on page 50.

Combating piracy and armed robbery against ships in Asia

The declaration of Australia as the 19th Contracting Party to the Regional Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP), in August 2013, was a significant milestone in strengthening the Service's ability to generate awareness of activity in Australia's maritime domain and its efforts to mitigate, or eliminate the risks posed by security threats including piracy, robbery and violence at sea. In March 2014, Rear Admiral Michael Noonan, AM RAN, Commander BPC, attended the 8th ReCAAP Governing Council meeting in Singapore, the first time Australia attended this meeting as a full member. Being a contracting party to ReCAAP allows BPC additional avenues to liaise with a range of foreign governments' operational maritime security agencies to enhance cooperation and strengthen not just awareness and security in Australia's maritime domain, but more broadly strengthen maritime security in the region.

The interaction with other operational maritime security agencies presents opportunities for knowledge exchange with countries developing and improving their border protection and maritime security operations. BPC continues to generate awareness of activity in Australia's maritime

domain, mitigate or eliminate risks posed by security threats, and support whole-of-government efforts to protect Australia's borders.

Illegal foreign fishing in northern waters

Illegal foreign fishing in Australia's northern waters remains a threat to Australia's unique marine life and one which BPC actively combats in cooperation with partner agencies, including AFMA.

Throughout 2013–14 illegal foreign fishing activities continued to be deterred by BPC's surveillance and enforcement activities. Sightings of illegal FFV activity south of the Provisional Fisheries Surveillance and Enforcement Line (PFSEL) remained low and consequently the number of FFV apprehensions was also low. Although sightings of vessels in Australia's waters remain low, it is essential BPC and partner agencies continue to undertake activities to protect Australia's marine life and prevent the large scale return of FFVs into Australia's waters.

In addition to strong domestic inter-agency partnerships, BPC seeks to achieve these objectives by continuing to enhance its collaboration with regional partners. This collaboration has meant issues such as illegal foreign fishing have been treated as a regional concern, fostering the strengthening of efforts to deter illegal foreign fishing at its source.

In October 2013, BPC conducted a targeted apprehension operation in partnership with Papua New Guinea (PNG) in the vicinity of Warrior Reef. This operation resulted in the apprehension of a significant number of foreign fishers, who were then transferred to PNG to be prosecuted under PNG domestic legislation. Also in October 2013, BPC collaborated with the Indonesian Ministry of Marine Affairs and Fisheries (MMAF) and the Indonesian maritime security coordinating agency, BAKORKAMLA, for the 17th coordinated patrol against illegal fishing adjacent to the Australian Exclusive Economic Zone (EEZ) and in areas of joint jurisdiction. Illegal foreign fishers tend to return to the Indonesian EEZ after illegally fishing in Australian waters, which has led to a larger number of vessels being boarded and investigated by the Indonesians.

Remaining cognisant of the threat posed by illegal foreign fishing allows BPC to focus its resources and efforts effectively in response to this and other threats present within Australia's maritime jurisdiction and contribute to whole-of-government efforts to protect Australia's natural resources.

Table 4: BPC surveillance of and response to foreign fishing vessel activity

	2011–12	2012–13	2013–14
Boardings			
Foreign Fishing Vessels ^(a)	281	279	136
Other ^(b)	27	36	53
Apprehensions ^(c)	12	7	26
Legislative forfeiture ^(d)	–	–	7

^(a) Boardings conducted by ACBPS vessels only. Does not include boardings conducted by Defence assets assigned to BPC.

^(b) Includes merchant vessels, Australian fishing vessels and other small craft boarded by ACBPS officers.

^(c) Apprehensions include those by both ACBPS and Defence assets assigned to BPC.

^(d) Legislative forfeiture (catch and equipment seizure) is conducted under legislation administered by the AFMA.

Maritime domain awareness across Australia's maritime jurisdiction

The Service is a key participant in whole-of-government efforts to prevent, detect and respond to illegal activity in our maritime zones. With one of the largest maritime jurisdictions in the world, covering 11 per cent of the ocean's surface, we employ an intelligence-led approach to our operations to enable the targeted deployment of maritime assets. Established and evolving regional networks continue to aid in stopping threats at their source and in providing forums for the exchange of information on illicit activities of mutual concern.

Maritime operations are supported by operational and tactical information systems, including core business tools such as the Australian Maritime Identification System (AMIS). Through AMIS, Border Protection Command (BPC) maintains comprehensive awareness of civil maritime traffic across our maritime environment and can actively arrange assets in a layered approach to surveillance and enforcement operations.

A principal component of AMIS, the Australian Maritime Threat Risk Assessment Capability (AMTRAC) supports the wider intelligence-led, management strategy. Automated advanced profiling identifies both present and emerging threats along the border continuum. AMIS, AMTRAC and other ACBPS capabilities, together with those of our partner agencies, enable BPC to bring together all available maritime intelligence and track data in combating the eight civil maritime security threats.

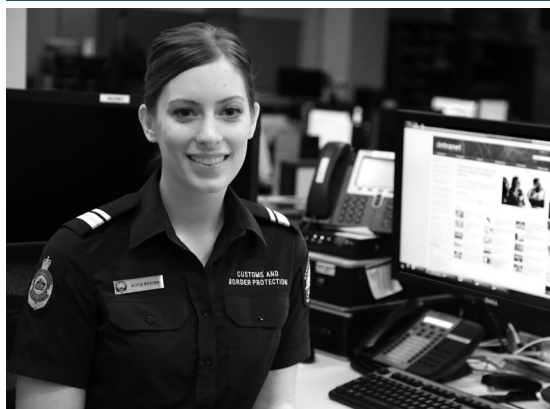


Figure 11: Alycia Bowden
Duty Operations Manager
Border Protection Command

Alycia's role in BPC enables her to work within a team environment on key maritime security objectives. Alycia says: "While you never know exactly what might happen each day or night at BPC, my core duties are to plan, oversee and deliver BPC's daily tactical surveillance and response operations. This includes working closely with our Australian Defence Force (ADF) colleagues at BPC's Darwin headquarters to achieve an enhanced level of maritime domain awareness and deploy maritime assets to effectively meet the threat".

Alycia notes that working as part of the strategic planning team during the introduction of OSB JATF operational policies was an incredible experience. The intimate policy knowledge she gained from this involvement has proven invaluable when overseeing its operational implementation. Alycia's role as an Operations Manager has also given her an insight into the extreme lengths that ACBPS and ADF officers will go to in order to protect life at sea. Alycia says that it has been wonderful to witness the impressive efforts of our officers out on the water, and in headquarters, being recognised at the inaugural Chief Executive Officer (CEO) Awards Ceremony.

In 2013 Alycia had the opportunity to be seconded to the Attorney-General's Department to work on the ACBPS Reform Board Secretariat. Being so close to the development of the Service's Reform Programme, and hearing the experiences of eminent Australians who had taken the same steps of reform in their own respective industries was enlightening and humbling. Alycia considers the opportunity to be part of the planning for the Service's future as something she will always remember, and looks forward to seeing the reform measures come to full fruition.

Cocos (Keeling) Islands radar

Following the success of the Christmas Island radar in providing increased maritime awareness surrounding the approaches to the island, the Service is focused on providing a similar capability for the Cocos (Keeling) Islands Territory (CKI). The Christmas Island radar provided additional benefits to the local Island community by provisioning the tower with local Internet Service Provider antennas and base stations, thereby providing internet access to the local hospital and light industrial area. A project is now underway, with the help of the Indian Ocean Territories Administration, to have a semi-permanent radar and Automatic Identification System (AIS) transceiver deployed to CKI. The radar and AIS will increase maritime domain awareness by providing visibility of vessels approaching the entrance to the Islands, allowing for a more efficient response to maritime incidents. This will assist AFP officers on the island in the event of a search and rescue requirement. The radar will draw heavily on the expertise of the Defence Science Technology Organisation (DSTO) and also draw on the Royal Australian Air Force (RAAF) for heavy airlift support.



Figure 12: BPC officer assessing data on AMIS



Figure 13: **Simon Luck**
Manager, Maritime Command Support
and Sensor Systems
Border Force Division

Simon commenced work with the Service in 2003 and now works in Border Force Division, with responsibility for maintaining the network of information communication technology equipment fitted to maritime assets including *Cape Class*, *Bay Class*, ACV *Thaiyak* and contracted vessels. These systems provide a critical capability which assists seagoing Marine Unit officers in performing their role.

Currently Simon is working on the establishment of a radar site on Cocos (Keeling) Islands to provide increased maritime domain awareness in the approaches to the island. This is a project with many logistical challenges relating to delivery of equipment and longer term support.

Simon has also been the Project Manager for the Sentinel project, which initiated the Surveillance Information Management (SIM) system. SIM, which facilitates the real time tracking of surveillance aircraft and imagery feedback, was the first successful deployment of satellite broadband in the South Pacific region and the first deployment of its type in a rotary wing aircraft. He also played a key role in the development and implementation of the Christmas Island radar in conjunction with the Defence Science and Technology Organisation (DSTO). The radar has been successful in detecting and tracking vessels approaching the island and has been used to cue Navy and ACBPS response vessels for targeted interception.

Simon reflects upon his time in the Service, saying: "I have been fortunate enough to travel a lot domestically and internationally and have learned that the challenges faced in protecting a nation's borders are global—only through collaboration and cooperation do we succeed. Maintaining partnerships both domestically and internationally and the quality of our people is what make the Service work so well."

Enhanced civil maritime security capabilities

In October 2013, the Service took delivery of the first of eight *Cape Class* vessels, the Australian Customs and Border Protection Vessel (ACV) *Cape St George*, with the second vessel ACV *Cape Byron* being named and accepted in May 2014. The *Cape Class* fleet significantly enhances the Service's maritime security capabilities, and are designed to meet the Service's maritime law enforcement role. The remaining six vessels are scheduled for delivery by August 2015.

In December 2013, it was announced in the Mid-Year Economic and Fiscal Outlook 2013–14 that additional funding of \$81.2 million would be provided for civil maritime security capabilities in Australia's northern waters in three key areas:

- ▶ extension of current leases for ACV *Triton* and ACV *Ocean Protector* to 31 December 2014
- ▶ extension of the current lease for the Reims aircraft to 30 June 2015 and an increase to flying hours for existing Dash 8 aircraft to 30 June 2017
- ▶ extension of AMIS capability.

- ▶ Further to the above measures, the Service officially accepted ACV *Thaiyak* in June 2014. The vessel will commence operations in September 2014, providing a near-permanent capability at Ashmore Reef in order to protect the Ashmore Reef National Nature Reserve and Cartier Island Marine Reserve. ACV *Thaiyak* will guard against the threats of environmental degradation, illegal fishing and people smuggling by enhancing surveillance and enforcement activities undertaken by ACBPS aircraft and patrol boats under the operational control of BPC to protect Australia's offshore maritime areas.



Figure 14: ACV *Thaiyak*

Maritime Powers Act 2013

In 2013–14, the Service continued the comprehensive review of its enabling legislative and regulatory frameworks. One such example is the *Maritime Powers Act 2013* (Maritime Powers Act), which commenced on 27 March 2014. The Maritime Powers Act consolidates maritime enforcement powers across multiple Acts into a single Act, enabling consistent use of these powers by all on water enforcement agencies. These comprehensive powers allow for the enforcement of a diverse range of Australian laws, such as illegal foreign fishing, customs, migration, quarantine and drug trafficking, as well as international agreements and decisions. Under the administrative arrangements orders, the Service will be the administering government agency for the Maritime Powers Act.

Fighting serious border crime—Strategic partnership with the AFP

In 2013–14 the Service detected 430 cases of undeclared currency at the border, predominantly for passengers arriving and departing Australia by air. The amount of undeclared currency detected was \$16,710,903. Of these, 300 were incoming detections and 130 were outgoing detections. As a result, 167 fines were issued. There are a number of ongoing AFP investigations resulting from detections of undeclared cash at the border.

An early reform initiative delivered in 2013–14 was the creation of a new strategic partnership between the Service and the AFP. This strategic partnership provides a collaborative approach to combating serious border crime and reinforces the operational links between both agencies. This strategic partnership combines the skills, intelligence and investigative resources of both agencies to achieve practical operational outcomes, such as the development of a national firearms referral process and the piloting of a Joint Triage and Decision Making Model (the Triage Model).

The Sydney pilot of the Triage Model formally concluded on 31 October 2013 and has continued to operate as business as usual since that time. Both agencies strongly agreed the Sydney pilot proved effective in delivering an enhanced and collaborative approach to tackling crime at the border. The Triage Model was rolled out nationally in 2014, resulting in all significant drug and firearm detections at the border being jointly assessed by the Service and AFP to determine the most effective operational response.

The strategic partnership was further strengthened in August 2013 with the announcement of a permanent secondment of a senior AFP officer, Commander John Beveridge, to the Service's Investigations Branch. John has a range of enforcement and investigation responsibilities, provides a direct link between the agencies, and was responsible for embedding the new Firearms Referral process and the Triage Model.

Table 5: Summary of investigations

	2011–12	2012–13	2013–14
Referrals received ^(a)	2,746	3,000	2,635
Cases adopted	506	567	612
Cases completed:			
with prosecution (through courts)	157	152	130
without prosecution	327	305	299
Cases where prosecution briefs completed	176	116	106

^(a) This figure includes referrals assessed as not meeting case priority threshold.

Table 6: Number of undeclared detections of conventional^(a) firearms and disposals, 2011–12, 2012–13, 2013–14

	FIREARMS, PARTS AND ACCESSORIES			REPLICAS, AIR GUNS, PARTS AND ACCESSORIES		
	2011–12	2012–13	2013–14	2011–12	2012–13	2013–14
Detections of undeclared items	1,344	2,403	1,737	3,984	4,084	5,668
Disposals	105	586	151	2,403	2,711	4,190

^(a) The term 'conventional firearms' does not include firearm categories such as imitations, airguns, BB Guns and paintball guns, but includes all other firearms.



Figure 15: Amy Biggs
Team Leader, Victorian Detector Dog Unit
Border Force Division

Amy's role in the Service's Detector Dog Unit provides her with the opportunity to lead a team of four dog handlers and their Narcotic Detector Dogs. Amy also handles a Firearms and Explosive Detector Dog called Voodoo.

"Working for the ACBPS and being positioned at the Victorian Detector Dog Unit has given me a lot of satisfaction in training, developing and working with dogs," Amy said.

Amy's time in the Detector Dog Programme has allowed her to develop her dog handling and supervisory skills, enabling her to progress from a Level 1 dog handler to a team leader within the Detector Dog Programme. Amy enjoys the hands-on role and the interactive relationships built between team members and the dogs.

One of Amy's career highlights so far, includes media appearances that provide an opportunity to inform the Australian community about the important work of the Service and the Detector Dog Programme.

Tobacco detections in sea cargo and amount of duty evaded

Table 14 provides details on the number of detections, physical quantities, value (in terms of duty evaded) and the equivalent tobacco weight of illicit tobacco intercepted by ACBPS in the sea cargo environment since 1 July 2011.

Table 14: Tobacco detections in sea cargo and amount of duty evaded

	2011–12	2012–13	2013–14
No. of detections	45	76	81
Tobacco (tonnes)	177	183	178
Cigarettes (millions of sticks)	141	200	147
Duty evaded (\$ million)	125	151	139
Equivalent tobacco weight (tonnes)	290	343	296

Intelligence reform

Transformation of our intelligence function into a professional, agile service deliverer has been a key pillar of our overall ACBPS Reform Programme to deliver an intelligence-led Service.

ACBPS intelligence reform has focused on putting in place the essential foundations to best position us to meet future border challenges. We have:

- ▶ enhanced intelligence governance through development of intelligence operating principles, intelligence priorities, a distinct and client-focused product suite, and a customer engagement strategy
- ▶ sharpened and expanded our intelligence capability to deliver intelligence support at operational and tactical levels
- ▶ delivered an information environment strategy to guide future information management activities.

Reforms of the intelligence function, particularly capability enhancements in areas such as analytics and supporting technologies, will continue and dovetail with work underway to create the Australian Border Force (ABF).

National Border Targeting Centre



Figure 17: NBTC Logo

In 2013–14, the Service continued to progress towards the sophisticated intelligence function outlined in the *Blueprint for Reform 2013–2018*.

Throughout the reporting period the Service has progressed longer-term planning for the National Border Targeting Centre (NBTC), including the design of a multi-agency facility to enable joint planning of operations using shared information and systems, which will provide a nationally coordinated, whole-of-government approach to operational border risk assessment and targeting.

On 1 July 2014, the Service established an interim NBTC to improve existing targeting processes and capabilities, enabling the Service and partner agencies to increasingly work ahead and across the border continuum.

The NBTC will become the central hub of connectivity that fuses critical data and information from across nine agencies to provide a national operational picture, showing all the moving parts, including both legal and illegal activity at the border. The NBTC will have the ability to provide real-time intelligence and targeting information to the newly established Strategic Border Command (SBC), which provides national coordination of the Service's operational activity.

The NBTC will also work collaboratively with regional partners and targeting centres in the USA, Canada, the UK and New Zealand to improve knowledge of criminal syndicates with international links and disrupt criminal activity ahead of the Australian border.

**“Our united effort will mean the NBTC will improve our ability to work together to identify and deal with the border risks posed by an ever increasing number of travellers and goods.” — John Gibbon,
National Manager, NBTC**

Domestic and international intelligence collaboration

In 2013–14, the Service significantly enhanced its domestic and international intelligence partnerships, with over 30 analysts out-posted to partner agencies or working in joint task forces.

ACBPS has analysts out-posted with Commonwealth and State law enforcement partners to deepen collaboration on the identification of serious and organised criminal networks impacting the safety and security of Australia. Out-posted analysts significantly enhance intelligence sharing and collaboration by increasing each agency's respective access to intelligence and information holdings. These arrangements also deepen the Service's understanding of transnational organised crime syndicates and their methodologies, providing insight into opportunities to more effectively target and intervene at the border.

In February 2014 two ACBPS Intelligence officers were posted to the United States Customs and Border Protection Agency (USCBP) to enhance joint intelligence capabilities and engagement between the two organisations. These officers will assist in developing processes to support the ongoing and increased sharing of information and the creation of a framework for cooperative targeting and assessment between Australia and the USA.



Figure 16: Nathan Matheson
Senior Customs Officer,
Intelligence Collection Queensland
Intelligence Division

Nathan joined the Service in 2006. Starting his career in Darwin, he has since worked in a variety of roles and regions, including working in Canberra as part of the National Security Intelligence Dissemination Team and on Christmas Island as a member of the Maritime People Smuggling Intelligence Collection Joint Intelligence Group.

Nathan currently works in the Intelligence Division in Queensland. As the Service's Liaison Officer to the Queensland Police Service (QPS), Nathan plays a critical role in ensuring that information and intelligence is effectively shared with QPS.

Nathan is currently attached to the G20 Intelligence Group, a multi-agency team within QPS where he provides expertise with border-related intelligence. The G20 Leaders Summit is the largest peacetime security operation in Australia's history and Nathan is proud to be representing ACBPS at the event. Despite the busy and demanding nature of his role, Nathan enjoys the daily challenges and describes his role as his dream job. He finds satisfaction in his job and feels as though he is making a positive contribution.

Drugs and precursor statistics

The risks posed by the movement of illicit drugs and precursors across the Australian border remains high and is considered part of our core business. In 2013–14 the Service continued to protect the Australian community through the detection of illicit drugs and precursor chemicals at the border. Organised crime thrives on the profits generated from the illicit drug market. The entrenched and evolving market for the production, distribution and use of methamphetamine is currently a national concern (particularly the use of crystalline methamphetamine, commonly known as 'ice'). Our intelligence-led approach is critical to focusing our resources to where the risk is highest and we play a critical role in helping to address this national priority.

This year, a notable trend was a reduction in the number of illicit drug importations through the international mail environment in the latter months of 2013. Amphetamine-type stimulants (ATS) continued to be the most detected illicit drug at the Australian border, particularly methamphetamine, indicating popularity amongst Australia's illicit drug consumption market. The majority of ATS detections occurred in the cargo and postal environments and, to a much lesser extent, the air passenger stream. For the second successive year, detection rates of ready-to-use ATS significantly increased, however overall weight decreased suggesting that drug syndicates may be attempting to import smaller quantities of drugs more frequently.

Table 7: Drug detections by mode of importation

	2011–12	DETECTIONS 2012–13	2013–14	2011–12	WEIGHT (KG) ^(a) 2012–13	2013–14
Air passengers and crew						
Cannabis	31	31	42	1.65	2.30	0.57
Cocaine	25	25	23	58.91	41.29	147.37
Heroin	18	37	22	18.40	88.36	56.03
MDMA (ecstasy)	3	1	8	0.07	0.08	7.64
ATS ^(b)	40	72	74	19.45	79.26	170.96
Precursors ^(c)	158	173	219	262.02	215.63	125.44
PIEDs ^(d)	412	483	390	–	–	–
Other ^(e)	617	790	755	–	–	–
Cargo and postal^(f)						
Cannabis	2,628	3,597	2,798	15.29	19.25	157.5
Cocaine	952	1,978	1,488	420.41	358.40	96.7
Heroin	161	199	158	237.77	424.53	62.86
MDMA (ecstasy)	961	4,138	3,239	11.88	149.19	87.18
ATS ^(b)	1,038	1,927	2,293	328.14	2,059.28	1,641.39
Precursors ^(c)	868	987	951	1,817.20	1,713.94	1,641.34
PIEDs ^(d)	8,313	9,875	6,495	–	–	–
Other ^(e)	5,617	6,327	6,391	–	–	–
Shipping and aircraft^(g)						
Cannabis	–	1	–	–	0.00	–
Cocaine	2	–	1	306.40	–	1.50
Heroin	–	1	–	–	0.94	–
MDMA (ecstasy)	–	–	–	–	–	–
ATS ^(b)	–	–	–	–	–	–
Precursors ^(c)	–	–	–	–	–	–
PIEDs ^(d)	–	–	–	–	–	–
Other ^(e)	–	–	–	–	–	–

continued

Total number of detections by drug type						
Cannabis	2,659	3,629	2,840	16.94	21.55	158.07
Cocaine	979	2,003	1,512	785.72	399.69	245.57
Heroin	179	237	180	256.17	513.82	118.89
MDMA (ecstasy)	964	4,139	3,247	11.95	149.27	94.82
ATS ^(b)	1,078	1,999	2,367	347.59	2,138.54	1,812.35
Precursors ^(c)	1,026	1,160	1,170	2,079.22	1,929.57	1,766.78
PIEDs ^(d)	8,725	10,358	6,885	–	–	–
Other ^(e)	6,234	7,117	7,146	–	–	–

ATS = amphetamine-type stimulants

MDMA (ecstasy)=3,4-methylenedioxymethamphetamine

PIEDs = performance and image enhancing drugs

Kg = kilogram

^(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 ATS, 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: The significance of an offence is based on the classification in the Customs Act 1901 (the Customs Act). Figures may vary from those previously published due to adjustments arising from administrative corrections, subsequent chemical analysis and further information received from the AFP. Detections subject to ongoing investigations (including controlled deliveries) might not appear.

Table 8: Number and weight of amphetamine-type stimulants and crystalline methamphetamine (ice) detections

	DETECTIONS			WEIGHT (KG) ^(A)		
	2011–12	2012–13	2013–14	2011–12	2012–13	2013–14
ATS ^(b)	907	915	988	187.39	692.30	376.98
Crystalline methamphetamine (ice) ^(c)	171	1,084	1,379	160.20	1,446.24	1,435.36

ATS = amphetamine-type stimulants

Kg = kilogram

^(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 9: Number and weight of precursor-type drugs by mode of importationⁿ

	2011–12	DETECTIONS 2012–13	2013–14	2011–12	WEIGHT (KG) ^(a) 2012–13	2013–14
Air passengers and crew						
Precursor for ATS ^(b)	155	172	218	261.98	215.51	125.41
Precursor for LSD ^(c)	1	–	–	0.03	–	–
Precursor for GHB (fantasy) ^(d)	–	–	1	–	–	0.03
Precursor for MDMA (ecstasy) ^(e)	2	1	–	0.01	0.12	–
Other	–	–	–	–	–	–
Cargo and postal^(f)						
Precursor for ATS ^(b)	805	886	817	1,485.87	1,485.49	1,379.83
Precursor for LSD ^(c)	1	4	7	0.00	0.08	0.16
Precursor for GHB (fantasy) ^(d)	47	74	103	88.57	219.97	252.56
Precursor for MDMA (ecstasy) ^(e)	7	11	4	240.17	7.86	1.24
Other	8	12	20	2.59	0.54	7.54
Total number of interceptions of precursor type drugs						
Precursor for ATS ^(b)	960	1,058	1,035	1,747.85	1,701.00	1505.24
Precursor for LSD ^(c)	2	4	7	0.03	0.08	0.16
Precursor for GHB (fantasy) ^(d)	47	74	104	88.57	219.97	252.59
Precursor for MDMA (ecstasy) ^(e)	9	12	4	240.18	7.98	1.24
Other	8	12	20	2.59	0.54	7.54

ATS = amphetamine-type stimulants

GHB = gamma-hydroxybutyrate (fantasy)

LSD = lysergic acid diethylamide

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

Kg = kilogram

^(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 ATS 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 3,4-methylenedioxyamphetamine (MDA) or 3,4-methylenedioxy-N-ethylamphetamine (MDEA), and includes piperonal, safrole, isosafrole, and 3,4-methylenedioxyphenyl-2-propanone (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 10: Number and weight of precursor-type drugs by mode of importationⁿⁿ

	2011–12	2012–13	2013–14
Air passengers and crew			
Steroids	373	415	308
Hormones ^(a)	39	68	82
Cargo and postal^(b)			
Steroids	5,752	6,399	5,019
Hormones ^(a)	2,561	3,476	1,476
Other^(c)			
Steroids	–	–	–
Hormones ^(a)	–	–	–
Total			
Steroids	6,125	6,814	5,327
Hormones^(a)	2,600	3,544	1,558

^(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.

⁽ⁿⁿ⁾ 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 11: Total number of detections and weight by drug types

	DETECTIONS			WEIGHT (KG) ^(a)		
	2011–12	2012–13	2013–14	2011–12	2012–13	2013–14
Commercial						
Cannabis	–	–	1	–	–	125.90
Cocaine	24	17	18	725.09	342.92	163.33
Heroin	22	24	22	217.58	476.10	76.92
MDMA (ecstasy)	3	1	24	4.20	117.00	47.91
ATS ^(b)	44	139	415	299.72	2,056.15	1632.57
Marketable						
Cannabis	2	16	24	0.07	1.48	1.10
Cocaine	847	1,271	1,078	60.53	56.03	81.82
Heroin	136	144	124	38.57	37.66	41.94
MDMA (ecstasy)	929	4,051	3,165	7.75	32.25	46.90
ATS ^(b)	907	1,300	1,630	47.75	81.88	179.49
Less than marketable						
Cannabis	2,657	3,613	2,815	16.88	20.07	31.07
Cocaine	108	715	415	0.11	0.75	0.42
Heroin	21	69	34	0.02	0.06	0.02
MDMA (ecstasy)	32	87	58	0.01	0.02	0.01
ATS ^(b)	127	560	322	0.12	0.52	0.28
Total number drug detections						
Cannabis	2,659	3,629	2,840	16.94	21.55	158.07
Cocaine	979	2,003	1,512	785.72	399.69	245.57
Heroin	179	237	180	256.17	513.82	118.89
MDMA (ecstasy)	964	4,139	3,247	11.95	149.27	94.82
ATS ^(b)	1,078	1,999	2,367	347.59	2,138.54	1,812.35

ATS = amphetamine-type stimulants

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

Kg = kilogram

^(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. 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.

PBS programme 1.2: Border Management

The Border Management Programme supports ACBPS's mission of facilitating legitimate travel and trade, and preventing regulated, restricted, prohibited or high risk goods entering Australia. The Border Management Programme consists of four divisions including Trade and Customs, Integrity, Security and Assurance and Technology and Support.

Regulatory functions including compliance activities, some risk assessment and intelligence activities—assurance activities relating to border management legislation and policy also fit within this programme. Industry and international engagement, as well as the provision of trade-related advice and licences, also make a significant contribution to this programme.

The Border Management Programme comprises a range of business functions that were previously reported under programmes 1.1 to 1.3—Passenger Facilitation, Trade Facilitation, Border Protection and Enforcement.

The Border Management Programme contributes to the protection of Australia's border through:

- ▶ strategy, legislation and policy that supports the movement of travellers and trade across the border, enables the collection of duties and taxes and supports Australian industry
- ▶ improving economic competitiveness and productivity by fostering rapid movement and border entry or exit
- ▶ undertaking domestic and international engagement to support the development and delivery of customs and trade strategy, policy and systems and delivery of border management services
- ▶ ensuring compliance with border controls and the requirements of systems and processes.

REPORT AGAINST THE PBS

Table 12: Programme 1.2: Border Management—performance against PBS targets, 2013–14

DELIVERABLES	TARGET ^(a)	ACTUAL	TARGET MET
Customs broker licences^(c):			
number of applications received ^(b)	–	109	NA
number issued ^(b)	–	60	NA
Customs depot licences^(c):			
number of applications received ^(b)	–	99	NA
number issued ^(b)	–	81	NA
Customs warehouse licences^(c):			
number of applications received ^(b)	–	46	NA
number issued ^(b)	–	33	NA
Number of tariff classification, valuation and rules of origin advices completed ^(b)	–	2,629	NA
Number of anti-dumping / countervailing investigations, reviews, accelerated reviews, continuations, reinvestigations and duty assessments:	–	145	NA
received ^{(b)(d)}	–	–	NA
finalised ^{(b)(d)}	–	113	NA
Compliance assurance activity^(c):			
number of customs cargo control and compliance checks ^{(b)(e)}	–	53,937	NA
targeted import / export declaration lines assessed post-transaction ^(f)	7,500	29,128	✓
targeted import / export declarations assessed pre-clearance ^(b)	–	143,298	NA
import / export declarations assessed pre-clearance through general monitoring programme	7,000	7,156	✓
import / export declaration lines assessed as a result of voluntary disclosures ^(b)	–	630,092	NA
Number of customs import declarations finalised	3.6m	3.6m	✓
Number of export declarations finalised	1.30m	1.36m	✓
Number of imported air cargo consignments reported	33.3m	30.6m	✗
Number of imported sea cargo manifest lines reported ^(g)	2.9m	2.9m	✓

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

^(b) Performance cannot be forecast reliably.

^(c) These measures appear in both programmes 1.2 and 1.3 as they support both programmes.

^(d) 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.

^(e) Customs cargo control and compliance activity conducted at wharves, airports, depots, warehouses, cargo terminal operators and 'other'. 'Other' premises are those premises subject to intervention which are not licensed customs premises or Cargo Terminal Operations (CTOs). They could include for example a vessel.

^(f) This includes company audit activity.

^(g) The description of the measure has been refined to the 'Number of Imported Sea Cargo Reports' in the 2014-15 PBS to more accurately reflect the statistic while maintaining the historical series.

KEY PERFORMANCE INDICATORS	TARGET ^(a)	ACTUAL	TARGET MET
Proportion of tariff classification, valuation and rules of origin advices completed in accordance with client service standards	85%	21.11%	×
Proportion of anti-dumping / countervailing investigations, reviews, continuations and duty assessments completed within 155 days or timeframe as extended by the Minister ^(b)	100%	100%	NA
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> ^(b)	–	8	NA
Number of external merit and judicial review applications finalised that overturned an ACBPS administrative review decision where the duty was paid under protest ^(b)	–	1	NA
Proportion of cargo (total bills) reported in line with legislated timeframes:			
sea cargo ^(b)	–	91.4%	NA
air cargo ^(b)	–	92.3%	NA
Number of infringement notices served ^{(b)(c)}	–	494	NA
Proportion of customs broker licence applications processed in accordance with client service standards ^(c)	100%	95.0%	×
Proportion of depot licence applications processed in accordance with client service standards ^(c)	100%	97.5%	×
Proportion of warehouse licence applications processed in accordance with client service standards ^(c)	100%	100%	✓
Proportion of compliance activities identifying a significant control breach ^(c) :			
customs cargo control and compliance checks ^{(b)(d)}	–	16.6%	NA
targeted import / export declaration lines assessed post-transaction ^{(b)(e)}	–	71.7%	NA
targeted import / export declarations assessed pre-clearance ^(b)	–	10.1%	NA
Availability of electronic cargo systems to ACBPS clients (excluding scheduled outages)	99.7%	99.47%	×
Proportion of electronically lodged cargo documents where a response message is transmitted within five minutes	98%	90.14%	×

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

^(b) Performance cannot be forecast reliably.

^(c) These measures appear in both programmes 1.2 and 1.3 as they support both programmes.

^(d) Customs cargo control and compliance activity conducted at wharves, airports, depots, warehouses, cargo terminal operators and 'other'. 'Other' premises are those premises subject to intervention which are not licensed customs premises or CTOs. They could include for example a vessel.

^(e) This includes company audit activity.

Table 13: Explanation of shortfall against target in Programme 1.2

DELIVERABLE OR KPI NOT MET	EXPLANATION OF SHORTFALL
Number of imported air cargo consignments reported	The target is a projection based on anticipated trade activity. The projection was overstated by 8.1%.
Proportion of tariff classification, valuation and rules of origin advices completed in accordance with client service standards	Spikes in demand combined with a backlog of requests for Tariff Advance Rulings (TA) were largely responsible for not meeting the specified service standard. There has been an overall improvement in the delivery of TA in relation to the service standard with the average days taken to complete a TA reducing from 65 for the 2012–13 financial year down to 42 in 2013–14.
Proportion of customs broker licence applications processed in accordance with client service standards	In 2013–14 licence applications were below the 100 per cent service standard. This was the result of a delay in the security vetting of one licence application and the National Customs Brokers Licensing Advisory Committee investigation process taking longer than expected for another licence application.
Proportion of depot licence applications processed in accordance with client service standards	In 2013–14 licence applications were below the 100 per cent service standard. This is a result of one site evaluation taking longer than expected.
Availability of electronic cargo systems to ACBPS clients (excluding scheduled outages)	The availability of electronic cargo systems was 0.23 per cent below the PBS Target of 99.7 per cent. ACBPS experienced difficulties with availability of the systems in May 2014. Processes have been put in place to rectify the issues.
Proportion of electronically lodged cargo documents where a response message is transmitted within five minutes	ACBPS was able to transmit 90.14 per cent response messages to electronically lodged cargo documents within five minutes, which is 8.02 per cent below the target. An increasing number of cargo documents are lodged in large batches which impacts on processing times. The most cost effective solution was to split the target to measure responses to documents lodged individually within five minutes and batched documents within 15 minutes. Industry has agreed with this new approach.

