



Australian Government
Australian Customs Service

AUSTRALIAN CUSTOMS SERVICE

ANNUAL REPORT 2007-08



**DELIVERING TODAY
AND BUILDING OUR CAPABILITIES
FOR THE FUTURE**



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FOR THE FUTURE

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Customs House
5 Constitution Avenue
Canberra City ACT 2601

Phone: 02 6275 6800
Fax: 02 62756796

The Hon Bob Debus
Minister for Home Affairs
Parliament House
CANBERRA ACT 2600

Dear Minister

I am pleased to present to you the Annual Report of the Australian Customs Service (Customs) for the financial year ended 30 June 2008, 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 the guidelines approved by the Joint Committee of Public Accounts and Audit referred to in subsections 63(2) and 70(2) of the *Public Service Act 1999*. These guidelines are applied as a matter of policy to prescribed agencies, including Customs, 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 on which you receive this document. The guidelines referred to in subsection 70(2) of the *Public Service Act 1999* require that this presentation occurs on or before 31 October 2008.

This report details performance for Customs four Outputs and their contribution to the effectiveness of Customs Outcome.

Yours sincerely



Michael Carmody
Chief Executive Officer

13 October 2008

GUIDE TO THIS REPORT

This report provides details of the operations and performance of the Australian Customs Service for the financial year ending 30 June 2008.

The report is presented in the following parts:

PART 1 – OVERVIEW

Organisation

Part 1 of this year's report provides information on Customs role and function, its organisational structure, who leads it, where it is located around Australia and the laws that govern it.

Goals for 2007-08

Part 1 also outlines the reporting framework that Customs has in place in terms of the contribution of outputs to the achievement of Customs Outcome. Each year Customs produces a plan that outlines the performance goals it has set for that year; this document is included as part of this section.

PART 2 – CEO REVIEW AND DELIVERING TODAY; CUSTOMS PERFORMANCE 2007-08

CEO Review

Part 2 of the report includes a review of 2007-08 by Customs CEO, including performance insights, a summary of Customs outcome performance against targets set in the 2007-08 Portfolio Budget statements and Portfolio Additional Estimates statements, an overview of Customs financial performance and a section that looks to the year ahead.

Report of Customs 2007-08 performance

This section provides the budgeted price and appropriations for Customs Outcome and Outputs, the financial and staffing resources that have been allocated to each activity, and how each output group performed against PBS targets in 2007-08. Customs performance achievements for 2007-08 are described in the narrative that follows the performance figures. As part of a new approach to reporting, the achievements of 2007-08 have been described in the context of Customs major processes (passenger and crew processing and cargo processing operations) and the major border risks Customs manages.

PART 3 – BUILDING FOR THE FUTURE; TURNING STRATEGIC DIRECTIONS INTO REALITY

The 2007-08 Customs Plan identified a number of projects and work programs that will build Customs capability for the future and strengthen Customs corporate operations to better support priorities at the border. This section describes progress that was made to meet the goals of the 2007-08 plan.

PART 4 – MANAGEMENT AND ACCOUNTABILITY

Part 4 reports on the areas of corporate governance, external scrutiny, Customs accountability to clients, and the management of human and corporate resources.

PART 5 – FINANCIAL STATEMENTS

Part 5 provides detailed information on Customs financial performance.

PART 6 – APPENDICES A-E

The appendixes provide additional information on a range of issues, including:

- > Staffing overview
- > Commonwealth Disability Strategy performance report
- > Freedom of Information
- > Administrative Appeals Tribunal information
- > Advertising and Market Research
- > Correction of errors from Customs Annual Report 2006–07

PART 7 – REFERENCE INFORMATION

Contains glossary of terms, acronyms list and indexes.

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CONTACT DETAILS

Annual Report Contact

National Manager, Planning

Ph: 02 6275 6346

An electronic copy of this report is available on Customs website at www.customs.gov.au

Customs information and support centre

General Customs-related inquiries should be directed to:

Locked Bag 3000

Sydney International Airport

Sydney NSW 2020

Ph: 1300 363 263

TTY: 1800 804 061 (freecall)

Email: information@customs.gov.au

Complaints and compliments

To make a complaint or offer a compliment on any Customs decision, procedure, product or service, members of the public may contact:

Ph: 1800 228 227 (freecall)

Email: comments@customs.gov.au

Customs Offices

Headquarters in each state and territory

Customs Switchboard: 02 6275 6666

Central Office

Customs House

5 Constitution Ave

CANBERRA CITY ACT 2601

Facsimile: 02 6275 5930

Western Australia

Customs House

2 Henry Street

FREEMANTLE WA 6160

Facsimile: 08 9430 1391

New South Wales

Customs House

10 Cooks River Drive

Sydney International Airport

SYDNEY NSW 2020

Facsimile 02 8339 6714

Northern Territory

Customs House

21 Lindsay Street

DARWIN NT 0801

Facsimile: 08 8980 6503

Victoria

Customs House

1010 La Trobe Street

Melbourne Docklands

VIC 3008

Facsimile: 03 9244 8017

Tasmania

1st Floor

MBF Building

25 Argyle Street

HOBART TAS 7001

Facsimile: 03 6230 1262

South Australia

Customs House

220 Commercial Road

PORT ADELAIDE SA 5015

Facsimile: 08 8447 9208

Queensland

Level 2

Terrica Place

140 Creek Street

BRISBANE QLD 4001

Facsimile: 07 3835 3493



PART 1

OVERVIEW OF CUSTOMS

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CUSTOMS ROLE AND FUNCTION

CUSTOMS ROLE AND FUNCTION

Customs plays a vital role in preventing the illegal movement of people and harmful goods across Australia's border.

The border extends to Australia's Exclusive Economic Zone where Customs has a key role in addressing threats to the maritime environment through its contribution to the Border Protection Command.

Customs also applies trade measures and collects border-related duties and taxes.

In performing its role, Customs works closely with a number of agencies to provide a sense of security to the community, supporting the continuation of the Australian lifestyle.

Customs performs its role in a complex and dynamic environment that is characterised by:

- > the typically short intervention times available at the border to prevent the illegal movement of people or harmful goods;
- > the responsiveness of those trying to breach Australia's border to the interventions developed;

- > the importance of working closely with the range of agencies with an interest in the border;
- > the tension inherent between facilitation and enforcement;
- > broad agreement to the World Customs Organization's Framework of Standards, which emphasises greater cooperation between Customs administrations, and between those administrations and industry in managing the whole of the trade supply chain.

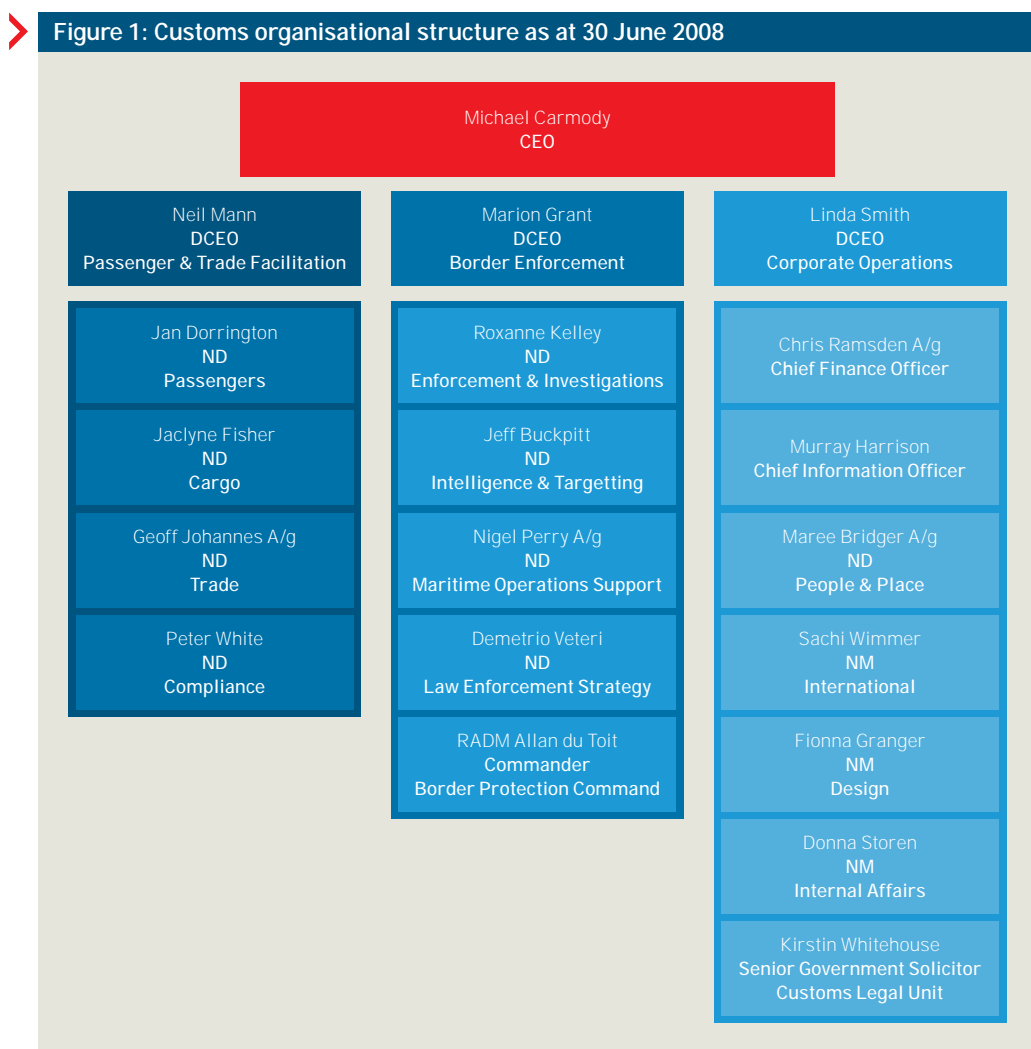
Customs aspires to be the community's trusted agent for border protection, respected by industry for the support it gives to legitimate trade and travel and valued as a partner by other law enforcement and regulatory agencies.

CUSTOMS ORGANISATIONAL STRUCTURE

MINISTER AND PORTFOLIO

Customs is an agency within the Attorney-General's Portfolio and has been responsible to the Minister for Home Affairs since 3 December 2007. Before this date Customs was responsible to the Minister for Justice and Customs.

Customs Chief Executive Officer heads Customs with the support of three Deputy CEOs who lead national programs. This structure is illustrated in the following diagram:



Senior managers in all Australian States and Territories report directly to national program directors or managers.

CUSTOMS EXECUTIVE



Michael Carmody
Chief Executive
Officer



Neil Mann
Deputy CEO
Passenger and
Trade Facilitation
Program

- > Passengers Division
- > Cargo Division
- > Trade Division
- > Compliance Division

In May 2008 DCEO Passenger and Trade Facilitation Program commenced a short-term project to develop proposals to address the challenges in the cargo and passenger environments identified in the Customs Strategic Outlook 2015. During this period Sue Pitman acted in this position.



Marion Grant
Deputy CEO
Border Enforcement

- > Enforcement and Investigations Division
- > Intelligence and Targeting Division
- > Maritime Operations Support Division
- > Law Enforcement Strategy Branch
- > Border Protection Command



Linda Smith
Deputy CEO
Corporate
Operations

- > Financial Services Division
- > Customs IT Division
- > People and Place Division
- > Planning Branch
- > International Branch
- > Design Branch
- > Internal Affairs Unit
- > Customs Legal Unit

LOCATION OF CUSTOMS OFFICES

Customs employs 6,293 people in Australia and overseas, with the Central Office located in Canberra.

Figure 2: Location of Customs offices in Australia



International support to Customs operations is provided through permanent representation at Australian Embassies and High Commissions in Bangkok, Beijing, Brussels, Jakarta, London, Tokyo, and Washington. Customs also had an officer posted to the Joint Inter-Agency Taskforce in Honolulu until June 2008.

Customs engages with the Australian Government's Strongim Gavman Program and Regional Assistance Mission to the Solomon Islands with teams of Customs Officers working in Papua New Guinea and Solomon Islands.

AUTHORITY AND POWER

Customs was established in its present form on 10 June 1985 by subsection 4(1) of the *Customs Administration Act 1985*. Customs primarily derives its powers from the *Customs Act 1901* and related legislation.

STATUTORY POWERS OF CUSTOMS CHIEF EXECUTIVE OFFICER (CEO)

The *Customs Administration Act 1985* also provides for the appointment of a CEO who, reporting to the Minister, controls Customs. The CEO is appointed by the Governor-General. Certain statutory functions and powers are vested in the Minister but most decisions made under Customs legislation are the responsibility of the CEO of Customs. The CEO may, by signed instrument, delegate to an officer of Customs all or any of the functions and powers of the CEO.

COMMONWEALTH LEGISLATION UNDER WHICH CUSTOMS HAS POWERS

Customs officers exercise powers under the following:

- > *Customs Act 1901*;
- > *Customs (Prohibited Exports) Regulations 1958*;
- > *Customs (Prohibited Imports) Regulations 1956*;
- > *Customs Regulations 1926*;
- > *Customs Administration Act 1985*;
- > *Customs Tariff Act 1995*;
- > *Customs Tariff (Anti-Dumping) Act 1975*;
- > *Commerce (Trade Descriptions) Act 1905*.

Other legislation under which Customs officers exercise powers includes:

- > *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*;
- > *Australian Postal Corporation Act 1989*;
- > *Copyright Act 1968*;
- > *Crimes Act 1914*;
- > *Environment Protection and Biodiversity Conservation Act 1999*;
- > *Fisheries Management Act 1991*;
- > *Migration Act 1958*;
- > *National Health Act 1953*;
- > *Olympic Insignia Protection Act 1987*;
- > *Quarantine Act 1908*;
- > *Trade Marks Act 1995*.

Customs collects 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 Customs must comply with includes:

- > *Administrative Decisions (Judicial Review) Act 1977;*
- > *Disability Discrimination Act 1992;*
- > *Financial Management and Accountability Act 1997;*
- > *Freedom of Information Act 1982;*
- > *Occupational Health and Safety Act 1991;*
- > *Privacy Act 1988;*
- > *Public Service Act 1999;*
- > *Maternity Leave (Commonwealth Employees) Act 1973;*
- > *Long Service Leave (Commonwealth Employees) Act 1976;*
- > *Workplace Relations Act 1996.*

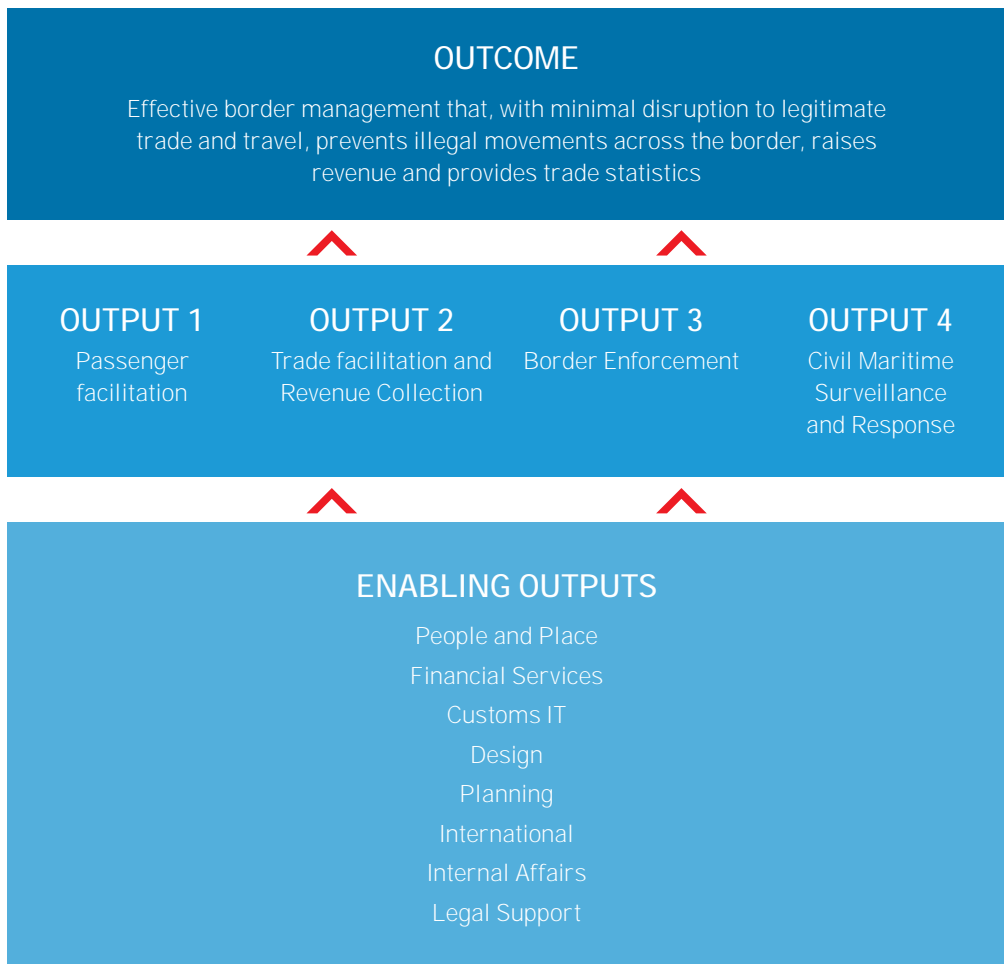
These lists are not exhaustive and do not include all delegated legislation.

CUSTOMS REPORTING FRAMEWORK

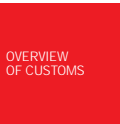
OUTCOME AND OUTPUT FRAMEWORK

Customs has one outcome, reflecting the integrated nature of its work, which

is achieved through four outputs. The delivery of these outputs is supported by various enabling outputs. This structure is demonstrated in the following diagram:



CUSTOMS PLAN 2007-08: TURNING OUR STRATEGIC DIRECTIONS INTO REALITY



Passenger and Trade Facilitation Program	Border Enforcement Program	Corporate Operations Program
<p>Deliver on performance measures and commitments to Government and achieve national consistency and efficiencies in process and services across national operations.</p>		
<p>Develop the Customs Strategic Assessment 2015 to inform future capability development for Customs responsibilities other than in respect of civil maritime security.</p>		
<p>Implement an improved professional standards and integrity framework.</p>		
<p>Develop workforce capability with an initial focus on leadership/ management skills development (leading at the frontline, SES Development Program), project/ program management and on ensuring our recruitment, assignment, skilling and development programs recognise the depth of skills development required for aspects of our operations. Develop a longer-term workforce plan to support our business operations.</p>		
<p>Improve risk identification and intervention effectiveness:</p> <ul style="list-style-type: none"> > Enhanced Passenger Analysis and Clearance systems* > Enhanced Container Examination Facility effectiveness > Implement aviation security measures > Improve permit management > Implement Customs Compliance Program 2007-08 	<ul style="list-style-type: none"> > Improve usability of Cargo Risk Assessment module > Joint targeting unit with AFP and ACC > National Intelligence System replacement* > Implement Intel/Targeting review recommendations > Evaluate the performance and impact of deployed detection technologies. 	<p>Provide effective support to major organisational change projects through our technical/ functional expertise as well as the establishment of supporting frameworks through the Corporate Program Office.</p>
<p>Work with AFP, ACC and other law enforcement and intelligence agencies to further enhance our response to the threats posed by illicit drugs and terrorism.</p>		
<p>Improve the passenger experience at international airports:</p> <ul style="list-style-type: none"> > Passenger review recommendations* > Peak-time staffing and improved client service > Passenger Facilitation Taskforce work program > SmartGate automated border processing solution.* 	<p>Provide effective deterrence to illegal foreign fishing, consolidating gains made in 2006-07.</p>	<p>Successful transition to new IT service providers and the implementation of new service delivery and ICT management arrangements through CustomsIT.</p>
<p>Implement mainframe disaster recovery capability.</p>		
<p>Implement revised service delivery arrangements for the provision and support of a robust, mobile, responsive and reliable desktop support capability.</p>		
<p>Enhance support for legitimate trade:</p> <ul style="list-style-type: none"> > IAG agreed ICS and process enhancements > Supply Chain Security proof of concept project > Single Window and WCO Framework of Standards pilots > Alternative Cargo Reporting project > Accredited Client Program. 	<p>Develop the Future Operating Concept 2015 to inform future civil maritime security capability development.</p> <ul style="list-style-type: none"> > Enhance surveillance and response capability: > Replacement of Bay Class vessel fleet* > Project Sentinel — new surveillance contracts* > Development of Australian Maritime Identification System.* 	<p>Implement a revised business and financial planning framework for 2008-09 onwards.</p> <p>Improve internal communications through the implementation of initiatives for new communication channels and strategies including upgrades to the intranet.</p>

* Multi-year projects



PART 2

DELIVERING TODAY CUSTOMS PERFORMANCE 2007–08

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CEO'S REVIEW

INTRODUCTION

Ultimately Customs exists for the protection of the safety, security and commercial interests of the Australian community. Hence our mission to provide effective border protection for the Australian community designed in such a way as to best support legitimate trade and travel and ensure collection of border-related revenue and trade statistics.

This year's Annual Report has been re-shaped to provide a stronger outcomes focus.

For this purpose we report on our performance achievements through two lenses.

The first focuses on the major processes at which our border protection, facilitation and revenue and statistical collection responsibilities intersect. These are our passengers and crew and cargo processing operations. Here we take an end-to-end view of these processes.

Because our management of border risks will often cut across a range of our operations, the second lens focuses on the major border risks we manage. Here we take a whole-of-Customs view of our management of these risks.

These perspectives complement the specific reporting against targets set in the 2007-08 Portfolio Budget Statements.

ACHIEVEMENTS – PERFORMANCE HIGHLIGHTS

2007-08 was characterised by continuing growth in international trade and travel and emerging fiscal restraint. This placed a premium on both the efficiency and effectiveness of our operations.

Notwithstanding the continuing strong growth in passenger numbers at international airports, facilitation rates exceeded standards and last year's performance. Satisfaction rates amongst passengers, as evidenced by independent surveys, remained high with 97% of passengers overall expressing satisfaction with the service they received from Customs staff at the primary control point.

At the same time detection and seizure of prohibited imports from air passengers remained strong.

Two highlights for the year were the successful implementation of SmartGate in Brisbane and Cairns international airports and the signing of the Australia-EU Passenger Name Record Agreement on 30 June 2008.

SmartGate uses face recognition technology to give eligible ePassport holders arriving in Australia the option to self-process through passport control. The rollout of SmartGate to other international airports will continue in 2008-09.

Customs uses Passenger Name Record data for pre-arrival assessment of passengers. Critically the agreement with the EU ensures Customs continued access to Qantas Passenger Name Record data after Qantas completes migration of this data to a company operating out of Germany.

A similar picture applies for cargo processing where the volume of cargo imported into Australia grew strongly in 2007–08, with cargo reporting volumes for sea and air increasing by 6.7% and 7.6% respectively.

Agreed performance targets were met and initial findings from a Time Release Study conducted to measure the time taken for release of goods after their arrival at port indicates that Australia's performance compares favourably internationally.

2007–08 saw a number of significant detections of illicit drugs and prohibited goods at the border.

A highlight, reported this year, was the detection on 28 June 2007 of the world's largest single detection of ecstasy – 4.4 tonnes concealed in tins of tomatoes in a sea container. For operational reasons the detection was not able to be reported last year. A further, related, detection of 150 kgs of cocaine in a sea container was made on 24 July 2008. The investigation team established by the Australian Federal Police following the detection resulted in the arrest of a number of alleged syndicate members. The success of the operation was the product of contributions from a range of law enforcement agencies including, in addition to Customs and the Australian Federal Police, Victoria Police, the Australian Crime Commission, AUSTRAC and Tasmania Police.

This year for the first time we report the estimated weight of detections of precursor chemicals used in the manufacture of illicit drugs.

Customs has increased its focus on attempted imports of precursor chemicals following the introduction of restrictions on over-the-counter sales of pseudoephedrine-based pharmaceuticals. The substantial detections this year are a product of that focus.

This year has also seen unprecedented detections of attempts to smuggle cigarettes and tobacco into the domestic market. This is part of a world-wide rise in cases of large-scale organised cigarette and tobacco smuggling. It also reflects the large sums of money that can be made by avoiding paying the high level of duties levied on tobacco products entering Australia. Some 287 tonnes of tobacco leaf and 106 million cigarette sticks were prevented from entering the country illegally in 2007–08.

The success of Australia's focused efforts over the last two years has seen illegal fishing activity in Australia's northern waters retreat from the Australian Exclusive Economic Zone. However, the need for a strong deterrence and apprehension presence remains with large concentrations of vessels now sitting just beyond the Exclusive Economic Zone boundary, undertaking generally shallow incursions into Australian waters.



OUTCOME PERFORMANCE

Figure 3: Outcome performance against targets set in 2007–08 Portfolio Budget Statements

Effectiveness indicators	Measures	Target*	Actual
Protect Australia's borders against illegal movement of people and goods			
Illicit drugs	Trends in the number and weight of drug detections	**	See figure 19
Other prohibited goods	Trends in the number of detections and/or seizures of other prohibited imports	**	See figure 13
Regulate and facilitate international passengers			
Passenger facilitation	Proportion of arriving international passengers processed through the entry control point within 30 minutes of joining the queue	Target 95%	97.84%
	Number of air passenger referrals to Immigration and Health	Immigration ** Health **	272,014 6 527
Contribute to offshore protection			
Civil maritime surveillance	Trends in the sightings* of Foreign Fishing Vessels (FFVs).	FFVs **	
	2004–05 – 2005–06		Up 8.6%
	2005–06 – 2006–07		Down 71.2%
	2006–07 – 2007–08		Down 63.4%
	The detections and interceptions of Suspect Illegal Entry Vessels (SIEVs)	**	See figure 16
Raise revenue			
Administered Revenue collection	Significant administered revenues collected (Including Customs Duty, GST collected, Passenger Movement Charge, Import Processing and Depot Charges and Provision of Goods Revenue) [^]	\$9,520.7m (excluding GST deferred)	\$9,617.1m
Minimum disruption to trade and travel			
Cargo facilitation	Proportion of electronically lodged import declarations where the authority to deal is transmitted within 15 minutes of finalisation of details	Target 97%	99.98%

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

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

* These figures relate to potentially illegal Type 3 & Type 4 foreign fishing vessels sighted in Australia's northern waters, including vessels transiting the area and may include duplicate sightings. For the period July 2004 to December 2006, the figure for Type 3 and 4 sightings by Defence assets is derived from all classes of vessels sighted utilising the percentage of total Coastwatch sightings that were T3 & T4 vessels. Type 3 and 4 vessels have been separately identified by Defence assets since January 2007.

[^] Significant Revenue and Duty Concessions with effect from the 2006–07 financial year are adjusted for the Automotive Competitiveness and Investment Scheme credits, which are treated by Customs as duty revenue and as an expense by the Department of Innovation, Industry, Science and Research (formerly known as the Department of Industry, Tourism and Resources) as recommended by the ANAO.

FINANCIAL PERFORMANCE

Departmental and administered results are shown in the audited financial statements in Part 5 of this report. The resource summary of the price of outputs and administered programs can be found under each output.

Customs made significant progress during the year in addressing outstanding recommendations from the ANAO. It has addressed the majority of these recommendations and is committed to addressing the remainder. In the 30 June 2008 financial statements audit the ANAO noted the progress made on the outstanding findings and indicated that the number of new recommendations would be significantly fewer than in previous years.

OPERATING RESULTS

Departmental

Customs reported a small operating surplus of \$0.262m in 2007–08 (2006–07: operating deficit of \$1.853m).

OPERATING INCOME

Total operating income for 2007–08 was \$1,265.1m (2006–07: \$1,211.6m).

This operating income consists of:

- > government appropriations of \$1,006m;
- > sale of goods and services income of \$65.9m;
- > rental income of \$1.4m;
- > other revenue of \$191m;
- > other gains of \$0.75m.

Government appropriations for the delivery of programs and services increased by \$83 million in 2007–08. The increase was primarily due to additional funding for a number of new policy proposals relating to border security.

OPERATING EXPENSES

Total operating expenses for 2007–08 were \$1,264.9m (2006–07: \$1,213.4m).

Operating expenses consist of:

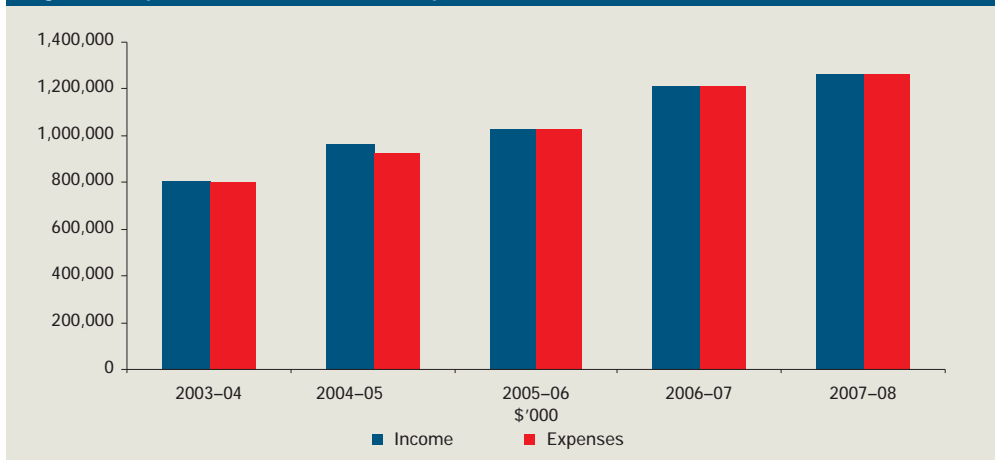
- > employee expenses of \$496.8m;
- > supplier expenses of \$695.0m;
- > depreciation and administration expenses of \$71.3m;
- > other expenses of \$1.8m.

Operating expenses increased by \$51.5m in 2007–08 compared to 2006–07. This increase reflects additional payments for employees, suppliers and depreciation associated with the new policy proposals offset by a reduction in the notional value of resources received free of charge from the Department of Defence.

➤ **Figure 4 Departmental income/expenses**

	2003–04 \$'000	2004–05 \$'000	2005–06 \$'000	2006–07 \$'000	2007–08 \$'000
Income	806,741	961,469	1,029,760	1,211,563	1,265,139
Expenses	800,606	926,170	1,027,987	1,213,416	1,264,877

Figure 5 Departmental Income and Expenses



Administered

Customs collected administered revenue of \$6.630b on behalf of the Government during 2007-08 (2006-07: \$6.185b). Customs also collects other revenue on behalf of a number of other government agencies. This revenue is not recorded in Customs financial statements.

The increase in administered revenue is mostly related to the strengthening of the Australian dollar and the economy, particularly the collection of additional duty for excise equivalent goods and passenger motor vehicles.

Figure 6 Actual administered revenue

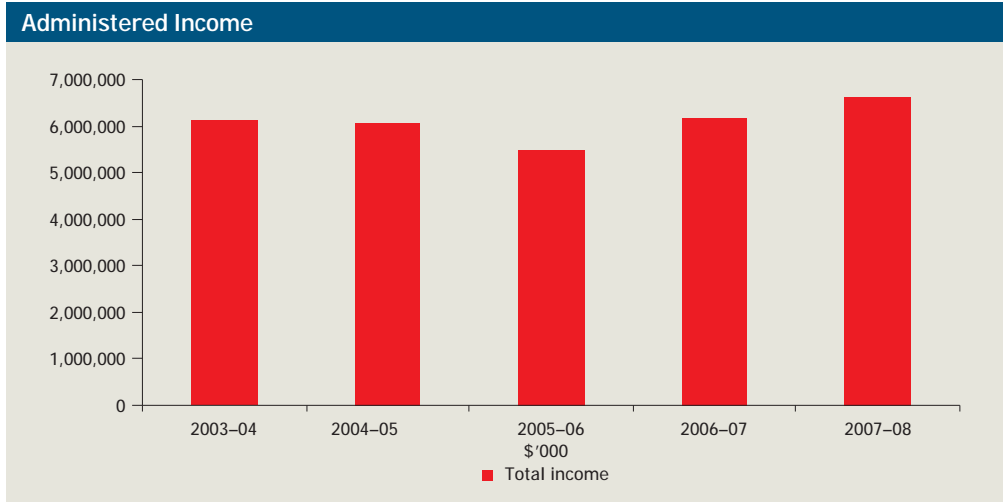
	2006-07 \$'000	2007-08 \$'000
Taxation Revenue		
Customs duty	5,640,865	6,068,978
Passenger Movement Charge	393,222	420,016
Suppliers Import Processing and depot charges	129,371	137,082
Total taxation revenue	6,163,458	6,626,076
Fees, fines and prosecutions	19,293	1,896
Interest	41	35
Other revenue	2,596	1,758
Total non taxation revenue	21,930	3,689
Total income	6,185,388	6,629,765



Figure 7 Administered income

	2003-04 \$'000	2004-05 \$'000	2005-06 \$'000	2006-07 \$'000	2007-08 \$'000
Total Income	6,111,787	6,064,465	5,488,132	6,185,388	6,629,765

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BALANCE SHEET

Departmental

Net asset position

The net asset position at 30 June 2008 was \$384.3m (2007: \$349.7m).

Total assets

Total assets at 30 June 2008 were \$612.8m (2007: \$563m). Non-financial assets increased by \$63.9m as a result of the fit-out of new office space, purchase of residential properties and the purchase of IT equipment and software.

Total liabilities

Total liabilities at 30 June 2008 were \$228.5m (2007: \$213.3m). The increase in liabilities is primarily associated with additional employee provisions for employees engaged during the financial year.

Administered

Total assets

Total assets at 30 June 2008 were \$121.6m, an increase of \$8m from 30 June 2007 (\$113.6m). This increase reflects a moderate increase in taxation receivables, consistent with the increased collection of Customs duty for the year.

Total liabilities

Total liabilities at 30 June 2008 were \$8.7m, a decrease of \$4.2m from 30 June 2007 (\$12.9m). The decrease is predominantly due to the closure of the industry-related systems development fund in May 2008.

THE YEAR AHEAD

The Customs Strategic Outlook 2015 paints a picture of a rapid and relentless rise in international trade and travel combined with continuing security concerns, an expanded range of border controls and increasing sophistication of attempts to breach our borders.

The overriding challenge we face in 2008–09 will be to make space to invest in building our capabilities for that future while meeting today's expanding demands in a year of continuing fiscal restraint.

That we will do that will be the result of the work of people in Customs who have delivered so well for the community this year. I thank them for their commitment and energy in delivering the work of Customs.

I also thank the many industry representatives who willingly give their time and expertise to work with us to improve the way we go about performing our role.

A handwritten signature in black ink, appearing to read 'M Carmody', with a long horizontal stroke underneath.

Michael Carmody
Chief Executive Officer

REPORT ON 2007–08 PERFORMANCE

OUTCOMES AND OUTPUTS 2007–08

The table below shows the budgeted price and appropriations for Customs Outcome and Outputs for 2007–08 as published in the Portfolio Additional Estimates Statements:

Figure 8: Outcomes and Output Groups for the Agency



FINANCIAL AND STAFFING RESOURCES SUMMARY

OUTCOME 1				
Effective border management that, with minimal disruption to legitimate trade and travel, prevents illegal movement across the border, raises revenue and provides trade statistics	(A) Final estimates 2007-08 \$'000	(B) Actual 2007-08 \$'000	Variation (column B minus column A) \$'000	Budget 2008-09 \$'000
Administered revenue				
Taxation	6,551,372	6,626,076	74,704	6,992,978
Non Taxation	6,237	3,689	-2,548	6,537
Total administered revenue	6,557,609	6,629,765	72,156	6,999,515
Administered expenses				
Administered expenses	2,636	2,879	243	2,716
Total administered expenses	2,636	2,879	243	2,716
Departmental outputs				
Output 1: Passenger facilitation	206,026	212,834	6,808	211,278
Output 2: Trade facilitation and revenue collection	315,104	339,154	24,050	306,611
Output 3: Border enforcement	383,115	397,933	14,818	398,134
Output 4: Civil Maritime Surveillance and Response	391,279	314,955	-76,324	387,157
Total price of departmental outputs	1,295,524	1,264,877	-30,647	1,303,180
Total for Outcome 1 (Administered expenses and price of departmental outputs)	1,298,160	1,267,756	-30,404	1,305,896
Staffing Years	5,864	5,865	1	5,875

Note: The variations in the price of departmental outputs between 2007-08 actuals and final estimates are primarily due to two factors. Firstly Customs reported a \$43.8m reduction in the notional value of resources received free of charge from the Department of Defence at the end of the 2007-08 financial year. This reduction impacts solely on Output 4. Customs has also revised the methodology for the attribution of IT and other overhead costs to more accurately reflect their alignment with Customs outputs. This adjustment impacts all outputs. Customs 2008-09 budget figures will be updated during the Additional Estimates process to reflect this adjustment.

PERFORMANCE AGAINST 2007–08 PBS TARGETS BY OUTPUT GROUP

OUTPUT GROUP 1: PASSENGER FACILITATION

This output group covers:

- > risk assessment, advance screening and border clearance processing of passengers, crew, and aircraft arriving and departing Australia;
- > controlling or restricting the movement of restricted or prohibited goods on behalf of Customs and other agencies;
- > referrals to other Customs areas and a range of external agencies of matters for possible investigation/prosecution;
- > collection of revenues associated with passenger movements and administration of the Tourist Refund Scheme.

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Figure 9: Performance against targets set in the 2007–08 Portfolio Budget Statement—Output Group 1

Quality/quantity performance measures	Target*	Actual
Passenger facilitation		
Quality		
Proportion of arriving international air passengers processed through the Entry Control Point within 30 minutes	95%	97.8%
Number of air passenger referrals to Immigration and Health	**	278,541
Quantity		
Collection of Passenger Movement Charge	\$419.7m^^	\$420.0m
Number of international passengers (air and sea)	Arrivals 12,119,400^^ Departures 11,874,400	12,159,845 11,889,371
Number of international crew (air and sea)	Arrivals 980,000^^ Departures 974,000	1,013,485 1,009,043
Price	\$206.026m^^	\$212.834m

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

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

^^ Revised forecast provided at Portfolio Additional Estimates.

OUTPUT GROUP 2: TRADE FACILITATION AND REVENUE COLLECTION

This output group covers:

- > examination and inspection of goods at the border in order to prevent the import or export of prohibited items and to control the movement of restricted items;
- > referrals to other Customs areas and a range of external agencies of matters for possible investigation/prosecution;
- > development and management of the cargo management processes and information systems;
- > provision of valuation, classification and rules of origin services to ensure that importers and exporters are able to maximise their voluntary revenue compliance or claim concessional benefits to which they are entitled;
- > provision of import and export data and statistics;
- > administration of drawback, refund and concessional arrangements, and various industry import duty concession and levy schemes;
- > investigation of dumping and countervailing complaints and the determination, implementation, monitoring and review of appropriate measures to address them;
- > administration of customs duty, import processing charges and indirect taxes (including the assessment and collection of GST, Luxury Car Tax and the Wine Equalisation Tax) through the processing of all imported and exported cargo and mail, and items entering and leaving Australia with passengers and crew;
- > real-time and post-transaction compliance activity related to revenue protection and collection, cargo reporting timeliness and accuracy, export reporting and movement of goods under customs control;
- > licensing of Customs brokers, depots and warehouses.

Figure 10: Performance against targets set in the 2007–08 Portfolio Budget Statement– Output Group 2

Quality/quantity performance measures	Target*	Actual
Trade facilitation and revenue collection		
Quality		
Proportion of electronically lodged import declarations where an authority to deal is transmitted within 15 minutes of receipt of finalisation of details	97%	99.98%
Electronic cargo systems – availability to Customs clients (availability against typical workday)	99.7%	99.58%
Number of complaints formally received about Container Examination Facility operations	**	480
Number of external appeals against decisions:		
Granting of Tariff Concession Order	10-15	8
Eligibility for 4th Schedule By-Law	1-5	1

Figure 10: Performance against targets set in the 2007–08 Portfolio Budget Statement– Output Group 2

Quality/quantity performance measures	Target*	Actual
Trade facilitation and revenue collection		
Rates of appeal against decisions where the original decision by Customs is overturned	**	See Appendix D
Proportion of drawbacks and refunds delivered in accordance with standards	Drawbacks 90%	97.42%
	Refunds 100%	99.82%
Proportion of concessional arrangements for importers and exporters delivered in accordance with standards	100%	100%
Proportion of anti-dumping/countervailing cases and reviews completed within 155 days		
Cases [^]	100%	0%
Reviews	100%	88%
Revenue and compliance assurance activity:		
Imports – Percentage of audits where revenue was adjusted by \$1 000 or more	**	54%
Exports – Percentage of audits where FOB was adjusted by \$5 000 or more	**	75%
Quantity		
Number of customs import declarations lodged	3,224,000	3,217,771
Number of export declarations issued	1,322,000	1,272,111
Number of imported air cargo consignments reported	10,300,000	10,174,148
Number of imported sea cargo manifest lines reported	2,350,000	2,321,974
Revenue adjustments		
Recoveries	**	\$106.75m [#]
Refunds	**	\$21.77 [#]
Number of export entries lodged	1 250 000	
Significant revenues collected (including Customs Duty and GST on behalf of the ATO)	\$9,101.0m (excluding GST deferred)	\$9,193.4m
Number of drawback applications	5,500	5,152
Number of refund applications	48,000	54,615
Duty concessions		
Tariff Concession System	\$1,300-\$1,400m	\$1,408.8m
All other concession schemes ⁺	\$450-\$500m	\$325.0m
Country of origin preference schemes:		
Free Trade Agreement schemes	\$700-\$800m	\$650.8m
All other preference schemes	\$340-\$380m	\$374.2m
Volume of cargo subject to Customs intervention:		
Postal items [†]	100%	100%

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Figure 10: Performance against targets set in the 2007–08 Portfolio Budget Statement– Output Group 2

Quality/quantity performance measures	Target [*]	Actual
Trade facilitation and revenue collection		
Imported air consignments	6,200,000	6,186,207
Sea cargo containers - inspected	133,000 TEUs ^{**}	138,209
- examined	13,300 TEUs ^{**}	15,587
Revenue and compliance assurance activity:		
Imports – company audits	400	431
Exports – company audits	50	60
Number of anti-dumping/countervailing cases		
Carried forward from 2006–07	**	1
Lodged	**	14
Rejected	**	1
Withdrawn/Terminated	**	9
Concluded (approved by Minister)	**	0
Carries forward to 2008–09	**	5
Number of anti-dumping/countervailing reviews<		
Carried forward from 2006–07	**	8
Lodged	**	30
Rejected	**	1
Withdrawn/Terminated	**	1
Concluded (approved by Minister)	**	27
Carries forward to 2008–09	**	9
Anti-dumping/subsidy appeals to the Federal Court	**	3
Price	\$315.104m^{^^}	\$339.154m

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

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

[^] No anti-dumping/countervailing cases were completed in 2007–08.

[>] The Minister can approve an extension to the time in which an investigation must be completed. Taking into account approved extensions of time, all investigations were completed within the statutory timeframes.

[#] Revenue adjustment figures includes customs duty and goods and services tax adjustments identified through compliance activities.

⁺ Significant Revenue and Duty Concessions with effect from the 2005–06 financial year are adjusted for the Automotive Competitiveness and Investment Scheme credits, which are treated by Customs as Duty revenue and as an expense by the Department of Innovation, Industry, Science and Research.

^{**} Twenty foot equivalent unit (TEU) refers to a generic measure for sea cargo containers. A 20-foot container equals one TEU and a 40-foot container equals two TEUs.

^{^^} Revised forecast provided at Portfolio Additional Estimates.

[†] Intervention was taken to mean Customs 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.

OUTPUT GROUP 3: BORDER ENFORCEMENT

This Output group covers:

- > land-based surveillance of the coastline, the Customs Marine Unit and the maritime patrols of the Southern Ocean;
- > processing of apprehended foreign fishers;
- > risk assessment, boarding, compliance and search activities in relation to maritime craft, their crew and passengers entering and departing Australia;
- > surveillance of waterfronts;
- > investigations and prosecutions related to breaches of the border involving non-narcotic prohibited goods, import fraud and duty evasion and proceeds of crime under the Customs Act and other relevant Commonwealth legislation;
- > intelligence and targeting activities for the identification of people and goods of interest consistent with Customs, immigration, health, family law and other law enforcement and national security requirements;
- > the evaluation and implementation of a range of new technologies;
- > law enforcement strategy and Customs counter terrorism co-ordination and liaison.

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Figure 11: Performance against targets set in the 2007–08 Portfolio Budget Statement– Output Group 3

Quality/quantity performance measures	Target [*]	Actual
Border enforcement		
Quality		
Number of illegal, unregulated and unreported (IUU) vessels sighted and identified in Australia's EEZ in the Southern Ocean	**	0
Number of IUU vessels boarded in the Southern Ocean	**	0
Number of IUU vessels apprehended in the Southern Ocean	**	0
Number of revenue fraud cases adopted for prosecution	18–25	21
Number of Community Protection cases adopted for prosecution	100–120	163
Quantity		
Southern Ocean surveillance (patrol days)	200	212 [^]
National Marine Unit (patrol days)	2,400	2,509
Number of illegal foreign fishers who were apprehended and processed	1,425 ^{^^}	1,217
Commercial vessels boarded at first port ^{>}	8,600–9,200	9,525
Number of revenue fraud cases adopted for investigation	55–75	94
Number of Community Protection cases adopted for investigation	400–500	831
Price	\$383,115m^{^^}	\$397.933m

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

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

[^] Includes 65 patrol days in northern waters, 55 days in the Southern Ocean conducting the Government-initiated Japanese whaling surveillance, 13 days in Sydney supporting APEC and 14 days supporting Exercise Nullarbor Exile.

^{^^} Revised forecast provided at Portfolio Additional Estimates.

[>] Target based on 75-80% of 2004-05 volumes.

OUTPUT GROUP 4: CIVIL MARITIME SURVEILLANCE AND RESPONSE

This output group covers:

- > the co-ordination and control of air and sea-based civil maritime surveillance and response services for a number of Government agencies;
- > the detection, reporting and response to potential or actual non-compliance with relevant laws in coastal offshore regions and the Australian Exclusive Economic Zone;
- > the protection of Australia's offshore oil and gas facilities by Border Protection Command;
- > the offshore interdiction of ships and the detection and response to any terrorist threats to Australia's maritime assets and coastline.

Note: The operations of the Customs Marine Unit and on-shore processing of illegal foreign fishers are covered under Output 3.

Figure 12: Performance against targets set in the 2007–08 Portfolio Budget Statement– Output 4

Quality/quantity performance measures	Target*	Actual
Civil maritime surveillance and response		
Quality		
Number of detections and interceptions of Suspect Illegal Entry Vessels (SIEVs)*	**	3
Number of suspect unlawful non-citizens (SUNCs) intercepted by sea (including ships' crew)*	**	25
Number of apprehensions of Foreign Fishing Vessels (FFVs)*	150**	156
Quantity**		
Aerial surveillance coverage (square nautical miles)		
Coastwatch contracted aircraft and RAAF assets [~]	151m	136.59m
Coastwatch contracted satellite	5.5m	18.07m
Price	\$391.279m#**	\$314.955m

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

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

* Total number of interceptions by Customs and the Australian Defence Force.

