

Audit Report No. 16, 2004-2005

Container Examination Facilities

Introduction

Background

- 11.1 The current international security environment requires a heightened awareness of border security in Australia. Australia's isolation means that we are particularly reliant on imports and exports arriving by sea. Furthermore, movement in sea cargo is expected to grow substantially by 2010. This important trade mechanism means that Australia's maritime industry will be propelled to the forefront of border security.
- 11.2 The maritime transport industry contributes over \$180 billion to Australia's economy each year. Four major ports handle over 94 percent of the cargo arriving by sea in Australia: Brisbane, Sydney, Melbourne and Fremantle. To this end, they are considered primary targets for those wishing to import or export prohibited goods or drugs through Australian borders.
- 11.3 The Australian Customs Service (Customs) is the agency charged with oversight of border protection. As part of the Federal Government's *Tough on Drugs, Protecting our Borders* and *A Safer*

Australia initiatives, funding was provided to enable Customs to carry out its border protection function, particularly on the waterfront.¹ Part of the funding programme included a significant increase in the number of containers inspected by Customs.

Container Examination Facilities (CEFs)

11.4 The Container Examination Facilities (CEFs) combine advanced x-ray technology and physical inspections to allow Customs to examine containers entering Australia by sea. The specific aims of the facilities are to:

- prohibit the flow of contraband such as illicit drugs and weapons;
- minimise revenue losses through revenue evasion and smuggling;
- protect industry through detection of non-compliant importers and exporters; and
- improve the security of sea cargo.²

11.5 Prior to the introduction of the CEFs, Customs examined 11 000 containers annually.³ The CEFs were introduced progressively across the ports (beginning with Melbourne) from November 2002 to enable an increased inspection capacity. Recent increases in funding have allowed Customs to increase the hours of operation of the CEFs which has greatly increased throughput levels of containers. Current Customs inspection capacity has increased to over 100 800 containers annually.⁴ The Committee notes that this still represents a small percentage of total loaded sea cargo importations – around seven per cent of a total of over 1.4 million imports per year.

The audit

11.6 The ANAO conducted an audit of the administrative effectiveness of the CEFs in 2004. The main areas examined by the ANAO were target selection processes, target development strategies, intervention processes and the operation of facilities.

1 Australian Customs Service, *Overview of the Customs Container Examination Facilities*, Exhibit No. 9, p. 3.

2 ANAO Audit Report No. 16, 2004-2005, *Container Examination Facilities (Australian Customs Service)*, Commonwealth of Australia, December 2004, p. 29.

3 Customs, *Transcript of Evidence*, 28 April 2005, p. 2.

4 ANAO Audit Report No. 16, 2004-2005, p. 29.

- 11.7 During the audit, the ANAO considered that Customs' new Integrated Cargo System (ICS) would be functional by 2005. This project, as part of a larger strategy, will replace existing transaction processing systems.

Audit findings

- 11.8 In the area of target selection, the audit found that Customs has effective systems in relation to risk assessment and targeting cargo for assessment. The ANAO also found that the interpretation of responsibilities of the Target Selection Officers varied between regions, while no specific training was provided for this position. Customs also did not fully understand the complexity and time required for the logistical management of the CEF screening process.
- 11.9 Developing targets for screening is an essential aspect requiring quality intelligence. The ANAO found that while Customs had sound information sharing strategies with other law enforcement agencies, the communication between Customs regions could be improved. The ANAO called for further assessment of cargo environments, given that each region faces unique issues. The ANAO also recommended the implementation of an expert panel to review 'country of origin' profiles as previously recommended in Customs' *National Cargo Targeting Strategy*.
- 11.10 The ANAO found that Customs had well defined procedures for the examination of containers. The ANAO was concerned that none of the regions met inspection targets, especially of those containers given the highest priority rating (of which all should be examined). The audit found data integrity issues in the Examination Data Management System (EXAMS) and that interpretation of events (such as the discovery of contraband) varied between regions.
- 11.11 A final aspect analysed by the ANAO was the operation of the CEFs. As stated previously, none of the regions had selected enough containers to meet their targets, and the ANAO was advised that this may have been due to CEF staff requesting that TSOs reduce the numbers of containers being selected as CEFs were having difficulty managing their targets. Customs undertook regular liaison with industry to improve processes, and the ANAO noted that this consultation resulted in the introduction of additional shifts at the CEFs to alleviate industry concerns relating to storage charges. The audit found that Customs could improve performance measures against logistics and maintenance contracts which are entered into

