

Performance Audit Report No. 42 (2013-14)

Screening of International Mail

Introduction

- 2.1 Chapter 2 discusses the Joint Committee of Public Accounts and Audit (JCPAA) review of Australian National Audit Office (ANAO) Report No. 42, *Screening of International Mail*. The chapter comprises:
- an overview of the report, including the audit objective, criteria and scope; audit conclusion; and audit recommendations
 - Committee review
 - Committee comment

Report overview

Background

- 2.2 In 2012-13, around 180 million international mail items arrived in Australia. While all incoming international mail is subject to border controls, Department of Agriculture (Agriculture) and Australian Customs and Border Protection Service (Customs) cannot and do not screen all mail received. Rather, the border agencies seek to take a targeted approach that identifies the mail considered to be at higher risk. Adopting a risk-based, targeted approach is consistent with the agencies' views that the vast

- majority of mail is compliant with legislative requirements, and that screening all international mail would be costly and resource intensive.¹
- 2.3 Agriculture has identified a range of goods that pose a biosecurity risk, including particular seeds and grains, and veterinary therapeutics. For Customs, the predominant risks are illicit drugs and firearms. Both agencies appreciate, however, that there is a balance to be struck between managing these risks and facilitating legitimate trade and travel.
- 2.4 Different import streams also present different risks. Agriculture and Customs (the border agencies) consider that international mail items pose a lower risk when compared with air and sea cargo because mail items are generally smaller consignments and intended for domestic use. The management of risks in any one stream is necessarily influenced by the availability of resources and the risks that each agency seeks to manage.
- 2.5 In 2012–13, Agriculture reported that it screened around 35 million mail articles (around 19 per cent of all mail), which resulted in the seizure of 27,608 items carrying quarantine risks. Customs reported that it screened around 46 million items (around 25 per cent of all mail) and seized 67,123 prohibited imports. The number of seizures by Agriculture has declined by 75 per cent since 2006–07, while Customs seizures have increased by 190 per cent over the same period.²

Audit objective, criteria and scope

- 2.6 The audit's objective was to assess the effectiveness of Agriculture's and Customs' arrangements for the targeting and screening of incoming international mail to identify prohibited and restricted goods. In order to form a conclusion against the audit objective, the ANAO adopted the following high level criteria:
- appropriate administrative arrangements support each agency's international mail program
 - methodologies for targeting international mail are effective
 - screening and examination arrangements for incoming international mail items are effective
 - processes are in place to measure and report the performance of the international mail programs

1 ANAO, Audit Report No. 42, (2013-14), *Screening of International Mail*, p. 14.

2 ANAO, Audit Report No. 42, (2013-14), *Screening of International Mail*, p. 15.

Audit conclusion

- 2.7 Achieving and maintaining a balance between border control and facilitating the flow of international mail is a challenge for Agriculture and Customs. The volume of international mail, particularly parcels and other larger items, continues to increase. In 2012–13, Australia received around 180 million international mail items and to screen and examine all consignments would be costly, resource intensive, and impede the flow of mail. Nevertheless, some international mail will contain quarantine risk material or prohibited imports, and a small proportion of these items may pose a serious risk to the Australian public. It is therefore necessary for Agriculture and Customs to have adequate processes in place to identify those mail items that are more likely to carry higher risk non-compliant goods and deal with them appropriately.
- 2.8 Prior to 2008–09, the border agencies screened all incoming international mail. Since then, each agency has sought to encourage voluntary compliance by educating the public about quarantine and customs requirements, and has developed risk-based strategies for targeting and screening higher risk cohorts of mail on arrival. However, neither agency is able to demonstrate the effectiveness of these strategies. They also gain limited assurance from their ‘leakage’ survey (Agriculture) and sampling program (Customs) in relation to the number of detections missed in unscreened mail.
- 2.9 Agriculture’s targeting model is statistically based, nationally consistent and reflects the work undertaken by the department since 2011 to improve its understanding of risk in the mail environment. Initial targeting analysis (undertaken in 2011) estimated that the department could expect to seize around 72 per cent of targeted high-risk quarantine material. Agriculture advised that this work was an early move into what was considered an innovative risk profiling methodology and that its seizure rate estimate was ambitious, and required optimal operational conditions. The ANAO’s analysis of the Agriculture’s ‘leakage’ survey data indicated that it has substantially under achieved against this estimate as only around 19 per cent of high risk quarantine material was seized between August 2012 and May 2013. The department was unable to fully explain the wide variance between its estimated and actual seizures, but subsequently advised that it reviewed its targeting priorities in late 2013, although these are yet to be implemented.³
- 2.10 Customs’ targeting approach, which it describes as ‘intelligence-led risk-based’, is more devolved and is based on an assessment of risk by each