** Revised forecast provided at Portfolio Additional Estimates.

** Previous PBS incorporated as a performance measure 'Aerial Surveillance (Flying hours)'. The measure has been removed as Aerial Surveillance coverage is the effective surveillance measure.

[~] This target is based on the contribution made by both Customs and Defence assets to the civil maritime surveillance program.

This includes \$230m as a notional figure based on Defence's civil surveillance and response effort in 2005–06. All Defence's operational contributions to civil maritime surveillance and response are now made under Operation RESOLUTE (activated 17 July 2006) and these assets are provided for the operational control of Commander Border Protection Command as Joint Task Force 639. Defence performance targets are provided in Output one – Command of Operations section of the Defence PBS. The actual figure for resources provided free of charge is \$186.2m. Note 1.5 in the financial statements outlines the resources provided.

PERFORMANCE ACHIEVEMENTS FOR 2007–08

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MAJOR PROCESSES

Customs is responsible for two major processes; passengers and crew and cargo processing operations.

- **PASSENGER AND CREW PROCESSING**
Customs is responsible for end-to-end passenger and crew processing that supports legitimate travel, the interventions needed to prevent illegal movement of people and the goods they bring across the border, and the collection of associated revenue.

Growth in passenger numbers continued during 2007–08 at major Australian airports. In particular, strong growth was experienced at Gold Coast and Darwin, where new services to Asia were introduced, and at Perth.

Despite the increased pressure on processing demands, Customs continued to meet its

facilitation obligations in accordance with agreed Government performance targets. Customs processed 98 per cent of incoming air passengers within 30 minutes of them joining the inwards queue.

A total of 23.66m international air passengers were processed in 2007–08, compared with 22.39m in 2006–07. The increase of 5.7 per cent reflects the continued growth in the international aviation industry and tourism markets.

Detection and seizure of prohibited imports from air passengers remained strong in 2007–08. Customs recorded 12,082 incidences of non-compliance. The incidence of firearms and other weapons increased by approximately 55 and 30 per cent respectively and included goods such as martial arts weapons, anti-personnel sprays (mace), soft air pistols and flick knives.

➤ **Figure 13: Number of detections/seizures of prohibited imports* for international air passengers other than illicit drugs (see Figure 19 for statistics on illicit drugs and precursors detections)**

	2005–06	2006–07	2007–08
Quarantine Prosecutions[^]	30	23	13
Revenue	5,862	4,771	3,845
Major	186	149	117
Minor	5,676	4,622	3,728
Undeclared excess currency (referred to AFP)	150	187	181
Wildlife	544	773	741
Major	3	6	3
Minor	541	767	738
Firearms	808	990	1,536

Figure 13: Number of detections/seizures of prohibited imports* for international air passengers other than illicit drugs (see Figure 19 for statistics on illicit drugs and precursors detections)

	2005–06	2006–07	2007–08
Major	58	49	68
Minor	750	941	1,468
Other weapons	1,075	1,739	2,269
Major	90	104	167
Minor	985	1,635	2,102
Other prohibited goods	3,689	3,246	3,497
Major	110	80	79
Minor†	3,579	3,166	3,418

* A major find usually refers to an incident where a record of interview is conducted or prosecution action commenced.

A minor find usually refers to an incident where a record of interview is not conducted or prosecution action not commenced.

^ Refers to quarantine related finds by Customs that result in prosecution action. The number of minor finds referred to AQIS is not shown.

† Includes 'Other' finds not classified above.

COMPLETION OF THE AIRPORT OPERATIONS EFFECTIVENESS STRATEGY STAGE 1

The first Stage of the Airport Operations Effectiveness Strategy, finalised in 2007–08, delivered the following:

- > an assessment of Customs existing operations at each of the eight international airports against a common criteria for service delivery and high quality outcomes;
- > a prioritised program for improving each airport to achieve a common high standard of operation;
- > an ongoing Airport Operations Quality Assurance program to ensure that a consistently high level of service delivery and outcomes is maintained over time.

The key outcomes of the strategy were:

- > the development of a nationally consistent deployment capability to position Customs in all eight airports, prioritising and deploying resources according to operational demand in terms of both passenger numbers and risk;



- > the implementation of peak-period processing plans in each airport, developed in conjunction with other border agencies and industry to optimise passenger clearance arrangements during these periods;
- > improved marshalling and queuing arrangements in several airports, delivering faster individual passenger clearance times.



IMPLEMENTATION OF SMARTGATE AT BRISBANE AND CAIRNS INTERNATIONAL AIRPORTS

SmartGate gives eligible ePassport holders arriving in Australia the option to self-process through passport control. It uses the data in a traveller's ePassport and face recognition technology to perform the customs and immigration checks that are usually undertaken by a Customs Officer.

SmartGate is now operational at Brisbane, and Cairns international airports, where in excess of 45,000 passengers have already used it. Implementation activity for other airports is well advanced. An evaluation of the success of SmartGate will be undertaken in 2008–09.

NATIONAL PASSENGER FACILITATION TASKFORCE

Under the auspices of the Passenger Facilitation Taskforce this year marked the completion and adoption of an Australian Traveller's Charter, agreed principles to guide the future redevelopment of outwards

passenger clearance, and the trial and recommendation to adopt an 'express paths' concept for certain defined groups of passengers.

The Traveller's Charter, promoted through signage at international airports, provides a clear message to travellers about the way they can expect to be treated while passing through Australian international airports, and applies to airport, airline, border agency, security and ground handling staff.

The express paths, trialled at Sydney, Melbourne and Brisbane Airports, demonstrated that streaming certain groups of passengers provided a facilitation benefit to the total group of passengers. A mechanism for broad implementation of the concept is under consideration.

AUSTRALIA-EUROPEAN UNION PASSENGER NAME RECORD AGREEMENT

On 30 June 2008, Australia and the European Union (EU) signed the Australia-EU Passenger Name Record (PNR) Agreement in Brussels. The Agreement provides a legal framework for the transfer of PNR data to Customs from airlines that process their PNR data within the jurisdiction of the EU.

Customs uses PNR data for pre-arrival assessment of passengers. Analysis of this and other relevant data plays a critical role in the fight against terrorism, drug trafficking, people smuggling and other serious crimes. EU-sourced PNR data represents approximately 35 per cent of total passenger arrivals. Critically, this Agreement guarantees Customs continued access to Qantas PNR data after Qantas completes its PNR migration to a company operating in Germany. It also allows access to PNR data from other airlines that fly to Australia such as Etihad, Virgin Atlantic and British Airways.

MEASURING PASSENGER SATISFACTION

During the reporting period a passenger satisfaction survey was undertaken to evaluate the inbound and outbound passenger experience with Customs staff and processing against four key performance indicators: overall satisfaction, queue time, service aspects and improvement suggestions.

At an overall level, 97 per cent of passengers were satisfied with the service they received from Customs staff at the primary control point, with 78 per cent of inbound passengers and 85 per cent of outbound passengers reporting they were 'very satisfied'.

Most inbound (95 per cent) and outbound (95 per cent) passengers indicated that queue time was acceptable.

In terms of positive inbound service aspects Customs staff were seen as: efficient/prompt/quick (45 per cent); friendly/welcoming (36 per cent); courteous/polite (23 per cent); and helpful/with good advice (12 per cent). The outbound service aspects were rated



The value of specific intelligence

In February and September 2007 the Intelligence Client Coordinator NSW produced and disseminated intelligence reports highlighting the prevalence of American Tourister brand suitcases and luggage in narcotic seizures overseas. Overseas reporting indicated that this luggage was regularly being used for the concealment of drugs.

Recommendations were made for officers in operational areas such as Passengers, Detector Dog Unit and Compliance Assurance to be made aware of this trend and to increase their vigilance when dealing with American Tourister suitcases.

As a result three separate attempts to import a total of 6.1kg of heroin in this brand of luggage were stopped. The intelligence reports complemented the work of the Passenger Analysis Unit, Targeting and Passenger Enforcement Officers.

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efficient/prompt/quick (51 per cent); friendly/welcoming (39 per cent); courteous/polite (27 per cent); and helpful/with good advice (12 per cent). Ninety-six per cent of inbound and 95 per cent of outbound passengers reported no negative service aspects.

Three-quarters of passengers (75 per cent inbound; 70 per cent outbound) believe no changes to service are needed. Of the remainder, improvement suggestions included staff manner, more operating stations open, improvements to queuing and signage, and the provision of additional electronic processing.

AGENCIES SIGN UP FOR COLLABORATION

A new Memorandum of Understanding (MOU) between Customs and the Department of Immigration and Citizenship was signed on 30 June 2008. The MOU and its annexes define the collaborative working relationship between the two agencies in air and sea environments.



COMPLETION OF THE MARITIME CREW VISA PROGRAM

The Maritime Crew Visa (MCV) regime was successfully implemented. All outcomes and objectives were met on time and within budget. The program of work involved significant transformational changes to Seaports policy, operational procedures and enabling systems, all of which were required to support the new legislative requirements.

Figure 14: Summary of Tourist Refund System claims

	2005–06	2006–07	2007–08
Number of claims made	441,284	437,455	406,167
Percentage of claims approved for payment	96.0%	96.9%	97.4%
Amount of GST/WET refunded	\$52.5m	\$56.9m	\$53.8m
Credit card & Australian bank account refunds processed within five business days	99.0%	100%	99.1%
Cheque refunds posted within 15 business days	100%	100%	95.05%
Australian retailer participation	19,716	19,459	18,740
Number of complaints received and processed	171	70	89

Industry compliance has exceeded expectations and is currently 99.7 per cent of sea crew arriving in Australia. As a result, non-compliance actions are well within existing capabilities of both DIAC and Customs.

The MCV industry take-up rate has also exceeded expectations, with more than 270,000 visas granted internationally.

TOURIST REFUND SCHEME

The Tourist Refund Scheme enables travellers to claim a refund on their departure from Australia, subject to certain conditions of the Goods and Services Tax and Wine Equalisation Tax that they paid on goods purchased.

CARGO PROCESSING

Customs is responsible for end-to-end cargo processing that supports legitimate trade and primary interventions needed to prevent illegal movement of goods across the border.

The volume of cargo imported into Australia grew strongly in 2007–08. Sea cargo report volumes increased by 6.7 per cent over the financial year, and air cargo freight reports increased by 7.6 per cent. The volume of overseas mail arriving in Australia also

increased significantly, by 8 per cent compared to the previous financial year.

While the level of Customs intervention was similar to previous years, detections of prohibited goods improved significantly. Sea cargo seizures involved 531kg of cocaine, an increase in weight seized the previous year, and illicit drug precursor chemicals exceeding 869kg. Seizures of tobacco products from sea cargo increased by 300 per cent in weight. In the air cargo stream, 148kg of illicit drugs, and 196kg of precursor chemicals were seized, down 43 per cent in total weight on the previous year. There were more than 26,000 detections of prohibited/restricted goods in incoming mail, an increase of 14 per cent on the previous year.

While the electronic cargo reporting system availability was marginally below the target of 99.7%, 99.98% of Cargo was released within 15 minutes of lodgement of an electronic import document exceeding the target of 97%.

Cargo Division is responsible for the Integrated Cargo System (ICS) which provides an end-to-end process for cargo. With a robust targeting strategy, the ICS ensures that legitimate trade is delivered unimpeded, while high-risk cargo is subject to inspection and, if necessary, examination.

IMPROVING INTERACTIONS WITH INDUSTRY

Customs continues to focus on improving client relationships and ensuring a high level of service delivery through:

- > innovative training products;
- > industry engagement;
- > improvements to the ICS;
- > improved contact centre services;
- > Time Release Survey.

INNOVATIVE TRAINING PRODUCTS

The ICS communications and training team is tailoring packages to meet the needs of industry and internal users. An example is the development of a DVD to enhance exporter compliance by addressing the most frequent errors in the ICS. It includes a step-by-step guide to the range of industry software products used by exporters and their interface with the ICS. Industry has indicated the DVD was beneficial, as subsequent ongoing training was both efficient and effective.

The Cargo Support Website provides a range of online education products, including Business Continuity Procedures for industry, ICS user manuals and details of future changes to the ICS. Education and awareness of existing and new features of the ICS is also provided through various industry conferences, and international trade events.

ENHANCED INDUSTRY ENGAGEMENT

During 2007 Customs continued consultation with industry to explore opportunities for improvement to cargo reporting, movement, and clearance processes. Client managers collaborate with industry, across Customs, and with other government agencies by developing partnerships to formulate options to achieve practical outcomes for all stakeholders. A number of the Industry Action Group priorities have been delivered by combining policy, system and process changes.

IMPROVEMENTS TO ICS

The combination of enhancements to the Customs Interactive component of the ICS, the implementation of an import declaration status message to brokers, and improved risk assessment functionality are providing a platform for increased certainty of cargo status and greater useability. A number of other changes were implemented to continually improve functionality and introduce flexibility to accommodate the wide-ranging business scenarios of industry, Customs and other government agencies.

IMPROVED CONTACT CENTRE SERVICES

The Customs Information and Support Centre handles both information calls from the general public and systems support calls for the ICS. These calls total around 1,500 each weekday. Many of the information calls are repetitive in nature and would be more efficiently handled for both the client and Customs through a self-service facility.

Customs has recently purchased AVAYA contact centre technology which is currently being implemented. A customer experience survey was conducted to align the features of the system to the expectations of the client base and establish a benchmark of satisfaction. Participants in the survey indicated a high level of satisfaction with current services and provided insight into the ideal client experience.

The first stage of the new call centre technology has been implemented with improved routing of calls and more detailed information about the call. Other features of the system include a self-help web portal in the form of a frequently-asked-questions database, more information about the caller, call recording and quality tools, automated email response and advanced reporting tools. These features are currently in the test environment due for implementation

early 2008-09 and align to the ideal client experience.

The expected benefits for Customs clients and staff include an increased first-call resolution rate, a reduction in average call time, reduced staff time researching for information during calls, and a reduction in data input.

TIME RELEASE STUDY

As traders worldwide seek the fast and predictable release of cargo, the time taken to release goods has increasingly become a benchmark measure by which the international trading community assesses the effectiveness of a customs administration. Time Release Study (TRS) is an existing World Customs Organisation method, designed to measure the time taken from the arrival of goods at the port until their release to an importer or third party. Customs has adopted TRS to benchmark its import processing performance. The first TRS was conducted using data collected by the ICS in the normal course of business, for consignments arriving over a week in September 2007. Results indicate that Customs processing is not a

significant impediment to trade and that Australia's performance compares favourably internationally. The study also identifies a number of opportunities for process improvement. TRS snapshots will likely be taken in the future to aid planning on matters including: growth in trade volumes, progress against trade facilitation targets in Asia Pacific Economic Cooperation, more effective interventions and to assist with the Enhanced Trade Solutions program.

ENHANCED TRADE SOLUTIONS

The Enhanced Trade Solutions program was initiated in August 2007 in response to the changing world trade environment and the expected growth in international trade. Proof of Concept activities to test and explore opportunities to streamline processes commenced with other Customs administrations, importers, exporters and supply chain service providers. As Chair of the APEC Sub Committee on Customs Procedures Single Window Working Group, the Single Window Strategic Plan and the Single Window Development Report were published. The *A Proposal for Enhanced*

Cargo Targeting Review

Customs commenced a Cargo Targeting Review program during August 2007. The purpose of the review was to improve the efficiency and effectiveness through a nationally consistent approach to cargo targeting activity.

The aim of the program was to:

- > focus interventions on high risk consignments;
- > adopt a targeting approach based on best practice;

- > improve Customs ability to measure its effectiveness;
- > improve client outcomes.

The review recommendations are currently being implemented. Key to the activities being undertaken is the centralisation of profiling and logistic functions that will allow the development of centres of excellence where specialised training and support can be provided. By centralising these functions task duplication is reduced, allowing more streamlined delivery of core targeting business activities.

Trade Solutions 2015 consultation draft was developed to outline the current trading environment, explore the global drivers that are expected to influence the future of international trade and propose solutions to border management challenges. To inform the proposal, Customs utilised the Time Release Study to provide quantitative performance research and undertook an industry perceptions survey for qualitative evidence.

SUPPLY CHAIN SECURITY

Customs completed its pilot project to consider the implementation of an Australian supply chain security program. The project tested and applied the World Custom Organisation's Framework of Standards to Secure and Facilitate Global Trade (WCO SAFE Framework) in a method consistent with other Authorised Economic Operator (AEO) programs already in place internationally. The project developed and tested what are considered to be sound, robust and complementary approaches to overseas programs.

Business resumption and trade recovery were highlighted as key contributors to supply chain security initiatives. In the event of a global disruption to trade, AEO status should ensure the continued or accelerated movement of cargo upon the resumption of trade.

Throughout 2007-08, Customs:

- > participated in the development of the APEC Trade Recovery Programme (led by Singapore), and in the planning stages to progress the Trade Recovery Programme following endorsement by APEC Senior Leaders in 2007;

- > continued to lead discussions with other Customs administrations and other Australian Government agencies on AEO, mutual recognition and trade recovery opportunities.

Building on the foundations of the pilot project, Australian Customs is continuing to identify tangible benefits for Australian exporters and government prior to further proposals being put forward under the Enhanced Trade Solutions program.

IMPROVING RISK ASSESSMENT CAPABILITIES

In April 2007 Customs formed a Risk Assessment Systems Capability Group to progress a number of system useability and reporting enhancements in the ICS. These changes have had a positive impact on the effectiveness of the ICS in meeting Customs border targeting business needs. Customs now has improved efficiency of cargo risk assessment and applies greater focus to high-risk transactions.

CARGO REPORTING COMPLIANCE STRATEGY

Cargo reporting requirements for industry are to provide Customs with time to risk assess and inspect cargo of interest while facilitating the early release of low-risk cargo.

The timely and accurate reporting of cargo is central to Compliance Strategies for 2008-10. Key elements of these strategies include monitoring the timeliness and the quality of cargo reports. Customs works closely with cargo reporters by providing regular feedback on their level of compliance, education and, where appropriate, takes action under the Infringement Notice Scheme if reporters fail to meet their obligations.



Timeliness of cargo reporting continues to improve for sea cargo with an improvement from 84 per cent in 2006–07 to 86.3 per cent in 2007–08 on-time reports. Air cargo reporting remains at a constant level with 94 per cent of cargo reported on time for 2007–08.

EXPORT AIR CARGO SECURITY MEASURES

During 2007–08, Customs, in partnership with the Department of Infrastructure, Transport, Regional Development and Local Government and the air cargo industry, finalised implementation of a range of measures aimed at enhancing aviation security. These included:

- > operational deployment of five new mobile X-ray vans to Sydney, Melbourne and Perth to strengthen Customs export air cargo examination capability;
- > finalisation of the Explosives Detector Dog breeding and training program, resulting in the deployment of 11 teams to Sydney, five to Melbourne, three to Brisbane and one to Perth;

- > the National Export Air Cargo Targeting cell becoming fully operational 24 hours a day, seven days a week;
- > the requirement for earlier cargo reporting to Customs by cargo terminal operators through amendments to the *Customs Regulations*;
- > in conjunction with the Australian Bomb Data Centre, development of the Explosives Awareness, Handling and Response training course for Customs staff;
- > in conjunction with the Office of Transport Security, development and roll-out of a Cargo Security Awareness Program for the air cargo industry;
- > development and roll-out of a Security Awareness Program for Customs staff.

Customs, in conjunction with an industry partner, completed Stage One of the Advance Export Data project. The aim of the project is to enhance Customs intervention capability and provide greater certainty and predictability about the clearance status of export air cargo within the express carrier industry.

Mobile X-ray units

Customs deployed five new Mobile X-Ray Units (MXUs) to air cargo operational areas in NSW, Victoria and Western Australia. The MXUs, primarily used for targeted examination of export air cargo, were funded by the Government as part of a range of initiatives to enhance security over export air cargo carried on passenger aircraft.

The examination vans were designed in collaboration with staff from operational cargo areas and expert scientific advisers. The completed MXUs feature a specialised examination

shelter built on a standard production truck/van chassis. The examination shelter houses a compact X-ray unit, together with substance detection and identification technologies such as Ion Mobility Spectrometers and Raman Spectrometers.

With these additional units, Customs has a fleet of 17 MXUs deployed in air cargo environments around Australia. Customs now has the capacity to X-ray smaller items, including cargo and luggage, in a variety of locations. This provides Air Cargo Operations with the added capability and flexibility needed in treating risk at the border.



SEA CARGO INSPECTION AND EXAMINATION

The amount of sea cargo inspections for 2007–08 was higher than the Portfolio Budget Statements (PBS) target of 133,000 TEUs. The total number of TEUs inspected at the CEFs

was 138,209, which equates to 103.9 per cent compared to the PBS target. The total number of TEUs examined at the CEFs was 15,587 which equates to 117.2 per cent compared to the PBS target of 13,300.



Figure 15: Customs performance at the Container Examination Facilities

Performance Indicators	2005–06	2006–07	2007–08
Number of TEUs*			
Inspected (X-rayed) at CEFs	140,014	140,539	138,209
Physically examined at CEFs	13,773	15,062	15,587
Number of complaints formally received about CEF operations^	251	380	480
relating to CEFs	145	231	165
relating to CTO/wharf/stevedores	10	8	34
relating to brokers	7	6	99
relating to other Customs work areas	89	135	182

* TEUs inspected and examined includes both import and export TEUs.

^ Complaints figures are subject to revision due to possible reclassification as a result of an investigation.

The number of significant detections increased when compared with previous years. There was a considerable increase in the detection of illicit drugs and precursor, cigarette and tobacco products.

Illicit drugs and precursors weighing more than 1,816kg were seized and more than \$93.74m in revenue evasion prevented. Total detections for the period 1 July 2007 to 30 June 2008 include:

- > 25 kg of heroin;
- > 166 kg of MDMA (ecstasy);
- > 531 kg cocaine;

- > 869 kg of ephedrine;
- > 186 kg of amphetamine-type stimulants;
- > more than 102 million cigarette sticks;
- > more than 258 tonnes of tobacco leaf;
- > more than three tonnes of molasses tobacco.

There have also been large numbers of detections in relation to copyright, trademark, undeclared goods and quarantine breaches as well as stolen goods within export containers.

AIR CARGO INSPECTION AND EXAMINATION

Customs undertakes border protection activities in the air cargo environment employing both targeted and mass inspection strategies. The objectives of the Air Cargo Operations Branch include achieving a Portfolio Budget Statement performance measure of inspecting 6.2m air cargo consignments annually.

Air Cargo Operations achieved 99.78 per cent coverage against the PBS Target as well as the following detections (*) for the 2007–08 financial year:

- > 34.6kg of heroin;
- > 2.2kg of ecstasy (MDMA);
- > 49kg of cocaine;
- > 62kg of amphetamine-type stimulants;
- > 196kg of precursor chemicals;
- > 22 seizures of steroids.

A highlight was the detection of more than 100kgs of the precursor ephedrine in a consignment of coffee imported from Cambodia.

There were also a large number of detections in relation to prohibited imports, intellectual property rights infringements, undeclared revenue goods, quarantine, undeclared firearms and other weapons.

(*) Data relating to the number of detections is derived from DrugLan and EXAMS data for the period 1 July 2007 to 30 June 2008.

POSTAL INSPECTION AND EXAMINATION

Customs staff is present at four Australia Post international mail gateways in Sydney, Melbourne, Brisbane and Perth.

Postal Operations is responsible for the screening and examination of postal goods including parcels, express mail service (EMS) and letters. The area collects duty and GST on imported postal articles as well as performing a community protection role. Inspection strategies include targeted X-ray screening of postal articles and screening of high-risk letter class articles.

Volumes continue to increase significantly across all mail classes, particularly parcels and EMS. Customs has responded to this increase by reviewing its intervention approach and is developing an intelligence-driven, risk-based strategy as well as using a range of technologies.

Total seizures for the period 1 July 2007 to 30 June 2008 include:

- > 12.5kg of heroin;
- > 4.5kg of ecstasy (MDMA);
- > 32kg cocaine;
- > 80.4kg of ephedrine and pseudoephedrine;
- > 3 litres of precursors;
- > 50 kg of tobacco;
- > 8,564 of weapons;
- > 1,358 of wildlife items;
- > \$70,000 in undeclared currency.

Firearms detection system trial

Under the Government's Stronger Border Protection initiative, Customs received \$9.2m funding over four years for the deployment of X-ray and metal detection technology. This initiative was funded to improve international mail screening by identifying shipments containing firearms or firearm parts in international mail arriving in Australia.

The aim of the metal detection equipment was to aid the existing manual screening of mail using X-ray machines by highlighting for further inspection items that could contain firearms or firearm parts. Due to the high volume and range of metallic objects sent through the mail, the equipment had to be able to discriminate on the size, shape, and/or type of metal detected.

Being unable to find an existing commercial product that met its needs, Customs engaged a Perth-based company to develop a system based on

its existing metal detection technology.

Factory-based performance testing was conducted during 2006–07, with an operational field trial conducted at Australia Post's Melbourne Gateway Facility during 2007–08. The trial confirmed that the system is able to detect shipments of firearms and firearm parts without noticeably impacting Australia Post's mail clearance processes.

Following the successful completion of the trial, the system was installed in Melbourne and is now fully operational. During 2008-09 further metal detection systems will be installed at Australia Post international mail centres in Sydney, Brisbane and Perth.

Customs will also manage a multi-agency project with the Department of Infrastructure, Transport, Regional Development and Local Government; the Department of the Prime Minister and Cabinet; and the United States Technical Support Working Group to further develop the metal detection system. This project is due for completion in 2009-10.

ENHANCE EFFECTIVENESS OF THE FRONTLINE PROGRAM

Frontline is a cooperative program between Customs and industry groups involved in international trade and transport that draws on the knowledge and expertise of people in industry to help prevent illegal activities.

Several significant Customs seizures have been made as a result of information provided by industry, including seizures of illicit drugs, firearms and tobacco.

Customs continues to focus effort on

improving the effectiveness of Frontline by providing ongoing training to members. More than 1,200 training and presentation sessions were held during the year.

In 2007–08 there were 561 referrals compared to 436 in 2006–07.

Frontline results include detections, the location of absent crew, the reporting of illegal foreign fishing vessels or other intelligence that supports Customs activities. There were 98 results this year, an increase of 21 over 2006–07.

Spotlight on FRONTLINE

Frontline members come from many areas of the logistics industry and include brokers, freight forwarders, shipping lines and container terminal operators. They have proven to be Customs staunch allies in protecting the Australian border from criminal activity.

Frontline members are given regular training in recognising indicators of criminal activity specific to the function they perform within their business.

One member called to report their suspicions about a client who was particularly evasive about a delivery address for their shipment. Subsequent examination of the container revealed a substantial tonnage of undeclared tobacco with a duty/GST evasion of more than \$6m.

Another reported suspicions about a client who had no interest in the cost relating to their shipment and insisted on paying cash. This consignment also contained a substantial tonnage of undeclared tobacco with a duty/GST evasion of more than \$3m.

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BORDER RISKS

Customs is responsible for effective border management that, with minimal disruption to legitimate trade and travel, prevents illegal movement across the border.

> MARITIME SECURITY

Customs is responsible for protecting Australia's national interests against security threats in the offshore Australian Maritime Domain.

OFFSHORE

Border Protection Command

Border Protection Command (BPC) is a standing, multi-agency task force housed in Customs that leads and coordinates security operations that mitigate and manage civil threats in the maritime domain. The Commander of BPC, a serving Rear Admiral, reports to the Chief of the Defence Force and the Chief Executive Officer of Customs.

During the year Border Protection Command progressed plans for the relocation of its headquarters to enable the further integration of Customs Enforcement Operations staff and the establishment of the Integrated Operations Centre, a secure facility which came into use in September 2008. The Operations Centre will enable greater sharing of maritime 'situational awareness' information and intelligence and greater cohesiveness in the operational planning and tasking of all assets allocated to civil maritime surveillance and response activities.

Awareness of security threats

The analytical capability to collate and fuse intelligence about maritime security threats continued to be enhanced through the development of the Border Protection Command Intelligence Centre and the Australian Maritime Information Fusion Centre.

Border Protection Command, working in close consultation with relevant Australian Government agencies, lead the development

and refinement of the maritime security threat and risk assessment process.

During 2007 Border Protection Command continued consultation with industry to explore opportunities for cooperation in ensuring the security of offshore facilities and the safety of embarked workers.

Aerial surveillance – enhanced capacity

In August 2005, Customs signed a contract with Australian Helicopters Pty Ltd (AHPL) to provide surveillance and response rotary wing services in the Torres Strait until 2019. AHPL was contracted to provide two helicopters, a single engine Eurocopter AS 350B3 Squirrel and a twin-engine Bell 412 that will provide day and night surveillance, response capability and logistic support.

The single-engine helicopter was accepted into service by Customs in May 2007 and the multi-engine's modification program was completed on schedule in June 2007. Full AHPL service delivery under the Sentinel Contract commenced on 1 July 2007 and has operated effectively.

In March 2006, Customs signed a contract with Surveillance Australia Pty Ltd (SAPL) to provide civil maritime surveillance services until 2020. The 10th and final maritime surveillance aircraft to be delivered under Project Sentinel was formally accepted into service by the Minister for Home Affairs on 27 March 2008.

The fleet of 10 high performance Dash 8 aircraft are equipped with night surveillance capability and state-of-the-art radar, electro-optical and infra-red surveillance equipment, which provides a much greater probability of detecting smaller targets over longer ranges. The fleet has greater capability than



previously available due to the electronic surveillance fit-out and the greater mission duration available across the fleet. Four of the aircraft are larger Dash 8 300 series with long-range fuel tanks, allowing longer surveillance missions within the AEEZ. SAPL is working closely with Selex-Galileo to deliver the Surveillance Information Management (SIM) system. Plans are to have the first aircraft on line to SIM in January 2009.

Surveillance Coverage

Aerial surveillance coverage achieved by Coastwatch and Australian Defence Force aircraft amounted to 136.59 million square nautical miles for the year. An additional 12.57 million square nautical miles against a target of 5.50 million square nautical miles were realised using satellite surveillance, resulting in an annual total of 154.34 million square nautical miles or approximately 99 per cent of the annual target.

New methodology for calculation

During the year a new method to measure square nautical miles surveillance coverage was introduced. This recognised the increased search area integrity demanded under the new civil maritime surveillance contract. The calculation of the initial surveillance target for 2006–07, of 171.6 million square nautical miles, had been based on methodology used for the life of the previous 14-year Coastwatch contract. The calculation of the 2007–08 target of 151 million square nautical miles had employed the former methodology for the first six months and the newly introduced methodology for the second

six months to coincide with the transition to the new surveillance contract.

The principal difference between the two methodologies is that under the new one a defined search area is set for each aircraft mission. The search area is typically about 45,000 square nautical miles and the contractor is required to use the high technology sensor equipment employed on the aircraft to clear the area and identify and report any targets of interest. Under the former methodology, measurement covered the total number of track miles in a mission. Although this would often result in seemingly larger square nautical mile coverage some of this coverage could, in fact, include the same area a number of times over.

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For the year, additional funding had been provided for increased surveillance – 1,400 hours (per annum) for night-time surveillance and 2,200 hours (per annum) for daytime. However, SAPL had been unable to service any of the additional hours due to crew shortages, arising in part from a global shortage of pilots. Although the 1,400 hours night-time surveillance was achieved by reprogramming existing flights, a consequence was a shortfall in daytime surveillance. Customs continues to work closely with SAPL in an effort to minimise the impact of crew shortage on its capacity to deliver contracted aerial surveillance hours. The company has introduced arrangements to retain and attract pilots and is close to its full complement of crew.

Border Protection Command was able to offset some of the shortfall through the use of other aerial surveillance assets, to a total of 490 hours. A further 1,500 hours were realised by using Australian Maritime Safety Authority (AMSA) Dornier aircraft, when the aircraft were not required for search-and-rescue purposes. Initially, it had been anticipated that the full 2,200 hours could be accommodated using these aircraft. However, AeroRescue, the external contractors engaged by AMSA, also suffered from the prevailing pilot shortage issues and its Dornier aircraft had experienced serviceability issues, as well as equipment deficiencies.

Significant maritime security activity in 2007–08: whaling monitoring

Customs played a major role in the whole-of-government response to Japanese whaling activity in the Southern Ocean. Border Protection Command, in conjunction with Enforcement and Investigations Division, coordinated the operation to monitor and collect evidence of whaling by the Japanese in the Southern Ocean. Assets assigned

to the operation included the Customs charter vessel *Oceanic Viking* and the Australian Antarctic Division-contracted A319 Airbus aircraft. The *Oceanic Viking* monitored the activities of the Japanese whaling fleet and observed whaling activity. The A319 Airbus undertook three monitoring flights - the first proved the aircraft's capabilities for the monitoring activity, and the second and third located and obtained images of Japanese whaling vessels. Unfavourable weather conditions prevented further flights. The operation covered areas both outside and inside Australian waters.



Suspect Illegal Entry Vessels and Suspect Unlawful Non-Citizens

During the year no Suspect Illegal Entry Vessels (SIEVs) were detected before arrival. Three SIEVs carrying a total of 25 Suspect

Unlawful Non-Citizens (SUNCs) arrived in August, November and December 2007. Figure 16 provides a comparison of SIEVs and SUNCs activity over the last three years.

Figure 16: Summary of suspect illegal entrant vessels (SIEVs) and suspect unlawful non-citizens (SUNCs)

	2005–06	2006–07	2007–08
SIEV summary*			
Undetected			
onshore unauthorised boat arrival	2	1	0
offshore unauthorised boat arrival	1	2	3
Detected	1	1	0
Total	4	4	3
SUNC summary*			
Undetected			
onshore unauthorised boat arrival	51#	3	0
offshore unauthorised boat arrival	7-	48	25
Detected	3	83	0
Total	61	134	25
Crew	0	2	0

* Figures sourced from Department of Immigration and Multicultural Affairs.

No vessel was sighted for one of the 51 SUNCs.

- No vessel was sighted for four of the 7 SUNCs.

BPC and Customs continue to work with other agencies involved in countering people smuggling ventures.

ILLEGAL FOREIGN FISHING

Customs is responsible for the prevention of incursions by illegal foreign fishers in the Australian Exclusive Economic Zone including the Macquarie Island and the Heard and McDonald Islands Exclusive Economic Zones.

In the 2006–07 Budget, Customs received additional funding of \$197.4m over four years to counter the increased number of illegal foreign fishing vessels entering Australia's northern waters, as part of a number of cross-portfolio initiatives.

Australia's response to the threat was based on two streams of activity:

- > heightened and effective surveillance and enforcement in Australia's maritime zones, supported by an increased capacity to detain and process additional illegal fishers onshore and destroy their vessels;
- > efforts in Indonesia to support economic development and alternative livelihoods for fishing communities, combined with in-country programs to highlight the consequences of illegal activity in Australia's waters.

From mid-2006, there was a marked reduction in sightings of foreign fishing vessels in Australian waters. This turnaround coincided with successful introduction of three initiatives:

- > greater focus on on-the-water apprehensions of foreign fishing vessels;

- > the deployment of the Customs contracted vessel *Triton* which can tow multiple apprehended fishing boats, and accommodate up to 30 detained persons and up to 30 officials, including armed Customs Maritime Enforcement Officers, fisheries officers, and specialised equipment operators;
- > the establishment of sufficient on-shore facilities for holding and processing illegal fishers.

The combination of these initiatives enabled the consistent enforced detention of illegal foreign fishers and apprehension and destruction of their vessels, creating excessive costs for venturers when compared to the potential gains from sale of the catch.

Before the establishment of the off-shore facilities, Customs and Defence vessels had to resort to legislative forfeitures of catch and equipment when sufficient on-shore processing facilities were not available. This provided little deterrent effect and had resulted in increased landings of FFVs on Australian territory to hide additional nets and equipment.

As reported in the previous Annual Report, the 2006–07 target of 570 vessels was reviewed in the light of the sustained and significant reduction in foreign fishing vessels incursions and a revised projection of 400 apprehensions for 2006–07 was provided during the Portfolio Additional Estimates process. There were 216 apprehensions during that year.

Foreign fishing vessels sightings in Australian waters continued to decline in 2007–08, with around 63 per cent reduction in sightings of motorised FFVs in northern waters compared to 2006–07. Significantly, there was a 90 per cent decrease in sightings compared to the peak of FFV activity in 2005–06.

The forecast of 250 apprehended vessels and 1,600 detained illegal foreign fishers was revised to 150 and 1,425 respectively during the 2007–08 Portfolio Additional Estimates process. By 30 June 2008, 156 vessels had been apprehended and 1,217 IFFs had been detained and processed.

Figure 17: IFFV apprehensions and legislative forfeitures

	2005–06	2006–07	2007–08
Apprehensions	367	216	156
Legislative forfeitures	281	8*	13*

* Includes legislative forfeitures for environmental related offences.

The success of Australia's focused enforcement efforts over the past two years has seen illegal fishing activity in Australia's northern waters retreat from the AEEZ. Large concentrations of vessels now sit just beyond the EEZ boundary, undertaking generally shallow incursions into Australian waters.

The limited time that Australian vessels have to respond to these incursions dictates the requirement for a sustained and highly visible surveillance, deterrence and apprehension presence patrolling those boundaries.

Torres Strait

The Torres Strait is a unique environment for civil maritime security operations. The combination of the weather, the number of inter-island traditional movements, biosecurity issues, proximity to Australia and the extent of shallow and uncharted waters make this a complex area for maritime security.

In February 2008, a coordinated operation against illegal fishing in the Torres Strait resulted in the apprehension of eight motorised banana boats and 71 IFFs.

The operation, which involved three Customs patrol boats and two Navy vessels, and was supported by Fisheries officers, followed sightings by Coastwatch aircraft of trepang (sea cucumber) poachers operating in Australian waters around Warrior Reef. In accordance with the Torres Strait Treaty between Australia and PNG, the fishers were repatriated without entering on-shore detention arrangements provided for other nationality illegal foreign fishers.

Coordinated patrols with Indonesia

Australia is developing good ties with Indonesia in the civil maritime security environment as evidenced through the coordinated activities between Customs, Border Protection Command and Indonesia's

Ministry of Marine Affairs and Fisheries and BAKORKAMLA, the agency responsible for coordinating maritime security affairs.

In July 2007 and March 2008, Customs provided support for two BAKORKAMLA-led maritime security operations. Customs Coastwatch aircraft conducted surveillance in areas adjacent to Australia's northern Exclusive Economic Zone boundary and sightings were provided to BAKORKAMLA operational headquarters.

Activities with Indonesia's Ministry of Marine Affairs and Fisheries involved two coordinated patrols in November 2007 and April 2008 by Customs and Indonesian vessels, as well as Customs Coastwatch and Australian Defence Force aircraft, targeting illegal fishing north of Australia.

Indonesia had requested that civil vessels be deployed to participate in these coordinated patrols. The Australian Customs Vessel *Triton* was the only Customs vessel available to undertake the task due to the operational limitation of the Customs Bay Class vessels.

The aim of these patrols was to work together to detect, board and apprehend any suspected illegal foreign fishing boats in Australian and Indonesian waters, to reduce the threat to Australian fish stocks. It also allowed further testing of communication and operational protocols between Australian and Indonesian patrol boats and surveillance aircraft. These protocols will ensure a more effective response to illegal activities within the Australian Exclusive Economic Zone.

These activities were undertaken under the auspices of the Australia-Indonesia Working Group on Marine Affairs and Fisheries.

Creation of Maritime Operations Support Division

A key focus for the Border Enforcement program is the continuation of work to establish the operational and logistical infrastructure that will underpin effective maritime information, intelligence and targeting capabilities.

The implementation this year of the new organisational structure that consolidated all Customs maritime operational support functions into the Maritime Operations Support Division (MOSD), enabled all Customs marine assets (Bay Class Patrol vessels, *Oceanic Viking*, *Triton* and *Ashmore Guardian*) and their personnel, air assets (planes and helicopters) and space-based assets (satellites) to be managed as an integrated unit. This allows Border Protection Command and Enforcement and Investigations (E&I) Division to focus their efforts on core planning and operational activity.

As part of this new organisational approach, operational control of all Customs Marine assets was transferred to BPC.

Two Branches of the new Division are responsible for delivering future Maritime Operations Capability.

Maritime Strategy and Development is responsible for looking at how Customs will need to operate in the maritime environment in the future, and identifying the necessary infrastructure and capability. The Branch is also developing Australian Maritime Identification System (AMIS) and the Sentinel information management system.

Marine Acquisitions will oversee the acquisition process and entry into service of marine capability. Its focus is the project for the replacement of the Australian Customs Bay Class vessels.

The third Branch, Maritime Operations Support, comprises Customs Marine Unit and associated support areas, and the Customs Aviation Unit, the section responsible for managing each of Customs aviation contracts. The Branch is responsible for the delivery of the operational assets and the skilled workforce needed to identify and respond to maritime security threats.

Customs Marine Unit

Bay Class Vessels

In 2007–08, the Bay Class ACVs delivered 2,509 operational sea days to the Civil Maritime Surveillance and Response program, including 1,762 patrol days in Australia's northern waters, 657 in eastern waters, 46 in southern waters and 44 in the west. These patrols played a major part in reinforcing Customs commitment to the enhanced whole-of-government response to the management of illegal foreign fishers.



Oceanic Viking

The Customs-managed armed patrol program, using the *Oceanic Viking*, delivered 212 days in the Southern Ocean over four patrols, including the Japanese whaling surveillance patrol. The *Oceanic Viking* was also deployed to the waters off the west coast for 30 days, east coast for 18 days, Great Australian Bight for eight days, and was assigned in support of APEC in Sydney for a total of 29 days including steaming time.



The total patrol days for the *Oceanic Viking* year was 297. The following results were achieved:

- > the covert and overt presence of the *Oceanic Viking's* four patrols was successful in preventing incursions of illegal, unregulated and unreported (IUU) vessels with no illegal vessels detected in the Heard Island and McDonald Islands exclusive economic fishing zones;
- > Australia participated in seven joint patrols on board French vessels;
- > patrols also gathered evidence on IUU vessels that were operating in the Convention for the Conservation of Antarctic Marine Living Resources zone;
- > environmental checks were conducted on behalf of the Australian Antarctic Division and Bureau of Meteorology;
- > two emergency medical evacuations were carried out under Australia's international Safety of Life at Sea obligations;
- > as part of the Government's strategy to increase apprehensions of illegal foreign fishing vessels the *Oceanic Viking* undertook three northern deployments during

2007–08. There was one apprehension and 16 boardings of vessels during these patrols.

Triton

The contracted northern waters vessel *Triton* provided a total of 199 days against a target of 240 days. Officers conducted 48 boardings for compliance and education purposes, resulting in 21 apprehensions of IFFVs.

The *Triton* contractors were unable to deliver the full contracted rate of patrol days as a result of engine malfunctions and Customs sought redress through the contract for loss and damage suffered.

In late November 2007, over six days, 18 Indonesian fishing boats and 154 fishers who had allegedly been targeting trepang, or sea cucumber, in the vicinity of Evans Shoal north-west of Darwin were apprehended by Australian Customs Vessels *Triton* and *Arnhem Bay*. *Triton* was also deployed to undertake two joint patrols with Indonesia's Ministry of Marine Affairs and Fisheries.



Ashmore Guardian

In April 2008, the Australian Customs Vessel *Ashmore Guardian* was deployed near-permanently at the Ashmore Reef National Nature Reserve and Cartier Island Marine Reserves. The two marine reserves, covering an area of 750 square km, are about 320km off the Australian coast but only 150km south of the Indonesian Island of Roti. Traditional Indonesian fishermen are allowed to fish in the area under a Memorandum of Understanding between Australia and Indonesia. Within a small area of Ashmore Reserve only limited fishing for personal use is allowed.

The internationally significant coral ecosystems and the turtles, dugongs, sharks and seabirds use the reserves for feeding and breeding and are threatened by illegal fishing and poaching.

The *Ashmore Guardian* allows Customs to conduct enforcement operations and assist with environmental management. Officers onboard the vessel also undertook 36 boardings of vessels to advise passengers and crew of the biosecurity and fishing limitations of the reserves and conducted two legislative forfeitures.

Customs sought redress through the contract for loss and damage suffered as a result of late delivery of the vessel.

Figure 18: Australian Customs Vessel (ACV) surveillance and response activity

	2005–06	2006–07	2007–08*
Boardings			
FFV [^]	516	323	363
Other [#]	41	142	45
Apprehensions	183	97	69
Legislative forfeitures [^]	183	6	7

* Includes eight bay Class vessels and contracted ACVs *Triton*, *Ashmore Guardian* and *Ocean Viking*.

[^] Foreign fishing vessel.

[#] Includes merchant vessels, Australian fishing vessels, other small craft.

[^] Legislative forfeiture (catch and equipment seized) conducted under the Department of Agriculture, Fisheries and Forestry legislation and the Department of the Environment and Water Resources legislation.

INSHORE

River Class Customs Response Vessels

These vessels are non-passenger and can operate in waters up to and including 'Restricted Offshore', ie operations up to 30 nautical miles offshore. Customs has four CRVs located at Gove, Darwin, Weipa and Thursday Island. The vessels are used for transporting detained illegal fishers from Customs and Navy vessels off-shore to land-based processing facilities.

Border Security in Torres Strait

Officers based at Thursday Island now have a more visible presence in the Torres Strait following the opening of a facility on Saibai Island. The facility, which sleeps up to eight people, will be used by a range of state and federal agencies, including police, immigration and fisheries, all of whom have a presence in the region.

The Torres Strait is one of the more complex environments in which Customs operates. The most populated island and the centre of trading and business is Thursday Island (population 3,500). It is also home to 20 permanent Customs officers, including one Torres Strait Customs officer.

Almost all the area of operation consists of excised Islands; hence powers under the Customs Act are limited and the Torres Strait Treaty creates challenges to Customs controls, which must be managed in a culturally sensitive manner.

Until now, Saibai and the outer islands have been serviced by officers based at Customs House on Thursday Island. The opening of the Government's most northern facility, located just four kilometres from Papua New Guinea, coincided with the resumption of cross-border patrols in the region.

The office is responsible for the clearance of passengers, light aircraft, fishing vessels and yachts. Control is also maintained over import and export cargo, potential people smuggling ventures, foreign fishing, and traditional border movements.

Operation Sirius

Queensland and NSW Enforcement teams joined seven agencies in Operation Sirius targeting merchant vessels, small craft and fishing boats on Australia's east coast. The operation strengthened the operational capacity of agencies involved in the policing and enforcement of Australia's maritime zones.

The area of operation ranged from South Stradbroke Island, Queensland, to Ballina, NSW, and extended 200 nautical miles to sea. Deployed resources included Police Launch *Alert* and *ACV Roebuck Bay*. A Coastwatch Dash 8 surveillance aircraft assisted in locating and identifying vessels.