Deregulation

The ACBPS administers import permit requirements for a number of items within Schedules 3 and 13 to the *Customs (Prohibited Imports) Regulations 1956* (Customs Prohibited Imports Regulations).

While the majority of permits issued by ACBPS are for military or law enforcement purposes, items within the Customs Prohibited Imports Regulations also include laser pointers, body armour, permanently deactivated warfare goods for collectors and other weapons.

In 2013–14 a priority was to review the existing import process for low risk importers of warfare and law enforcement goods as part of the government's deregulation initiative. The existing process required importers to obtain import permits for every consignment of these goods.

After extensive consultation with members of the defence and law enforcement industry, an ongoing import permit regime for importers contracted or licensed to supply military and law enforcement goods to the ADF and State and Territory Police was developed and implemented. This initiative has been well received and the reduction in regulatory burden and cost has been conservatively assessed at more than \$27 million.

Trade Agreements

ACBPS supports and provides technical advice to the Department of Foreign Affairs and Trade in its negotiation of preferential trade agreements, which among other matters, commonly include provisions on rules of origin to determine eligibility for preferential rates of duty, ACBPS procedures and trade facilitation.

ACBPS is currently supporting a number of preferential trade negotiations, including the Regional Comprehensive Economic Partnership (RCEP), the Trans-Pacific Partnership Agreement (TPP), and the Pacific Agreement on Closer Economic Relations (PACER Plus).

During 2013–14 a number of trade agreements were concluded including the Korea Australia Free Trade Agreement (KAFTA) (8 April 2014) and the Japan-Australia Economic Partnership Agreement (JAEPA) (announced in Tokyo on 7 April 2014). Implementation of these agreements is expected to occur in 2015 and ACBPS will lead the development of necessary legislative changes to deliver the benefits of these agreements to the community.

Implementing government policy and legislation program

During 2013–14, ACBPS, working with the Treasury and the Australian Taxation Office, prepared and implemented amendments to:

- ▶ the *Customs Tariff Act 1995* to implement a series of four 12.5 per cent increases in excise and excise equivalent customs duty for tobacco and tobacco products—the first increase applied on and from 1 December 2013
- ▶ change the basis of indexation of excise and excise equivalent customs duty on tobacco and tobacco products—the first indexation according to average weekly ordinary time earnings (AWOTE) occurred on 1 March 2014
- ▶ restore the Product Stewardship for Oil Scheme to budget neutrality over the forward estimates period by increasing the rate of the levy to 8.5 cents per litre of oil or kilogram of grease from 1 July 2014
- ▶ repeal the carbon tax on imported aviation fuel with effect from 1 July 2014.

These amendments significantly contributed to delivering the government's tobacco, fuel and revenue policy agenda in 2013–14.

Intellectual property law changes

Australia has a robust legislative framework in place to address the importation of counterfeit goods. Improved border enforcement measures were introduced in April 2013 as a result of the *Intellectual Property Laws Amendment (Raising the Bar) Act 2012*. The amendments, driven by IP Australia, included simplifying the seizure process, allowing more information to be released to the rights owner on the source of the goods to prevent importers from deliberately avoiding legal action during the statutory action period. Previously, rights owners were sometimes unable to initiate legal proceedings, serve papers or obtain forfeiture because importers had made themselves unavailable during the statutory action period or had provided false details.

Since the new scheme was introduced, 99.9 per cent of seized goods suspected of being counterfeit have resulted in forfeiture of the goods—court ordered, voluntary or deemed. In contrast, before the changes only 25 per cent of seizures of counterfeit goods led to forfeiture. These changes to the legislative framework have greatly assisted ACBPS in its efforts to protect the community from the risks of counterfeit goods.

Changes to the infringement notice scheme under the *Customs Act 1901*

Infringement notices are a valuable administrative enforcement tool providing a timely and cost-efficient outcome for both the Service and the person subject of an investigation. In issuing the infringement notice, the recipient is put on notice that the Service has reasonable grounds to believe that they have contravened the law. The recipient has the option of resolving the matter immediately by paying the penalty specified in the infringement notice or having the matter determined by the relevant court.

Australian National Audit Office (ANAO) Report No 15 2011–12 included the following recommendation about the *Customs Act 1901* (Customs Act) infringement notice scheme:

“To improve the usefulness of the Infringement Notice Scheme as a mechanism for improving compliance and discouraging non-compliance, the ANAO recommends that Customs and Border Protection:

- ▶ reviews the operation of the Scheme to identify the impediments to its wider use and whether these impediments can be rectified, and if required
- ▶ seeks any necessary administrative or legislative changes to the existing scheme to improve its effectiveness.”

As part of the *Customs and AusCheck Legislation Amendment (Organised Crime and Other Measures) Act 2013*, changes to the Customs Act Infringement Notice Scheme came into effect on 1 February 2014. The legislative amendments to the Customs Act Infringement Notice Scheme were a response to this ANAO recommendation, and the Service's view, that the amount payable under an infringement notice was too low to change non-compliant behaviour.

These amendments improve the utility of the Customs Act Infringement Notice Scheme by increasing penalties to encourage greater compliance and to move some aspects of the scheme into subordinate legislation to provide some flexibility and simplification.

The following table illustrates the changes in infringement notice penalties:

Table 15: Changes in infringement notice penalties

Customs Act offence	Infringement notice penalty in lieu of prosecution of the offence before 1 February 2014		Infringement notice penalty in lieu of prosecution of the offence on or after 1 February 2014	
	Natural person	Body corporate	Natural person	Body corporate
Sections 33(2), (3) and (6) interfering with goods subject to Customs control	12 penalty units (\$2,040)	12 penalty units (\$2,040)	15 penalty units (\$2,550)	45 penalty units (\$7,650)
Offences in Traveller Environment	—	—	—	—
Section 233(1)(b) import a prohibited import	—	—	2 penalty units (\$340)	—
Section 233(1)(d) convey or possess a prohibited export	—	—	2 penalty units (\$340)	—
Section 234A(1) unauthorised entry or presence in a s.234AA place	—	—	2 penalty units (\$340)	—
Section 234AB(3) failure to comply with a direction from an officer not to use certain electronic devices	—	—	2 penalty units (\$340)	—

Infringement Notice Scheme—Traveller environment

In February 2014 new regulations came into effect to modernise the ACBPS Infringement Notice Scheme (INS). The regulations enabled the scheme to be extended to the traveller environment allowing an on-the-spot penalty to be issued for minor offences against a number of provisions of the Customs Act—notably, bringing prohibited imports into Australia. A pilot programme commenced in South-East Queensland in March 2014 and ran to the end of April, covering Brisbane and Gold Coast airports as well as the Brisbane maritime environment where it applied to cruise ships, small craft and others disembarking from vessels.

Following the successful pilot a network of trainers and subject matter experts is being established who have responsibility for delivering training at their work locations, supporting the implementation and training District Offices in their region. As at 30 June 2014 the INS has rolled out to Brisbane, Gold Coast, Cairns and Adelaide in both aviation and maritime environments, with 44 infringement notices issued. Training is scheduled for Darwin, Sydney, Perth and Melbourne and will be completed in the coming months.

Trusted Trader

In 2013–14, the Service provided a strengthened focus on international trade policy, bringing together all trade and customs policy with international and industry engagement. A key initiative for the Trade and Customs Division was the creation of a Trusted Trader team to lead the policy and regulatory development work required to implement a Trusted Trader scheme. The Trusted Trader scheme provides a differentiated, trust-based regulatory framework based on partnerships and shared responsibility, while promoting trade compliance and supply chain security across air and sea import and export environments. The development of a Trusted Trader scheme is a key reform initiative, transforming our trade and goods approach by providing trusted and compliant traders with a fast and seamless experience, making business easier and contributing to greater economic growth.

By streamlining processes for traders with strong security and integrity practices, the Service will be able to further focus its attention on those entities with criminal intent, representing a more refined approach to risk management. The Trusted Trader scheme will deliver on the requirements of the December 2013 World Trade Organisation's Agreement on Trade Facilitation, as well as the government's Deregulation Agenda.

The Service has reached an agreement with the General Administration of Customs of the People's Republic of China to conduct a feasibility study on delivering facilitation benefits under a mutual recognition agreement.



Figure 18: Bryce Conolan
Director, Trusted Trader Team
Trade and Customs Division

Bryce joined the Service in Melbourne in 1985 and has since been deployed to a range of areas including intelligence and enforcement. Bryce has worked in policy roles since moving to Canberra in 1996. His focus has been on regulated goods in both the import and export environment.

“I find the work challenging and rewarding as I have been able to find new and innovative ways to work with industry to meet their needs, while at the same time maintaining our border controls. We can always find win-win solutions and our challenge is to reassess our traditional customs control thinking at the border,” Bryce said.

Bryce is particularly proud of the recent CEO Award for Excellence, which saw the Tobacco Task Force—in collaboration with central agencies, the Australian Taxation Office (ATO) and the tobacco industry—address the revenue risks arising from the introduction of the Tobacco Plain Packaging Act 2011.

Since that time Bryce has brought together a small team with significant experience in supply chain security and the Service’s regulatory environment to work on developing a Trusted Trader Programme.

“We are very excited to be working on this significant project, and we think we can learn from our past work and from the experience of our international customs partners to make quick progress. We are pleased to have the support of the Executive and also the keen interest of the trading community,” Bryce said.

Bryce and his team have designed a trusted trader policy framework and are embarking on a period of intense external consultation with other government agencies and key industry representatives to further design and test possible models. “This will be achieved through desktop exercises, to refine our approach before operationalising the programme,” Bryce said.

The Future Traveller System Task Force

The Future Traveller System Task Force is driving our key traveller processing reforms for both air and sea travellers. This includes automating traveller processing, replacement of our ageing traveller processing systems and modernising the administration of the Tourist Refund Scheme (TRS). Improved traveller satisfaction will be achieved through a more efficient and effective traveller processing infrastructure at our international airports. Projects under development include:

- ▶ trialling state-of-the-art e-gate technology for outwards traveller processing to reduce traveller queuing and increase traveller satisfaction
- ▶ designing a replacement for our back end IT systems and integrating them with enhanced intelligence processes to more effectively identify and focus on high risk travellers
- ▶ replacing manual passport control processes with the next generation e-gates, which will allow the redeployment of officers to more highly-skilled activities.

To trial these technologies and deliver these outcomes, the Future Traveller System Task Force is working closely with airport operators and airlines to align process design and acquire data.



Figure 19: Depiction of e-gate technology

Anti-Dumping Commission— A job well done

On 1 July 2013, the Anti-Dumping Commission (the Commission) was established as a new division within the Service. The Commission's role is to investigate allegations of dumping and subsidisation of goods imported into Australia and impose duties to address material injury to the Australian industry that manufactures similar or the same goods. The Commission is headed by Mr Dale Seymour, the statutory Anti-Dumping Commissioner.

The establishment of the Commission was the primary recommendation of the Brumby Review to strengthen Australia's anti-dumping and countervailing system. It also marked a major milestone in a suite of reforms to the anti-dumping system and supported by six tranches of anti-dumping reform legislation.

The function performed by the Commission remains an intrinsic component of the work the Service does to contribute to Australia's economy.

The establishment of the Commission was a significant accomplishment which the Service delivered within six months while also continuing with the challenging task of implementing significant trade remedy law reforms throughout 2013.

In March 2014, the Commission transferred to the Department of Industry as a result of Machinery of Government changes announced in September 2013. The Service continues to work closely with the Commission to ensure we support the administration of Australia's anti-dumping and countervailing system.

2014 World Customs Organization Information Technology Conference and Exhibition

The World Customs Organization Information Technology Conference and Exhibition (WCO IT Conference) was held in Brisbane in May 2014. National Director Technology Division and Chief Information Officer, Randall Brugeaud, chaired the WCO IT Conference—the first time the host nation has chaired this event in its 13 year history.

The WCO IT Conference saw the exchange of ideas and plans for the future among customs administrations, ensuring streamlined travel and trade facilitation through collaboration and the more effective use of technology. Speakers from around the world talked about how customs can improve economic competitiveness in a number of ways, one of which is implementing trade facilitation measures for legitimate and compliant traders.

The theme for the WCO IT Conference was 'Information Technology as a Catalyst for Economic Competitiveness/Innovation Powering Facilitation of International Trade and Tourism'. Common themes critical to border management and economic prosperity emerged over the three days of the conference, including data quality and information sharing, the need for new and innovative strategies for moving and securing cargo and developing trusted public/private partnerships.

Secretary General WCO, Dr Kunio Mikuriya, opened the conference and made the observation that 'borders divide—customs connects'. This statement embodied the dominant theme during the three days of presentations.

More than 400 people from IT, customs and border management sectors attended the event across the three days.

Cyber security

Overall 2013–14 has been a year of consolidation for the Protective Security Practice that has brought together cyber, personal, personnel and physical security under a single umbrella. This recognises that the boundaries between threat environments have blurred and that in many cases connections are being seen between these previously independent disciplines.

The Service's evolving role requires us to maintain robust controls and detection capabilities, so that we may be resilient to attack. The cyber threat tempo is high and of particular importance as criminal elements attempt to gain access to information or circumvent digital border control systems.

ACBPS measures its overall security compliance against the Protective Security Policy Framework and its cyber security compliance against the Australian Signals Directorate's Information Security Manual. This financial year compliance against these two frameworks has improved by approximately 50 per cent.

The adoption of a multi-disciplinary security practice, supported by the Service's recent investment in cyber security compliance controls, provides a solid security foundation for the Service's reform journey. This creates a single protective security practice, where a cross-disciplinary team of security professionals commit to protecting the Service's reputation, people, assets and information without being hindered by traditional boundaries.

Mail modernisation work programme

A key component of the Reform Programme is to modernise the current mail environment, including consideration of the electronic capture of information and appropriate technologies to support and streamline automated processes. Electronic reporting and digital interactions in the mail environment will better position the Service to address increasing mail volumes through enhanced risk assessment capabilities and streamlined processing. It will enable a greater number of resources, currently deployed in the mail stream undertaking repetitive and manual tasks, to be channelled more effectively towards the detection and intervention of high-risk goods. The mail modernisation work programme will focus on delivering:

- ▶ the introduction of electronic reporting to the mail stream
- ▶ more efficient and effective risk assessment and calculation of revenue liabilities
- ▶ a streamlined border control framework for the mail environment
- ▶ technologies that enable the Service to track goods and link individual items to electronic information, thereby supporting effective intervention methods
- ▶ improvements to existing border processes at the international mail gateways.

Electronic reporting is also a key enabler for the effective and efficient collection of revenue at the border. This has been highlighted as part of the Low Value Threshold business case which is under government consideration. Treasury is currently leading a working group of Commonwealth, State and Territory officials to review the business case and the proposed options. This working group will report back to the Treasurer in the latter half of 2014.



Figure 20: Carly Warn
Customs Officer, International Mail
Compliance and Enforcement Division

Carly Warn works in International Mail and began life with the Service as a Customs Trainee in early 2012. Carly's role in International Mail is to examine high-risk mail articles for narcotics, precursors and other prohibited items. Carly has been responsible for a number of significant detections at the Sydney International Mail Gateway Facility, including illegal drugs and firearms.

Carly's work examining high-risk mail articles for narcotics, precursors and other prohibited items is key to our accountability within PBS by providing outcomes which strengthen our business planning opportunities. Carly applies intelligence-led processes in the screening and assessment of mail product.

Though her career is just beginning, Carly has been responsible for numerous significant detections of narcotics within high-risk mail and she is widely acknowledged for her skill and drive to achieve results, as well as her teamwork and willingness to share information. The inspections Carly conducts help us to achieve our objectives in maintaining the integrity of the border and this was acknowledged when she received an Australia Day Medallion for her contribution to achieving positive outcomes for the Service.

PBS programme 1.3: Border Revenue Collection

This programme is a continuation of former programme 1.5 (Border-Related Revenue Collection) and maintains its focus on the collection of revenue at the border and associated assurance activities.

The Border Revenue Collection Programme ensures the effective collection of revenue at the border by:

- ▶ providing 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
- ▶ administering the TRS and collecting the Passenger Movement Charge (PMC)
- ▶ ensuring compliance with border revenue requirements.

The business functions that contribute to this programme include the collection of customs duty, PMC and the Import Processing Charges (IPCs). In addition, this programme comprises functions associated with the collection of revenue for other agencies including administering the collection of the Goods and Services Tax (GST), the Luxury Car Tax (LCT), Wine Equalisation Tax (WET) and administration of the TRS on behalf of the ATO. This programme also includes functions related to the assurance of revenue collection activities and administration of refunds, revenue concessions and exemptions and other industry assistance programmes.

REPORT AGAINST THE PBS

Table 16: Programme 1.3: Border Revenue Collection—performance against PBS targets, 2013–14

DELIVERABLES	TARGET ^(a)	ACTUAL	TARGET MET
Collection of revenue associated with passenger movements	\$862.2m	\$846.6m	×
Significant revenues collected (including customs duty, Passenger Movement Charge (PMC), Import Processing Charge (IPC), Other Revenue and GST collected	\$13,166m	\$13,734m	✓
Duty concessions:			
Tariff Concessions System (range)	\$1,868m to \$2,064m	\$1,792m	×
all other concessions schemes (range)	\$2,96m to \$327m	\$363m	✓
Administration of the Tourist Refund Scheme:			
number of processed claims	585,381	671,564	✓
value of processed claims	\$98.3m	\$130.0m	✓
number of approved claims	573,673	647,566	✓
value of refunds processed	\$96.3m	\$124.6m	✓
Administration of the duty drawback scheme:			
number of drawback claims lodged ^(b)	–	3,987	NA
value of drawbacks paid ^(b)	–	\$62.7m	NA
Customs broker licences^(c):			
number of applications received ^(b)	–	109	NA
number issued ^(b)	–	60	NA
Customs depot licences^(c):			
number of applications received ^(b)	–	99	NA
number issued ^(b)	–	81	NA
Customs warehouse licences^(c):			
number of applications received ^(b)	–	46	NA
number issued ^(b)	–	33	NA
Number of assessed refund declarations ^(b)	–	94,576	NA
Compliance assurance activity^(c):			
number of customs cargo control and compliance checks ^{(b)(d)}	–	53,937	NA
targeted import / export declaration lines assessed post-transaction ^(e)	7,500	29,128	✓
targeted import / export declarations assessed pre-clearance ^(b)	–	143,298	NA
import / export declarations assessed pre-clearance through general monitoring programme	7,000	7,156	✓
import / export declaration lines assessed as a result of voluntary disclosures ^(b)	–	630,092	NA

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

^(b) Performance cannot be forecast reliably.

^(c) These measures appear in both programmes 1.2 and 1.3 as they support both programmes.

^(d) Customs cargo control and compliance activity conducted at wharves, airports, depots, warehouses, cargo terminal operators and 'other'. 'Other' premises are those premises subject to intervention which are not licensed customs premises or CTOs. They could include for example a vessel.

^(e) This includes company audit activity.

KEY PERFORMANCE INDICATOR	TARGET ^(a)	ACTUAL	TARGET MET
Proportion of drawbacks delivered in accordance with client service standards	90%	93.68%	✓
Proportion of Tariff Concession System applications processed in accordance with legislated timeframes	100%	100%	✓
Number of external merit and judicial review applications on refund and drawback claims finalised during the performance period ^(b)	— ^(b)	0	NA
Number of external merit and judicial review applications finalised that overturned an ACBPS decision on refund or drawback claims ^(b)	— ^(b)	0	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> ^(b)	— ^(b)	7	NA
Number of external merit and judicial review applications finalised that overturned an ACBPS decision under Part XVA of the <i>Customs Act 1901</i> ^(b)	— ^(b)	1	NA
Proportion of revenue targeted import audits where revenue was adjusted by \$1,000 or more	55%	90.2%	✓
Number of infringement notices served	—	494	NA
Net value of revenue adjustments identified from compliance assurance activity ^(b)	—	\$122.2m	NA
Number of approved refund declarations ^(b)	—	93,624	NA
Value of approved refund declarations ^(b)	—	\$272.2m	NA
Proportion of refunds delivered in accordance with client service standards	90%	98.5%	✓
Proportion of compliance activities identifying a significant control breach^(c):			
customs cargo control and compliance checks ^{(b)(d)}	—	16.6%	NA
targeted import / export declarations lines assessed post-transaction ^{(b)(e)}	—	71.7%	NA
targeted import / export declarations assessed pre-clearance ^(b)	—	10.1%	NA
Proportion of customs broker licence applications processed in accordance with client service standards ^(c)	100%	95.0%	✗
Proportion of depot licence applications processed in accordance with client service standards ^(c)	100%	97.5%	✗
Proportion of warehouse licence applications processed in accordance with client service standards ^(c)	100%	100%	✓

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

^(b) Performance cannot be forecast reliably.

^(c) These measures appear in both programmes 1.2 and 1.3 as they support both programmes.

^(d) Customs cargo control and compliance activity conducted at wharves, airports, depots, warehouses, cargo terminal operators and 'other'. 'Other' premises are those premises subject to intervention which are not licensed customs premises or CTOs. They could include for example a vessel.

^(e) This includes company audit activity.

Note: The net revenue adjustments as a result of Compliance Assurance activity during 2013–14 was approximately \$122.2m compared to \$152.6m in 2012–13. This represents a decrease of 20 per cent or \$30.5m for 2013–14. If we remove three significant outliers from the 2012–13 figures (two understatements of \$82.6m and \$23.1m and one overstatement of \$36.1m) the adjusted net revenue figures from Compliance Assurance activity for 2012–13 was \$83m. Using the adjusted figures for 2012–13, this represents an increase of 47.2 per cent or \$39.2m for 2013–14.

Table 17: Explanation of shortfall against target in programme 1.3

DELIVERABLE OR KPI NOT MET	EXPLANATION OF SHORTFALL
Collection of revenue associated with passenger movements	PMC collections for 2013–14 were lower than the target due to economic uncertainties in other countries which continue to impact travel to Australia. This was partly offset by a weaker Australian dollar over the 2013–14 financial year as a weaker dollar made Australia a less expensive travel destination but made travel overseas by Australians more expensive. Although the result is lower than the estimate, PMC revenue collections for 2013–14 are \$69.6m (nine per cent) higher than collections in 2012–13, due primarily to the growth in passengers departing Australia between financial years as well as the full year effect of the \$8 increase to the PMC rate from \$47 to \$55 which took effect from 1 July 2012.
Tariff Concession System (range)	Concessional imports of equipment for use in mining was less than anticipated.
Proportion of customs broker licence applications processed in accordance with client service standards ^(c)	In 2013–14 licence applications were below the 100 per cent service standard. This was the result of a delay in the security vetting of one licence application and the National Customs Broker Licensing Advisory Committee investigation process taking longer than expected for another licence application.
Proportion of depot licence applications processed in accordance with client service standards ^(c)	In 2013–14 licence applications were below the 100 per cent service standard. This is a result of one site evaluation taking longer than expected.

Table 18: Explanation of significant revenue variance — budget estimate to actual

	2013–14 ESTIMATE (PAES) \$MILLION ^(a)	2013–14 ACTUAL \$MILLION	VARIANCE \$MILLION	EXPLANATION
GST (collected)	3,223.08	3,362.31	139.23	GST collections for 2013–14 were up by \$139.23m (4.3 per cent), due to the impact of the fall in the Australian dollar which had the effect of increasing the Customs Value of goods. Therefore the value against which GST is levied, despite the decline in Australian household consumption and households increasing expenditure on items which are GST exempt/free.
Customs duty	8,829.20	9,279.04	449.84	The increase in duty collections was due to an increase in import volumes particularly in relation to petroleum, tobacco and tobacco related products. This was the result of some domestic manufacturers moving offshore as well as the increase in excise rates for tobacco, with the initial increase of 12.5 per cent becoming effective on 1 December 2013. The increase in customs duty revenue was also due to increased import volumes for Textiles, Clothing and Footwear (TCF) and Other General Goods and to a lesser extent the decline in the exchange rate which increases the Customs Value of goods upon which duty is levied. The increase in Other General revenue reflected the impact of large ongoing construction projects which required extensive supplies of building materials and transportation equipment to supplement domestic supply sources.

continued

	2013-14 ESTIMATE (PAES) \$MILLION ^(a)	2013-14 ACTUAL \$MILLION	VARIANCE \$MILLION	EXPLANATION
Import processing charge (IPC)	249.36	242.38	- 6.98	IPC revenue collections for 2013-14 were lower than estimated due to a weaker than expected growth in declarations for imported goods due to unfavourable exchange rates. Although IPC collection was lower when compared with the estimate, it is significantly higher-\$91.1m (60.2 per cent), when compared with collections in 2012-13 due to the increase in the IPC rates which came into effect on 1 January 2014.
Passenger movement charge (PMC)	862.20	846.61	- 15.59	PMC collections for 2013-14 were lower than the estimate due to economic uncertainties in other countries which continue to impact travel to Australia. This was partly offset by a weaker Australian dollar over the 2013-14 financial year as a weaker dollar makes Australia a less expensive travel destination but makes travel overseas by Australians more expensive. Although the result is lower than the estimate, PMC revenue collections for 2013-14 are \$69.62m (nine per cent) higher than collections in 2012-13, due primarily to the growth in passengers departing Australia between financial years as well as the full year effect of the \$8 increase to the PMC rate from \$47 to \$55 which took effect from 1 July 2012.
Non tax revenue	2.50	3.78	1.28	Non tax revenue includes amounts collected for warehouse and broker licence fees, penalties, fines and interest. The full year result was above the target due to additional fines and prosecutions collected throughout the year.
Significant revenue	13,166.35	13,734.11	567.77	<p>The higher than estimated significant revenue result was predominately due to higher than estimated collections of duty across all duty categories (with the exception of alcohol and Passenger Motor Vehicle (PMV) collections) offset by lower collections for IPC and PMC. GST collected was also up against the budget estimate.</p> <p>The main drivers for the full year result include additional volumes of imports particularly tobacco magnified by an increase in the excise rates which became effective on 1 December 2013. The next excise increase will be due on 1 September 2014. Increases in petroleum for the financial year are due to the closure of a major domestic refinery operation. Ongoing construction projects have also made positive contributions to Other General duty collections with imported construction supplies and building materials continuing to supplement domestic supply sources. Further, noticeable growth in GST collections is the result of additional import volumes as well as the decline in the Australia dollar over the current financial year which has the effect of increasing the Customs Value upon which is GST is levied.</p>

^(a) Data sourced from 2013-14 Portfolio Additional Estimates Statements and the 2013-14 Australian Customs and Border Protection Service Financial Statements.

Table 19: Significant revenues managed by the Service

	2011–12 (\$ MILLION)	2012–13 (\$ MILLION)	2013–14 (\$ MILLION)
Customs Duty	7,103.9	8,171.1	9,279.0
GST collected	3,149.3	3,133.5	3,362.3
GST deferred	22,398.4	22,847.5	23,944.6
PMC	646.3	777.0	846.6
IPC	148.3	149.8	242.4
Non Taxation Revenue	2.5	5.3	3.8
Gains (reversal of write-downs & impairments)	–	–	9.3
Total	33,448.7	35,084.2	37,688.0

GST= Goods and Services Tax

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

Table 20: Revenue collected on behalf of other agencies

	2011–12 (\$ MILLION)	2012–13 (\$ MILLION)	2013–14 (\$ MILLION)
Indirect taxes collected from importers^(a):			
GST collections ^(b)	3,149.3	3,133.5	3,362.3
LCT	3.4	4.0	3.0
WET	28.7	38.6	39.4
Total indirect taxes	3,181.4	3,176.2	3,404.7
Marine navigation levy ^(c)	13.6	0.7	0.3
Protection of the sea levy	6.8	0.4	0.2
DAFF fees ^(d)	122.2	121.9	126.3
DAFF fines ^(e)	0.1	0.0	0.1
Wood levy	1.0	1.2	1.1
Total levies, fees and fines	3,325.1	3,300.3	3,532.7

GST = Goods and Services Tax

LCT = Luxury Car Tax

WET = Wine Equalisation Tax

^(a) Indirect taxes collected do not include the value of GST and WET refunded on behalf of the TRS.^(b) Excludes the GST liability raised on imports, which is deferred rather than immediately collected. The Australian Tax Office acquits these liabilities in subsequent business activity statements from importers. In 2013–14, GST deferred was \$23.9 billion.^(c) The Marine navigation levy and Protection of the Sea levy are collected by ACBPS on behalf of AMSA. There has been a reduction in the collection of these fees in 2013–14 by the ACBPS due to the interdiction by AMSA of an electronic payment facility.^(d) Fees collected on behalf of Department of Agriculture.^(e) On-the-spot fines collected on behalf of Department of Agriculture including the collection of quarantine infringement notices issued.

Note: Figures are on an accrual basis.

Improving the Service's understanding of economic risk

Over the course of this financial year, the Service continued to improve its understanding and response to economic risk. For example, we completed a 12-month project named SALIFY in September 2013, which achieved a number of objectives including increasing the Service's capability to analyse domestic and foreign trade data, identifying a number of transnational networks involved in the circumvention of trade rules, and building more productive working relationships with Australian industry, other domestic agencies and foreign counterparts.

Through a number of investigations and other operational responses, the Service obtained a deeper awareness of the complex trading environment and the criminal methodologies used by fraud facilitators in the global supply chain. Many of these entities are the subject of current investigations by the Service, with thousands of smuggled goods seized, revenue recovered and a number of prosecutions expected.

The Service also extended its operational capability beyond the border, working with a number of international law enforcement agencies to identify and disrupt these criminal trade networks, and build a more collaborative enforcement network.

In April 2014, the Service stood up a new Special Investigations and Programmes Branch, which through its Trade Enforcement Unit will target and resolve complex trade crime, with an initial focus on financial crime.

Tourist Refund Scheme

In 2013–14, use of the TRS continued to increase rapidly, particularly with changes made to the TRS regulations in April 2013 to allow multiple invoices from one Australian Business Number holder and to extend the date of purchase of goods before departure from 30 to 60 days.

As well as increasing numbers of claims, there were also increases in the number and value of claims and uptake by Chinese travellers. Chinese travellers now make up 23.5 per cent of all TRS claims (ranked second behind Australian travellers) with a total of 11,793 claims.

The Service investigated technology options to assist travellers using the scheme and commenced a mobile application technology trial in mid-2014.

The application enables travellers to enter information required for a TRS claim using either their personal mobile device or the internet (within 60 days of departure). Travellers then present at the TRS Booth on departure where their claim details can be automatically loaded into the existing TRS system through scanning their Quick Response (QR) code.

This will allow claims to be processed more quickly and will reduce queuing times. It will also allow the Service to focus on the integrity of the TRS process rather than being weighed down by manual data entry.

Table 21: Summary of Tourist Refund Scheme claims

	2011–12	2012–13	2013–14
Number of claims made	536,944	581,176	671,564
Percentage of claims approved for payment	97.0%	96.9%	96.4%
Amount of GST / WET refunded	\$87.9m	\$95.5m	\$124.6m

Cross-programme strategies

A range of strategies are used by the Service to deliver across OUTCOME 1 programme boundaries. These include our domestic and international collaboration activities, reform, delivering our operational activities in the context of a sustainable four-year budget and our approach to capital infrastructure:

Cross Programme Strategy One:

Fostering collaboration with domestic and international partners to enable ACBPS to operate across the entire border continuum.

Collaboration is a significant focus for the Service in both performing our day-to-day responsibilities and furthering our progress across our three tracks of reform: our people and operating model, modernisation and integrity.

In December 2013, the International and Industry Branch was established to reinvigorate how we work with international and industry partners to meet the future challenges at the border. This Branch will lead the Service's engagement with industry across all sectors. Engagement with industry is a priority for the Service to explore and design collaborative solutions to realise our vision for the future border experience.

Domestically ACBPS led collaboration between border agencies through the Border Management Group, which is responsible for strategic border synchronisation and the implementation, review and evaluation of detailed border management planning activity.

ACBPS' relationship with global multilateral organisations provides the opportunity to understand emerging risks and influences on the development of international regulations, standards and cooperative frameworks. Internationally, the Service's overseas posts are at the forefront of our engagement with international partner agencies and representation in relevant forums.



Figure 21: Neale Turner
First Secretary Kuala Lumpur, Malaysia
Trade and Customs Division

Neale is halfway through a three-year overseas posting as First Secretary (Liaison Officer) ACBPS, based at the Australian High Commission in Kuala Lumpur, Malaysia. The Service established a presence in Malaysia in 2009 in response to the (then) emerging maritime people smuggling issue, which continues to be the primary focus of the regional approach to migration. Malaysia is also a major trading partner with Australia and there are significant benefits to bilateral cooperation with the Royal Malaysian Customs Department on the full range of more traditional 'customs' matters.

Neale engages with Malaysian border agencies, working closely to deliver on capacity building and information sharing aimed at enhancing regional border security. While the Service can quite proudly claim to be a world leader in many aspects of border management, there is much to be learned from regional agencies, particularly when viewed through the lens of different cultures, corporate priorities and community standards.

Working within a mid-sized overseas mission provides a valuable opportunity to experience and contribute to the whole-of-government effort to deliver on the Australian Government's South-East Asia policy agenda.

The opportunity to live and work for an extended period overseas is a unique experience that is highly rewarding personally and professionally. "The work is so diverse that no two days are the same. The chance to work collaboratively with colleagues from foreign law enforcement agencies on matters of mutual benefit is a real privilege. The opportunities and assistance we are able to offer the Malaysians are highly regarded and appreciated which reflects favourably on the international reputation of the Service," Neale said,

Neale joined the Service in Brisbane in 1986 and has performed a broad range of roles. "Looking back on my career, I am amazed at where the Service has taken me, geographically and professionally. The issues that I have had the opportunity to be involved in are similarly remarkable—but that's what a career with ACBPS is able to offer," Neale said.