3 ANAO, Audit Report No. 42, (2013-14), *Screening of International Mail*, p. 17.

gateway manager, taking into account a range of inputs including seizure data and national intelligence reports. However, in practice, targeting decisions were often not documented, did not align with risk analysis, were inconsistent between gateways, and incompatible with analysis provided in the national intelligence reports, providing little assurance that Customs is adequately and consistently targeting high risk mail cohorts. Further, Customs does not assess the effectiveness of its targeting strategy. Rather, it considers that an increase in seizures from 23,009 in 2006-07 to 67,123 in 2012-13 reflects improved targeting processes. The ANAO's analysis of data indicated that around only 13 per cent of prohibited imports arriving in international mail were seized in 2012-13. Customs advised that it now considers the implementation of its sampling program was flawed, raising questions about the integrity of its sampling data.⁴

- 2.11 Agriculture aims to screen only the mail that is targeted as a result of its risk analysis and the processes employed by each gateway facility are generally consistent. In contrast, Customs adopts a more flexible approach, with gateways sometimes screening untargeted mail, and at other times not screening targeted cohorts. There is no guidance to support, or visibility by Customs' management of, these different screening practices.
- 2.12 The absence of a 'leakage' target however, means that the agencies have not determined whether the estimated outcome of their respective targeting and screening methodologies represents an acceptable level of missed detections. Both agencies have advised that they are reviewing their survey and sampling methodologies. As neither agency has developed appropriate deliverables, key performance indicators and targets, the agencies do not adequately report their performance against their stated outcomes and objectives. External reporting by both agencies provides little insight for key stakeholders into the effectiveness of international mail operations. In addition, the collection of performance data relating to screening activities, particularly for Customs, requires review, if the actual number of mail items screened is to be reported accurately against its target volumes.

4 ANAO, Audit Report No. 42, (2013-14), *Screening of International Mail*, p. 18.

ANAO recommendations

2.13 ANAO has made three recommendations:

Recommendation No.1

To improve the targeting in international mail and to support informed and consistent decision making, the ANAO recommends that the *Australian Customs and Border Protection Service*:

- reviews its targeting model and clearly outlines its risk assessment framework and priorities;
- underpins targeting decisions with sound analysis and documentation; and
- reviews its sampling program and targeted campaigns to better assess risks in unscreened mail, as well as the effectiveness of its screening processes.

Australian Customs and Border Protection Service response: *Agreed*

Recommendation No.2

To improve its screening and examination processes, including control and accountability for seized prohibited imports, the ANAO recommends that the *Australian Customs and Border Protection Service* reviews its:

- screening practices for articles ordinaire, and develops guidance to support the consistent application of these practices; and
- processes for recording seized prohibited imports in the Detained Goods Management System so that delays in accounting for these items can be minimised.

Australian Customs and Border Protection Service response: *Agreed*

Recommendation No.3

To better measure and report the effectiveness of their intervention strategies for the international mail program, the ANAO recommends that the Department of Agriculture and the *Australian Customs and Border Protection Service*:

- develop and report against deliverables, key performance indicators and targets that assess the achievement of the program's outcome; and
- develop guidance to support the implementation of a consistent approach to collecting and reporting of accurate screening data by the gateway facilities.

Department of Agriculture response: *Agreed*

Australian Customs and Border Protection Service response: *Agreed*⁵

5 ANAO, Audit Report No. 42, (2013-14), *Screening of International Mail*, pp. 28-9.

Agency responses

- 2.14 The audit report was provided to Agriculture and Customs, along with extracts to the Australian Federal Police (AFP) and Australia Post. Agriculture, Customs and the AFP have provided formal responses which are included at Appendix 1 of the audit report, and Agriculture also provided a summary response as below.

The Department of Agriculture (the department) considers the report and findings provide a basis for further improvements to the risk based management of biosecurity in international mail. As noted in the report, international mail is currently estimated to have an overall compliance rate with quarantine regulations of 99.9 per cent.