A joint-agency intelligence team cross-matched vessel and crew information against intelligence databases. Field teams were deployed along the coast to provide information on the movement of vessels. Vessels of interest were intercepted and boarded by land and sea response teams. Over three days, 26 vessels were stopped at sea and inspected for compliance with State and Federal laws.

Police and Customs teams made three arrests for illegal firearms and the possession of prohibited drugs (cannabis). The operation was coordinated by NSW Police Marine Area Command and Customs, supported by NSW Police Tweed Local Area Command, Australian Fisheries Management Authority, NSW Department of Primary Industries, Australian Federal Police, NSW Maritime Authority, Queensland Water Police and Queensland Fisheries.

ONSHORE

Exercise Nullarbor Exile

Exercise Nullarbor Exile took place from 26 February to 14 March 2008 and spanned Western Australia and South Australia, with overall coordination from central office. Assets deployed included more than 100 officers, marine assets including the *Oceanic Viking* and tenders, the *ACV Storm Bay*, more than 20 vehicles, and a Dash 8 aircraft from Border Protection Command.

The aim of the exercise was to test:

- > Customs capability to deploy into a remote area;
- > Customs intelligence capacity to select and work up targets;
- > Customs procedures for deploying officers equipped with personal defence equipment outside major metropolitan centres;
- > Customs command and control regime.

As a result more than 20 evaluators were involved in assessing 256 key performance indicators drawn from 136 performance objectives.

The geographic location provided both exercise control and the operational respondents with challenges, including:

- > the size of the area of operations (from Esperance in Western Australia to Adelaide in South Australia);
- > problems with communications;
- > accessing appropriate vehicles;
- > access to charter flights to move key personnel;
- > the climate;
- > establishing forward command posts in small country areas;
- > remaining covert in townships the size of Streaky Bay;
- > accommodation issues for officers and dogs.



The exercise proved successful in assisting Customs identify areas for improvement in skilling staff, reviewing operational equipment and updating procedures and standing orders.

> TERRORISM (PEOPLE AND GOODS)
Customs supports the whole-of-government effort to detect terrorists and terrorism-related goods by monitoring the entry and exit of vessels, aircraft, goods and people.

COUNTER-TERRORISM

Customs continued to participate in whole-of-Government counter-terrorism activity including international bilateral meetings, counter-terrorism exercises and supporting capability development.

Customs provided operational assistance in the jurisdictions of APEC related events, culminating in a significant deployment of Customs assets and personnel during APEC Leader's Week in Sydney during September 2007.

Customs continued its operational arrangements that facilitate the reporting of pertinent information to the Australian Federal Police and the Australian Security Intelligence Organisation.

International counter-terrorism consultation occurred throughout the year. Customs made a significant contribution during bilateral talks with the Philippines and Indonesia. Customs also continued to work with our international partners through the United Nations, APEC and other international forums.

Customs participated in international discussion exercises designed to examine international responses to terrorist events and to provide an opportunity to evaluate capabilities. One exercise focused on a cyber attack scenario with several countries and industry participating.

Customs updated its counter-terrorism policy framework and re-developed Customs internal awareness raising programme to ensure all Customs officers are aware of current risks and whole-of-government counter-terrorism arrangements.

Over 1500 of Customs frontline officers were provided with training on the current nature of the terrorist threat. Based on experience doing this, Customs commenced development of more in-depth training on terrorism with the aim of ensuring that levels of expertise in this field are maintained.

Customs embarked on an engagement programme with Federal and State/Territory agencies on our counter-terrorism capabilities to ensure harmonized understanding of Customs contribution to prevention activity and response planning.

Customs continues to maintain a 24-hours-a-day, seven-days-a-week incident reporting centre to provide the Customs Executive with early advice of incidents that have the potential to impact on Customs business. Incidents are reported to the Customs Incident Reporting Centre (CIRC) by all areas of Customs, nationwide and overseas.

> ILLICIT DRUGS AND PRECURSORS
Customs is responsible for the detection and deterrence of the movement of illicit drugs and precursors across the border.

Customs continues to work with a range of Commonwealth and jurisdictional agencies in taking a whole-of-Government approach to combating illicit drugs. Over the past 12 months, Customs provided significant input to the National Precursor Working Group to Prevent the Diversion of Precursor Chemicals into Illicit Drug Manufacture, the National Drug Law Enforcement Research Fund, the Inter

Governmental Committee on Drugs and leads the United Nations Project PRISM for the Oceania Region.

Customs has enhanced its approach to, and coordination of, drug and precursor activity. The Customs Drug and Precursor Strategy 2008-10 has identified a range of activities that will be implemented to assist Customs more effectively target, detect and investigate the illegal importation of illicit drugs and precursor chemicals.

Customs continued to deliver precursor awareness courses, funded under the National Strategy to Prevent the Diversion of Precursor Chemicals into Illicit Drug Manufacture.

Customs activities to detect illicit drugs and precursors at the border support the objectives of the Australian Government's National Drug Strategy.

Customs made a number of significant detections in 2007-08 and observed illicit drug and precursor trends as shown in Figure 19.

Figure 19: Drug detections* by mode of importation

	Detections			Weight (kg)^		
	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08
Air passengers and crew						
Cannabis	49	47	39	0.47	0.68	1.72
Cocaine	21	23	33	20.95	29.64	32.06
Heroin	25	42	46	19.39	29.52	27.33
MDMA (Ecstasy)	9	7	5	25.62	7.04	0.16
ATS-	12	11	16	16.30	3.15	3.17
Precursors##	30	114	69	..	9.72	7.23
PIEDs®	75	90	155	..	..	..
Other**	53	104	117	..	..	..
Cargo and postal#						
Cannabis	451	578	602	46.31	44.99	49.29
Cocaine	354	343	595	57.11	580.31	611.53
Heroin	274	347	237	29.70	45.79	72.02
MDMA (Ecstasy)	125	106	109	409.60	5 227.36	172.72
ATS-	411	732	551	74.27	24.34	260.28
Precursors##	547	620	482	..	285.49	1162.38
PIEDs®	1 015	1 520	1664	..	..	..
Other**	1 944	3 374	1 995	..	..	...

Figure 19: Drug detections* by mode of importation

	Detections			Weight (kg) [^]		
	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08
Shipping and aircraft[†]						
Cannabis	4	2	10	0.51	0.01	2.43
Cocaine	1	-	1	0.00	-	5.70
Heroin	-	-	-	-	-	-
MDMA (Ecstasy)	1	1	2	0.00	0.01	40.00
ATS [~]	-	-	1	-	-	0.00
Precursors ^{##}	1	1	-	..	0.00	0.00
PIEDs [®]	-	2	1	..	..	..
Other ^{**}	3	-	4	..	..	..
Total						
Cannabis	504	627	651	47.28	45.67	53.44
Cocaine	376	366	629	78.06	609.95	649.29
Heroin	299	389	283	49.08	75.31	99.34
MDMA (Ecstasy)	135	114	116	435.22	5 234.41	212.88
ATS[~]	423	743	568	90.56	27.49	263.45
Precursors^{##}	578	735	551	..	295.21	1169.61
PIEDs[®]	1 090	1 612	1820	..	..	..
Other^{**}	2 000	3 478	2 116	..	..	..

* Drug detections subject to ongoing investigation might not appear.

[^] Weight shown may be the confirmed weight (if available) or the gross, net or estimated weight. Where weight of detections of amphetamine-type stimulants (ATS), MDMA (ecstasy) and precursors was not available, an estimate of 0.29g per tablet was used. Weights for precursors were not collected prior to 2006-07. Estimated weight values for performance and image enhancing drugs and 'Other' drugs are not shown as there is no consistent unit of measure available. Items in these categories can be measured in grams, volume, dose unit or capsules.

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

[†] Includes detections made from searches of sea passengers and crew, vessels and aircraft.

[~] Amphetamine-type stimulants (ATS) includes methamphetamine and amphetamine but excludes MDMA (ecstasy).

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

[®] PIEDs refer to performance and image enhancing drugs. They include steroids, DHEA (dehydroepiandrosterone/prasterone) and hormones.

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

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

PRECURSORS

Customs continued to make large detections of precursors to methamphetamine, including 105kg of pseudoephedrine in December 2007 located in air cargo.

Figure 20: Interceptions of precursor* type drugs

	2005–06	2006–07	2007–08
Air passengers and crew			
Precursor for amphetamine type substance [^]	30	112	68
Precursor for LSD ⁻	-	-	1
Precursor for GHB (Fantasy) ⁺	-	-	-
Precursor for MDMA (Ecstasy) ^{<}	-	2	-
Other	-	-	-
Cargo and Postal**			
Precursor for amphetamine type substance [^]	494	517	423
Precursor for LSD ⁻	7	10	2
Precursor for GHB (Fantasy) ⁺	29	49	27
Precursor for MDMA (Ecstasy) ^{<}	2	7	4
Other	15	37	26
Other^^			
Precursor for amphetamine type substance [^]	1	1	-
Precursor for LSD ⁻	-	-	-
Precursor for GHB (Fantasy) ⁺	-	-	-
Precursor for MDMA (Ecstasy) ^{<}	-	-	-
Other	-	-	-
Total			
Precursor for amphetamine type substance[^]	525	630	491
Precursor for LSD⁻	7	10	3
Precursor for GHB (Fantasy)⁺	29	49	27
Precursor for MDMA (Ecstasy)^{<}	2	9	4
Other	15	37	26

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

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

⁻ Precursors for LSD includes ergometrine and ergotamine.

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

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

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

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

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



Figure 21: Drug detections and significance of offence[®]

Significance [^]	Detections			Weight (kg) [*]		
	2005–06	2006–07	2007–08	2005–06	2006–07	2007–08
Commercial						
Cannabis	-	-	-	-	-	-
Cocaine	6	20	22	19.85	564.63	583.38
Heroin	6	6	8	14.88	18.46	40.79
MDMA (Ecstasy)	15	14	4	427.90	5 229.43	207.91
ATS ^{**}	13	13	14	80.68	15.90	252.50
Marketable						
Cannabis	-	-	1	-	-	25.50
Cocaine	68	48	93	45.88	33.33	46.42
Heroin	32	79	85	21.37	38.56	44.65
MDMA (Ecstasy)	21	10	17	6.01	3.44	3.57
ATS ^{**}	7	6	6	3.13	2.67	1.97
Trafficable						
Cannabis	15	19	14	44.09	41.15	25.73
Cocaine	278	266	440	12.30	11.97	19.44
Heroin	258	293	177	12.83	18.29	13.89
MDMA (Ecstasy)	98	84	89	1.31	1.54	1.41
ATS ^{**}	305	368	403	6.66	8.56	8.85
Minor						
Cannabis	489	608	636	3.19	4.52	2.21
Cocaine	24	32	74	0.02	0.02	0.06
Heroin	3	11	13	0.00	0.00	0.00
MDMA (Ecstasy)	1	6	6	0.00	0.00	0.00
ATS ^{**}	98	356	145	0.09	0.36	0.13
Total						
Cannabis	504	627	651	47.28	45.67	53.44
Cocaine	376	366	629	78.06	609.95	649.29
Heroin	299	389	283	49.08	75.31	99.34
MDMA (Ecstasy)	135	114	116	435.22	5 234.41	212.88
ATS^{**}	423	743	568	90.56	27.49	263.45

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[®] Amendments were made to the Criminal Code in December 2005 that involved changes to the terminology of offence/ quantity categories, definitions of offences, penalties and some weight category thresholds. The drug detection data prior to December 2005 has been reclassified to reflect the new definitions to provide consistency when drawing comparisons and analysing trends with the 2006–07 data.

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

[^] Significance of offence is based on the classification used in the *Customs Act 1901* and is summarised as:

	Heroin	Cocaine	Cannabis	Cannabis resin	MDMA (ecstasy)	ATS
Commercial	1.5kg and over	2kg and over	125kg and over	125kg and over	750g and over	750g and over
Marketable	Between 250g and 1.5kg	Between 250g and 2kg	Between 25kg and 125kg	Between 25kg and 125kg	Between 100g and 750g	Between 250g and 750g
Trafficable	Between 2g and 250g	Between 2g and 250g	Between 250g and 25kg	Between 20g and 25kg	Between 0.5g and 100g	Between 2g and 250g
Minor	Less than 2g	Less than 2g	Less than 250g	Less than 20g	Less than 0.5g	Less than 2g

** Amphetamine-type stimulants includes methamphetamine and amphetamine but excludes MDMA (ecstasy).

Commonwealth legislation specifying commercial quantities of amphetamine and methamphetamine (and other narcotic substances) took effect on 10 December 2004.

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

AMPHETAMINE-TYPE STIMULANTS

The total weight of amphetamine-type stimulants (ATS) detected at the border increased significantly in 2007–08.

Most importations were by post. There were a number of sizeable detections in air cargo including 28kg in January 2008, and 66kg in sea cargo in June 2008.

➤ **Figure 22: Amphetamine-type stimulants and crystalline methamphetamine (ice) detections by weight (kg)**

	2005–06		2006–07		2007–08	
	Number	Weight (kg) [*]	Number	Weight (kg) [*]	Number	Weight (kg) [*]
Amphetamine-type stimulants [#]	403	35.18	610	13.04	492	38.62
Crystalline methamphetamine (ice) [^]	20	55.38	133	14.45	76	224.83

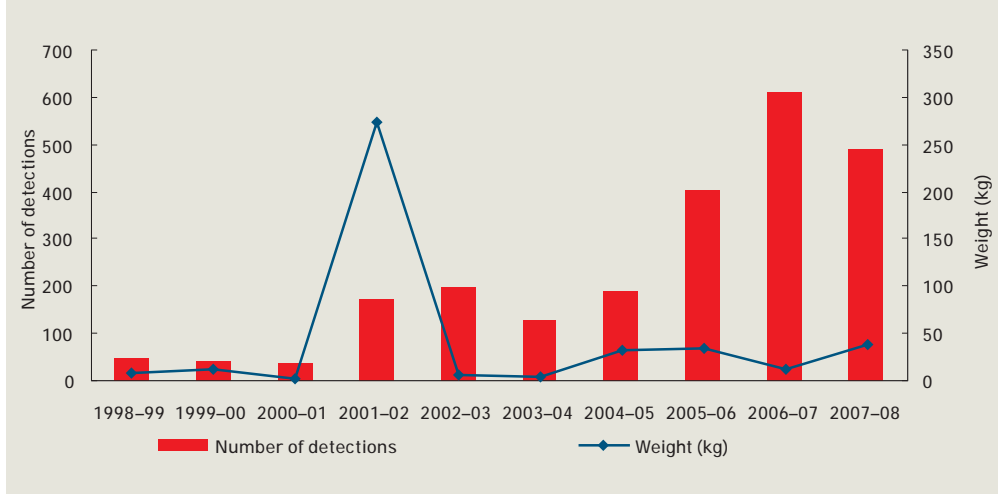
^{*} Weight shown in the above table is an estimation. Weight is calculated using 0.29 gm per tablet where a weight was not available. Some small quantity shipments of amphetamine-type substances do not have weight recorded, so these weight figures are a slight under estimate.

[#] Amphetamine-type stimulants include amphetamines and methamphetamines in liquid, capsule, paste, powder or tablet form. It does not include MDMA (Ecstasy) or crystalline variety of methamphetamine called 'Ice'.

[^] Crystalline methamphetamine is shown separately, but would usually be included in figures for ATS.

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

Figure 23: Number and weight (kg) of amphetamine-type substances* detections



* Amphetamine-type substance does not include the crystalline variety of methamphetamine called 'Ice'. Excludes MDMA (ecstasy).

Figure 24: Number and weight (kg) of crystalline methamphetamine* detections



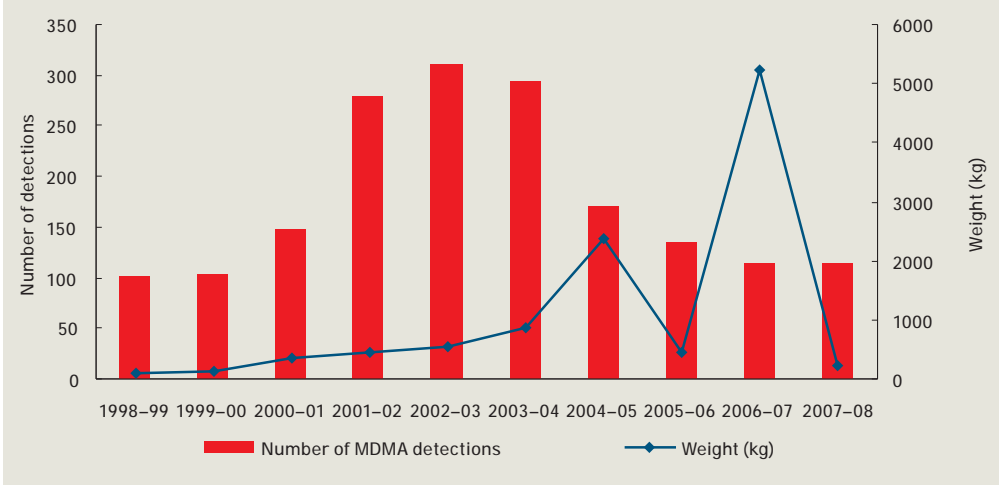
* Includes only the crystalline variety of methamphetamine called 'Ice'. Excludes MDMA (ecstasy).

MDMA (3,4-METHYLENEDIOXYMETHAMPHETAMINE)

While the total MDMA weight detected at the border in 2007-08 did not reach the level in 2006-07, which included a record single

detection of 4,422.32 kg, there were a number of sizeable detections, including 121kg in June 2008 in sea cargo.

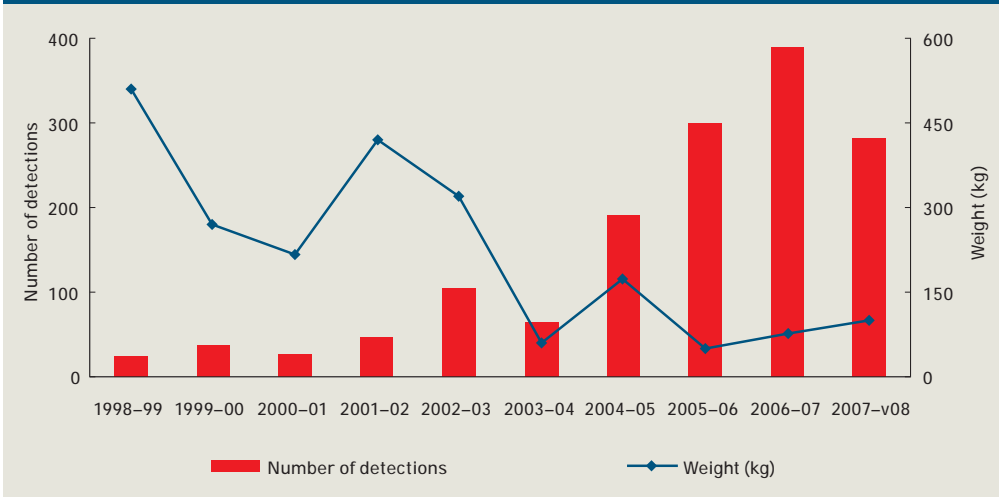
Figure 25: Number and weight (kg) of MDMA (ecstasy) detections



HEROIN

In 2007-08 the total weight of heroin detected at the border was 99.3kg, which is up on previous years. Customs made a sizeable detection in sea cargo in February 2008 of 24.9kg.

Figure 26: Number and weight (kg) of heroin detections



World's largest ecstasy detection

On 28 June 2007 Customs made the world's largest single detection of ecstasy with the discovery of 4.4 tonnes concealed in tins of tomatoes. Acting on intelligence received, Customs targeted a container reportedly containing tinned tomatoes. When X-rayed the container revealed inconsistencies and was subsequently opened for inspection. Customs officers then unpacked the pallets of tins which were found to contain ecstasy tablets.

Customs also provided significant support to the investigation team established by the Australian Federal Police in response to the detection. This included an analyst deployed to work with the investigation team, ongoing intelligence and targeting activity, computer forensics, extensive targeted cargo and passenger examinations, the provision of operational security in respect to the movement and control of cargo selected and the support of the Detector Dog Unit.

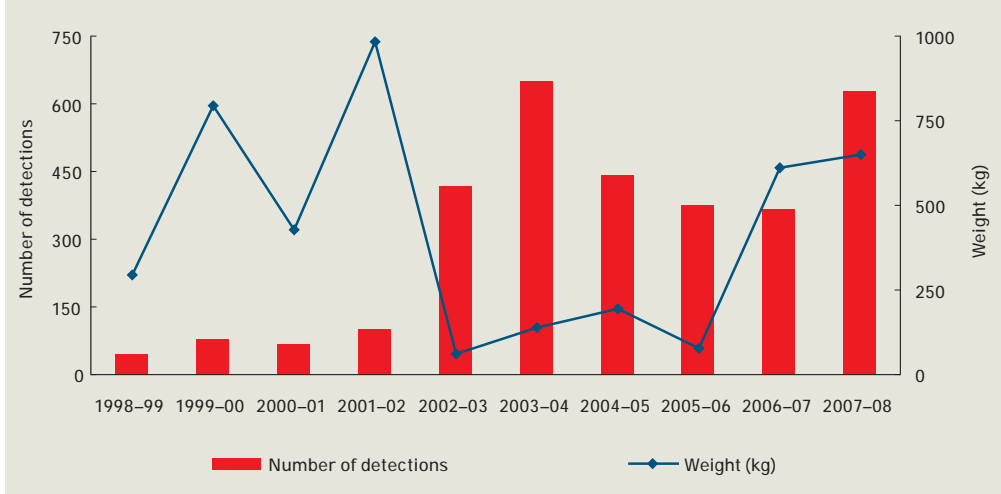
Customs continued to work closely with partner law enforcement agencies throughout 2007–08 to further develop intelligence about the principals involved in the shipment and to identify further suspect cargo. This led to a further detection of 150kgs of cocaine in a sea container on 24 July 2008. The investigation of the syndicate



continued into 2008–09 when a series of arrests were announced.

For operational reasons, the ecstasy detection was not able to be reported in the 2006–07 Annual Report. The success of the operation was the product of contributions from a wide range of law enforcement agencies including, in addition to Customs and the AFP, Victoria Police, the Australian Crime Commission, AUSTRAC and Tasmania Police.

Figure 27: Number and weight (kg) of cocaine detections



COCAINE

The number of detections of cocaine increased markedly in 2007-08, particularly in the postal and air cargo streams. The total weight of cocaine detected at the border, 649.29kgs, is slightly up on last year (609.945kgs). There were sizeable detections in sea cargo including 250kg in March 2008.

PERFORMANCE AND IMAGE ENHANCING DRUGS

Customs has key supply reduction responsibilities under the Australian Government's Tough on Drugs in Sport Strategy (TODIS). TODIS involves regulations, legislation, policy, research and educational initiatives to limit supply and use of performance and image enhancing drugs (PIEDs) within sport and the community.

Customs continues to reduce illicit PIED supply through seizure and investigation of illegal imports. Customs made 1,820 seizures of PIEDs in 2007-08 and successfully prosecuted 66 cases with penalties including fines up to \$34,000, good behaviour bonds and suspended jail terms. The majority of interceptions were within the Cargo and Postal environments.

A nine-month-long Customs Operation investigating and targeting importers of steroids, growth hormones and other illegal PIED cumulated in this reporting period. It resulted in the suspension of a number of criminal networks throughout Australia. Customs has charged 29 people across Australia since first commencing the operation, in which it worked in cooperation with international law enforcement agencies.

**Figure 28: Interceptions of performance and image enhancing drugs**

	2005–06	2006–07	2007–08
Air passengers and crew			
Steroids	57	65	124
DHEA ⁻	14	12	19
Hormones [#]	4	13	12
Cargo and Postal[*]			
Steroids	652	1 033	1332
DHEA ⁻	193	273	174
Hormones [#]	170	214	158
Other[^]			
Steroids	-	2	1
DHEA ⁻	-	-	-
Hormones [#]	-	-	-
Total			
Steroids	709	1 100	1457
DHEA⁻	207	285	193
Hormones[#]	174	227	170

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

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

⁻ DHEA is dehydroepiandrosterone/prasterone.

[#] Detections of EPO, Darbeoetin alpha and natural and manufactured gonadotrophins are included in the figures for hormones.

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

Operation Halite

In September 2007 customs officers at the Melbourne Gateway Facility identified and prevented the scatter importation of tablets containing pseudoephedrine into Australia.

Over a 30-day period officers intercepted 27 packages sent from Thailand to 11 different addresses in Tasmania. The packages contained a total of almost 7,000 Actifed tablets, containing pseudoephedrine.

Pseudoephedrine is a prohibited precursor chemical that can be converted in clandestine laboratories from its legitimate use to produce amphetamine-type substances, such as methamphetamine. Pseudoephedrine can only be imported with a permit.

The detections were referred to Investigations and subsequent research along with Intelligence analysis identified the importer as an Australian citizen living in Thailand. Shortly after the first packages were intercepted this person was identified on his return to Australia by customs officers at Melbourne International airport.

An Investigation team including customs officers from Tasmania and Victoria, as well as a team of Tasmania State police officers, executed warrants at all of the properties intended to receive the tablets from Thailand and seized evidence relating to the importations.

In December 2007 a 53-year-old Launceston man appeared in the Launceston Court of Petty Sessions where he pleaded guilty to importing a prohibited import and was fined \$4,000 relating to the importation of Actifed tablets.

PROHIBITED AND RESTRICTED GOODS
Customs is responsible for the control of the movement of prohibited and restricted goods across the border, while facilitating legitimate trade and travel.

Customs supports a whole-of-government approach to trade policy and regulation. Officers work closely with a range of policy Departments and Agencies to implement effective border controls for the import and export of prohibited and restricted goods.

These controls cover a wide range of goods, including weapons and firearms, plastic explosives, potentially dangerous biological and chemical agents that could be used for proliferation purposes, goods that raise

community protection or consumer safety concerns (for example, containing asbestos or high levels of lead), and those that infringe Intellectual Property Rights. The movement of currency and bearer negotiable instruments (BNI) across the border is also controlled.

The range and type of goods subject to controls continues to grow, as does their volume of trade, with this trend likely to continue in the future. Consequently, there is a need to use Customs resources efficiently and effectively when identifying and detecting controlled goods to achieve optimal outcomes for policy agencies and Government.

A priority for 2007–08 was the establishment of a forum for policy agencies to exchange information, and consider the comparative

Use of assumed identities in NSW

The NSW Regional Office issues officers within its surveillance unit with assumed identities through the NSW Law Enforcement and National Security (Assumed Identities) Act 1998.

For the 2007–08 period there were:

- > two new approvals granted and no approvals revoked;
- > officers with approvals performed surveillance duties on a full time basis within the NSW Regional Office;
- > an audit was completed as per section 11 of the Act and no instances of fraudulent or criminal behaviour was found.

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risks of the large range of regulated goods for which Customs administers regulatory controls at the border. Representatives from policy agencies were unanimously supportive of the need for the forum, and its continuation. The forum will enhance existing strategic partnerships, give policy agencies greater visibility over policy and operational issues that arise in administering regulatory controls at the border and assist in aligning Customs activities with Government expectations.

MONEY LAUNDERING

Enforcement of the BNI reporting requirements have been strengthened with Customs officers now having the authority to request international passengers to disclose whether they are carrying currency in the form of cheques, promissory notes or traveller's cheques. Enforcement of currency reporting requirements was also boosted with the implementation in February 2008 of an Infringement Notice Scheme for failure to declare currency amount of \$10,000 or more.

> FIREARMS AND WEAPONS

Customs is responsible for ensuring that, when firearms are imported and exported, the appropriate permissions are in place, and for detecting and preventing movement of illicit firearms.

Customs has an important role to play in assuring the safety of the Australian community, through controlling the movement of firearms across the border. In 2007–08, more than 71,000 firearms entered or left Australia. Firearms are imported and exported for a wide range of legitimate purposes, including security, law enforcement, sporting and collection and display purposes.

Figure 29: Number of firearms imported and exported

	Rifles	Handguns	Shotguns	Military Firearms	Air Firearms	Other	Total
Commercial Importations	41,840	6,475	8,620	1,176	13,739	0	71,850
Commercial Exportations	1,604	946	862	19	0	0	3,431

Figure 30: Number of undeclared detections of firearms and disposals 2007–08

	Firearms, parts and accessories	Air guns, parts and accessories
Detection of undeclared items	2,365	3,486
Disposals	679	3,645

DIVERSION OF ILLICIT FIREARMS ON EXPORT

The export of firearms from Australia is regulated under the *Customs (Prohibited Exports) Regulations 1958*. Regulation 13E prohibits the export of items (including firearms) on the Defence Strategic Goods List unless written permission has been granted by the Minister for Defence or authorised officer, and that permission is presented to Customs. To comply with this requirement, exporters must acquire a Defence Export Permit from the Defence Export Control Office, or a Restricted Goods Permit from Customs (acting under the authority of the Department of Defence).

In November 2007, the Ministerial Council for Police and Emergency Management questioned whether there was a risk that firearms intended for export could be diverted into the domestic criminal domain.

To assess this risk, Customs undertook a covert project to physically verify firearms being exported from Australia. The aim of the project was to assess the level of compliance with the requirement to obtain a permit before export, and to determine

whether the firearms specified in export permits were, in fact, actually being exported. Exporters, brokers and freight forwarders were not informed of the project.

During the period of the project, 453 firearms were exported from Australia. More than 90 per cent of these firearms were physically verified by Customs. No evidence of phantom firearm exports or other anomalies was detected.

Customs will continue to maintain a risk-management approach, supported by periodic verification of firearms and exports, to maintain assurance that the risk of diversion remains low.

WEAPONS

Customs is also responsible for controlling the import and export of a wide variety of other weapons, including warfare goods, certain bladed weapons, martial arts and anti-riot equipment. In 2007–08 Customs processed 1,304 applications to import weapons, and issued 3,821 permissions to import. This was an increase in approvals of 43 per cent over the previous year.

Replica or the real thing?

Customs and State and Territory police forces have been concerned for some time about the potential for increasingly realistic replica firearms to be used for criminal purposes.

The import of replica firearms without a permit is prohibited under the Customs (Prohibited Exports) Regulations 1958.

In June of 2008, Customs officers in Darwin stopped a shipment of 130 highly realistic replica Heckler and Koch MP5K sub-machine guns from being released into Australia. Anyone confronted with these weapons in a stressful situation would have difficulty in distinguishing them from real firearms.

The replicas were detected upon inspection of two shipping containers containing toys.



During the year, numerous cases of laser lights being shone at aircraft were reported in the media. Laser pointers can cause temporary blindness and disorientation if directed at the eyes and pose a risk to aircraft passengers and crew.

In response to community and Government concerns, Customs played a lead role in rapidly developing a package of Federal and State government measures to assist manage

the risks associated with the misuse of imported high-intensity laser pointers. These measures included introducing new import regulations, which from 1 July 2008 require importers to acquire a permit from Customs in order to import certain high-powered hand-held laser pointers into Australia. As part of this process, importers will need to provide evidence from the relevant State police that the importer can lawfully possess that item.

Detector dog program

It was a busy and successful year for the Customs Detector Dog Program (DDP) in the delivery of training courses, operational activity and an increase in the breeding program production to a record high.

During 2007–08:

- > detector dog teams attended more than 17,000 tasks and were directly responsible for the detection of 380 illicit imports and exports;
- > seven detector dog training courses were completed and an eighth commenced, equalling the record set in 2006–07. Five courses were delivered on firearms and explosives detection and three in narcotics detection;
- > 28 successful trainee handlers (18 Customs and 10 from other agencies) graduated, including 11 of the 20 firearms and explosives detector dog (FEDD) teams that are being trained over two years to strengthen export air cargo security.

During the year, 258 puppies were born, compared with 223 last year. Many of these dogs will go on to work in other Australian law enforcement agencies or overseas Customs administrations.

DOMESTIC ASSISTANCE

Throughout 2007–08, Customs detector dog teams provided operational assistance to the Australian Federal Police and all state and territory police forces. Teams attended 130 AFP operations and 341 state police operations. The majority of these operations involved premises searches

in locations from Torres Strait Islands to Tasmania.

In July 2007, an agreement was reached with Royal Australian Air Force (RAAF) to train FEDD teams that will eventually be deployed overseas. The first course commenced in July 2008, and another two will be held in 2009 and 2010, training a total of 12 RAAF handlers.

INTERNATIONAL ASSISTANCE

Cooperation with General Administration of China Customs (GACC) continued in relation to the development of a detector dog breeding and training capability. A total of 20 pups and adult breeders have been transferred to the GACC breeding centre in Beijing, as well as nine trained dog teams graduating from the Detector Dog Training Centre.

In addition, Australian Customs trained five GACC officers as FEDD handlers who were based in Beijing before the Olympics and continued to work throughout the Games.

In October 2007, a Memorandum of Understanding was signed by the Australian Commerce and Industry Office in Taipei and the Taipei Economic and Cultural Office, Australia, regarding mutual assistance in the breeding, training and use of detector dogs and the sharing of information on cargo and passenger screening. Representatives from the DDP visited Chinese Taipei in October 2007 and January 2008 to assess the existing infrastructure and to assist with the selection of Chinese Taipei Customs officers to train as narcotic detector dog handlers. The officers, who began training in Australia in February 2008, graduated in May.



Throughout 2007–08, the DDP continued to support Samoa Customs through the provision of technical advice to improve the administration and operational success of their dog program. The advice was provided as part of ongoing measures that are designed to improve the training and deployment of their detector dog teams.

During 2007–08 Customs supplied a total of 98 candidate detector dogs to the following agencies for formal training and deployment: AFP (32 dogs); AQIS (5); NSW Corrections (1); NSW Fire Service (1); NT Corrections (4); Qld Corrections (4); Qld DPI (1); Qld Police (3); SA Corrections (1); Tas Corrections (1); Tas Police (2); Vic Corrections (9); Vic Police (5); WA Corrections (3); WA Police (2); NZ Customs (4); China Customs (6); Guam Customs (2); Singapore Police/ Customs (2); Chinese Taipei (10).

One of Customs most successful drug detector dogs, Utah, was retired this year after a seven-year working life in which he detected more than 150kg of illicit drugs.

Utah's detections included more than 390,000 MDMA tablets in two water filters during a cargo container search in 2003, and 1.2 kgs of heroin hidden in the shoes of two incoming passengers at Sydney international airport in 2006.

Born in the Breeding and Development Centre nine years ago, Utah served with four dog handlers in Melbourne, Sydney, Brisbane and Perth. He has been reunited with one of them and now lives with her in Yass.

COUNTER PROLIFERATION

Customs plays a key role in assisting the Government to meet its obligations in respect of United Nations sanctions related to trade (for example, controlling the export of certain goods to Iran and North Korea), and under a range of international treaties (such as the Chemical Weapons Convention and Missile Technology Control Regime).

A strong, risk-based border control regime is essential to assuring trading partners and the international community that Australia can meet its obligation that goods that could be used for proliferation purposes are adequately controlled.

Many goods of proliferation concern, such as machinery parts, can also have legitimate commercial uses so during 2007–08 Customs developed an online commodity identification course. The course will provide front line and cargo examination staff with information on identifying chemical, biological, radiological and explosives goods that are subject to counter proliferation controls.

➤ INTELLECTUAL PROPERTY RIGHTS

Customs is responsible for a system of border enforcement that protects registered intellectual property (IP) rights holders, under the Notice of Objection Scheme.

The protection of IP rights is also a major concern to Australia and its international trading partners. Mutual obligations to protect IP rights are consistently featured in bilateral trade agreements and Australia is currently in plurilateral negotiations for an Anti Counterfeiting Trade Agreement. Infringements of IP undermine the Government's efforts to promote investment and innovation in Australia, and have a direct impact on business, tax revenue and consumer safety. The current value of intellectual property in Australia is estimated at more than \$30b.

The emergence of rapidly developing economies that are high-risk sources of counterfeit goods is putting further demand on Customs for increased enforcement of IP rights at the border.

In June 2008 Customs introduced an IP database to assist officers in the identification and seizure of counterfeit/pirated goods. The database allows Customs to provide access to comprehensive information on current Notices of Objection to the public through Customs website.

During 2007–08 Customs made 1,230 seizures of suspected counterfeit or pirated goods, comprising a total of 606,000 items.

➤ Figure 31: Intellectual property notices of objection in force

	2005–06	2006–07	2007–08
Trade Marks	204	236	287
Copyright	23	31	36
Olympic Insignia Protection	1	1	1
TOTAL	228	268	324

Counterfeits in the washing

Customs received intelligence in August 2007 that a shipment of counterfeit washing powder was due to land in Sydney. In collaboration with the Australian Federal Police, Customs examined the container, and seized

more than 20 tonnes of counterfeit washing powder, under section 133 of the *Trade Marks Act 1995*.

Counterfeit products can threaten consumer safety and brand reputation. Counterfeit products of this nature can potentially cause severe allergic reactions, and significant damage to clothing and machinery.

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Figure 32: Summary of investigation activity for community protection issues

Referrals received	2,886	2,157	2,032
Cases adopted	537	618	831
Cases completed			
With prosecution (through courts)	109	113	157
Without prosecution	344	402	601
Cases where prosecution briefs completed [^]	118	143	174

[^] Includes cases adopted in previous years.

Community Protection

Customs investigates the unlawful movement of prohibited or restricted goods such as precursor drugs, weapons, performance and image enhancing drugs, child pornography and flora and fauna to and from Australia.

Customs successfully prosecuted 143 community protection cases. Penalties imposed ranged from fines to terms of imprisonment. These cases involved various goods, with many of them relating to non-narcotic drugs.

Reptile trafficking

In March 2008 Customs received information from the New Zealand Wildlife Enforcement Group regarding a possible attempt by Czech nationals to export Australian native reptiles.

Intelligence analysis identified 11 previously intercepted or suspected exports of Australian native reptiles bound for the Czech Republic in the past seven years. Based on this information a nation-wide operation was conducted and resulted in the interception of two postal packages by Sydney Customs on 14 and 17 March 2008.

One package contained four live southern leaf tail geckos concealed inside a book. The other contained one live southern leaf tail gecko also concealed inside a book, four egg cases, 27 dead insects/beetles, four live insects/beetles and three live flying insects.



Since the commencement of the operation, seven separate packages containing Australian native geckos bound for the Czech Republic have been intercepted by Customs. These parcels were posted from Melbourne, Sydney, Brisbane and Cairns.

> BORDER RISKS IN THE PORT ENVIRONMENT **Customs is committed to the mitigation of border risks relating to passengers, crew, cargo and vessels in the port environment.**

Customs has continued to work with partner agencies in order to improve security and identify high-risk activity in the maritime environment. For example a joint national operation involving Customs, AFP, WA Police and the Australian Crime Commission targeted a complex organised crime syndicate importing narcotics into Australia on commercial vessels. Results to date have included:

- > 105 kg MDMA powder seized;
- > \$104,710 in cash seized;
- > in excess of \$200,000 in additional assets seized;
- > 12 arrests including two waterside workers and one crewmember;
- > two pill presses seized;
- > a greater understanding of corrupt links within the maritime environment.

This operation demonstrated the effectiveness of a coordinated inter-agency approach to the threat posed by an international drug trafficking syndicate attempting to import drugs in the maritime environment.

Arrests at the Port

On 9 August 2007 Customs monitored the arrival of a Panamanian-registered container ship arriving into Port Botany, NSW. AFP Agents and Customs Officers mounted a joint surveillance operation to monitor movements around the vessel. Three vehicles were subsequently stopped as they attempted to leave the port. One of the vehicles contained 40 kgs of MDMA powder with an estimated street value of up to \$20m.

AFP arrested the three people driving the vehicles, two of whom were long-serving

stevedores who had just completed their shift. All three have been charged with possessing a commercial quantity of a border-controlled drug suspected of having been unlawfully imported. Customs officers subsequently boarded and searched the vessel. A frisk search of one of the ship's officers revealed \$63,660 in cash hidden on his person. The officer was arrested and has been charged over his involvement with the drug importation and with dealing with proceeds of crime. The cash was seized. After conducting further enquires the AFP arrested a fifth person over their involvement with the importation.

COMMERCIAL VESSEL BOARDING

Customs has a commitment to Government to board 8,600 to 9,200 commercial vessels arriving at a first port in Australia. In 2007–08 this commitment was met, with 9,525 vessels boarded within the agreed parameters. Vessels were boarded to ensure compliance with Customs, DIAC, OTS, AQIS and AMSA requirements.

> AVIATION SECURITY

Customs supports the whole-of-Government effort to deliver an integrated preventative security framework utilising regulatory, transactional and physical security measures that safeguard passengers and aircraft against terrorist related threats.

WHEELER REPORT IMPLEMENTATION

As recommended by the Wheeler Report on Aviation Security and Policing at Australian Airports 2005, Customs increased its operational effectiveness by improving CCTV

coverage at Australia's airports, increasing the number of cameras installed and the volume of CCTV footage recorded.

CCTV NETWORK IMPROVEMENTS

Further enhancements to Customs sophisticated CCTV network, to support Australia's border security objectives include:

- > as part of a major government initiative, completing the installation of CCTV at 31 Australian seaports, providing CCTV coverage at all 63 Australian international seaports.
- > establishing a CCTV Airports National Monitoring and Analysis Centre, co-located with the CCTV Waterfront National Monitoring Centre in Melbourne, to monitor Customs cameras at Sydney, Melbourne and Brisbane airports. Customs can now monitor these airports and all proclaimed international seaports remotely from this central location;
- > establishing interim off-site CCTV data storage at Sydney, Melbourne and Brisbane, to provide a redundant CCTV data storage capability;

- > establishing an Airports CCTV Advisory Service, which contains a wide range of CCTV related information and is available at <http://www.customs.gov.au>;
- > trialling CCTV facial recognition analysis software. The increased use of CCTV Video Analysis tools will better meet the needs of Customs and other agencies' border security objectives;
- > improving CCTV coverage at Australia's eight International airports by increasing the number of cameras installed, the volume of CCTV footage recorded and installation of tamper-proof housing in high risk areas. This improved operational effectiveness and reduced 'black spots' in CCTV coverage;
- > providing CCTV infrastructure for Air Border Security (ABS) offices at Adelaide and Cairns airports. This improves the ability for ABS officers to monitor airside activities;
- > installing digital CCTV technology at the NMC, to support the 31 ports initiative, a pilot digital CCTV system at Mackay and new CCTV infrastructure at Brisbane's Hamilton wharf passenger terminal.

> REVENUE

Customs is responsible for collecting revenue on behalf of other agencies, and for assuring that the duty and indirect taxes payable on imported goods are correctly assessed and paid, including ensuring that revenue concessions and exemptions are correctly applied.

Strengthening export air cargo security measures

In the 2006–07 Federal Budget the Government announced a \$48m package of initiatives to improve the security of air cargo exported from Australia on passenger aircraft. These measures were jointly implemented by Customs and the then Department of Transport and Regional Services (DOTARS) in partnership with the air freight and aviation industry.

Customs also assisted DOTARS in the evaluation of the efficacy of currently deployed X-ray equipment to detect explosives concealed within cargo.

Customs has developed significant experience and expertise in the use of non-intrusive inspection equipment and was able to provide assistance through technical advice, use of X-ray equipment for testing purposes and the comparative evaluation of commercially available X-ray equipment.

In 2008–09 Customs will continue to focus on finalising the implementation of the air cargo security measures and undertake an evaluation of these measures. This will include close liaison with industry and external agencies, including the Department of Infrastructure, Transport, Regional Development and Local Government and the Australian Quarantine and Inspection Service.

Figure 33: Revenue collected on behalf of other agencies (\$million)[^]

	2005–06	2006–07	2007–08
Indirect taxes collected from importers [^]			
GST collections [#]	2,508.12	2,757.62	2,987.33
LCT	2.66	2.42	3.30
WET	6.78	12.01	17.24
Total indirect taxes	2,517.55	2,772.05	3,007.88
Marine navigation levy	42.15	44.30	47.56
Protection of the sea levy	4.86	5.14	12.49
AQIS fees [*]	67.65	75.90	80.42
AQIS fines ⁻	0.65	0.83	0.66
Wood levy	0.84	0.76	1.17
Total	2,633.73	2,898.99	3,150.17

^{*} Figures on an accrual basis.

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

[#] Excludes the GST liability raised on imports which is deferred rather than immediately collected. The ATO acquits these liabilities in subsequent BAS statements from importers. In 2007–08 GST deferred was \$18.6 b.

^{*} Fees collected on behalf of AQIS.

⁻ On the spot fines collected on behalf of AQIS including the collections of Quarantine Infringement Notices issued.

Figure 34: Significant administered revenues managed by Customs

	2005–06	2006–07	2007–08
Duty	4,987.8	5,640.9	6,069.0
GST collected	2,508.1	2,757.6	2,987.3
GST deferred	15,124.2	16,223.9	18,625.9
Passenger Movement Charge	374.6	393.2	420.0
Import Processing and depot charges	118.3	129.4	137.1
Provision of Goods Revenue	7.5	21.9	3.7

REVENUE COMPLIANCE ACTIVITIES

The range of compliance activities used by Customs reflects the diversity of client behaviours and operational responses. Activities include post-transactional audit activity and real-time interventions into import and export cargo. This activity aims to cover a wide range of the importing/exporting industry with a focus on high-value importers and high-risk companies.

Post-transaction compliance activity was conducted across a range of companies. The customs value of all goods imported by these companies, \$116.76b, represented 53.5 per cent of a total value of imports of \$218b. The total value of goods subject to the post transactional compliance activity was \$3.59b (1.65 per cent of the total value of imports).

Real-time import compliance covered a further 5.6 per cent of the value of imports. These activities included action resulting from profile matches, leverage exercises and industry referrals.

The value of all goods exported by companies subject to post-transaction compliance activity was \$14.24b, representing 7.36 per cent of a total value of exports of \$193b. The total value of exported goods subject to the post-transaction compliance activity was \$608m (0.31 per cent of the total value of exports).

Real-time export compliance covered a further 10.29 per cent of the value of exports. These activities included action resulting from profile matches, export events and industry referrals.

INFRINGEMENT NOTICE SCHEME

In 2007-2008, 62 infringement notices were issued and due for payment by 30 June 2008. Over the year there were 59 notices paid and two notices withdrawn. The main infringements leading to the issuing of Infringement Notices were:

- > false or misleading statements resulting in loss of duty;
- > movement without authority;
- > false or misleading statements not resulting in loss of duty.

DEPOT AND WAREHOUSE LICENSING

Customs licensed a total of 437 depots and 508 warehouses during 2007-08. These figures include the granting of 32 new depots and 29 new warehouses licences during this period.

A successful debt recovery project was completed to recover and/or finalise any outstanding licence renewal debts as a part of ongoing financial monitoring.

On 6 October 2007, amendments to regulation 94 of the Customs Regulations 1926 commenced, expanding the range of goods that can be sold in an inwards duty free store.

REVENUE FRAUD INVESTIGATIONS

Customs investigates serious, complex and sensitive breaches of legislation for which it has functional responsibility. Investigators work in accordance with the Commonwealth Fraud Control Guidelines 2002 and the Australian Government Investigation Standards. Customs continue to work independently and jointly with other agencies such as the Federal, State and Territory police.