with service providers. Logistics plans have yet to be developed and formalised as part of these contracts.

ANAO recommendations

11.12 The ANAO made eight recommendations aimed at improving the administrative effectiveness of the CEFs. Customs agreed with all the recommendations.

Table 11.1 ANAO recommendations, Audit Report no. 16, 2004-05

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| 1. | To more effectively manage logistical coordination, the ANAO recommends that Customs consider adopting a consistent national approach by: <ul style="list-style-type: none">(a) assessing the feasibility of using the EXAMS system to monitor and track selected containers, including the reporting capability of the Corporate Research Environment;(b) clearly defining the roles and responsibilities associated with the target selection coordinator's position; and(c) providing appropriate training and developing procedural guidelines for this specialist position. |
| 2. | To strengthen target development and target selection processes and to provide a better understanding of the sea cargo environment in which regions are operating, the ANAO recommends that the New South Wales, Victorian and Queensland regions: <ul style="list-style-type: none">(a) complete an assessment of the sea cargo imports and exports discharging into their respective ports; and(b) regularly review and update this data so that it may be used as a reference source for developing risk profiles. |
| 3. | To strengthen high-risk country identification and target selection practices, the ANAO recommends that Customs review the risk profiles of cargo origin countries and, as part of this review: <ul style="list-style-type: none">(a) re-evaluate the risk ratings for all major countries;(b) revise the weighting applied to country risks; and(c) develop a process to regularly review this risk rating set. |
| 4. | To enable accurate reporting of the inspections and examinations carried out by the Container Examination Facilities (CEFs) using EXAMS system data, the ANAO recommends that Customs develop: <ul style="list-style-type: none">(a) common system business rules and reporting parameters for the EXAMS system; and(b) standardised report templates in the Corporate Research Environment that are specific to the CEFs. |
| 5. | To capture inspection and examination data accurately and consistently, the ANAO recommends that Customs develop and implement guidelines that clearly articulate: <ul style="list-style-type: none">o what constitutes a positive find at the Container Examination Facility (CEF), including when the cargo is referred to another area;o how the find is to be recorded by the CEF in the EXAMS system; |

- how this information will be treated by the EXAMS system; and
 - who is responsible for completing the EXAMS record.
6. To enable the operational effectiveness of the Container Examination Facilities (CEFs) to be assessed and reported on, the ANAO recommends that Customs:
- (a) develop performance measures and targets specific to the CEFs; and
 - (b) include these measures in Customs' Outcome/Outputs framework performance information.
7. To identify and address problems associated with segregating, prioritising and transporting selected containers to and from the Container Examination Facilities (CEFs), the ANAO recommends that Customs, in consultation with the container terminal operators and transport service providers, develop a logistics plan for each CEF port.
8. Prior to renegotiating its container handling, transport services and unpack and repack services contracts, the ANAO recommends that Customs undertake a comprehensive review of these contracts including:
- an assessment of the risks associated with the contracted service delivery;
 - benchmarking performance across ports;
 - an evaluation of existing service level agreements, service specifications and key performance indicators;
 - reviewing the existing performance management framework; and
 - developing a standardised performance reporting regime.
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The Committee's review