Handover of *Bay Class Vessels* to Sri Lanka

In November 2013, the Prime Minister announced the gifting of two *Bay Class* vessels to Sri Lanka. The vessels—ACV *Corio Bay* and ACV *Hervey Bay*—were transferred to the Sri Lanka Navy in April and July 2014 respectively. Following a commissioning ceremony held in July, and attended by the Hon Scott Morrison MP, Minister for Immigration and Border Protection, the vessels are now known as Sri Lankan Navy ships *Mihikatha* and *Rathnadeepa*. These vessels will make an important contribution to a range of maritime security tasks in Sri Lanka including search and rescue and combating illegal fishing and people smuggling.

The transfer process included training of Sri Lankan Navy crews in Cairns, providing an excellent opportunity for Sri Lanka Navy and ACBPS to exchange maritime experiences. Traditional flag transfer ceremonies were also held to mark each transfer of ownership, involving a ceremonial lowering of the ACBPS's flag, and the raising of the replacement Sri Lankan Navy flag.

An ACBPS Marine Unit engineer and commanding officer accompanied each vessel, manned by Sri Lankan Navy crews, on their voyage back to Sri Lanka.

The gifting of retired *Bay Class* vessels recognises and reaffirms Australia's positive bilateral relationships in the region, and will assist in the development of regional capacity to conduct counter people smuggling operations in key source and transit countries. The vessels have relatively long range and the capacity to launch two boarding tenders simultaneously while making way. The gifted ACV *Corio Bay* and ACV *Hervey Bay* will also fill an operational capability gap for the Sri Lanka Navy. These vessels are efficient and effective law enforcement vessels, and will be a useful tool in the Sri Lanka Navy's maritime security operations.

Two *Bay Class* vessels will also be handed over to Malaysia in 2015, as announced by the Minister for Immigration and Border Protection in February 2014.



Figure 22: Former ACV *Corio Bay* flying the Sri Lankan Flag

ContacNT — Update from the Service's China post

As criminal activities evolve in response to this law enforcement success, ACBPS continues to further develop its intelligence sharing and joint targeting cooperation with its domestic and international law enforcement partners. There were significant operational results this year following several years of developing strategic engagement with China, particularly with curbing the illicit supply of ContacNT to Australian synthetic drug manufacturers.

ContacNT is an over-the-counter cold and flu medication produced in China that for years has been a desirable source of pseudoephedrine for Australian illicit drug manufacturers. In 2012 China introduced criminal penalties for ContacNT supply and subsequently signed a Memorandum of Understanding on precursor chemicals control in Beijing in April 2013. In June 2013, ACBPS and the National Narcotics Control Commission jointly facilitated a Precursor Chemicals Control workshop in Beijing with experts participating from a range of agencies in the region.

Australia and China also entered into a Customs Strategic Partnership Programme commencing in July 2012. The programme involved a range of cooperative projects on trade facilitation and border enforcement matters, including a specific activity on addressing the ContacNT issue at the Australian border. In 2013–14 following on from the development of the Customs Strategic Partnership Programme, Chinese authorities have made a significant number of detections and arrests and, together with ACBPS enforcement activities, have effectively disrupted many of the syndicates involved in supplying ContacNT to the illicit drug market in Australia.

World Customs Organization Asia-Pacific Region Vice-Chair

From July 2012, Australia began a two-year term as the Vice-Chair for the World Customs Organization (WCO) Asia-Pacific region. In this highly visible role, ACBPS represented Asia-Pacific's strategic priorities at WCO forums, and countries across the region look to our organisation as a leader in best practice border management.

At the June 2012 WCO Council Sessions held in Brussels, a handover ceremony took place where Thailand, as the outgoing Vice-Chair, officially handed over to the CEO the responsibility for the management and organisation that is required of the Vice-Chair role.

During our two years as Vice-Chair, Australia was responsible for:

- ▶ representing the region at WCO forums and keeping the WCO informed of regional interests
- ▶ promoting cooperation between regional members and their greater involvement in WCO activities
- ▶ identifying regional requirements in respect of WCO activities
- ▶ arranging periodic regional meetings to foster involvement in WCO activities and hold discussions on subjects of common interest to the region
- ▶ representing the WCO at meetings of international bodies in the region.

In April 2014, ACBPS hosted the 15th WCO Asia/Pacific (A/P) Regional Heads of Customs Administrations Conference (RHCA) and the WCO A/P Regional Steering Group meeting over four days in with 26 Directors-General in attendance. The RHCA Conference saw a number of regional issues discussed across the following themes:

- ▶ implementation of WTO ATF and necessary capacity building
- ▶ regional priorities in delivering the 2014–2016 regional strategic plan
- ▶ emerging priorities for the region
- ▶ capacity building priorities to support the program
- ▶ working together in the region, which will include future arrangements for Regional Heads meetings
- ▶ engaging with the private sector—sharing best practice and discuss potential regional approaches
- ▶ key themes from WCO—communication and strengthening people through organisational development
- ▶ finalisation of projects for announcement at Policy Commission in June:
 - anti-drugs strategy
 - regional Customs Laboratory
- ▶ new governance arrangements for the Head of the Regional Office of Capacity Building
- ▶ feedback on issues requested by the WCO Secretariat including:
 - how to better engage with the private sector
 - selection of Directors for the WCO
 - governance.

Cross Programme Strategy Two:

Be proactive and responsive to the challenges of the border environment through the Reform Programme, transitioning to a new business model, modernising business processes and systems, augmenting workforce capability and strengthening the Service's integrity culture and layered anti-corruption measures

The Service strives for a professional and agile workforce that is adaptive to change.

Our people and operating model

In 2013–14, crucial foundational changes to the Service's organisational structure and senior leadership were announced, providing a more integrated structure with clear separations of accountability between the strategic management of the Service, the generation of capability and its employment in the field. The reform of the organisational structure included:

- ▶ Creation of a headquarters function to ensure that the CEO and Executive are well supported in leading the organisation. This headquarters function also enhances the Service's planning capacity based on strategies

informed by sound analysis of our environment and performance.

- ▶ Within the Headquarters function, establishment of a Reform Division to ensure successful delivery of reform initiatives and identification of ongoing improvements. The Reform Division transitioned to a Portfolio Reform Task Force following the Minister for Immigration and Border Protection's announcement in May 2014 regarding consolidation of border protection services.
- ▶ Preparations for the launch of the SBC to strengthen our approach to directing and coordinating the Service's operational activity and performance.
- ▶ The establishment of the Trade and Customs Division, which brought together all trade and customs policy and associated service functions, including international and industry engagement.
- ▶ Evolution of the Chief Technology Officer Group which established the new Technology Division, responsible for all information and technology capabilities across the Service.
- ▶ Further development of the Integrity, Security and Assurance Division, bringing together the corporate governance and decision making, risk, assurance, legal services and General Counsel, security, Internal Audit, integrity policy and professional standards capability needed for the successful achievement of the Service's mission and goals.
- ▶ Establishment of a Task Force on Revenue and Trade Crime to target serious and organised revenue evasion—the Task Force will deliver a concerted effort in harnessing the capabilities of the Service to better identify, target and disrupt revenue evasion, which will ultimately contribute to significant revenue uplift outcomes.
- ▶ Following the earlier establishment of three Specialised Reform Task Forces (Customers and Channels, Future Traveller System, and Border Force and College) to focus on the detailed design and implementation plans associated with the ACBPS Reform Programme, two of these Task Forces (Future Traveller System, Border Force and College) transitioned to routine business, in recognition of the achievement of significant reform milestones.



Figure 23: Uniformed officer's sleeve and epaulette

Strategic Border Command— A national border command and control system

In July 2014 Compliance and Enforcement Division will become the SBC. As announced in the *Blueprint for Reform 2013–2018*, SBC will reorganise and improve national border command and control systems for the Service, ensuring more effective protection of our borders while fostering lawful trade and travel.

In 2013–14 as part of the transition to SBC, the Service stood up pilot Regional Command structures in Queensland and Western Australia. These were deliberately structured differently to trial and test the most effective operating model and informed the structures of the three remaining Regional Commands which will be launched in July 2014. SBC will comprise a total of five Regional Commands located across Australia as well as the SBC Headquarters located centrally in Canberra. Command and control is built on clear accountability for the conduct of border operations—assigned by the CEO to leaders and cascading through the command structure of the Service, from Deputy Chief Executive Officers through to front-line officers. SBC will provide clear priorities and direction through national oversight of all operational activities taking place in the Regional Commands assigned along State and Territory boundaries.

Direction and coordination of operational activity will be supported through a 24/7 Command Centre which links directly to each Regional Command providing live monitoring of operations, instant communication and direction of response to border incidents as needed. The Customs National Operations Centre (CNOC) has provided

support throughout the Regional Command pilot phase and lessons learned from this support will inform decisions in the establishment of the Strategic Border Command Centre (SBCC). The 24/7 Regional Command Centres will be an essential part of managing communications, command and control in real time.

The NBTC which will be collocated within the Command Centre of the SBC Headquarters in Canberra provides timely and intelligence-led risk assessments through whole-of-government information sharing and actionable intelligence. This approach ensures border operations are better targeted against those who will seek to breach our borders. The intelligence dividend from these targeted, disruption and enforcement actions will inform future targeting approaches.

The Regional Command pilot has highlighted the need for strategic level command overseeing the Regional Commands. The Regional Commands are organised on State and Territory lines so that seamless interaction with State and Territory law enforcement and regulatory agencies can occur. On the ground, the Regional Commanders will have control of the workforce and assets to manage border risks. They will be the operational authority in their region, under the overall command and direction from the SBC, and are responsible for all operational activities across airports and seaports, wharves and remote areas.

In managing national operations, or in some special circumstances such as counter-terrorism and counter-proliferation efforts, SBC Headquarters will assume direct control of operational activity. Specialist functions will also be established to provide further focus on key areas of border protection. The Investigations, Compliance



Figure 24: ACBPS officers undertaking the Pleasure Craft Search Course



Figure 25: Border Force officer with ACBPS detector dog

and Enforcement (ICE) Branch will implement national campaigns targeting serious and organised crime at the border. The Special Investigations and Programmes (SIP) Branch will investigate sophisticated trade crime and high-end revenue fraud, as well as managing national security activities such as counter-terrorism and counter-proliferation. This is a very conventional command and control framework, well understood and practised in like fields such as policing or military operations.

The establishment of SBC, housed in a fit-for-purpose national command centre will be one of the first steps in the creation of the future ABF and the management of frontline operations at the border, traditionally the most visible to Australia's public and international travellers. The strategic and regional levels of our border operations will be predominantly staffed by Border Force officers who will be deployed on a national, regional and district basis, trained by the Border Force College. SBC will meet the challenge of increasing trade and travel volumes at the border by drawing together the operational, investigations, compliance, and enforcement functions of the Service into a single stream.

These reforms while still in their infancy this financial year, have already started to focus more significant changes that will be required to ensure our resources including border officers are deployed to the greatest effect by employing an intelligence-led, mobile, technology-enabled border force, operating under the SBC.

CEO Awards

One of the major initiatives highlighted in the *Blueprint for Reform 2013–2018* and launched this year is the CEO Awards. Following significant input from officers into the review of the Service's Awards and Recognition Framework in 2013, the inaugural CEO Awards ceremony was held 13 February 2014.

This system of awards, commendation and recognition has allowed the Service to build something that is long lasting and unique in honouring and acknowledging the efforts of ACBPS officers. On 19 June 2014, the Service saw the second of these ceremonies, held at Parliament House in Canberra. Both ceremonies were successful and it was noted by many, including guest speaker Ben Roberts-Smith VC MG that it was wonderful to see ACBPS officers

recognised for the service they provide to the Australian community.

The Service considers its officers its greatest asset, and occasions like the CEO Awards ceremony reinforce the positive culture being built in the Service. In future years, the CEO Awards will be held twice per year and will continue to recognise officers across five categories: Bravery, Conspicuous Conduct, Excellence, Innovation and contribution to Health and Safety.

Career planning

“I am firmly of the view that every officer has a role to play in delivering the reform of the Service. My commitment is that by 1 July 2014 all officers will have a clear and documented career plan linked to reform. This will identify the career stream officers want to join and the skills or training to achieve this.” — Michael Pezzullo, Chief Executive Officer

The *Blueprint for Reform 2013–2018* identified four vocational streams on which the Service’s workforce initiatives are being built. These four workforce streams reflect the occupational groups and skills required to deliver: Border Force, Trade and Customs, Support, and Intelligence. In 2013–14, the Service developed and implemented a career planning process, allowing officers to discuss their aspirations with an independent career adviser and develop a formal career plan.

Career planning provides an opportunity for everyone in the Service to be actively involved in planning their career. The introduction of the new workforce streams will enable career pathways to be built for all job roles in the Service from 1 July 2014. This will include learning and development options, internal and external secondment opportunities and mobility requirements.



Figure 26: A representation of the four workforce streams: Border Force, Trade and Customs, Support, and Intelligence

Improving leadership and accountability

Accountability statements are now in place for all SES Officers. These personal charters define leadership behaviours, responsibilities and accountabilities. The Service’s Leadership Framework has been developed and provides:

- ▶ a clear, Service-wide leadership philosophy and framework
- ▶ a whole of career leadership learning capacity and system
- ▶ easily identifiable leadership expectations, capabilities and competencies.

The Leadership Framework articulates the leadership characteristics and behaviours expected within the Service at an individual, team and Service-wide level. It reflects contemporary leadership theory and is informed by current international best practice. The Leadership Framework will enable the development of strong, consistent leadership capability with relevance across all workforce functions and levels.

The Leadership Framework provides the foundation for a structured approach to developing leadership capabilities through formal programmes and learning opportunities. The core service behaviours will be embedded in all leadership development programmes.

Modernisation

The Service promotes efficient business systems, streamlined processes and sophisticated intelligence.

New technology mobility platform

The creation of the Chief Technology Officer Group in April 2013 and the announcement of the establishment of the Technology Division on 1 July 2014 reflected the fundamental requirement for effective, efficient and innovative technological solutions to support the Service's lead role at the border. This requirement was clearly evidenced throughout 2013–14, with the Service processing cargo transaction volumes at record levels. New mobile technology into the cargo environment included Microsoft Windows 8 tablets and smartphones, and a new network capability. This resulted in an enhanced service at the border and positive feedback from our industry partners, particularly in relation to our cargo clearance times.

“The Service recently introduced a pilot that enables the examining officers to release consignments on site following risk assessment inspection. This has had a significantly positive impact on our operation in that consignments are showing a CLEAR status in the Integrated Cargo System up to three to four hours sooner than when the officers had to update the information back at Customs House. This allows us to move legitimate cargo through our hubs and gateways more efficiently to link with our last mile courier routes. I applaud this simple, yet highly effective reform.”

— Ben Somerville, Customs & Regulatory Affairs Manager, Oceania, DHL Express (Australia) Pty Ltd

Unified communications

This initiative enables the use of video conferencing and messaging from both (and between) fixed and mobile devices. The implementation of unified communications technology leverages a mix of old and new technology within the Service. Unified communications enables officers to interact securely over video, voice and instant messaging as well as share content such as presentations and documents. It also provides officers with the capability and flexibility to collaborate both internally and externally to the Service.

Unified communications offers an opportunity to improve real-time communications. It allows officers to stream video from an incident to a central command, record footage and collaborate with other agencies such as AFP. The Service commenced the unified communications initiative nationally on 30 June 2014. The next stage of the deployment is to work with other government agencies to establish secure connectivity.

Integrity

The Service continues to implement integrity reform initiatives to further harden the Service against corruption and protect our workers. In addition to integrity testing, drug and alcohol testing, and mandatory reporting by ACBPS officers, the Service has implemented the following integrity measures:

- ▶ the appointment of a Special Integrity Adviser to manage the investigation of complex and serious cases of misconduct and ensure that the Service's anti-corruption processes and systems are fair
- ▶ a new professional standards practice model which includes an enhanced complaint and case management capability and rigorous performance and management reporting arrangements
- ▶ enhanced organisational suitability checking processes to better identify potential integrity and corruption risks
- ▶ a declarable associations policy that requires all officers to avoid, or where that is not possible, mitigate, the integrity risk associated with contact with individuals, groups or activities that conflict with the Service's mission
- ▶ a strengthened outside employment and voluntary activities policy to protect officers from integrity risks, or otherwise result in a potential or perceived conflict of interest

- ▶ increased restrictions on the use of personal mobile and electronic devices in operational environments to minimise the risk of operationally sensitive information being communicated outside official channels and systems.

To further combat the ongoing threat of corruption within the Service, Task Force Pharos has been established within the Integrity and Professional Standards Branch to identify any officers who pose a significant risk to the Service's integrity and operations as a result of their on-duty or off-duty behaviour, their associations outside the workplace or their involvement in criminal activities.

Australian Commission for Law Enforcement Integrity (ACLEI) continued to support ACBPS in enhancing its integrity framework through investigations and contribution of expertise. During 2013–14 ACLEI provided two reports of investigations into ACBPS officers:

- ▶ Operation Heritage—a joint investigation of alleged corrupt conduct among officers at Sydney International Airport
- ▶ Operation Myrrh—an investigation into illicit drug use by some ACBPS officers.

Two ACLEI staff members were seconded to Task Force Pharos to assist with lead generation.

Integrity measures and the ongoing support of ACLEI, further strengthen the Service's integrity regime and protect officers and the Service from the ongoing threat of infiltration.

“Together we are reforming the Service and evolving to meet the challenges of the future. An essential part of that reform is for the Service to have a culture that is equal to the task. A robust culture built on integrity, a culture of striving for excellence, smart thinking and innovation, and a culture that recognises commitment and achievement”
— Michael Pezzullo, Chief Executive Officer



Figure 27: Sally Macourt
Director, Values and Ethics
Integrity, Security and Assurance Division

Sally currently works in Integrity, Security and Assurance Division and has responsibility for the cultural transformation component of the Reform Programme. As the Service continues in its Reform Programme, there are significant challenges that are changing our operations, culture and identity. Sally says that it is exciting and professionally satisfying to be developing such fundamental underpinnings of the Reform Programme and the future of the Service.

Sally leads the cultural transformation work in collaboration with linked programmes across the Service, including those in recruitment and workforce support, learning and development, workplace health and safety, communications, the Border Force College including integrity and professional standards for the Border Force. She finds it rewarding to work with a range of work areas, collaboratively designing and implementing practical measures to promote a professional and disciplined culture and embed our values and behaviours throughout the workforce life-cycle.

Sally has had a varied career, starting out as professional violinist in orchestras, including the Sydney Symphony Orchestra, before changing direction and working as a lawyer. Sally worked at the Refugee Review Tribunal, and in the now Department of Immigration and Border Protection for many years, living and working in Thailand, Vietnam, Russia, India and Mexico before joining the Service in 2008.

The Service has offered Sally a variety of professional opportunities. Some highlights in her career with the Service include her work on the treaty level Australia-European Union Passenger Name Record Agreement, the Ombudsman's investigation into Customs' use of coercive powers and the NBTC.

Culture, values and behaviours

A high performance culture is central to the success of the Reform Programme. The Service has commenced a cultural transformation programme to evolve its culture, drawing upon existing strengths and building and embedding high levels of personal commitment and integrity, to create a disciplined and professional culture that aligns with the future operating and workforce models.

Through the early cultural transformation work, core service behaviours have been collaboratively developed to help integrate Australian Public Service (APS) Values into all aspects of the Service's operating model and to foster a common culture of values and behaviours that bind our geographically and functionally diverse workforce together.

Cross Programme Strategy Three:

Operate efficiently and effectively to achieve a sustainable four-year budget across a number of diverse operational requirements by continuing to develop risk-based priority settings to align with resource allocation.

The Service places a strong focus on ensuring that mechanisms are in place to facilitate the most efficient and effective deployment of resources. By implementing sound financial governance arrangements to support the management of its asset and procurement processes, the Service has been able to optimise the delivery of core activities while minimising resource use.

Continuing improvements in our financial management capabilities

In 2013–14, the Service continued to build upon its already strong financial management capability. The most significant development was transitioning from a five programme structure to a three programme structure for Portfolio Budget Statements. The new approach provides greater flexibility in allocating resources to the areas of greatest priority. This increased flexibility is required to support the passage of reform and aligns closely with the new corporate structure.

During the year, the Service further developed its expense management system which was implemented in 2012–13 as part of the whole-of-government travel arrangements.

This has now been extended to include purchasing cards and Cabcharge voucher administration. This consolidation of all card management into the one system has enhanced the oversight of card-related expenditure, as well as greater efficiencies through automation.

A Service-wide approach to risk management planning and assurance

In 2013–14, the Service continued to refine and further embed its approach to risk management and assurance. The Service reviewed and strengthened its Business Continuity Management Framework and initiated an enhanced enterprise business impact analysis process to increase consistency of business continuity planning and mitigate undesirable outcomes.

ACBPS staff updated the risk management toolkit and delivered risk management workshops and training to further reinforce the correct application of risk management methodologies. In addition, roles have been assigned across the Service to facilitate business continuity planning and attribute responsibility for disruption management.

The control testing programme has expanded to identify and rectify vulnerabilities in the Service's most critical border risk controls. Formal post-action reviews have been introduced against a range of business activities, which aligns assurance activity against areas of highest risk and subsequently, improves the Service's control frameworks. When considered cumulatively these initiatives ensure engagement, awareness and compliance across the Service.

ACBPS continues to be supported by internal audit services in areas such as financial management, property management and risk management, and the alignment of internal audit work planning with our overall approach to enterprise risk management and performance improvement. In 2013–14, the Audit and Risk Committee reviewed its charter in accordance with ANAO Better Practice and added 'risk' to its title to better reflect the scope of its role and responsibilities, as outlined in its charter. In May 2014, the CEO appointed Ms Elizabeth Montano as the independent external chair of the Audit and Risk Committee to strengthen the actual and perceived independence of the committee.

Cross Programme Strategy Four:

Maintain investment in key capital infrastructure that supports the ACBPS's intelligence-led, risk-based approaches as well as capability to support the ACBPS's operations across a diverse range of activities protecting Australia's border.

The Service provides its people with high-quality, cost-effective, safe and sustainable accommodation and facilities to meet business needs, both now and into the future.

Developing a strategic property plan

National Property Services continues to provide input to a combined ACBPS/DIBP 10-year Strategic Property Management Plan. This plan is designed to provide a point of reference for the achievement of short, medium and long-term property objectives. The plan will provide a snapshot of the current portfolios and plans to consolidate accommodation to meet the commitments required by Department of Finance under the Commonwealth Property Management Framework. The 10-year strategy will identify gaps and weaknesses across both property portfolios, and will take into account the DIBP and the ABF constructs from 1 July 2015. The plan will incorporate the views from business stakeholders and other drivers influencing property decision making.

A strategic approach to property management

ACBPS's property management objective is to provide efficient and effective infrastructure to meet the agency's current and future business needs. Central to achieving this objective is the management of property with workforce strategies to enable optimisation of operational outcomes while meeting Commonwealth Property Objectives.

ACBPS maintains a presence in corporate offices throughout all Australian States and Territories, including within the Central Offices located in Canberra. Operationally we have a presence in international airport terminals, detained goods stores, container examination facilities, detector dog units and wharf offices. Many of ACBPS properties are not permanently staffed, for example, communications and closed circuit television sites, marine berthing and mooring facilities and transitional accommodation facilities. ACBPS recognises the need to manage property risk, in particular those that provide obstacles to meeting the principles for efficient, effective and ethical property management. The nature of ACBPS's business and the constraints imposed by limited property supply in many remote locations where the agency is required to operate mean that such risks must often be accepted and rigorously monitored and reviewed.

ACBPS continues to conduct further assessments of future requirements to ensure alignment with workforce plans for relevant operational areas to enable optimisation of the best business outcomes at the best value for money.

Signing of a new telecommunications contract

In August 2013, the Service signed a new telecommunications contract with Telstra to support our future technology platform. These upgrades will ensure the Service has up-to-date telecommunications to meet future business needs and provide a robust platform for Reform.

The new contract has mobile voice and data plans that provide both 3G and 4G access, to support the deployment of new mobile devices such as tablets and smartphones. This provides excellent coverage and high-speed connectivity for all mobile users within the Service.

The new contract also provides improved data plans which aggregates mobile data usage across the entire fleet to provide a more predictable charging model. This greatly reduces the likelihood of excess data charges for individual users.

As part of the initial rollout, ACBPS is upgrading the existing network infrastructure to ensure that the Service can better support wireless networks in regional areas. Links that connect remote sites to the corporate network will also be improved. One site that has already benefited from these activities is our Christmas Island office, which has received an upgrade in satellite connectivity. This has vastly improved network performance for all users on Christmas Island.



Figure 28: **Michelle Collier**
Manager, Technology Sourcing
and Management
Technology Division

Michelle Collier has worked in the Technology Sourcing and Management Section of Technology Division since 2010. Michelle moved over from the Department of Veterans' Affairs with the aim of broadening her experience in the challenging and diverse operational environment the Service offers.

In her current role, Michelle manages the contracts for our core telecommunications and internet gateway services. This year she was seconded to manage the implementation of the new Whole-of-Government Internet Gateway Reduction Programme. The Service is one of eight lead agencies for the whole-of-government Internet Gateway Programme. Under this arrangement, the Service will transition gateway services for 12 other Australian Government agencies, including its own services.

"I need to be challenged, and what better way to do that than working with a diverse range of stakeholders across the Commonwealth and private industry to implement a robust and secure internet gateway. I have been given an exciting opportunity to manage a project that will have clear benefits across the Australian Government and flow on to benefit many Australians," Michelle said.

For Michelle, a key highlight this financial year was facilitating the migration of the Australian Financial Security Authority (AFSA), the first agency, onto the new gateway arrangements. This was completed against a tight schedule as AFSA was moving to new premises and needed the transition to occur in line with their move.

"Implementing new contract arrangements requires building robust relationships, connecting key stakeholders, and getting the right people to the table to focus on practical solutions to issues as they arise", Michelle said.

Michelle sees the skills and relationships she has developed over the past 12 months as positioning her to be able to personally add value to future reforms.





PART

3

GOVERNANCE AND ACCOUNTABILITY

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GOVERNANCE AND ACCOUNTABILITY

Corporate governance

Our governance framework consists of the following key elements:

- ▶ strategic direction and planning—including leadership, values, culture, accountability, business planning, and individual performance plans and agreements
- ▶ management of implementation and performance—including oversight and ongoing direction of policy and programme implementation, and the adjustment of priorities and activities
- ▶ reporting and evaluation—including on assigned responsibilities, compliance with legislated or defined policies and evaluation of performance
- ▶ internal and external review and assurance—including audit arrangements, external reviews and investigations and parliamentary inquiries and hearings.

Throughout 2013–14, the Service continued to refine and embed our governance and planning frameworks by work including:

- ▶ establishing governance arrangements around reform—in December 2013 a Reform Portfolio Board was established to oversee ACBPS reforms, supported by a Reform Programme Steering Committee and Reform Programme Office. These ACBPS Reform Programme arrangements transitioned to portfolio-wide governance arrangements in May 2014, with the creation of the Portfolio Reform Board, the Portfolio Reform Steering Committee and the Portfolio Reform Task Force—to provide strategic oversight and direction for the consolidation of the Department and the Service. This included the establishment of the Strategic Command Group, an internal committee chaired by the CEO, to set the Service's strategic operational priorities and consider issues of operational strategic significance
- ▶ establishing the Security, Risk and Assurance Branch within the newly-created Integrity, Security and Assurance Division to develop a consolidated understanding of assurance activities across the Service and providing a conduit for risk conversations in Executive forums
- ▶ establishing the Budget and Resources Committee (BaRC), an internal committee chaired by the Deputy Chief Executive Officer Border Enforcement, to consider issues relating to strategic oversight of the budget

development and review, as well as broader resourcing and financial management matters across the Service

- ▶ revising the Service's planning and governance frameworks to strengthen decision-making and resource allocation processes, and to ensure compliance with new requirements of the *Public Governance, Performance and Accountability Act 2013*.

The Service's decision-making committees

During the 2013–14 financial year, there were three primary committees that supported the CEO:

- ▶ the Executive Committee (EC)—advises the CEO on matters relating to the positioning of the Service for the future
- ▶ the Operations Committee (OC)—is operationally focused on responding to current challenges
- ▶ the BaRC—considers issues relating to the strategic oversight of the budget development and broader resourcing and financial management matters. .

Executive Committee

Chair: CEO

Members: Deputy Chief Executive Officer (DCEO) Border Enforcement and DCEO Border Management/ Chief Operating Officer (COO), National Director (ND) Executive Division, ND Reform and ND Integrity, Security and Assurance.

Other attendees: Chief of Staff

EC is our senior decision-making forum and meets each month. EC makes decisions about the Service's internal budget, strategic direction and addresses major risks and issues facing the Service.

Operations Committee

Chair: DCEO Border Management/COO

Members: DCEO Border Enforcement and all NDs

OC monitors operational performance and ensures that this activity is aligned with the Service's strategic objectives. OC also addresses enterprise-wide issues, including issues such as security, risk, integrity, workforce health and safety and project assurance. OC meets every month and may

refer matters to EC or the CEO to provide a decision or further information. The OC was reviewed and transformed to the Performance and Project Assurance Committee as part of the governance framework review in late 2013–14.

Budget and Resources Committee

Chair: DCEO Border Enforcement

Members: DCEO Border Management/COO, ND Executive Division, ND Trade and Customs (Border Management representative), ND Strategic Border Command (Border Enforcement representative) and ND Support.

The role of the BaRC is to take on more detailed consideration of issues relating to strategic oversight of the budget development and review, as well as broader resourcing and financial management matters across the Service before making final recommendations to the EC. A total of two additional NDs are appointed to the BaRC, one each from the Border Enforcement and Border Management Programmes. Membership is reviewed annually by the Committee. The Border Enforcement and Border Management appointed NDs serve for a period of up to two years and are replaced annually on an alternating basis. The BaRC was also reviewed and transformed to the Resources and Capability Committee (RaCC) as part of the governance framework review in late 2013–14.

Other key committees

Several other committees support the work of EC, OC and BaRC, including:

Portfolio Reform Board

Co-Chairs: CEO, Secretary DIBP

Members: DCEO Border Enforcement, DCEO Border Management/COO, all DIBP Deputy Secretaries, and two external members.

The Portfolio Reform Board provides strategic oversight and direction of the consolidation of DIBP and ACBPS, including establishment of the Australian Border Force (ABF) and associated reforms. The Board meets fortnightly and is supported by the Portfolio Reform Steering Committee and Portfolio Reform Task Force.

Audit and Risk Committee

Chair: Ms Elizabeth Montano (Independent External Chair)
from May 2014
DCEO Border Management/COO—
July 2013 to May 2014

Members: DCEO Border Enforcement, ND Trade and Customs, Regional Director, Queensland and two external members.

The CEO established the Audit and Risk Committee in compliance with section 46 of the *Financial Management and Accountability Act 1997* (FMA Act) and the *Financial Management and Accountability Orders 2.1.1 and 2.1.2*. The Audit and Risk Committee provides independent assurance and assistance to the Executive on the Service's risk, control and compliance frameworks and external accountability requirements.

The CEO authorises the committee, within the scope of its role and responsibilities, to:

- ▶ obtain information it requires from any employee or external party (subject to their legal obligation to protect information)
- ▶ discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations)
- ▶ request the attendance of any employee, including the CEO, at committee meetings
- ▶ obtain external legal or other professional advice, as considered necessary to meet its responsibilities.

The Internal Audit Section of the Service supports the work of the Audit and Risk Committee. The internal audit function is outsourced to Ernst & Young which conducts an annual programme of internal audits and reports its findings to the Audit and Risk 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, efficacy, framework design and risk management.

In 2013–14 the Audit and Risk Committee added 'risk' to its title following the review of its charter. To further strengthen this emphasis on risk management planning and assurance, the CEO appointed Ms Elizabeth Montano as the independent external chair of the Audit and Risk Committee in May 2014.

External consultation

The nature of our business functions and operations requires us to frequently interact with numerous external groups and participate in whole-of-government forums on national security. These forums include:

Secretaries Committee on National Security

Chair: Secretary of PM&C

Members:

- Associate Secretary, Department of the Prime Minister and Cabinet
- Secretary of Department of Foreign Affairs and Trade (DFAT)
- Secretary of Defence
- Vice Chief of the Defence Force
- Secretary, Department of the Treasury
- Secretary of Attorney Generals Department (AGD)
- Secretary, DIBP
- Director-General, Australian Security Intelligence Organisation (ASIO)
- Director-General, Office of National Assessments (ONA)
- Director-General, Australian Secret Intelligence Service (ASIS)
- CEO ACBPS
- Commissioner, Australian Federal Police (AFP)
- CEO, Australian Crime Commission (ACC)

As a member of the Secretaries Committee on National Security, the CEO ACBPS contributes to the development of border protection policy within the context of major international security issues of strategic importance to Australia.

Border Management Group

Chair: ACBPS DCEO Border Management/COO

Members: ACBPS, AGD, ACC, AFP, ASIO, AusTRAC, CrimTrac, Department of Agriculture, DFAT, DIBP, Infrastructure, PM&C

Co-optees: Industry, APSC, Australian Commission of Law Enforcement Integrity (ACLEI), Finance, Treasury, Defence

The Service has a lead role in driving collaboration between border agencies. One method the Service fulfils this responsibility through is with the Border Management Group. The Border Management Group is responsible for strategic border synchronisation and the detailed work of implementing, reviewing and evaluating strategic border management planning activity.

The Border Management Group was established in October 2009 and is represented at the Deputy Secretary level by 16 border agencies. DCEO Border Management/COO 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

Chair: Commissioner of the Australian Federal Police

Members: ACBPS, ASIO, AGD, AFP, ASIC, ACC, AUSTRAC, ATO and all State and Territory police commissioners.