In 2007-08 Customs successfully prosecuted seven complex revenue fraud cases. Of these, six concerned revenue fraud associated with tobacco or cigarette importations. The penalties imposed included fines and, in one case, imprisonment.

Cases where penalties were imposed included three long-running highly complex commercial fraud cases involving the evasion of duty and taxes payable on large quantities of cigarettes. In 2007-08, approximately \$2.9m in fines and penalties was awarded to Customs, together with \$305,916 in reparation orders in respect of revenue fraud cases.

The number of revenue fraud cases adopted for prosecution exceeded the projected target in the 2007-08 Portfolio Budget Statements.



Figure 35: Summary of investigation activity for revenue fraud

	2005–06	2006–07	2007–08
Referrals received*	129	142	192
Cases adopted	80	59	94
Cases completed^			
with prosecution (through courts)	17	10	15
without prosecution	56	34	60
Cases where prosecution briefs completed^	17	16	15

* A 'referral' is where information is passed to the Customs Investigations Branch for further investigation. A 'case' is a referral that is found to warrant further examination. Where that examination finds sufficient evidence that an offence was committed, a brief of evidence, or prosecution brief, is prepared for the Commonwealth Director of Public Prosecutions (for criminal matters) or the Australian Government Solicitor (for civil matters). In some cases, prosecution does not take place. An example of this is where the goods in question are seized and a warning issued[^] or a settlement is reached between the parties.

[^] Includes cases adopted in previous years.

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INDUSTRY SUPPORT AND ADVISORY SERVICES

In 2007–08 there was an increased focus on business improvement strategies to support both internal and external clients. This was achieved by enhancing professional and technical skills, improving engagement and collaboration with industry and internal stakeholders, and producing products to better inform and assist clients.

Improvements included form redesign, drafting and issuing practice statements and redesign of tariff internet pages to improve the range and quality of information on Refunds, Drawbacks and the Tariff Advice and Tariff Concessions systems, and how Customs classifies goods.

Despite increased demand, Customs continued to meet statutory timeframes and service delivery standards for Tariff Concessions, Valuation and Origin and Tariff Policy advisory services.

Customs continued to provide technical advice and support in relation to valuation and rules of origin in support of Australia's negotiations for Free Trade Agreements including the successful negotiations for the Australia-Chile Free Trade Agreement.

Customs valuation and transfer pricing

There has been a significant increase in cross-border business restructuring due to an increase in global trade. As a result, the number of transfer pricing transactions has grown, allowing multinational enterprises to maximise profits and minimise payments of direct and indirect taxes. Transfer pricing arrangements allow the overseas parent or related companies to adjust prices of goods or services either upwards or downwards post importation to achieve group targets such as an agreed average profit, which could significantly impact on the collection of Customs duty and GST.

The growth of transfer pricing arrangements amongst multinational enterprises present increasingly complex

valuation and taxation issues for Customs and the Australian Taxation Office.

As prices of goods in transfer pricing arrangements are set within an organisation, Customs is concerned that this may influence prices of the goods in such circumstances and may not reflect prices set in normal market situations. This could lead to significant under or over payment of Customs duty and GST.

This problem is not unique to Australia; all modern Customs organisations are grappling with this issue.

Customs and the ATO have been working towards a joint possible solution for Australian clients.

Customs will soon issue a Practice Statement covering Transfer Pricing.

➤ **ANTI-DUMPING AND COUNTERVAILING** **Customs is responsible for the administration of Australia's anti-dumping and countervailing system including the conduct of initial investigation and implementation of measures, the review and continuation of existing measures and the provision of support and liaison services.**

Customs experienced an overall increase in anti-dumping and countervailing case workload, (including initial investigations, continuation inquiries, reviews and duty assessments) in 2007–08 (34) compared to 2006–07 (17). The rising case workload reflects the growing awareness and understanding of Australia's anti-dumping and countervailing system by interested parties.

The slowing global economy has also been identified as the cause for the marked increase in the number of anti-dumping investigations initiated by WTO members in the second half of 2007. China is the most frequent target of new anti-dumping and countervailing investigations, accounting for almost 40 per cent. Early indications for 2008-09 are that Australia will follow these global trends.

The focus of the past year has been on capacity-building and continuous improvement of processes and procedures to support consistency in decision-making and enhance Customs ability to efficiently and effectively administer Australia's anti dumping and countervailing system. Achievements included publication of the

Bilateral technical exchanges

Customs built upon its strong relationships with the anti-dumping and countervailing administrations of Canada and the USA by joining these authorities in another technical exchange program, with officers from Customs visiting Ottawa and Washington. The focus of the technical exchange was subsidies and countervailing matters, and Customs

worked closely with the Canadian and US authorities, who are recognised for their expertise and experience.

The technical exchange is assisting Customs enhance its policies and procedures in relation to subsidies and countervailing investigations. This represents an important business improvement in view of the recent international trend to increasing numbers of countervailing investigations.

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revised Dumping Manual, which sets out Customs anti-dumping policy and practice.

DOHA ROUND OF TRADE NEGOTIATIONS

Customs also played an active role in the formulation and presentation of Australia's responses to anti-dumping issues and debates in the WTO Doha round trade negotiations.

There are 153 Member countries in the WTO, with varying economic and trade policies. These different approaches have been reflected in the more than 150 proposals made to improve and clarify the Anti-dumping Agreement and the Agreement on Subsidies and Countervailing Measures. These Agreements are fundamental to the operation of Australia's anti-dumping system, which is administered by Customs.

> TOBACCO SMUGGLING

Customs is committed to the deterrence and disruption of tobacco smuggling through whole-of-Customs activity in concert with Government, Industry and international partners.

There has been a substantial increase in the number of illicit tobacco importations into Australia detected in recent years. This is part of a global phenomenon. Working closely with partner agencies and industry Customs has achieved significant results in detecting this influx of tobacco products.

In 2007–08, there were 28 detections of tobacco leaf in the sea cargo stream compared to 12 detections in 2006–07. The quantity of tobacco detected was 287,455kg compared to 67,422 kg in 2006–07. In addition, there were 30 detections of cigarettes (106.8m cigarette sticks), compared to nine detections (39.8m cigarette sticks) in 2006–07. During 2007–08, there were 17 arrests and seven prosecutions in relation to these sea cargo seizures. The 2007–08 seizures represent a possible tax evasion of approximately \$114m.

Tobacco products have also been increasingly detected in the air cargo and postal streams. During 2007–08, there were three arrests and three prosecutions relating to these import streams.

Attempt to evade duty on cigarettes

In September 2007 Customs officers in NSW seized 8,005kg of manufactured tobacco leaves and 150,000 cigarettes that had been illegally imported by sea from Indonesia.

Acting on research by Intelligence and Targeting Division, officers at the Sydney Container Examination Facility found the

smuggled tobacco hidden behind a cover load of soft drinks and washing detergent.

This was an attempt to evade \$2,471,681 in Customs duty.

Following a Customs investigation, an Australian man was convicted on a number of charges relating to his involvement in the importation and was fined \$41,000 in fines. The goods were destroyed.

Customs continues to work actively with partner agencies and industry to detect, disrupt and deter criminal syndicates involved in tobacco smuggling.

WORKING CLOSELY WITH OTHER LAW ENFORCEMENT AGENCIES

Customs works with AFP, ACC and other law enforcement and intelligence agencies to further enhance its response to the threats posed by illicit drugs and terrorism.

Customs continues to build strong productive working relationships with other law enforcement agencies including the Australian Federal Police (AFP), Australian Crime Commission (ACC) and State and Territory Police Services. Improvements in handling requests for information and the exchange of intelligence has supported the consolidation of these relationships over the past 12 months. The formation of a joint agency work group aimed at sharing experiences, challenges and developments in intelligence management has also helped to ensure a more seamless flow of information.

Customs has officers on placements in several Commonwealth and State law enforcement agencies. This improves results from both an operational and strategic perspective. They deliver timely intelligence, allow Customs to participate on interdepartmental committees or in joint intelligence/investigations and facilitate liaison with other bureaus.

Customs continues to develop international networks through representatives based overseas and through international liaison. It participates in international forums including the World Customs Organisation and exchanges intelligence data with agencies such as Europol or the United States Drug Enforcement Administration.

Over the past year, Customs has strengthened links with the Japanese authorities under the Japan Australia Security Declaration signed by both Governments in 2007 in order to identify areas of mutual interest, and develop mechanisms for regular exchange of intelligence data.

Customs is a member of the Heads of Intelligence Group involving border agencies from the United Kingdom, United States of America, New Zealand and Canada. The group fosters international liaison and sharing of intelligence to build capability across the members.

In 2007–08:

- > Customs and the AFP jointly signed an annex on the provision of training aids for Customs detector dogs. This is a further agreement to an ongoing series which began with a cooperative MOU signed by the agencies in 2004;
- > Customs and the AFP signed a revised annex on border-controlled precursors and certain other goods. This replaced an earlier agreement signed in 2006;
- > Customs and the AFP signed an annex concerning firearms issues, specifically principles and procedures for the agencies concerning the provision of expert firearm testimony, forensic examination and identification of firearms, technical advice as well as the supply of seized firearm samples by Customs to the AFP;
- > Customs and the Department of Transport and Regional Services (now the Department of Infrastructure, Transport, Regional Development and Local Government) signed a MOU in relation to aviation and maritime transport security. The agencies have a range of levels of interaction involving transport security issues including cargo security, supply chain security and in other fields. Two annexes were also signed dealing with maritime transport security reporting and aviation security incident reporting as well as cooperation in regards to intelligence sharing in both of these fields;
- > Customs and the Department of Immigration and Citizenship signed an overall cooperative MOU that was accompanied by two annexes concerning the immigration clearance functions in the aviation and maritime environments.

ENABLING OUTPUT – CORPORATE OPERATIONS PROGRAM

In September 2007 a new Deputy Chief Executive Officer for Corporate Operations was appointed. A process of strengthening Corporate Operations as a national Program to better support the delivery of Customs priorities at the border was implemented. The priorities for Corporate Operations in the 2007–08 Annual Plan were the delivery of projects and work programs that will build Customs capability for the future, such as developing workforce and leadership capability, improving professional standards and integrity, establishing the Corporate Program Office, transitioning to new IT service providers and management arrangements, and improving internal communication. Reporting for Corporate Operations is in Part 3 Building for the Future.

INTERNATIONAL ACTIVITIES

CAPACITY BUILDING

A large proportion of Customs capacity-building efforts contribute to long-term projects resulting in commitments and results delivered over a number of years. During 2007–08 Customs continued to work with agencies in Australia, Indonesia, the Philippines, Malaysia and Thailand as part of the Australian Government Regional Counter-Terrorism Initiative. This work increased counter-terrorism capability through a range of capacity-building activities focussed on improving border controls in the region. To implement actions under this whole-of-government initiative, Customs received funding of \$4.1m over four years in the 2005–06 Budget and a further \$7.1m over three years in the 2006–07 Budget.

Major Customs counter-terrorism capacity-building outcomes delivered in the course of the 2007–08 financial year included:

- > as part of the Trilateral Counter-Terrorism partnership between Australia the United States and Japan, contributing to the delivery of a workshop focused on bulk cash smuggling and cash courier identification for relevant Customs, law enforcement and Financial Intelligence Units from Indonesia, the Philippines and Malaysia;
- > delivery of a workshop for Thai Customs to share Australian Customs knowledge and expertise regarding the installation and operation of large-scale CCTV systems;
- > development and delivery of customised ship search training for the Philippine Coast Guard;
- > delivery of a second-phase of technology training to the Royal Malaysian Police (Marine) Division, following the provision of X-ray and trace detection equipment in the previous financial year.

During 2007–08, Customs delivered the final components of Phase II of the Australian Government's Special Travel Security Fund – Maritime Security Project, designed to enhance the capacity of Indonesian institutions responsible for ensuring travel security:

- > delivery of further intelligence analysis training to Indonesian Customs officers;
- > assistance with the review and evaluation of Indonesian Customs training program;
- > provision of upgraded wireless CCTV technology in addition to further training and provision of repairs and maintenance



to the CCTV system installed as part of Phase I of the project;

- > delivery of further detection technology training to Indonesian Customs officers;
- > delivery of chemical warfare agent awareness training to Indonesian Customs officers.

Customs is actively engaged in capacity-building initiatives in the Pacific Region, focusing on Papua New Guinea and the Solomon Islands.

Major Customs PNG capacity-building outcomes delivered during 2007–08 included:

- > support to the Australian whole of government Strongim Gavman Program with PNG. Customs has four Australian Customs officers deployed in long term advisory roles within PNG Customs;
- > delivery of the Border Security Project which is a four-year Customs-to-Customs partnership to develop PNG Customs border management and enforcement capabilities and complements the SGP;
- > successful implementation of the PNG and Australian Customs Twinning Scheme, an AusAID-funded program of reciprocal officer placements and operational cooperation;

- > successful in-country negotiations with PNG agencies re-established the Australia-PNG Joint Cross Border Patrols with the initial two patrols completed this financial year resulting in positive outcomes on both sides.

Major capacity building outcomes delivered in the Solomon Islands during 2007–08, as Customs contribution to the Regional Assistance Mission to Solomon Islands (RAMSI), included:

- > the Customs Modernisation Program with two Australian Customs officers in advisory positions within the Solomon Islands Customs and Excise Division;
- > the launch of the Customs automated entry processing system, PC Trade, which has significantly reduced cargo processing time.

In November 2007, Customs hosted the 19th Customs International Executive Management Program, which aims to improve management capacity in Asia-Pacific administrations. Customs also delivered its second Pacific Customs Management Program in April 2008. Customs continued to work closely with the Oceania Customs Organisation.

INTERNATIONAL ENGAGEMENT

Customs has a broad network of officers situated in key overseas post locations including Bangkok, Brussels, Beijing, Jakarta, Tokyo and Washington. These officers work with key bilateral partners and regional organisations within their geographic areas of responsibility to advance Customs broad interests in trade, security and enforcement matters. In 2007–08 Customs opened a new post in London, and a third officer joined the existing Jakarta team.

Customs signed a MOU on Customs Cooperation and Mutual Administrative Assistance with the Federal Ministry of Finance of the Republic of Austria. A revised MOU with Royal Thai Customs was also signed.

In September 2007 and April 2008, High Level Steering Group meetings were held between Australian and New Zealand Customs. The agencies agreed to closer co-operation on a range of issues, including improved passenger processing and trade facilitation, intelligence gathering and international investigative activity. In particular both Customs agencies will work together to introduce automated border processing to help manage the forecast large increase in trans-Tasman air traffic.

In June 2007, a close informal alliance between United Kingdom, United States, New Zealand, Canada and Australia was established to enable chief executives of the customs administrations to meet and discuss opportunities for closer cooperation. The group, known as Border Five, or B-5, has held three meetings, with progress being made in joint intelligence development, information exchange, sharing of experiences and information on customs technologies research and development.

In May 2008, formal bilateral discussions with the Japan Customs and Tariff Bureau were held in Tokyo with the two customs administrations agreeing that there had been significant progress on border protection initiatives implemented between the two administrations under the 2007 whole-of-government Japan-Australia Joint Declaration on Security Cooperation Action Plan.

During 2007–08 Australian Customs continued to contribute to WCO work on key global customs issues including the facilitation and security of global trade, standards on the border enforcement of intellectual property rights and the WCO data model, which is a critical component in developing a 'single window' approach to data entry and processing at the border to facilitate trade.

In June 2008, the WCO agreed to extend its work on the security of global trade and develop a framework for business resumption of the international trading system following a disaster. Australian Customs, jointly with Singapore Customs, will lead this work.

Australian Customs was elected, for a second two-year term, to represent the Asia-Pacific region on the WCO Finance Committee.

In May 2008, Australian Customs and New Zealand Customs jointly hosted the inaugural Asia-Pacific and Oceania Customs Regional Enforcement Meeting in Brisbane.

Following successful chairing of the APEC Sub Committee on Customs Procedures in June 2007, Australian Customs has continued to be a strong contributor to the work of APEC. Most importantly, Australian Customs is continuing to lead the work of the APEC Single Window Working Group, which is preparing an implementation plan for APEC economies in developing a 'single window'

approach to data entry and processing at the border to facilitate trade.

LEGAL PROGRAM

The Legislation Management Unit in the Planning Branch manages and coordinates Customs legislation program, engages industry in the development of Customs legislation, and manages Customs legal service contracts.

Customs has outsourced all legal services. The Australian Government Solicitor (AGS)

provides core legal services, such as advice on Customs legislation and conducting Customs prosecutions. The AGS, DLA Phillips Fox and Clayton Utz provide non-core legal services which include advice on tendering, contracting, employment and workplace relations law.

The information below is provided in accordance with the requirements of paragraph 11.1(ba) of the Legal Services Directions 2005. All figures quoted are GST exclusive.

Figure 36: Customs expenditure on legal services

	2005-06	2006-07	2007-08
External expenditure on solicitors	\$7,299,273.71	\$7,396,598.09	\$7,506,449.69
External expenditure on counsel*	\$417,585.81	\$488,128.15	\$618,248.33
External expenditure on disbursements	\$728,132.51	\$259,944.21	\$223,086.56
Total	\$8,444,992.03	\$8,144,670.45	\$8,347,784.58

* The financial figures provided for expenditure on consul relate to the expenditure on counsel holding briefs during the financial year. Accordingly, some of that expenditure relates to briefs provided to consul prior to the commencement of the financial year.

Figure 37: Number and value of briefs to counsel by gender

	2005-06	2006-07	2007-08
Number of male counsel briefed*	18	35	30
Value of briefs to male counsel**	\$367,616.20	\$474,051.00	\$558,889.71
Number of female counsel briefed*	6	5	4
Value of briefs to female counsel**	\$49,969.61	\$14,077.15	\$59,358.62

* The number of counsel briefed reflect the number of new briefs issued during the financial year.

** The financial figures provided for expenditure on consul relate to the expenditure on counsel holding briefs during the financial year. Accordingly, some of that expenditure relates to briefs provided to counsel prior to the commencement of the financial year.

Figure 38: Customs expenditure on legal services to contracted service providers.

	2005–06	2006–07	2007–08
Australian Government Solicitor	\$7,499,939.73	\$7,157,819.59	\$7,673,660.96
Blake Dawson Waldron*	\$451,212.05	\$506,041.19	\$323,753.28
Clayton Utz	\$387,811.34	\$132,058.66	\$120,479.24
Dibbs Barker Gosling*	\$14,215.01	\$68.85	\$0.00
DLA Phillips Fox**	\$24,764.50	\$252,388.80	\$164,257.92
Mellor Ollson	\$0.00	\$0.00	\$1,030.93
Minter Ellison	\$0.00	\$11,275.00	\$16,500.00
Total	\$8,377,942.63	\$8,059,652.09	\$8,299,682.33

* Blake Dawson Waldron and Dibbs Barker Gosling have not been on the Customs panel of legal providers since November 2005. They continue to provide advice in relation to existing matters.

** DLA Phillips Fox were added to the Customs panel of legal providers in November 2005.

STRATEGIC DIRECTIONS FOR 2007–08

On 6 December 2007 the Legislation Management Unit and relevant areas of Customs met with interested industry members from the Customs National Consultative Committee to discuss industry suggestions for legislative change where current legislation is out of step with business practice.

It was agreed that a number of issues could be dealt with administratively and a number of draft practice statements, setting out Customs policy and procedures, have been developed and distributed to industry representatives for comment.

It is expected that some of the suggested legislative amendments will be introduced into the Parliament in 2008–09.

Customs also adopted a new approach in developing its legislation under which it will generally consult industry representatives in the development of legislation that might impact on industry. A consultation paper was released in February 2008 in relation to export controls in accordance with this new approach.

KEY LEGISLATIVE CHANGES FOR 2007–08

BILLS

Four Customs bills were introduced and passed by the Parliament during 2007–08. They were:

Customs Amendment (Strengthening Border Controls) Act 2008

This Act amended the *Customs Act 1901* to:

- > enable Customs officers boarding a ship or aircraft to conduct personal searches for, and take possession of, weapons or evidence of specified offences;
- > allow a person to surrender certain prohibited imports that have not been concealed;
- > allow for post-importation permissions for certain prohibited imports;
- > allow infringement notices to be served for certain offences including importing certain prohibited imports, and border security related offences.

Customs Legislation Amendment (Modernising Act 2008

This Act amends the *Customs Act 1901* and the *Customs Legislation Amendment and Repeal (International Trade Modernisation) Act 2001* to:

- > update the broker licensing provisions;
- > modernise provisions relating to duty recovery and payments under protest and to allow refunds to be applied against unpaid duty in some circumstances;
- > make it an offence to make false or misleading declarations in using the new SmartGate automated passenger processing solution;
- > reflect the new Certificate of Origin requirements for the Singapore-Australia Free Trade Agreement.

Customs Tariff Amendment (Tobacco Content) Act 2008

This Act amends the *Customs Tariff Act 1995* (the Customs Tariff) to clarify the existing references to 'tobacco content' found within the Customs Tariff.

Passenger Movement Charge Amendment Act 2008

This Act amends the Passenger Movement Charge Act 1978 to increase the rate of the Passenger Movement Charge by \$9, to \$47, with effect from 1 July 2008.

REGULATIONS

Twenty-two amendments to Customs regulations were made during 2007–08 including:

- > a new import prohibition on plastic explosives;
- > a new import and export prohibition on publications and goods which advocate the doing of a terrorist Act;

- > allowing a wider range of goods to be sold in inwards duty free shops;
- > prescribing the goods that are UN-sanctioned goods, following the Cole Inquiry;
- > reducing the time in which Cargo Terminal Operators must report the receipt of goods for export at an airport in accordance with the Wheeler Report;
- > a new import prohibition on laser pointers.

KEY JUDICIAL CASES FOR 2007–08

Tran v The Commonwealth

The Applicant, Van Tol Tran, was a Vietnamese citizen and the owner of a vessel, the Hao Keit, which arrived in Australia in 2003 carrying 53 Vietnamese citizens who were unlawful non-citizens for the purposes of the Migration Act upon arrival and who subsequently sought asylum in Australia. The vessel was destroyed by Customs pursuant to the power under section 185B of the Customs Act. Mr Tran was charged and ultimately acquitted of people smuggling charges. He sought \$307,000 in compensation for the loss of the Hao Keit.

Justice Cowdroy held that the vessel was automatically forfeited to the Commonwealth pursuant to section 261A of the Migration Act on the grounds that it had been involved in a contravention of that Act. Further, that the automatic forfeiture of the vessel did not constitute an acquisition of property within section 51(xxxi) of the Constitution. Consequently, Mr Tran was not entitled to 'just terms' compensation. Nevertheless, the judge found that the forfeiture remained 'contestable' because the proper procedure for condemnation had not been followed through.

Stephen Edward Parker v Comptroller General of Customs

The prosecution of Stephen Edward Parker is the last in a series of related prosecutions arising from one of Customs largest investigations into suspected breaches of the Spirits Act and the Customs Act. It involved importers of brandy extending it with locally produced grain-based alcohol on which duty had not been paid. Mr Parker was prosecuted for various offences under the Customs Act and Customs alleged these offences resulted in loss of duty of in excess of \$3m.

In May 2006, Justice Simpson of the Supreme Court of New South Wales convicted Mr Parker of one offence of moving or interfering with goods subject to the control of Customs and 13 offences of evasion of Customs duty. In November 2006, Justice Simpson imposed penalties of more than \$10m and made a reparation order for the duty evaded and costs.

In December 2007, the Court of Appeal of the Supreme Court of New South Wales dismissed Mr Parker's appeal.

The High Court has granted Mr Parker special leave to appeal from the Court of Appeal's decision.

AAT CASES OF SIGNIFICANCE

Most AAT decisions in relation to Customs work relate to the tariff classification of particular goods and therefore affect the way Customs treats the importation of goods dealt with in the decision. However, some decisions establish principles that apply to a wide range of goods.

Ardex v Chief Executive Officer of Customs

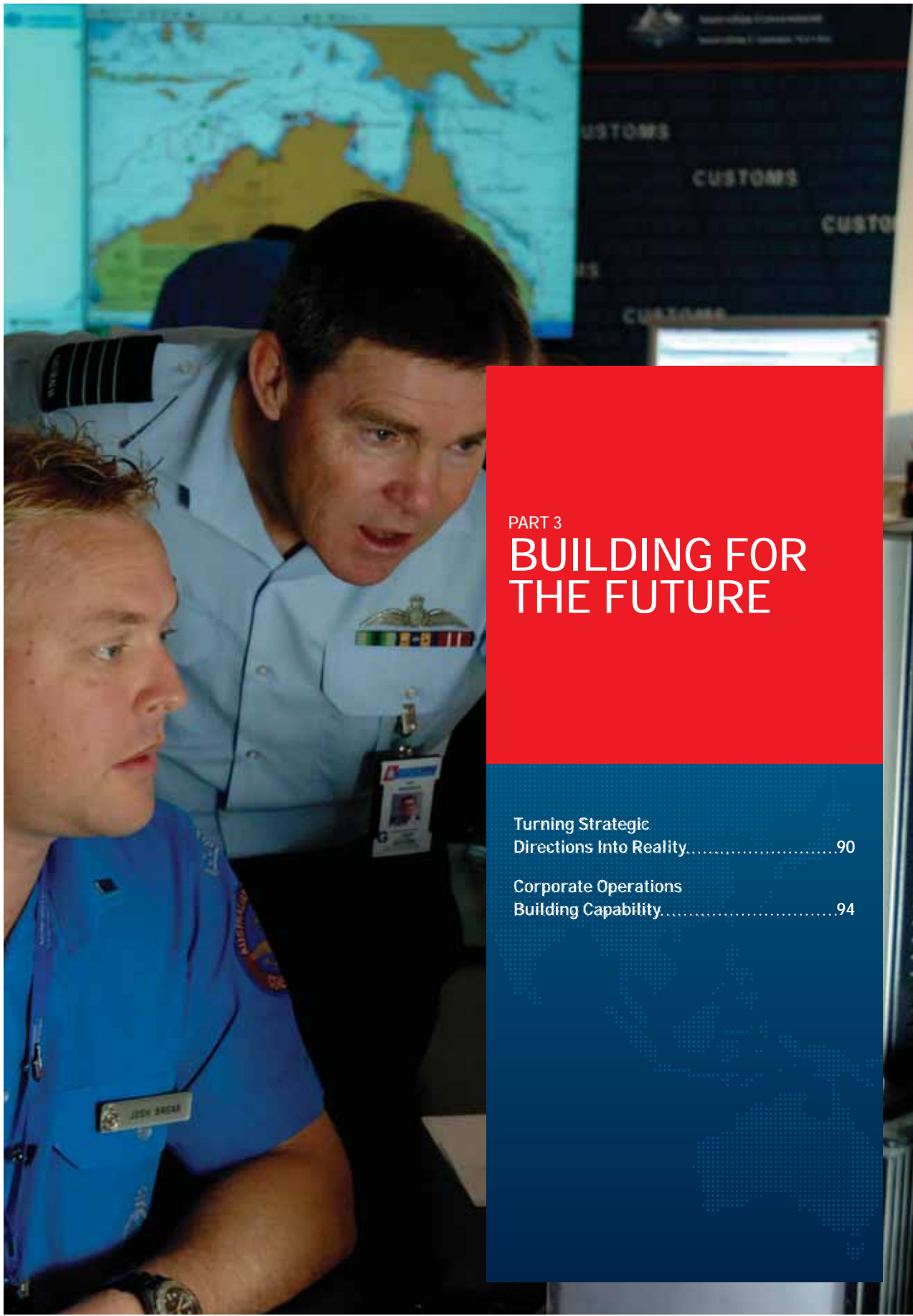
One such case was an application by an importer of automated production line used for mixing and bagging fertilisers. The dispute was about whether an imported automated mixing and batching production line was a robot. If it was a robot it was entitled to concessional entry under Schedule 4 of the Tariff. The applicant provided a report by a robotics expert which agreed it was a robot. Customs was sceptical that the concept could extend to a production line with many interacting elements. It therefore commissioned its own report from a robotics expert. Before finalising the report, this expert informed Customs that he was also of the view that the production line was a robot. It seems that the field of robotics has developed significantly since the legislation was enacted and that both experts interpreted the legislation in light of what is currently understood to be a robot.

Toyota v Chief Executive Officer of Customs

A case is underway in the Tribunal relating to the availability of tariff concession orders for forklift trucks. The issue for the Tribunal is whether certain Australian-produced forklift trucks are substitutable for a range of imported forklift trucks. The decision in this case is expected to provide guidance to Customs about the meaning of the term 'substitutable goods' as it appears in the Customs Act and potentially will influence the way that Customs administers the tariff concession scheme.

Kenso v Chief Executive Officer of Customs

In January the Tribunal determined as a preliminary point, whether the production of certain herbicides in Australia involved a 'substantial process of manufacture'. The Tribunal explanation of that term will assist Customs in future when considering whether to grant a tariff concession order.



PART 3

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BUILDING FOR THE FUTURE –TURNING STRATEGIC DIRECTIONS INTO REALITY

CUSTOMS STRATEGIC OUTLOOK 2015

In December 2007 Customs completed the *Customs Strategic Outlook 2015*.

The Outlook is a forward looking foundation document that will assist in formulating policy guidance, developing strategies and operation responses and identifying capability development requirements. It assesses the likely major global trends that will impact operations at the border over the next few years. It also examines the implications of these trends for border management and proposes high-level options. The Outlook is available on the Customs website at www.customs.gov.au.

A PROPOSAL FOR ENHANCED TRADE SOLUTIONS 2105 CONSULTATIVE DRAFT

In March 2008, *A Proposal for Enhanced Trade Solutions 2015* was released as a consultation draft to other Government agencies and peak industry bodies. The paper is a companion to the Customs Strategic Outlook 2015 and describes a vision for the future international trading environment. It outlines a draft strategy and implementation road map to position and prepare Australia to meet the expected growth in international trade. It encompasses a number of possible initiatives to ensure appropriate border security, cargo processing and border regulatory arrangements to meet this challenge.

PASSENGERS PROGRAM STRATEGIC OUTLOOK 2015

A strategic outlook for the Passengers Program will be developed in line with the *Customs Strategic Outlook 2015*. This Outlook will focus on the challenges of passenger movement across the border, and will outline the measures needed to respond to them. In keeping with co-design principles, it will be developed with other government agencies and industry.

ILLICIT DRUGS AND PRECURSORS

Customs has developed the *Customs Drug and Precursor Strategy 2008–2010*. Its implementation will enable Customs to more effectively target, detect, investigate and prosecute the illegal importation of illicit drugs and precursor chemicals.

FUTURE OPERATING CONCEPT AND CAPABILITY PLAN

A focus this year has been to identify Customs future maritime capability requirements for the effective delivery of whole-of-government outcomes. Marine Operations Support Division prepared a *Future Operating Concept* (FOC) for the management of civil maritime security threats in 2015 and beyond. It assesses the future civil maritime security operating environment, and current capabilities and emerging trends. It also highlights areas requiring policy guidance and proposes a framework for organisational processes and operational performance.

The FOC is the framework within which a 10-year Maritime Capability Plan will be developed.

Future Capabilities that will be delivered in full or in part in 2008–09 include:

INTEGRATED OPERATIONS CENTRE

The Integrated Operations Centre is a Secret-classified facility that will come into use in September 2008.

The aim of the centre is:

- > effective, coordinated and cohesive planning, disposition and tasking of all assets allocated to civil maritime surveillance and response operations;
- > significantly greater sharing of maritime 'situational awareness' information and intelligence;
- > greater focus on the role of intelligence in the identification of future and present threats, and an improved intelligence role in the planning process and support to operations and clients;

The budget for establishing the centre is approximately \$9m. Customs and Defence are both contributing to the budget and no additional funding has been sought.

AUSTRALIAN MARITIME IDENTIFICATION SYSTEM

Australian Maritime Identification System (AMIS) will support maritime security and law enforcement agencies in detecting, identifying, assessing and prioritising illegal maritime activities and threats as early as possible.

AMIS will enhance whole-of-government awareness of Australia's maritime domain by bringing together existing data into a single system to produce a comprehensive Australian Maritime Picture. This will provide a single common view of activity in, and threats to, Australia's maritime and coastal assets.

As part of the 2007–08 Budget, the Government allocated \$80 million over four years for the development of AMIS (Phase Three). The first phase commenced on 1 July 2007 and is scheduled for completion in December 2008.

UAV TRIAL

During 2007–08, MOSD conducted a trial to assess the suitability of Unmanned Aerial Vehicles (UAV) to boost surveillance of



critical offshore maritime areas, including the vital Torres Strait border region and the environmentally sensitive Great Barrier Reef.

The UAV, a mid-range 'Heron' model operated by Israel Aerospace Industries, has a range of more than 1,000 nautical miles. It has a high performance maritime patrol radar, stabilised electro-optic system for day and night imagery capture and transmission, and a maritime automatic identification system for vessel identification. The Heron is quiet, virtually undetectable and can maintain extended surveillance of an area or target vessel for up to 16 hours at a time. It uses significantly less fuel and has fewer emissions than use of an aircraft for the task.

For the purposes of the trial, the UAV was placed on the Australian civil aircraft register as VH-BJJ, a first for a large UAV. It transmitted live radar, vessel information, video and photographs to a temporary ground station in Weipa.

The trial was successful in confirming the potential for the use of UAV in maritime surveillance operations.

TECHNOLOGY

TECHNOLOGY EVALUATION

A Technologies Deployment Improvement Project will be established in 2008–09 to implement the recommendations of a major evaluation of Customs detection and operational support technologies that was conducted in 2007–08.

The evaluation, identified as a priority in the 2007–08 Annual Plan, provided an independent comparative assessment of detection and operational support technologies deployed in Customs against agreed criteria, to determine whether they were meeting business requirements.

The final evaluation report recommended action against six themes which will be the focus of the 2008–09 project. These are:

- > increasing awareness of issues, concepts and policies related to correct operation of technologies;
- > ensuring technologies are appropriate for specific locations;
- > improving the effectiveness of training;
- > increasing the number of trained operators and competency assessment and training officers;
- > enhancing the procurement process;
- > improving the effectiveness and efficiency in the operation of technologies.

REGIONAL CARGO EXAMINATION CAPACITY

In line with the Government's election commitment to increase cargo examination capacity at four key regional seaports, Customs received, as part of the 2008–09 Federal Budget, an additional \$16 million over four years to establish dedicated examination facilities at Launceston, Townsville and Newcastle, and to upgrade the existing examination facility at Darwin.

The work will be undertaken in 2008–09 and when fully implemented will:

- > substantially increase cargo examination rates at these four regional ports to a level commensurate with examination rates at the major Australian ports of Sydney and Melbourne;
- > provide key technologies at regional ports, including X-ray technology and trace detection and substance identification;
- > provide improved capacity for interception of illegal activity;
- > improve capacity to assess the level of compliance by industry with legislative requirements for the reporting and declaration of imports, border and community protection, and revenue and statistical requirements.

SOCIO-COGNITIVE DATA ANALYSIS

Customs is collaborating with CSIRO on a project to explore ways to navigate large volumes of unstructured text data using socio-cognitive semantic systems to investigate complex text. The project is co-funded by the National Security Science and Technology Unit of the Prime Minister and Cabinet and CSIRO. The project is expected to lead to the development of sophisticated analytical tools.

The project involves applying CSIRO-developed socio-cognitive semantic techniques to Customs intelligence data. Customs analysts will evaluate the results and provide feedback to assist in identifying potential areas of future research and development.



BUILDING FOR
THE FUTURE

CORPORATE OPERATIONS – BUILDING CAPABILITY

IMPROVED PROFESSIONAL STANDARDS AND INTEGRITY FRAMEWORK

Customs is committed to the highest standards of ethical decision-making at all levels of the organisation and has implemented a more transparent approach to Professional Standards and Integrity. Building on the APS Code of Conduct, Customs has implemented improved and increased avenues to report unethical behaviour and strengthened internal processes.

Fraud Control responsibilities were transferred to Customs Internal Affairs to allow a balance in education, prevention and investigative strategies.

Customs Incident Reporting Centre, the Customs Compliments and Complaints hotline and the Customs Internal Affairs allow external and internal reporting of misconduct and non-ethical behaviour. Internal Affairs investigates all complaints of serious misconduct and suspected criminality against Customs employees. Internal Affairs has adopted the Australian Government Investigation Standards as minimum best practice and all investigators have professional qualifications as directed by the Fraud Control Guidelines.

DEVELOP WORKFORCE CAPABILITY

LEADERSHIP/MANAGEMENT SKILLS DEVELOPMENT

There has been significant investment in leadership development in 2008 aimed at both building the leadership capability of existing SES officers and developing a talent pool of CL5 staff for future SES vacancies.

A development program for SES and CL5 level staff in Leading Design and managing change was developed and delivered.

A high talent development program for CL5 staff was initiated. Participants were identified and endorsed by the SES. The first stage of the process was participation in an assessment centre to identify the key strengths and development needs of the group.

REVIEW AND IMPROVE THE ALIGNMENT WITH OPERATIONS OF RECRUITMENT, ASSIGNMENT, SKILLING AND DEVELOPMENT PROGRAMS

A project to review the development of Customs Trainee staff aims to ensure consistent training, assessment, skills and knowledge are provided to Customs staff to increase transferability and mobility. The project aims to standardise training materials for use nationally.

A review of the Customs Employment model has begun. The first stage of this project has been to differentiate between the job families. Appropriate employment strategies will be developed for each one, including attraction, assessment, training, transfer and employment conditions.

LONG-TERM WORKFORCE PLAN

Regular and relevant metric reporting is being provided to Divisions to assist with workforce planning. Divisions are using various methods to model and plan for the future workforce.

PEAK-TIME STAFFING AND IMPROVED CLIENT SERVICE

In 2007 Customs introduced Customs Flexible Employees (CFEs) as a means of better dealing with peak passenger processing periods at international airports. They now work at Sydney, Adelaide, Melbourne, Perth and Darwin airports and are currently undergoing training in Brisbane and the Gold Coast.

CFEs are used to handle unexpected shortfalls in daily staff requirements, against expected workload demand. The CFEs will continue to improve workforce flexibility, enabling more experienced staff to be redeployed to critical areas.

ENGAGING AT THE FRONTLINE

The 'Engaging at the Frontline' program has enhanced the skills and confidence of staff interacting with passengers while undertaking their border security functions. It has also strengthened the ability of supervisors to intervene and support their staff.

In 2007–08, 99 per cent of Customs frontline staff working at Australia's eight international airports participated in one-day workshops. All airport staff job descriptions and performance and development agreements now include clear expectations about interaction with passengers.

The Customs Trainee learning and development program has also been revised to ensure the principles of the 'Engaging at the Frontline' program are incorporated into the induction for new staff.

NATIONAL OPERATIONAL TRAINING AND DEVELOPMENT SECTION

The National Operational Training and Development Section (NOTDS) has been established and structured to deliver support services within the Border Enforcement Program. The section will continue to support a wide range of internal and external stakeholders through:

- > design, development, delivery and evaluation of training;
- > knowledge management services;
- > provision of specialist support to operations and Operational Readiness Exercises;
- > capability development through task analysis and evaluation of equipment, tactics, techniques and procedures.

Specific areas of capability which are supported by the Section include search operations (through manual means and the use of specialised technology), marine boarding operations and use of force. These capabilities are delivered within the Customs framework for operational command and with a commitment to ensuring that Customs officers are equipped with the knowledge, skills and attitude to safely and effectively fulfill their border protection role.

NOTDS contributes to Customs international development programs by training and mentoring staff from a variety of border management agencies in the Asia-Pacific region. Training is also delivered to staff from domestic agencies such as the Australian Federal Police, Australian Quarantine and Inspection Service and State and Territory police and fire services. To ensure the maintenance of best practice, NOTDS maintains regular contact with a network of

agencies including HM Revenue and Customs, the New Zealand Customs Service, Canada Border Services Agency and US Customs and Border Protection, in addition to domestic law enforcement and regulatory agencies.

INTELLIGENCE AND TARGETING PROFESSIONAL DEVELOPMENT

Intelligence and Targeting relies on highly skilled staff and has a dedicated training unit which develops and delivers training in analysis, systems and intelligence practices. Customs intelligence training is used by Australian and overseas partner agencies as well as Customs staff.

In addition to delivery of training, a major focus for 2007–08 has been the development of training support for the implementation of the Cargo Targeting Review. This work has included a collaborative approach with Industry Engagement and User Services Branch of Cargo Division to provide both systems and operational training.

CARGO WORKFORCE CAPABILITY DEVELOPMENT

Cargo division relies on highly skilled staff to take full advantage of technologies and associated business processes to achieve Customs objectives.

In 2007–08 the Industry Engagement and User Services branch undertook a project to identify workforce capabilities relevant to its objectives of managing the Integrated Cargo System business change and provision of client information and other cargo services.

The project identified key capabilities to enable staff to be fully effective in their jobs and better target limited learning and development resources.

This approach will now be rolled out across the division.

SUPPORT ORGANISATIONAL CHANGE PROJECTS

ESTABLISHMENT OF THE CORPORATE PROJECT OFFICE

In June 2006, Customs received the findings from a review of the Integrated Cargo System (ICS) by Booz Allen Hamilton. The aim of the review was to understand the causes of the problems that occurred with the introduction of the Imports release in October 2005, and lessons learnt for future management and development of the ICS and other projects.

The report was received in June 2006 and Customs accepted all the recommendations, which included a range of reforms across program, project and change management.

The Customs Corporate Project Office project was initiated in June 2007, as part of a larger organisational change program. This project included:

- > design and establishment of common project management practices and methods – the Project Management Framework (PMF);
- > commencement of the Corporate Project Office support and quality assurance services;
- > development of project management skilling and development program;
- > establishing a program and project management governance framework;
- > provide independent quality assurance over strategically important projects.

The PMF was also designed to be easily enhanced and Design elements easily added. The future framework, the Design and Project Management Framework, would ensure that Project Management and Design elements were addressed together in a single set of documented processes, templates and standards.

The key outcomes of the project were:

- > development, implementation and communication of a consistent methodology within the whole of Customs that reflected best practice within similar organisations;
- > establishment of an independent structure for reporting to executive management that addressed the key issues arising from program stage reporting processes;
- > provision of mentoring and assistance to Project Managers, including delivery training to 245 Customs Project Personnel and certification of more than 40 project managers in PRINCE2;
- > establishment of a robust governance structure for program and project management within Customs.

Customs has also been recognised by the Australian Institute of Management (AIM), winning the Organisation/Change Management category of the Project Management's Achievement Award 2008, for the change management associated with the design, development and implementation of the Corporate Project Office.

ESTABLISHMENT OF AN ADMINISTRATIVE DESIGN CAPABILITY (DESIGN)

In addition to its PMF Customs is also implementing an administrative Design capability. This is in line with best practice in other administrations and addresses some of the gaps identified in Customs capability as part of the ICS implementation review. The Design capability will support and enhance the project capability to identify and deliver the right outcomes and a sensible experience for industry and the community.

The features of this capability will include:

- > a focus on developing a shared understanding of the intended outcome and impact on stakeholders when carrying

out their dealings with Customs. Ensuring that designs balance outcome and user experience;

- > use of multi-disciplinary project teams (combining the business, ICT, design, build, procurement, communication, engagement, testing, training and implementation skills as required) where the focus is on the outcome, irrespective of where team members come from;
- > a commitment to co-design and engagement with industry (including intermediaries and software providers as appropriate) and other government agency stakeholders from the earliest possible time through to implementation;
- > a continuous cycle of simulation, prototyping and testing of the 'system in use' with staff and industry from the earliest possible time.

As part of the development and establishment of the Design capability, Customs is using the Design method across several 'Proof of Concept' projects. These projects are:

ENHANCED TRADE SOLUTIONS

Given its strategic importance to future management of Australia's borders, the Enhanced Trade Solutions (ETS) program was nominated by Customs Executive to employ a design approach, and to work closely with Customs design capability. ETS design focus has resulted in:

- > a clear, documented intent, which has been shared with other government agencies, industry partners, and within Customs;
- > strong collaboration across Customs to build an end-to-end view of the business problem and proposed change outcomes. Collaborative activities have included facilitated design workshops and the use of cross-divisional governance/decision-making forums;



- > an 'outside-in' approach to design and decision-making that takes into account client needs. ETS has compiled quantitative data about trade interactions between Customs and its clients, and has supplemented this by conducting face-to-face user research with key industry segments.
- > early visualisation of key ETS initiatives, with a focus on understanding how they would operate to balance positive government outcomes and good client experiences. This led to a wider understanding of the program, and the identification of a range of issues and opportunities from across the organisation.

ETS will continue to use a design approach, in order to ensure that its initiatives achieve sensible outcomes for the Government, industry and the Australian community.

INTEGRATED INTELLIGENCE ENVIRONMENT

The Integrated Intelligence Environment Project will create a national collaborative environment for Customs staff and others who need to work with intelligence and targeting products. The project is delivering a centralised, secure means of making relevant and appropriate information and intelligence available across Customs through enhanced search, data management and analytic capacity, while protecting and accounting for activity.

The project also includes the development of nationally consistent tools and processes. This will progressively bring together multiple information pools, processes, tools and procedures. The project will use co-design, user-centred design and prototyping principles to deliver outcomes over a number of stages. The first production release of the Integrated Intelligence Environment is scheduled for 2008.

ENHANCED PASSENGER ASSESSMENT AND CLEARANCE STAGE 1 PROGRAM

Enhanced Passenger Assessment and Clearance (EPAC) Stage 1 adopted a co-design approach from the outset. This first year of the two-year program has resulted in an overwhelmingly positive response from key stakeholders who have embraced a more user-centred and collaborative approach to designing, developing and implementing major change initiatives. This approach has other benefits: in an environment where there is a shortage of specialist expertise to support major change initiatives, the EPAC 1 Program has no difficulty in attracting resources.

CUSTOMS IT REPORT

Customs IT will continue to build on its major achievement of 2007–08 which was the successful transition to the new IT service arrangements.

Customs IT has brought Desktop Services, Local Area Network (LAN) Communications and the Service Desk in-house and has put new contracted services in place including:

- > Voice Infrastructure services (phone and tele-conferencing systems) provided by Telstra Business Systems;
- > Internet and Secure Gateway provided by Verizon;
- > Data storage operations and data centre services provided by IBM Australia Limited (IBM) for Customs Main Processing systems;
- > Applications Maintenance and Support (AMS) services provided through a contract panel of five service providers including CSC Australia Pty Ltd (CSC), EDS (Australia) Pty Ltd (EDS), Fujitsu Australia Limited, IBM, KAZ Group Pty Ltd.

The IT Transition impacted every area in the Division and maintaining business continuity for all Customs clients during the change was a high priority. The transition was achieved with no significant interruptions to Customs business operations and no issues with external agencies or industry.