- 11.13 On 28 April 2005, the Committee held a public hearing to review the progress made against the ANAO Audit Report recommendations. The public hearing was attended by representatives of the ANAO and Customs.
- 11.14 The Committee took evidence on the following issues: progress on the recommendations made by the ANAO, ports without CEF facilities, reporting of incoming cargo, target selection staff and processes, CEFs not meeting selection targets, export containers, priority profiles, staff training and interpretation of procedures, contraband or prohibited items; and customs contracts and performance.
- 11.15 In processing containers through Australian ports with the CEF facilities, the main steps are:
- target development – the policies underpinning Customs' criteria for prioritising containers for examination;
 - target selection – procedures for selection of individual containers for further inspection; and

- intervention – screening containers through the CEF, and further intervention such as an unpack where deemed necessary.

11.16 The Audit Report's findings, and the Committee's review, of each of these steps are outlined below.

Target development

11.17 Customs relies on intelligence and other information gathered from various agencies in its assessment of targets. A target refers to any entity (including people, organisations or occurrences) which Customs or another agency chooses to place a focus on for further scrutiny.⁵ Customs uses a variety of methods in their efforts to detect prohibited items and dishonest operators. These include the development of profiles relating to country of origin using intelligence available from local and international sources.

Profiling

11.18 Customs develops 'country of origin' profiles relating to countries which export to Australia.⁶ These profiles are used as a major tool when Target Selection Officers are making judgements about priority ratings in relation to containers.

11.19 Customs advised the Committee that it has implemented a review team to examine current 'country of origin' profiles. The review team has found that many profiles have not been updated since 1999 and that some countries for which profiles have not been created have emerged as potential 'high-risk' countries. Consideration is also given to countries where containers may have been in transit.

11.20 The ANAO noted that while 'country of origin' was the most quoted reason for the examination of a container, it was also the criterion which yielded the least amount of success in terms of detection of prohibited items.⁷ Customs advised the Committee that:

Country of origin is one of the broad parameters used to capture a group of consignments for further consideration, but consignments are not finally selected for examination for

5 ANAO Audit Report No. 16, 2004-2005, p. 48.

6 ANAO Audit Report No. 16, 2004-2005, p. 55.

7 ANAO Audit Report No. 16, 2004-2005, p. 55.

this reason alone. As the indicators used are various, and change as risks and patterns of legal and illegal trade change, Customs does not see value in using resources to record in detail all the reasons for each selection...The relationship between country of origin as a reason and success is therefore somewhat misleading.⁸

- 11.21 Customs also provided the Committee with information relating to their intelligence gathering and analysis capabilities. The information provided is confidential and may pertain to current and future operations and therefore was taken as 'in-camera' evidence. The Committee is satisfied that Customs' activities in this regard are sound.

Target selection

- 11.22 The process of selecting containers to be further examined by the CEFs is multi-staged. It requires selection staff to use their judgement combined with risk analysis and intelligence from sources such as law enforcement agencies in Australia and around the world.

Containers

- 11.23 The Committee heard that in addition to the five ports with CEF facilities, there are another 14 ports around Australia which receive containers imported by sea. Another 54 ports have the capacity to receive containers but do not do so on a regular basis.⁹ Where ports do not have CEF facilities, Customs can 'take the container to a facility where we can unpack it and do an old-fashioned physical examination'.¹⁰
- 11.24 The Committee was also told that some facilities which do not have full CEF facilities are equipped with limited x-ray facilities. For example, Darwin only receives a small volume of containers in comparison to the larger facilities. Customs commented:

We will have the large static X-rays where you can put the box level stuff through rather than pallet level. So you can see that as the volumes go down the technology is matched to the

8 Customs, Submission no. 9, p. 11.

9 Customs, Submission no. 9, p. 8.

10 Customs, *Transcript of Evidence*, 28 April 2005, p. 4.

volumes we face. Then of course in the very small ports the volumes are such that physical examination is sufficient.¹¹