The Australian Crime Commission (ACC) was established under the *Australian Crime Commission Act 2002* as a statutory authority to combat serious and organised crime. The ACC Board, along with the Parliamentary Joint Committee on Law Enforcement, is one of the main mechanisms for ensuring the ACC is held accountable for its operations. The ACC Board assists in ensuring the appropriate use of ACC powers and provides general oversight of, and direction to, ACC activities including determining investigations and operations to reduce serious and organised crime nationally. Our CEO contributes to setting the strategic direction and priorities of the Commission through membership of the ACC Board.

Bilateral with Department of Infrastructure and Regional Development

Chair: ACBPS CEO and Department of Infrastructure and Regional Development (DIRD) Secretary

Members: ACBPS and DIRD Deputy Secretaries and DCEO's and National Directors/Executive Directors as required.

The ACBPS and DIRD bilateral was established in 2014 to formalise the strategic relationship between the two agencies. The bilateral meetings serve to assist in the coordination activities to ensure efficiency improvements to Australia's operations at the border, in particular with the Office of Transport Security.

Heads of Commonwealth Operational Law Enforcement Agencies

Chair: Secretary of the Attorney-General's Department

Members: ACBPS, Australian Competition and Consumer Commission, AFP, Australian Taxation Office, Commonwealth Director of Public Prosecutions, AusTRAC, ASIC, AGD, ACC, Australian Prudential Regulation Authority, Department of Human Services, CrimTrac, DIBP.

The Heads of Commonwealth Operational Law Enforcement Agencies is the broad consultative mechanism for Commonwealth law enforcement policy and 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. The ACBPS CEO and DCEO Border Enforcement are representatives.

Deputy Secretaries Steering Committee

Chair: ACBPS DCEO Border Management/COO and Deputy Secretary Client Services Group DIBP

Members: ACBPS CEO (at his discretion), DCEO Border Enforcement and National Directors as required. DIBP Deputy Secretaries and First Assistant Secretaries.

The Deputy Secretaries Steering Committee was established in 2007 to formalise and strengthen the strategic relationship between the Service and DIBP. It was 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 reported to our CEO and the Secretary of DIBP.

Following the Minister's announcement in May 2014 regarding the integration of the ACBPS and the DIBP, the Deputy Secretaries Steering Committee has been superseded by the Portfolio Reform Board.

Strategic Working Group

Chair: ACBPS DCEO Border Management/COO and Department of Agriculture Deputy Secretary Biosecurity Services Group

Members: ACBPS and Department of Agriculture Deputy Secretaries and DCEOs and National Directors/First Assistant Secretaries as required.

The ACBPS and Department of Agriculture Strategic Working Group was established in 2010 to formalise the strategic relationship between the two agencies. The Strategic Working Group, which is covered by a memorandum of understanding, serves to assist in the coordination activities to ensure efficiency 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 an agreed 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, United Kingdom, United States of America 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 and various free trade agreements. The Service's overseas posts are at the forefront of our engagement with international partner agencies and representation in relevant forums.

Accountability

The Service is accountable to the Australian Government—through the Minister for Immigration and Border Protection—and to the ANAO, Parliamentary Committees and the Commonwealth Ombudsman. ACBPS also has 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 Office of the Australian Information Commissioner during the year.

As at 30 June 2014, the Information Commissioner was investigating the complaint. The matter has since been resolved.

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 2011–12 to 2013–14, are shown below.

Table 22: Federal Court judicial review applications and Administrative Decisions requests for reasons

	2011–12	2012–13	2013–14
Federal Court applications for review	5	1	2
Requests for statement of reasons	2	5	3
Matters settled during the year	–	–	–
Matters withdrawn during the year	2	–	1
Total	9	6	6

Table 23: Federal Court decisions in judicial review matters

	2011–12	2012–13	2013–14
Matters resolved in favour of ACBPS	–	–	1
Matters resolved against ACBPS	–	–	1
Total	–	–	2

Table 24: Administrative Appeals Tribunal applications for review

	2011–12	2012–13	2013–14
Tariff classification and Schedule 4 items	4	10	2
Valuation and origin	–	1	–
Tariff concessions	15	25	25
Refunds	–	2	3
Freedom of Information	–	–	1
Other	1	1	2
Total	20	39	34

Table 25: Administrative Appeals Tribunal decisions handed down

	2011–12	2012–13	2013–14
ACBPS decisions set aside	2	3	1
ACBPS decisions affirmed	1	5	3
Tariff classification and schedule 4 items	2	3	–

continued

	2011–12	2012–13	2013–14
Valuation and origin	–	–	–
Tariff concessions	1	4	4
Freedom of Information	–	–	–
Other	–	1	–
Total decisions affirmed and set aside	3	8	4

Decision on *Thiess v Collector of Customs & Ors* [2013] QCA 54

In April 2014, the High Court dismissed an appeal from the Queensland Court of Appeal by Mr Thiess. The High Court held that s167 (4) of the *Customs Act 1901* (the Customs Act) operates to bar all actions for the recovery of customs duty paid to the Service, subject to two limited statutory exceptions (as described in the paragraph below).

Mr Thiess's case arose in 2004 when he imported a yacht into Australia. His customs agent mistakenly believed the yacht had a gross tonnage of 108 tonnes, when in fact it had a gross tonnage of 160. As a result of this mistake the yacht was entered under a tariff classification which made Mr Thiess liable for customs duty of \$494,472, with an additional \$49,447 payable as GST. In fact yachts

exceeding 150 tonnes were duty free. The mistake was not discovered until 2006, after the statutorily prescribed period for seeking a refund had expired. ACBPS declined to refund the money. Mr Thiess bought an action in the Queensland Supreme Court for \$543,919 moneys had and received. That action was dismissed by the Queensland Court of Appeal. Mr Thiess appealed that decision to the High Court.

The High Court unanimously held that s 167(4) of the Customs Act operates to bar all actions for the recovery of duty paid to ACBPS, subject to the following statutory exceptions: (1) importers may take action to recover duty paid under protest under s 167(2), and (2) actions to enforce a right or to compel the exercise of powers under s 163 of the Customs Act. Since Mr Thiess could not recover the customs duty, he could not recover the amount paid as GST either.

Table 26: Federal Court appeals from decisions by the Administrative Appeals Tribunal

	2011–12	2012–13	2013–14
Appeals resolved in favour of ACBPS	2	–	–
Appeals resolved against ACBPS	–	–	–
Tariff classification and Schedule 4 items	–	–	–
Valuation and origin	–	–	–
Tariff concessions	–	–	–
Other	–	–	–
Total	2	–	–

Table 27: Matters resolved before being heard by the Administrative Appeals Tribunal

	2011–12	2012–13	2013–14
Matters withdrawn/dismissed (section 42A)	9	9	18
Matters settled by consent (section 42C)	5	11	3
Tariff classification and Schedule 4 items	4	3	5
Valuation and origin	2	–	1
Tariff concessions	5	15	11
Refunds	1	2	2
Freedom of Information	–	–	–
Other	2	–	2
Total matters dismissed and settled	14	20	21

Table 28: Administrative Appeals Tribunal requests for reasons

	2011–12	2012–13	2013–14
Tariff classification and Schedule 4 items	—	—	—
Valuation and origin	—	—	—
Tariff concessions	—	—	—
Refunds	—	—	—
Freedom of Information	—	—	—
Other	—	—	—
Total requests for reasons	—	—	—

Parliamentary committee reports

There were no parliamentary committee inquiries into the operation of the Service during 2013–14.

Notwithstanding, the Service contributed to a number of parliamentary committee inquiries, including:

- ▶ appearing and providing evidence before the Legal and Constitutional Affairs References Committee for the inquiry into a claim of public interest immunity raised over documents in January 2014
- ▶ appearing and providing evidence before the Senate Standing Committee on Foreign Affairs, Defence and Trade Committee for the inquiry into the Breach of Indonesian Territorial Waters in March 2014

- ▶ lodging a submission to the Legal and Constitutional Affairs References Committee for the inquiry into the *Crimes Legislation Amendment (Unexplained Wealth and Other Measures) Bill 2014 [Provisions]* in April 2014
- ▶ lodging a submission to the Parliamentary Joint Committee on Law Enforcement for the inquiry into financial crime in May 2014.

Commonwealth Ombudsman

The Service received eight approaches from the Commonwealth Ombudsman this year. The complaints and issues table below provides information on ACBPS-related notices and complaints to the Commonwealth Ombudsman from 2011–12 to 2013–14.

Table 29: Ombudsman complaints and issues, 2010–11 to 2012–13

	2011–12	2012–13	2013–14
Number of approaches received from the Ombudsman	6	8	8
Number of approaches finalised by the Ombudsman	5	7 ^(a)	8 ^(b)
Findings of administrative deficiency following investigation by the Ombudsman	—	1	—
Decided not to investigate, or not to investigate further	4	7	8
Own motion investigations	—	—	—

^(a) Two of these approaches were received in 2011–12.

^(b) Two of these approaches were received in 2012–13.

Reports by the Auditor-General

The Auditor-General completed two audits of our operations during the year:

Screening of International Mail—the objective of the audit was to assess the effectiveness of the Department of Agriculture and ACBPS arrangements for the targeting and screening of incoming international mail to identify prohibited and restricted goods.

The ANAO noted that prior to 2008–09, the border agencies screened all incoming international mail. Since that time, each agency has sought to encourage voluntary compliance by educating the public about quarantine and customs requirements, and has developed an intelligence-led approach for targeting and screening of high risk mail. The ANAO report identified areas of improvement in the Service's approach to: targeting and screening of international mail, promoting importer compliance, targeting for quarantine risks, targeting

for prohibited imports, screening and examination of international mail, and measuring and reporting performance. Three recommendations specific to ACBPS were agreed to address the areas for improvement.

Cyber Attacks: Securing Agencies' ICT Systems — the audit objective was to assess selected agencies' compliance with the four mandatory ICT security strategies and related controls in the Australian Government Information Security Manual (ISM). The audit also considered the overall ICT security posture of the selected agencies (ACBPS was one of the selected agencies), based on their implementation of the four mandated mitigation strategies and IT general controls.

The ANAO noted that the agencies subject to audit had established internal information security frameworks, implemented controls designed to safeguard the enterprise ICT environment from external cyber-attack, and had stipulated change management processes to authorise the implementation of security patches for applications and operating systems. While these arrangements contributed to the protection of agency information, the selected agencies had not yet achieved full compliance with the top four mitigation strategies mandated by the Australian Government in 2013. Based on their stage of implementation of the top four mitigation strategies and IT general controls, the selected agencies' overall ICT security posture was assessed as providing a reasonable level of protection from breaches and disclosures of information from internal sources, with vulnerabilities remaining against

attacks from external sources to agency ICT systems. The Service continues to have a programme of work to improve ICT security in accordance with the ISM.

The ANAO has begun the performance audits for the management of the *Cape Class* patrol boats project and the administration of the tariff concession system. Both reports are due to be published in 2015.

Client service charter and standards

The ACBPS Client Service Charter and standards establishes benchmarks for service delivery to ensure the Service is open and accountable to the community.

The Service welcomes feedback on the range of services it provides and it monitors 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 the ACBPS website, by telephone, mail or email. The tables below outline the compliments and complaints received this year.

The Service aims to respond to all complaints and compliments within 15 working days. The average response time this year for complaint cases was 17 working days with the average response time for compliments being one day.

The Service received and investigated 1,331 complaints this year, compared to 1,371 complaints received and investigated in the previous year. This represents a 2.92 per cent decrease overall from 2012–13 to 2013–14.

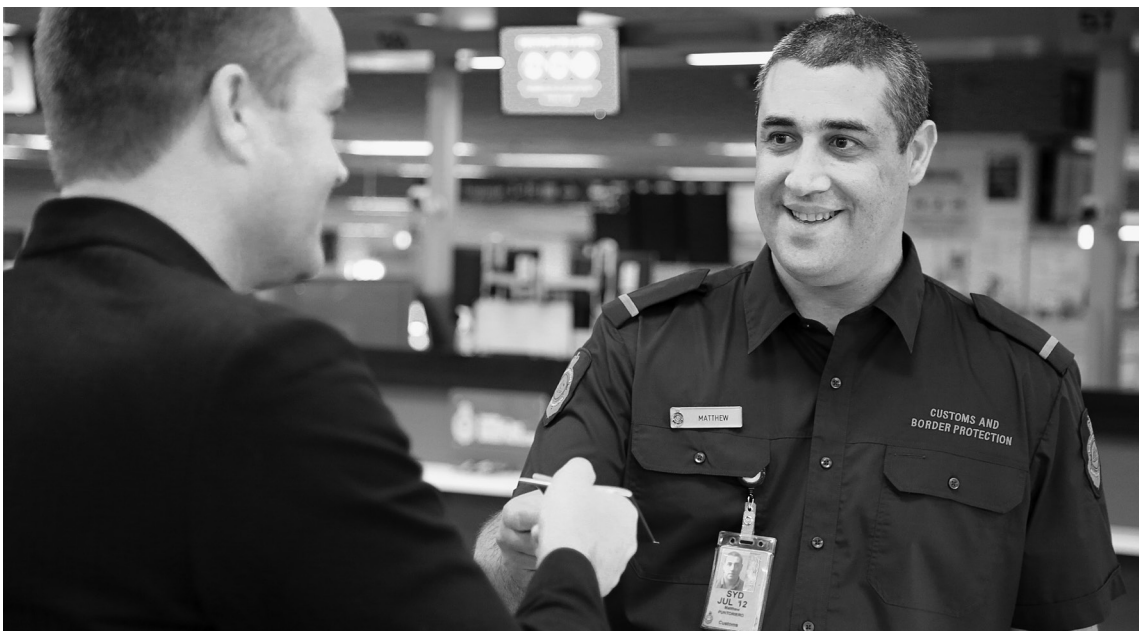


Figure 29: ACBPS officer with a member of the public

Table 30: The top five complaint sentiments

SENTIMENT	2013–14
Hold on cargo consignment not removed	150
Officer was rude	145
Queue delay	117
Cargo consignment always held	56
SmartGate	40

Table 31: The top five compliment sentiments

SENTIMENT	2013–14
Appreciated assistance	85
Officer/s was helpful	78
Officer/s was professional	35
Appreciated facilitation	34
Process was efficient	13

Table 32: Ratio of complaints to cargo, passenger and client service volumes, 2012–13 to 2013–14

	RATIO 2012–13	RATIO 2013–14
Complaints to compliments	4.18: 1	3.16: 1
Complaints to air and sea passengers movements ^(a)	1: 58,814	1: 86,650
Complaints to TEU inspected at a container examination facility ^(b)	1: 1,227	1: 913
Complaints to ACBPS Information and Support Centre (CI&SC) contacts ^(c)	1: 19,033	1: 16,634

^(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.

^(c) All complaints made to the CI&SC.

Ministerial representations

In April 2014, the Service successfully implemented the Parliamentary Document Management System (PDMS), a web-based system hosted by the Department of Education for managing parliamentary and ministerial documents. The Service was part of the first round of agencies transitioning to this whole-of-government parliamentary workflow solution.

This financial year, the Minister for Immigration and Border Protection, the Assistant Minister for Immigration and Border Protection and the Minister for Home Affairs and Justice received 700 items of correspondence related to the Service. We also supplied the Minister for Immigration and Border Protection, the Assistant Minister for Immigration and Border Protection, the Minister for Home Affairs and Justice, and the Attorney-General with 486 briefings and submissions on Service-related matters, as detailed in the tables below.

Table 33: Ministerial correspondence and briefings

	2011–12	2012–13	2013–14 ^(a)
Ministerial correspondence received on ACBPS-related matters	2,225	1,639	700
Ministerial briefings provided by ACBPS	460	709	486

^(a) Figures include OSB JATF correspondence, briefings and submissions—ACBPS provides ministerial support to OSB JATF, which was stood up on 1 October 2013.

Table 34: Questions on Notice directed to the Service

	2011–12	2012–13	2013–14 ^(a)
Questions on Notice received from the House of Representatives	43	19	1
Questions on Notice received from the Senate	14	17	6
Questions on Notice received from Senate Estimates	147	203	593 ^(a)

^(a) This figure does not include questions where ACBPS has provided input into non-portfolio agency responses or questions directed to the OSB JATF.

Legal services

In 2013–14 the Legal Services Branch provided legal services that enabled the Service to meet its obligations and strategic objectives in an efficient, cost-effective and lawful manner. In addition to the continued expansion of in-house legal support in the area of commercial law, the Branch has implemented a network of regional lawyers to provide on-the-ground advice and assistance to the Service's busiest regional offices. The Branch has delivered a significant amount of training to officers across the Service, particularly in relation to privacy and maritime powers, to increase legislative understanding and compliance.

Major legislative amendments

Seven ACBPS-related Acts were passed in Parliament during the year. The significant Acts are listed below:

- ▶ *Import Processing Charges Amendment Act 2013*—this Act increased the Import Processing Charges (IPCs) in relation to import declarations and warehouse declarations for goods valued at \$10,000 or more and introduced a two-tier charging structure

- ▶ *Customs Tariff (Anti-Dumping) Amendment Act 2013* and the *Customs Amendment (Anti-dumping Measures) Act 2013*—these Acts implemented reforms to the anti-dumping system
- ▶ *Customs Tariff Amendment (Tobacco) Act 2014*—this Act provides for four staged increases in customs duty on tobacco and tobacco products over a four year period and also introduced a revised method for indexing the customs duty on these products
- ▶ *Customs Amendment (Anti-Dumping Commission Transfer) Act 2013*—this Act transferred the Anti-Dumping Commission to the Industry Portfolio.

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
- ▶ other Court matters—including judicial review applications and common law claims
- ▶ commercial law and conveyancing services.

Table 35: ACBPS expenditure on professional fees paid to contracted service providers

	2011–12 (\$)	2012–13 (\$)	2013–14 (\$) ^(a)
Australian Government Solicitor	3,329,475.05	2,682,230.98	1,883,521.40
Ashurst	10,719.19	16,423.73	16,994.87
Clayton Utz	74,130.21	287,236.51 ^(b)	59,141.90
Dibbs Barker	–	550.00	–
DLA Piper	28,961.21	–	4,410.00
Jackson McDonald	–	–	1,090.91
King & Wood Mallesons	10,253.00	350.90	–
Minter Ellison	53,411.16	–	–
Moray and Agnew	–	–	675.00
Norton Rose Fulbright	174,650.36	–	200.00
Piper Alderman	–	–	2,800.00
Proximity Legal	192,604.98	34,452.00	–
Sage Legal Services	–	–	66,600.00
Sparke Helmore	4,813.60	– ^(c)	–
Total	3,879,018.76	3,021,244.12	2,035,434.08^(d)

^(a) All amounts for 2013–14 are exclusive of GST. All future reporting of legal services expenditure will be exclusive of GST to ensure consistency with the reporting requirements set by the Attorney-General's Department in Guidance Note 8 (Reporting of Legal Services Expenditure).

^(b) The reported expenditure for Clayton Utz in 2012–13 annual report incorrectly included disbursements, the above figure is the correct figure for professional fees.

^(c) The incorrectly reported \$1 for Sparke Helmore has been removed.

^(d) Total does not include \$22,481.78 paid to the Attorney-General's Department for tied work legal services.

Table 36: ACBPS total expenditure on legal services, and number and value of briefs to counsel by gender

	2011–12 (\$)	2012–13 (\$)	2013–14 (\$) ^(a)
Total external legal services expenditure	4,495,988.46	3,637,398.57	2,410,553.91
Total number of counsel briefed	34	25	17
Male counsel briefed	30	21	15
Female counsel briefed	4	4	2
Total number of counsel direct briefed	–	–	–
Male counsel direct briefed	–	–	–
Female counsel direct briefed	–	–	–
Total value of counsel briefs	407,214.64	479,422.88	254,841.13
Value of male counsel briefs	352,485.80	433,377.88	236,204.31
Value of female counsel briefs	54,728.84	46,045.00	18,636.82
Total disbursements (excluding counsel)	209,755.06	136,731.57	97,796.92
Total professional fees paid	3,879,018.76	3,021,244.12	2,035,434.08
Total fees paid to AGD for tied work	–	–	22,481.78
Total internal legal services expenditure	2,536,831.70	3,920,379.81	3,928,462.40
Total costs recovered	426,329.00	271,131.19	398,202.67

^(a) All amounts for 2013–14 are exclusive of GST. All future reporting of legal services expenditure will be exclusive of GST to ensure consistency with the reporting requirements set by the Attorney-General's Department in Guidance Note 8 (Reporting of Legal Services Expenditure).

Resource management

The Service focuses on ensuring that mechanisms are in place to facilitate the most efficient and effective deployment of resources. By implementing sound financial governance arrangements to support the management of our asset and procurement processes, we have been able to optimise the delivery of the Service's 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, policies and procedures, as well as the quality of advice provided to officers throughout the agency—all of whom have contributed to a robust controls environment. This controls environment has ensured a high level of compliance with our financial and resource management responsibilities.

By eliminating unnecessary processes and focusing on automating processes wherever possible, the governance framework has enabled us to maximise performance by taking a more risk-based approach to establishing internal controls. This has ensured that timely and targeted information is available to assist the management and monitoring of performance.

The key processes that support the effective and efficient allocation of resources within the Service include:

- ▶ coordinating the contribution to 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 programme by aligning capital investment with key Service 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
- ▶ continually reviewing Chief Executive Instructions and other financial policies and delegations to ensure compliance with financial and procurement policies.



Figure 30: **Fran Carter**
Director, Legislation
Integrity, Security and Assurance Division

Fran commenced with the Service in 1989 and says her current role in the Legal Services Branch provides her with a diverse legal experience. An average day could see Fran discussing a policy proposal with a business area, reviewing draft legislation, providing legal advice, and dealing with a myriad of other queries relating to Customs-administered legislation.

For Fran there have been many highlights working in the Legislation Team. Fran was involved in tightening controls on the importation of firearms following the Port Arthur tragedy. She was also involved in developing the legislation to support the Integrated Cargo System, which involved significant amendments to the Customs Act to bring together import and export data in the same system for the first time.

Fran is involved in projects that touch on almost all functions of the Service, including cargo, trade, travellers, maritime, compliance activities, border enforcement, finance and support. She says that this variety enables her to have a strong understanding and appreciation of the diverse activities undertaken within the Service, which has helped her to build up an enormous store of corporate knowledge that is often called upon by others.

More recently, Fran assumed the Departmental Liaison Officer role in the Minister for Immigration and Border Protection's office for five months. Fran says that ensuring the Government is provided with the information and support essential to its function is both an interesting and challenging experience, particularly when undertaking the parallel development of new portfolio arrangements.

Asset management

Asset management has continued to be an area of focus. The Asset Management Framework continues to be refined and strengthened, along with our asset management practices to ensure compliance with accounting standards.

As of 30 June 2014, we held non-financial assets with a value of \$638.3 million. This compares to \$606.1 million at 30 June 2013. This rise reflects the net addition of a number of assets acquired during the year—the most significant being new ACVs *Cape Byron* and ACV *Thaiyak*.

Consultants

We engage consultants where we require specialist expertise or when independent research, review or assessment is needed. Consultants are typically engaged to investigate or diagnose a specified 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, prequalified tender and direct source procurement methods are also used.

This year, 28 new consultancy contracts were entered into totalling actual expenditure of \$1,487,166.22. In addition 15 ongoing consultancy contracts were active in 2013–14, involving total actual expenditure of \$8,527,451.33.

Table 37: The number and value of consultancy contracts entered into during 2013–14, 2012–13, 2011–12

FINANCIAL YEAR	2011–12	2012–13	2013–14
Number of consultancy contracts	42	26	28
Contract Value	\$4,450,981	\$10,771,123	\$5,564,377.91

Note: Following Machinery of Government changes announced in 2013 the functions of the Anti-Dumping Commission (ADC) were transferred from ACBPS to the Department of Industry in March 2014. As the gaining agency the Department of Industry is required to report consultancy contracts for the ADC for the entire reporting period. These ADC consultancy contracts have been reconciled with the Department of Industry and do not appear in the ACBPS figures above.

ANAO access clauses

ACBPS officials only enter into arrangements that represent proper use of Commonwealth resources and are not inconsistent with the policies of the Commonwealth. ACBPS standard contract terms provide the Auditor-General access to contractors' 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 2013–14.

Grants programmes

The Service made 1 grant payment during 2013–14. Information on grants awarded by ACBPS during the period 1 July 2013 to 30 June 2014 is available on our website.

Human resource management

Improving productivity through training and development initiatives

Our people are fundamental to the Service of the future. ACBPS need agile, highly skilled and professional officers who can meet the challenges the Service faces now and those we expect in the future. As part of our Reform Programme, the Service recognises that it must develop its officers, provide strong leadership, and offer clear career paths. ACBPS officers must also embody professionalism and integrity and be held accountable to these standards. Our learning capability is a critical enabler in the Reform Programme to help build our culture and people capability. This has been a priority for the Service this year. Our strategies have included:

- ▶ completing a learning diagnostic (report) to understand the learning capability across the Service
- ▶ implementing the recommendations of that report which include developing a Learning and Development Strategy, undertaking capability reviews to support curriculum development and developing a learning management framework
- ▶ establishing the ACBPS College that will facilitate and govern all training across the Service

- ▶ developing an induction and orientation strategy and redesign our induction programme
- ▶ developing a leadership framework for the Service
- ▶ reviewing our leadership programmes so they align to the leadership framework
- ▶ rolling out the Giving and Receiving Feedback training which had a focus on Our Core Service Behaviours.

Our workforce

The ACBPS workforce spans over 50 locations around Australia and internationally. At 30 June 2014, the Service employed 5358 ongoing and non-ongoing employees under the *Public Service Act 1999*.

ACBPS's workforce consists of:

- ▶ 99.5 per cent ongoing employees and 0.5 per cent non-ongoing employees
- ▶ 87 per cent full time employees and 13 per cent part time employees
- ▶ 57 per cent male staff and 43 per cent female staff
- ▶ the average workforce age is 43.2 years
- ▶ tables 38 and 39 provide statistics on staffing by gender, classification, location and employment status and comparisons with figures from 2011–12 to 2013–14.

Table 38: Officer numbers by gender, 2012–13 to 2013–14

	30 June 2011–12	30 June 2012–13	30 June 2013–14
Female	2,415	2,357	2,279
Male	3,256	3,159	3,079
Total	5,671	5,516	5,358

Planning for our future workforce

As a key initiative in the *Blueprint for Reform 2013–2018*, the Service has actively engaged with our officers to raise awareness and understanding of career streams and paths. Concurrently research was undertaken to identify the challenges and develop strategies to enhance the workforce through leadership and capability development and communicate the culture to support the Reform Programme.

The next stage is to implement the enhanced workforce strategies and plans. This work will be focused on workforce transition to enhance officer capabilities and allocation in all divisions especially the new Border Force. In addition, work continues to embed the Service's core values, behaviours, attitudes and culture that officers' need to support improved performance and the Service of the future.

Table 39: Officer numbers by classification and gender from 30 June 2012 to 30 June 2014

	30 JUNE 2012		30 JUNE 2013		30 JUNE 2014	
	Male	Female	Male	Female	Male	Female
Indigenous Cadets	2	3	1	2	0	0
ACBPS Trainees	31	31	9	23	10	15
ACBPS Graduates	15	16	10	7	11	3
Customs Level 1 (Customs Officers)	1,306	1,030	1,288	1,007	1,253	926
Customs Level 2 (Senior Customs Officers)	779	610	771	585	704	594
Customs Level 3 (Customs Supervisors)	596	420	569	406	595	422
Customs Level 4 (Customs Managers)	346	210	342	231	336	220
Customs Level 5 (Customs Directors)	149	75	131	75	132	72
Senior Executive Service (SES) ^(a)	32	20	38	21	38	27
Total	3,256	2,415	3,159	2,357	3,079	2,279

^(a) Includes ongoing SES employed under the *Public Service Act 1999*, non-SES employees on higher duties and the CEO.

Note: Figures include officers employed under the Public Service Act 1999, officers on leave, officers on higher duties and officers 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 officers numbers by average staffing levels.

Table 40: Officer numbers by location and classification as at 30 June 2014

	ACT	NSW	VIC	QLD	SA	WA	TAS	NT	OVERSEAS
Indigenous Cadets	–	–	–	–	–	–	–	–	–
ACBPS Trainees	–	–	–	–	–	25	–	–	–
ACBPS Graduates	14	–	–	–	–	–	–	–	–
Customs Level 1 (Customs Officers)	277	660	446	403	88	230	5	70	–
Customs Level 2 (Senior Customs Officers)	352	313	262	179	52	96	8	36	–
Customs Level 3 (Customs Supervisors)	525	144	149	90	25	63	2	18	1
Customs Level 4 (Customs Managers)	388	44	48	33	7	20	1	7	8
Customs Level 5 (Customs Directors)	149	11	18	8	1	5	–	2	10
Senior Executive Service (SES) ^(a)	55	2	5	1	–	1	–	–	1
Total	1,760	1,174	928	714	173	440	16	133	20

^(a) Includes the CEO, ongoing SES employed under the *Public Service Act 1999*, and non-SES officers on higher duties as at 30 June 2014.

Note: Figures include officers employed under the Public Service Act 1999, officers on leave, higher duties and officers 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 officer numbers by average staffing levels.

Table 41: Officer numbers by full-time and part-time status and classification as at 30 June 2012, 30 June 2013 and 30 June 2014

	30 JUNE 2012		30 JUNE 2013		30 JUNE 2014	
	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time
Indigenous Cadets	5	–	3	–	–	–
ACBPS Trainees	41	21	–	32	10	15
ACBPS Graduates	31	–	17	–	14	–
Customs Level 1 (Customs Officers)	1,880	456	1,814	481	1,748	431
Customs Level 2 (Senior Customs Officers)	1,257	132	1,228	128	1,177	121
Customs Level 3 (Customs Supervisors)	929	87	888	87	933	84
Customs Level 4 (Customs Managers)	510	46	529	44	500	56
Customs Level 5 (Customs Directors)	220	4	198	8	195	9
Senior Executive Service (SES) ^(a)	52	–	59	–	65	–
Total	4,925	746	4,736	780	4,642	716

^(a) Includes the CEO, ongoing SES employed under the *Public Service Act 1999*, non-SES officers on higher duties as at 30 June 2014.

Note: Figures include officers employed under the Public Service Act 1999, officers on leave, officers on higher duties and officers 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 officers numbers by average staffing levels.

Attrition and retention

This year the attrition rate has decreased to 6.82 per cent compared to 6.85 per cent for the previous year.

Workforce adjustment in 2013–14 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 that support a transition to the new workforce model were achieved largely through natural attrition. We undertook a targeted voluntary redundancy program resulting in the departure of an additional 102 employees. There were no involuntary redundancies.

The Service processed the following employee commencements and promotions:

- ▶ 141 engagements
- ▶ 53 Section 26 transfers
- ▶ 8 external promotions into the Service
- ▶ 133 internal promotions.

Workforce separations comprised:

- ▶ 137 resignations
- ▶ 36 transfers to other Australian Public Service agencies
- ▶ 72 retirements
- ▶ 102 voluntary redundancies
- ▶ 1 dismissal
- ▶ 22 contract expirations
- ▶ 1 separation for other reasons.

Employment agreements

Enterprise Agreement

The Australian Customs and Border Protection Service Enterprise Agreement 2011–2014 has been in place since 23 December 2011 and covers all non-SES employees. The Agreement nominally expired on 30 June 2014 and negotiations for a replacement agreement are expected to commence in the first half of 2014–15. The Agreement will continue to operate and its terms and conditions continue to apply to officers of the Service until such time as a new agreement is in place.

Australian workplace agreements and section 24 determinations

As of 30 June 2014, 13 substantive SES employees had their terms and conditions of employment contained in Australian Workplace Agreements that will shortly be replaced by determinations under section 24(1) of the *Public Service Act 1999*, in line with the remaining 36 substantive SES employees.

As of 30 June 2014, there are no supplementary arrangements via s.24(1) Determinations.

Individual flexibility arrangements

The Enterprise Agreement allows for 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 2014, 75 non-SES employees had agreed individual flexibility arrangements in place.

Common law contracts

As at 30 June 2014, there are no common law contracts in place.

Remuneration

Our remuneration policy operates in accordance with the Government policy framework that applies to the APS.

Senior executive remuneration

The Remuneration Tribunal sets remuneration and conditions for our CEO. The CEO sets remuneration and conditions for our senior executives. For SES Band 3, the CEO determines performance payments. 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 DCEO Border Management/COO and the DCEO Border Enforcement.

The base salary ranges for senior executives this year were as follows:

SES Band 1: \$147,420–\$199,214

SES Band 2: \$184,900–\$249,480

SES Band 3: \$234,620–\$283,250

Other employee remuneration

The Enterprise Agreement 2011–2014 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 42: Classification of officers, APS—equivalent level and salary range as at 30 June 2014

CUSTOMS CLASSIFICATION	APS LEVEL	SALARY RANGE (\$)
Indigenous Cadets	Not applicable	\$42,866–\$48,326
ACBPS Trainees	Not applicable	\$42,865–\$48,327
ACBPS Graduates	Not applicable	\$53,127–\$61,970
Customs Level 1 (Customs Officers)	APS Level 3	\$53,127–\$61,970
Customs Level 2 (Senior Customs Officers)	APS Level 5	\$66,652–\$72,806
Customs Level 3 (Customs Supervisors)	APS Level 6	\$73,469–\$86,923
Customs Level 4 (Customs Managers)	EL 1	\$94,022–\$108,833
Customs Level 5 (Customs Directors)	EL 2	\$110,582–\$143,092

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 50 substantive SES employees, 37 received performance pay. The total amount of performance pay for senior executives was \$543,982 in 2012–13 (with bonuses paid in December 2013).

Performance pay is also available to non-SES employees who are at the top of their salary range and receive a rating of 'performed above agreed requirements' or 'met agreed requirements' through the performance management system.

Details of performance ratings and pay awarded this year are provided in the tables 43 and 44.

