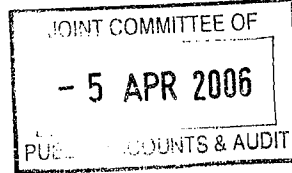




**SENATOR THE HON. CHRISTOPHER ELLISON**

Minister for Justice and Customs  
Senator for Western Australia  
Manager of Government Business in the Senate

Ministerial No: 89061



31 MAR 2006

Mr Tony Smith MP  
Chair  
Joint Committee of Public Accounts and Audit  
Suite R1.108  
Parliament House  
CANBERRA ACT 2600

Dear Mr Smith

**Joint Committee of Public Accounts and Audit (JCPAA) Report 404**

Please find enclosed Customs response to Recommendations 35 and 36 of the 404<sup>th</sup> report of the JCPAA tabled in Parliament on 7 November 2005, entitled *Review of Auditor-General's Reports 2003-04 Third and Fourth Quarters; and First and Second Quarters of 2004-05* (the Report). The Report reviews the progress made against the eight recommendations made in the ANAO Audit Report No.16 2004-2005 *Container Examination Facilities*.

Recommendations 35 and 36 of the Report are administrative in nature. Customs supports both recommendations and has already made significant progress in their implementation.

The attached Executive Minute outlines the progress status of each of the recommendations.

If you have any queries or require any further information please contact Ms Roxanne Kelley, National Manager Research and Development on 6275 6373

Yours sincerely

**CHRIS ELLISON**  
Senator for Western Australia



## EXECUTIVE MINUTE

on  
**JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT**  
**REPORT No. 404**

***Review of Auditor-General's Reports 2003-04 Third and Fourth Quarters; and First and Second Quarters of 2004-05***

### **General comments**

Between November 2002 and November 2003 Customs commissioned four Container Examination Facilities (CEFs) in the ports of Melbourne, Sydney, Brisbane and Fremantle. The CEFs use advanced X-ray screening technology enabling Customs to significantly increase its sea cargo inspection rates. This increased inspection capacity is a core element of Australia's heightened border protection strategy under the Government's *Tough on Drugs, Protecting our Borders* and maritime security initiatives. In March 2005, Customs opened another, smaller, CEF in the Port of Adelaide.

Since the commissioning of the first CEF in Melbourne in December 2002 to the end of December 2005, Customs has inspected more than 222,000 containers (310,000 twenty foot equivalent unit (TEU))<sup>1</sup> and physically examined over 17,000 containers (27,000 TEU).

Illicit drugs with a street value of more than \$1.37 billion have been seized and over \$61 million in revenue evasion prevented. Total seizures include:

- 185 kg of heroin;
- 3061 kg of ecstasy (MDMA);
- 395 kg of crystal methylamphetamine (ice);
- 1150 kg of amphetamine type stimulants;
- 400 litres of safrole, which can be used in the production of amphetamine type stimulants;
- over 82 million cigarette sticks;
- 157 tonnes of tobacco; and
- over 11,000 bottles of alcohol.

There have also been large numbers of detections in relation to copyright, trademark, undeclared goods, Quarantine, and firearms breaches.

---

<sup>1</sup> Shipping containers come in two common sizes, 20 feet and 40 feet in length. The industry standard measurement of containers is the twenty foot equivalent unit (TEU). For example, one 40 foot container equals two TEU.

## Response to the recommendation(s)

### **Recommendation No. 35 paragraph 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*
- *ensures that the one-day TSO x-ray training course is implemented across all regions*

Customs supports the recommendation.

- *continues to rectify data integrity issues within EXAMS*

EXAMS data integrity issues remain a high priority. Customs staff in Central Office are continuing to perform data checks to ensure that the reports created in the Corporate Research Environment (CRE), which uses the data from EXAMS, matches manual reports collated by each region. When a discrepancy between the CRE reports and the manual reports, caused by operator error is identified, regional Customs staff are advised and the EXAMS record is corrected. A national monthly report is distributed to each CEF that raises the identified data integrity issues and provides advice on how the data integrity issues can be avoided.

Data integrity issues that are not due to operator error are being addressed through refining the EXAMS system and the business rules.

- *creates clearly defined business rules for data entered in EXAMS 2 for consistency across regions*

Customs has developed and implemented standardised CEF specific EXAMS business rules to ensure consistency of data entered into EXAMS. Discussions between Customs areas and regions are ongoing to ensure consistency of approach to EXAMS data entry.

- *ensures that the one-day TSO x-ray training course is implemented across all regions*

A one-day Target Selection Officer (TSO) X-ray familiarisation package was developed and delivered in Victoria in 2003. This package provided TSOs with an understanding of the capabilities and limitations of the container X-ray, as well as an opportunity to understand the CEF operations. While this TSO specific x-ray training package was initially beneficial, as experience with CEF operations became more widespread the need for a separate, TSO specific training package diminished.

Customs is currently redeveloping the Cargo Targeting and Evaluation Training Package to cover all aspects of target selection. This package will include a comprehensive module on the capabilities and limitations of the container X-ray, other Customs technologies employed at the CEF and the CEF business processes. Scoping for this module has begun and the completed training module is likely to be implemented this calendar year.

**Recommendation No. 36 paragraph 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.*
- *strengthen its reporting requirements within service providers contracts for ease of reconciliation and comparison.*

Customs supports the recommendation.

- *report to the Committee by June 2006 of the progress and findings of the current review of contracts with service providers.*

Customs engaged a specialist consultant to undertake a review of the current logistics contracts for the container examination facilities. The review was completed in June 2005.

The review covered the existing contracts for:

- Stevedoring – container handling at all terminals;
- The transport of containers to and from the CEFs; and
- Labour services for the unpack and repack of containers.

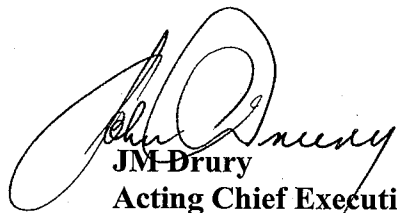
Key findings of the review included: revising the service level agreement (SLA) for all contracts: reviewing the contract reporting requirements and performing a national market test for the provision labour for the unpack and repack services.

Customs released a nationwide Request For Tender (RTF) for the unpack and repack services and transport services in September 2005 for the services in all regions.

Currently Customs is in the final stages of negotiation with the preferred tenderers.

- *strengthen its reporting requirements within service providers contracts for ease of reconciliation and comparison*

The Key Performance Indicators (KPIs) and SLAs have been analysed and revised to provide more transparency in measuring the service providers performance. The revised KPIs were included in the RFT for CEF transport and unpack and repack and the contracts currently being negotiated include monthly reporting in a nationally consistent format, standardised benchmarking of performance against KPIs and an open issues register.

  
**JM Drury**  
**Acting Chief Executive Officer**  
**Australian Customs Service**

8 March 2006