11.25 The Committee also heard that empty containers and those being exported are also subject to examination by Customs. Customs deems empty containers to be of low risk and in the past five years no empty containers have been found to contain prohibited or contraband items.¹²

11.26 To date, only a small number of containers destined for export have been checked by the CEFs. The items which are prohibited to be brought into Australia are also the same ones which are prohibited to be exported from Australia.¹³ Customs advised the Committee that:

Since the CEFs have commenced operation, they have inspected around 2,300 export containers. In the next financial year we want to increase the number of export containers that the CEFs are looking at. So we have a program where we are gradually increasing the number of export containers we inspect.¹⁴

11.27 Each container to be examined by the CEF is given a priority rating by the Target Selection Officer from 1 (as the highest priority, which is to be x-rayed and physically examined) to 4 (as the lowest priority, and which is used to adjust CEF workflow).¹⁵

Information systems

11.28 Customs uses several electronic information systems in its work relating to the import and export of sea cargo. A major initiative is the Cargo Management Re-Engineering project, which aims to change and improve the way 'industry reports the movement of cargo and involves a major review of Custom's practices'.¹⁶ CEF-specific data is entered into EXAMS.

11 Customs, *Transcript of Evidence*, 28 April 2005, p. 5.

12 Customs, *Transcript of Evidence*, 28 April 2005, p. 13.

13 Customs, *Transcript of Evidence*, 28 April 2005, p. 8 and Submission no. 9, p. 13. Customs provided the Committee with a breakdown of prohibited items intercepted from 1 July 2004 to 30 April 2005. The list includes firearms, wildlife, weapons and drugs.

14 Customs, *Transcript of Evidence*, 28 April 2005, p. 8.

15 ANAO Audit Report No. 16, 2004-2005, p. 41.

16 ANAO Audit Report No. 16, 2004-2005, p. 34.

Integrated Cargo System (ICS)

- 11.29 The information technology component of the Cargo Management Re-engineering project is called the Integrated Cargo System. The ICS aims to replace four existing transaction processing systems.
- 11.30 Of these four systems, the Sea Cargo Automation system is the most pertinent to the CEFs. The Sea Cargo Automation system contains sea cargo reports of all cargo being imported into Australia. Importers are required to lodge sea cargo reports 48 hours prior to the vessels arrival. These reports contain general information about the cargo including origin, supplier, receiver and a description of the goods.¹⁷ It is these reports combined with intelligence that TSOs use to make judgements about which containers are to be inspected by CEFs.
- 11.31 The Integrated Cargo System will be a single system for the electronic reporting of cargo. Risk profiles will be incorporated into the system via the Cargo Risk Assessment system and will contain all current risk assessment profiles and provide alerts to staff when cargo profiles are matched with risk indicators.

Examination Data Management System (EXAMS)

- 11.32 In the event of a container being selected for inspection, the cargo is held through the SCA system and a record is created in EXAMS. The EXAMS record includes information such as the container and priority number, reasons for the container's selection, and other information which may help the CEF image analyst decide whether to proceed with unpacking the container.
- 11.33 During the course of the audit, the ANAO sought to determine the accuracy of the data in the EXAMS system. The analysis aimed to determine rates of physical inspection, both overall and by priority rating. Aspects of EXAMS data were also compared with that kept within the centralised Corporate Research Environment, which provides an analytical tool integrating a wide variety of data sources. It was found that data in the EXAMS system contained numerous discrepancies. For example, in all regions, the Corporate Research Environment record of numbers of containers selected was higher than that recorded by EXAMS. Other data related discrepancies included the numbers of CEF and physical inspection data as well as data relating to 'positive finds'.¹⁸