Table 43: Number of officers who rated as “performed above agreed requirements”, by classification, 2013–14

	CL 1	CL 2	CL 3	CL 4	CL 5	TOTAL
Number of officers who rated as 'performed above agreed requirements'	29	55	78	86	52	300

CL = Customs Level

Table 44: Performance pay outcomes (enterprise agreement), 2013–2014

	CL 1	CL 2	CL 3	CL 4	CL 5	TOTAL
Number of officers receiving bonus	1,561	1,021	585	343	110	3,620
Total amount paid (\$)	1,748,606	1,508,301	1,093,531	909,830	374,353	5,634,620
Bonus amount average (\$)	1,120	1,477	1,869	2,653	3,403	NA
Minimum bonus paid (\$)	58	5	98	5	85	NA
Maximum bonus paid (\$)	3,173	3,783	4,346	5,593	7,228	NA

CL = Customs Level

Non-salary benefits

A range of non-salary benefits is available to SES and Director-level (Customs Level 5) officers. These benefits include a motor vehicle allowance, car parking (where available), home garaging, limited personal use of an official mobile phone and airline lounge membership.

Manager-level (Customs Level 4) officers have access to limited personal use of an official mobile phone and airline lounge membership.

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

Workplace health and safety

The Service continues to better understand and control the diverse and complex corporate and operational risks that challenge the Service within a fluid and demanding work environment.

During the year ACBPS managed the response to the discovery of asbestos in a contracted training vessel *MV Cape Don*, hazardous chemicals in the air cargo environment, and the wearing of name badges. In relation to name badges, we developed a solution that struck an appropriate balance between accountability and integrity requirements, and staff concerns for their personal security.

In response to other challenges in our work environment, a number of improvement strategies were implemented that enhanced—yet simplified—processes for our officers in the management of health and safety across the Service to meet due diligence requirements under the *Work Health and Safety Act 2011*. Key achievements include:

- ▶ a renewed and refreshed workplace health and safety (WHS) policy framework was implemented in consultation with unions and workers
- ▶ introduction of Safety Notices that provide a snapshot of individual current topics or emerging issues and inform workers on steps to take to manage the hazards and risks

- ▶ significant enhancements to the WHS information management system (COMPASS) for the recording, investigation and report extraction of incidents
- ▶ completion of targeted WHS management system audits at workplaces that represent cross-sections of corporate and operational business areas in readiness for the Reform Programme
- ▶ implementation of improvements to the Rehabilitation Management System under section 41 of Comcare Guidelines to build compliance and consistencies across the Service.

Future strategies are planned for delivery in the *Work Health and Safety Plan 2014–16* that will achieve national consistency and standardised WHS practices for workers. These are linked to the principal duties and/or regulations under the Commonwealth WHS legislative framework and contain 43 initiatives under seven key areas of focus.



Figure 31: Meredith Pettett
Director, Workplace Health and Safety
Support Division

Meredith started as the Director of Workplace Health and Safety, Support Division in February 2014, having worked in workplace health and safety in public and private sectors for more than 27 years.

Meredith advises that she is not surprised by the complexity of the Service's workplace health and safety environment but was amazed by the genuine commitment of operational officers to the management of risks and the prevention of injury. Meredith says "everyone wants to do what they can to stay safe and to keep others safe, and that is very refreshing".

In her new role, Meredith's initial task is to ensure our structure for managing WHS is consistent with the new organisational structure, and that the Service is on a pathway for continuous improvement in safety through an integrated workplace health and safety management system.

Meredith says "I am confident we can achieve this through the new ACBPS Workplace Health and Safety Plan 2014–2016—Reforming health and safety in the Service. This is a great time to join the Service and I am very excited about the opportunities organisational change can bring".

Meredith notes that in the last few years considerable work has been done, particularly by the business areas, in responding to workplace health and safety issues. The concept of "leaders in safety"—which encompasses individuals and work areas who will contribute to, or take a lead in, developing, piloting and/or enabling key WHS projects and initiatives—harnesses the commitment and contribution of the Service to the health, safety and wellbeing of all workers.

Workforce diversity

The Service is committed to creating a diverse and inclusive workforce, and embedding equity and diversity principles and provisions into our business practices. We aim to create a culture of valuing diversity based on the objectives of responsiveness, equity, accountability and leadership.

To raise awareness of their responsibilities, officers are provided with information at induction and through online learning and general awareness raising activities.

This year ACBPS identified SES Officers as Equity and Diversity Champions to demonstrate a commitment to improving equity and diversity outcomes within ACBPS.

The Service developed the Agency Multicultural Plan 2013–15, which supports human resource practices in relation to recruitment and retention, education and staff development and equity and diversity.

ACBPS also continues to encourage officers to participate in celebrating Indigenous events with particular emphasis on National Aboriginal and Islander Day Observance Committee Week. ACBPS further commenced membership of the Diversity Council of Australia and the Australian Network on Disability.

National Disability Strategy

The *National Disability Strategy 2010–2020* was developed in partnership by the Commonwealth, State and Territory and Local Governments, and replaces the Commonwealth Disability Strategy. The Strategy demonstrates a unified commitment to improving the lives of people with disability, promoting participation and supporting a more inclusive society. A key initiative of the Strategy is high level reporting using trend data to track national progress for people with disability, which will be prepared every two years. The first of these reports will be available in late 2014.

Table 45: Representation of equity and diversity groups by officer classification as at 30 June 2014

	FEMALE		NON-ENGLISH-SPEAKING BACKGROUND ^(B)		PEOPLE WITH DISABILITIES		INDIGENOUS	
	No.	%	No.	%	No.	%	No.	%
Indigenous Cadets	0	0	0	0	0	0	0	0
ACBPS Trainees	15	60.00	1	4.00	0	0	0	0
ACBPS Graduates	3	21.43	0	0	0	0	0	0
Customs Level 1 (Customs Officers)	926	42.50	126	5.78	23	1.06	41	1.88
Customs Level 2 (Senior Customs Officers)	594	45.76	79	6.09	20	1.54	13	1.00
Customs Level 3 (Customs Supervisors)	422	41.49	60	5.90	19	1.87	6	0.59
Customs Level 4 (Customs Managers)	220	39.57	29	5.22	6	1.08	3	0.54
Customs Level 5 (Customs Directors)	72	35.29	7	3.43	3	1.47	1	0.49
Senior Executive Service (SES) ^(A)	27	41.54	2	3.08	0	0	0	0
Total	2,279	42.53	304	5.67	71	1.33	64	1.19

^(A) Includes officers employed under the *Public Service Act 1999*, officers on leave, higher duties and officers 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 officers from a non-English speaking background.

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

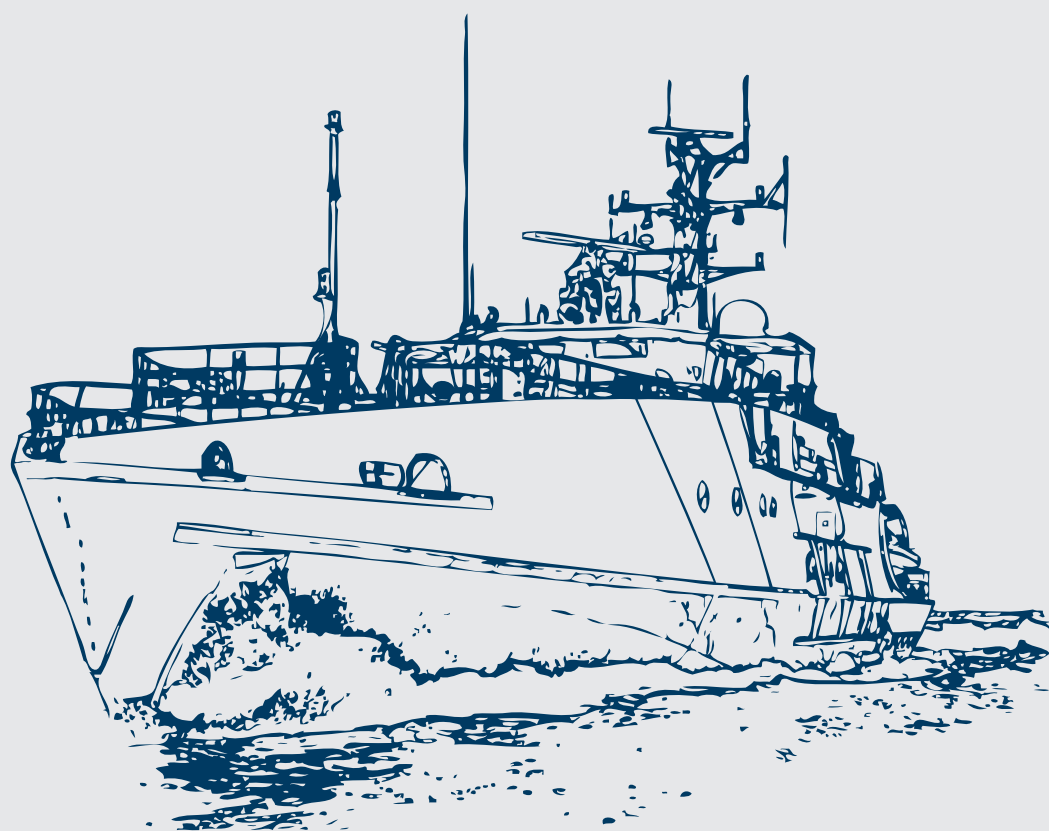




PART

4

FINANCIAL STATEMENTS



FINANCIAL STATEMENTS

Our financial statements incorporate the schedules relating to items that we administer on behalf of the government.

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 comply with the Commonwealth's financial framework.

The financial statements include a statement by the CEO and the CFO 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 the Service with an unmodified independent audit report for the financial statements and this report has been included.

ACBPS statements

We reported a comprehensive loss of \$101.5 million for 2013–14, compared with a loss of \$115.7 million last year.

The loss 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 33 to the Financial Statements outlines the 'comprehensive income/(loss)' excluding depreciation and amortisation expenses. Note 33 reports comprehensive income less depreciation and amortisation as a surplus of \$328 thousand compared to a \$12.0 million deficit for 2012–13.

A more conventional measure of our operating performance excludes changes in our asset revaluation reserve which totalled \$5.8 million for 2013–14. After adjusting for this our net operating loss for 2013–14 is \$5.4 million.

Our total operating income for this year was \$1,074.4 million compared to \$1,024.7 million in 2012–13.

This operating income consisted of:

- ▶ revenue from government of \$998.5 million
- ▶ sale of goods and services \$62.9 million
- ▶ other non-taxation revenue \$8.3 million
- ▶ total gains \$4.7 million.

Table 46: Departmental income and expenditure

	2009–10 (\$'000)	2010–11 (\$'000)	2011–12 (\$'000)	2012–13 (\$'000)	2013–14 (\$'000)
Income	1,102,213	1,006,763	1,021,272	1,024,678	1,074,444
Expenditure	1,097,717	1,086,467	1,135,359	1,138,362	1,181,736

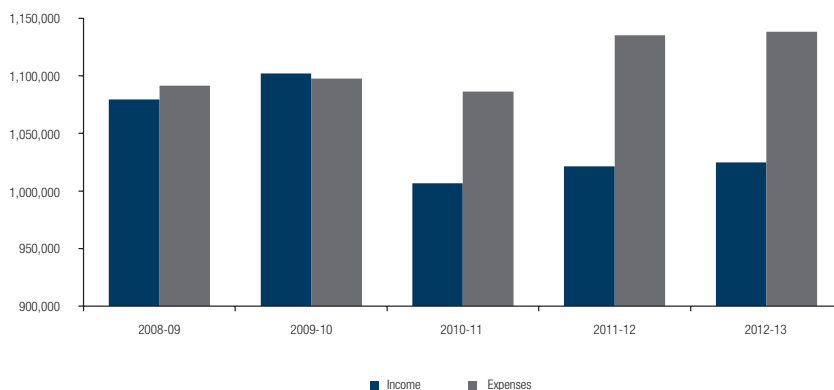


Figure 32: Departmental income and expenditure

Administered schedule

The schedule of administered items is presented in tables 47 and 48. The financial statements disclosing all revenues, expenses, assets, liabilities, cash flows, commitments, contingent assets and liabilities are also within.

Table 47: Administered revenue

	2009–10 (\$000)	2010–11 (\$000)	2011–12 (\$000)	2012–13 (\$000)	2013–14 (\$000)
Income	6,456,481	6,590,364	7,901,009	9,103,184	10,381,141

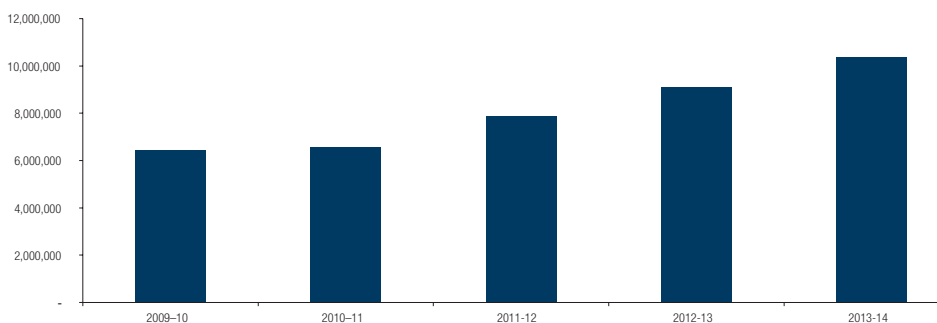


Figure 33: Administered revenue

Table 48: Components of administered revenue

	2011–12 (\$000)	2012–13 (\$000)	2013–14 (\$000)
Taxation revenue			
Customs duty	7,103,848	8,171,146	9,279,038
Passenger Movement Charge	646,343	776,991	846,611
Suppliers import processing and depot charges	148,337	149,793	242,377
Total taxation revenue	7,898,528	9,097,930	10,368,026
Non-Taxation revenue			
Fees, fines and prosecutions	538	1,696	1,747
Interest	231	22	0.0
Other revenue	1,712	3,536	2,037
Gains (reversal of write-downs & impairments)	0.0	0.0	9,331
Total non-taxation revenue	2,481	5,254	13,115
Total administered revenue	7,901,009	9,103,184	10,381,141



INDEPENDENT AUDITOR'S REPORT

To the Minister for Immigration and Border Protection

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 2014, which comprise: a Statement by the Chief Executive Officer and Chief Finance Officer; Statement of Comprehensive Income; Statement of Financial Position; 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 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

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Officer of the Australian Customs and Border Protection Service, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Opinion

In my opinion, the financial statements of the Australian Customs and Border Protection Service:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders, including the Australian Customs and Border Protection Service's financial position as at 30 June 2014 and its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

Note 29 *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 29, 2013–14 payments in breach of section 83 of the Constitution, total \$1,819,000 under the *Financial Management and Accountability Act 1997* – Section 28.

Australian National Audit Office



Phillip Sands
Executive Director
Delegate of the Auditor-General
Canberra


1 September 2014

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 2014 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

 September 2014

Signed.....

Bradley Clark
Chief Finance Officer

 September 2014

Australian Customs and Border Protection Service
STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
NET COST OF SERVICES			
Expenses			
Employee benefits	3A	568,306	549,337
Suppliers	3B	510,156	484,284
Grants	3C	-	14
Depreciation and amortisation	3D	101,848	103,665
Finance costs	3E	710	734
Write-down and impairment of assets	3F	703	209
Losses from asset sales	3G	13	119
Total expenses		1,181,736	1,138,362
Own-Source Income			
Own-source revenue			
Sale of goods and rendering of services	4A	62,887	62,985
Rental income	4B	3,074	2,542
Other revenue	4C	5,250	4,248
Total own-source revenue		71,211	69,775
Gains			
Gains from sale of assets	4D	12	22
Foreign exchange gains	4E	2	-
Reversals of previous asset write-downs and impairment	4F	430	-
Other gains	4G	4,288	3,559
Total gains		4,732	3,581
Total own-source income		75,943	73,356
Net cost of services		(1,105,793)	(1,065,006)
Revenue from Government	4H	998,501	951,322
Deficit attributable to the Australian Government		(107,292)	(113,684)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus		5,772	(2,028)
Total other comprehensive income		5,772	(2,028)
Total comprehensive loss attributable to the Australian Government		(101,520)	(115,712)

The above statement should be read in conjunction with the accompanying notes.

Australian Customs and Border Protection Service
STATEMENT OF FINANCIAL POSITION
as at 30 June 2014

	Notes	2014 \$'000	2013 \$'000
ASSETS			
Financial assets			
Cash and cash equivalents	6A	6,418	7,383
Trade and other receivables	6B	164,840	186,181
Other financial assets	6C	1,331	856
Total financial assets		172,589	194,420
Non-financial assets			
Land and buildings	7A	142,866	157,910
Property, plant and equipment	7B	296,959	239,742
Intangibles	7D	174,879	192,723
Inventories	7F	7,062	2,474
Other non-financial assets	7G	15,455	13,214
Assets held for sale	7H	1,100	-
Total non-financial assets		638,321	606,063
Total assets		810,910	800,483
LIABILITIES			
Payables			
Suppliers	8A	60,636	76,260
Other payables	8B	40,719	36,309
Total payables		101,355	112,569
Provisions			
Employee provisions	9A	161,503	168,094
Other provisions	9B	23,925	26,614
Total provisions		185,428	194,708
Total liabilities		286,783	307,277
Net assets		524,127	493,206
EQUITY			
Contributed equity		833,027	700,586
Reserves		83,846	78,074
Accumulated deficit		(392,746)	(285,454)
Total equity		524,127	493,206

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 2014

	Retained earnings		Asset revaluation surplus		Contributed equity/capital		Total equity	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance								
Balance carried forward from previous period	(285,454)	(171,770)	78,074	80,102	700,586	575,938	493,206	484,270
Adjustment for errors	-	-	-	-	-	-	-	-
Adjusted opening balance	(285,454)	(171,770)	78,074	80,102	700,586	575,938	493,206	484,270
Comprehensive income								
Surplus/(Deficit) for the period	(107,292)	(113,684)					(107,292)	(113,684)
Other comprehensive income	-	-	5,772	(2,028)	-	-	5,772	(2,028)
Total comprehensive income	(107,292)	(113,684)	5,772	(2,028)	-	-	(101,520)	(115,712)
Total comprehensive income attributable to Australian Government	(107,292)	(113,684)	5,772	(2,028)	-	-	(101,520)	(115,712)
Transactions with owners								
Contributions by owners								
Equity injection - Appropriations	-	-	-	-	71,849	64,882	71,849	64,882
Departmental capital budget	-	-	-	-	60,592	59,766	60,592	59,766
Total transactions with owners	-	-	-	-	132,441	124,648	132,441	124,648
Transfers between equity components	-	-	-	-	-	-	-	-
Closing balance attributable to Australian Government	(392,746)	(285,454)	83,846	78,074	833,027	700,586	524,127	493,206

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 2014

	Notes	2014 \$'000	2013 \$'000
OPERATING ACTIVITIES			
Cash received			
Sale of goods and rendering of services		67,160	66,503
Appropriations		1,089,537	1,038,435
Net GST received		59,696	56,534
Other		164	200
Total cash received		1,216,557	1,161,672
Cash used			
Employees		567,679	554,484
Suppliers		518,919	483,340
Net GST paid		61,183	56,002
Section 31 receipts transferred to Official Public Account		69,578	66,221
Tax paid		3,854	2,135
Total cash used		1,221,213	1,162,182
Net cash used by operating activities	11	(4,656)	(510)
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment		3,685	470
Total cash received		3,685	470
Cash used			
Purchase of property, plant and equipment		113,010	101,825
Purchase of intangibles		20,269	14,310
Total cash used		133,279	116,135
Net cash used by investing activities		(129,594)	(115,665)
FINANCING ACTIVITIES			
Cash received			
Contributed equity		133,285	116,135
Total cash received		133,285	116,135
Net cash from financing activities		133,285	116,135
Net decrease in cash held		(965)	(40)
Cash and cash equivalents at the beginning of the reporting period		7,383	7,423
Cash and cash equivalents at the end of the reporting period	6A	6,418	7,383

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 2014

	2014	2013
	\$'000	\$'000
BY TYPE		
Commitments receivable		
Sublease rental income	(4,277)	(1,361)
Administration fee for GST collection	(210,188)	(263,417)
Net GST recoverable on commitments	(221,459)	(172,455)
Total commitments receivable	(435,924)	(437,233)
Commitments payable		
Capital commitments		
Land and buildings	6,381	1,573
Property, plant and equipment	328,366	418,016
Intangibles	12,321	380
Total capital commitments	347,068	419,969
Other commitments		
Operating leases ¹	1,844,656	1,216,605
Other	247,038	264,183
Total other commitments	2,091,694	1,480,788
Total commitments payable	2,438,762	1,900,757
Net commitments by type	2,002,838	1,463,524
BY MATURITY		
Commitments receivable		
Operating lease income		
Within 1 year	(2,209)	(957)
Between 1 to 5 years	(2,068)	(404)
More than 5 years	-	-
Total operating lease income	(4,277)	(1,361)
Administration fee for GST collection		
Within 1 year	(52,937)	(53,229)
Between 1 to 5 years	(157,251)	(210,188)
More than 5 years	-	-
Total administration fee for GST collection	(210,188)	(263,417)
Other commitments receivable		
Within 1 year	(47,275)	(40,963)
Between 1 to 5 years	(120,011)	(85,416)
More than 5 years	(54,173)	(46,076)
Total other commitments receivable	(221,459)	(172,455)
Total commitments receivable	(435,924)	(437,233)

Australian Customs and Border Protection Service
SCHEDULE OF COMMITMENTS
as at 30 June 2014

	2014 \$'000	2013 \$'000
Commitments payable		
Capital commitments		
Within 1 year	100,632	95,416
Between 1 to 5 years	241,044	272,302
More than 5 years	5,392	52,251
Total capital commitments	347,068	419,969
Operating lease commitments		
Within 1 year	267,681	184,392
Between 1 to 5 years	986,472	577,634
More than 5 years	590,503	454,579
Total operating lease commitments	1,844,656	1,216,605
Other Commitments		
Within 1 year	153,218	172,134
Between 1 to 5 years	93,818	92,047
More than 5 years	2	2
Total other commitments	247,038	264,183
Total commitments payable	2,438,762	1,900,757
Net commitments by maturity	2,002,838	1,463,524

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: In 2013-14 the ACBPS has recognised the administration fee for GST collection on behalf of Australian Taxation Office as a commitment receivable. The ACBPS has restated the 2012-13 comparatives to include the commitment receivable for the life of the current agreement.

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 2014

	2014	2013
	\$'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 12: 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 2014

	Notes	2014 \$'000	2013 \$'000
NET COST OF SERVICES			
Expenses			
Suppliers	18A	928	916
Write-down and impairment of assets	18B	12,310	5,798
Total expenses		13,238	6,714
Income			
Revenue			
Taxation revenue			
Customs duty	19A	9,279,038	8,171,146
Passenger movement charge	19B	846,611	776,991
Import processing and depot charges	19C	242,377	149,793
Total taxation revenue		10,368,026	9,097,930
Non-taxation revenue			
Fees, fines and prosecutions	19D	1,747	1,696
Interest	19E	-	22
Other	19F	2,037	3,536
Total non-taxation revenue		3,784	5,254
Total revenue		10,371,810	9,103,184
Gains			
Reversal of previous asset write-downs and impairments	19G	9,331	-
Total gains		9,331	-
Total income		10,381,141	9,103,184
Net contribution by services		10,367,903	9,096,470
Surplus		10,367,903	9,096,470

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 2014

	Notes	2014 \$'000	2013 \$'000
ASSETS			
Financial assets			
Cash and cash equivalents	20A	7,704	891
Total financial assets		7,704	891
Non-financial assets			
Taxation receivables	20B	257,271	232,601
Non-taxation receivables	20C	4,138	2,356
Total non-financial assets		261,409	234,957
Total assets administered on behalf of Government		269,113	235,848
LIABILITIES			
Payables			
Unearned revenue	21A	2,948	3,237
Other	21B	5,400	8,216
Total payables		8,348	11,453
Non-interest bearing liabilities			
Security deposits	22A	2,246	2,304
Total non-interest bearing liabilities		2,246	2,304
Total liabilities administered on behalf of Government		10,594	13,757
Net assets/(liabilities)		258,519	222,091

The above schedule should be read in conjunction with the accompanying notes.

Australian Customs and Border Protection Service ADMINISTERED RECONCILIATION SCHEDULE

	2014	2013
	\$'000	\$'000
Opening assets less liabilities as at 1 July	222,091	166,941
Adjusted opening assets less liabilities	222,091	166,941
Net contribution by services		
Income	10,381,141	9,103,184
Expenses		
Payments to Non-CAC Act bodies	(13,238)	(6,714)
Transfers (to)/from the Australian Government		
Appropriation transfers from Official Public Account		
Annual appropriations		
Payments to Non-CAC Act bodies - Appropriation Act No.1	928	916
Special appropriations (unlimited)		
Payments to Non-CAC Act bodies	328,122	349,068
Payments to Non-CAC Act bodies - Security deposits*	832	-
Special accounts		
Payments to Non-CAC Act bodies - Special Accounts*	-	3,012
Appropriation transfers to Official Public Account		
Transfers to Official Public Account	(10,661,357)	(9,394,316)
Net drawings from Official Public Account on behalf of the ATO**	142,202	109,397
Net payments on behalf of the ATO out of Special Appropriations**	(142,202)	(109,397)
Closing assets less liabilities as at 30 June	258,519	222,091

* The use of Special Accounts for Security Deposits ceased 30 June 2013. These items are now shown separately. Note 28 contains further detail in relation to the use of Special Accounts for Security Deposits.

** 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 2014

	Notes	2014 \$'000	2013 \$'000
OPERATING ACTIVITIES			
Cash received			
Customs duty		9,556,122	8,489,959
Passenger movement charge		856,504	744,513
Import processing and depot charges		242,383	149,544
Interest		-	22
Tourist Refund Scheme drawings		864	1,827
Other non-taxation revenue		13,253	7,554
Security deposits		774	-
Special accounts		-	2,477
Total cash received		10,669,900	9,395,896
Cash used			
Refunds of duty and other taxes		328,946	349,091
Refunds of GST ¹ (on imports), WET ² & LCT ³		18,920	15,881
Tourist Refund Scheme		124,146	95,343
Security deposits		832	-
Special accounts		-	3,012
Suppliers		928	916
Total cash used		473,772	464,243
Net cash from operating activities	23	10,196,128	8,931,653
Net increase in cash held		10,196,128	8,931,653
Cash and cash equivalents at the beginning of the reporting period			
		891	1,146
Cash from Official Public Account			
Appropriations		328,122	349,068
Refunds of GST ¹ (on imports), WET ² & LCT ³		18,878	15,896
Tourist Refund Scheme		124,146	95,343
Security deposits		832	-
Special accounts		-	3,012
Supplier expenses		928	916
Total cash from official public account		472,906	464,235
Cash to Official Public Account			
Administered receipts		(10,660,582)	(9,391,877)
Return of Tourist Refund Scheme drawings		(864)	(1,827)
Security deposits		(775)	-
Special accounts		-	(2,439)
Total cash to official public account		(10,662,221)	(9,396,143)
Cash and cash equivalents at the end of the reporting period			
	20A	7,704	891

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 2014

Administered contingent assets

As at 30 June 2014 ACBPS estimates the value of contingent assets to be \$nil (2012-13: \$nil).

Administered contingent liabilities

As at 30 June 2014 ACBPS estimates the value of contingent liabilities to be \$nil (2012-13: \$nil).

Details on significant remote contingencies and contingencies that cannot be quantified are contained in Note 24.

The above disclosure should be read in conjunction with the accompanying notes.

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. It is a not-for-profit 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 Immigration and Border Protection 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 three programs:

Program 1.1	Border Enforcement
Program 1.2	Border Management
Program 1.3	Border Revenue Collection

ACBPS collects revenue on behalf of the Government as an Administered activity.

From 1 July 2015, the Department of Immigration and Border Protection and the ACBPS will be consolidated into a single Department of Immigration and Border Protection.

1.2 Basis of Preparation of the Financial Statements

The financial statements are general purpose financial statements and are required by Section 49 of the *Financial Management and Accountability Act 1997*.

The financial statements have been prepared in accordance with:

- Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2011; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Unless an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to the entity or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under 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* (2014) HCA 23, 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.

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.

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(b) Fuel Tax Credits

In the prior reporting period, ACBPS 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 2011-12 reporting period, a liability of \$1,552,278 was recorded to represent what had previously been considered as "over-claimed" fuel tax credits. In the prior reporting period, 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 prior reporting period.

(c) Vessels

Assets under construction (AUC) are carried at cost and are separately identified as 'work in progress' in Note 7. 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 (NFP)	<i>Financial Instruments: Disclosures [for not-for-profit entities] - December 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 116	<i>Property, Plant and Equipment - September 2012 (Compilation)</i>
AASB 119	<i>Employee Benefits - September 2011 (Principal)</i>
AASB 121 (NFP)	<i>The Effects of Changes in Foreign Exchange Rates [for not-for-profit entities] - December 2012 (Compilation)</i>
AASB 132 (NFP)	<i>Financial Instruments: Presentation [for not-for-profit entities] - December 2012 (Compilation)</i>
AASB 136 (NFP)	<i>Impairment of Assets [for not-for-profit entities] - December 2012 (Compilation)</i>
AASB 139 (NFP)	<i>Financial Instruments: Recognition and Measurement [for not-for-profit entities] - December 2012 (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 material effect, and are not expected to have a future material effect on ACBPS's financial statements.

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 signing of the statement by the Chief Executive and Chief Financial Officer, which are expected to have a material impact on ACBPS's financial statements for future reporting periods:

AASB 9	<i>Financial Instruments - December 2013 (Compilation)</i>
AASB 1031	<i>Materiality - December 2013 (Principal)</i>
AASB 1055	<i>Budgetary Reporting - March 2013 (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 2012-3	<i>Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]</i>
AASB 2013-3	<i>Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets</i>
AASB 2013-8	<i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities [AASB 10, AASB 12 & AASB 1049]</i>
AASB 2013-9	<i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i>
	<i>[Operative dates: Part A Conceptual Framework – already effective; Part B Materiality –</i>

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

AASB 2014-1

1 Jan 2014; Part C Financial Instruments – 1 Jan 2015]

Amendments to Australian Accounting Standards

[Operative dates: Part A Annual Improvements 2010-2012 and 2011-2013 Cycles – 1 Jul 2014; Part B Defined Benefit Plans: Employee Contributions (Amendments to AASB 119) – 1 Jul 2014; Part C Materiality – 1 Jul 2014; Part D Consequential Amendments arising from AASB 14 – 1 Jan 2016; Part E Financial Instruments – 1 Jan 2015]

Other new standards, revised standards, interpretations and amendments to standards that were issued prior to the sign-off date and are applicable to future reporting periods are not expected to have a future material impact on ACBPS's financial statements.

1.5 Revenue

Revenue from the sale of goods is recognised when:

- a) the risks and rewards of ownership have been transferred to the buyer;
- b) ACBPS retains no managerial involvement or effective control over the goods;
- c) the revenue and transaction costs incurred can be reliably measured; and
- d) 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:

- a) the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- b) the probable economic benefits associated with the transaction will flow to the entity.

The stage of completion of contracts at the reporting date is determined by reference to:

- a) services performed to date as a percentage of total services to be performed; or
- b) 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 the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

Interest revenue is recognised using the effective interest method as set out in *AASB 139 Financial Instruments: Recognition and Measurement*.

Resources Received Free of Charge

Resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature.

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.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 the 2013-2014 financial year.

1.8 Employee Benefits

Liabilities for 'short-term employee benefits' (as defined in *AASB 119 Employee Benefits*) and termination benefits that are expected to be settled wholly 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 a 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 2014. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

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's administered schedules and notes.

ACBPS makes employer contributions to the employees' 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.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 / security deposits.

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;
- 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 the reserve is included in the surplus and deficit 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.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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).

1.14 Commitments

ACBPS includes the total value of all future payments in the schedule, regardless of the existence and detail of a termination clause within the contracts.

1.15 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the Statement of Financial Position 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.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 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 reserve 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.

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Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2014	2013
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 20 years
Operational equipment	5 years	5 years
X-Ray equipment	7 years	7 years
Artworks and antiques	50 years	50 years

Impairment

All assets were assessed for impairment at 30 June 2014. 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 2014.

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.

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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. 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 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 Customs 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 2013-14 financial year which have been tabled in the Parliament.

1.24 Administered Revenue

All administered revenues are revenues relating to ordinary activities performed by the entity on behalf of the Australian Government. As such, administered appropriations are not revenues of the ACBPS as these funds are collected on behalf of the Government and therefore are transferred to the Official Public Account and cannot be used to fund operational expenditure.

ACBPS recognises administered taxation and non-taxation revenues in the administered schedule of comprehensive income 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

Customs Duty is a monetary amount charged on imported goods by the Commonwealth as a condition of their importation. In Australia, the power to charge customs and excise duties is reserved solely to the Commonwealth. Customs duty rates vary and depend on a number of factors, such as the type of goods and country of origin. Rates of duty payable by an importer are determined by the classification of goods within the *Customs Tariff Act 1995*. In some circumstances, anti-dumping or countervailing measures, which result in the imposition of additional rates of duty, may also apply. From a reporting perspective, gross Customs Duty collections are comprised of the following items:

- Excise Equivalent Goods (EEG) which includes petroleum products, tobacco products and alcohol;
- Passenger Motor Vehicle (PMV);
- Textiles, Clothing & Footwear (TCF); and
- Other General Revenue (this category includes Machinery, Base Metals, Plastics and Rubber, Furniture, Live Animals, Foodstuffs, Chemical Products, Pulp and Paper, etc).

Customs Duty is reported by the ACBPS in the financial statements as a net value. Net Duty collections reflect Gross Duty less refunds paid on duty and drawbacks.

Customs Duty is recognised when the imported goods are entered into home consumption.

Passenger Movement Charge (PMC)

The PMC is the administrative responsibility of ACBPS and it is levied under the *Passenger Movement Charge Act 1978*. The PMC is recognised when passengers depart Australia and is collected by airlines and sea carriers under formal arrangements with the Commonwealth.

PMC is recognised within the reporting period when a passenger departs Australia, subject to certain legislative exemptions.

Australian Customs and Border Protection Service

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Import Processing and Depot Charges

This item includes Import Processing Charge (IPC), Depot Charges and the Depot Licence Charge.