In an environment with over 186 million approaching mail items per year, the department's challenge is to identify biosecurity risk material in less than 0.1 per cent of arriving mail. The department's risk management approach has been implemented over recent years to concentrate resources in the areas of highest risk. The department's deployment of risk mitigation and targeting measures will continue to be refined with increased knowledge, understanding and experience of risk in this pathway.

The department is working closely with the University of Melbourne through the *Centre of Excellence for Biosecurity Risk Analysis (CEBRA)* on two key projects to further improve the targeting of biosecurity risk in the international mail pathway. These involve the spatial analysis of delivery addresses for intercepted mail items, with the objective of improving interception rates for certain classes of mail and, the examination of end-point surveys in international mail.⁶

Committee review

- 2.15 Representatives of the following agencies gave evidence at the Committee's public hearing on Thursday 30 October 2014: the ANAO; Department of Agriculture; and the Australian Customs and Border Protection Service. Customs also provided two submissions to the Committee's inquiry. A number of themes made themselves apparent during testimony including:

- challenges in the screening process

6 ANAO, Audit Report No. 42, (2013-14), *Screening of International Mail*, pp. 26-7.

- the changing criteria of high-risk items
- anti-corruption practices
- international best practice

The screening process

2.16 The Committee noted that a more selective screening process rather than one where everything is examined, plus the huge volume of mail arriving, is a great challenge to the border agencies. Agriculture observed:

In 2013-14, about 186 million mail items arrived in Australia in the form of letters, express mail service, parcels and other articles... A huge challenge for both agencies directly relates to the absence of pre-arrival information compared to other pathways into Australia. As a result of the lack of information, our screening process is largely manual and performed in real time at the four international gateway facilities.⁷

...it is a really manual intensive process. Even when Australia Post talk about the numbers of items that come in, they do it by an estimation, because we get no electronic reporting on the items... The way Australia Post estimate is by volume and weight so, in terms of the accuracy of those numbers, no, we do not have that data set.⁸

The things that matter most to us in the mail environment are seeds. Seeds have the propensity to carry viruses et cetera. You cannot see them. You cannot look at a seed and automatically say, 'That one's a bad one'. That is a difference between us and other border agencies: what we are looking for is quite often not visible...We basically try to shrink down, as science enables us, what we need to target as a priority.⁹

2.17 In one of its submissions to the Committee, Customs described its reform measures to strengthen capability at the border. These include:

- clearer identification of targets
- thorough documentation and mapping of the targeting model and risk assessment framework to identify areas of inconsistency

7 Ms Rona Mellor, Deputy Secretary, Department of Agriculture, *Committee Hansard*, 30 October 2014, p. 2

8 Ms Raelene Vivian, First Assistant Secretary, Compliance, Department of Agriculture, *Committee Hansard*, 30 October 2014, p. 5.

9 Ms Rona Mellor, Deputy Secretary, Department of Agriculture, *Committee Hansard*, 30 October 2014, p. 3

- revised relevant governance materials to ensure consistency of operational practice
- improved methodology for collection and reporting of screening statistics
- a comprehensive, joint sampling program with Agriculture to be in place by mid-2015.¹⁰

Criteria for 'high-risk' items changed

2.18 Given the large number of items arriving, Agriculture re-assessed what was a 'high-risk' item. An approach was devised by Agriculture to streamline the process thus allowing the border agencies to concentrate more effectively on items likely to be of interest. This in turn has effected the numbers of seizures reported. Ms Hinder from Agriculture described the circumstances around changes to criteria of high-risk items and therefore the change in the numbers of items seized:

During the course of the year, the amount of items that we looked at diminished because of the changes of the nature of the biosecurity risk... Therefore it was not necessary for us to be able to target and intervene to screen those items in the mail pathway. So the amounts of what we were looking at contributed to our screening process. Because those goods came out during the course of the year, we would expect to see an exponential change in the amounts of goods that we were seizing, because we no longer needed to screen and assess them. ... There was one point in that process, in November 2011, that changed our data profile. The next part that changed our data profile occurred in early 2012, again covering the period where we had that performance indicator. We made the decision that beef jerky, various other dairy products, protein powders, infant formulas, soups, processed and whole-egg products, certain types of pate, finfish, types of coffee, prawn based food products, meat floss and, surprisingly, turf and elephant dung in resin posed a negligible biosecurity risk. Therefore, we were not targeting and screening to be able to identify those products. Again, because of the reduction in what we were doing in that targeting and screening, we would see an exponential reduction in terms of our seizure rates...