17 ANAO Audit Report No. 16, 2004-2005, p .31.

18 ANAO Audit Report No. 16, 2004-2005, p. 64.

- 11.34 In terms of rectifying these data integrity issues, Customs advised the Committee that several measures are being undertaken to improve data quality. These include that the EXAMS helpdesk is monitoring the examination data for inconsistencies including deviations from normal practices and potential data duplication.
- 11.35 A project being conducted by Customs in relation to EXAMS data (and being monitored by the EXAMS helpdesk) is the EXAMS data quality assurance strategy. The project aims to check records entered via EXAMS for quality. The ANAO described the two-step process as:
- Step 1: Customs officer completes the relevant EXAMS records then checks to ensure that all details are in accordance with what was actually observed and amends the relevant record where necessary.
 - Step 2: Officers conduct ongoing compliance checks and provide reports periodically to the Client Data Management System User Support Group. These reports will be distributed to all regions for action and reporting within two weeks.¹⁹
- 11.36 All regions advised the ANAO that entering data into the EXAMS system was time consuming. Some regions also advised the ANAO that local databases had been developed to overcome weaknesses in the EXAMS system.²⁰ Customs advised the ANAO that the next version of the system, EXAMS 2, will reduce the time needed for data entry²¹ and will also include enhanced ‘...recording, searching and reporting capabilities’.²² New business rules are also being developed to ensure consistency of data recording across all regions, ensuring that localised databases will not have to be used.²³

Selection of containers

- 11.37 The process from the initial selection of containers for examination to their release moves through defined stages. Initially, importers are required to provide sea cargo reports electronically (through the Sea Cargo Automation system) to Customs 48 hours prior to a vessel arriving in Australia. These reports are assessed by Target Selection

19 ANAO Audit Report No. 16, 2004-2005, p. 67.

20 ANAO Audit Report No. 16, 2004-2005, p. 62.

21 ANAO Audit Report No. 16, 2004-2005, p. 44.

22 ANAO Audit Report No. 16, 2004-2005, p. 67.

23 Customs, Submission no. 9, p. 11.

Officers to determine whether further examination of cargo by the CEF is required or whether the cargo will be released immediately.

- 11.38 Upon arrival at the wharf, a container is stored free of charge for 72 hours by the container terminal operator, after which time storage charges (imposed by the operator) apply. It is the importer's responsibility to contract transport providers to collect containers from the wharf. Customs endeavours to have containers that are selected for inspection returned to the wharf with at least 24 hours storage remaining on it. Customs advised the Committee that less than two per cent of containers are returned with no storage time remaining.²⁴
- 11.39 Once a container is selected, the terminal operator is notified and it is held upon arrival. Priority ratings are assigned to held containers (through the Sea Cargo Automation system), while a record is created in the EXAMS system. Customs has arrangements with transport providers to transport the containers to and from the CEF. Once cargo is put through the x-ray facility, an image analyst uses the x-ray, priority rating and other available information to determine whether any further action is to be taken. If the container has not been assigned a 'priority 1' rating and the x-ray image does not contain any anomalies, it is returned to the cargo terminal and released. All 'priority 1' and other containers as determined by the image analyst are to be physically examined.²⁵

Non-selection of containers

- 11.40 A required number of containers must be selected for examination by the CEFs, inclusive of 'priority 1' and other target priority levels. The ANAO analysis examined whether each CEF met its selection targets from the opening of the facility to 1 September 2004, giving consideration to the 'ramp up' period required for each facility to be fully operational and the increase in targets for when extended operating hours were introduced. It was found that none of the CEFs met specified targets, with both the Sydney (90 per cent) and Fremantle (86.9 per cent) facilities being substantially behind targets.²⁶
- 11.41 Customs responded by informing the Committee that since the Audit:

24 Customs, Submission no. 9, p. 18.

25 ANAO Audit Report No. 16, 2004-2005, p. 31.

26 ANAO Audit Report No. 16, 2004-2005, p. 39.

All regions are now meeting or exceeding agreed targets. From 1 July 2004 to April 2005 the CEFs have inspected 101.8% of their inspection targets.²⁷