Another major focus for Customs IT has been records management, reporting capabilities and data assets. These have been progressed by:

- > the Records and Information Management System Project, which is responsible for the implementation of an integrated Electronic Document and Records Management System overseeing the replacement of the existing REGISTRY system. This provides Customs with a modern solution for the management of paper-based records;
- > the Tracking Cross-Border Shipments Feasibility Study Project, which examined the use of the World Customs Organisation's Unique Consignment Reference as a business process and Radio Frequency Identification as a cross-border tracking technology, and their application to Customs and Australian industry;
- > two reviews into Customs data analysis capability. One identified gaps in the current research and reporting capability of the Corporate Research Environment against business requirements and future needs. The other was a strategic review of Customs technical capability against an industry model and resulted in an Analytics and Reporting Roadmap. The reports made a number of recommendations to improve Customs emerging business intelligence, analysis and reporting capability;

- > the Customs Business Information Registry project achieving finalisation of tender evaluations, and the purchase and provision of a metadata repository. The project is providing Customs with a centralised store of information about data held by Customs business systems.



REVISED BUSINESS AND FINANCIAL PLANNING FRAMEWORK

In 2007–08 Customs revised its planning framework to better align with the financial cycle, to provide a stronger strategic focus and a more direct link to risk management. Strategic planning in Customs has been guided by an assessment of the efficiency and effectiveness of present strategies in managing the risks to business. Customs Annual Plan 2008–09 was developed to focus on the major outcomes delivered for the Australian community as reflected in the Customs mission. The Annual Plan draws on the information provided in the Business Effectiveness Summaries, the directions set out in the *Strategic Statement 2007–2010* and *Customs Strategic Outlook 2015*.

As foreshadowed in the Annual Plan 2007–08, the strategic and business planning framework was refined to better align it with border risks and to better correlate with budgeting cycles. A new framework was created which translates strategic plans into business plans and individual performance agreements.

In developing a stronger strategic focus, Customs directed its attention to how it delivers its outcomes. It did this by focussing on major end-to-end processes at which border protection, facilitation, revenue and statistical responsibilities intersect, and on the major border risks it manages. Because these risks often cut across a range of operations, a whole-of-Customs view has been taken.

Customs major processes and border risks have been identified as:

MAJOR PROCESSES:

- > Passenger and crew processing;
- > Cargo processing.

BORDER RISKS:

- > Maritime security;
- > Illegal foreign fishing;
- > Terrorism (people and goods);
- > Illicit drugs and precursors;
- > Firearms and weapons;
- > Intellectual Property Rights infringing goods;
- > Other prohibited and restricted goods;
- > Border risks in the port environment;
- > Aviation security;
- > Revenue;
- > Tobacco smuggling;
- > Anti-dumping.

These are the focus of Customs Annual Plan 2008–09. It details in respect of each major process and border risk what Customs is committed to achieving, how it will go about it, improvement priorities and success measures for 2008–09.

IMPROVE INTERNAL COMMUNICATIONS

In 2007–08 Customs focused on improving internal communication. A new section was established in Planning Branch and an Internal Audit review was conducted in early 2008 to examine Customs approach, resources and organisational structures.

The review highlighted the lack of a strategic communication capability. It recommended that Customs better link its communication activities in support of implementation of strategic and business plans and organisation

priorities. It also recommended that Customs consider restructuring its communication functions with the intent of achieving greater integration of internal and external communication, better leveraging of existing communication resources and a more client-focused service to business areas. The review recommended Customs take an account-management approach to bring both internal and external communication together to ensure the delivery of a coordinated and holistic communication capability. Other recommendations included consideration of outsourcing or relocating certain non-core communication functions to ensure a more focused and streamlined communication structure.

Customs is taking a co-design approach to implementing the recommendations and established a Project Steering Committee and core design team. The implementation of the new structure and the improvement of on-line communications will be a major focus in 2008–09.

INTERNATIONAL

While all capacity-building initiatives are designed to build future capabilities, the following discussions and long-term projects were progressed during the 2007–08 financial year which will have a significant influence over the future direction of border management in South-East Asia:

- > participation in bilateral counter-terrorism talks with the Philippines and Indonesia, guiding future capacity-building efforts;
- > building on previous work, delivering a range of activities to assist the Philippines with establishing the Coast Watch South project, aiming to improve maritime security and surveillance by coordinating civil and Defence assets, modelled on Australia's Border Protection Command.



Australian capacity-building efforts cultivate results

In August 2007, the Royal Malaysian Police seized four kilograms of methamphetamine, identified using trace detection equipment provided by Australian Customs as part of capacity-building efforts under the Australian Government Regional Counter-Terrorism Initiative. The provision of technology together with associated training constitutes one of several projects



undertaken by Australian Customs with the purpose of increasing border security capabilities in the region.

During 2007–08, International Branch initiated an internal process of reviewing the direction of Customs capacity building efforts to ensure risks in the region are being addressed as priority and to ensure future efforts are appropriately focused on high value, sustainable projects.

In the Pacific in 2008–09, Customs will continue to support:

- > PNG through SGP, BSP and PACTS programs;
- > Solomon Islands through its work under RAMSI;
- > work with New Zealand to implement outcomes of the Oceanic Customs Organisations review;
- > Customs administrations in the Asia-Pacific region through the delivery of CIEMP and PCMP.

As part of the revised International Strategy, Customs is reviewing its existing posts and their roles and responsibilities to ensure they align with the international strategy. The framework for managing posts will be strengthened with clear governance and reporting processes. Posts will be required to report through three-monthly forward work plans, complemented by monthly activity reports.

Country engagement plans that align with Customs International Strategy will be developed over the next year.

Australian Customs is reviewing its engagement with multilateral organisations to ensure that it is focused, contemporary and contributes to Customs border protection and traveller and trade facilitation objectives.

Integrity in customs administrations will be a focus of future work for the B5 group, which will compare existing practices and share assessments on threats and responses adopted by each member.

Customs cooperation across the Tasman

This year marks the 25th anniversary of the Closer Economic Relations trade agreement between the Governments of Australia and New Zealand, more commonly known as ANZCERTA. Signed in 1983, it is considered to be an innovative model for dismantling trade barriers and harmonising regulations between two economies.

In the spirit of the ANZCERTA agreement, Australian Customs works closely with New Zealand Customs, a key strategic partner in the region, whose administration is similarly reform oriented.

Senior officials from Australia and New Zealand customs administrations meet biannually for the High Level Steering Group (HLSG). The HLSG provides a forum for each customs administration to progress cooperative activities, discuss issues and to identify new collaborative activities. To date, discussions have focused on key areas such as:

- > streamlining Trans-Tasman trade;
- > passenger facilitation initiatives;
- > intelligence sharing and the enhancement of security-related matters; and
- > engagement with Pacific customs administrations.

The forum provides excellent opportunities to trial concepts and improve practices, processes and benchmark activities with a customs administration that shares a similar border protection focus. In 2007–08 an HLSG initiative to facilitate a trans-Tasman staff exchange was realised. Each administration hosted a small delegation of customs officers, who visited a range of operational work areas. The exchange provided a unique learning experience and enhanced relationships.

Regular Ministerial and Chief Executive meetings are also held between the two countries. At the 2008 Customs-to-Customs Ministerial meeting, the Ministers agreed that both Customs agencies will continue to work together to introduce automated border processing to help manage the forecast large increase in trans-Tasman air traffic as well as progressing work on mutual recognition arrangements of respective authorised economic operator programs in the trade stream.

The 2007–08 year also marked the second meeting of the Customs-Quarantine Trans-Tasman group, a forum that evolved from the HLSG to explore opportunities for cross-agency collaboration on issues of common trans-Tasman interest.

BUILDING FOR
THE FUTURE

PART 4

MANAGEMENT AND ACCOUNTABILITY

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CORPORATE GOVERNANCE

CORPORATE PLANNING

Customs is an agency within the Attorney-General's Portfolio and has been responsible to the Minister for Home Affairs since 3 December 2007. Before this date Customs was responsible to the Minister for Justice and Customs.

The Chief Executive Officer heads Customs with the support of three Deputy CEOs who lead national programs. (In May 2008 one Deputy CEO commenced a short-term project to develop proposals to address the challenges in the cargo and passenger environments identified in the Customs Strategic Outlook 2015). Senior managers in all Australian States and Territories report directly to national program directors or managers.

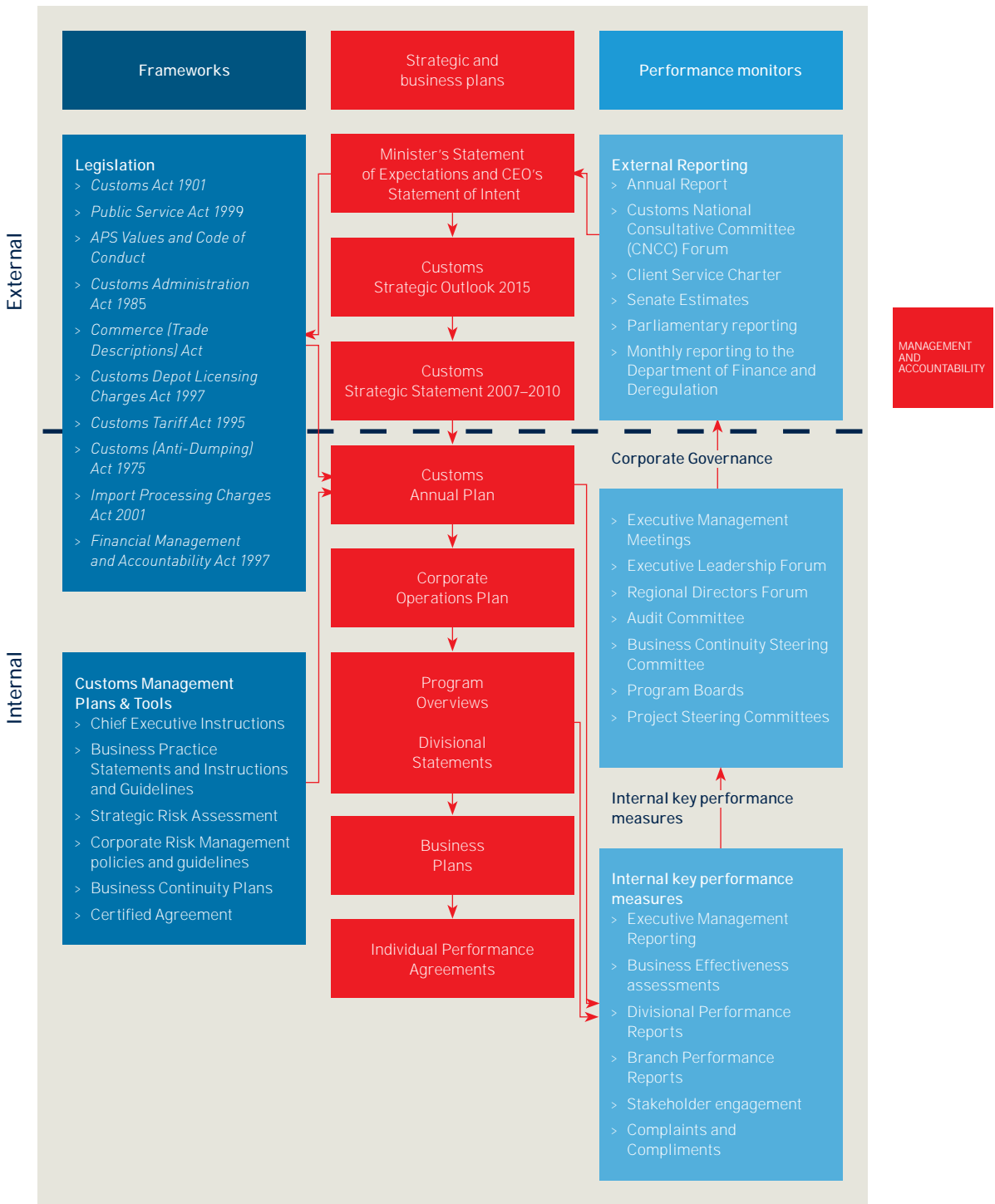
In 2007–08, Customs strategic and business planning framework was revised to more clearly define the connections between overarching strategic principles and individual performance, and to better integrate risk management. A strategic planning day for Customs senior managers to develop corporate improvement priorities in the context of strategic risks provided the impetus for Business Effectiveness assessments and improvement priorities for 2008–09.

The *Strategic Statement 2007–2010* sets out key risks and strategies. The revised framework translates strategic plans into business plans and individual performance agreements.

Customs Annual Plan focuses on the major outcomes delivered to the Australian community. It details the delivery of those outcomes and the key improvements planned for 2008–09. The Program Overview conveys the strategic direction of the Program and delivers key messages from the DCEO.

The Divisional Statement links the strategy outlined in the Customs Annual Plan to the improvement priorities reflected in business plans. The Business Plan incorporates the Branch and Work Area Plans and provides an overview of branch objectives, improvement priorities, projects, risks and includes funding and resource allocation.

The following chart illustrates Customs Planning and Performance Reporting Framework:



CORPORATE GOVERNANCE PRACTICES

In addition to developing a more robust risk management and planning framework, Customs worked towards better corporate governance by:

- > focusing on organisational effectiveness and efficiency in addressing major border processes and risks. This included integrating risk management and the planning process to ensure enterprise risk management underpins the organisation. This work was used to create the Annual Plan 2008–09 and to better inform investment decision and improvement options;
- > implementing a more disciplined approach to project management, supported by the establishment of a project office and comprehensive guidelines on project management and accountability;
- > strengthening the implementation of Customs Practice Statements, with the application of project management principles and a revised reporting strategy. Practice Statements help staff apply legislation, policy and procedures consistently. Roles and responsibilities are clearly outlined along with the procedures for decision-making and the exercising of Customs powers. Through the intranet redevelopment project, Practice Statements will be more readily accessible to staff and managers are required to communicate their content. Where appropriate, Practice Statements are publicly available.
- > incorporating Integrity Assurance into business plan templates which is reflected in individual performance agreements. A key focus for 2007–08 was the implementation of the ethics education and awareness program. The ethics component was complemented

by the Customs mandatory online Code of Conduct training course;

- > introducing Design principles to support Customs approach to change management. This will ensure an early focus on developing a shared understanding of the intended outcome and conceptual design of the change. Customs now uses multi-disciplinary project teams, combining business, Customs IT, design, build, procurement, communication, engagement, testing, training and implementation skills as required;
- > strengthening Customs leadership programs: an ongoing SES Leadership Development program was implemented in 2007–08 to complement Customs Leading People at the Frontline program. Emphasis is now on issues and outcomes, rather than on organisation units. To build on existing skills and experience, the collaborative Leading Design @ Customs program was launched in April 2008.

RISK MANAGEMENT

In addition to improving its risk-based planning framework, Customs undertook the following initiatives to improve risk management practices:

- > developed a *Risk Management Awareness* on-line training module to complement the *Managing Risk in Customs* brochure. It is compulsory for all staff to complete the training module every two years. It provides a generic, entry-level understanding of risk management in Customs;
- > participated in the 2007 Comcover risk management benchmarking survey and scored 8.1 overall, equivalent to a performance rating of 'advanced', and slightly up on the previous year's score of 7.8. Customs registered in the top 30 per cent of respondents;

- > reviewed the Business Continuity Framework and began developing a comprehensive and ongoing business continuity management program that will meet best practice. This program will enable a fully effective business continuity incident response, including an education and awareness program, pandemic contingency planning and management reporting;
- > re-established the Business Continuity Steering Committee and agreed on a Committee charter. Work commenced on determining dependencies between Customs business functions and evaluating the relative importance of critical business functions in the context of Customs major processes and border risks. Customs continues to develop its pandemic capability to meet whole-of-government and internal requirements;
- > participated in a risk management assessment survey conducted by Comcover in June 2008. Seventy staff were interviewed, and a further 400 surveyed, on the use of risk management in the workplace. The survey aims to provide Customs with an assessment of its risk management maturity and to develop improvement initiatives in 2008–09;
- > undertook a number of initiatives within the Compliance division to improve business risk management capability. These included the development of a Business Risk Management Matrix across Customs, the mapping of key business processes, establishing a Compliance Risk and Strategy section and the designing of a new national Compliance risk assessment plan that will change the mix of compliance activities for 2008–09.

SENIOR MANAGEMENT COMMITTEES

CUSTOMS MANAGEMENT/ GOVERNANCE FORUMS

Customs Executive Management Meeting

Customs most senior decision-making forum is the Executive Management Meeting. The CEO and Deputy Chief Executive Officers meet each month to review performance, and to consider and make decisions on a range of high-level strategic and operational issues. Senior Executive Service officers attend for specific items of discussion.

Customs Audit Committee

The Customs Audit Committee is a senior governance advisory body that assists the Chief Executive through its role in relation to Customs risk, control and compliance framework, and its external accountability responsibilities.

The Committee's activities are governed by the Audit Committee Charter, consistent with relevant legislative requirements and the *Audit Committee Better Practice Guide* of the Australian National Audit Office.

A key focus of the Audit Committee is the organisation's management of risk, compliance with relevant regulatory requirements, and the operation of key controls. The Committee seeks information on emerging risks and trends to assist Customs in repositioning itself.

The Committee meets quarterly, with five members appointed by the CEO:

- > Deputy Chief Executive Officer Border Enforcement (Chair);
- > National Director Passengers;
- > Regional Director Queensland;
- > two independent members.

Business Continuity Management Steering Committee

Customs Business Continuity Management Steering Committee is a key component of the organisation's corporate governance activities. The Committee's role is to address the corporate strategic risk associated with a major sustained disruption to operations caused by external events or a failure in processes or systems. The Committee's purpose is to establish and oversee the implementation, monitoring and review of a comprehensive, integrated Business Continuity Management program.

Enhanced Trade Solutions Steering Committee

The Enhanced Trade Solutions Steering Committee includes the Customs senior executives responsible for delivering national outcomes. The Committee's role is to agree on the portfolio of projects required to deliver program objectives, provide strategic guidance and decision-making to ensure alignment to corporate objectives. Advice of the feasibility of projects, taking account of benefits realisation and appropriate engagement in the co-design of project development, is also a key role.

Trade Facilitation Program Board

The Trade Facilitation Program Board includes Customs senior executives and is chaired by the Deputy CEO, Passenger and Trade Facilitation. The Board provides senior level sponsorship of the Trade Facilitation program during its lifecycle. It assesses business cases for alignment with Customs objectives for trade facilitation and monitors progress against plan. It ensures that the program continues to achieve the strategic outcomes required for trade facilitation and is realising the planned business benefits.

Passengers Program Board

The Passengers Program Board was established in October 2007 to provide

executive guidance, oversight and governance to all major business transformation projects within the Passengers Division portfolio. These major projects include:

- > SmartGate Automated Border Processing;
- > Enhanced Passenger Assessment and Clearance Project/Traveller Capabilities Program;
- > Passenger Facilitation Taskforce Initiatives;
- > related projects from Intelligence Division;
- > related projects from Research and Development Branch;

The Passengers Program Board meets quarterly. In addition to members from Passengers Division, the Board comprises members from Intelligence, Research and Development, Financial Services, Information Technology and People and Place.

Customs Information Technology Transition Steering Committee

The Transition Steering Committee was the primary governance forum used to manage the Customs IT Transition Program. It was closed when the program was completed in May 2008.

The Committee met weekly to monitor and lead the implementation of the transition of IT services as an outcome of the Customs IT Sourcing Strategy. It was chaired by the Chief Information Officer and included account executives from major IT service partners, and Customs Business areas.

Intelligence Advisory Board

The Intelligence Advisory Board is the strategic customer engagement forum for the Intelligence and Targeting Division. It oversees the preparation and evaluation of the National Customs Intelligence Priorities. The Priorities are the primary means to meet the internal intelligence needs of Customs by guiding the work of the Intelligence and Targeting Division. The Board comprises

DCEO Border Enforcement (Chair), National Program Directors, National Manager Intelligence, and National Manager International. The Board will meet biannually.

International Strategy Management Group

The International Strategy Management Group is the mechanism for guiding and coordinating Customs international engagement. It oversees and reviews Customs International Strategy and Priorities. It also ensures that Customs bilateral and multilateral engagement is well coordinated. The Group is chaired by DCEO Corporate Operations and National Program Directors and key National Managers are members.

INTERNAL CONSULTATIONS

In 2007–08 Customs built on established forums to facilitate internal consultation. These include:

- > Design Forums;
- > Dialogue Days for the Executive and senior management;
- > Executive Leadership Forum;
- > Regional Directors Forum.

Design Forums

Design Forums allow the Executive and senior management team to consider issues of significant operational importance and the future direction of the organisation. They have no set schedule, and issues identified by the Executive can be raised at any time.

In September 2007 a Design Forum was held to develop a consistent approach to design in Customs that can better support strategic planning processes, capability development plans and investment decisions.

Dialogue Days

Dialogue Days provide an opportunity for discussions between managers about the issues confronting the organisation.

Executive Leadership Forum

SES Officers and Regional Directors meet biannually to discuss national operational and financial performance, strategic management issues and future directions and plans.

Regional Directors Forum

Regional Directors meet with the DCEOs and National Directors three times a year to discuss the effectiveness of regional operations. Consideration could be given to regional performance, strategic management issues, stakeholder relationships, emerging issues, corporate well-being and future directions.

EXTERNAL CONSULTATIONS

Customs holds high-level consultation with external stakeholders to support its direction. In the past year, Customs was involved in the following key groups:

- > Australian Crime Commission Board;
- > Heads of Commonwealth Operational Law Enforcement Agencies;
- > Cargo Processing Executive Steering Committee;
- > Customs National Consultative Committee;
- > Strategic Maritime Management Committee;
- > The Joint Agencies Maritime Advisory Group;
- > Industry Action Group;
- > Enhanced Trade Solutions Inter Departmental Committee;
- > National Passenger Processing Committee;
- > National Passenger Facilitation Taskforce;
- > National Customs Brokers Licensing Advisory Committee;
- > The Airports Intelligence Joint Working Group;
- > The Tripartite Operations Group;



- > Research and development – forums considering current and emerging technologies for border protection and law enforcement;
- > Inter Agency Liaison Committee (Customs/ Australian Taxation Office);
- > Inter-departmental Committee on Illicit Tobacco Trade;
- > Aviation Security Advisory Forum;
- > Australian Government Transport Security Policy Committee.

Australian Crime Commission Board

Through membership on the Australian Crime Commission (ACC) Board, Customs CEO contributes to the strategic direction of the ACC, and Customs strategic outlook is incorporated into the broader law enforcement agenda. This includes determining investigations and operations into criminal activity occurring in the federal jurisdiction, and developing the national Criminal Intelligence Priorities.

Heads of Commonwealth Operational Law Enforcement Agencies

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

Cargo Processing Executive Steering Committee

The Cargo Processing Executive Steering Committee was established in August 2006 to provide industry stakeholders an opportunity to advise and work in partnership with Customs to deliver an ongoing program of improvements to the Integrated Cargo System and more generally, to consider

the future directions for cargo processing. The Committee charter is to:

- > set strategic direction for a work program, with a focus on delivering benefits to industry and Customs, to improve facilitation of trade and border security;
- > define targeted outcomes for the work program to enable measurement of performance and tracking of benefits realisation;
- > track and evaluate overall progress of the program.

Customs National Consultative Committee

The Customs National Consultative Committee (CNCC) was established in 1991 following the Government's response to the House of Representatives Standing Committee on Finance and Public Administration's report *A Tour of Duties*.

The CNCC enables national discussion of policies, practices and procedures relevant to the trading community. It includes Customs (as Chair) and the following organisations:

- > Australian Chamber of Commerce and Industry;
- > Australian Federation of International Forwarders;
- > Customs Brokers and Forwarders Council of Australia;
- > Institute of Chartered Accountants;
- > International Air Couriers Association of Australia;
- > Law Council of Australia;
- > Observer for the Conference of Asia Pacific Express Couriers;
- > Qantas Group/ Board of Airline Representatives of Australia;
- > Shipping Australia;
- > Stevedoring Industry.

Strategic Maritime Management Committee

The whole-of-government surveillance and enforcement effort continues to be overseen by the Strategic Maritime Management Committee (SMMC) and the Joint Agencies Maritime Advisory Group. The SMMC, chaired by the Department of the Prime Minister and Cabinet, monitors the effectiveness of maritime compliance and enforcement operations, and reports to Cabinet on developments and changing priorities in the broader maritime environment.

Joint Agencies Maritime Advisory Group

The Joint Agencies Maritime Advisory Group, chaired by Commander Border Protection Command, supports the SMMC. It provides Customs with policy guidance and direction in sensitive or difficult situations, reviews long-term planning and undertakes broad reviews of operations and intelligence.

Industry Action Group

The Industry Action Group is a committee with representation from peak industry associations, AQIS and Customs, which examines operational issues affected by the ICS, agreed priorities for ICS enhancements and presents options for interim and longer-term solutions to meet the requirements of all stakeholders. The committee is chaired by the National Director of Cargo.

Enhanced Trade Solutions Inter Departmental Committee

The Enhanced Trade Solutions Inter Departmental Committee is chaired by Customs. The Committee provides input and guidance for proposed projects and activities for the international trade regulatory environment into the future. The Committee's key purpose is to maximise engagement and consultation to ensure that a whole-of-government approach is given appropriate consideration, while minimising duplication of effort across represented trade agencies.

National Passenger Processing Committee

The National Passenger Processing Committee (NPPC) develops whole-of-government policy approaches to processing international passengers and coordinates the exercise of various statutory controls and responsibilities carried out by Commonwealth Authorities at airports. The NPPC meets twice yearly. This enables representatives of government and industry to liaise on issues of common interest. Customs chairs the NPPC with membership comprising senior representatives from:

- > Department of Immigration and Citizenship;
- > Australian Quarantine and Inspection Service;
- > Department of Infrastructure, Transport, Regional Development and Local Government;
- > Attorney-General's Department;
- > Department of Resources, Energy and Tourism;
- > Department of Health and Ageing;
- > Australian Federal Police.

Passenger Facilitation Taskforce

Customs plays a central role on the Passenger Facilitation Taskforce that recommends initiatives to ensure the Government continues to plan for growth in international passenger numbers. This included establishing and participating in projects to streamline elements of the passenger service delivery chain.

The Taskforce is chaired by Customs, with representatives from:

- > Department of Immigration and Citizenship;
- > Australian Quarantine and Inspection Service;
- > Department of Infrastructure, Transport Regional Development and Local Government;

- > Department of Resources, Energy and Tourism;
- > Department of the Prime Minister and Cabinet;
- > Department of Finance and Deregulation;
- > Australian Federal Police.

National Customs Brokers Licensing Advisory Committee

The National Customs Brokers Licensing Advisory Committee (NCBLAC) advises the CEO on customs broker licensing issues. It comprises one member nominated by the Customs Brokers and Forwarders Council of Australia, one Commonwealth member nominated by the CEO of Customs, and an independent Chair. All decisions made by the CEO in response to NCBLAC recommendations are open to appeal through the Administrative Appeals Tribunal.

In 2007–08, NCBLAC considered 116 new licence applications: 18 corporate and 98 individual. Of these, NCBLAC held hearings for 23 applicants; 17 who did not meet the required academic standards and six who did not provide sufficient information. After considering the recommendations of the NCBLAC the CEO issued 109 new corporate and individual broker licences.

The Airports Intelligence Joint Working Group

The Airports Intelligence Joint Working Group (AIJWG) is a management-level committee established to support the operational arrangements for information and intelligence-sharing in the aviation security environments of Australia's major airports. It meets monthly. The Director of Target Development, Border Targeting Branch, represents Customs on the group, which also includes representatives from:

- > Australian Federal Police;
- > Australian Crime Commission;
- > Office of Transport Security;

- > Australian Security Intelligence Organisation;
- > Australian Quarantine and Inspection Service
- > Department of Immigration and Citizenship.

The Tripartite Operations Group

Tripartite Operations Group is a management-level committee that provides ongoing liaison at a national level between the participating agencies regarding current operations and/or intelligence. The National Director Intelligence and Targeting Division is the senior Customs representative on the group, which meets monthly and also includes representatives from:

- > Australian Federal Police;
- > Australian Customs Service;
- > Australian Crime Commission.

Research and Development Forums considering current and emerging technologies for Border protection and law enforcement:

- > US Department of Homeland Security Steering Committee and Working Groups;
- > US Department of State Steering Committee and Working Groups, including the US Technical Support Working Group;
- > Borders Five (B-5) Research and Development Group of the B-5 Heads of Customs Group;
- > World Customs Organisation Electronic Crime Expert Group;
- > Publicly Funded Agencies Collaboration on Counter Terrorism Steering Committee and Thematic Working Groups;
- > Aviation Security Advisory Forum Steering Committee and the Aviation Security Advisory Forum Technology Task Group;
- > Federal Police Science and Technology and Research Steering Committee;
- > Automated Number Plate Recognition Steering Committee.

Inter-agency Liaison Committee

The Inter-Agency Liaison Committee provides a high-level liaison forum covering all issues of mutual interest to Customs and the Australian Taxation Office. Beneath it are a number of operational level forums to discuss particular areas of interest between the two agencies including the ATO/Customs Compliance Improvement Initiative. Customs is also a member of the ATO's GST Product Committee and the GST Risk Management Sub-Committee. Customs and the ATO also jointly chair three industry consultative Committees covering the tobacco, alcohol and petroleum industries.

Inter-departmental Committee on Illicit Tobacco Trade

This Committee, lead by the Department of Health, is considering Australia's response to the development of a World Health Organisation protocol on the illicit tobacco trade.

The Firearms Policy Working Group

The Firearms Policy Working Group undertakes research and provides policy advice to the Ministerial Council on Police and Emergency Management – Police (MCPEMP) and the MCPEMP Senior Officer Group on firearms issues. The FPWG engages with stakeholders in developing and monitoring the implementation of policy. It meets biannually and formal membership includes representatives from:

- > Australian Customs Service;
- > State and Territory Police;
- > State and Territory Justice departments;
- > Attorney-General's Department.

Aviation Security Advisory Forum

The Aviation Security Advisory Forum is where senior representatives from industry and government share and discuss views on aviation security matters of an operational, legal, policy and regulatory

nature. The National Directors of Passengers Division, Cargo Division and Border Compliance and Enforcement Division represent Customs.

ASAF seeks to achieve, maintain and, where appropriate, improve aviation transport security throughout Australia. The role includes overseeing a series of working groups that consider issues relating to issues such as identity, cargo, training, technology, legislation and other matters relating to aviation security.

ASAF meets quarterly and is chaired by the Deputy Secretary of the Department of Infrastructure, Transport, Regional Development and Local Government with responsibility for Security.

Australian Government Transport Security Policy Committee

The Australian Government Transport Security Policy Committee (AGTSPC) coordinates a whole-of-government approach to the development and implementation of transport security policy, and provides coordination and direction to the Australian Government Airport Security Agency Committees and the Maritime Agencies Port Security Committees. Other transport security committees involving multiple government agencies will also fall within the auspices of the AGTSPC.

Since its inception the work of AGTSPC has included infrastructure security for aviation, maritime and land transport facilities; the streamlining of responsibilities at international airports and maritime ports; the development of both formal and ad hoc arrangements for intelligence sharing when information is received at the last minute; and the development of regulatory framework to support transport security policy. Customs has been an active participant in all relevant initiatives.

INTERNAL AUDIT

Internal Audit is a co-sourced arrangement between Customs and KPMG, which took over from PricewaterhouseCoopers in September 2007.

The activities of Internal Audit are focused on risk management, compliance, corporate governance and Customs control environment. Internal Audit helps Customs assess whether appropriate frameworks are in place, and whether robust strategies are being implemented to address emerging risks and future challenges.

Internal Audits annual program is a mix of compliance and performance engagements. Over the past year, 25 engagements were provided to the Audit Committee in relation to a diverse range of subjects across Customs operations. There is also a strong focus on information technology, particularly given Customs transition of the IT mainframe and changes to the IT service delivery model over the past year.

The activities of Internal Audit are coordinated with the ANAO to maximise the value from these assurance activities. The follow-up of all audit-related recommendations is also driven by Internal Audit.

The section reports to the Audit Committee each quarter on the implementation of recommendations, key performance indicators including client satisfaction surveys, and emerging issues.

FRAUD CONTROL

In 2007–08, the management of Fraud Control was transferred from Investigations Branch to the Internal Affairs Branch. Customs fraud control framework underpins the education, prevention, detection, investigation and appropriate response to internal fraud. In accordance with the Fraud Control Guidelines (2002), Customs collects

comprehensive fraud data which it reports to the Attorney-General's Department annually.

Customs engaged Ernst & Young to develop the Customs Fraud Control Plan, which incorporates a summary of fraud risks and identifies strategies to address them. The Fraud Control Plan is scheduled for completion and implementation in the first quarter of 2008–09.

ETHICAL STANDARDS

The Customs Internal Affairs Branch comprises internal investigation and fraud control responsibilities. Delivery of these responsibilities is achieved through relevant investigation action, risk management and education, along with accountability and assurance mechanisms. Internal Affairs provides ethics and integrity training to all new employees, and employees undertaking training and development courses. Internal Affairs is working with Learning and Development Section to develop a new on-line conduct training package for implementation in the first quarter of 2008–09.

EXTERNAL SCRUTINY

Ministerial representations

The Minister for Home Affairs, appointed on 3 December 2007, was given responsibility for Customs matters under the Labor Government, taking over from the Minister for Justice and Customs.

During 2007–08, the Ministers received 2,107 items of Customs-related correspondence. Customs provided the Ministers with advice and recommendations on the 1,703 items that required a response.

Ongoing themes in representations included:

- > importation requirements;
- > payments of Customs duty and Goods and Services Tax on imported goods;

- > anti-dumping investigations;
- > Customs activities at airports;
- > coastal surveillance and Customs maritime response capability.

New themes occurring in 2007–08 included the monitoring of the Japanese whaling fleet and new importation requirements for laser pointers.

Of the Customs-related Ministerial correspondence received, 1,322 related to permits, an increase from 894 in 2006–07.

Customs also provided 371 Ministerial briefings on topics including:

- > investigations;
- > significant seizures of prohibited imports (including illicit drugs);
- > proposed changes to legislation and regulations administered by Customs.

Questions On Notice

In 2007–08 the Ministers and the Attorney General received 19 Questions on Notice directed to Customs or requiring an agency response from Customs. This was significantly lower than in 2005–06 and 2006–07.

Additionally, during the Budget Senate Estimates process Customs responded to 33 Questions On Notice, considerably fewer than in previous years.



Figure 39: Ministerial correspondence and briefings

	2005–06	2006–07	2007–08
Ministerial correspondence received on Customs related matters	2,312	2,304	2,107
Ministerial briefings provided by Customs	482	448	371

Figure 40: Questions On Notice directed to Customs

	2005–06	2006–07	2007–08
Questions On Notice directed to Customs	190	179	19
Questions On Notice received from the House of Representatives	27	75	10
Questions On Notice received from the Senate	26	21	9
Questions On Notice received from Budget Senate Estimates	137	83	33

Judicial Review and Decisions of Administrative Tribunals

Refer to Appendix D for information judicial decisions and decisions of the Administrative Appeals Tribunal.

Privacy Matters

Customs was the respondent in one complaint made to the Office of the Privacy Commissioner. The Office declined to investigate the complaint as it said Customs had adequately dealt with it.

Reports by the Auditor-General

The ANAO completes an annual audit of Customs financial statements, as well as a special purpose audit of the *Cost Recovery of GST Administration and Import Processing Services*.

The ANAO also undertakes a number of performance audits each year. In 2007–08, the following Customs performance audits were finalised:

- > *Customs Container Examination Facilities Follow-up*
The audit found that Customs had implemented or substantially addressed the recommendations of the previous audit and the review by the Joint Committee of Public Accounts and Audit with Customs undertaking to review two further improvement opportunities.
- > *Administration of the Automotive Competitiveness and Investment Scheme – Stage 2*
The ANAO recommended the Department of Innovation, Industry, Science and Research and the Australian Customs Service review their governance arrangements, and document procedures, to support their respective responsibilities for managing the transfer, use and reporting of duty credits under the Automotive Competitiveness and Investment Scheme.

The Customs Audit Committee is monitoring the implementation of this recommendation.

- > *Preparation of the Tax Expenditures Statement*

No recommendations specific to Customs were raised in this report.

- > *Electronic Travel Authority Follow-up Audit*
The ANAO recommended that DIAC work with Customs to establish performance indicators to track timeliness, quantity and quality of passenger processing, and regularly review performance against these indicators.

There were also two performance audits in progress at the end of the financial year:

- > *Illegal, Unreported and Unregulated Fishing in the Southern Ocean*, to assess whether Customs has implemented effective measures to control illegal, unregulated and unreported fishing in the Southern Ocean;
- > *National Marine Unit Follow-up Audit*, to assess Customs implementation of recommendations three to nine of the prior audit of the National Marine Unit.

PARLIAMENTARY COMMITTEE REPORTS Legal and Constitutional Affairs Committee

Customs appeared before two Estimates hearings:

- > Additional Estimates – 18 February 2008;
- > Budget Estimates – 26 May 2008.

Customs appeared before the following Committee inquiries into:

- > *Passenger Movement Charge Amendment Bill 2008* – 20 June 2008;
- > *International Trade Integrity Bill 2007* – 17 July 2007.

Customs attended the public hearing on the International Trade Integrity Bill 2007.

Customs provided submissions to the following Committee inquiries into:

- > *Aviation Legislation Amendment (2007 Measures No. 1) Bill 2007* – Senate Standing Committee on Rural and Regional Affairs and Transport (July 2007);
- > *Passenger Movement Charge Amendment Bill 2008* – Legal and Constitutional Affairs Committee (June 2008);
- > *Customs Legislation Amendment (Strengthening Border Controls) Bill 2008*.

The following Customs-related legislation amendments received Royal Assent on the dates indicated:

- > *Aviation Legislation Amendment (2007 Measures No. 1) Bill 2007* – Royal Assent: 20 August 2007;
- > *International Trade Integrity Bill 2007* – Royal Assent: 24 September 2007;
- > *Passenger Movement Charge Amendment Bill 2008* – Royal Assent: 30 June 2008.

Parliamentary Joint Committee on the Australian Crime Commission

Customs gave evidence at the public hearing of the Inquiry into the future impact of serious organised crime on Australian society in July 2007.

The Joint Committee report on this Inquiry was released in September 2007.

Senate Environment, Communications, Information Technology and the Arts Committee

Customs responded to Committee recommendations related to Intellectual Property Protection Measures within the Indigenous art and craft sector.

Joint Standing Committee on Treaties

Customs appeared before the Committee to represent on the Australia United States Treaty on Defence Trade Cooperation.

Joint Committee Public Accounts and Audit (JCPAA)

Customs appeared before the Joint Committee on Public Accounts and Audit which examined the Auditor General’s report No 24 Cargo Management Re-engineering Project in September 2007.

Senate Standing Committee on Rural and Regional Affairs and Transport

Customs provided a submission to the committee inquiry into the *Aviation Legislation Amendment (2007 Measures No. 1) Bill 2007*.

Commonwealth Ombudsman matters

Figure 41 outlines complaints and issues dealt with by the Commonwealth Ombudsman in 2007–08. Customs was found to be at fault in one case.



Figure 41: Ombudsman Complaints and Issues			
	2005–06	2006–07	2007–08
Number of approaches received	121	123	105
Number of approaches finalised	116	124	102
Number of issues raised and finalised	110	133	103
Findings of administrative deficiency following investigation	1	0	1
Decided not to investigate, or not to investigate further	101	93	89
Own motion investigations	0	1	1

The majority of matters investigated by the Commonwealth Ombudsman related to passenger processing, import of goods and the Tourist Refund Scheme.

Customs participated in the Commonwealth Ombudsman's own investigation into aspects of the processing of inbound international mail. The investigation focused on the prevention of damage, identification and recording of damage, assessment of compensation for damage caused, the demarcation of responsibility for damage caused and the notification of inspection to members of the public.

The Ombudsman's final report contained a number of recommendations for Customs, the AQIS and Australia Post, to improve the management of international mail, and particularly the management of goods that might be damaged during inspection. Customs responded, outlining a number of improvements aimed at national consistency and improving client experiences, which had already been undertaken. It also acknowledged that further work would continue with Australia Post and AQIS, including completing a new Memorandum of Understanding between the three agencies.

The Ombudsman recorded a finding of administrative deficiency in one case on the basis of unprofessional behaviour by an officer. Customs accepted the finding and provided a written apology to the complainant.

Freedom of Information

In 2007–08, 43 requests were made to Customs under section 15 of the *Freedom of Information Act 1982* (FOI Act). This is a small increase in numbers received in previous years. The requests covered issues such as:

- > import/export related documents and statistics;
- > personal information associated with Customs operational matters;
- > processing of passengers at airports;
- > inquiries from media organisations on various issues;
- > staffing matters.

Section 8 of the FOI Act requires the publishing of details about certain agency functions and documents. This includes details about organisation, functions, decision-making powers, arrangements for public involvement, documents held and how members of the public can access them. See Appendix B.



Figure 42: Requests made under the FOI Act

	2004–05	2005–06	2006–07	2007–08
Requests received*				
Section 15	40**	46**	38**	43**
Section 54 (internal review)	7	5	5	3
Section 55 (AAT review)	4	3	0	1
Total	51	54	43	47
Decisions on section 15 requests				
Access granted in full	9	10	5	3
Access granted in part	14	21	31	28
Access refused	6	6	7	7
Requests transferred	0	1	1	0
Requests withdrawn	6	4	5	5
Time taken to process section 15 requests				
0–30 days	13	11	27	20
31–60 days (consultation under subsections 26A, 27 or 27A)	-	2	6	4
31–60 days	6	15	9	7
61–90 days	6	5	0	3
90 plus days	3	4	1	4
Fees and charges (\$) collected for section 15 and section 54 requests				
Total application fees collected	1,390	940	1,150	1,030
Total charges notified	4,341	5,610	9,185	5,603
Total charges collected	3,177	2,839	4,106	4,517
Outstanding charges as at 30 June	1,164	2,771	5,079	1,086

* A section 15 request is a request for access to information. A section 54 request is a request for a decision about a section 15 request to be reviewed by Customs (internal review). A section 55 request is a request for a decision about a section 15 request to be reviewed by the administrative Appeals Tribunal (external review). Further information on these requests is available in the FOI Act.

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



ACCOUNTABILITY TO CLIENTS

Integrated Cargo System compensation claims

During the implementation of the imports component of the ICS in October 2005, difficulties were experienced that primarily impacted sea cargo movements until mid to late November 2005. Although Customs and industry operators put extensive contingency arrangements in place that assisted with the

movement of cargo, a direct consequence of the delayed movement of cargo was that some importers and industry operators incurred storage and other related costs.

During this time Customs received a number of claims for compensation and established a contact point responsible for the management and administration of

these claims. Customs commenced making payments during 2006-07 following a claims assessment process developed jointly by Customs and its insurer, Comcover.

As at 30 June 2008, Customs had received 576 claims with a total value of \$9.8m. Of these, 568 claims had been either paid, had offers made or had been rejected with the total amount of compensation paid in relation to these claims being \$2.1m. The remaining 8 claims were still being assessed or were awaiting the provision of additional information requested from the claimant. Customs is continuing to receive claims, although in small numbers, and is seeking to resolve these claims as expeditiously as possible.

Client service

Customs is committed to providing a high-quality service to clients, as expressed through the Customs Client Service Standards and Client Service Charter. The Service Standards establish benchmarks for service delivery to the community and other stakeholders, improve client focus, and ensure that Customs is more open and accountable to the public and the Australian community. The Customs Client Service Standards are designed for staff and external clients and stakeholders.

In 2007-08 Customs reviewed the Service Standards to ensure they were up to date, and accurately reflected the environment and client needs. A Practice Statement on Client Service Standards was drafted.

Complaints and compliments

Customs Complaints and Compliments Management System (CCMS) enables community and industry to comment on their experiences.

Customs investigates all formal complaints and publishes quarterly statistics on the Customs website.

The Customs Client Service Charter has a target of responding to complaints and compliments within 15 working days. This standard was achieved in 90.72 per cent of cases.

Customs regularly monitors complaint and compliment trends in order to identify possible service improvements or highlight the provision of exceptional service.

In 2007-08 Customs investigated 2,717 cases; this represents a 16.21% increase in utilisation of the CCMS service. 2,150 cases related directly to Customs responsibilities, an increase of 4.83% on the previous reporting period. The remaining cases were incorrectly directed to Customs requiring referral to the relevant agency or redirection to another body.

The 2,150 cases consisted of;

- > 1,511 complaints cases, an increase of 8.24% on the previous reporting period;
- > 639 compliments cases, a decrease of 2.44% on the previous reporting period.

Figure 43: Number of complaints and compliments cases received by Customs

	2005-2006	2006-2007	2007-2008
Complaints	2,118	1,677	2,074
Compliments	633	661	643
Total	2,751	2,338	2,717

The three most commonly reported complaints were:

- > "Process took too long" – 200 cases;
- > "Officer was rude" – 191 cases;
- > "Didn't expect Duty/tax" – 168 cases.

The three most commonly reported compliments were:

- > "Officer/s was helpful" – 205 cases;
- > "Officer/s was professional" – 94 cases;
- > "Appreciated assistance" – 169 cases.

Customs Media

Customs Media is responsible for instilling community confidence in the agency's ability to successfully undertake its border protection role. It does this by communicating with media, the general public and industry stakeholders.

Key achievements in 2007–08 include:

- > generating publicity of major detections of illegal drugs, tobacco, illegal fishing apprehensions, trademark and copyright infringements and wildlife smuggling attempts;
- > strengthening key relationships with partner law enforcement agencies, including the Australian Federal Police, to effectively promote joint efforts to protect the Australian community from illegal activity;
- > developing an air cargo security awareness kit for use by the air cargo industry in conjunction with the Department of Infrastructure, Transport, Regional Development and Local Government;
- > contributing to whole-of-government strategic communication plans in the areas of counter-terrorism, pandemic preparedness and major government events including APEC;

- > continuing coordination of Customs participation in series five and six of the top-rating Seven Network program *Border Security*;
- > providing public affairs support for the Australian Government's mission to monitor Japanese whaling activity in the sub-Antarctic, including the collection, transmission and dissemination of vision and photographs from the Customs patrol vessel *Oceanic Viking* in the Southern Ocean;
- > expanding Customs pioneering online video database of broadcast quality footage for news media, documentary production and archive purposes;
- > promoting the 24-hour Customs Hotline community reporting program across northern Australia, to encourage remote and regional communities to report suspicious border activities to Customs.

MANAGEMENT OF HUMAN RESOURCES

Assessment of effectiveness in managing and developing human resources to achieve departmental objectives

This year Customs introduced a national Staffing Branch structure that has four streams:

- > recruitment and workforce planning;
- > learning and development;
- > employee and workplace relations;
- > safety, health and wellbeing.

These streams are supported by centres of excellence that provide specialist resources in high-volume areas. They include:

- > Customs trainee recruitment centre (NSW);
- > Customs trainee training centre (Victoria).

The national staffing framework aims to improve service delivery to clients and build capability in core business.

Key HR strategic directions for 2007–08

The HR Strategic Plan 2007–08 outlines the strategic directions for workforce planning in 2007–08. These include:

- > adopting a business-driven approach to the development of workforce capability;
- > providing a flexible workforce that can respond to varying workloads and demands for specialisation;
- > implementing job families with specific characteristics to meet the varying needs of business. Ensuring appropriate mobility exists within and between the job families;
- > providing a safe and healthy workplace for employees;
- > developing a predictive workforce plan that responds to the implications of divisional plans for workforce shifts, deployment and recruitment;
- > looking to the most cost-effective way to source specialist skills;

- > ensuring a good return on investment for investments in training;
- > differentiating recruitment to attract people of different roles;
- > following APS values.