The IPC recovers the costs associated with the processing of import entries on goods imported by air, sea or post. The charges are set by the *Import Processing Charges Act 2001* and changed from 1 January 2014 by the *Import Processing Charges Amendment Act 2013*. The increase in rates introduced a 2 tiered approach; a charge for amounts where the Customs Value of goods was greater than \$1,000 but less than \$10,000; and a charge for amounts where the Customs Value of goods was greater than or equal to \$10,000. Import Processing Charges are levied for the processing and administration of Full Import Declarations (FIDs) relating to goods valued at greater than AUD\$1,000 which are imported into Australia for home consumption. Charges are imposed to recover the costs incurred by the ACBPS to process the FIDs.

In addition to the charges to recover the costs associated with import processing, the IPC also includes charges relating to the issue of licences (primarily Depot Licences) under which brokers and importers have the right to store goods for a period of time before they are deemed to be either brought into home consumption and the relevant duty applied (ie consumption within Australia) or exported overseas.

The IPC 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

Revenue is generated for fees relating to the licensing of warehouses under the *Customs Act 1901*. Licences for warehouses are covered in section 85 of the Act, while fees for warehouse licenses are referred to in the Regulations, specifically regulation 50.

Revenue is also generated from fines and prosecutions resulting from court-imposed penalties in respect of breaches or infringements of the relevant legislation. Customs prosecutions are regulated under Part XIV of the *Customs Act 1901*. All offences contained within the *Customs Act 1901* which utilise the term "penalties" may be subject to an infringement notice or prosecution.

Fees, fines and prosecutions are recognised at the time the fees and fines are imposed under the law or when a Court passes judgement.

Other Revenue

Other revenue is generated predominately through warehouse and broker licence fees; infringement notices; revenue from the sale of goods; or penalties in relation to unaccompanied baggage.

- Revenue is generated when licences are issued for individuals to act in the capacity as a broker for importation of goods. Licences are also issued for warehouses which allow goods to be stored for a limited time which delays the payment of duty until they are brought into home consumption.
- Revenue is also generated from the issue of infringement notices in respect of a number of offence provisions within the *Customs Act 1901*. Breaches of the Act may result in the serving of an infringement notice.
- Revenue is also generated from the sale of goods which have been seized, detained, receipted (pending further identification), impounded or abandoned. Due to their nature, these goods are often destroyed, but may also be donated to charity or used for Customs and Border Protection purposes depending on the goods in question.
- Revenue is generated in relation to unaccompanied baggage collected for false or incorrect declarations when entering into Australia. These are payable in addition to the correct amount of duty and other relevant charges.

Other Revenue is recognised in the appropriate reporting period to which the transaction relates.

ACBPS has a compliance program addressing Customs Duty and other collections, 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;
- 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.

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

A separate PMC compliance program was developed and 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, the ACBPS has applied the following judgements to the way that the estimates that have a significant impact on the amounts recorded in the financial statements are calculated.

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.

All ACBPS administered receivables are statutory in nature with amounts determined under legislation or by court order. Administered receivables are held at statutory value less an allowance for impairment.

All ACBPS receivables were assessed for impairment as at 30 June 2014 using one of two (2) methods - the prescriptive method and the analytical method.

- The analytical method of assessing debts for impairment was used where the total value of all debts for an individual client is greater than \$250,000. The analytical method involved detailed research including: analysis of financial statements etc.
- The prescriptive method of assessing debts was used to assess debts with an outstanding balance equal to or less than \$250,000. This method utilises a set of criteria that was developed for each different revenue stream. Using the prescriptive method, an assessment for impairment for each revenue grouping was undertaken based on the profile and the risk factors associated with each of these groups. The analytical method of assessing debts was used where appropriate for debts that exist within this threshold.

Credit terms for fees, fines and prosecutions are in accordance with the nature of these items. Credit terms do not apply to statutory charges.

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, initially the increase to the PMC 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. Revenue collections for PMC in 2013-14 are comprised of PMC levied at a rate of \$55.

1.26 Administered Expenses

Administered expenses include supplier expenses relating to an annual administered program and the write-off and impairment of administered receivables.

An impairment expense is raised to recognise a provision for any doubtful administered debts, based on a review of outstanding accounts as at year end. Where an assessment of a debt that has previously been impaired is undertaken in a subsequent accounting period and the impairment expense is subsequently reversed, the value of the impairment expense reversed is recognised as a gain in the subsequent period.

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.

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1.28 Administered Liabilities

Administered liabilities relate to unearned revenue for warehouse, depot and broker licences. Payables are recognised for claims on hand for refunds and drawbacks.

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 27).

1.29 Commitments

Commitments are not disclosed as these items are statutory, not contractual, in nature and therefore are not required to be reported.

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 2: Events After the Reporting Period

Departmental

The *Public Governance Performance and Accountability Act 2013* (PGPA) commenced on 1 July 2014, and replaced the *Financial Management Act 1997* (FMA) and the *Commonwealth Authorities and Companies Act 1997* (CAC). As a consequence, Appropriation Acts prior to 1 July 2012 are no longer available to Agencies. These Acts are no longer valid as they retain reference to the now defunct FMA Act and CAC Act rather than the PGPA Act. ACBPS undertook a review of the annual appropriation balances in line with the requirements of the Estimates Memorandum (EM) 2014/12 *Repealing Old Annual Appropriation Acts* issued by the Department of Finance. The ACBPS identified that there was a balance of \$2.707m remaining in 2010-11 *Appropriation Act 2*. The review concluded that the balance was no longer required and that the ACBPS would not seek to be re-appropriated for the balance in any future periods. As such, the remaining balance will be repealed under the *Omnibus Repeal Day (Autumn 2014) Act 2014* effective 1 July 2014.

On 1 July 2014, an asset with a carrying value of \$75,681,597.34 was formally transferred from another Commonwealth Agency to ACBPS. The transfer will be recorded as a loss in the Commonwealth Agency's 2014-15 Income Statement, with an equivalent gain recorded in the ACBPS 2014-15 Income Statement, ensuring a zero net whole of government effect.

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

	2014 \$'000	2013 \$'000
Note 3A: Employee Benefits		
Wages and salaries	348,982	344,538
Superannuation		
Defined contribution plans	24,783	22,451
Defined benefit plans	54,491	53,103
Leave and other entitlements	40,129	35,526
Allowances	30,139	28,529
Overtime	11,158	11,265
Penalties	37,231	37,134
Separation and redundancies	10,382	6,695
Other employee expenses	11,011	10,096
Total employee benefits	568,306	549,337

Note 3B: Suppliers

Goods and services supplied or rendered

Vessels and coastal surveillance (excludes operating leases)	61,541	54,169
Contractors & consultants	42,900	40,360
IT services (excludes operating leases)	42,657	43,328
Property (includes overseas posts and excludes operating leases)	18,781	16,581
Travel	24,052	20,778
HR related expenses	14,215	12,088
Legal & insurance	4,747	5,337
General operational	53,296	52,593
Other	19,441	12,370

Total goods and services supplied or rendered

281,630	257,604
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Goods supplied in connection with

Related parties	794	992
External parties	18,783	18,578

Total goods supplied

19,577	19,570
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Services rendered in connection with

Related parties	14,336	13,548
External parties	247,717	224,486

Total services rendered

262,053	238,034
----------------	----------------

Total goods and services supplied or rendered

281,630	257,604
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Other suppliers

Operating lease rentals in connection with

External parties		
Minimum lease payments	212,254	213,629

Workers compensation expenses

16,272	13,051
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Total other suppliers

228,526	226,680
----------------	----------------

Total suppliers

510,156	484,284
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Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2014 \$'000	2013 \$'000
<u>Note 3C: Grants</u>		
Public sector		
Overseas government	-	14
Total grants	-	14
<u>Note 3D: Depreciation and Amortisation</u>		
Depreciation		
Property, plant and equipment	45,018	39,307
Buildings	24,160	26,693
Total depreciation	69,178	66,000
Amortisation		
Intangibles	32,670	37,665
Total amortisation	32,670	37,665
Total depreciation and amortisation	101,848	103,665
<u>Note 3E: Finance Costs</u>		
Unwinding of discount	710	734
Total finance costs	710	734
<u>Note 3F: Write-Down and Impairment of Assets</u>		
Impairment on financial instruments	-	32
Impairment of property, plant and equipment	698	7
Write off bad debts	5	170
Total write-down and impairment of assets	703	209
<u>Note 3G: Losses from Asset Sales</u>		
Land and buildings		
Proceeds from sale	(3,699)	(442)
Carrying value of assets sold	3,618	470
Selling expense	94	-
Property, plant and equipment		
Proceeds from sale	-	(9)
Carrying value of assets sold	-	97
Selling expense	-	3
Total losses from asset sales	13	119

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 4: Own-Source Income

	2014	2013
	\$'000	\$'000

Own-Source Revenue

Note 4A: Sale of Goods and Rendering of Services

Sale of goods in connection with

Related parties	150	150
External parties	176	243

Total sale of goods	326	393
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Rendering of services in connection with

Related parties	59,890	58,427
External parties	2,671	4,165

Total rendering of services	62,561	62,592
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Total sale of goods and rendering of services	62,887	62,985
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Note 4B: Rental Income

Operating lease	3,074	2,542
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Total rental income	3,074	2,542
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Note 4C: Other Revenue

Resources received free of charge	5,088	4,048
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Other non-tax revenues	162	200
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Total other revenue	5,250	4,248
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Gains

Note 4D: Gains from Sale of Assets

Property, plant and equipment

Proceeds from sale	80	26
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Carrying value of assets sold	(68)	-
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Selling expense	-	(4)
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Total gains from sale of assets	12	22
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Note 4E: Foreign Exchange Gains

Non-speculative	2	-
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Total foreign exchange gains	2	-
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Note 4F: Reversals of Previous Asset Write-Downs and Impairment

Reversal of impairment losses	430	-
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Total reversals of previous asset write-downs and impairments	430	-
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Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2014 \$'000	2013 \$'000
<u>Note 4G: Other Gains</u>		
Resources received free of charge	740	750
Other - Fuel tax credit	-	1,553
Other - CCTV Assets	2,331	1,256
Other	1,217	-
Total other gains	4,288	3,559
<u>Note 4H: Revenue from Government</u>		
Appropriations		
Departmental appropriations	998,501	951,322
Total revenue from Government	998,501	951,322

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 5: Fair Value Measurements

The following tables provide an analysis of assets and liabilities that are measured at fair value. The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Note 5A: Fair Value Measurements

Fair value measurements at the end of the reporting period by hierarchy for assets and liabilities in 2014

	Fair value \$'000	Fair value measurements at the end of the reporting period using		
		Level 1 inputs \$'000	Level 2 inputs \$'000	Level 3 inputs \$'000
Non-financial assets				
Land	25,500	-	22,865	2,635
Land held for sale ¹	500	-	500	-
Buildings	48,921	-	30,087	18,834
Buildings held for sale ¹	600	-	600	-
Leasehold improvements	63,695	-	-	63,695
Vessels	95,185	-	2,357	92,828
Other property, plant and equipment	96,780	-	14,932	81,848
Total non-financial assets	331,181	-	71,341	259,840
Total fair value measurements of assets in the statement of financial position	331,181	-	71,341	259,840

1. ACBPS is currently marketing two residential properties (staff housing) that are no longer essential to operational requirements. These assets are measured at fair value less cost to sell.

Fair value measurements - highest and best use differs from current use for non-financial assets (NFAs)

ACBPS's assets are held for operational purposes and not held for the purposes of deriving a profit. The current use of all controlled assets is considered their highest and best use.

Note 5B: Level 1 and Level 2 Transfers for Recurring Fair Value Measurements

There have been no transfers between levels of the hierarchy during the year.

Australian Customs and Border Protection Service NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 5C: Valuation Technique and Inputs for Level 2 and Level 3 Fair Value Measurements

Level 2 and 3 fair value measurements - valuation technique and the inputs used for assets and liabilities in 2014

	Category (Level 2 or Level 3)	Fair value \$'000	Valuation technique(s) ¹	Inputs used	Range (weighted average) ²
Non-financial assets					
Land	2	22,865	Market Approach	Price per square metre	
Land Held for Sale	2	500	Market Approach	Price per square metre	
Land	3	2,635	Market Approach	Price per square metre	(10.00%) - 10.00%
Building	2	30,087	Market Approach	Adjusted market transactions	
Building Held for Sale	2	600	Market Approach	Adjusted market transactions	
Building	3	7,875	Market Approach	Adjusted market transactions	(10.00%) - 10.00%
			Depreciated Replacement Cost (DRC)	Replacement Cost New (price per square metre)	
Building	3	10,959		Consumed economic benefit / Obsolescence of asset	11.11% - 2.50% (3.55%) per annum
			Depreciated Replacement Cost (DRC)	Replacement Cost New (price per square metre)	
Leasehold improvements	3	63,695		Consumed economic benefit / Obsolescence of asset	52.17% - 4.35% (8.36%) per annum
			Market Approach	Price per square metre	
Vessels	2	2,357	Depreciated Replacement Cost (DRC)	Replacement Cost New (price per square metre)	
Vessels	3	92,828		Consumed economic benefit / Obsolescence of asset	20.00% - 5.00% (6.01%) per annum
			Market Approach	Adjusted market transactions	
Other property, plant and equipment	2	14,932	Depreciated Replacement Cost (DRC)	Replacement Cost New	
Other property, plant and equipment	3	81,848		Consumed economic benefit / Obsolescence of asset	50.00% - 4.17% (13.24%) per annum

Note: 1. There have been no changes to valuation techniques.

2. Significant unobservable inputs only. Not applicable for assets or liabilities in the Level 2 category.

Australian Customs and Border Protection Service NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Recurring and non-recurring Level 3 fair value measurements - valuation processes

ACBPS procured the service of Australian Valuation Solutions (AVS) to undertake a desktop valuation of land, buildings, leasehold improvements, infrastructure, plant and equipment at 30 June 2014. ACBPS tests the procedures of the valuation model as an internal management review at least once every 12 months (with a formal revaluation undertaken once every three years). If a particular asset class experiences significant and volatile changes in fair value (i.e. where indicators suggest that the value of the class has changed materially since the previous reporting period), that class is subject to specific valuation in the reporting period, where practicable, regardless of the timing of the last specific valuation.

There is no change in the valuation technique since the prior year.

Significant Level 3 inputs utilised by ACBPS are derived and evaluated as follows:

Land and Buildings - Price per square metre

ACBPS controls assets situated in remote locations where property markets have experienced significant reductions in activity. Reference was made to available sales evidence together with other relevant information related to local economic and property market conditions. ACBPS has used significant professional judgement in determining the fair value measurements.

All Asset Classes - Consumed economic benefit / Obsolescence of asset

Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the cost (Depreciated Replacement Cost or DRC) approach. Under the DRC approach the estimated cost to replace the asset is calculated and then adjusted to take into account its consumed economic benefit / asset obsolescence (accumulated depreciation). Consumed economic benefit / asset obsolescence has been determined based on professional judgment regarding physical, economic and external obsolescence factors relevant to the asset under consideration.

The weighted average is determined by assessing the fair value measurement as a proportion of the total fair value for the class against the total useful life of each asset.

Recurring Level 3 fair value measurements - sensitivity of inputs

Land and Buildings - Price per square metre

The significant unobservable inputs used in the fair value measurement of ACBPS's land and buildings asset classes relate to the adopted price per square metre. A significant increase (decrease) in this input would result in a significantly higher (lower) fair value measurement.

Leasehold improvements, Vessels & Other Property, Plant and Equipment - Consumed economic benefit / Obsolescence of asset

The significant unobservable inputs used in the fair value measurement of ACBPS's asset classes relate to the consumed economic benefit / asset obsolescence. A significant increase (decrease) in this input would result in a significantly lower (higher) fair value measurement.

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 5D: Reconciliation for Recurring Level 3 Fair Value Measurements

Recurring Level 3 fair value measurements - reconciliation for assets

	Non-financial assets					
	Land 2014 \$'000	Buildings 2014 \$'000	Leasehold improvements 2014 \$'000	Vessels 2014 \$'000	Other property, plant and equipment 2014 \$'000	Total 2014 \$'000
Opening balance¹	2,685	17,916	61,318	38,927	83,239	204,085
Total gains/(losses) recognised in other comprehensive income ²	(50)	(1,302)	(3,561)	(1,804)	(22,330)	(29,047)
Purchases	-	2,220	5,938	55,705	20,939	84,802
Sales	-	-	-	-	-	-
Issues	-	-	-	-	-	-
Settlements	-	-	-	-	-	-
Transfers into Level 3 ³	-	-	-	-	-	-
Transfers out of Level 3 ³	-	-	-	-	-	-
Closing balance	2,635	18,834	63,695	92,828	81,848	259,840

Changes in unrealised gains/(losses) recognised in net cost of services for assets held at the end of the reporting period⁴

1. Opening balance as determined in accordance with AASB 13
2. These gains/(losses) are presented in the Statement of Comprehensive Income under Other Comprehensive Income.
3. There have been no transfers between levels of the hierarchy during the year.
4. No unrealised gains/(losses) were presented in the Statement of Comprehensive Income under Other Comprehensive Income.

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 6: Financial Assets

	2014	2013
	\$'000	\$'000
Note 6A: Cash and Cash Equivalents		
Cash on hand or on deposit	5,023	4,842
Cash held by outsiders	1,395	2,541
Total cash and cash equivalents	6,418	7,383

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2014 \$'000	2013 \$'000
Note 6B: Trade and Other Receivables		
Good and services receivables in connection with		
Related parties	667	409
External parties	2,163	2,125
Total goods and services receivables	2,830	2,534
Appropriations receivables		
Existing programs	151,198	172,618
Total appropriations receivables	151,198	172,618
Other receivables		
Statutory receivables	7,118	5,646
Receivable from Government	-	882
Other	5,110	6,347
Total other receivables	12,228	12,875
Total trade and other receivables (gross)	166,256	188,027
Less impairment allowance		
Goods and services	(1,416)	(1,846)
Total impairment allowance	(1,416)	(1,846)
Total trade and other receivables (net)	164,840	186,181
Trade and other receivables (net) expected to be recovered		
No more than 12 months	164,840	186,181
More than 12 months	-	-
Total trade and other receivables (net)	164,840	186,181
Trade and other receivables (gross) aged as follows		
Not overdue	163,923	185,904
Overdue by		
0 to 30 days	183	170
31 to 60 days	108	42
61 to 90 days	30	30
More than 90 days	2,012	1,881
Trade and other receivables (gross)	166,256	188,027
Impairment allowance aged as follows		
Not overdue	-	-
Overdue by		
0 to 30 days	(41)	-
31 to 60 days	(12)	-
61 to 90 days	(20)	-
More than 90 days	(1,343)	(1,846)
Total impairment allowance	(1,416)	(1,846)

Credit terms for goods and services were within 30 days (2013: 30 days).

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Reconciliation of the Impairment Allowance

Movements in relation to 2014

	Goods and services \$'000	Other receivables \$'000	Total \$'000
Opening balance	(1,846)	-	(1,846)
Amounts written off	5	-	5
Amounts recovered and reversed	(21)	-	(21)
Increase/(Decrease) recognised in net cost of services	446	-	446
Closing balance	(1,416)	-	(1,416)

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
Increase/(Decrease) recognised in net cost of services	(202)	-	(202)
Closing balance	(1,846)	-	(1,846)

2014 2013
\$'000 \$'000

Note 6C: Other Financial Assets

Accrued Revenue	1,331	856
Total other financial assets	1,331	856

Other financial assets expected to be recovered

No more than 12 months	1,331	856
More than 12 months	-	-
Total other financial assets	1,331	856

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 7: Non-Financial Assets

	2014	2013
	\$'000	\$'000
Note 7A: Land and Buildings		
Land		
Fair value	25,500	28,915
Total land	25,500	28,915
Buildings on freehold land		
Fair value	48,921	51,780
Accumulated depreciation	-	(2,551)
Total buildings on freehold land	48,921	49,229
Leasehold improvements		
Work in progress	4,750	3,576
Fair value	63,695	99,878
Accumulated depreciation	-	(23,688)
Total leasehold improvements	68,445	79,766
Total land and buildings	142,866	157,910

No indicators of impairment were found for land and buildings.

All independent valuations were conducted by Australian Valuation Solutions in accordance with the revaluation policy stated at Note 1.18.

A revaluation decrement of \$1.716m for land, increment of \$3.206m for buildings on freehold land and increment of \$0.953m for leasehold improvements was credited to the asset revaluation reserve by asset class and included in the Statement of Changes in Equity; no decrement and increments were expensed.

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2014 \$'000	2013 \$'000
<u>Note 7B: Property, Plant and Equipment</u>		
Vessels		
Work in progress	86,336	79,031
Fair value	95,185	51,161
Accumulated depreciation	-	(5,624)
Total vessels	181,521	124,568
 Other property, plant and equipment		
Work in progress	18,658	11,934
Fair value	96,780	135,369
Accumulated depreciation	-	(32,129)
Total other property, plant and equipment	115,438	115,174
Total property, plant and equipment	296,959	239,742

No indicators of impairment were found for property, plant and equipment assets.

All independent valuations were conducted by Australian Valuation Solutions in accordance with the revaluation policy stated at Note 1.18.

A revaluation increment of \$2.370m for property, plant and equipment was credited to the asset revaluation reserve by asset class and included in the Statement of Changes in Equity; no decrements were expensed.

Australian Customs and Border Protection Service NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 7C: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment

Reconciliation of the opening and closing balance of property, plant and equipment for 2014

	Land \$'000	Buildings \$'000	Leasehold Improvements \$'000	Total land and buildings \$'000
As at 1 July 2013				
Gross book value	28,915	51,780	103,454	184,149
Accumulated depreciation and impairment	-	(2,551)	(23,688)	(26,239)
Total as at 1 July 2013	28,915	49,229	79,766	157,910
Additions				
Purchase or internally developed	606	1,505	9,280	11,391
Revaluations and impairments recognised in other comprehensive income	(1,716)	3,206	953	2,443
Revaluations recognised in net cost of services	-	-	-	-
Impairments recognised in net cost of services	-	-	-	-
Reversal of impairments recognised in net cost of services	-	-	-	-
Assets held for sale or in a disposal group held for sale	(500)	(600)	-	(1,100)
Depreciation	-	(2,606)	(21,554)	(24,160)
Disposals	-	-	-	-
From disposal of entities or operations (including restructuring)	-	-	-	-
Other	(1,805)	(1,813)	-	(3,618)
Total as at 30 June 2014	25,500	48,921	68,445	142,866
Total as at 30 June 2014 represented by				
Gross book value	25,500	48,921	68,445	142,866
Accumulated depreciation and impairment	-	-	-	-
Total as at 30 June 2014	25,500	48,921	68,445	142,866

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Reconciliation of the opening and closing balance of property, plant and equipment for 2014-continued

	Vessels \$'000	Other property, plant & equipment \$'000	Total property, plant & equipment \$'000
As at 1 July 2013			
Gross book value	130,192	147,303	277,495
Accumulated depreciation and impairment	(5,624)	(32,129)	(37,753)
Total as at 1 July 2013	124,568	115,174	239,742
Additions			
Purchase or internally developed	63,655	34,034	97,689
Donation/Gift	-	2,331	2,331
Revaluations and impairments recognised in other comprehensive income	1,146	1,224	2,370
Revaluations recognised in net cost of services	-	-	-
Impairments recognised in net cost of services	-	(94)	(94)
Reversal of impairments recognised in net cost of services	-	7	7
Depreciation expense	(7,848)	(37,170)	(45,018)
Disposals:			
From disposal of entities or operations (including restructuring)	-	-	-
Other	-	(68)	(68)
Total as at 30 June 2014	181,521	115,438	296,959
Total as at 30 June 2014 represented by			
Gross book value	181,521	115,438	296,959
Accumulated depreciation and impairment	-	-	-
Total as at 30 June 2014	181,521	115,438	296,959

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Reconciliation of the opening and closing balances of property, plant and equipment for 2013

	Land \$'000	Buildings \$'000	Leasehold Improvements \$'000	Total land and buildings \$'000
As at 1 July 2012				
Gross book value	27,670	45,726	101,533	174,929
Accumulated depreciation and impairment	-	-	-	-
Total as at 1 July 2012	27,670	45,726	101,533	174,929
Additions				
Purchase or internally developed	1,385	7,027	2,231	10,643
Revaluations and impairments recognised in other comprehensive income	-	-	-	-
Revaluations recognised in net cost of services	-	-	-	-
Impairments recognised in net cost of services	-	-	-	-
Reversal of impairments recognised in net cost of services	-	-	-	-
Depreciation expense	-	(3,004)	(23,689)	(26,693)
Assets held for sale or in a disposal group held for sale	-	-	-	-
Reclassifications	-	(218)	(281)	(499)
Disposals				
From disposal of entities or operations (including restructuring)	-	-	-	-
Other	(140)	(302)	(28)	(470)
Total as at 30 June 2013	28,915	49,229	79,766	157,910
Total as at 30 June 2013 represented by				
Gross book value	28,915	51,780	103,454	184,149
Accumulated depreciation and impairment	-	(2,551)	(23,688)	(26,239)
Total as at 30 June 2013	28,915	49,229	79,766	157,910

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Reconciliation of the opening and closing balances of property, plant and equipment for 2013

	Vessels \$'000	Other property, plant & equipment \$'000	Total property, plant & equipment \$'000
As at 1 July 2012			
Gross book value	4,041	176,742	180,783
Accumulated depreciation and impairment	-	-	-
Total as at 1 July 2012	4,041	176,742	180,783
Additions			
Purchase or internally developed	38,469	53,314	91,783
Donation/Gift	-	1,256	1,256
Revaluations and impairments recognised in other comprehensive income	-	-	-
Revaluations recognised in net cost of services	-	-	-
Impairments recognised in net cost of services	-	(7)	(7)
Reversal of impairments recognised in net cost of services	-	-	-
Depreciation expense	(5,624)	(33,683)	(39,307)
Reclassifications	(3,319)	8,650	5,331
Disposals			
From disposal of entities or operations (including restructuring)	-	-	-
Other	-	(97)	(97)
Total as at 30 June 2013	33,567	206,175	239,742
Total as at 30 June 2013 represented by			
Gross book value	130,192	147,303	277,495
Accumulated depreciation and impairment	(5,624)	(32,129)	(37,753)
Total as at 30 June 2013	124,568	115,174	239,742

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2014	2013
	\$'000	\$'000
<u>Note 7D: Intangibles</u>		
Computer software		
Internally developed – in progress	14,577	19,347
Internally developed – in use	430,979	417,996
Purchased	33,921	27,703
Accumulated amortisation	(287,370)	(255,095)
Accumulated impairment losses	(17,228)	(17,228)
Total computer software	174,879	192,723
Total intangibles	174,879	192,723

No indicators of impairment were found for intangibles.

Australian Customs and Border Protection Service NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 7E. Reconciliation of the Opening and Closing Balances of Intangibles

Reconciliation of the opening and closing balances of intangibles for 2014

	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2013			
Gross book value	437,343	27,703	465,046
Accumulated amortisation and impairment	(252,855)	(19,468)	(272,323)
Total as at 1 July 2013	184,488	8,235	192,723
Additions			
Purchase or internally developed	8,824	6,613	15,437
Revaluations and impairments recognised in other comprehensive income	-	-	-
Revaluations recognised in net cost of services	-	-	-
Impairments recognised in net cost of services	(611)	-	(611)
Reversal of impairments recognised in net cost of services	-	-	-
Amortisation	(27,873)	(4,797)	(32,670)
Reclassifications	-	-	-
Disposals	-	-	-
From disposal of entities or operations (including restructuring)	-	-	-
Other	-	-	-
Total as at 30 June 2014	164,828	10,051	174,879
Total as at 30 June 2014 represented by			
Gross book value	445,556	33,921	479,477
Accumulated amortisation and impairment	(280,728)	(23,870)	(304,598)
Total as at 30 June 2014	164,828	10,051	174,879

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Reconciliation of the opening and closing balances of intangibles for 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)
Total as at 1 July 2012	207,820	10,458	218,278
Additions			
Purchase or internally developed	14,428	2,514	16,942
Revaluations and impairments recognised in other comprehensive income	-	-	-
Revaluations recognised in net cost of services	-	-	-
Impairments recognised in net cost of services	-	-	-
Reversal of impairments recognised in net cost of services	-	-	-
Amortisation	(32,928)	(4,737)	(37,665)
Reclassifications [#]	(4,832)		(4,832)
Disposals			
From disposal of entities or operations (including restructuring)	-	-	-
Other	-	-	-
Total as at 30 June 2013	184,488	8,235	192,723
Total as at 30 June 2013 represented by			
Gross book value	437,343	27,703	465,046
Accumulated amortisation and impairment	(252,855)	(19,468)	(272,323)
Total as at 30 June 2013	184,488	8,235	192,723

[#] During 2012-13 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

	2014	2013
	\$'000	\$'000

Note 7F: Inventories

Inventories held for distribution	7,062	2,474
Total inventories	7,062	2,474

During 2013-14 \$1,924,619 of inventory held for distribution was recognised as an expense (2012-13: \$2,578,647).

All inventories are expected to be distributed in the next 12 months.

Note 7G: Other Non-Financial Assets

Prepayments	15,455	13,214
Total other non-financial assets	15,455	13,214

Other non-financial assets expected to be recovered

No more than 12 months	9,163	9,156
More than 12 months	6,292	4,058
Total other non-financial assets	15,455	13,214

No indicators of impairment were found for other non-financial assets.

Note 7H: Assets Held For Sale

Land held for sale	500	-
Buildings held for sale	600	-
Total Assets Held For Sale	1,100	-

Assets held for sale expected to be recovered

No more than 12 months	1,100	-
More than 12 months	-	-
Total Assets Held For Sale	1,100	-

ACBPS is currently marketing two residential properties (staff housing) that are no longer essential to operational requirements. These assets are measured at fair value less cost to sell and are expected to be disposed within 12 months.

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 8: Payables

	2014	2013
	\$'000	\$'000
Note 8A: Suppliers		
Trade creditors and accruals	41,876	60,542
Operating lease rentals	18,760	15,718
Total suppliers	60,636	76,260
Suppliers expected to be settled		
No more than 12 months	60,636	76,260
More than 12 months	-	-
Total suppliers	60,636	76,260
Suppliers in connection with		
Related parties	5,150	1,549
External parties	55,486	74,711
Total suppliers	60,636	76,260

Settlement is usually made within 30 days.

Note 8B: Other Payables

Salaries and wages	21,161	19,068
Superannuation	2,797	2,382
Other employee entitlements	2,514	2,101
Prepayments received/unearned income	1,327	1,055
Fringe Benefits Tax	846	403
Lease incentive	1,184	1,913
Deferred rental	7,277	6,003
Statutory payable	19	34
Other payables	3,594	3,350
Total other payables	40,719	36,309
Other payables expected to be settled		
No more than 12 months	32,505	27,963
More than 12 months	8,214	8,346
Total other payables	40,719	36,309

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 9: Provisions

	2014 \$'000	2013 \$'000
Note 9A: Employee Provisions		
Leave	161,503	168,094
Total employee provisions	161,503	168,094
Employee provisions expected to be settled		
No more than 12 months	44,942	45,814
More than 12 months	116,561	122,280
Total employee provisions	161,503	168,094
Note 9B: Other Provisions		
Provision for restoration	23,925	26,614
Total other provisions	23,925	26,614
Other provisions expected to be settled		
No more than 12 months	10,098	3,002
More than 12 months	13,827	23,612
Total other provisions	23,925	26,614

	Provision for restoration \$'000	Total \$'000
As at 1 July 2013	26,614	26,614
Additional provisions made	580	580
Amounts used	(3,267)	(3,267)
Amounts reversed	(712)	(712)
Unwinding of discount or change in discount rate	710	710
Total as at 30 June 2014	23,925	23,925

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 10: Restructuring

Note 10 Departmental Restructuring

	2014	2013
	Anti-Dumping Department of Industry ¹	
	\$'000	\$'000
FUNCTIONS RELINQUISHED		
Assets relinquished		
Cash	1,665	-
Total assets relinquished	1,665	-
Liabilities relinquished		
Employee provisions	1,665	-
Total liabilities relinquished	1,665	-
Net assets/(liabilities) relinquished	-	-

1. The net liabilities relinquished for 2014 was Nil (2013: Nil).

As part of the Administrative Arrangement Orders that were signed by the Prime Minister on 18 September 2013 and 12 December 2013, Ministerial responsibility for the anti-dumping functions currently undertaken by the ACBPS pursuant to Parts XVB and XVC and section 9 of the *Customs Act 1901* were transferred from the ACBPS to the Department of Industry (Industry) with an agreed date of transfer of 27 March, 2014. The functions transferred relate to the administration of the relevant parts or of the *Customs Tariff (Anti-Dumping) Act 1975*.

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 11: Cash Flow Reconciliation

	2014	2013
	\$'000	\$'000
Reconciliation of cash and cash equivalents as per statement of financial position to cash flow statement		
Cash and cash equivalents as per		
Cash flow statement	6,418	7,383
Statement of financial position	<u>6,418</u>	<u>7,383</u>
Discrepancy	<u>-</u>	<u>-</u>
Reconciliation of net cost of services to net cash from/(used by) operating activities		
Net (cost of)/contribution by services	(1,105,793)	(1,065,006)
Revenue from Government	998,501	951,322
Adjustments for non-cash items		
Other gains - CCTV	(2,331)	(1,256)
Other gains - Fuel Tax Credit	-	(1,553)
Depreciation/amortisation	101,848	103,665
Net write down of non-financial assets	703	209
Reversal of impairment losses	(430)	-
Gain on disposal of assets	(12)	(22)
Unwinding of discount	710	734
Loss on disposal of assets	13	119
Movements in assets and liabilities		
Assets		
(Increase)/Decrease in net receivables	20,447	21,920
(Increase)/Decrease in inventories	(4,588)	(112)
(Increase)/Decrease in other non-financial assets	(2,241)	1,141
Liabilities		
Increase/(Decrease) in employee provisions	(6,591)	(8,352)
Increase/(Decrease) in suppliers payables	(6,282)	(2,995)
Increase/(Decrease) in other payables	4,410	39
Increase/(Decrease) in other provisions	(3,020)	-
Increase/(Decrease) in other liabilities	-	(363)
Net cash from/(used by) operating activities	<u>(4,656)</u>	<u>(510)</u>

Australian Customs and Border Protection Service
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 12: Contingent Assets and Liabilities

	Guarantees		Indemnities		Claims for damages or costs		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Contingent assets								
Balance from previous period	-	-	-	-	-	-	-	-
New contingent assets recognised	-	-	-	-	-	-	-	-
Re-measurement	-	-	-	-	-	-	-	-
Assets realised	-	-	-	-	-	-	-	-
Rights expired	-	-	-	-	-	-	-	-
Total contingent assets	-	-	-	-	-	-	-	-
Contingent liabilities								
Balance from previous period	-	-	-	-	-	-	-	-
New contingent liabilities recognised	-	-	-	-	-	-	-	-
Re-measurement	-	-	-	100,000	-	-	-	100,000
Liabilities realised	-	-	-	-	-	-	-	-
Obligations expired	-	-	-	-	-	-	-	-
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 2013-14 (2012-13: Nil).

