

Audit Report No. 24, 2006-2007, Customs' Cargo Management Re-engineering Project

Introduction

Background

- 19.1 Australian Customs Service (Customs) is responsible for managing the security and integrity of Australia's borders. The role of Customs at the border is to regulate trade and travel, collect revenue and enforce relevant Australian laws. One of the key features of Customs is its need to balance its responsibility for protecting the community with its obligation to facilitate the legitimate movement of cargo.
- 19.2 In 1996, Customs set out to review its cargo management processes and in 1997, its Cargo Management Strategy (CMS) was published. The aim of the strategy was to integrate the people, processes and technology associated with cargo management. The CMS evolved into a large and complex Information Communication Technology project titled the Cargo Management Re-engineering (CMR) project. The Australian National Audit Office (ANAO) outlined the key elements of the project as follows:
- re-engineering Customs' business processes;
 - legislative change to support this new business environment;
 - and

- developing the Integrated Cargo System (ICS) to replace Customs' transaction processing systems.¹²
- 19.3 The project also included the Customs Connect Facility (CCF), the secure communication gateway that allows internal users and external clients to interact with the ICS, and the Cargo Risk Assessment (CRA) System. The CRA identifies and assesses potentially high risk cargo.
- 19.4 The intention of the Trade Modernisation Legislation (TML) package was to modernise the way Customs managed the movement of cargo as well as providing the legal basis for an electronic business environment. Because of the substantial changes industry and Government would face, provisions in the legislation allowed Customs up to two years to introduce the ICS following the International Trade Modernisation Act being passed. Therefore the ICS was to be implemented by 20 July 2003.
- 19.5 Electronic Data Systems (EDS) Australia started developing the CMR applications (i.e., ICS and CCF) in 1998 under Customs' existing information technology (IT) outsourcing arrangements. In October 2001, it was agreed between Customs and EDS that EDS would retain management of the infrastructure, desktop and voice and data aspects of the project. The balance of analysis and development would be undertaken by one or more third parties. At the beginning of 2002, the Computer Associates Consortium was engaged to develop the ICS. Separate contracts with IBM and SecureNet were established to develop the CCF. Given the scope of the work, Customs was under considerable pressure to meet the July deadline for legislative implementation in the following year.
- 19.6 The CMR project experienced delays and significant cost increases. The project was estimated in 1999 to cost \$30 million. The total cost of the project, which was considered by Customs to be completed as at 28 February 2006, was \$205 million. Additional payments of \$7.7 million were made by Customs for further developments and support of the ICS and CCF.
- 19.7 The ICS was implemented in three releases. Release 1 was a trial with industry during March and April 2003. The implementation of Release 2 on 6 October 2004, the exports component, was relatively successful. However, implementation of Release 3 on 12 October 2005, imports processing, had a significant impact on Australia's supply chain and international trading environment. There was a substantial disruption to
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1 These systems included: Export Integration; Air Cargo Automation; Sea Cargo Automation and Customs Online Method of Preparing from Invoices Lodgeable Entries (COMPILE).

2 ANAO Audit Report No 24 2006-2007, *Customs' Cargo Management Re-engineering Project*, p 15.

the movement of cargo, particularly sea cargo, as a result of problems with the functionality and performance of the ICS and CCF. Australia's major ports were congested with a backlog of containers awaiting clearance and delivery for many weeks.³

The audit

- 19.8 The ANAO tabled a performance audit on Customs' Cargo Management Re-engineering Project on 7 February 2007. The objectives of the audit were to:
- examine Customs' management of the CMR project; and
 - determine whether the ICS and Customs Connect Facility (CCF) met:
 - ⇒ project and operational objectives; and
 - ⇒ user capability and functionality requirements.
- 19.9 A particular emphasis was placed on the project management framework that supported the CMR project, implementation arrangements for the ICS, and ongoing operational arrangements.⁴
- 19.10 The ANAO audit report notes that after the audit commenced, Customs commissioned Booz Allen Hamilton to conduct a review of the ICS. The aim of that review was to provide Customs with a forward-looking report on the lessons to be learned from the ICS implementation, its current status and the opportunities to enhance benefits for both Government and industry. The review made thirteen recommendations relating to ongoing management and governance of the CMR project at both strategic and tactical levels.