WORKFORCE PLANNING, STAFF TURNOVER AND RETENTION

Workforce planning

In 2007–08 regular quarterly metric reports were developed in consultation with Divisions to assist them in operational workforce planning and decision making.

Workforce characteristics

The total Customs workforce on 30 June 2008 was 6,293. Most staff are employed at Customs Level 1. Staff are employed in all states and territories as shown in Figure 45.

Figure 44: Staff Numbers by Classification and Gender as at 30 June 2008*

	Male	Female
Indigenous Cadets	1	2
Graduate	3	7
Customs Trainee	79	53
CL 1	1,498	1,183
CL 2	937	682
CL 3	680	390
CL 4	311	201
CL 5	139	67
SES#	33	27
Total	3,681	2,612

* Includes staff employed under the Public Service Act 1999, staff on leave, higher duties and staff on loan from other agencies. Figures do not include contractors. Numbers reflect the actual occupancy (derived from Customs Human Resource Information Systems). Financial statements report on staff numbers by full-time equivalent (FTE).

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

Figure 45: Staff Numbers by location and Classification as at 30 June 2008*

	ACT	NSW	VIC	QLD	SA	WA	TAS	NT	Overseas
Indigenous Cadets		2	1						
Graduate	10								
Customs Trainee		59	19	38		16			
CL 1	265	775	554	544	107	319	12	105	
CL 2	356	452	304	231	69	142	17	48	
CL 3	467	205	158	100	30	77	7	26	
CL 4	342	56	40	30	11	19		5	9
CL 5	146	19	13	10	1	6	1	1	9
SES#	54	7	4	1		1			
Total	1,640	1,575	1,093	954	218	580	37	185	18

* Includes staff employed under the Public Service Act 1999, staff on leave, higher duties and staff on loan from other agencies. Figures do not include contractors. Numbers reflect the actual occupancy (derived from Customs Human Resource Information Systems). Financial statements report on staff numbers by full-time equivalent (FTE).

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

Staff turnover and retention

Customs continues a trend of low staff turnover and high retention. The total separation rate for Customs for 2007–08 was approximately 8 per cent. This measures the percentage of employees that left the organisation in the year. A result of between 5-10 per cent is generally accepted as an indicator of effective recruitment, selection and performance management. The retention rate for Customs for 2007–08 was approximately 92 per cent, which is high, and consistent with previous years.

Impact and features of certified agreements and AWAs

In 2007 Customs negotiated a new Collective Agreement that covers pay and conditions for most Customs employees. The Customs Collective Agreement 2007–10 provides for a pay increase of 4.2 per cent per annum. The first pay increase was paid at the start of Agreement in October 2007.

In accordance with the Government's Workplace Relations framework, AWAs are no longer issued. Current AWAs will continue

to operate in accordance with the Workplace Relations Act 1996.

Training and development undertaken and its impact

Learning and Development delivered on a range of initiatives in 2007–08 including:

- > the development and delivery of a development program for SES and CL5 level staff in Leading Design and managing change;
- > in conjunction with business partners, the development of a series of e-learning courses delivering flexible and nationally consistent operational and technical skills and knowledge;
- > continuing to work in partnership with Infrastructure Branch to implement a new Learning Management System as part of the new Human Resource Information System project;
- > continuing support and engagement for the Leading People at Frontline Course from supervisors and managers from all Divisions and Branches.

Occupational health and safety performance

Customs undertakes a wide variety of operational tasks in a diverse range of environments, presenting significant and specific challenges in the area of Occupational Health & Safety (OHS). People and Place have adopted strategic initiatives to increase organisational agility through improved OHS and Injury Management performance including:

- > the creation of the Safety, Health and Wellbeing section to coordinate national OHS and Injury Management priorities;
- > the identification of key result areas based on Divisional structures;
- > the development of a robust systematic process to ensure Customs is strategically positioned to meet OHS compliance and capacity gap challenges.

Customs occupational health and safety management arrangements

Following amendments to Commonwealth OHS legislation, in July 2007 Customs implemented its new Health & Safety Management Arrangements (HSMA). The Customs HSMA was developed in consultation with staff and the existing National OHS Committee.

The Customs HSMA policy documents outline the principles and arrangements of Customs safety management framework. The HSMA provides a comprehensive system to assist work areas in identifying hazards, assessing the risks, developing and implementing mitigation strategies, and monitoring and evaluating OHS performance. The HSMA also provides for regular self-assessment audits.

Customs established a new National OHS Committee in September 2007. The new Committee, supported by regionally-based OHS Committees, encompasses broad representation from operational divisions at SES and operational level.

Initiatives taken during the year to ensure the health, safety and welfare at work of employees and contractors

Customs has undertaken proactive steps to ensure the health and safety at work of employees and contractors including:

- > engaging a consultant to audit Customs OHS management systems;
- > establishing a Safety, Health and Wellbeing (SHW) team;
- > establishing a 'centre of excellence' to develop and manage the human resource policy and administrative issues of Use of Force training;
- > hosting a co-design workshop with the SES from the operational divisions;
- > facilitating targeted education and training workshops in Use of Force and providing guidance and assistance to Customs National Operational Training and Development Centre in the development of its OHS procedures;
- > implementing a range of health and wellbeing initiatives for staff such as health seminars, health and fitness testing, exercise programs and influenza vaccinations;
- > developing OHS policy and guidelines for employees undertaking home based work under the new Collective Agreement;
- > providing technical input into the development of the OHS component of a new Human Resource Systems program, scheduled for implementation in 2008–09;
- > developing relevant training modules for the new national curriculum for Customs Trainees;
- > facilitating a two-day conference for Regional SHW staff.

As a direct result of the recommendations and outcomes of the audit and co-design workshop, the SHW team has completed, or are undertaking, a number of initiatives to enhance Customs OHS and Injury Management capability, including:

- > responding to training needs by enhancing existing OHS training to provide more specific and targeted information, and developing new modules for supervisors and line managers;
- > developing flexible delivery online training;
- > providing of accredited training for the new National OHS Committee;
- > implementing of regular video-conferencing with all Regional SHW staff;
- > introducing measures to enhance the capability of Customs Case Managers to better manage rehabilitation and improve return-to-work outcomes.

Health and safety outcomes (including the impact on injury rates of employees and contractors) achieved as a result of initiatives.

Some important improvements in Customs OHS performance have been realised including a significant drop in the number of accepted workers' compensation claims from 236 in 2005–06 to 196 in 2006–07. This is despite an increase in staff numbers from 5,578 to 5,888.

The number of accepted psychological claims remained steady for 2005–06 and 2006–07 with eight claims accepted for each year, however the average cost of these claims dropped dramatically in 2006–07. There have not been any accepted psychological injury claims for 2007–08 to date.

While the data from 2007–08 is likely to change, there are some positive indicators in the numbers and performance of data collated, confirming the soundness of a strategic focus.



Figure 46: Occupational Health and Safety Performance

Performance measure	2005–06*	2006–07*	2007–08*
Accepted compensation incident claims	236	196	158
Claims per 100 staff (headcount)	4.23	3.33	2.51
Accepted compensation incident claims with time off work	167	147	113
Accepted compensation incident claims resulting in 5 or more days incapacity	124	102	79
Claims of 5 or more days incapacity per 100 staff (headcount)	2.22	1.73	1.25
Quality of return to work outcomes [^]	88%	85%	89%
Annual absenteeism [#] (Days per FTE)	12.22	12.01	11.71

Figures calculated as at 31 July 2008.

[^] Number of staff who successfully returned to employment following the implementation of a return to work plan.

[#] Annual absenteeism rates are calculated at the end of the March quarter.

Despite these positive trends Customs did not receive the bonus reduction in its workers' compensation premium that was delivered for the 2007–08 period. Conversely the premium has increased significantly for 2008–09. This is attributed to the regulator's high predictive costs of the accepted claims to date, particularly for the periods 2006–07 and 2007–08. Consequently SHW has initiated a number of strategies aimed at increasing capability in the area of Injury Management aimed at ensuring that the high level of the predictive costs is not realised.

Notifications under Section 68 of the OHS Act

There were 53 mandatory notifications to Comcare of injuries or dangerous occurrences in 2007–08 under Section 68 of the OHS Act. Detailed investigations were undertaken at the local level where necessary and appropriate measures were implemented to prevent recurrence.

Directions under Sections 29, 46 and 47 of the OHS Act

No notifications were made under Section 29 and section 47 of the OHS Act.

There was one non-compliance notification made under section 46 of the OHS Act in January 2008. The Prohibition Notice was issued against the defensive tactics component of Customs Use of Force training. All corrective action and recommendations contained in the Prohibition Notice were addressed and the notice was revoked in April 2008.

Comcare conducted seven investigations in 2007–08. Four were in response to incident notifications submitted under section 68 and three were reviews of previous investigations. In all of the six completed investigations the regulator was satisfied with the remediation activity instigated by Customs.

Productivity gains

The focus for productivity gains by human resource management has been to maximise the level of resources operating on the frontline and to realign resources and transition people to alternative position through natural attrition, reassignment and redeployment to alternative positions within Customs.

Security clearances

Customs granted 2,033 security clearances for ongoing and non-ongoing employees and contractors in 2007–08, 80 more than the previous year. Vetting service providers were again used to supplement processing capabilities during periods of peak activity, but referrals to outsource providers were reduced with the introduction of streamlined processing practices within the agency. Customs is in the early stages of developing an electronic system that will enable automation of key components of the security clearance process while enhancing the monitoring and evaluating of performance.

A major challenge and milestone has been the transition from regional-based vetting to a centralised structure that ensures security clearances are consistently processed to a common standard. The majority of security clearances are now processed in Canberra, but a small regional capacity has been maintained in all capital cities to ensure regional demands remain catered for.

Physical security

Customs continued to work on security initiatives to increase the physical security and integrity of Customs premises including reviews of security in Customs Container Examination Facilities. Customs began researching suitable options for the upgrade and consolidation of security alarm monitoring capabilities for all sites.

The server room hardening project was finalised and the upgrading and rolling-out of communications equipment in each state and territory continued. These projects will increase Customs communications capabilities while ensuring Customs compliance with physical security standards set out in the Australian Government Protective Security Manual and Australian Communication and Information Security Instructions. This compliance is reported against in the Commonwealth Protective Security Survey managed by the Attorney-General's Department.

Customs continued to provide the Maritime Security Identification Card (MSIC) and Aviation Security Identification Card (ASIC) issuing service to Australian Government agencies as per Customs ASIC and MSIC Issuing Plan. The plan was updated and lodged with the Department of Transport and Regional Services under the Transport Regulations.

Customs accommodation changes, particularly consolidation into more suitable premises, are providing opportunities for enhancement of physical security features in major offices. Works to Customs premises in the ACT have progressed through the year and specifications for the new Queensland premises have been drafted.

CORPORATE RESOURCE MANAGEMENT

Financial management

In 2007–08, Customs Financial Services Division supported the outputs by providing strategic direction in procurement and continuous improvement of the financial management framework, aligned to government policy and industry best practice.

The division assisted the achievement of Customs outcomes through enhanced financial systems capabilities, revised budget

allocations and the frequent review of internal documentation and business processes. This has ensured a higher level of compliance with financial responsibilities and resulted in a more effective use of resources and delivery of corporate objectives.

A number of internal and external processes designed to ensure compliance with financial responsibilities are in place. These include the annual Planning Cycle, which is the foundation for internal budget allocations. The Planning Cycle includes a mechanism for the Executive to assess the internal funding provided to all Divisions to the operational units of Customs. This funding is provided on a four-year rolling cycle in accordance with the funding provided by Government as incorporated into the published forward estimates. A mid-year review of allocations is built into the planning process to adjust funding allocated and re-align internal budgets based on year-to-date performance.

The Executive Management Monthly Performance Report comprises a report of financial performance against budget. Through the ReportNet system, a monthly report covers comprehensive financial and staffing data electronically distributed to Customs managers. Reports are also provided monthly to Government through the reporting systems administered by the Department of Finance and Administration.

Assets management

Assets are managed to support strategic resource allocations, enable accurate financial reporting and provide controls to help prevent the loss or misuse of Customs asset base as required by the *Financial Management and Accountability Act (1997)*. A computerised database of assets is maintained and regular stocktakes and reviews of the database are undertaken.



In 2007–08 asset management policies and procedures were reviewed and updated to incorporate current best practice and regulatory requirements. Procedures and management policies also provide guidance for project managers to accurately determine the capitalisation of assets within their projects.

As at 30 June 2008, Customs held non-financial assets with a written down value of \$443m. This compares to \$379m at 30 June 2007. The rise reflects a number of asset acquisitions, particularly property.

Property

During 2007–08 Customs Property Directorate managed more than 400 properties in a diverse and geographically dispersed portfolio. It includes operational facilities at airports and wharves, container examination premises, detector dog housing and training accommodation, enforcement training centres, technical development and analysis laboratories, staff housing, communication sites, and a range of capital city, district and site offices.

Customs most significant property lease acquisition in 2007–08 was 9,000 square metres of office space at 2 Constitution Avenue, Canberra. This additional accommodation was necessitated by the Government's directive for Customs to expand its border protection role. The new property, vacated by ATO in 2007, is directly across Constitution Avenue from Customs House.

In 2007–08 Customs commercial leasing and facilities management activities were, for the most part, undertaken by Customs outsourced property service provider, United Group Services Limited. The residential portfolio was mainly managed by Defence Housing Australia.

Capital projects

Customs Property Directorate managed the delivery of more than 50 medium-to-major capital works projects in 2007–08. These included the construction of an Illegal Fishers Facility for Border Enforcement Division on land leased by Customs at Nhulunbuy in the Northern Territory.

Staff housing

Customs continuing requirement to operate from remote coastal locations in Western Australia, the Northern Territory, and Queensland means it must provide operational staff with accommodation. Most of the 131 residences held by Customs at the end of 2007–08 were in remote localities.

Review of the property function

In 2007–08 a consultant carried out a review of Customs property services. The recommendations were accepted and their implementation has begun. It specifically addressed the property functions of: strategy and planning, real estate services, capital works project management, facilities management, residential accommodation, and environmental management.

Environment and energy

The Property Directorate continued to take responsibility for meeting Customs statutory requirements in the areas of environment and energy.

In addition, in response to a Government's greenhouse Gas Protocol (GHG), Property engaged a consultant to produce a report to establish Customs 2006–07 carbon footprint in accordance with the GHG. The report will to be complemented by the relevant 2007–08 data and will act as the foundation for the development of a strategy to address overall environmental performance.

Heritage

In accordance with the *Environment Protection and Biodiversity Conservation Act 1999*, the Property Directorate completed a Heritage Strategy for the management of the heritage properties and sites that it controls. A copy of the Strategy was sent to the Minister for Environment Heritage Water and the Arts as required by legislation.

Customs is currently undertaking a review of all the properties and sites it controls to assess their heritage potential and the necessary Heritage Management Plans will be completed once that is done. Work on plans for the known heritage properties has already begun. They are: the Customs Marine Centre at Neutral Bay NSW; Portland Customs House Victoria; and, Geraldton Customs House Western Australia.

Purchasing

Customs procurement is conducted in a devolved environment across the organisation through cross-functional teams that undertake major acquisition projects of high value or high risk, develop and revise guidance and policy documents, and maintain a contract management system to streamline reporting.

All procurement processes are monitored to ensure compliance with legislative requirements and relevant Government

procurement policies such as the *Financial Management and Accountability Act 1997*, the *FMA Regulations 1997* and *Commonwealth Procurement Guidelines* (CPGs) respectively. Customs financial reporting obligations are met by publishing business opportunities, transactions entered into and an annual procurement plan on AusTender, as required in the CPGs. Contract reporting is facilitated in line with Government requirements such as the *Senate Order on Departmental and Agency Contracts*.

Major projects in 2007–08 include the electronic signage system at all Australian international airports, as well as accommodation management, stationery and medical examination services nationally.

During 2007–08, Customs entered into 347 contracts to assist Customs in meeting its objectives. The following table shows a comparison of the number of contracts (for services only) that were entered into in the last three financial years.

Consultants

During 2007–08, 92 new consultancy contracts were entered into involving total actual expenditure of \$7,843,799.34. In addition, 19 ongoing consultancy contracts were active during the 2007–08 year involving total actual expenditure of \$3,064,159.85.

Figure 47: Number of contracts for services only Customs has entered into

Financial Year	2005–06	2006–07	2007–08
Number of contracts for services only	118	356	347

Figure 48: Number of consultancy contracts Customs has entered into

Financial Year	2005–06	2006–07	2007–08
Number of consultancy contracts	35	30	92
Actual expenditure	\$3,575,000	\$6,558,353	\$7,843,799

Appendix C: Distinguishing Consultancies from Non-consultancy Contracts in the Department of Finance and Deregulation's *Guidance on Procurement Publishing Obligations*, July 2007 (FM Guidance No. 15) was used in preparing the information on consultancies contained in this report.

Selection and engagement of consultants

Consultants are selected by open tender, select tender, direct sourcing or through a pre-existing panel arrangement. The type of selection procedure is consistent with the Commonwealth Procurement Guidelines and Chief Executive Instructions. Customs currently has a panel of providers for consultancy and business services operating, however not all services provided under this panel will necessarily fall into the consultancy category.

Generally consultants are commissioned to:

- > investigate or diagnose a defined issue or problem;
- > carry out defined research, reviews and evaluations;
- > provide independent advice, information or creative solutions to assist Customs, for example the creative advertising campaign for the SmartGate Project;
- > provide specialised services such as business advisory services and independent audit reviews.

The main purposes for which consultants were engaged include:

- > business service and IT advice;
- > human resources and occupational health and safety advice and analysis;
- > security risk review and analysis services;
- > probity advice relating to procurement processes;
- > architectural and construction advice.

All selection procedures are compliant with Commonwealth policy and principles.

For a list of consultancy contracts let in 2007–08 refer to the Customs website at www.customs.gov.au.

Information on expenditure of contracts and consultancies is also available on the AusTender website www.tenders.gov.au.

CONTRACT MANAGEMENT AND OUTSOURCED ARRANGEMENTS

Competitive tendering and contracting

Customs competitive tendering and contracting operations reflect best value for money, encourage competition and produce optimal results for the agency.

In 2007–08, all outsourced arrangements provide for the Auditor-General to have access to the Contractor's premises.

Exempt contracts

Customs had one contract exempt from the purchasing and disposal gazette in 2007–08.

Advertising and market research

Expenditure on advertising and market research is detailed at Appendix E.

Discretionary grants

Customs did not provide or receive any discretionary grants in 2007–08.

Environmental management: Customs environmental, social and economic impacts.

Customs is committed to making a positive contribution to sustainable development. Its impact is measured using benchmark indicators from Environment Australia and the Global Reporting Initiative.

Customs aims to apply the principles of ecologically sustainable development, social justice and equity in policy development and operational activity. Risk management guidance, which includes the assessment of environmental, geographic, social, commercial and trading risks, underpins planning and project activities wherever possible. Customs recognises the strategic risk to Australia's health and safety if its operational response to enforcing legislation is inadequate. Newly established reporting and review processes ensure the risks are assessed regularly and that systems and processes support continuous improvement.

Environmental impact

Customs Environmental Policy Statement commits to continuously improving environmental performance. The management of energy, water and wastes, the vehicle fleet and purchasing are monitored. The Environmental Management System provides a framework for considering and minimising environmental impacts within continual improvement. Customs is also committed to supporting other government agencies in environmental tasks.

Environmental management system conformance

Customs conforms to the Environmental Management System by:

- > recycling toner cartridges and light tubes;
- > using recycling bins for paper, aluminium and plastic;
- > educating staff through signs in toilets, kitchens and at photocopiers to reinforce environmentally friendly practices;
- > adding clauses to contracts to include cleaning and recycling;
- > using high percentage recycled paper throughout Central Office;
- > effective maintenance including changing washers;
- > installing water efficient showerheads and chilled water dispensers during refurbishments;
- > water efficient window washing using buckets in place of high pressure water;
- > educating staff and visitors to be careful with water use.

Environmental performance improvement process

Customs measures performance against energy targets and energy audit requirements as required by the Government, and is developing an Environmental Management Program to target major issues such as generation of waste, consumption of energy, consumption of water, management of hazardous materials and the consumptions of goods.

Customs incorporates environmental factors into its planning documents including the *2005–10 Customs Plan* and the *2007–08 Strategic Statement*. These documents are integral to the planning and performance framework, and form the basis of planning at all other levels.

Building specifications and leases integrate some environmental aspects. Customs is requesting five per cent new renewable energy in all new major contracts where the head lease is held by Customs. Life-cycle costing is incorporated into procurement processes.

Energy use

Customs overall energy consumption in 2006–07 dropped by 9 per cent, compared to the previous year. This was primarily due to Customs no longer reporting 5 Constitution Avenue Canberra as Central Services and Tenant Light and Power (TL&P). 5 Constitution Avenue is now reported as 100% TL&P due to a change in arrangement with the building owner.

Figure 49: Direct energy use (tenant light and Power)*

Financial year	2004–2005	2005–2006	2006–2007
Office – tenant light & power			
Electricity (kWh)	13,770,693	13,028,876	12,240,929
Green power (kWh)	0	114,034	69,984
Total GJ	49,574	47,314	44,067
Occupancy (people)	4,275	5,008	4,973
Area (m ²)	62,560	90,516	86,787
MJ/occupancy (people)/annum (government target is 10,000 MJ)	11,596	9,448	8,861
MJ/area (m ²)/annum	792	523	508
m ² /person	14.63	18.07	17
Office – central services			
Electricity (kWh)	1,652,286	1,862,469	1,739,160
Natural gas (MJ)	11,789,515	6,336,727	2,430,377
Green power (kWh)	0	48,872	69,984
Total GJ	17,738	13,218	8,691
Area (m ²)	19,448	31,547	13,677
MJ/area (m ²)/annum (government target is 500 MJ)	912	419	635
Other buildings			
Electricity (kWh)	3,966,633	939,925	1,485,567
Total GJ	14,280	3,384	5,348
Area (m ²)	66,722	49,394	51,860
Mj/area (m ²)/annum	214	68	103
Other uses			
Electricity kWh	0	4,020,042	3,031,714
Greenpower kWh	0	0	26,486
Total GJ	0	14,472	10,914
Area (m ²)	0	0	70,089
KPI (MJ/m ²)	0	0	156

* 2007–08 figures were not available at the time of publication as the raw data only becomes available after publication.

Customs recorded a large increase in overall energy use (transport) in 2006–07.

Passenger Vehicles' energy consumption decreased by 5% to 19,829 GJ. However Other Transport's energy consumption increased by 168% to 359,761 GJ in 2006–07. This increase was primarily due to the inclusion of Customs' major ocean going ships: the Triton and Ocean Viking which were not reported on in previous years, resulting in the increase in diesel consumption.

Customs fleet vehicles are represented under the 'Passenger Vehicles' heading and vessels are represented under the 'Other Transport'

heading. These modes of transport were provided separately in this reporting period to give an accurate summary of Customs operating vehicle requirements identifying the GHG emissions contributor.

The following GHG emission figures were determined from Customs annual energy bills. Each state has a different GHG factor, and therefore, the GHG emissions are worked out site-by-site basis with any Green Power deducted.



Figure 50: Direct energy use (transport)*			
Financial year	2004–2005	2005–2006	2006–2007
Passenger vehicles			
LPG (L)	36	2,991	3,129
Automotive Diesel (L)	59,258	47,037	77,971
Petrol (L)	584,040	556,970	416,881
E10 Bio-Fuel	0	0	75
Total GJ	22,262	20,941	19,829
Distance Travelled (km)/annum	4,258,622	4,934,874	4,615,676
MJ/Distance Travelled (km)/annum	5.23	4.24	4.30
Other transport			
LPG (L)	0	3,111	3,699
Automotive Diesel (L)	3,372,830	3,397,466	9,233,215
Automotive Petrol (L)	0	91,002	95,439
Total GJ	130,191	134,334	359,761
Entity totals	2004–2005	2005–2006	2006–2007
Total GJ	234,046	233,663	448,611

* These figures cover leased vehicles only. Owned vehicles, vessels and leased aircraft are not included.

** 2007–08 figures were not available at the time of publication as the new raw data only becomes available after publication.

Figure 51: Greenhouse gas emissions

Financial year	2004–2005	2005–2006	2006–2007
Office – Tenant Light And Power			
CO2/person/annum (tonnes)	3.02	2.90	2.60
CO2/m2/annum (tonnes)	0.21	0.16	0.15
Total CO2/annum (tonnes)	12,889.24	14,542.00	12,927.50
Office – Central Services			
CO2/m2/annum (tonnes)	0.11	0.09	0.18
Total CO2/annum (tonnes)	2,187.86	2,862.00	2,472.45
Other Buildings			
CO2/m2/annum (tonnes)	0.06	0.02	0.03
Total CO2/annum (tonnes)	3,712.80	938.00	1,463.60
Passenger Vehicles (LEASEPLAN FLEET DATA ONLY)			
CO2/annum (tonnes) – LPG	0.06	5.38	5.68
CO2/annum (tonnes) - Diesel	159.40	141.11	233.55
CO2/annum (tonnes) - Petrol	1,318.30	1,559.52	1,102.35
CO2/annum (tonnes) - Biofuel	0.00	0.00	170.70
Total CO2/annum (tonnes)	1,477.76	1,706.01	1,512.30
TOTAL CO2 Emissions (not including OT & OU)	20,267.66	20,048.01	18,375.85
Other Transport (CUSTOMS OWNED VESSELS)			
CO2/annum (tonnes) – LPG	NA	5.60	6.72
CO2/annum (tonnes) - Diesel	NA	10,192.40	27,656.80
CO2/annum (tonnes) - Petrol	NA	254.81	251.98
Total CO2/annum (tonnes)	NA	10,452.80	27,915.50
Other Uses			
Total CO2/annum (tonnes)	NA	4,249.00	3,313.50
TOTAL CO2 Emissions (including OT & OU)	-	34,749.814	49,604.851

* Aircraft are not included.

** 2007–08 figures were not available at the time of publication as the new raw data only becomes available after publication.

Customs 2006–07 environmental data has been reviewed to enhance the accuracy of the available data and its attribution. The most significant change is the inclusion of Customs-owned vehicles and vessels, which were not included before 2005–06 carbon emission data. The inclusion of this data for 2006–07 has resulted in a significant increase when compared with previously reported carbon emissions due to inclusion of the shipping fleet in other transport (diesel).

Initiatives to use renewable energy sources and increase energy efficiency:

- > renewable energy sourced within electricity contracts;
- > lighting arrangements/fittings replaced/modified;

- > flat screens introduced to save a third of the current monitor energy costs.

Environmental goals

2007–08 marked the completion of various environmental goal initiatives. The major new initiative will continue into 2008–09 with Customs outsourced property service provider, United Group Services Limited, continuing to provide an Energy Management Program (EMP) focusing on energy consumption, water use, generation of waste, hazardous materials, and consumption of goods. United Group Services will recommend solutions and provide a strategy plan for future environmental goal initiatives.



Figure 52: Ongoing environmental initiatives		
Environmental goals 2007–08	Result	Ongoing environmental Goals 2008–09
Increase use of recycled paper to 80 per cent from current use of 50 per cent in Central Office.	Ongoing improvement	Liaising with Corporate Publishing to make change to 80 per cent recycled paper based on trial.
Implement energy saving recommendations from energy audits.	Contractor selected to manage process.	This goal is included in the United Group Service's Energy Management Program (EMP) for 2008–09.
Promote fuel-efficient vehicles for Customs Fleet improving overall Green Vehicle Guide rating (and amend procurement guidelines).	Completed/ ongoing improvement.	Chief Executive Instructions updated to promote use of E10 fuel.
Aim to improve electricity consumption in regions with promotion of EMS and assistance across all regions of environmental initiatives.	Contractor selected to manage process.	This goal included in United Group Service's EMP for 2007–08.
Minimum of five per cent green energy will be established for eight sites in ACT and NSW.	Completed – Continuous additions, new sites using percentage of green energy, more sites to follow as energy supply contracts expire.	Increase the number of sites using green energy including residential accommodation.

New environmental goals 2008–09

New environmental goals include:

- > United Group Services continuing to provide EMP and targets;
- > initiating United Group Services energy saving recommendations as per site inspections;
- > establishing contractor to undertake Customs non-property related environmental matters;
- > establishing Customs Carbon footprint (where data is finalised);
- > investigating installation of water tanks at key facilities/residential properties;
- > installing solar hot water systems for key residential sites;
- > implementing energy saving solutions for office lighting;
- > introducing energy saving solutions for PC and office equipment.

Customs procurement policy as it relates to sustainable development

Customs complies with relevant Government policies contributing to sustainable development. These policies include environmental policies as outlined in the Department of Finance and Deregulation, Financial Management Guidance No.10 Guidance on Complying with Legislation and Government Policy in Procurement – January 2005. Customs complies with these policies through the inclusion of model environmental clauses in request for tender documentation and taking into consideration as part of the decision-making process, tender responses that identify non-compliance with Government policies, particularly in relation to sustainable development.

Economic, environmental and social criteria that apply to Customs expenditures and financial commitments

Customs applies economic, environmental and social criteria that are outlined in the Department of Finance and Deregulation, Financial Management Guidance No.10 Guidance on Complying with Legislation and Government Policy in Procurement – January 2005 in procurement operations. Customs complies with these policies through the inclusion of evaluation criteria in procurement documents and having regard to those policies when determining value for money in a tender process. This is in an effort to improve energy efficiency and reduce the whole-of-life cost and environmental impact throughout a product's life cycle (production, use or disposal). Criteria such as occupational health and safety, hazardous and ozone depleting substances and energy ratings are included.

Purchasing requirements consider a wide range of other policies that meet Government requirements for effective purchasing including:

APS Values, Ethics and Standards of Conduct, Chief Executive Instructions, Occupational Health and Safety Policy, Freedom of Information Act 1982 and Privacy Act 1988.

PART 5

FINANCIAL STATEMENTS

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OVERVIEW OF FINANCIAL STATEMENTS

AUDITED FINANCIAL STATEMENTS

The financial statements incorporate the agency financial statements for Customs and the schedules of administered items relating to items administered by Customs.

A comprehensive set of notes to the financial statements is provided as required by the Finance Minister's Orders including Note 1, the summary of the significant accounting policies on which the financial statements have been prepared.

The financial statements include a statement by the Chief Executive Officer and the Chief Financial Officer that financial records have been properly maintained and that they give a true and fair view of the matters required by the Finance Minister's Orders. The Auditor-General provides Customs with an unmodified independent audit report for the financial statements and this report has been included.

AGENCY STATEMENTS

In 2007-08, Customs reported a net operating surplus of \$0.262m as compared with a net operating deficit of \$1.853m in 2006-07.

Total income for 2007-08 was \$1.265b (up from \$1.212b in 2006-07). This increase is primarily due to additional funding provided for new measures as announced in the 2007-08 Budget and Portfolio Additional Estimates Statement. This increase was offset by a \$33.2m decrease in the notional value of Resources Received Free of Charge (RRFOC) from the Department of Defence's contribution to coastal surveillance activities. It should be noted that the flying hours and patrol boat days have increased slightly but the rates per hour and day have decreased.

Total expenses for 2007-08 were \$1.265b (compared to \$1.213b in 2006-07). Employee expenses increased by \$48.5m or 10.8%, supplier expenses decreased by \$5.8m. The underlying increase reflects additional expenses associated with recently implemented government funded initiatives offset by value recorded for Customs RRFOC \$33.2m in supplier expenses. Depreciation increased by \$12.3m due to the additional depreciation expenses associated with approximately \$127m of Capital expenditure for the year.

Customs returned \$6.8m (\$20.8m in 2006-07) of appropriation to government during 2007-08 as a result of a fall in the number of foreign fishers entering Australian waters. This decrease in numbers reduced the need for Customs to incur costs relating to the transport and processing of illegal foreign fishers and respond to onshore incursions.

The agency balance sheet represents the financial position of Customs as at 30 June 2008 and takes into account movements in assets, liabilities and equity. As at 30 June 2008, Customs held non-financial assets of \$443m compared to \$379m as at 30 June 2007. The rise reflects a number of asset acquisitions including the purchase of numerous residential properties in remote areas, fit-out of Customs offices, rollout of SmartGate and CCTV systems along with the internal development of software systems, such as the Australian Maritime Identification System (AMIS) and HR roster system.

Total equity is reported as \$384.3m in 2007–08 compared with \$349.7m in 2006–07. This increase reflects a \$37.5m in additional equity provided to Customs by the government during 2007–08 for the capital acquisition announced in the 2007-08 Portfolio Budget Statements and Portfolio Additional Estimates Statements, plus the 2007–08 operating result of \$0.262m. This increase is offset by a \$3.2m reduction in the asset revaluation reserve due to a reassessment of the provision for makegood.

ADMINISTERED SCHEDULE

A schedule of administered items is presented with the financial statements disclosing all revenues, expenses, assets, liabilities, cashflows, commitments, contingent assets and liabilities.

Customs duty collections in 2007–08 totalled \$6.07 billion (\$5.64 billion in 2006–07). The \$428 million increase is principally due to a \$247 million increase in Excise Equivalent Goods (EEG) and a \$146 million increase in Passenger Motor Vehicle (PMV) collections and the continuing strong economic performance of the Australian economy in 2007–08.

Other taxes collected have increased by \$34.5m in 2007-08 compared to 2006-07. This is primarily due to an increase in Passenger Movement Charge collections of \$27 million. This increase reflects the growth in the number of passengers departing the country, most likely as a result of the rise in the value of the Australian dollar. Import Processing and Depot Charges have increased by \$7.7m due to the strengthening of the Australian dollar resulting in additional imports through both the sea and air environment.





INDEPENDENT AUDITOR'S REPORT

To the Minister for Home Affairs

Scope

I have audited the accompanying financial statements of Australian Customs Service for the year ended 30 June 2008, which comprise: a statement by the Chief Executive and Chief Financial Officer; income statement; balance sheet; statement of changes in equity; cash flow statement; schedules of commitments, contingencies and administered items; a summary of significant accounting policies; and other explanatory notes.

The Responsibility of the Chief Executive for the Financial Statements

Australian Customs Service's Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997* and the Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Australian Customs Service's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Australian Customs Service's Chief Executive, as well as evaluating the overall presentation of the financial statements.

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

Independence

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

Auditor's Opinion

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

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, and the Australian Accounting Standards (including the Australian Accounting Interpretations); and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including Australian Customs Service's financial position as at 30 June 2008 and its financial performance and its cash flows for the year then ended.

Australian National Audit Office

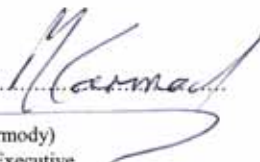


Carla Jago
Executive Director
Delegate of the Auditor-General


Canberra
25 August 2008

AUSTRALIAN CUSTOMS SERVICE
STATEMENT BY THE CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2008 have been prepared based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.

Signed 
.....

(M Carmody)
Chief Executive

 August 2008

Signed 
.....

(C Ramsden)
A/g Chief Financial Officer

 August 2008

AUSTRALIAN CUSTOMS SERVICE INCOME STATEMENT

for the period ended 30 June 2008

	Notes	2008 \$'000	2007 \$'000
INCOME			
Revenue			
Revenue from Government	3A	1,006,046	923,087
Sale of goods and rendering of services	3B	65,896	59,115
Rental income	3C	1,440	1,604
Other revenue	3D	191,007	224,163
Total revenue		1,264,389	1,207,969
Gains			
Other gains	3E	750	3,594
Total gains		750	3,594
Total Income		1,265,139	1,211,563
EXPENSES			
Employee benefits	4A	496,828	448,340
Suppliers	4B	695,014	700,804
Depreciation and amortisation	4C	71,262	58,997
Finance costs	4D	167	295
Write-down and impairment of assets	4E	1,037	37
Losses from asset sales	4F	57	4,326
Other expenses	4G	512	617
Total Expenses		1,264,877	1,213,416
Surplus (Deficit)		262	(1,853)
Surplus (Deficit) attributable to the Australian Government		262	(1,853)

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

AUSTRALIAN CUSTOMS SERVICE BALANCE SHEET

as at 30 June 2008

	Notes	2008 \$'000	2007 \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	5A	9,219	9,317
Trade and other receivables	5B	161,058	175,027
Total financial assets		<u>170,277</u>	<u>184,344</u>
Non-Financial Assets			
Land and buildings	6A	102,760	80,875
Infrastructure, plant and equipment	6B	105,793	89,366
Intangibles	6D	220,409	202,991
Inventories	6E	1,933	2,019
Other non-financial assets	6F	11,668	3,412
Total non-financial assets		<u>442,563</u>	<u>378,663</u>
Total Assets		<u>612,840</u>	<u>563,007</u>
LIABILITIES			
Payables			
Suppliers	7A	73,291	78,233
Other payables	7B,1.20	6,356	4,397
Total payables		<u>79,647</u>	<u>82,630</u>
Provisions			
Employee provisions	8A	137,651	125,093
Other provisions	8B,1.20	11,226	5,563
Total provisions		<u>148,877</u>	<u>130,656</u>
Total Liabilities		<u>228,523</u>	<u>213,287</u>
Net Assets		<u>384,317</u>	<u>349,722</u>
EQUITY			
Contributed equity		304,418	266,878
Reserves	1.16	27,147	30,354
Retained surplus (accumulated deficit)	1.20	52,752	52,490
Total Equity		<u>384,317</u>	<u>349,722</u>
Current Assets		183,878	189,775
Non-Current Assets		428,962	373,232
Current Liabilities		194,468	190,164
Non-Current Liabilities		34,055	23,123

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

AUSTRALIAN CUSTOMS SERVICE STATEMENT OF CHANGES IN EQUITY

as at 30 June 2008

	Retained Earnings		Asset Revaluation		Contributed Equity/ Capital		Total Equity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Opening balance	52,490	51,112	30,354	29,503	266,878	228,734	349,722	309,349
Equity lapsing	-	-	-	-	-	-	-	-
Restatements, Note 1.20	-	3,231	-	-	-	-	-	3,231
Adjustments for changes in accounting policies	-	-	-	-	-	-	-	-
Adjusted opening balance	52,490	54,343	30,354	29,503	266,878	228,734	349,722	312,580
Income and expense								
Revaluation	-	-	-	851	-	-	-	851
Revaluation of Makegood Note 1.16	-	-	(3,207)	-	-	-	(3,207)	-
Subtotal income and expenses recognised directly in equity	-	-	(3,207)	851	-	-	(3,207)	851
Surplus (Deficit) for the period	262	(1,853)					262	(1,853)
Total income and expenses	262	(1,853)	(3,207)	851	-	-	(2,945)	(1,002)
of which:						228,734		
attributable to Australian Government	262	(1,853)	(3,207)	851	-	-	(2,945)	(1,002)
Transactions with owners								
<i>Contributions by Owners</i>								
Appropriation (equity injection)	-	-	-	-	37,540	38,144	37,540	38,144
Sub-total transactions with owners	-	-	-	-	37,540	38,144	37,540	38,144
Transfers between equity components	-	-	-	-	-	-	-	-
Closing balance at 30 June	52,752	52,490	27,147	30,354	304,418	266,878	384,317	349,722
Closing balance attributable to the Australian Government	52,752	52,490	27,147	30,354	304,418	266,878	384,317	349,722

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

FINANCIAL
STATEMENTS

AUSTRALIAN CUSTOMS SERVICE CASH FLOW STATEMENT

for the period ended 30 June 2008

	Notes	2008 \$'000	2007 \$'000
OPERATING ACTIVITIES			
Cash received			
Goods and services		65,402	63,703
Appropriations		1,012,552	894,227
Net GST received from ATO		63,210	58,080
Other cash received		-	2,121
Total cash received		1,141,164	1,018,131
Cash used			
Employees		484,270	439,961
Suppliers		575,064	510,035
Financing costs		167	295
Other cash used		512	634
Total cash used		1,060,013	950,925
Net cash from or (used by) operating activities	9	81,151	67,206
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment		100	599
Total cash received		100	599
Cash used			
Purchase of property, plant and equipment		78,176	69,731
Purchase of intangibles		48,972	32,331
Total cash used		127,148	102,062
Net cash from or (used by) investing activities		(127,048)	(101,463)
FINANCING ACTIVITIES			
Cash received			
Appropriations - contributed equity		45,799	34,236
Total cash received		45,799	34,236
Cash used			
Repayment of borrowings		-	-
Total cash used		-	-
Net cash from or (used by) financing activities		45,799	34,236
Net increase or (decrease) in cash held		(98)	(21)
Cash at the beginning of the reporting period		9,317	9,338
Cash and cash equivalents at the end of the reporting period	5A	9,219	9,317

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

AUSTRALIAN CUSTOMS SERVICE SCHEDULE OF COMMITMENTS

as at 30 June 2008

	2008 \$'000	2007 \$'000
BY TYPE		
Commitments receivable		
Sublease rental income	(6,210)	-
GST recoverable on commitments	(139,698)	(158,260)
Total commitments receivable	(145,908)	(158,260)
Capital commitments		
Land and buildings	6,323	6,476
Infrastructure, plant and equipment ¹	24,382	23,631
Intangibles ²	26,585	-
Total capital commitments	57,290	30,107
Other Commitments		
Operating leases ³	1,341,830	1,514,990
Other commitments	137,558	195,763
Total other commitments	1,479,388	1,710,753
Net commitments by type	1,390,770	1,582,600
BY MATURITY		
Commitments receivable		
Operating lease income		
One year or less	(1,565)	-
From one to five years	(4,618)	-
Over five years	(27)	-
Total operating lease income	(6,210)	-
Other commitments receivable		
One year or less	(29,742)	(26,608)
From one to five years	(60,760)	(57,798)
Over five years	(49,196)	(73,854)
Total other commitments receivable	(139,698)	(158,260)
Commitments payable		
Capital commitments		
One year or less	53,604	15,901
From one to five years	3,686	12,006
Over five years	-	2,200
Total capital commitments	57,290	30,107
Operating lease commitments		
One year or less	183,403	164,474
From one to five years	617,272	540,326
Over five years	541,155	810,190
Total operating lease commitments	1,341,830	1,514,990
Other commitments		
One year or less	90,157	112,313
From one to five years	47,401	83,450
Over five years	-	-
Total other commitments	137,558	195,763
Net commitments by maturity	1,390,770	1,582,600

NB: Commitments are GST inclusive where relevant.

¹ Plant and equipment commitments are primarily due to the development of Smartgate.

² Intangibles are primarily due to the development of the Australian Maritime Information System.

³ Operating leases included are effectively non-cancellable and comprise:

Nature of lease	General description of leasing or contract 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	Most Contractors or Contracts are subject to annual CPI adjustments. This class of Commitments includes, among others, CEF logistical costs, IT related leases, coastal surveillance related leases such as aircraft and vessels, vehicle and other transport related leases.

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

AUSTRALIAN CUSTOMS SERVICE SCHEDULE OF CONTINGENCIES

as at 30 June 2008

Contingent Assets	Guarantees		Indemnities		Claims for damages or costs		TOTAL	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Balance from previous period	-	-	-	-	8	54	8	54
New	-	-	-	-	-	8	-	8
Re-measurement	-	-	-	-	(8)	-	(8)	-
Assets crystallised	-	-	-	-	-	(54)	-	(54)
Expired	-	-	-	-	-	-	-	-
Total Contingent Assets	-	-	-	-	-	8	-	8

Contingent Liabilities	Guarantees		Indemnities		Claims for damages or costs		TOTAL	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Balance from previous period	-	-	-	-	11,100	283	11,100	283
New	-	-	-	-	258	11,100	258	11,100
Re-measurement	-	-	-	-	(6,159)	-	(6,159)	-
Liabilities crystallised	-	-	-	-	(10)	(283)	(10)	(283)
Obligations expired	-	-	-	-	-	-	-	-
Total Contingent Liabilities	-	-	-	-	5,189	11,100	5,189	11,100
Net Contingent Assets (Liabilities)							(5,189)	(11,092)

Details of each class of contingent liabilities and assets, including those not included above because they cannot be quantified or are considered remote, are disclosed in Note 10: Contingent Liabilities and Assets.

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

AUSTRALIAN CUSTOMS SERVICE SCHEDULE OF ADMINISTERED ITEMS

	Notes	2008 \$'000	2007 \$'000
Income administered on behalf of Government			
<i>for the period ended 30 June 2008</i>			
Revenue			
Taxation revenue			
Customs duty		6,068,978	5,640,865
Passenger movement charge		420,016	393,222
Import processing and depot charges		137,082	129,371
Total taxation revenue		<u>6,626,076</u>	<u>6,163,458</u>
Non-taxation revenue			
Fees, fines & prosecutions		1,896	19,293
Interest		35	41
Other revenue		1,758	2,596
Total non-taxation revenue		<u>3,689</u>	<u>21,930</u>
Total income administered on behalf of Government		<u>6,629,765</u>	<u>6,185,388</u>
Expenses administered on behalf of Government			
<i>for the period ended 30 June 2008</i>			
Write down and impairment of assets		2,897	15,840
Other expenses		-	536
Total expenses administered on behalf of Government		<u>2,897</u>	<u>16,376</u>

This schedule should be read in conjunction with the accompanying notes.

AUSTRALIAN CUSTOMS SERVICE SCHEDULE OF ADMINISTERED ITEMS

	Notes	2008 \$'000	2007 \$'000
Assets administered on behalf of Government			
<i>as at 30 June 2008</i>			
Financial assets			
Cash and cash equivalents	14A	766	3,939
Taxation receivables	14B	118,218	102,969
Other non-taxation receivables	14C	2,638	6,464
Total financial assets		121,622	113,372
Non-financial assets			
Inventories		23	271
Total non-financial assets		23	271
Total assets administered on behalf of Government		121,645	113,643
Liabilities administered on behalf of Government			
<i>as at 30 June 2008</i>			
Payables			
Unearned revenue		2,897	3,038
Other payables		621	652
Total payables		3,518	3,690
Interest bearing liabilities			
Security Deposits		5,152	5,935
Other interest bearing liabilities		-	3,257
Total interest bearing liabilities		5,152	9,192
Total liabilities administered on behalf of Government		8,670	12,882

This schedule should be read in conjunction with the accompanying notes.