Our scientific assessment led us to the fact that that cohort of material that I discussed indicated a much reduced biosecurity

10 *Submission 5.2, Australian Customs and Border Protection Service, p.1.*

risk. Therefore, our methods to target, profile, screen and seize changed exponentially.¹¹

Anti-corruption practices

2.19 The ANAO reported that the AFP had advised that it had not identified any instances of corruption in international mail, but considered that the risk of corruption of criminal penetration may have similarities to other import streams, where investigations have shown that officers working at the border have been involved in illegal activities. In response, Customs and Agriculture explained the mechanisms they had to seek out corruption including being subject to requirements of the Commission for Law Enforcement Integrity. Agriculture responded:

In the Commonwealth government there is the Commission for Law Enforcement Integrity, which has jurisdiction over certain activities in the Commonwealth. In our case it has jurisdiction over a range of activities within the department, bearing in mind that this department is not a border agency. It performs functions of risk management at the border. It also provides policy advice to the Minister for Agriculture, for example. Some of our functions are within the jurisdiction of the Commission for Law Enforcement Integrity. The good practice for agencies that have potential risks – which many do; it is not just in the border environment or any of our environments – is to conduct assessments of risk, as you do: corruption risk assessments, fraud risk assessments, security risk assessments et cetera. My department is active in assessing its risk and in having reporting mechanisms internally, and my secretary will report appropriately to the Commission for Law Enforcement Integrity if issues do arise. So we do have quite mature processes. They are well-managed in the department, with direct lines to the senior executive, and we have a positive relationship with the Commission for Law Enforcement Integrity.¹²

2.20 Customs responded:

...instances of corruption in Australian Customs and Border Protection and the response to that by the organisation have been well documented and recorded. We are subject to the requirements of the Commission for Law Enforcement Integrity as

11 Ms Nicola Hinder, Assistant Secretary, Pathway Compliance, Department of Agriculture, *Committee Hansard*, 30 October 2014, p. 4.

12 Ms Rona Mellor, Deputy Secretary, Department of Agriculture, *Committee Hansard*, 30 October 2014, pp. 6-7.

well, and any instances of corruption that meet the requirements and thresholds are reported to them. Within the organisation itself we have a professional standards and integrity division who run activity around the understanding of the current risk and threat environment as well as conduct investigations, sometimes in concert with ACLEI, in order to uncover and deal with any instances of corruption...

We have drug and alcohol testing within the organisation. We also have a requirement for mandatory reporting of any activity that officers may come across in the line of their duty. We also have a requirement to complete an operational security assessment on joining the organisation, and that is renewed and changes its requirements as you move within the organisation in terms of the required security levels. In addition to that, if there is a security requirement because of the level of information that you are able to access, there are additional requirements from the Australian government which we would need to comply with.¹³

International best practice

- 2.21 The Committee was curious as to how Australian agencies compared with their foreign counterparts on the screening of international mail. Customs responded:

I do not know that I am a personal expert in world's best practice, but certainly in my experience with other law enforcement agencies and the interactions with partners, particularly our close partners – the US, Canada, New Zealand and the UK – I would say we are very much on a par.¹⁴

- 2.22 Agriculture responded that they believed, from a biosecurity perspective at least, Australia and New Zealand represented world best practice.

From a biosecurity perspective, I think Australia's screening and New Zealand's screening are probably the highest in the world, and that reflects the environment and the agricultural communities that we are protecting. We probably do a lot more in New Zealand and Australia in terms of protecting agricultural interests and environmental interests than any other country.¹⁵

13 Mrs Karen Harfield, National Director Intelligence, Australian Customs and Border Protection Service, *Committee Hansard*, 30 October 2014, p. 7.

14 Mrs Karen Harfield, National Director Intelligence, Australian Customs and Border Protection Service, *Committee Hansard*, 30 October 2014, p. 7

15 Ms Rona Mellor, Deputy Secretary, Department of Agriculture, *Committee Hansard*, 30 October 2014, pp 7-8.

- 2.23 Nonetheless, a concession was made that international comparisons may not be simple. In response to a question from Senator Ketter – ‘do we benchmark ourselves against international jurisdictions?’, Agriculture responded:

It is a good point. We do not. We do not compare seizure rates with other countries because the profile of their risk is quite different. New Zealand and Australia are different from a biosecurity perspective, but we are the most similar in the world in terms of our attitude to, and our systems and processes for, biosecurity because of the contribution that our environment and our agriculture make to our economies. We go a little harder than a lot of countries on biosecurity. And it is difficult to get that information because the way they profile and how they manage is a little different.¹⁶

Cooperation regarding illicit firearms

- 2.24 The importation into Australia of illicit firearms is of concern to the Committee and the ANAO report appeared to indicate that information on firearms importation was being reported on only an ad-hoc basis. In response Customs explained that:

Where illicit firearms come through international mail, that information is always provided to Australia Post as a matter of course. As you know, the mail stream is not allowed to carry firearms under UPU [Universal Postal Union] regulations. Therefore, we let them know.