Unquantifiable Contingencies

As at 30 June 2014, 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.

In the 2011-12 reporting period, 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 2014, the software provider involved has not initiated legal proceedings and ACPBS is still investigating this matter. 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 31 December 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 31 December 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 2014, 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 13: Senior Executive Remuneration

Note 13A: Senior Executive Remuneration Expenses for the Reporting Period

	2014	2013
	\$	\$
Short-term employee benefits		
Salary	9,259,379	8,525,455
Performance bonuses	513,020	698,400
Other	1,038,939	1,124,890
Total short-term employee benefits	10,811,338	10,348,745
Post-employment benefits		
Superannuation	1,574,172	1,408,302
Total post-employment benefits	1,574,172	1,408,302
Other long-term employee benefits		
Annual leave accrued	706,468	667,733
Long-service leave	230,662	218,015
Total other long-term employee benefits	937,130	885,748
Termination benefits		
Voluntary redundancy payments	184,976	235,054
Total termination benefits	184,976	235,054
Total senior executive remuneration expenses	13,507,616	12,877,849

Notes:

1. Note 13A is prepared on an accrual basis (therefore the performance bonus expenses disclosed above may differ from the cash 'Bonus paid' in Note 13B).
2. Note 13A excludes acting arrangements and part-year service where total remuneration expensed for a senior executive was less than \$195,000.
3. "Other" includes motor vehicle allowances, value of reportable fringe benefits and other allowances.

Australian Customs and Border Protection Service NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 13B: Average Annual Reportable Remuneration Paid to Substantive Senior Executives during the Reporting Period

Average annual reportable remuneration paid to substantive senior executives in 2014

Average annual reportable remuneration ¹	Substantive Senior Executives		Reportable salary ²	Contributed superannuation ³	Reportable allowances ⁴	Bonus paid ⁵	Total reportable remuneration
	No.						
Total reportable remuneration (including part-time arrangements)							
less than \$195,000	12		87,517	12,935	-	4,355	104,807
\$195,000 to \$224,999	6		179,473	27,548	340	5,243	212,604
\$225,000 to \$254,999	21		197,656	30,711	27	11,471	239,865
\$255,000 to \$284,999	4		222,889	35,735	-	7,501	266,125
\$285,000 to \$314,000	7		254,636	39,297	-	10,558	304,491
\$315,000 to \$344,999	2		256,708	40,386	-	22,300	319,394
\$345,000 to \$374,999	2		313,879	41,169	-	10,384	365,432
\$405,000 to \$434,999	1		339,588	50,146	-	36,771	426,505
\$645,000 to \$674,999	1		590,992	83,562	99	-	674,653
Total number of substantive senior executives		56					

Australian Customs and Border Protection Service NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 13B: 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	Bonus paid ⁵	Total reportable remuneration
	No.	\$					
Total reportable remuneration (including part-time arrangements)							
less than \$195,000	9	58,562	8,655	-	2,976	70,193	
\$195,000 to \$224,999	9	177,206	27,648	193	8,644	213,691	
\$225,000 to \$254,999	22	196,152	27,863	165	13,775	237,954	
\$255,000 to \$284,999	4	212,414	30,572	-	19,459	262,445	
\$285,000 to \$314,000	6	242,431	35,717	-	23,572	301,721	
\$345,000 to \$374,999	1	305,403	51,644	-	8,179	365,226	
\$405,000 to \$434,999	1	331,412	48,531	-	27,567	407,510	
\$525,000 to \$554,999	1	518,085	14,490	-	-	532,575	
\$555,000 to \$584,999	1	480,891	51,910	-	35,750	568,551	
Total number of substantive senior executives		54					

Notes:

- 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.
- 'Reportable salary' includes the following:
 - gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
 - reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes);
 - exempt foreign employment income; and
 - reportable employer superannuation contributions
- The 'contributed superannuation' amount is the average cost to the entity for the provision of superannuation benefits to substantive senior executives in the reportable remuneration band during the reporting period.
- 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.
- '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 13C. 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 2014

Average annual reportable remuneration ¹	Other highly paid staff	Reportable salary ²	Contributed super-annuation ³	Reportable allowances ⁴	Bonus paid ⁵	Total reportable remuneration
	No.	\$	\$	\$	\$	\$
Total reportable remuneration (including part-time arrangements):						
\$195,000 to \$224,999	6	189,732	23,304	-	2,142	215,178
\$225,000 to \$254,999	1	236,950	22,302	373	-	259,625
Total number of other highly paid staff	7					

Average annual reportable remuneration paid to other highly paid staff in 2013

Average annual reportable remuneration ¹	Other highly paid staff	Reportable salary ²	Contributed super-annuation ³	Reportable allowances ⁴	Bonus paid ⁵	Total reportable remuneration
	No.	\$	\$	\$	\$	\$
Total reportable remuneration (including part-time arrangements):						
\$195,000 to \$224,999	5	185,593	17,142	76	1,022	203,833
Total number of other highly paid staff	5					

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; and
 - b) who were not deployed overseas;
 - c) whose reportable remuneration was \$195,000 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) reportable employer superannuation contributions
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.
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 14: Remuneration of Auditors

	2014	2013
	\$'000	\$'000
Financial statement audit services were provided free of charge to the ACBPS by the Australian National Audit Office (ANAO).		
Fair value of services received		
Financial statement audit services	740	740
Other services ¹	-	10
Total fair value of services received	740	750

¹Other paid services are related to the 2009-10 Special Purpose Audit of GST Administration and Import Processing Cost Recovery charges.

Note 15: Average Staffing Levels

	2014	2013
The average staffing levels for ACBPS during the year were	5,000	5,118

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 16: Financial Instruments

	2014	2013
	\$'000	\$'000
Note 16A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	6,418	7,383
Trade receivables	2,830	2,534
Other receivables	5,110	6,347
Accrued revenue	1,331	856
Total loans and receivables	15,689	17,120
Total financial assets	15,689	17,120
Financial Liabilities		
Financial liabilities measured at amortised cost		
Trade creditors	60,636	76,260
Other payables	3,594	3,350
Total financial liabilities measured at amortised cost	64,230	79,610
Total financial liabilities	64,230	79,610

Note 16B: Fair Value of Financial Instruments

	Carrying amount 2014 \$'000	Fair value 2014 \$'000	Carrying amount 2013 \$'000	Fair value 2013 \$'000
Financial Assets				
Cash and cash equivalents	6,418	6,418	7,383	7,383
Trade receivables	2,830	2,830	2,534	2,534
Other receivables	5,110	5,110	6,347	6,347
Accrued revenue	1,331	1,331	856	856
Total financial assets	15,689	15,689	17,120	17,120
Financial Liabilities				
Trade creditors	60,636	60,636	76,260	76,260
Other payables	3,594	3,594	3,350	3,350
Total financial liabilities	64,230	64,230	79,610	79,610

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 16C: Credit Risk

ACBPS is exposed to minimal credit risk as loans and receivables are cash, trade and other 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 receivables, other receivables and accrued revenue (2014: \$9,271,000 and 2013: \$9,737,000). ACBPS has assessed the risk of the default on payment and has allocated \$1,416,000 in 2014 (2013: \$1,846,000) 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 assets 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
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	6,418	7,383	-	-
Trade receivables	497	411	2,333	2,123
Other receivables	5,110	6,347	-	-
Accrued revenue	1,331	856	-	-
Total	13,356	14,997	2,333	2,123

Ageing of financial assets that were past due but not impaired for 2014

	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables	142	96	10	669	917
Other receivables	-	-	-	-	-
Accrued revenue	-	-	-	-	-
Total	142	96	10	669	917

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

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 16D: Liquidity Risk

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 2014

	On demand	Within 1 year	between 1 to 2 years	between 2 to 5 years	more than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade creditors	-	60,636	-	-	-	60,636
Other payables	-	3,594	-	-	-	3,594
Total	-	64,230	-	-	-	64,230

Maturities for non-derivative financial liabilities 2013

	On demand	Within 1 year	between 1 to 2 years	between 2 to 5 years	more than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade creditors	-	76,260	-	-	-	76,260
Other payables	-	3,350	-	-	-	3,350
Total	-	79,610	-	-	-	79,610

Note 16E: 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 17: Financial Assets Reconciliation

		2014 \$'000	2013 \$'000
	Notes		
Total financial assets as per statement of financial position		172,589	194,420
Less: non-financial instrument components			
Appropriation receivables		151,198	172,618
Statutory receivables		7,118	5,646
Receivable from government		-	882
Impairment allowance		(1,416)	(1,846)
Total non-financial instrument components		156,900	177,300
Total financial assets as per financial instruments note	16A	15,689	17,120

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 18: Administered - Expenses

	June 2014 \$'000	2013 \$'000
<u>Note 18A: Suppliers</u>		
Goods and services supplied or rendered		
Consultants / Market Research	928	916
Total goods and services supplied or rendered	928	916
Services rendered in connection with		
External parties	928	916
Total services rendered	928	916
Total goods and services supplied or rendered	928	916
<u>Note 18B: Write-Down and Impairment of Assets</u>		
Impairment & write-off expense	12,310	5,798
Total write-down and impairment of assets	12,310	5,798

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 19: Administered - Income

	2014	2013
	\$'000	\$'000
Taxation revenue		
<u>Note 19A: Customs Duty</u>		
Customs Duty	9,279,038	8,171,146
Total Customs Duty	9,279,038	8,171,146
<u>Note 19B: Passenger Movement Charge</u>		
Passenger Movement Charge	846,611	776,991
Total passenger movement charge	846,611	776,991
<u>Note 19C: Import Processing and Depot Charges</u>		
Import Processing and Depot Charges	242,377	149,793
Total import processing and depot charges	242,377	149,793
Non-Taxation Revenue		
<u>Note 19D: Fees and Fines</u>		
Fees, Fines and Prosecutions	1,747	1,696
Total fees and fines	1,747	1,696
<u>Note 19E: Interest</u>		
Interest received	-	22
Total interest	-	22
<u>Note 19F: Other Revenue</u>		
Other revenue	2,037	3,536
Total other revenue	2,037	3,536
<u>Note 19G: Reversals of Previous Asset Write-Downs</u>		
Reversal of previous asset write down	9,331	-
Total reversals of previous asset write-downs and impairments	9,331	-

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 20: Administered - Assets

Financial Assets		
	2014	2013
	\$'000	\$'000
Note 20A: Cash and Cash Equivalents		
Cash on hand or on deposit	7,704	891
Total cash and cash equivalents	7,704	891
Non-Financial Assets		
-		
Note 20B: Taxation Receivables		
Indirect tax		
Customs Duty	153,693	122,876
Passenger Movement Charge	117,138	127,031
Import Processing and Depot Charges	1,137	1,143
Total taxation receivables (gross)	271,968	251,050
Less: Impairment allowance	(14,697)	(18,449)
Total taxation receivables (net)	257,271	232,601
Taxation receivables (gross) aged as follows		
Not overdue	242,593	226,033
Overdue by		
0 to 30 days	3,554	4,626
31 to 60 days	1,271	1,000
61 to 90 days	1,182	159
More than 90 days	23,368	19,232
Total taxation receivables (gross)	271,968	251,050
Impairment allowance aged as follows		
Not overdue	-	-
Overdue by		
0 to 30 days	(361)	-
31 to 60 days	(62)	-
61 to 90 days	(631)	-
More than 90 days	(13,643)	(18,449)
Total impairment allowance	(14,697)	(18,449)

Refer to Administered Note 1 paragraph 1.24 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

	2014	2013
	\$'000	\$'000
<u>Note 20C: Non-Taxation Receivables</u>		
Fees, fines and prosecutions	30,278	30,113
Total non-taxation receivables (gross)	30,278	30,113
Less: impairment allowance	(26,140)	(27,757)
Total non-taxation receivables (net)	4,138	2,356
Non-taxation receivables (net) expected to be recovered		
No more than 12 months	367	209
More than 12 months	3,771	2,147
Total non-taxation receivables (net)	4,138	2,356
Non-taxation receivables (gross) aged as follows		
Not overdue	416	1,103
Overdue by		
0 to 30 days	133	323
31 to 60 days	151	66
61 to 90 days	13	864
More than 90 days	29,565	27,757
Total non-taxation receivables (gross)	30,278	30,113
Impairment allowance aged as follows		
Not overdue	-	-
Overdue by		
0 to 30 days	(83)	-
31 to 60 days	(99)	-
62 to 90 days	(7)	-
More than 90 days	(25,951)	(27,757)
Total impairment allowance	(26,140)	(27,757)
Credit terms for receivables are disclosed in Note 1.25.		

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Reconciliation of the Impairment Allowance			
Movements in relation to 2014			
	Taxation receivables \$'000	Non- taxation receivables \$'000	Total \$'000
Opening balance	(18,449)	(27,757)	(46,206)
Amounts written off	8,346	2	8,348
Amounts recovered and reversed	7,375	1,956	9,331
Increase/(Decrease) recognised in net cost of services	(11,969)	(341)	(12,310)
Closing balance	(14,697)	(26,140)	(40,837)
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 or reversed	4,790	5,898	10,688
Increase/(Decrease) recognised in net cost of services	(10,503)	(5,982)	(16,485)
Closing balance	(18,449)	(27,757)	(46,206)

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 21: Administered - Payables

	2014 \$'000	2013 \$'000
<u>Note 21A: Unearned Revenue</u>		
Unearned revenue	2,948	3,237
Total unearned revenue	2,948	3,237
Unearned revenue expected to be settled		
No more than 12 months	2,948	2,966
More than 12 months	-	271
Total unearned revenue	2,948	3,237
<u>Note 21B: Other Payables</u>		
Refunds and drawbacks payable	3,713	8,216
Other payables	1,687	-
Total other payables	5,400	8,216
Other payables expected to be settled		
No more than 12 months	5,400	8,216
Total other payables	5,400	8,216

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 22: Administered - Non-Interest Bearing Liabilities

	2014	2013
	\$'000	\$'000
<u>Note 22A: Security deposits</u>		
Security deposits	2,246	2,304
Total security deposits	2,246	2,304
Security deposits expected to be settled		
On demand	2,246	2,304
Total security deposits	2,246	2,304

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 23: Administered - Cash Flow Reconciliation

	2014 \$'000	2013 \$'000
Reconciliation of cash and cash equivalents as per administered schedule of assets and liabilities to administered cash flow statement		
Cash and cash equivalents as per		
Schedule of administered cash flows	7,704	891
Schedule of administered assets and liabilities	<u>7,704</u>	<u>891</u>
Discrepancy	<u>-</u>	<u>-</u>
Reconciliation of net cost of services to net cash from/(used by) operating activities		
Net contribution by services	10,367,903	9,096,470
Refunds of duty and indirect taxes on behalf of other entities	(142,202)	(109,397)
Movements in assets and liabilities		
Assets		
(Increase)/Decrease in taxation receivables	(24,670)	(57,357)
(Increase)/Decrease in non-taxation receivables	(1,782)	(1,803)
Liabilities		
Increase/(Decrease) in unearned revenue	569	(464)
Increase/(Decrease) in other payables	(3,674)	4,753
Increase/(Decrease) in security deposits	(58)	(535)
(Increase)/Decrease in liabilities administered on behalf of other entities	<u>42</u>	<u>(14)</u>
Net cash from operating activities	<u>10,196,128</u>	<u>8,931,653</u>

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 24: Administered - Contingent Assets and Liabilities

As at 30 June 2014 ACBPS estimates that there were no contingent assets or liabilities in the form of guarantees, indemnities or claims for damages or costs (2012-13: \$nil).

Quantifiable Administered Contingencies

As at 30 June 2014, ACBPS had no quantifiable contingencies (30 June 2013: Nil).

Unquantifiable Administered Contingent Liabilities

As at 30 June 2014, 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 2014, 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 cannot be estimated. The amount that may be collected is not quantifiable. From time to time, ACBPS needs to enforce these securities and collect the associated revenue.

Significant Remote Administered Contingencies

As at 30 June 2014, 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 25: Administered - Financial Instruments

	2014	2013
	\$'000	\$'000
Note 25A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	7,704	891
Total loans and receivables	7,704	891
Total financial assets	7,704	891

Note 25B: Fair Value of Financial Instruments

	Carrying amount 2014 \$'000	Fair value 2014 \$'000	Carrying amount 2013 \$'000	Fair value 2013 \$'000
Financial Assets				
Cash and cash equivalents	7,704	7,704	891	891
Total financial assets	7,704	7,704	891	891

Note 25C: Credit, Liquidity and Market Risk

ACBPS hold basic financial instruments that do not expose it to 'credit risk', 'currency risk', 'interest rate risk' or 'other price risks' as financial instruments are represented by cash and cash equivalents.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 26: Administered - Financial Assets Reconciliation

	Notes	2014 \$'000	2013 \$'000
Total financial assets as per administered schedule of assets and liabilities		7,704	891
Total financial assets as per administered financial instruments note	25A	7,704	891

Australian Customs and Border Protection Service NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 27: Appropriations

Note 27A: Annual Appropriations ('Recoverable GST exclusive')

Annual Appropriations for 2014

	Appropriation Act		FMA Act			Total appropriation \$'000	Appropriation applied in 2014 (current and prior years) \$'000	Variance ^a \$'000
	Annual Appropriation \$'000	Appropriations reduced \$'000	AFM \$'000	Section 30 \$'000	Section 31 \$'000	Section 32 \$'000		
Departmental								
Ordinary annual services	1,059,975	-	-	-	69,578	-	1,155,171	(25,618)
Other services								
Equity	71,849	-	-	-	-	-	67,651	4,198
Loans	-	-	-	-	-	-	-	-
Total departmental	1,131,824	-	-	-	69,578	-	1,222,822	(21,420)
Administered								
Ordinary annual services								
Administered items	928	-	-	-	-	-	928	-
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	928	-	-	-	-	-	928	-

Notes:

^(a) Variance is due to the operating deficit in 2013-14 and appropriations applied in 2014 from prior years. An expenditure of \$4,743,160.20 for the Long-Term Ashmore Capability project was incurred in 2012-13 for which ACBPS was appropriated in 2013-14.

Annual Appropriation for 2013

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Appropriation Act		FMA Act			Total appropriation	Appropriation applied in 2013 (current and prior years)	Variance ^a
	Annual Appropriation \$'000	Appropriations reduced \$'000	AFM \$'000	Section 30 \$'000	Section 31 \$'000	Section 32 \$'000		
Departmental								
Ordinary annual services	1,010,206	-	-	-	66,221	-	1,093,489	(17,062)
Other services								
Equity	64,882	-	-	-	-	-	64,882	3,801
Loans	-	-	-	-	-	-	-	-
Total departmental	1,075,088	-	-	-	66,221	-	1,141,309	(13,261)
Administered								
Ordinary annual services								
Administered items	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	-

Notes:

(^a) Variance is due to the operating deficit in 2012-13 and appropriations applied in 2013 from prior years.

Australian Customs and Border Protection Service NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 27B: Departmental and Administered Capital Budgets ('Recoverable GST exclusive')

	2014 Capital Budget Appropriations		Capital Budget Appropriations applied in 2014 (current and prior years)				
	Appropriation Act	FMA Act	Total Capital Budget Appropriations	Payments for non-financial assets ^b	Payments for other purposes	Total payments	Variance ^c
	Annual Capital Budget	Appropriations reduced					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Departmental							
Ordinary annual services - Departmental Capital Budget ^a	60,592	-	60,592	65,634	-	65,634	(5,042)

(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 non-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.

(c) Variance is due to net actual cash spending on departmental capital lower than budget amount for 2013-14 financial year. The available funding for DCB in 2013-14 was topped up by \$4,743,160.20 which related to expenditure for the Long-Term Ashmore Capability project. The expenditure was incurred in 2012-13 and ACBPS was appropriated the funding in 2013-14.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2013 Capital Budget Appropriations		Capital Budget Appropriations applied in 2013 (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 \$'000	Variance ^c \$'000
	Annual Capital Budget \$'000	Appropriations reduced \$'000					
Departmental							
Ordinary annual services - Departmental Capital Budget ^a	59,766	-	59,766	55,054	-	55,054	4,712

(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 non-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.

(c) Variance is due to net actual cash spending on departmental capital lower than budget amount for 2012-13 financial year.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 27C: Unspent Annual Appropriations ('Recoverable GST exclusive')

	2014	2013
	\$'000	\$'000
Departmental		
<i>Appropriation Act (No. 2) 2010-11</i>	2,707	2,707
<i>Appropriation Act (No. 1) 2012-13</i>	-	173,433
<i>Appropriation Act (No. 2) 2012-13</i>	-	3,861
<i>Appropriation Act (No. 1) 2013-14^a</i>	151,593	-
<i>Appropriation Act (No. 2) 2013-14^b</i>	3,315	-
Total departmental	157,615	180,001

(a) The unspent balance of Appropriation Act 1 2013-14 includes an Uber journal processed by the Department of Finance to top up the current year DCB funding of \$4,743,160.20 related to the cash spent on the Long-Term Ashmore Capability project that was incurred in 2012-13.

(b) The unspent balance of Appropriation Act 2 2013-14 represents the available appropriation balance as at 30 June 2014 which has been reduced by \$4,743,160.20 in relation to the above Uber journal adjustment.

Note 27D: Special Appropriations Applied ('Recoverable GST exclusive')

Administered			Appropriation applied	
			2014	2013
Authority	Type	Purpose	\$'000	\$'000
<i>Financial Management and Accountability Act 1997 - Section 28 (Repayments Required or Permitted by Law)*</i>	Unlimited Amount	Repayments required or permitted by Law	348,700	364,972
	Refund	Refunds of receipts to individuals under the Tourist Refund Scheme	123,282	93,516
Total special appropriations applied			471,982	458,488

* The Australian Taxation Office is responsible for \$18,921,574 for 2013-14 (2012-13: \$15,880,619) of this appropriation relating to GST, WET and LCT on imports.

* Payments totalling \$857,664.34 were made in 2013-14 by the Department of Industry in relation to refunds of dumping duty. Subsequent legal advice indicated that this payment should have been made by the ACBPS. The section 28 refunds detailed above do not include this amount.

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 27E: Disclosure by Agent in Relation to Annual and Special Appropriations ('Recoverable GST exclusive')

	Australian Taxation Office \$'000
2014	
Total receipts	123,282
Total payments	(123,282)
	Australian Taxation Office '000
2013	
Total receipts	93,516
Total payments	(93,516)

1. 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 27F: Reduction in Administered Items ('Recoverable GST exclusive')

Reduction in Administered Items for 2014

Ordinary Annual Services	Amount required - by Appropriation Act			Total amount required ^(a)	Total amount appropriated ^(b)	Total reduction
	Act (No.1)	Act (No.3)	Act (No. 5)			
Outcome 1	928,000.00	0.00	0.00	928,000.00	928,000.00	0.00

Notes:

^(a) Amount required as per Appropriation Act (Act 1 section 11; Act 2 section 12).

^(b) Total amount appropriated in 2013-14.

Ordinary Annual Services	Amount required - by Appropriation Act			Total amount required ^(a)	Total amount appropriated ^(b)	Total reduction
	Act (No.1)	Act (No.3)	Act (No. 5)			
Outcome 1	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.

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 28: Special Accounts and FMA Act Section 39

Note 28A: Special Accounts ('Recoverable GST exclusive')

	Services for Other Entities and Trust Monies Special Account ¹		Security Deposits Reserve ²	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Balance brought forward from previous period	-	374	-	2,465
Increases				
Other receipts	-	1	-	2,476
Amounts transferred	-	-	-	-
Total increases	-	1	-	2,476
Available for payments	-	375	-	4,941
Decreases				
Administered				
Payments made to suppliers	-	-	-	(3,012)
Amounts transferred	-	(375)	-	(1,929)
Total administered	-	(375)	-	(4,941)
Total balance carried to the next period	-	-	-	-

1. Appropriation: *Financial Management and Accountability Act 1997*; section 20.

Establishing Instrument: *Financial Management and Accountability Act 1997*; section 20.

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*.

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)*

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)*.

2. Appropriation: *Financial Management and Accountability Act 1997*; section 20.

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*.

The two ACBPS special accounts ceased on 1 July 2014 when the *Public Governance, Performance and Accountability (Consequential and Transitional Provisions) Act 2014* commenced and the *Financial Management and Accountability Act 1997* ceased. Schedule 2, Part 2, Subsection 36(2) of the *Public Governance, Performance and Accountability (Consequential and Transitional Provisions) Act 2014* exempted the two special accounts from the savings provision of the Act.

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 29: Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund

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* [2014] HCA 23, 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.

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 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 accounts¹;
- one annual appropriation (Administered)²; and
- one annual appropriation (Departmental)³.

During 2013-14 further work was undertaken in relation to identifying and addressing the risk of contravention of Section 83. This included undertaking 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. No significant changes in processes, legislation and controls were identified during 2013-14.
- c) Internal Audit were engaged to undertake sample testing and report on ACBPS's compliance with the requirements relating to the payment of long service leave. The sample testing was undertaken to allow ACBPS to assess the risk of non-compliance with the requirements relating to the payment of long service leave, which was identified as an area of risk for agencies in legal advice received during 2012-13.
- 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.

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 The two special accounts were not utilised during 2013-14 and were revoked on 1 July 2014.

² 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.

³ 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 2013-14 \$000	Review complete? (Yes/No)	Breaches identified during 2013/14			Breaches to date yet to be resolved		Remedial action taken or proposed
			Number	Total Incorrect \$000	Recovered/offset As at 30/06/2014 \$000	Yes/No	Indicative extent	
Special Appropriations								
Section 28 Refunds and Drawbacks (Duty and GST)	347,053	Yes	355	1,819	714	Yes	4%	SM, LP
Annual Appropriations								
People Smuggling Communications Campaign ⁴	928	Yes	Nil	N/A	N/A	No	N/A	N/A
Departmental Appropriation Act 1 ⁵	1,155,171	Yes	Nil	N/A	N/A	No	N/A	N/A

L = legislative change; S = systems change and P=planned; M=made (eg SM, or LP)

⁴ 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.

⁵ 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 30: Compensation and Debt Relief

	2014	2013
	\$	\$
Compensation and Debt Relief - Departmental		
No 'Act of Grace payments' were expensed during the reporting period (2013: No expenses).	<u>Nil</u>	<u>Nil</u>
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34 (1) of the <i>Financial Management and Accountability Act 1997</i> (2013: No waivers).	<u>Nil</u>	<u>Nil</u>
One payment was provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period (2013: No payments).	<u>136</u>	<u>Nil</u>
No ex-gratia payments were provided for during the reporting period (2013: No payments).	<u>Nil</u>	<u>Nil</u>
No payments were 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 (2013: No payments).	<u>Nil</u>	<u>Nil</u>

Administered		
No 'Act of Grace' payments were expensed during the reporting period (2013: No payments).	<u>Nil</u>	<u>Nil</u>
No payments were provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period (2013: No 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> (2013: One waiver).	<u>20,537</u>	<u>2,235,473</u>
No ex-gratia payments were provided for during the reporting period (2013: No payments).	<u>Nil</u>	<u>Nil</u>
No payments were 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 (2013: No payments).	<u>Nil</u>	<u>Nil</u>

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 31: Reporting of Outcomes

Note 31A: Net Cost of Outcome Delivery

	Outcome 1 ¹		Total	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Departmental				
Expenses	1,181,736	1,138,362	1,181,736	1,138,362
Own-source income	75,943	73,356	75,943	73,356
Administered				
Expenses	9,836	6,714	9,836	6,714
Income	10,377,739	9,103,184	10,377,739	9,103,184
Net cost/(contribution) of outcome delivery	(9,262,110)	(8,031,464)	(9,262,110)	(8,031,464)

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 32: Competitive Neutrality and Cost Recovery

	2014 \$'000	2013 \$'000
Note 32A: Cost Recovery Summary		
Amounts applied		
Departmental		
Annual appropriations ¹	229,058	143,197
Total amounts applied	229,058	143,197
Expenses		
Departmental	257,240	170,986
Total expenses	257,240	170,986
Revenue		
Departmental ²	1,165	1,356
Administered	244,376	151,797
Total revenue	245,541	153,153
Receivables		
Departmental		
Not overdue	18	19
Overdue by		
0 to 30 days	5	7
31 to 60 days	-	1
61 to 90 days	-	2
More than 90 days	8	19
Total Departmental receivables	31	48
Administered		
Not overdue	940	1,125
Overdue by		
0 to 30 days	4	2
31 to 60 days	1	1
61 to 90 days	-	1
More than 90 days	193	14
Total Administered receivables	1,138	1,143
Total receivables	1,169	1,191
Amounts written off		
Departmental	4	58
Administered	1	8
Total amounts written off	5	66

1. Annual Appropriations include the cash component of expenses plus any capital amounts for the given year.

2. Charges collected under the IPC as section 31 revenue.

Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Cost recovered activities:

Import Processing Charges (IPC) associated with the administration and processing associated with the importation of goods. IPC includes fees for warehouse, depot and broker licences, warehouse declarations fees, location, time and travel fees along with the processing charges associated with administering the importation of goods into Australia. The majority of charges collected from the IPC are Administered in nature, however government agreed that some charges of the IPC be collected as section 31 Departmental revenue.

Documentation (Cost Recovery Impact Statement [CRIS]) for the above activity will be available at <http://customs.gov.au/site/page4368.asp#1>.

The final CRIS is awaiting approval from the relevant Minister. The approved CRIS will be available at the above link once the relevant approval has been provided.

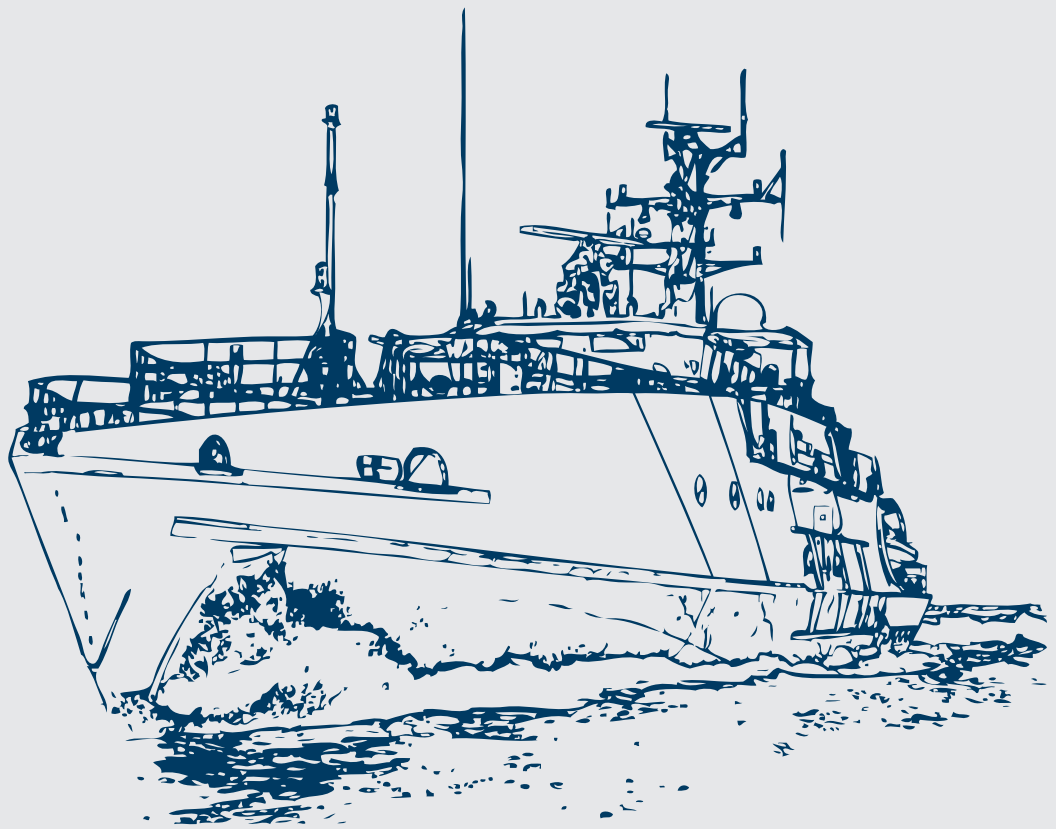
Australian Customs and Border Protection Service

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 33: Net Cash Appropriation Arrangements

	2014 \$'000	2013 \$'000
Total comprehensive income/(loss) less depreciation/amortisation expenses previously funded through revenue appropriations¹	328	(12,047)
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	<u>(101,848)</u>	<u>(103,665)</u>
Total comprehensive income/(loss) - as per the Statement of Comprehensive Income	<u>(101,520)</u>	<u>(115,712)</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 5

APPENDICES

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APPENDIX A

Agency resource statement and resources for outcome

Table A-1: Agency resource statement 2013–14

AGENCY RESOURCE STATEMENT 2013–14	ACTUAL AVAILABLE APPROPRIATION FOR 2013–14 ^(a) (\$000) {A}	PAYMENTS MADE FOR 2013–14 ^(b) (\$000) {B}	BALANCE REMAINING 2013–14 (\$000) = {A}–{B}
Ordinary annual services^(c)			
Appropriation receivable	173,500	151,198	22,302
Departmental appropriation ^{(d)(e)}	1,052,989	939,254	113,735
Section 31 receipts	72,666	69,578	3,088
Total	1,299,155	1,160,030	139,125
Administered expenses			
Outcome 1	928	928	NA
Total	928	928	NA
Total ordinary annual services [A]	1,300,083	1,160,958	NA
Departmental non-operating			
Equity injections ^(f)	68,534	67,651	883
Total	68,534	67,651	883
Total other services [B]	68,534	67,651	883
Total available annual appropriations and payments	1,368,617	1,228,609	NA
Special appropriations			
Special appropriation (FMA Act s28)	–	348,700	NA
Total special appropriations [C]	–	348,700	NA
Total resourcing and payments			
[A] + [B] + [C]	1,368,617	1,577,309	NA

FMA Act = *Financial Management and Accountability Act 1997*

^(a) Data sourced from 2014–15 Portfolio Budget Statements.