AUSTRALIAN CUSTOMS SERVICE SCHEDULE OF ADMINISTERED ITEMS

	Notes	2008 \$'000	2007 \$'000
Administered Cash Flows			
<i>for the period ended 30 June 2008</i>			
OPERATING ACTIVITIES			
Cash received			
Customs duty		5,903,520	5,441,292
Passenger movement charge		418,742	388,224
Import processing and depot charges		137,317	129,308
Interest		24	41
Return of Tourist Refund Scheme drawings		504	1,337
Other non-taxation revenue		3,429	4,680
Total cash received		6,463,536	5,964,882
Cash used			
Suppliers		-	536
Refunds of duty and other taxes		355,638	372,358
Refunds of GST (on imports), WET, LCT & Sales Tax		16,148	15,691
Tourist Refund Scheme		54,287	54,734
Special Accounts		3,437	1,419
Total cash used		429,510	444,738
Net cash from or (used by) operating activities		6,034,026	5,520,144
Net increase (decrease) in cash held		6,034,026	5,520,144
Cash at the beginning of the reporting period		3,939	3,582
Cash from Official Public Account for:			
- Appropriations		356,907	373,934
- Refunds of GST (on imports), WET, LCT & Sales Tax		16,148	15,691
- Tourist Refund Scheme		54,287	54,734
- Special accounts		8,494	7,538
		435,836	451,897
Cash to Official Public Account for:			
- Administered receipts		(6,467,474)	(5,964,230)
- Return of Tourist Refund Scheme drawings		(504)	(1,337)
- Special accounts		(5,057)	(6,118)
		(6,473,035)	(5,971,685)
Cash and cash equivalents at the end of the reporting period	14A	766	3,939

This schedule should be read in conjunction with the accompanying notes.

AUSTRALIAN CUSTOMS SERVICE
SCHEDULE OF ADMINISTERED ITEMS (continued)

Administered Contingencies
as at 30 June 2008

Administered Contingent Assets	Guarantees		Indemnities		Claims for damages or costs		TOTAL	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Balance from previous period	-	-	-	-	4,858	562	4,858	562
New	-	-	-	-	2,770	4,296	2,770	4,296
Re-measurement	-	-	-	-	(4,444)	-	(4,444)	-
Assets crystallised	-	-	-	-	-	-	-	-
Expired	-	-	-	-	-	-	-	-
Total Administered Contingent Assets	-	-	-	-	3,184	4,858	3,184	4,858

Administered Contingent Liabilities	Guarantees		Indemnities		Claims for damages or costs		TOTAL	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Balance from previous period	-	-	-	-	7	-	7	0
New	-	-	-	-	40	7	40	7
Re-measurement	-	-	-	-	(7)	-	(7)	-
Liabilities crystallised	-	-	-	-	-	-	-	-
Obligations expired	-	-	-	-	-	-	-	-
Total Administered Contingent Liabilities	-	-	-	-	40	7	40	7
Net Contingent Assets (Liabilities)							3,144	4,851

Unquantifiable and remote but material contingencies are disclosed in Note 16 & 17

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

Statement of Activities Administered on Behalf of Government

The major administered activities of the Australian Customs Service are directed towards achieving effective border management that, with minimal disruption to legitimate trade and travel, prevents illegal movements across the border, raises revenue and provides trade statistics.

The major financial activities administered are the collection of duty, the passenger movement charge and import processing charges. Details of planned activities for the year can be found in the Agency Portfolio Budget and Portfolio Additional Estimates Statement for the 2007-08 financial year which have been tabled in the Parliament.

Customs had no Administered Commitments for 2007-08 or 2006-07.

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

for the period ended 30 June 2008

Note 1: Summary of Significant Accounting Policies

Note 2: Events after the Balance Sheet Date

Note 3: Income

Note 4: Expenses

Note 5: Financial Assets

Note 6: Non-Financial Assets

Note 7: Payables

Note 8: Provisions

Note 9: Cash Flow Reconciliation

Note 10: Contingent Liabilities and Assets

Note 11: Senior Executive Remuneration

Note 12: Remuneration of Auditors

Note 13: Financial Instruments

Note 14: Assets Administered on Behalf of Government

Note 15: Administered Reconciliation Table

Note 16: Administered Contingent Liabilities

Note 17: Administered Contingent Assets

Note 18: Financial Instruments

Note 19: Appropriations

Note 20: Special Accounts

Note 21: Compensation and Debt Relief

Note 22: Reporting of Outcomes

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AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 1: Summary of Significant Accounting Policies

1.1 Objectives of Australian Customs Service

The Australian Customs Service (Customs) is an Australian Public Service organisation. Customs aspires to be the community's trusted agent for border protection, respected by industry for the support we give to legitimate trade and travel, and valued as a partner by other law enforcement and regulatory agencies.

Customs is an agency within the Attorney-General's portfolio. Customs is structured to meet one outcome: effective border management that, with minimal disruption to legitimate trade and travel, prevents illegal movement across the border, raises revenue and provides trade statistics.

Customs activities contributing toward this outcome are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, revenues and expenses controlled or incurred by Customs in its own right. Administered activities involve the management or oversight by Customs, on behalf of the Government, of items controlled or incurred by the Government.

Changes to Outputs

The Outcome for Customs is the same as the 2006-07.

The following table illustrates the changes made to Customs outputs since 2006-07.

Output	2006-07	2007-08
Output Group 1	Passenger Movement and Intelligence	Passenger Facilitation
Output Group 2	Border Compliance and Enforcement	Trade Facilitation and Revenue Collection
Output Group 3	Cargo Regulation, Trade Facilitation and Revenue Collection	Border Enforcement
Output Group 4	Civil Maritime Surveillance and Response	Civil Maritime Surveillance and Response

The Customs Output structure has been revised to improve reporting to Parliament by aligning pricing with functions to better establish a clear, unambiguous and direct link of outputs to the specified outcome. The changes incorporate the movement of Compliance functions to the Trade Facilitation and Revenue Collection output, along with the movement of Intelligence functions to the Border Enforcement output allowing for further aggregation of related activities.

The continued existence of Customs 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.

1.2 Basis of Preparation of the Financial Statements

The Financial Statements and notes are required by section 49 of the *Financial Management and Accountability Act 1997* and are a General Purpose Financial Report.

The Financial Statements and notes have been prepared in accordance with:

- Finance Minister's Orders (or FMO's) for reporting periods ending on or after 1 July 2007; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that apply for the reporting period including Interpretations issued by the AASB for the reporting period.

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

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 1: Summary of Significant Accounting Policies

The Financial Statements are presented in Australian dollars and values are rounded to the nearest thousand dollars, unless disclosure of the full amount is specifically required.

Unless alternative treatment is specifically required by accounting standards or the FMO's, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow to Customs or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Accounting Standard. Liabilities and assets that are unrealised are reported in the Schedule of Commitments and the Schedule of Contingencies (other than unquantifiable or remote contingencies, which are reported at Note 10).

Unless alternative treatment is specifically required by an accounting standard or the FMO's, revenues and expenses are recognised in the Income Statement when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

Administered revenues, expenses, assets and liabilities and cash flows reported in the Schedule of Administered Items and related notes are accounted for on the same basis and using the same policies as for departmental items, except where otherwise stated at Note 1.21.

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1.3 Significant Accounting Judgement and Estimates

In the process of applying the accounting policies listed in this note, Customs has made the following judgements that have the most significant impact on the amounts recorded in the financial statements:

- The fair value of land and buildings has been taken to be the market value of similar properties as determined by an independent valuer. In some instances, Customs buildings are purpose built and may in fact realise more or less in the market.

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

1.4 Statement of Compliance

Adoption of new Australian Accounting Standard requirements

No accounting standard has been adopted earlier than the effective date as stated in the standard.

The following new standards are applicable to the current reporting period.

Financial instrument disclosure

AASB 7 Financial Instruments: Disclosures are effective for reporting periods beginning on or after 1 January 2007 (the 2007-08 financial year) and amends the disclosure requirements for financial instruments. In general AASB 7 requires greater disclosure than that previously required. Associated with the introduction of AASB 7 a number of accounting standards were amended to reference the new standard or remove the present disclosure requirements through 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]. These changes have no financial impact but will effect the disclosure presented in future financial statements.

The following new accounting standards (including reissued standards)/erratum/interpretations are applicable to the 2007-08 financial year:

AASB 7	Financial Instruments: Disclosures
AASB 101	Presentation of Financial Statements (issued October 2006)
AASB 1048	Interpretation and Application of Standards

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 1: Summary of Significant Accounting Policies

AASB 2005-10	Amendments to Australian Accounting Standards [AASB1,4,101,114,117,132,133,139,1023,1038]
AASB 2007-4	Amendments to Australian Accounting Standards arising from ED 151 and other amendments
AASB 2007-5	Amendments to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities [AASB 102]
AASB 2007-7 ERR Erratum	Amendments to Australian Accounting Standards [AASB 1,2,4,5,107,128] Proportionate Consolidation [AASB 101, AASB 107, AASB 121, AASB 127, Interpretation 113]
Interp 10	Interim Financial Reporting and Impairment
Interp 11	AASB 2 Group and Treasury Share Transactions
AASB 2008-4	Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities [AASB 124]

Future Australian Accounting Standard requirements

The following new standards, amendments to standards or interpretations have been issued by the Australian Accounting Standards Board but are effective for future reporting periods. It is estimated that the impact of adopting these pronouncements when effective will have no material financial impact on future reporting periods.

AASB 3	Business Combinations
AASB 101	Presentation of Financial Statements (issued September 2007)
AASB 123	Borrowing Costs
AASB 127	Consolidated and Separate Financial Statements
AASB 1004	Contributions
AASB 1050	Administered Items
AASB 1052	Disaggregated Disclosures
AASB 2007-2	Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123
AASB 2007-8	Amendments to Australian Accounting Standards arising from AASB 101
AASB 2007-9	Amendments to Australian Accounting Standards arising from the Review of AASs 27, 29 and 31 [AASB 3, AASB 5, AASB 8, AASB 101, AASB 114, AASB 116, AASB 127 & AASB 137]
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation [AASB 7, AASB 101, AASB 132, AASB 139 & Interpretation 2]
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]
Interp 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
Interp 4	Determining Whether an Arrangement Contains a Lease
Interp 14	AASB 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
Interp 1038	Contributions by Owners Made To Wholly-Owned Public Sector Entities

Other

The following new standards and interpretations have been issued but are not applicable to the operations of Customs.

AASB 1049 Financial Reporting of General Government Sectors by Governments

AASB 1049 specifies the reporting requirements for the General Government Sector. The FMOs does not apply to this reporting entity or the consolidated financial statements of the Australian Government.

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 1: Summary of Significant Accounting Policies

1.5 Revenue

Revenue from Government

Amounts appropriated for departmental output appropriations for the year (adjusted for any formal additions and reductions) are recognised as revenue when Customs 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.

In 2007-08 Customs is undertaking an activity which is being funded on a reciprocal basis and therefore an appropriation receivable is recognised in the current period for additional outputs supplied although this revenue will not be formally appropriated until next period (Note 5B). Appropriations receivable are recognised at their nominal amounts.

Resources Received Free of Charge

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

Defence's commitment to the civil maritime surveillance program (2007-08: 1397.3 RAAF P3C Orion hours and 2042 ARMIDALE Class Patrol Boat days; 2006-07: 1385 RAAF P3C Orion hours and 1,800 FREMANTLE Class Patrol Boat days) has been delivered through response to Border Protection Command specific tasking. Defence also provides a range of other assets as part of their broader contribution to maritime security associated with Operation RESOLUTE (previously Operation RELEX) which is recognised as a RRFOC from Defence. Operation RESOLUTE is commanded by Border Protection Command (BPC). BPC is a multi-agency organisation led by Customs and Defence but also comprises permanent representation from AFMA and AQIS. A number of other services and resources are provided by Defence in relation to BPC. These expenses are recorded in the financial statements of Defence.

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 1.6)

Resources received free of charge are recorded as either revenue or gains depending on their nature, i.e. whether they have been generated in the course of ordinary activities of the Agency.

Other Types of Revenue

Revenue from the sale of goods is recognised when:

- The risks and rewards of ownership have been transferred to the buyer;
- The seller retains no managerial involvement nor effective control over the goods;
- The revenue and transaction costs incurred can be reliably measured; and
- It is probable that the economic benefits associated with the transaction will flow to Customs.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- The amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- The probable economic benefits with the transaction have flowed to Customs.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any allowance for impairment. Collectability of debts is reviewed at balance date. Provisions 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*.

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 1: Summary of Significant Accounting Policies

1.6 Transaction with the Government as Owner

Equity injections

Amounts appropriated which are designated as 'equity injections' for any given year (less any formal reductions) are recognised directly in Contributed Equity in that year.

Restructuring of Administrative Arrangements

Net assets received from or relinquished to another Australian Government Agency or Authority under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

Other distributions to owners

The FMOs require that distributions to owners be debited to contributed equity unless in the nature of a dividend. In 2007-08, by agreement with the Department of Finance and Deregulation, Customs relinquished control of surplus output appropriation funding of \$6,800,000, (2006-07: \$20,817,000), which was returned to the Official Public Account. On 24 June 2008 the Finance Minister issued a determination to reduce Departmental Output Appropriations by \$6,800,000.

1.7 Employee Benefits

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled. Liabilities for short-term employee benefits (as defined in AASB 119) and termination benefits due within twelve months of balance date are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of Customs is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration, including Customs employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined as at 30 June 2008 by reference to the work of an actuary. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Superannuation

Customs employees are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap). The CSS and the PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme. The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance and Deregulation as an administered item.

Customs makes employer contributions to the employee superannuation scheme at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of Customs employees. Customs 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.

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 1: Summary of Significant Accounting Policies

1.8 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 non-current 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 a non-current asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability recognised at the same time and for the same amount.

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a straight line basis which is representative of the pattern of benefits derived from the leased assets.

1.9 Borrowing Costs

All borrowing costs are expensed as incurred.

1.10 Cash

Cash and cash equivalents includes notes and coins held and any deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash is recognised at its nominal amount.

1.11 Financial Assets

Customs classifies its financial assets in the following categories:

- financial assets as 'at fair value through profit or loss';
- 'held-to-maturity investments';
- 'available-for-sale' financial assets; and
- 'loans and receivables'.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets are recognised and derecognised upon 'trade date'.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis except for financial assets 'at fair value through profit or loss'.

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 1: Summary of Significant Accounting Policies

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:

- is a derivative that is not designated and effective as a hedging instrument;
- is a part of an identified portfolio of financial instruments that the agency manages together and has a recent actual pattern of short-term profit-taking; or
- has been acquired principally for the purpose of selling in the near future.

Assets in this category are classified as current assets.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest earned on the financial asset.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the asset within 12 months of the balance sheet date.

Available-for-sale financial assets are recorded at fair value. Gains and losses arising from changes in fair value are recognised directly in the 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 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 profit for the period.

Where a reliable fair value can not be established for unlisted investments in equity instruments cost is used. Customs has no such instruments.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised by applying the effective interest rate.

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'. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non current assets. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of Financial Assets

Financial assets are assessed for impairment at each balance date.

- *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 Income Statement.
- *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 Income Statement.
- *Available for sale financial assets (held at cost)* - If there is objective evidence that an impairment loss has been incurred the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 1: Summary of Significant Accounting Policies

1.12 Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

Financial liabilities are recognised and derecognised upon 'trade date'.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Supplier and other payables

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).

1.13 Contingent Liabilities and Contingent Assets

Contingent Liabilities and Contingent Assets are not recognised in the Balance Sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

1.14 Financial Guarantee Contracts

Financial guarantee contracts are accounted for in accordance with AASB 139. They are not treated as a contingent liability, as they are regarded as financial instruments outside the scope of AASB 137.

1.15 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor accounts immediately prior to restructuring.

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 1: Summary of Significant Accounting Policies

1.16 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	\$100,000.00
Buildings and Leasehold Improvements	\$50,000.00
All Other Assets	\$5,000.00

Note the asset threshold was raised from \$3,000 to \$5,000 on 1 July 2007 for 'All Other Assets' and from this date only assets with an initial cost of over \$5,000 are recognised as assets. The thresholds for Internally Developed Software and Buildings and Leasehold Improvements remain as listed above.

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 leases taken up by Customs where there exists an obligation to restore the property to its original condition. These costs are included in the value of Customs leasehold improvements with a corresponding provision for the 'makegood' recognised.

The provision for makegood was revised by our property outsourcer (United Property Group in June 2008). The provision for makegood reflects current market values for making good the properties Customs leases as required by those leases. This reassessment of the provision has been adjusted against the asset revaluation reserve.

Revaluations

Fair values for each class of asset are determined as shown below.

Asset class	Fair value measured at:
Land	Market selling price
Buildings excl. Leasehold Improvements	Market selling price
Leasehold improvements	Depreciated replacement cost
Infrastructure, plant & equipment	Market selling price
Heritage and cultural assets	Market selling price

Following initial recognition at cost, property plant and equipment are carried at fair value less accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through operating result. Revaluation decrements for a class of assets are recognised directly through operating result 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.

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 1: Summary of Significant Accounting Policies

Depreciation

Depreciable property plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to Customs 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.

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

	<u>2008</u>	<u>2007</u>
Buildings on freehold land	40 years	40 years
Leasehold improvements	Varies	Varies
Plant and Equipment	3 to 7 years	3 to 7 years
Intangibles	3 to 10 years	3 to 10 years
Customs vessels (leased and other)	10 to 15 years	10 to 15 years
Operation equipment	5 years	5 years
X-Ray equipment	7 years	7 years
Historical and antique items	50 years	50 years

Impairment

All assets were assessed for impairment at 30 June 2008. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if Customs were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

1.17 Intangibles

Customs intangibles comprise internally developed software for internal use and purchased software. These assets are carried at cost less accumulated amortisation and accumulated impairment losses. Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of Customs software is 3 to 10 years (2006-07: 3 to 10 years).

All software assets were assessed for indications of impairment as at 30 June 2008.

1.18 Inventories

Inventories held for distribution are valued at the lower of cost and current replacement cost.

Costs incurred in bringing each item of inventory to its present location and condition are assigned as follows:

- raw materials and stores - purchase cost on a first in first out basis; and
- finished goods and work in progress - cost of direct materials and labour plus attributable costs that are capable of being allocated on a reasonable basis.

Inventories acquired at no cost or nominal consideration are initially measured at current replacement cost at the date of acquisition.

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 1: Summary of Significant Accounting Policies

1.19 Taxation

Customs is exempt from all forms of taxation except fringe benefits tax (FBT) and the goods and services tax (GST).

Revenues, expenses and assets are recognised net of GST:

- except where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- except for receivables and payables.

1.20 Reclassification of Comparatives

In 2006-07, Lease Incentives and Lease Adjustment AASB 117 (Note 7B) were both disclosed as Other Payables (Note 7B). These now have been identified separately on Note 7B for clarity. The following table shows the impact of the adjustment on 2006-07 figures disclosed compared to the figures reporting in the 2006-07 Annual Report.

2006-07 Reclassification of Lease Table

Note	Note 7B	Note 7B	Note 7B	Statement of Changes in Equity
Balance Sheet Item	Other Payables	Lease incentives	Deferred Rental	Retained Earnings
	\$'000	\$'000	\$'000	\$'000
Figures as reported in 2006-07 Financial statements	7,251	-	-	49,259
Reclassifications	(7,532)	3,604	3,928	-
Reclassified Balances	(281)	3,604	3,928	49,259
Restatement Adjustments	-	228	(3,458)	3,231
Restated Balances	(281)	3,832	470	52,490

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 1: Summary of Significant Accounting Policies

1.21 Reporting of Administered Activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the Schedule of Administered Items and related Notes.

Except where otherwise stated below, administered items are accounted for on the same basis and using the same policies as for Departmental items, including the application of Australian Accounting Standards.

Administered Cash Transfers to and from Official Public Account

Revenue collected by Customs for use by the Government is Administered Revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance and Deregulation. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by the Agency on behalf of the Government and reported as such in the Statement of Cash Flows in the Schedule of Administered Items and in the Administered Reconciliation Table in Note 15. Thus the Schedule of Administered Items largely reflects the Government's transactions, through Customs, with parties outside the Government.

Revenue

All administered revenues are revenues relating to the course of ordinary activities performed by Customs on behalf of the Australian Government.

Fees are charged to individuals leaving Australia, and are intended to partially offset the costs of government services provided at international airports and seaports. Administered fee revenue is recognised in the period the charge is incurred. It is recognised at its nominal amount due less any allowance for impairment. Collectability of debts is reviewed at balance date. Allowances are made when collection of the debt is judged to be less rather than more likely.

Duties are debts of the Crown according to s153 of the Customs Act 1901 and are payable by the owner of the goods and recoverable at any time in any court of competent jurisdiction. Revenue related to imports is recognised in accordance with s132A of the Customs Act 1901.

Customs undertakes checks to verify compliance in an environment that is largely self-regulated, by intervening in transactions proportionately to the perceived levels of risk in a given situation.

Customs Compliance Assurance Strategy (CCAS) is an intelligence driven program developed by Customs to deliver an international trading environment that is typified by high levels of self-regulated compliance with government requirements.

Specifically, CCAS aims to give Government and the community confidence that:

- Reporting of all cargo and vessels entering or leaving Australia is accurate and timely allowing Customs to fulfil its regulatory role;
- Licence and permit requirements, prohibitions and restrictions in relation to imported and exported goods are complied with;
- The correct amount of revenue is paid or identified for collection or consideration;
- Community protection programs related to imported and exported goods are effectively implemented; and
- Accurate and reliable data on trade statistics is provided to Customs.

CCAS comprises three levels of activity delivered via integrated and nationally managed and planned programs utilising business processes that allow Customs to test both the generality and specifics of the environment. These can broadly be regarded as monitoring, response and enforcement activities.

Other Revenue

Administered fines are recognised when the court passes judgement.

Inventory - valuation of abandoned and seized assets held for sale

Inventories held for sale are valued at net realisable value.

Notes to and forming part of the Financial Statements

Note 2: Events after the Balance Sheet Date

No events occurred after the balance date.

(2007: There were no events that occurred after the balance date)

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 3: Income

	2008	2007
	\$'000	\$'000

Revenue

Note 3A: Revenue from Government

Appropriation:		
Departmental outputs	1,006,046	923,087
Total revenue from Government	1,006,046	923,087

Note 3B: Sale of goods and rendering of services

Provision of goods - related entities	3,450	281
Provision of goods - external entities	205	282
Total sale of goods	3,655	563
Rendering of services - related entities	56,090	54,940
Rendering of services - external entities	6,151	3,612
Total rendering of services	62,241	58,552
Total sale of goods and rendering of services	65,896	59,115

Note 3C: Rental income

Rental income	1,440	1,604
Total rental income	1,440	1,604

Note 3D: Other revenue

Resources received free of charge (Government)	186,194	220,194
Resources received free of charge (other than Government)	4,813	3,969
Total other revenue	191,007	224,163

Note 3E: Other gains

Resources received free of charge (Government)	750	792
Other gains	-	2,802
Total other gains	750	3,594

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 4: Expenses

	2008	2007
	\$'000	\$'000
Note 4A: Employee benefits		
Wages and salaries	300,128	268,145
Superannuation:		
Defined contribution plans	11,200	5,801
Defined benefit plans	62,870	61,741
Leave and other entitlements	110,454	101,014
Separation and redundancies	716	798
Other employee expenses	11,460	10,841
Total employee benefits	496,828	448,340
Note 4B: Suppliers		
Provision of goods - related entities	100	265
Provision of goods - external entities	24,285	68,757
Rendering of services - related entities	198,997	222,429
Rendering of services - external entities	252,121	217,483
Operating lease rentals	212,216	183,577
Workers compensation premiums	7,295	8,293
Total supplier expenses	695,014	700,804
Note 4C: Depreciation and amortisation		
Depreciation:		
Infrastructure, plant and equipment	29,365	21,268
Buildings	10,334	10,384
Total depreciation	39,699	31,652
Amortisation		
Intangibles		
Computer Software	31,563	27,345
Total amortisation	31,563	27,345
Total depreciation and amortisation	71,262	58,997
Note 4D: Finance costs		
Other finance costs	167	295
Total finance costs	167	295
Note 4E: Write-down and impairment of assets		
Asset write-downs from:		
Impairment on financial instruments	1,037	-
Impairment of plant and equipment	-	37
Total write-down and impairment of assets	1,037	37

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 4: Expenses

	2008	2007
	\$'000	\$'000
Note 4F: Losses from asset sales		
Land and buildings:		
Proceeds from sale	-	(597)
Carrying value of assets sold	-	601
Selling expense	-	17
Infrastructure, plant and equipment		
Proceeds from sale	(100)	(2)
Carrying value of assets sold	154	4,307
Selling expense	-	-
Other net losses from sale of assets		
Proceeds from sale	-	-
Carrying value of assets sold	3	-
Selling expense	-	-
Total losses from asset sales	<u>57</u>	<u>4,326</u>
Note 4G: Other expenses		
Other expenses	<u>512</u>	<u>617</u>
Total other expenses	<u>512</u>	<u>617</u>

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 5: Financial Assets

	2008	2007
	\$'000	\$'000
Note 5A: Cash and cash equivalents		
Cash on hand or deposit	92	115
Departmental cash at bank	9,127	9,202
Total cash and cash equivalents	9,219	9,317
Note 5B: Trade and other receivables		
Goods and services	2,247	1,082
Appropriations receivable*:		
for additional outputs	148,644	163,409
undrawn s31	742	-
Total appropriations receivable	149,386	163,409
Other:		
GST receivable from the Australian Taxation Office	5,968	9,551
Other receivables	4,975	1,474
Total other receivables	10,943	11,025
Total trade and other receivables (gross)	162,575	175,516
Less allowance for impairment of receivables:		
Goods and services	(203)	(106)
Other	(1,314)	(383)
Total allowance for impairment of receivables	(1,517)	(489)
Total trade and other receivables (net)	161,058	175,027
Receivables represented by:		
Current	161,058	175,027
Non-current	-	-
Total trade and other receivables (net)	161,058	175,027
Receivables are aged as follows:		
Not overdue	160,452	174,735
Overdue by:		
Less than 30 days	150	611
30 to 60 days	168	30
61 to 90 days	99	12
More than 90 days	1,706	128
Total receivables (gross)	162,575	175,516
The provision for impairment of receivables is aged as follows:		
Not overdue	-	-
Overdue by:		
More than 90 days	(1,517)	(489)
Total allowance for impairment of receivables	(1,517)	(489)

*Appropriations receivable undrawn are appropriations controlled by the Customs but held in the Official Public Account under the Government's just-in-time drawdown arrangements.

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 5: Financial Assets

Reconciliation of the allowance for impairment of receivables:

Movements in relation to 2008

	Goods and Services 2008 \$'000	Other receivables 2008 \$'000	Total 2008 \$'000
Opening balance	(106)	(383)	(489)
Amounts written off	9		9
Amounts recovered and reversed			
Increase/decrease recognised in net surplus	(106)	(931)	(1,037)
Closing Balance	(203)	(1,314)	(1,517)

Movements in relation to 2007

	Goods and Services 2007 \$'000	Other receivables 2007 \$'000	Total 2007 \$'000
Opening balance	(303)	(760)	(1,063)
Amounts written off			
Amounts recovered and reversed	3		3
Increase/decrease recognised in net surplus	194	377	571
Closing Balance	(106)	(383)	(489)

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Notes to and forming part of the Financial Statements

Note 6: Non-Financial Assets

	2008	2007
	\$'000	\$'000
Note 6A: Land and Buildings		
Freehold Land at gross carrying value (at fair value)	18,316	14,903
Buildings on freehold land		
work in progress		
at fair value	32,909	25,191
accumulated depreciation	(2,173)	(1,201)
Total buildings on freehold land	49,052	38,893
Leasehold improvements		
at fair value	58,011	28,261
accumulated depreciation	(21,004)	(12,121)
under construction at cost	16,700	25,842
Total leasehold improvements	53,707	41,982
Total land and buildings (non-current)	102,760	80,875

No indicators of impairment were found for land and buildings.

Note 6B: Infrastructure, plant and equipment

Infrastructure, plant and equipment		
Gross carrying value (at fair value)	142,116	84,950
Accumulated depreciation	(52,266)	(22,990)
Under construction at cost	15,904	27,370
Total infrastructure, plant and equipment	105,754	89,330
Heritage and cultural:		
Artwork	50	45
Accumulated depreciation	(11)	(9)
Total heritage and cultural	39	36
Total infrastructure, plant and equipment (non-current)	105,793	89,366

The carrying amount is included in the valuation figures above and is separately disclosed in the Table A&B below.

All revaluations are conducted in accordance with the revaluation policy stated at Note 1.

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

AUSTRALIAN CUSTOMS SERVICE
Notes to and forming part of the Financial Statements

Note 6C: Analysis of property, plant and equipment

TABLE A - Reconciliation of the opening and closing balances of property, plant and equipment (2007/2008)

Item	Land	Buildings	Buildings -	Total Land &	Other IP&E	Total
	Freehold	on	Leasehold	Buildings		
	Land	Improvement				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2007						
Gross book value	14,903	25,191	54,103	94,197	112,365	206,562
Accumulated depreciation/amortisation and impairment	-	(1,201)	(12,121)	(13,322)	(22,999)	(36,321)
Net book value 1 July 2007	14,903	23,990	41,982	80,875	89,366	170,241
Additions:						
by purchase	3,413	7,718	21,073	32,204	45,973	78,177
by finance lease	-	-	-	-	-	-
from acquisition of entities or operations (including restructuring)	-	-	-	-	-	-
Revaluations and impairments through equity	-	-	-	-	-	-
Reclassification	-	-	15	15	(29)	(14)
Depreciation/amortisation expense	-	(971)	(9,363)	(10,334)	(29,365)	(39,699)
Impairments recognised in the operating result	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Disposals:						
from disposal of entities or operations (including restructuring)	-	-	-	-	-	-
other disposals	-	-	-	-	(152)	(152)
Net book value 30 June 2008	18,316	30,736	53,707	102,760	105,793	208,553
Net book value as of 30 June 2008 represented by:						
Gross book value	18,316	32,909	74,711	125,936	158,071	284,007
Accumulated depreciation/amortisation and impairment	-	(2,173)	(21,004)	(23,177)	(52,278)	(75,455)
	18,316	30,736	53,707	102,760	105,793	208,553

AUSTRALIAN CUSTOMS SERVICE
Notes to and forming part of the Financial Statements

Note 6C: Analysis of property, plant and equipment

TABLE B - Reconciliation of the opening and closing balances of property, plant and equipment (2006/2007)

Item	Land Freehold Land \$'000	Buildings on Freehold Improvement Land \$'000	Buildings - Leasehold Improvement \$'000	Total Land & Buildings \$'000	Other IP&E \$'000	Total \$'000
As at 1 July 2006						
Gross book value	8,515	13,206	33,363	55,084	87,846	142,930
Accumulated depreciation/amortisation and impairment	-	(122)	(3,335)	(3,457)	(3,233)	(6,690)
Net book value 1 July 2006	8,515	13,084	30,028	51,627	84,613	136,240
Additions:						
by purchase	6,718	12,266	20,398	39,382	30,328	69,710
by finance lease	-	-	-	-	-	-
from acquisition of entities or operations (including restructuring)	-	-	-	-	-	-
Revaluations and impairments through equity	-	-	-	-	-	-
Reclassification	-	-	851	851	-	851
Depreciation/amortisation expense	-	(1,089)	(9,295)	(10,384)	(21,268)	(31,652)
Impairments recognised in the operating result	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Disposals:						
from disposal of entities or operations (including restructuring)	-	-	-	-	-	-
other disposals	(330)	(271)	-	(601)	(4,307)	(4,908)
Net book value 30 June 2007	14,903	23,990	41,982	80,875	89,366	170,241
Net book value as of 30 June 2007 represented by:						
Gross book value	14,903	25,191	54,103	94,197	112,365	206,562
Accumulated depreciation/amortisation and impairment	-	(1,201)	(12,121)	(13,322)	(22,999)	(36,321)
	14,903	23,990	41,982	80,875	89,366	170,241

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

	2008 \$'000	2007 \$'000
Note 6D: Intangibles		
Computer software at cost:		
Internally developed - in progress	60,123	42,257
Internally developed - in use	<u>251,522</u>	<u>223,039</u>
Total computer Software:	311,645	265,296
Accumulated amortisation	<u>(94,043)</u>	<u>(63,640)</u>
Externally acquired - at cost (non-current)	4,780	2,151
Accumulated amortisation	<u>(1,973)</u>	<u>(816)</u>
Total intangibles (non-current)	220,409	202,991

No indicators of impairment were found for intangible assets.

TABLE C - Reconciliation of the opening and closing balances of intangibles (2007/2008)

Item	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2007			
Gross book value	265,296	2,151	267,447
Accumulated depreciation/amortisation and impairment	<u>(63,640)</u>	<u>(816)</u>	<u>(64,456)</u>
Net book value 1 July 2007	201,656	1,335	202,991
Additions:			
by purchase or internally developed	46,362	2,610	48,972
from acquisitions of entities or operations (including restructuring)	-	-	-
Reclassifications	-	19	19
Amortisation	<u>(30,416)</u>	<u>(1,154)</u>	<u>(31,570)</u>
Disposals:			
from disposals of entities or operations (including restructuring)	-	-	-
other disposals	-	(3)	(3)
Net book value 30 June 2008	217,602	2,807	220,409
Net book value as of 30 June 2008 represented by:			
Gross book value	311,645	4,780	316,425
Accumulated depreciation/amortisation and impairment	<u>(94,043)</u>	<u>(1,973)</u>	<u>(96,016)</u>
	217,602	2,807	220,409

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

TABLE D - Reconciliation of the opening and closing balances of intangibles (2006/2007)

Item	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2006			
Gross book value	234,163	1,083	235,246
Accumulated depreciation/amortisation and impairment	(36,528)	(713)	(37,241)
Net book value 1 July 2006	197,635	370	198,005
Additions:			
by purchase or internally developed	31,133	1,198	32,331
Reclassifications			
Amortisation	(27,112)	(233)	(27,345)
Disposals:			
from disposals of entities or operations (including restructuring)	-	-	-
other disposals	-	-	-
Net book value 30 June 2007	201,656	1,335	202,991
Net book value as of 30 June 2007 represented by:			
Gross book value	265,296	2,151	267,447
Accumulated depreciation/amortisation and impairment	(63,640)	(816)	(64,456)
	<u>201,656</u>	<u>1,335</u>	<u>202,991</u>

	2008 \$'000	2007 \$'000
Note 6E: Inventories		
Inventories held for distribution	<u>1,933</u>	<u>2,019</u>
Total inventories (current)	<u><u>1,933</u></u>	<u><u>2,019</u></u>

During 2007-08 \$2,693,571 of Inventory held for distribution was recognised as an expense. (2006-07: \$1,799,331)

Note 6F: Other non-financial assets

Prepayments	<u>11,668</u>	<u>3,412</u>
Total other non-financial assets	<u><u>11,668</u></u>	<u><u>3,412</u></u>

All other non-financial assets are current assets.

No indicators of impairment were found for other non-financial assets.

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 7: Payables

	Notes	2008 \$'000	2007 \$'000
Note 7A: Suppliers			
Trade creditors		47,288	67,914
Operating lease rentals		26,003	10,319
Total supplier payables		73,291	78,233

Supplier payables are represented by:

Current		73,291	78,233
Non-current		-	-
Total supplier payables		73,291	78,233

All supplier payables are current liabilities.
Settlement is usually made net 30 days.

Note 7B: Other payables

Prepayments received/ unearned revenue		1,351	127
Fringe benefits tax		546	249
Lease incentive	1.20	3,314	3,832
Deferred rental	1.20	975	470
Other payables	1.20	170	(281)
Total other payables		6,356	4,397

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 8: Provisions

	2008	2007
	\$'000	\$'000
Note 8A: Employee provisions		
Salaries and wages	6,841	3,308
Leave	128,170	119,766
Superannuation	1,013	573
Other	1,607	1,416
Workers compensation	20	30
Total employee provisions	137,651	125,093

Employee provisions are represented by:

Current	116,752	104,553
Non-current	20,899	20,540
Total employee provisions	137,651	125,093

The classification of current includes amounts for which there is not an unconditional right to defer settlement by one year, hence in the case of employee provisions the above classification does not represent the amount expected to be settled within one year of the reporting date. Employee provisions expected to be settled in twelve months from the reporting date total \$44.401m (2007:\$38.195m), in excess of one year total \$93.250m (2007: \$86.898m).

Note 8B: Other provisions

Provision for Makegood	11,060	5,563
Other Provisions	166	-
Total other provisions	11,226	5,563

Other provisions are represented by:

Current	2,359	-
Non-Current	8,867	5,563
Total other provisions	11,226	5,563

	Provision for Makegood	Total
	\$'000	\$'000
Carrying amount 1 July 2007	5,563	5,563
Additional provisions made	2,251	2,251
Amounts used	(110)	(110)
Amounts reversed	3,207	3,207
Unwinding of discount and change in discount rate	149	149
Closing balance 2008	11,060	11,060

Customs currently has a number of agreements for the leasing of premises which have provisions requiring Customs to restore the premises to their original condition at the conclusion of the lease. Customs has made a provision to reflect the present value of this obligation.

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 9: Cash Flow Reconciliation

	2008	2007
	\$'000	\$'000
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Report cash and cash equivalents as per:		
Cash Flow Statement	9,219	9,317
Balance Sheet	9,219	9,317
Balance Sheet items comprising above cash: "Financial Asset - Cash"	9,219	9,317
Reconciliation of Operating Result to net cash from operating activities:		
Operating result	262	(1,853)
Depreciation/ amortisation	71,262	58,997
Net write down of financial assets	1,037	(644)
Loss on disposal of assets	57	4,326
(Increase) / decrease in net receivables	1,090	(27,537)
(Increase) / decrease in GST receivable	3,631	(3,252)
(Increase) / decrease in inventories	86	(333)
(Increase) / decrease in other assets - non financial	(8,256)	26
Increase / (decrease) in employee provisions	12,558	8,379
Increase / (decrease) in other provisions	2,455	(862)
Increase / (decrease) in supplier/ other payables	(4,255)	30,111
Increase / (decrease) in unearned revenue	1,224	(152)
Net cash from / (used by) operating activities	81,151	67,206

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 10: Contingent Liabilities and Assets

Quantifiable Contingencies

The Schedule of Contingencies reports contingent liabilities in respect of claims and liability based damages/ costs of \$5,188,703 (2007: \$11,100,000). The amount represents an estimate of Customs liabilities based on precedent cases. Customs is defending the claims.

The Schedule also reports contingent assets in respect of claims for damages/costs of \$0 (2007: \$8,000).

Unquantifiable Contingencies

As at 30 June 2008, Customs had a number of legal claims lodged against it for damages and costs. Customs has denied liability and is defending the claims. In addition, Customs has lodged a number of claims to recover damages costs which are also being defended.

It is not possible to estimate the amount of any eventual payments or receipts in relation to these claims.

The Australian Government has entered into contractual arrangements with P&O Maritime Services for the provision of maritime charter services until June 2010 to facilitate Customs and the Department of Agriculture, Fisheries and Forestry armed patrols of Australia's exclusive economic zone in the Southern Ocean.

In relation to these patrols, the Australian Government will indemnify P&O Maritime Services against certain claims arising from the discharge of firearms or munitions, or where a steaming party is deployed to crew a seized vessel back to an Australian port.

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 11: Senior Executive Remuneration

	2008	2007
The number of executives who received or were due to receive total remuneration of \$130,000 or more:		
\$130 000 to \$144 999	4	4
\$145 000 to \$159 999	4	4
\$160 000 to \$174 999	5	6
\$175 000 to \$189 999	8	8
\$190 000 to \$204 999	8	9
\$205 000 to \$219 999	7	4
\$220 000 to \$234 999	3	2
\$235 000 to \$249 999	1	-
\$250 000 to \$264 999	4	-
\$265 000 to \$279 999	1	-
\$295 000 to \$309 999	-	1
\$310 000 to \$324 999	1	-
\$400 000 to \$414 999	-	2
\$460 000 to \$474 999	1	-
\$475 000 to \$489 000	-	1
Total	47	41
The aggregate amount of total remuneration of executives shown above.	9,509,892	8,315,069
The aggregate amount of separation and redundancy/termination benefit payments during the year to executives shown above.	224,757	407,122

Note 12: Remuneration of Auditors

	2008	2007
	\$	\$
Financial statement audit services are provided free of charge to the Australian Customs Service.	750,000	792,000
Other paid services	54,000	54,000
	804,000	846,000
No other services were provided by the Auditor-General.		

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 13: Financial Instruments

	2008 \$'000	2007 \$'000
Note 13A: Categories of financial instruments		
Financial Assets		
Loans and receivables financial assets		
Cash and cash equivalents	9,219	9,317
Trade receivables	2,247	1,082
Other receivables	4,975	1,474
Carrying amount of financial assets	16,441	11,873
Financial Liabilities		
Other liabilities		
Payables - suppliers	73,291	78,233
Other payables	170	(281)
Carrying amount of financial liabilities	73,461	77,952

Note 13B: Fair value of financial instruments

	Carrying amount 2008 \$'000	Fair value 2008 \$'000	Carrying amount 2007 \$'000	Fair value 2007 \$'000
FINANCIAL ASSETS				
Cash at bank	9,219	9,219	9,317	9,317
Trade receivables	2,247	2,247	1,082	1,082
Other receivables	4,975	4,975	1,474	1,474
Total	16,441	16,441	11,873	11,873
FINANCIAL LIABILITIES				
Payables - Suppliers	73,291	73,291	78,233	78,233
Other Payables	170	170	(281)	(281)
Total	73,461	73,461	77,952	77,952

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 13: Financial Instruments

Note 13C: Credit risk

Customs is exposed to minimal credit risk as loans and receivables are cash and trade receivables.

The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade and other receivables (2008: \$7,221,442 and 2007 \$2,556,526). Customs has assessed the risk of the default on payment and has allocated \$1,517,431 in 2008 (2007: \$489,003) to an allowance for the impairment of receivables.

Customs manages its credit risk by undertaking background and credit checks prior to allowing a debtor relationship. In addition, Customs has policies and procedures that guide employees debt recovery techniques that are to be applied.

Customs holds no collateral to mitigate against credit risk.

Customs has not renegotiated any receivables that would otherwise be past due or impaired.

Credit quality of financial instruments not past due or individually determined as impaired.

	Not Past Due Nor Impaired	Not Past Due Nor Impaired	Past due or impaired	Past due or impaired
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Loans and receivables				
Cash and cash equivalents	9,219	9,317	-	-
Trade receivables	1,437	407	810	675
Other receivables	3,661	879	1,314	595
Total	14,317	10,604	2,123	1,270

Ageing of financial assets that are past due but not impaired for 2008

	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Loans and receivables					
Trade receivables	118	133	26	189	466
Other receivables	32	35	74	-	140
Total	150	168	99	189	606

Ageing of financial assets that are past due but not impaired for 2007

	0 to 30 days	31 to 60 days	61 to 90 days	90+ days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Loans and receivables					
Trade receivables	611	26	5	128	770
Other receivables	-	4	7	-	11
Total	611	30	12	128	781

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 13D: Liquidity risk

Customs financial liabilities are payables. The exposure to liquidity risk is based on the notion that Customs will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to appropriation funding and mechanisms available to Customs (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.

The following tables illustrates the maturities for financial liabilities

	On demand 2008 \$'000	within 1 year 2008 \$'000	1 to 5 years 2008 \$'000	> 5 years 2008 \$'000	Total 2008 \$'000
Other Liabilities					
Payables - Suppliers	-	73,291	-	-	73,291
Other Payables	-	170	-	-	170
Total	-	73,461	-	-	73,461

	On demand 2007 \$'000	within 1 year 2007 \$'000	1 to 5 years 2007 \$'000	> 5 years 2007 \$'000	Total 2007 \$'000
Other Liabilities					
Payables - Suppliers	-	78,233	-	-	78,233
Other Payables	-	(281)	-	-	(281)
Total	-	77,952	-	-	77,952

Customs is appropriated funding from the Australian Government. Customs manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, Customs has policies in place to ensure timely payments are made when due and has no past experience of default.

Note 13E: Market risk

Customs holds basic financial instruments that do not expose Customs to 'currency risk', 'interest rate risk' or 'other price risk'.

AUSTRALIAN CUSTOMS SERVICE

Notes to the Schedule of Administered Items

Note 14: Assets Administered on Behalf of Government

	2008	2007
	\$'000	\$'000
<i>Financial Assets</i>		
Note 14A: Cash and cash equivalents		
Special accounts	-	3,257
Cash on hand or on other deposits	2	6
Cash at bank	764	676
Total cash and cash equivalents	766	3,939
Note 14B: Taxation receivables		
Customs duty	69,923	57,146
Passenger movement charge	60,645	60,836
Import processing charges	613	928
Total taxation receivables	131,181	118,910
Less: allowance for impairment losses	(12,963)	(15,941)
Total taxation receivables (net)	118,218	102,969
Taxation receivables are aged as follows:		
Not overdue	114,586	99,005
Overdue by:		
Less than 30 days	1,566	944
30 to 60 days	955	751
61 to 90 days	419	2,269
More than 90 days	13,655	15,941
Total taxation receivables (gross)	131,181	118,910
The allowance for impairment losses is aged as follows:		
Overdue by:		
More than 90 days	(12,963)	(15,941)
Total allowance for impairment losses	(12,963)	(15,941)
All taxation receivables are current assets		

AUSTRALIAN CUSTOMS SERVICE

Notes to the Schedule of Administered Items

Note 14: Assets Administered on Behalf of Government continued

	2008	2007
	\$'000	\$'000
Note 14C: Non-taxation receivables		
Fees, fines & prosecution	30,760	30,935
Total non-taxation receivables	30,760	30,935
Less: allowance for impairment losses:	(28,122)	(24,471)
Total non-taxation receivables (net)	2,638	6,464
Receivables are aged as follows:		
Not overdue	2,548	6,416
Overdue by:		
Less than 30 days	26	20
30 to 60 days	41	17
61 to 90 days	23	11
More than 90 days	28,122	24,471
Total non-taxation receivables (gross)	30,760	30,935
The allowance for impairment losses is aged as follows:		
Overdue by:		
More than 90 days	(28,122)	(24,471)
Total allowance for impairment losses	(28,122)	(24,471)

Goods and services receivables are with Entities external to the Australian Government.

Credit terms ranges from the following :

- Generally payments on release of goods,
- Certain excise equivalent goods are by weekly settlements,
- Passenger Movement Charge are either monthly or bi-monthly,
- Other services are net 30 days.

(2007: same as 2008).