Where innocent firearms are found, they are referred through our investigation areas to the AFP. They become matters for investigation; those matters are not taken up by Australia Post. I think that illicit-licit split was not made clearly. But definitely, illicit firearms are always referred and we are looking at strengthening that process. I do agree that instances were found by Australia Post where that was not happening, so we have tightened up that process.¹⁷

- 2.25 Customs explained that loopholes existed in some of the sender countries that, unfortunately, there was little Australian authorities could do:

16 Ms Rona Mellor, Deputy Secretary, Department of Agriculture, *Committee Hansard*, 30 October 2014, p. 8.

17 Mr Jagtej Singh, National Manager Technology Management, Australian Customs and Border Protection Service, *Committee Hansard*, 30 October 2014, p. 10.

[any potential illegalities or danger with regard to the firearms imports] are taken up with vendor postal authorities on the other end. But, unfortunately, the declarations could be anything on the package. No-one actually opens a package and sees what is in that package. It is rarely declared as a firearm. So it is almost impossible to enforce that. So they only have people making statements at the other end on the phone about what they are putting in. There is no check through that security process at all.¹⁸

Committee comment

- 2.26 The Committee notes that the border agencies have already begun to respond to the ANAO's recommendations and the Australian Customs and Border Protection Service anticipates that a comprehensive, joint sampling program with Agriculture will be in place by mid-2015.¹⁹ Having moved to a selective process of screening and having re-assessed its criteria for 'high-risk' items, a period of re-adjustment can be expected. Nonetheless, the Committee notes that data sets that would be of assistance in targeting items are still rudimentary. Indeed, Agriculture concluded that such data sets are still 'some years away'.²⁰ The Committee encourages the prompt development of such data sets to assist the agencies in their tasks.
- 2.27 The Committee also notes the agencies' responses that current anti-corruption practices are guided by the Commission for Law Enforcement Integrity. Both agencies appeared confident that their arrangements to monitor and combat corruption are mature and effective. While the Committee is encouraged by this, we also understand that complacency can be the result of such confidence and that continued vigilance remains important – especially when dealing with issues such as illicit drugs and firearms importation.
- 2.28 When questioned on international best practice and Australia's relative standing, both agencies seemed very quick to present their work as conforming to such practice. Yet neither agency offered any particular evidence to support their assertions. The Committee believes Agriculture and Customs should review Australia's methods of screening

18 Mr Jagtej Singh, National Manager Technology Management, Australian Customs and Border Protection Service, *Committee Hansard*, 30 October 2014, p. 10.

19 *Submission 5.2*, Australian Customs and Border Protection Service, p.1.

20 Ms Raelene Vivian, First Assistant Secretary, Compliance, Department of Agriculture, *Committee Hansard*, 30 October 2014, p. 6.

international mail compared to other nations to confirm Australia is conforming to international best practice.

Recommendation 2

- 2.29 **The Committee recommends that the Department of Agriculture and the Australian Customs and Border Protection Service review international methods in screening international mail to ensure Australia conforms to international best practice and report results of that analysis to the Joint Committee of Public Accounts and Audit.**
- 2.30 Finally, the Committee is gratified to hear that Customs have tightened their processes with regard to illicit firearms. There remains, however, the concern that packages sent from overseas are not accurately declared. Although this falls under the authority of other jurisdictions the Committee would like further information on what cooperative arrangements are being sought by Customs with other countries in terms of identifying illicit firearms shipments.

Recommendation 3

- 2.31 **The Committee recommends that the Australian Customs and Border Protection Service report to the Joint Committee of Public Accounts and Audit no later than six months after the tabling of this report on the:**
- **existing state of cooperative arrangements with other countries regarding identification of illicit firearms shipments**
 - **what discussions/negotiations are underway with other countries to strengthen existing arrangements**