- 11.42 The ANAO also found that not all containers marked as 'priority 1' were being examined, contrary to Customs guidelines.²⁸ In particular, Brisbane (60 per cent) and Melbourne (72 per cent) had low rates of physical examination of 'priority 1' containers. Customs advised the Committee that since the audit, 'Across the board nationally, we are now physically examining 92 percent of the priority 1s'.²⁹
- 11.43 Customs also advised the Committee that there are factors which may cause the cancellation of inspection targets. These include the duplication of records, containers being discharged in other ports and requests being cancelled by other regions. There are also instances where Customs may cancel the physical inspection of a 'priority 1' container but only in situations where the x-ray image of the cargo is very clear.³⁰

Staff training

- 11.44 An issue raised by the ANAO was that of the training received by Target Selection Officers to enable them to select quality targets.³¹ Several training courses exist including the general Target Selection Officer training course and a one-day Container x-ray training package. The ANAO found that many current Target Selection Officers had not completed training, and required further training in container selection techniques.
- 11.45 Customs informed the Committee that the current training focus for Target Selection Officers is primarily based on the changes in the new ICS. Components of this training include a refresher on general selection techniques and spending time working in the CEFs to increase familiarity with image analysis and examination methodology.³² Weekly meetings between targeting and examination staff had also been implemented to provide feedback and exchange of information.³³

27 Customs, Submission no. 9, p. 4.

28 ANAO Audit Report No. 16, 2004-2005, p. 61.

29 Customs, *Transcript of Evidence*, 28 April 2005, p. 7.

30 Customs, Submission no. 9, p. 16.

31 ANAO Audit Report No. 16, 2004-2005, p. 42.

32 Customs, Submission no. 9, pp. 2 and 6.

33 Customs, Submission no. 9, p. 8.

- 11.46 Customs also advised the Committee that staff were being trained in the use of the new EXAMS 2 system, which replaces EXAMS. EXAMS 2:

...has a separate training environment which is a replica of the production environment. Each region has some experienced users who have participated in Train the Trainer courses in EXAMS 2 and have also been involved with the development and testing of the EXAMS 2 application. Each new user is required to be trained in EXAMS 2 using the Training environment under the guidance of an experienced trainer. The supervisor of the new user then has to confirm that the user has been appropriately trained in the use of the system, before the new user is given access to enter data into the EXAMS (Production) system...It is also planned to setup an E-Learning environment for EXAMS 2, where users would be able to get training at their own pace. The environment will have capabilities to monitor the progress of the trainees and their level of knowledge.³⁴

- 11.47 One of the tools that staff receive training about is a central image library.³⁵ Customs maintains an x-ray image database of detections made by CEFs which are compared to typical cargo. Cargo and EXAMS reports are attached to each image. The Committee agrees with the ANAO that this will greatly benefit staff.

Committee comment

- 11.48 The Committee is pleased to note that the rate of inspections of 'priority 1' containers has increased substantially since the audit.

34 Customs, Submission no. 9, p. 8.

35 ANAO Audit Report No. 16, 2004-2005 p. 71; and Submission no. 9, p. 15.

Recommendation 35

11.49 The Committee recommends that the Australian Customs Service:

- continues to rectify data integrity issues within EXAMS;
- creates clearly defined business rules for data entered in EXAMS 2 for consistency across regions; and
- ensures that the one-day TSO x-ray training course is implemented across all regions.

Intervention processes

11.50 Customs outlined the CEF process from beginning to end for the Committee. The Committee was also given insight into the course of action taken in the event that prohibited or contraband items are found.

Examination of containers

11.51 Cargo which has been given a 'priority 1' rating during the selection phase must undergo an x-ray and physical inspection at the CEF. Containers that have not been given a 'priority 1' rating but that have been selected for CEF inspection must at least be x-rayed. Customs has agreements with transport service providers to transport containers from the wharf to the CEF. Once a container arrives at the CEF it is checked into a 'scanning hall' and the container is put through the x-ray system, with the process lasting approximately six minutes.³⁶ The image is analysed by an image analyst using the x-ray image and EXAMS record. Amendments to the EXAMS record are made if necessary, especially in the case of an anomaly being discovered.