Reconciliation of the allowance for impairment losses:

Movements in relation to 2008

	Taxation Receivables 2008 \$'000	Non-taxation receivables 2008 \$'000	Total 2008 \$'000
Opening balance	(15,941)	(24,471)	(40,412)
Amounts written off	1,676	-	1,676
Amounts recovered and reversed	1,302	-	1,302
Increase/decrease recognised in net surplus	-	(3,651)	(3,651)
Closing balance	(12,963)	(28,122)	(41,085)

Movements in relation to 2007

	Taxation Receivables 2007 \$'000	Non-taxation receivables 2007 \$'000	Total 2007 \$'000
Opening balance	(17,491)	(8,267)	(25,758)
Amounts written off	1,186	-	1,186
Amounts recovered and reversed	364	-	364
Increase/decrease recognised in net surplus	-	(16,204)	(16,204)
Closing balance	(15,941)	(24,471)	(40,412)

AUSTRALIAN CUSTOMS SERVICE

Notes to the Schedule of Administered Items

Note 15: Administered Reconciliation Table

	2008 \$'000	2007 \$'000
<i>Opening administered assets less administered liabilities as at 1 July</i>	100,761	98,381
<i>Adjusted opening administered assets less administered liabilities</i>		
Plus: Administered income	6,629,765	6,185,388
Less: Administered expenses	(2,897)	(16,376)
Administered transfers to/from Australian Government:		
Appropriation transfers from OPA :	365,401	381,472
Annual appropriations administered expenses	-	536
Special accounts	8,494	7,538
Special appropriations (unlimited)	356,907	373,398
Transfers to OPA	(6,472,531)	(5,970,348)
Transfers to other Entities	(507,524)	(577,756)
Transfers from other Entities	-	-
Net drawings from OPA on behalf of the ATO **	69,931	70,425
Net payments on behalf of the ATO out of Special Appropriations **	(69,931)	(70,425)
<i>Closing administered assets less administered liabilities as at 30 June</i>	112,975	100,761

** The Australian Taxation Office is the responsible entity for these appropriations and the subsequent returns.

AUSTRALIAN CUSTOMS SERVICE

Notes to the Schedule of Administered Items

Note 16: Administered Contingent Liabilities

Quantifiable Administered Contingencies

Quantifiable Administered Contingencies that are not remote are disclosed in the Schedule of Administered Items as Quantifiable Administered Contingencies.

Unquantifiable Administered Contingencies

As at 30 June 2008, Customs had a number of legal claims lodged against it for damages and costs. Customs has denied liability and is defending the claims. In addition, Customs has lodged a number of claims to recover damages and costs which are being pursued. It is not possible to estimate the amount of any eventual payments or receipts in relation to these claims.

AUSTRALIAN CUSTOMS SERVICE

Notes to the Schedule of Administered Items

Note 17: Administered Contingent Assets

Quantifiable Administered Contingencies

Quantifiable Administered Contingencies that are not remote are disclosed in the Schedule of Administered Items as Quantifiable Administered Contingencies.

Remote Administered Contingencies

As at 30 June 2008, Customs had a number of legal claims for damages that may result in a net gain of \$727,040 (2007 : \$765,093).

AUSTRALIAN CUSTOMS SERVICE
Notes to the Schedule of Administered Items

Note 18: Financial Instruments

	2008	2007
	\$'000	\$'000
<u>Note 18A: Categories of financial instruments</u>		
Financial Assets		
Loans and receivables financial assets		
Special accounts	-	3,257
Cash on hand	2	6
Cash at bank	<u>764</u>	<u>676</u>
Carrying amount of financial assets	<u>766</u>	<u>3,939</u>
Financial Liabilities		
Other liabilities		
Other security deposits	<u>5,152</u>	5,935
Other interest bearing liabilities	-	<u>3,257</u>
Carrying amount of financial liabilities	<u>5,152</u>	<u>9,192</u>

Customs have no income or expenses from financial assets and liabilities.

AUSTRALIAN CUSTOMS SERVICE

Notes to the Schedule of Administered Items

Note 18: Financial Instruments

Note 18B: Fair value of financial instruments

	Carrying amount 2008 \$'000	Fair value 2008 \$'000	Carrying amount 2007 \$'000	Fair value 2007 \$'000
FINANCIAL ASSETS				
Special accounts	-	-	3,257	3,257
Cash at bank	764	764	676	676
Cash on hand	2	2	6	6
Total	766	766	3,939	3,939
FINANCIAL LIABILITIES				
Security deposits	5,152	5,152	5,935	5,935
Other interest bearing liabilities	-	-	3,257	3,257
Total	5,152	5,152	9,192	9,192

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Notes to the Schedule of Administered Items

Note 18: Financial Instruments

Note 18C: Credit risk

Customs is not exposed to credit risk, as the majority of financial assets are cash at bank or cash on hand.

Note 18D: Liquidity risk

Customs administered financial liabilities principally relate to securities held in special accounts. The securities ledger specifically identifies the individual security lodgement and ensures that funds are available up to the balance of the security.

The following tables illustrates the maturities for financial liabilities:

	On demand 2008 \$'000	within 1 year 2008 \$'000	1 to 5 years 2008 \$'000	> 5 years 2008 \$'000	Total 2008 \$'000
Security deposits	5,152	-	-	-	5,152
Other interest bearing liabilities	-	-	-	-	-
Total	5,152	-	-	-	5,152

	On demand 2007 \$'000	within 1 year 2007 \$'000	1 to 5 years 2007 \$'000	> 5 years 2007 \$'000	Total 2007 \$'000
Security deposits	5,935	-	-	-	5,935
Other interest bearing liabilities	3,257	-	-	-	3,257
Total	9,192	-	-	-	9,192

Note 18E: Market risk

As at 30 June, Customs holds basic financial instruments that do not expose Customs to 'currency risk', 'interest rate risk' or 'other price risks'.

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 19: Appropriations

Table A: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund for Ordinary Annual Services Appropriations and borrowings

Particulars	Administered Expenses		Departmental Outputs		Total	
	Outcome 1					
	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance carried from previous year	-	-	139,668	107,530	139,668	107,530
Appropriation Act:						
Appropriation Act (No.1)	-	280	999,774	934,589	999,774	934,869
Appropriation Act (No.3)	-	-	11,941	9,508	11,941	9,508
Appropriation Act (No.5)	-	-	-	-	0	0
Appropriation Act (No.6)	-	282	-	-	0	282
Other annual appropriation acts	-	-	-	-	-	-
Administered appropriation lapsed (Appropriation Act section 8)	-	-	-	-	-	-
Reductions of appropriations (Appropriation Act section 9)	-	-	(6,800)	(20,817)	(6,800)	(20,817)
Advance to the Finance Minister (Appropriation Act section 11)	-	-	-	-	-	-
Concover receipts (Appropriation Act section 12)	-	-	705	-	705	-
FMA Act:						
Refunds credited (FMA s30)	-	-	152	746	152	746
Appropriations to take account of recoverable GST (FMA s 30A)	-	-	56,485	58,080	56,485	58,080
Annotations to 'net appropriations' (FMA s31)	-	-	64,545	66,423	64,545	66,423
Adjustment of appropriations on change of entity function (FMA s32)	-	-	-	-	-	-
Adjustment to Appropriation (workload agreement)	-	-	1,131	(466)	1,131	(466)
Total Appropriations available for payments	-	562	1,267,601	1,155,593	1,267,601	1,156,155
Cash payments made during year (GST inclusive)	-	(536)	(1,138,168)	(1,015,925)	(1,138,168)	(1,016,461)
Appropriations credited to Special Accounts (excluding GST)	-	-	-	-	-	-
Balance of Authority to Draw Cash from the Consolidated Revenue Fund for Ordinary Annual Services Appropriations	-	-	129,433	139,668	129,433	139,668
<i>Represented by:</i>						
Cash at bank and on hand	-	-	219	317	219	317
Departmental appropriations receivable	-	-	123,246	129,752	123,246	129,752
GST receivable from the ATO	-	-	5,968	9,599	5,968	9,599
Undrawn, unexpired administered appropriations	-	-	-	-	-	-
Total	-	-	129,433	139,668	129,433	139,668

AUSTRALIAN CUSTOMS SERVICE
Notes to and forming part of the Financial Statements

Note 19: Appropriations

Table B: Acquitment of Authority to Draw Cash from the Consolidated Revenue Fund for Other than Ordinary Annual Services Appropriations

Particulars	Operating Outcome 1			Non-operating						Total		
	SPP's			Equity		Loans		Previous years' outputs		Total		
	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000
Balance carried from previous year	-	-	-	-	-	-	-	-	-	-	-	-
Releasement of appropriations (prior years)	-	-	-	-	38,749	-	-	-	-	-	-	-
Adjusted balance carried from previous period	-	-	-	-	38,749	-	-	-	-	-	-	38,749
Appropriations Act:												
Appropriation Act (No.2)	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation Act (No.4)	-	-	-	-	36,609	-	-	-	-	-	-	36,609
Other annual appropriation acts	-	-	-	-	931	-	-	-	-	-	-	931
Administered appropriation lapsed (Appropriation Act section 7&8)	-	-	-	-	-	-	-	-	-	-	-	-
Reductions to appropriations (Appropriation Act section 11)	-	-	-	-	-	-	-	-	-	-	-	-
Advance to the Finance Minister (Appropriation Act section 12)	-	-	-	-	-	-	-	-	-	-	-	-
FMA Act:												
Refunds credited (FMA s30)	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation to take account of recoverable GST (FMA s30A)	-	-	-	-	4,580	-	-	-	-	-	-	4,580
Adjustment of appropriations on change of entity function (FMA s32)	-	-	-	-	-	-	-	-	-	-	-	-
Total appropriations available for payments	-	-	-	-	84,777	-	-	-	-	-	-	84,777
Cash payments made during the year (GST inclusive)	-	-	-	-	50,379	-	-	-	-	-	-	50,379
Appropriations credited to Special Accounts (GST exclusive)	-	-	-	-	-	-	-	-	-	-	-	-
Balance of Authority to Draw cash from the Consolidated Revenue Fund for Other Than Ordinary Annual Services Appropriations	-	-	-	-	34,398	-	-	-	-	-	-	34,398
Represented by:												
Cash at bank and on hand	-	-	-	-	9,000	-	-	-	-	-	-	9,000
Appropriation receivable	-	-	-	-	25,398	-	-	-	-	-	-	25,398
Undrawn, unlapsed administered appropriations	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	34,398	-	-	-	-	-	-	34,398

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 19: Appropriations

Table C: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund - Special Appropriations (Unlimited Amount)

Financial Management and Accountability Act 1997 - Section 28 (Repayments Required or Permitted by Law) (Administered)	2008 \$000	2007 \$000
Cash payments made during the year *	373,055	388,049
Appropriations credited to Special Accounts	-	-
Refunds credited (net) (FMA Act s30)	-	-
Total charged to special appropriation	373,055	388,049
<i>Estimated Actuals</i>	388,124	386,300

* The Australian Taxation Office is responsible for \$16,148,374 (2006/07 : \$15,691,248) of this appropriation relating to GST (on imports), WET, LCT and Sales Tax.

* The Department of Innovation, Industry, Science and Research is responsible for \$119,095,481 (2006/07 : \$140,495,648) of this appropriation relating to Automotive Competitiveness and Investment Scheme (ACIS).

Table D: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund - Special Appropriations (Refund Provisions)

Taxation Administration Act 1953 - Section 16 - Refunds of receipts to individuals under the Tourist Refund Scheme (Administered)	2008 \$000	2007 \$000
Cash payments made during the year	53,783	54,734
Appropriations credited to Special Accounts	-	-
Refunds received (net) (FMA Act s30)	-	-
Total charged to special appropriation	53,783	54,734
<i>Estimated Actuals</i>	76,181	63,520

Table E: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund - Special Appropriations (section 39 of the FMA Act)

Investment of Public Money: Special Appropriations under section 39 of the FMA Act (Administered)	2008 \$000	2007 \$000
Amount invested carried from previous period	3,257	3,078
Prior year investments redeemed in current year	-	-
Investments made during the year	190	179
Redemptions of current year investments*	(3,447)	-
Amount invested carried to the next period (sum of the above)	-	3,257
<i>Estimated Actuals</i>	-	-

* This Special Account was closed on May 31 2008 by the Industry related System Development (IRSD) Special Account variation and abolition determination 2007/20

Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund - Special Appropriation (Limited Amount)

Australian Customs Act 1901-Section 4AB - Reasonable amount of compensation for acquisition of property (Administered)

For the periods of 2006-07 and 2007-08, Customs has not used Section 4AB of the Australian Customs Act 1901 or any other legislative provisions allowing for compensation for acquisition of property.

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 20: Special Accounts

Other Trust Reserve (Administered)	2008	2007
	\$'000	\$'000
Legal Authority: <i>Financial Management & Accountability Act 1997; s20</i>		
Appropriation: <i>Financial Management and Accountability Act 1997; section 21</i>		
<i>Purpose</i> : For the receipt of moneys temporarily held on trust or otherwise for the benefit of a person other than the Commonwealth.		
Balance carried from previous period	460	1,357
Appropriation for reporting period	-	-
Other receipts	492	39
Total credits	952	1,396
Payments to the Commonwealth of unclaimed monies	-	(914)
Payments made to suppliers	(593)	(22)
Total debits	(593)	(936)
Balance carried to next period and represented by:	359	460
Cash - transferred to the Official Public Account	-	-
Cash - held by the Agency	-	-
Total balance carried to the next period	359	460

Security Deposits Reserve (Administered)	2008	2007
	\$'000	\$'000
Legal Authority: <i>Financial Management & Accountability Act 1997; s20</i>		
Appropriation: <i>Financial Management and Accountability Act 1997; section 21</i>		
<i>Purpose</i> : For expenditure dealing with moneys required to be lodged under Section 42 and 162 of the Customs Act 1901		
Balance carried from previous period	5,475	5,915
Other receipts - security deposits	4,375	6,048
Adjustments to opening balance	-	-
Total credits	9,850	11,963
Payments to the Commonwealth of securities foregone	(603)	(1,256)
Payments made to suppliers	(4,454)	(5,232)
Total debits	(5,057)	(6,488)
Balance carried to next period and represented by:	4,793	5,475
Cash - transferred to the Official Public Account	4,793	5,475
Cash - held by the Agency	-	-
Total balance carried to the next period	4,793	5,475

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 20: Special Accounts

Industry Related Systems Development Fund (Administered)*	2008	2007
	\$'000	\$'000
Legal Authority: <i>Financial Management & Accountability Act 1997 ; s20</i>		
Appropriation: <i>Financial Management and Accountability Act 1997 ; section 21</i>		
<i>Purpose</i> : For expenditure on industry related development of Customs Services		
Balance carried from previous period	3,257	3,078
Other receipts	190	179
Total credits	3,447	3,257
Payments made to suppliers	(3,447)	-
Total debits	(3,447)	-
Balance carried to next period and represented by:	-	3,257
Cash - transferred to the Official Public Account	-	3,257
Cash – held by the Agency	-	-
Total balance carried to the next period	-	3,257

* This Special Account was closed on May 31, 2008 by the Industry Related System Development (IRSD) Special Account variation and abolition determination 2007/20.

Tradegate Fees (Administered)

Legal Authority: *Financial Management & Accountability Act 1997 ; s20*

Purpose : For expenditure on payments to Tradegate Australia Ltd of fees collected by Customs for users of the Tradegate Network.

This Special Account has been closed and not used during the current year or the comparative year and has a nil balance.

Services for Other Government and Non-Government Bodies Reserve (Administered)

Legal Authority: *Financial Management & Accountability Act 1997 ; s20*

Purpose : For expenditure in connection with services performed on behalf of other Governments and bodies that are not FMA agencies.

This Special Account has been closed and not used during the current year or the comparative year and has a nil balance.

AUSTRALIAN CUSTOMS SERVICE
Notes to and forming part of the Financial Statements

Note 21: Compensation and Debt Relief

	2008	2007
	\$	\$
Administered		
No 'Act of Grace' expenses were incurred during the reporting period. (2007: No 'Act of Grace' expenses incurred).	<u>Nil</u>	<u>Nil</u>
2008: There are no waiver's owing to the Australian Government in this period were made pursuant to subsection 34(1) of the Financial Management and Accountability Act. (2007: No waiver)	<u>Nil</u>	<u>Nil</u>
No ex-gratia payments were provided for during the reporting period. (2007: No ex-gratia payments were provided).	<u>Nil</u>	<u>Nil</u>
Departmental		
19 payments were made under the 'Defective Administration Scheme' during the reporting period. 192 payments were made in 2007.	<u>245,539</u>	<u>599,293</u>
No payments were made under s73 of the <i>Public Service Act 1999</i> during the reporting period. (2007: No payments made)	<u>Nil</u>	<u>Nil</u>

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 22: Reporting of Outcomes

Note 22A: Net Cost of Outcome Delivery

	Outcome 1		Total	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Expenses				
Administered	2,897	16,376	2,897	16,376
Departmental	1,264,877	1,213,416	1,264,877	1,213,416
Total expenses	1,267,774	1,229,792	1,267,774	1,229,792
Costs recovered from provision of goods and services to the non government sector				
Administered	557,098	522,593	557,098	522,593
Departmental	11,168	10,665	11,168	10,665
Total costs recovered	568,266	533,258	568,266	533,258
Other external revenues				
Administered				
Duty	6,068,978	5,640,854	6,068,978	5,640,854
Duty (inter-government)		11	-	11
Interest on loans	35	41	35	41
Other	3,654	21,889	3,654	21,889
Total Administered	6,072,667	5,662,795	6,072,667	5,662,795
Departmental				
Goods and services revenue from related entities	247,924	276,207	247,924	276,207
Total Departmental	247,924	276,207	247,924	276,207
Total other external revenues	6,320,591	5,939,002	6,320,591	5,939,002
Net cost/(contribution) of outcome	(5,621,084)	(5,242,468)	(5,621,084)	(5,242,468)

AUSTRALIAN CUSTOMS SERVICE

Notes to and forming part of the Financial Statements

Note 22: Reporting of Outcomes

Note 22B: Major Classes of Departmental Revenues and Expenses by Output Groups and Outputs

Outcome 1	Output 1		Output 2		Output 3	
	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Departmental expenses						
Employees	154,183	136,050	149,388	137,031	181,842	164,461
Suppliers	44,203	41,488	165,263	154,424	185,460	185,480
Depreciation and amortisation	13,746	8,342	24,013	20,213	30,080	28,567
Other expenses	702	1,056	490	1,223	551	2,731
Total departmental expenses	212,834	186,936	339,154	312,891	397,933	381,239
Funded by:						
Revenues from government	198,502	173,736	316,316	290,796	371,136	354,318
RRFOC	936	733	1,492	1,228	1,750	1,496
Sale of goods and services	13,970	11,373	22,261	19,036	26,119	23,195
Other non-taxation revenues	242	432	386	723	453	880
Total departmental revenues	213,650	186,274	340,455	311,783	399,458	379,889

Outcome 1	Output 4		Total	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Departmental expenses				
Employees	11,415	10,799	496,828	448,340
Suppliers	300,088	319,412	695,014	700,804
Depreciation and amortisation	3,422	1,875	71,262	58,997
Other expenses	30	265	1,773	5,275
Total departmental expenses	314,955	332,351	1,264,877	1,213,416
Funded by:				
Revenues from government	120,091	104,236	1,006,046	923,087
RRFOC	187,579	221,498	191,757	224,955
Sale of goods and services	3,546	7,115	65,896	60,719
Other non-taxation revenues	359	767	1,440	2,802
Total departmental revenues	311,575	333,616	1,265,139	1,211,563

Output departmental expenses have been calculated using an activity based costing methodology.

Note: The 2006-07 figures have been restated for comparative purposes due to changes in Customs' Outputs. Details of the changes to the Customs Output structure are contained in Note 1.1

Note 22C: Major Classes of Administered Revenues and Expenses by Outcome

	Outcome 1		Total	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Administered Income				
Customs duty	6,068,978	5,640,865	6,068,978	5,640,865
Other taxes	557,098	522,593	557,098	522,593
Other non-taxation revenues	3,689	21,930	3,689	21,930
Total administered income	6,629,765	6,185,388	6,629,765	6,185,388
Administered Expenses				
Other expenses	2,897	16,376	2,897	16,376
Total administered expenses	2,897	16,376	2,897	16,376

PART 6

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APPENDIX A – STAFFING OVERVIEW (INCLUDING CERTIFIED AGREEMENTS AND AWAS, PERFORMANCE PAY

COLLECTIVE AGREEMENT

The Customs Collective Agreement 2007–2010 covers the pay and conditions for the majority of employees. The following table highlights the current salary rates for Customs employees as covered in the Collective Agreement.

AUSTRALIAN WORKPLACE AGREEMENTS

Senior Executive Service (SES)

The majority of SES employees have remuneration arrangements agreed through individual Australian Workplace Agreements (AWAs) or other individual employment arrangements. Since the government decision regarding AWAs SES terms and conditions are determined through Section 24 (1) determination under the Public Service Act 1999. Salaries are determined by the CEO following a recommendation from the SES

Remuneration Committee which consists of the Deputy Chief Executive Officers and are broadly within three bands representing the three classification levels.

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

During the past year, approximately 74 per cent of Customs Senior Executive staff received performance pay. The aggregate amount of performance pay for Senior Executives was \$376,286.

Figure 53: Staff classification, Australian Public Service equivalent level and salary range at 30 June 2008*

Customs Classification	APS Level	Salary Range (\$)
Indigenous Cadet	APS Level 1	21 567 – 40 527
Customs Trainee	APS Level 1	21 567 – 40 527
Customs Graduate Trainee	APS Level 2	39 733 – 45 110
Customs Level 1 Customs Officer	APS Level 2–3	33 674 – 51 970
Customs Level 2 Senior Customs Officer	APS Level 4–5	51 970 – 61 057
Customs Level 3 Customs Supervisor	APS Level 5–6	61 057 – 72 896
Customs Level 4 Customs Manager	EL 1	78 848 – 91 271
Customs Level 5 Customs Director	EL 2	91 271 – 109 935

* Salary range includes minimum and maximum salaries available under the Customs Collective Agreement 2007–2010; Australian Workplace Agreement (AWA) salaries are not included.

Non-Senior Executive Service

At 30 June 2008 there were 163 non-Senior Executive staff on AWAs. The majority of these were Customs Directors (Customs Level 5). The conditions of employment for staff that were not on AWAs were governed by the provisions of the relevant Australian Customs Service Collective Agreement.

Performance Management

Customs Performance Management Policy describes how the various individual components of performance management interact and it also clarifies roles and responsibilities for managers and employees. The policy reinforces the importance of the APS Values and the need to integrate them into ongoing performance and emphasises the need to comply with the Code of Conduct at all times. The policy also contains guidance on managing performance issues, including those that may be related to non-adherence to the Values or a breach of the Code of Conduct.

Performance Assessment and Feedback (PAF) is the formal mechanism within Customs for employees and managers to work together to improve individual and team performance. PAF assists in assuring the quality of performance management by mandating a minimum number of good practice activities. PAF documentation assists employees and their managers to efficiently define expected performance objectives and standards and development needs.

Customs is currently reviewing its performance management policy and procedures, including PAF. It is expected that recommended changes will be implemented by 1 July 2009.

Figure 54: 2007–08 Performance Assessment and Feedback scheme ratings for staff that performed above agreed requirements

	CL1	CL2	CL3	CL4	CL5	Total
Number of staff rated performed above agreed requirements	20	67	98	53	38	284

Figure 55: 2007–08 Performance Pay Outcomes (Collective Agreement)

		CL1	CL2	CL3	CL4	CL5	Total
Number of staff receiving bonus *	No	11	35	55	23	9	124
Total amount paid	\$	26507	93502	183913	82842	27759	414523
Bonus amount average	\$	2409	2671	3343	3601	3084	15108
Minimum bonus paid	\$	1641	911	660	83	252	3547
Maximum bonus paid	\$	2599	3173	3645	4564	5656	19637

* Not all staff who performed above requirements received a performance bonus. Some received an adjustment in salary.

Figure 56: 2007–08 Performance Pay Outcomes (AWA holders)

		CL3	CL4	CL5	Total
Number of staff receiving bonus		1	1	5	7
Total amount paid	\$	3645	4564	27759	35968
Bonus amount average	\$	3645	4564	3084	
Minimum bonus paid	\$	3645	4564	252	
Maximum bonus paid	\$	3645	4564	5656	

Workplace Diversity

Customs continues to promote awareness of its Workplace Diversity and Workplace Harassment Policies. We work to reinforce the roles and responsibilities of all employees through induction training sessions, all-staff emails, articles in our internal Customs News publications and the distribution of a bullying awareness brochure.

Customs ensures all our employees are updated on workplace diversity issues through mandatory online learning modules on:

- > Australian Public Service Values and Code of Conduct;

- > Workplace Discrimination and Harassment – Legal Compliance;
- > Workplace Discrimination and Harassment- Email and the Internet.

Non-mandatory online courses on performance management and diversity and cultural awareness are also available to staff.

Some of the key outcomes achieved include:

- > Developing a Reconciliation Action Plan that was registered by Reconciliation Australia;
- > The participation of four Customs Indigenous staff members at the inaugural

- APS National Indigenous employees Conference in Sydney in May 2008;
- > Participation in the 2008 APS Indigenous Entry Level Trainee Program;
 - > Recruitment of two Indigenous cadets under the National Indigenous Cadetship Program in 2008, in addition to two Indigenous members finished their cadetship and have ongoing employment with Customs;
 - > Participation in the 2008 APS Indigenous Graduate Program in addition to one Indigenous graduate finishing their Graduate Program and have ongoing employment with Customs;
 - > Participation in the 2008 APSC Indigenous Scholarship Program;
 - > One participant in the APSC Horizons Program;
 - > Implementation of the Customs Equity and Diversity Plan for 2008–2010.

Customs continues to promote a range of diversity events such as the National Aboriginal and Islander Day Observance Committee (NAIDOC) Week activities.

Figure 57 shows the representation of equity and diversity groups in Customs. There was a slight decrease in the proportion of female and Indigenous employees but a slight increase in other groups compared with staffing figures as at 30 June 2007. These figures rely on voluntary self-identification and compliance levels vary from year to year.

APPENDIXES

Figure 57: Representation of equity and diversity groups by staff classification at 30 June 2008

	Female		Born Overseas#		People with Disabilities		Indigenous	
	No.	%	No.	%	No.	%	No.	%
Indigenous Cadet	2	66.67					3	100.00
Customs Graduate Trainee	7	70.00	1	10.00				
Customs Trainee	53	40.15	15	11.36				
Customs Level 1	1183	44.13	420	15.67	38	1.42	63	2.35
Customs Level 2	682	42.12	248	15.32	32	1.98	21	1.30
Customs Level 3	390	36.45	179	16.73	28	2.62	8	0.75
Customs Level 4	201	39.26	70	13.67	6	1.17	2	0.39
Customs Level 5	67	32.52	28	13.59	5	2.43	1	0.49
Senior Executive Service	26	38.81	13	19.40	2	2.99		
Total	2611	41.44	974	15.46	111	1.76	98	1.56

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

Number of staff born outside Australia

APPENDIX B – COMMONWEALTH DISABILITY STRATEGY

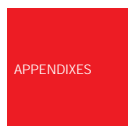
This section provides information on our performance implementing the Commonwealth Disability Strategy. Customs core roles that are reported

are as Regulator and Provider. From 2007–08 agencies will report under the employer role to the Australian Public Service Commission.

Regulator role			
Performance Indicator	Performance Measure	Current level of performance 2007–08	Goals for 2008–09
Publicly available information on regulations and quasi-regulations is available in accessible formats for people with disabilities.	<p>Percentage of publicly available information on regulations and quasi-regulations requested and provided in:</p> <ul style="list-style-type: none"> > accessible electronic formats; > accessible formats other than electronic. <p>Average time taken to provide accessible material in:</p> <ul style="list-style-type: none"> > electronic format; > formats other than electronic. 	<ul style="list-style-type: none"> > All client-related information is available in hard copy and on the Customs Internet site. Documents in html format or pdf files produced in Adobe version 5 or later are readable by JAWS software for the visually impaired. > Written information is presented in inclusive and positive language and plain English is always used. > Electronic information is available 24 hours a day seven days a week via the customs Internet site. > Internationally accepted directional signs are used at airports 	Provide all Customs client-related policy and procedures in a clear format and unambiguous language through the Practice Statement framework that is readily accessible on Customs internet site.

Performance Indicator	Performance Measure	Current level of performance 2007–08	Goals for 2008–09
Publicly available regulatory compliance reporting is available in accessible formats for people with disabilities.	<p>Percentage of publicly available information on regulations and quasi-regulations requested and provided in:</p> <ul style="list-style-type: none"> > accessible electronic formats; > accessible formats other than electronic. <p>Average time taken to provide accessible material in:</p> <ul style="list-style-type: none"> > electronic format; and formats other than electronic. 	<ul style="list-style-type: none"> > Annual reports are available in hard copy and on the Customs Internet site. 	<p>Customs Annual Report on their Workplace Diversity Program to be posted on Customs Intranet site and hard copies available for staff who request.</p> <p>Communications included in Customs News with a link to the intranet when the report is completed.</p>

Provider role			
Performance Indicator	Performance Measure	Current level of performance 2007–08	Goals for 2008–09
Providers have established mechanisms for quality improvement and assurance.	Evidence of quality improvement and assurance systems in operation.	<ul style="list-style-type: none"> > The Customs Planning and Performance Framework requires all work areas to ensure staff comply with the Customs Workplace Diversity Policy and APS Values and Code of Conduct. > The Customs Practice Statement framework ensures that clear and consistent policy and procedures are centrally available to all staff via the Intranet. > Customs Container Examination Facilities in Melbourne, Sydney, Brisbane, Fremantle and Adelaide have all received and maintained accreditation to the ISO9001:2000 standard. 	<p>Outline quality improvement strategies in planning documents.</p> <p>Develop, pilot and maintain assurance frameworks to support conformance with legislative requirements.</p>



Performance Indicator	Performance Measure	Current level of performance 2007–08	Goals for 2008–09
Providers have an established service charter that specifies the roles of the provider and consumer and service standards which address accessibility for people with disabilities.	Established service charter that adequately reflects the needs of people with disabilities in operation.	<ul style="list-style-type: none"> > The client service charter commits Customs to aiming to make information services and documentation accessible for all clients regardless of disability, language or cultural difference. > The client service charter is reviewed annually to ensure that it reflects the expectations of the community. > Customs facilitates the movement of people with mobility limitations by allowing them to use crew processing lanes and providing head of queue status. 	Develop standards relating specifically to the services Customs provides to people with disabilities to be included as part of the annual review of the client service charter.
Performance Indicator	Performance Measure	Current level of performance 2007–08	Goals for 2008–09
Complaints/ grievance mechanisms, including access to external mechanisms, in place to address concerns raised about performance.	Established complaints/ grievance mechanisms, including access to external mechanisms, in operation.	<ul style="list-style-type: none"> > A general complaints and compliments system is available to all members of the public. Members of the public can also contact the Customs Information and Support Centre on 1300 363 263 during business hours. TTY facilities are available for this service. > An analysis of complaints received during 2007-08 indicates that there was one disability-related complaint. 	Further improve our complaints and compliments database classifications to ensure accurate identification of complaints relating to Customs interaction with clients with a disability.

APPENDIX C – FREEDOM OF INFORMATION

This appendix provides information required under section 8 of the *Freedom of Information Act 1982*, which stipulates that agencies must report annually on:

- > the organisation, functions and decision making powers of the agency;
- > arrangements for public involvement in the work of the agency;
- > types of documents held by the agency;
- > where and how the public can gain access to these documents.

Functions and powers

Customs is part of the Attorney-General's portfolio.

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

Responsibility for administering a range of tax and enforcement legislation is vested by Parliament in the CEO. The CEO's authority to administer Customs is written into the relevant law, as are the CEO's general responsibilities, discretionary powers and rights.

Further information on the organisation and functions of Customs, and a list of Commonwealth legislation under which Customs has powers, can be found in Part 1 – Overview.

Arrangements for participation

Customs has formal and informal consultative mechanisms in place to allow organisations and people outside the

Australian Government to participate in the formulation and administration of policy by Customs. Members of the public can voice their opinions in letters to the Minister for Home Affairs, the Hon Bob Debus MP, Parliament House, Canberra, ACT 2600.

The Customs National Consultative Committee provides a forum for consultation with industry bodies. For further information, refer to Corporate Governance, Customs National Consultative Committee.

Informal feedback from clients and other interested parties about the decisions and actions of Customs is encouraged in the form of the Complaints and Compliments System. For further information, refer to Accountability to Clients, Complaints and Compliments.

Customs also follows a practice of, whenever possible, inviting comment on significant policy issues before decisions are made. This includes consulting with relevant industry groups and welcoming feedback from other interested parties.

Types of documents

Customs holds documents on a wide range of topics, which are broadly categorised as:

- > agendas, minutes and decisions, including internal and external meetings and ministerial, interdepartmental and general correspondence and papers;
- > internal administration papers (including research and project reports, accounting and financial records, legal records, and staffing records);
- > manuals and training materials (including video tapes, guidelines, directions

and administrative instructions relating to Customs operations and legislative procedures. This also includes some publications prepared for the guidance of staff and the business community to assist in decision-making);

- > briefing papers (including briefs, submissions and reports to the Customs Executive and the Minister for Home Affairs. These generally relate to policy development and background to particular administrative decisions);
- > database records (including computer files, printouts, pre-printed forms and statistical tabulations).

Availability of documents to members of the Public

Some documents are generally available while others are available under the *Freedom of Information Act 1982* (FOI Act).

Many of the documents held by Customs are available for free on request, some of these include:

- > annual reports;
- > corporate plans and other associated planning documents;
- > a range of fact sheets, brochures and booklets including information on importing and exporting goods, information for people travelling overseas and details on industry assistance schemes, tariff, rules of origin and valuation reference documents and policy advices;
- > Australian Customs Notices;
- > Australian Customs Dumping Notices;
- > Australian Customs Cargo Advices;
- > State Notices.

To ensure a transparent process, in which all interested parties have the maximum opportunity to defend their interests, we also maintain a public file for all anti-dumping and countervailing investigations and reviews.

Some documents held by Customs are available for purchase, including:

- > Dumping Commodities Register;
- > Schedule of Commercial Tariff Concession Orders;
- > Combined Australian Customs Tariff Nomenclature Statistical Classification.

A list of documents available to the public for inspection or purchase under section 9(2)(c) of the FOI Act can be found on the Customs website.

Documents available to the public are generally available on our website or by calling the Customs Information and Support Centre. Applications for access to documents, including those not generally available to the public, can be made under the FOI Act.

Freedom of information inquiries

Inquiries regarding Freedom of Information can be made by contacting the FOI Coordinator on (02) 6275 6666 or by writing to the FOI Coordinator at any Customs State or Territory office, postal addresses are provided on page xi.

Inquiries can be made by letter, telephone or in person. Email inquiries may be sent to foicoordinator@customs.gov.au. Formal FOI requests must be made in writing and should include telephone contact numbers and a return Australian address. A \$30 application fee or a remission request must accompany each request. Customs provides appropriate facilities for the inspection of documents accessed under the *Freedom of Information Act 1982*.

APPENDIX D – ADMINISTRATIVE APPEALS TRIBUNAL AND ADMINISTRATIVE DECISIONS (JUDICIAL REVIEW) ACT 1977

> **Figure 58: Administrative Appeals Tribunal applications for review (s37)**

APPENDIX () – ADMINISTRATIVE APPEALS TRIBUNAL (AAT) AND ADMINISTRATIVE DECISIONS (JUDICIAL REVIEW) ACT 1977

	2005–06	2006–07	2007–08
Tariff Classification & Schedule 4 Items	5	28*	4
Valuation & Origin	2	1	0
Tariff Concessions	0	14#	8-
Refunds	0	1	3
Freedom of Information	3	0	1
Other	3	1^	2^
Total	13	45	18

* comprising 11 cases

comprising 8 cases

^ includes one s35A demand

- comprising 4 cases

APPENDICES

> **Figure 59: Administrative Appeals Tribunal requests for reasons (s28)**

	2005–06	2006–07	2007–08
Tariff Classification & Schedule 4 Items	0	0	0
Valuation & Origin	0	0	0
Tariff Concessions	0	0	3*
Refunds	0	0	0
Freedom of Information	0	0	0
Other	0	0	0
Total	0	0	3

* comprising 1 case

> **Figure 60: Administrative Appeals Tribunal decisions handed down**

	2005–06	2006–07	2007–08
Customs decisions affirmed	2	3	4
Customs decisions set aside	2	1	1
comprising the following cases:			
Tariff Classification & Schedule 4 Items	1	1*	1
Valuation & Origin	1	0	0
Tariff Concessions	0	0	0
Refunds	0	0	0
Freedom of Information	0	0	0
Other	0	0	0
Total decisions affirmed and set aside	4	4	5

* decision appealed to Federal Court

> **Figure 61: Matters resolved before being heard by the Administrative Appeals Tribunal**

	2005-06	2006-07	2007-08
Matters withdrawn/dismissed (s42A)	6	9	7
Matters settled by consent (s42C)	3	4	5
comprising the following cases:			
Tariff Classification & Schedule 4 Items	2	2	4
Valuation & Origin	1	2	0
Tariff Concessions	0	0	1
Refunds	0	0	0
Freedom of Information	0	0	0
Other	0	0	0
Total matters dismissed and settled	9	13	12

> **Figure 62: Federal Court appeals from decisions of the Administrative Appeals Tribunal**

	2005-06	2006-07	2007-08
Appeals resolved in favour of Customs	2	0	0
Appeals resolved against Customs	1	1	1
Tariff Classification & Schedule 4 Items	0	0	1*
Valuation & Origin	0	0	0
Other	1	1	0
Total appeals in favour and against	3	1	1

* decision appealed to Full Federal Court

> **Figure 63: *Administrative Decisions (Judicial Review) Act 1977* applications/requests for reasons**

	2004-05	2005-06	2006-07	2007-08
Federal Court applications for review	3	2	2	2
Requests for Statement of Reasons	3	2	2	3
Matters settled during the year	4	1	2	2

> **Figure 64: Federal Court decisions in *Administrative Decisions (Judicial Review) Act 1977* matters**

	2004-05	2005-06	2006-07	2007-08
Matters resolved in favour of Customs	1	-	1	1
Matters resolved against Customs	-	1	1	1
Total	1	1	2	2

APPENDIX E – ADVERTISING AND MARKET RESEARCH

Under section 331A of the *Commonwealth Electoral Act 1918* any payments by Customs for advertising or market research greater than \$10,000 must be reported in the Annual Report.

In accordance with this legislation Customs paid a total of \$2,022,868.81 to organisations for advertising and market research. The breakdown of costs paid to these organisations and the services they provided is detailed below:

Amount:	\$957,311.80
Organisation:	HMA Blaze
Services:	Advertising of Customs Hotline, employment opportunities and public notices.
Amount:	\$61,286.30
Organisation:	National Capital Printing
Services:	Advertising and printing of tourist refund scheme brochures, posters and handbooks.
Amount:	\$49,012.42
Organisation:	Open Mind Group
Services:	Conducted traveller experience research as part of the SmartGate public trial in September 2007.
Amount:	\$654,652.01
Organisation:	Taylor Nelson
Services:	Conducted market research and traveller satisfaction surveys.
Amount:	\$300,606.28
Organisation:	The Campaign Palace
Services:	SmartGate Program creative agency. Provided design and production services for SmartGate promotional and marketing products.



APPENDIX F – CORRECTION OF ERRORS

The following error was reported in the 2006-07 Customs Annual Report:

FOI Statistics, page 172.

- > In 2004–05, 4 requests were received for Section 54 (AAT review) not 3 as reported.
- > In 2005–06, 3 requests were received for Section 54 (AAT review) not 1 as reported.
- > The total number of requests received for 2004–05 is 51, and the total for 2005–06 is 54.
- > A footnote should be added to the 2006–07 figure for requests received under Section 15 stating that this figure includes requests carried over from the previous financial year and requests still being processed at the end of the financial year.

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GLOSSARY AND ACRONYMS

A

ABS	Australian Bureau of Statistics
ABS	Air Border Security
ACC	Australian Crime Commission
ACIS	Automotive Competitiveness and Investments Scheme
ACP	Accredited Client Program
ACV	Australian Customs Vessel
ADF	Australian Defence Force
AEZ	Australian Exclusive Economic Zone
AEO	Authorised Economic Operator
AFMA	Australian Fisheries Management Authority
AFP	Australian Federal Police
AGS	Australian Government Solicitor
AHPL	Australian Helicopters Pty Ltd
AIS	Automatic identification system
AMIS	Australian Maritime Identification System
AML	Anti-money laundering
AMSA	Australian Maritime Safety Authority
ANAO	Australian National Audit Office
ANMAC	Airports National Monitoring and Analysis Centre
ANZCERTA	Australia-New Zealand Closer Economic Relations Trade Agreement
APEC	Asia-Pacific Economic Cooperation
APS	Australian Public Service
AQIS	Australian Quarantine and Inspection Service
ASADA	Australian Sports Anti-Doping Authority
ASEAN	Association of Southeast Asian Nations
ASIO	Australian Security Intelligence Organisation
ATO	Australian Taxation Office
ATS	Amphetamine type stimulants
AusAID	Australian Agency for International Development
AUSFTA	Australia-United States Free Trade Agreement
AUSTRAC	Australian Transaction Reports and Analysis Centre
AWA	Australian Workplace Agreement

B

BAKORKAMLA	Indonesian agency responsible for coordinating maritime security affairs
BNI	Bearer Negotiable Instruments
BPC	Border Protection Command
BSP	Border Security Project

C

CA	Certified Agreement
CCAMLR	Convention for the Conservation of Antarctic Marine Living Resources
CCAS	Customs compliance assurance strategy
CCTV	Closed circuit television
CEF	Container examination facility
CEO	Chief Executive Officer
CFE	Customs Flexible Employee
CI&SC	Customs Information and Support Centre
CIEMP	Customs International Executive Management Program
CIRC	Customs Incident Reporting Centre
CITMA	Customs IT Multi-party Arrangements
CL	Customs Level (with reference to staff classifications)
CMR	Cargo Management Reengineering
CMU	Customs Marine Unit
CNCC	Customs National Consultative Committee
CND	Commission on Narcotic Drugs
CSIRO	Commonwealth Scientific and Industrial Research Organisation
CTFR	Counter Terrorism First Response (airports)
CTO	Cargo/container terminal operator

D

DAFF	Department of Agriculture, Fisheries and Forestry
DCEO	Deputy Chief Executive Officer
DDP	Detector Dog Program
Defence	Department of Defence
DFAT	Department of Foreign Affairs and Trade
DGMS	Detained Goods Management System
DHEA	Dehydroepiandrosterone/Prasterone
DIAC	Department of Immigration and Citizenship
DITR	Department of Industry, Tourism and Resources
DMW	Deck-mounted weapons

DOTARS	Department of Transport and Regional Services
DTMF	Dual Tone Multi Frequency
DVS	Document verification service
E	
Ecstasy	MDMA - 3,4-methylenedioxymethamphetamine
EDS	EDS Australia (information technology service provider)
EEZ	Exclusive Economic Zone
EL	Executive Level
EMS	Environmental Management System
EMS	Express Mail Service
EPAC	Enhanced Passenger Assessment and Clearance
ETS	Enhanced trade Solutions
EU	European Union
Examination	examination of the cargo by a Customs officer
F	
Fantasy	Gammahydroxybutyrate
FATF	Financial Action Task Force
FEDD	Firearms and explosives detector dog
FFV	Foreign Fishing Vessel
FMIS	Financial Management Information System
FOB	Free on board. The term defines the cost of the goods including any cartage costs, incurred in placing goods on board a vessel at the place of export.
FOC	Future Operating Concept
FOI Act	Freedom of Information Act 1982
FTA	Free Trade Agreement
FTDDS	Fraudulent Travel Document Detection System
FTE	Full-time equivalent
FTS	Firearms Tracking System
G	
GACC	General Administration of China Customs
GBL	Gammabutyrolactone
GBRMP	Great Barrier Reef Marine Park
GHB	Fantasy (gamma hydroxybutyrate)
GHG	Greenhouse gas
GRI	Global Reporting Initiative

GST	Goods and services tax
H	
HINT	Heads of Intelligence
HMRC	Her Majesty's Revenue and Customs
HOCOLEA	Heads of Commonwealth Operational Law Enforcement Agencies
HS2007	Harmonized Commodity Description and Coding System 2007
HSMA	Health and Safety Management Arrangements
I	
IAG	Industry Action Group
'ice'	Methamphetamine
ICS	Integrated Cargo System
IFF	Illegal foreign fisher
IFFV	Illegal foreign fishing vessel/venture
IIE	Integrated Intelligence Environment
IMO	International Maritime Organisation
Intervention	Customs 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.
Inspection	Inspection may include the use of non-intrusive examination through x-ray technology (static or mobile), trace particle detection, detector dogs or a physical examination of the cargo.
IOC	Integrated Operations Centre
IRCU	Incident Response Coordination Unit
IT	Information technology
IUU	Illegal, unregulated and unreported
J	
JAIG	Joint Aviation Intelligence Group
JAIT	Joint Airport Investigations Team
K	
KPI	Key Performance Indicator
L	
LAN	Local Area Network
LCT	Luxury car tax
M	
MCV	Maritime Crew Visa
MDMA	Ecstasy (3,4-methylenedioxymethamphetamine)

MMAF	Indonesia's Ministry of Marine Affairs and Fisheries
MOU	Memorandum of Understanding
MXU	Mobile X-Ray Unit
N	
NAIDOC	National Aboriginal and Islander Day Observance Committee
NCMSRP	National Civil Maritime Surveillance and Response Program
NCBLAC	National Customs Brokers Licensing Advisory Committee
ND	National Director
NDARC	National Drug and Alcohol Research Centre
NDLERF	National Drug Law Enforcement Research Fund
NMC	National Monitoring Centre
NMU	National Marine Unit
NPPC	National Passenger Processing Committee
NSC	National Surveillance Centre
O	
OCO	Oceania Customs Organization
OHS	Occupational Health and Safety
P	
PACTS	PNG and Australian Customs Twinning Scheme
PAES	Portfolio Additional Estimates Statements
PAF	Performance Assessment and Feedback - performance review scheme
PBS	Portfolio Budget Statements
PIEDs	Performance and image enhancing drugs
PMC	Passenger Movement Charge
PMF	Project Management Framework
PNG	Papua New Guinea
PNR	Passenger Name Record
PRISM	Precursors required in synthetic manufacture
PSI	Proliferation security initiative
Q	
QSP	Quality Software Products
R	
RAAF	Royal Australian Air Force
RAMSI	Regional Assistance Mission to Solomon Islands
RASC	Risk Assessment Systems Capability
RD	Regional Director

RFT	Request for Tender
RIMS	Records and Information Management System
RMP	Royal Malaysian Police
ROO	Rules of origin
S	
SAPL	Surveillance Australia Pty Ltd
SES	Senior Executive Service
SGP	Strongim Gavman Program
SICED	Solomon Islands Customs and Excise Division
SIEV	Suspect illegal entry vessel
SME	small-to-medium enterprise
SOMPR	Southern Ocean Maritime Patrol and Response
SPARTECA	South Pacific Regional Trade and Economic Agreement
SSAN	Security sensitive ammonium nitrate
SUNC	Suspect unlawful non-citizen
T	
TAFTA	Thailand-Australia Free Trade Agreement
TEU	Twenty-foot equivalent unit
TODIS	Tough on Drugs in Sport Strategy
TRADEX	This scheme is administered by AusIndustry and allows importation without payment of duty or sales tax when the goods are intended for export
TMRO	Trade Measure Review Officer
TRS	Tourist Refund Scheme
U	
UAV	Unmanned Aerial Vehicle
US	United States of America
W	
WCO	World Customs Organization
SAFE Framework	Framework of Standards to Secure and Facilitate Global Trade
WET	Wine equalisation tax
WTO	World Trade Organization

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