^(b) Data sourced from 2013–14 Financial Statements, Cash Flow Statement, but excludes Net GST paid.

^(c) Appropriation Bill (No. 1) 2013–14.

^(d) This includes amounts for Appropriation Bill (No. 3) 2013–14 and Appropriation Bill (No. 5) 2013–14.

^(e) This includes \$60.59 million for the Departmental Capital Budget in 2013–14. For accounting purposes this amount has been designated as 'contributed by owners'.

^(f) Appropriation Bill (No.2) 2013–14.

Note: Special Accounts have not been reported for 2013–14 as they were not utilised during the financial year and were revoked effective from 1 July 2014.

Table A-2: Resources for outcome

	BUDGET 2013–14 ^(a) (\$000) {A}	ACTUAL EXPENSE 2013–14 (\$000) {B}	VARIATION 2013–14 (\$000) = {A}–{B}
Programme 1.1: Border Enforcement			
Departmental expenses	949,954	963,612	–13,658
Subtotal for Programme 1.1	949,954	963,612	–13,658
Programme 1.2: Border Management			
Departmental expenses	143,177	143,739	–562
Subtotal for Programme 1.2	143,177	143,739	–562
Programme 1.3: Border Revenue Collection			
Departmental expenses	72,289	74,385	–2,096
Subtotal for Programme 1.3	72,289	74,385	–2,096
Total departmental expenses	1,165,420	1,181,736	–16,316
Administered expenses	3,428	13,238	–9,810
Special appropriations			
FMA Act s28—repayments required or permitted by law	360,000	348,700	11,300
Total for outcome	1,528,848	1,543,674	–14,826
Department expenses	1,165,420	1,181,736	–16,316
Administered expenses	3,428	13,238	–9,810
Administered refunds (FMA Act s28)	360,000	348,700	11,300
Average levels of officers (number)	5,000	5,000	0

FMA Act = *Financial Management and Accountability Act 1997*^(a) Budget relates to the revised budget estimate reported in the 2013–14 Portfolio Additional Estimates Statements

APPENDIX B

Work health and safety statistics work health and safety statistics

The Australian Customs and Border Protection Service (ACBPS, the Service) continues to better understand and control the diverse and complex corporate and operational risks that challenge the Service within a fluid and demanding work environment.

In support of these challenges, a number of improvement strategies were implemented that enhanced—yet simplified—processes for our workers in the management of health and safety across the Service to meet due diligence requirements under the *Work Health and Safety Act 2011*. Key achievements include:

- ▶ a renewed and refreshed workplace health and safety (WHS) policy framework was implemented in consultation with unions and officers
- ▶ introduction of Safety Notices that provide a snapshot of individual current topics or emerging issues and inform officers on steps to take to manage the hazards and risks
- ▶ significant enhancements to the WHS information management system (COMPASS) for the recording, investigation and report extraction of incidents

- ▶ completion of targeted WHS management system audits at workplaces that represent cross sections of corporate and operational business areas in readiness for the Reform Programme, and
- ▶ implementation of improvements to the rehabilitation management system under section 41 of Comcare Guidelines to build compliance and consistencies across the Service.

Future strategies are planned for delivery in the *Work Health and Safety Plan 2014–16* which will achieve national consistent and standardised WHS practices for workers. These are linked to the principal duties and/or regulations under the Commonwealth WHS legislative framework and contain 42 initiatives under seven key areas of focus.

This appendix provides information on WHS incidents, investigations and notices in accordance with the requirements of Schedule 2, Part 4 of the *Work Health and Safety Act 2011*.

Table B-1: Comcare claim data and unscheduled absences, 2012–13 to 2013–14

	2011–12	2012–13	2013–14
Accepted compensation incident claims	118	98	139
Claims per 100 officers (headcount)	2.08	1.77	2.59
Accepted compensation incident claims with time off work	106	98	101
Accepted compensation incident claims resulting in 5 or more days incapacity	84	85	90
Claims of five or more days incapacity per 100 officers (headcount)	1.48	1.54	1.68
Quality of return to work outcomes ^(a)	87%	84%	69%
Annual absenteeism (days per full-time equivalent)	13.25	13.10	12.88

^(a) Number of officers that successfully returned to employment following the implementation of a return to work plan

Investigations and notices

There are no ongoing investigations or notices issued under Parts 8 or 10 of the *Work Health and Safety Act 2011*.

Notifiable incidents

The Service has 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 2013–14 the Service notified Comcare of 30 incidents, the same number of incidents reported in 2012–13. We continue to liaise with the Comcare regarding the altered definition of a notifiable incident with the amended work health and safety legislation.

Table B-2: Notifiable incidents, 2011–12 to 2013–14

	2011–12	2012–13	2013–14
Death	0	1 ^(a)	2 ^(a)
Dangerous occurrence	22	16	17
Serious personal injury	31	13	11
Incapacity	0	0	0
Total	53	30	30

^(a) illegal maritime arrival.

Table B-3: Notifiable incidents—mechanism of injury 2011–12 to 2013–14

	2011–12		2012–13		2013–14	
Mechanism of injury	Number	%	Number	%	Number	%
Falls, trips and slips	8	15.09	2	6.67	2	6.90
Hitting objects with body	8	15.09	1	3.33	—	—
Being hit by moving objects	5	9.43	11	36.67	3	10.34
Sound and pressure	—	—	—	—	—	—
Body stressing	5	9.43	1	3.33	—	—
Heat, electricity and other environmental factors	1	1.88	6	20	3	10.34
Chemical and other substances	8	15.09	4	13.33	7	24.14
Biological factors	2	3.77	1	3.33	1	3.45
Mental stress	—	—	—	—	1	3.45
Hazard	11	20.75	2	6.67	5	17.24
Vehicle accidents and other	5	9.43	2	6.67	1	3.45
Other and unspecified	—	—	—	—	6	20.68
Total	53	100	30	100	30	100

APPENDIX C

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 EPBC Act.

The Service is committed to making a positive contribution to sustainable development. By using benchmark indicators from the Department of Industry, 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. The Service recognises the risk to the health and safety environment in Australia if its 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

The ACBPS Environmental Practice Statement outlines the Service's commitment to improving environmental performance and to instituting better practices. In place is an 'Environmental Management System' that seeks to minimise environmental impacts by:

- ▶ educating officers through the intranet page, internal news articles and signage to reinforce environmentally-friendly practices
- ▶ procuring information and communications technology (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, and
- ▶ 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
 - providing a call centre for officers to report on building faults
 - increasing the ratio of fuel-efficient vehicles in the national fleet
 - increasing officer-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.

The Service measures performance against set energy targets and it conducts energy audits as required. ACBPS will continue with an 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 2013–14 will not be able to be reported to the Minister for Immigration and Border Protection until late 2014. Therefore, figures are not available at the time of publication and figures from 2012–13 have been used.

Overall energy consumption in 2012–13 decreased by 5.3 per cent, to 768,574 gigajoules (GJs) compared to the previous year's 811,620 GJs (see Table 54). This was mainly due to the overall reduction in fuel usage under the categories of Other Transport and Passenger Vehicles. 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 C-1: Direct energy use—tenant light and power, 2011–12 to 2012–13.

FINANCIAL YEAR	2011–12	2012–13
OFFICE — TENANT LIGHT & POWER		
Electricity (kWh)	15,974,736	15,797,809
Green power (kWh)	(655,950)	(869,391)
Total GJ	57,509	56,872
Occupancy ^(b)	4,987	4,421
Area (m2)	106,326	102,598
MJ/Occupancy (people) / annum	11,531.8	12,864.08
MJ / Area (m2) / annum	541	554
m2 / Person	21	23
OFFICE — CENTRAL SERVICES		
Total GJ	(a)	(a)
OTHER BUILDINGS		
2011–12		
Electricity (kWh)	3,013,252	3,416,212
Liquid Petroleum Gas (L)	0	107,580
Greenpower (kWh)	(244,965)	(211,404)
Total GJ	10,848	12,298
Area (m2)	126,001	130,015
MJ / Area (m2) / annum	86	95
OTHER USES		
2011–12		
Electricity kWh	1,003,187	944,609
Liquid Petroleum Gas (MJ)	291,504	107,580
Greenpower (kWh)	(61,900)	(46,932)
Total GJ	3,896	3,616
Area (m2)	52,191	47,947
KPI (MJ / m2)	75	76
Total GJ	811,620	768,574

L = Litres

kWh = Kilowatt Hours

GJ = Gigajoules

MJ = Mega joule

m2 = meters squared

^(a) Central Services are not separately metered therefore usage is included under the category "Tenant Light and Power".^(b) Occupancy numbers consist of FTE officers extracted from Compass on 1 July at the beginning of the reporting year.

Table C-2: Direct energy use—transport, 2011–12 to 2012–13

PASSENGER VEHICLES	2011–12	2012–13
OFFICE — TENANT LIGHT & POWER		
Automotive Diesel (L)	130,431	130,237
E10 Bio-Fuel (L)	76,589	58,902
Petrol (L)	239,111	215,148
LPG (L)	4,041	2,271
Total GJ	15,853	14,519
Distance Travelled (km) / annum	3,834,144	3,567,812
MJ / Distance Travelled (km) / annum	4.13	4.07
OTHER TRANSPORT	2011–12	2012–13
Automotive Diesel (L)	9,275,118	8,834,017
Automotive Petrol (L)	76,346	55,239
Aviation (AVGAS) (L)	10,857,015	9,989,318
LPG (L)	1,120	649
Total GJ	720,027	681,269
Transport Energy Totals (GJ) (OT & PV)	735,880	695,788

Km = Kilometre

MJ = Megajoule

Environmental goals

The following table provides an outline of the Service's various environmental goals throughout 2013–14:

Table C-3: Direct energy use—transport, 2011–12 to 2012–13

ENVIRONMENTAL GOALS 2013–14	RESULT	ONGOING ENVIRONMENTAL GOALS 2014–15
Maintain 80 per cent recycled paper content.	Individual sections are responsible for purchasing office paper. The recommended minimum recycled content is 80 per cent 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 completed energy upgrades.	Monitoring is ongoing. Overall reductions at the sites are estimated to meet the payback periods by lease end dates.	Monitoring and reporting on energy savings will continue.
Implement energy-saving solutions for office lighting.	The Environmental Management Instruction and Guidelines outline good practices such as turning off lights in empty rooms and after hours.	Officers will continue to be reminded of good practices in energy saving.
Introduce energy-saving solutions for computers and office equipment.	Support Division continues to revise practices in accordance with the <i>Australian Government Data Centre Strategy 2010–2025</i> and the <i>Australian Government ICT Sustainability Plan 2010–15</i> .	Support Division will adhere to the recommendations for ICT equipment in the <i>Australian Government Data Centre Strategy 2010–2025</i> and the <i>Australian Government ICT Sustainability Plan 2010–15</i> . Continue to procure energy-efficient ICT equipment with automatic power saving options. Reviews the officer-to-printer ratios in all major offices. The current target is a ratio of 15:1. Review all server room temperatures to save A/C usage.
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.
Continue existing Green Lease Schedules (GLS) to improve building energy performance and National Australian Built Environment Ratings System (NABERS) via Building Management Committee.	Four major offices contain GLS: <ul style="list-style-type: none"> ▶ 2 Constitution Ave, Canberra ▶ Melbourne Customs House ▶ Adelaide Customs House ▶ Brisbane Customs House 	Continue to seek improvements in building energy performance and, where required, enter into new GLS for major office renewals.
Establish an Environmental Management intranet page containing information on expected practices and guidelines for officers and contractors.	The Environmental Management intranet page is available to all officers and contain advice on expected practices of officers and contractors.	Continue to review and update the Environmental Management intranet page as required. Relevant Customs News articles will contain links to the Environmental Management intranet pages for greater officer awareness.

In June 2010 the Service completed the implementation of major energy-saving initiatives over nine locations around Australia. The energy savings from these sites continues to be monitored. One of the top performers was 5 Constitution Avenue, Canberra. After a complete lighting upgrade (finished in 2009–10), the electricity consumption reflects the initial drops and remains consistent with the following years (2010–11, 2011–12 and 2012–13) as shown in Figure C-1.

Figure C-1 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 in 31 July 2016.

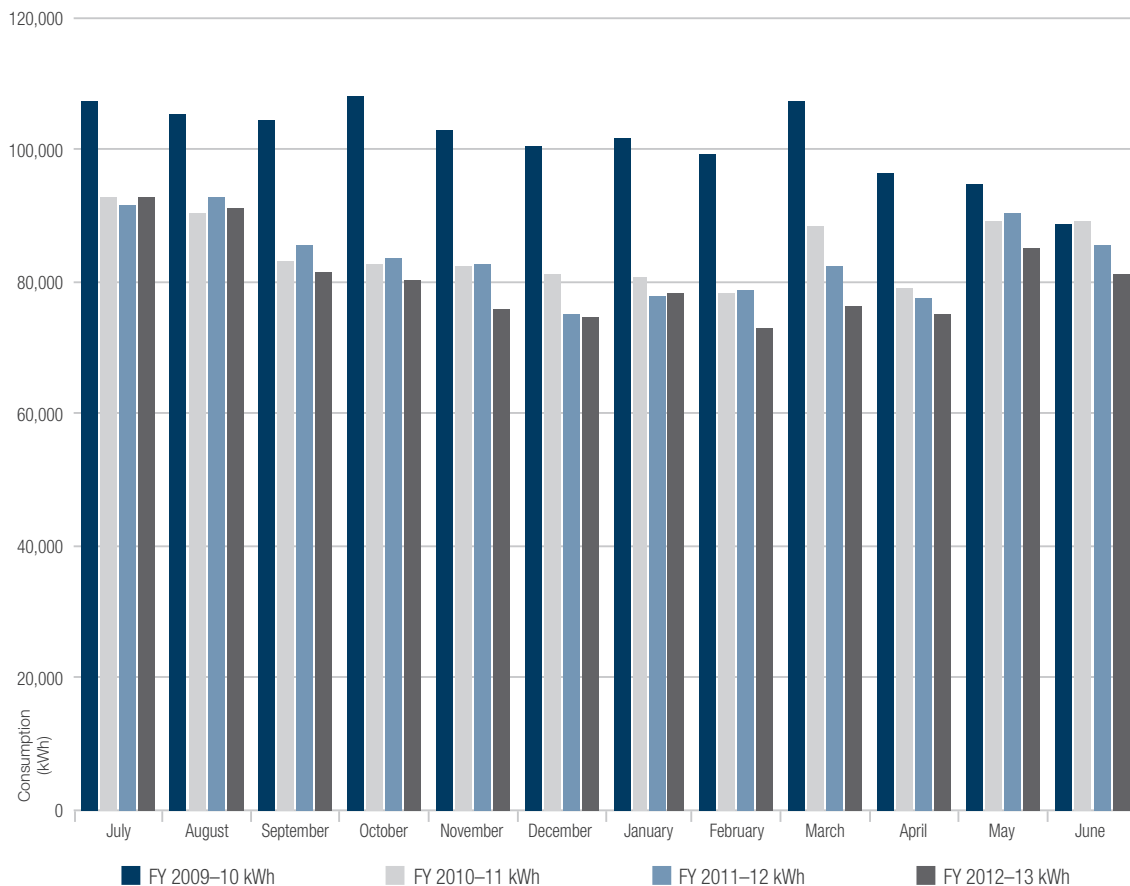


Figure C-1: Electricity consumption for 5 Constitution Avenue, Canberra

Note: Energy consumption figures for 5 Constitution Avenue provided by JLL sourced from electricity invoices.

Government policy

The Service complies with government policies contributing to sustainable development, including environmental policies as outlined in the Energy Efficiency in Government Operations (EEGO) Policy, *the Australian Government Data Centre Strategy 2010–2025*, *Australian Government ICT Sustainability Plan 2010–15* 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

The Service applies the economic, environmental and social criteria as outlined in the EEGO Policy in procurement operations. ACBPS compliance is achieved with these policies by including evaluation criteria in procurement documents and considering those policies when determining value for money in a tender process. The Service aims to improve energy efficiency and reduce the whole-of-life cost and environmental impact throughout a product's life cycle—production, use or disposal.

ACBPS also includes criteria such as hazardous or ozone-depleting substances and energy ratings in its procurement decisions. The Service considers a wide range of other government policies and requirements for effective purchasing including:

- ▶ Australian Public Service 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 EPBC Act, 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 in conjunction with the Department of Finance that is on the Commonwealth Heritage List—the National Operational Training Centre at Neutral Bay in Sydney, 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 2013–14.

APPENDIX D

Information Publication Scheme statement

As an agency subject to the *Freedom of Information Act 1982* (FOI Act), the Australian Customs and Border Protection Service (ACBPS, the Service) is required to publish information to the public as part of the Information Publication Scheme. An agency plan showing what information the Service publishes in accordance with the Information Publication Scheme requirements is available on the Service's website.

Freedom of information statistics

From 1 July 2013 to 30 June 2014, the Service received 243^(a) requests under section 15 of the FOI Act, up from 165^(a) 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.

^(a) Please note these numbers include requests carried over from the previous financial year and requests still being processed at the end of the financial year.

From 1 July 2013 to 30 June 2014, the Service received 12 requests for internal review under section 54 of the FOI Act, up from 10 internal reviews last year.

From 1 July 2013 to 30 June 2014, the Service was notified of five requests for Information Commissioner Review under section 54B of the FOI Act, down from 12 notifications last year.

From 1 July 2013 to 30 June 2014, the Service received one notification for a review by the Administrative Appeals Tribunal under section 57A of the FOI Act, up from nil notifications last year.

APPENDIX E

Legislative authority and power

On 10 June 1985, subsection 4(1) of the *Customs Administration Act 1985* established the Australian Customs and Border Protection Service (ACBPS, the Service) in its current form. The Service primarily derives its powers from the *Customs Act 1901* (the Customs Act) and related legislation.

Statutory powers conferred on the Chief Executive Officer

The *Customs Administration Act 1985* provides for the appointment of a Chief Executive Officer (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 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*
- ▶ *Commerce (Trade Descriptions) Act 1905*
- ▶ *Maritime Powers Act 2013*.

Other legislation under which ACBPS 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*

- ▶ *Major Sporting Events (Indicia and Images) Protection Act 2014*
- ▶ *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*
- ▶ *Intellectual Property Laws Amendment (Raising the Bar) Act 2012*.

These lists are not exhaustive and do not include all delegated legislation.

APPENDIX F

Advertising and market research

Under s321A of the *Commonwealth Electoral Act 1918*, any payments we make for advertising or market research greater than \$12,400 (inclusive of GST) must be reported in the Annual Report. In accordance with this legislation, the totals paid to these organisations and the services they provided are below.

During 2013–14, the Australian Customs and Border Protection Service conducted the following advertising campaigns:

- ▶ Anti-people smuggling communication campaigns, including *By Boat, No Visa; New Rules; Don't throw your money into water* and *No Way. You will not make Australia home*.
 - The strategic communication team in the Operation Sovereign Borders Joint Agency Task Force has delivered a number of public information campaigns in key source countries (Afghanistan, Pakistan, Iran, Vietnam, Bangladesh, India and Sri Lanka) and transit countries (Indonesia, Malaysia and Thailand) to inform, educate and deter Potential Illegal Immigrants from attempting dangerous boat journeys to Australia.
 - These campaigns aim to inform and educate people about the Australian Government's tough policy to combat people smuggling, highlighting the realities of hazardous sea journeys, the financial risks of engaging people smugglers, the deception and lies of people smugglers, and the consequences of illegal migration by sea to Australia.

Further information on those advertising campaigns is available at www.customs.gov.au and the reports prepared by the Department of Finance. Those reports are available at www.finance.gov.au/advertising.

Traveller Satisfaction Survey

The Traveller Satisfaction Survey is conducted quarterly (August, November, February and May). The aim of the survey is to gain an overall indication of international travellers' experiences moving through Australian airports. ORC International Pty Ltd. is contracted to undertake the surveys and does so through face-to-face interviews with inbound and outbound travellers at our eight major international airports. The total value of the contract, for services conducted between July 2013 and June 2014, is \$153,505.85.

Table F-1: Payments over \$12,400 to advertising and market research organisations

ORGANISATION	SERVICES	AMOUNT (GST INCLUSIVE)
ADCORP Australian Limited	Online and newspaper advertising for Recruitment advertising Advertising Public notices	\$377,481
Universal McCann	Advertising	\$2,654,810.76
LOTE Marketing	Advertising translation and production	\$72,018.01
ORC International Pty Ltd	Surveys	\$153,505.85
Total (inclusive of GST)		\$3,257,816
STATT Consulting Ltd	Research Public Relations Advertising	\$6,427,732.00
International Organisation for Migration Vietnam	Public Relations Advertising	\$120,075.19
International Organisation for Migration Indonesia	Public Relations Advertising	\$128,000.00
Thompson Associates (PVT) Ltd ^(a) / TAL Group / Total Media Direction (PVT) Ltd ^(a)	Public Relations Advertising	\$2,518,076.59
Organisation for Eelam Refugee Rehabilitation (OfERR) India ^(a)	Public Relations Advertising	\$50,495.24
Community Theatre Sri Lanka (British Council) ^(a)	Public Relations Advertising	\$33,592.45
Radio and cinema advertising India (Malar Publications Ltd /KAL Radio Ltd/Suryan FM Unit of Sun TV Network, Real Image Media Technologies) ^(a)	Public Relations Advertising	\$44,765.91
Press advertising Pakistan ^(a)	Public Relations Advertising	\$60,525.55
Leaflet dissemination Malaysia (Prom-ad Creative Communications/PG Media Brands SDN BHD) ^(a)	Public Relations Advertising	\$15,360
Leo Burnett Indonesia	Public Relations Advertising	\$637,409.28
Zanala Bangladesh	Public Relations Advertising	\$33,600.00
Total (inclusive of GST)		\$10,069,632.21

^(a) These payments were made by the relevant overseas post and then journalled or invoiced.

APPENDIX G

Purchaser-provider arrangements

Australian Customs and Border Protection Service (ACBPS, the Service) functions are carried out in a dynamic and complex operating environment particularly during this period of reform. 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.

The Service's civil maritime surveillance and response programme 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 programmes 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 2013–14, ACBPS inspected 102,288 twenty-foot equivalent units and physically examined 14,788 twenty-foot equivalent units of sea cargo containers.

The arrangements for these services have worked effectively. Throughout 2013–14, services were delivered to the cost and standard required by the Service and this is reflected in the achievement of the annual Portfolio Budget Statement targets.

The Service's internal audit function was delivered through an outsourcing arrangement with Ernst and Young, an arrangement that commenced on 1 July 2013. The Internal Audit Section supports the Audit and Risk Committee, which meets five times a year to approve, administer and oversee the delivery of the Strategic Internal Audit Plan and Financial Statements requirements.

In 2013–14, the Internal Audit Section completed 25 internal audit reports, which were considered by the Audit and Risk 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 and Risk Committee, the Chief Executive Officer 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.

APPENDIX H

Correction of errors in the 2012–13 Annual Report

Australian Customs and Border Protection Service 2012–13 Annual Report

Page 17	<p>Table 2: Passenger Facilitation—performance against PBS targets</p> <p>The column headings of Target (\$ million) and Actual (\$ million) were incorrect. The correct headings are Target (million) and Actual (million).</p>
Page 26	<p>Table 5: Trade Facilitation—performance against PBS targets</p> <p>The number of anti-dumping/countervailing investigations, reviews, accelerated review, continuations, reinvestigations and duty assessments: finalised was incorrectly reported as 74. The correct figure is 75.</p> <p>The proportion of customs broker, depot and warehouse licence applications processed in accordance with client service standards was reported as 94.94 per cent. The correct figure is 94.38 per cent.</p>
Page 27	<p>Table 5: Trade Facilitation—performance against PBS targets</p> <p>Footnote (i) was incorrectly reported as one application rejected prior to initiation and five applications which were received however were subsumed into other ongoing cases.</p> <p>Footnote (i) should have read one application rejected prior to initiation and four applications which were received however were subsumed into other ongoing cases.</p>
Page 29	<p>Table 7: Explanation of changes to PBS through PAES Statements in Program 1.2</p> <p>The explanation for the fourth target that differs from PBS to PAES incorrectly reads: Replaced with 'Proportion of anti-dumping/countervailing investigations, reviews, continuations and duty assessments completed within 155 days or timeframe as extended by the minister'.</p> <p>The correct explanation for the fourth target that differs from PBS to PAES should read: The internal review program is not legislated, hence removed.</p>
Page 31	<p>Case study: Partnering to combat trade crime</p> <p>Mr Seebach's comment in the third paragraph was incorrectly quoted as ".....the Integrated Cargo computer system called DARTTS...."</p> <p>The correct quote is ".....the US Immigration Customs Enforcement computer system called DARTTS....."</p>
Page 60	<p>Illicit drugs and precursors</p> <p>The total weight of 585 kilograms (kg) of crystalline methamphetamine (ice) with a street value of up to \$438 million reported at the end of the first paragraph in the second column is incorrect.</p> <p>The correct figures are a total weight of 575 kilograms (kg) of crystalline methamphetamine (ice) with a street value of up to \$434 million.</p>
Page 91	<p>Tobacco smuggling</p> <p>The total average of 11.4 tonnes of tobacco detected monthly is incorrectly reported in the last paragraph of the third column.</p> <p>The correct figure is a total average of 15 tonnes of tobacco detected monthly.</p>
Page 94	<p>Case study: Strengthened border measures for intellectual property rights</p> <p>The last sentence in the second column was reported incorrectly as: 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.</p>

The correct figures in the sentence are: This year we made 2,572 seizures of counterfeit goods, involving 513,814 items, estimated to have a retail value of more than \$43 million.

Page 111 ACBPS expenditure on legal services to contracted service providers

The expenditure reported for Clayton Utz of \$299,375.20 incorrectly included disbursements and Sparke Helmore has \$1 incorrectly included. The correct figure for Clayton Utz is \$287,236.51 and Sparke Helmore is \$0.

Page 131 Consultants

The last paragraph of the third column reporting 24 new consultancy contracts is incorrect. The correct figure is 26 new consultancy contracts.

Page 132 Table 46: Number and value of consultancy contracts entered into, 2010–11 to 2012–13

The number of consultancy contracts for 2012–13 was incorrectly reported as 24. The correct figure is 26.

The row title of Actual Expenditure was incorrectly reported. The correct row title is Contract Value.

The Contract Value for 2012–13 was incorrectly reported as \$10,063,203. The correct figure is \$10,771,123.

Page 134 Table 48: Staff numbers by classification and gender from 30 June 2011 to 30 June 2013

Incorrect figures:

ACBPS Trainees as at 30 June 2013:	male	10
	female	7

ACBPS Graduate Trainees as at 30 June 2013:	male	9
	female	23

Correct figures:

ACBPS Trainees as at 30 June 2013 :	male	9
	female	23

ACBPS Graduate Trainees as at 30 June 2013:	male	10
	female	7

Page 135 Table 49: Staff numbers by location and classification as at 30 June 2013

Incorrect figures:

ACBPS Trainees:	ACT	17
	SA	0
	NT	0

ACBPS Graduate Trainees:	ACT	0
	SA	9
	NT	3

Correct figures:

ACBPS Trainees:	ACT	0
	SA	19
	NT	13

ACBPS Graduate Trainees:	ACT	17
	SA	0
	NT	0

Page 136 Employee agreements

The number of non-SES employees covered by the Enterprise Agreement in the first paragraph of the second column was incorrectly reported as 5,446. The correct figure is 5,457.

Page 136 Australian workplace agreements and section 24 determinations

The reference to Determination under s.24(3) of the Public Service Act 1999 in the third column of the second paragraph was incorrect.

The correct Determination is s.24(1).

Page 143 Figure 8: Departmental income and expenditure

The Income and Expenditure guide keys at the bottom of the figure are incorrect.

The correct Income guide key is dark blue. The correct Expenditure guide key is light blue.

Page 247 Appendix G: Advertising and market research

The below details replace the entire contents of page 247.

Appendix G: Advertising and market research

Under s331A of the *Commonwealth Electoral Act 1918*, any payments we make for advertising or market research greater than \$12,100 (inclusive of GST) must be reported in the annual report. In accordance with this legislation, the totals paid to these organisations and the services they provided are below.

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 Finance. Those reports are available at www.finance.gov.au/advertising.

Table G1: Payments over \$12,100 to advertising and market research organisations

ORGANISATION	SERVICES	AMOUNT (GST INCLUSIVE)
ADCORP Australian Limited	Online and newspaper advertising for Recruitment advertising	\$393,722.89
Universal McCann	Advertising	\$1,292,176.58
Trinity P3*	Research	\$31,680.00
Red Elephant Projects*	Research Evaluation	\$449,132.86
ORC International Pty Ltd	Surveys	\$148,183.11
QLD University of Technology	Surveys	\$55,000.00
Total (inclusive of GST)		\$2,369,895.44
Statt Consulting Ltd*	Research Public Relations Advertising	\$2,492,314.50
International Organisation for Migration*	Public Relations Advertising	\$928,000.00
Thompson Associates (PVT) Ltd*/ TAL Group*	Public Relations Advertising	\$592,817.26
Ipsos Asi*	Public Relations Advertising	\$185,796.56
Total Media Direction (PVT) Ltd*	Public Relations Advertising	\$866,750.49
Total (GST not applicable)		\$5,065,678.81

* International campaigns undertaken to counter people smuggling





PART

6

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ABBREVIATIONS AND ACRONYMS

ABF	Australian Border Force
ACBPS	Australian Customs and Border Protection Service
ACC	Australian Crime Commission
ACLEI	Australian Commission of Law Enforcement Integrity
ACV	Australian Customs and Border Protection Vessel
ADF	Australian Defence Force
AFP	Australian Federal Police
ANAO	Australian National Audit Office
APS	Australian Public Service
AFSA	Australian Financial Security Authority
ATS	Amphetamine-Type Stimulants
AWOTE	Average Weekly Ordinary Time Earnings
BPC	Border Protection Command
CEO	Chief Executive Officer
CPR	Commonwealth Procurement Rules
CTO	Cargo Terminal Operator
DA	Department of Agriculture (previously Department of Agriculture, Fisheries and Forestry {DAFF})
DCEO	Deputy Chief Executive Officer
DFAT	Department of Foreign Affairs and Trade
DHEA	dehydroepiandrosterone/prasterone
DIBP	Department of Immigration and Border Protection
DSTO	Defence Science and Technology Organisation
E10	ethanol-blended fuel
EC	Executive Committee
EEZ	Exclusive Economic Zone
EPBC Act	<i>Environment Protection and Biodiversity Conservation Act 1999</i>
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
ICE	Investigations, Compliance & Enforcement
ICS	Integrated Cargo System
ICT	Information and Communications Technology
IMA	Illegal Maritime Arrivals
INS	Infringement Notice Scheme
IPC	Import Processing Charge
Km	Kilometre
Kg	Kilograms
KPI	Key performance Indicator

LPG	Liquefied Petroleum Gas
LSD	Lysergic Acid Diethylamide
MDA	3,4-methylenedioxyamphetamine
MDEA	3,4-methylenedioxy-N-ethylamphetamine
MDMA	3,4-methylenedioxymethamphetamine (ecstasy)
MDP-2-P	3,4 methylenedioxyphenyl-2-propanone
MJ	Mega joule
MP	Member of Parliament
OC	Operations Committee
PAES	Portfolio Additional Estimates Statements
PBS	Portfolio Budget Statements
PIEDs	Performance and Image Enhancing Drugs
PIIs	Potential Illegal Immigrants
PNG	Papua New Guinea
PMC	Passenger Movement Charge
RC	Regional Command
RAAF	Royal Australian Air Force
ReCAAP	Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia
SBC	Strategic Border Command
SES	Senior Executive Service
SIEV	Suspected Illegal Entry Vessel
SIP	Special Investigations & Programmes
TRS	Tourist Refund Scheme
UK	United Kingdom
USA	United States of America
WH&S	Work Health and Safety
WCO	World Customs 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.
Disability	<p>Under the <i>Disability Discrimination Act 1992</i> in relation to a person, disability is defined as:</p> <ul style="list-style-type: none"> ▶ total or partial loss of the person's bodily or mental functions ▶ total or partial loss of a part of the body ▶ the presence in the body of organisms causing disease or illness ▶ the presence in the body of organisms capable of causing disease or illness ▶ the malfunction, malformation or disfigurement of a part of the person's body ▶ disorder or malfunction that results in the person learning differently from a person without the disorder or malfunction ▶ a disorder, illness or disease that affects a person's thought processes, perception of reality, emotions or judgement or that results in disturbed behaviour. <p>and includes a disability that:</p> <ul style="list-style-type: none"> ▶ presently exists ▶ previously existed but no longer exists ▶ may exist in the future ▶ is imputed to a person.
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 approach	An approach that ensures strategic and operational decision-making is informed by intelligence.
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.
'onshore' and 'offshore'	Unless otherwise indicated, 'onshore' and 'offshore' refer to the 'offshore' location of the client at the time of application or visa grant.
potential illegal immigrant	A person who enters or seeks to enter Australia illegally by sea.
Suspected Illegal Entry Vessel	A vessel suspected of use exclusively for the illegal movement of non-Australian citizens into Australia's Migration Zone or offshore excised areas by sea.
SmartGate	Automated border processing system.
Sodium metabisulphite	A disinfectant and food preservative agent.
Tariff Concession System	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.

COMPLIANCE INDEX

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 May 2014.

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