11.52 A container selected for physical inspection is first tested for fumigants. Once tested, the contents of the container are removed by 'unpack/repack service providers'³⁷ using one of four levels of examination. These are:

36 Customs, *Exhibit no. 9*, p. 7.

37 Customs, *Exhibit no. 9*, p. 9.

- full unpack, where all cargo is removed from the container for further examination;
 - partial unpack, where some but not all cargo is removed from the container for further examination;
 - tailgate, where the container is opened and inspected without unpacking; or
 - tunnel unpack, where the container is unpacked to the point identified by the x-ray image as being inconsistent.³⁸
- 11.53 Customs informed the Committee that a 'full unpack' takes approximately 54 minutes while a 'full repack' takes approximately 64 minutes. A 'partial unpack' takes 22 minutes while a 'partial repack' takes 24 minutes.³⁹
- 11.54 A 'positive find' during an examination refers to the discovery of prohibited goods or substances. As previously mentioned, data integrity issues within EXAMS meant the ANAO did not get a true picture of the number of 'positive finds'. However, Customs provided the Committee with updated data in relation to 'positive finds'.⁴⁰ The total number of 'positive finds' from 1 July 2004 to 30 April 2005 was 275, which includes compliance and quarantine issues, to finds of prohibited items (such as firearms and wildlife) and drugs.⁴¹ Information on positive finds is passed to police for further enforcement action.

Facilities operation

- 11.55 The operation of the CEFs presents a major logistical challenge not only for Customs, but also for the CTO and associated service providers. In terms of contact management and monitoring, the ANAO found that some improvement could be made in the areas of CEF performance and against some key performance indicators (KPIs).⁴²

38 ANAO Audit Report No. 16, 2004-2005, p. 71.

39 Customs, Submission no. 9, p. 12.

40 Customs, Submission no. 9, p. 1; and Exhibit no. 9, p. 11.

41 Customs, Submission no. 9, p. 1.

42 ANAO Audit Report No. 16, 2004-2005, p. 82.

- 11.56 Customs has entered into contracts with service providers to streamline logistical processes such as container handling, container transport and unpack/repack services. Contracts for the maintenance of x-ray facilities have also been negotiated.
- 11.57 As part of their contracts, service providers are required to develop logistics plans in consultation with Customs. The ANAO found that although there are agreed processes in relation to the movement of containers to and from wharves, these have not been formalised. There is also the added expectation that containers which have been selected for inspection are physically segregated for security reasons (although this is not specified in contracts with service providers).⁴³
- 11.58 Customs advised the Committee that since the audit, formalised logistical plans have been implemented in all regions. Physical segregation will be incorporated into the review of contracts currently underway.
- 11.59 Contracts relating to CEFs contain key monitoring components including monthly reports, comparison against internal records, yearly and quarterly costs periodic audits. The ANAO found that Customs did not require standard reports from its logistics partners, KPIs were not reviewed when scheduled, no comparisons or analysis against costs or periods have been undertaken. In addition, due to ambiguous definitions in service level agreements, reconciliation of performance against monthly reports is difficult.
- 11.60 Customs told the Committee that some KPIs have been negotiated, especially in relation to stevedores and transport turn around times which has significantly improved timeliness. However, the Committee agrees with the ANAO's recommendation relating to a review of service providers contracts prior to their renegotiation.

43 ANAO Audit Report No. 16, 2004-2005, p. 82.

Recommendation 36

11.61 The Committee recommends that the Australian Customs Service:

- report to the Committee by June 2006 of the progress and findings of the current review of contracts with service providers; and
- strengthen its reporting requirements within service providers contracts for ease of reconciliation and comparison.