Audit findings

- 19.11 The ANAO made the following conclusions in relation to its performance audit:

Customs operates within Australia's international trading environment and must balance its border protection responsibilities with the need to facilitate legitimate trade. To successfully develop and implement a project of the size and complexity of the CMR project within this environment was a

3 Background extracted from ANAO Audit Report No 24 2006-2007, *Customs' Cargo Management Re-engineering Project*, p 15-16.

4 ANAO Audit Report No 24 2006-2007, *Customs' Cargo Management Re-engineering Project*, p 43-44

major challenge for Customs. The project encountered considerable delays, cost overruns and the implementation of the imports component of the ICS caused substantial disruption to the movement of cargo at Australia's major ports and airports.

The management framework that Customs had in place to support this project lacked many of the basic fundamentals necessary to successfully implement a large ICT project. The outcomes to be achieved and the expected benefits from the project were never clearly defined. There was no overall CMR project plan, financial management plan, project budget or proper assessment of the risks facing the project. There was also a lack of supporting documentation surrounding contractual arrangements. Delays in the early years of the project had major repercussions for the latter stages of the project. Project teams were continually under pressure to meet tight deadlines, which were not achieved. Delays with the project necessitated three amendments to the legislated implementation date.⁵

- 19.12 According to the ANAO, Customs underestimated the complexity and the risks associated with the project. They failed to respond properly to issues that were emerging and changes in risks. Moreover:

The implementation was not supported by a coordinated implementation strategy or adequate business continuity planning. Insufficient time was allowed for system testing, particularly end-to-end testing. Customs did not have quality assurance mechanisms to assess the readiness of third party software providers, the quality of their software or the preparedness of industry participants. Problems with the Cargo Risk Assessment system also impacted on Customs' ability to clear cargo and to target and assess high risk cargo, increasing the risks to Australia's border security and Customs' revenue collection responsibilities.⁶

- 19.13 The ANAO reported that while the CMR project involved significant changes that would impact on industry stakeholders Customs did not manage the change process well and did not fully appreciate industry's capacity to meet the changes. A lack of understanding of industry's

5 ANAO Audit Report No 24 2006-2007, *Customs' Cargo Management Re-engineering Project*, p 17-18.

6 ANAO Audit Report No 24 2006-2007, *Customs' Cargo Management Re-engineering Project*, p 17-18.

business processes contributed to the problems around implementation of the ICS Imports.

- 19.14 The ANAO also reported that Customs acknowledges that the project could have been better managed and it has learnt lessons:

It has initiated a number of reviews to improve its processes, revised its organisational structure and is modifying the ICS to more closely align with user and business requirements. It is also taking steps to more actively engage industry. Successfully implementing the outcomes of these reviews and initiatives and rebuilding its relationship with industry will be critical if Customs, industry and the community are to realise the full benefits of the CMR project.

Recognising the difficulties facing agencies undertaking large ICT projects, the Government recently introduced its *Responsive Government* policy⁷, including the ICT Investment Framework and the Gateway Review Process.⁸ These initiatives provide a project management and evaluation framework to assist agencies. It is still incumbent on agencies, however, to put in place the management structures, systems and processes necessary to effectively manage these projects.⁹

ANAO recommendations and agency response

ANAO recommendations

- 19.15 The ANAO made seven recommendations, all of which were agreed to by Customs. The aim of these recommendations was to improve the ongoing management of the ICS and the CCF and project management processes. Priority was given to Recommendations 1, 6 and 7. The ANAO recommendations are listed below:

- **Recommendation 1** – The ANAO recommends that Customs implements the necessary arrangements to align the import and export

7 *The Responsive Government - a New Service Agenda* policy was introduced in March 2006 and outlines the Government's aim of effectively utilising ICT to assist in providing better service delivery, improving efficiency and reducing costs.

8 The Australian Government has introduced the Gateway Review Process for projects assessed as being of medium or high risk and over specific financial thresholds. Gateway is a project assurance methodology that involves short, intensive reviews at critical points in the project's lifecycle by an independent review team.

9 ANAO Audit Report No 24 2006-2007, *Customs' Cargo Management Re-engineering Project*, p 17-19.

processing provisions of the *Customs Act 1901* with the Integrated Cargo System business rules and processes as a matter of priority.

- **Recommendation 2** – The ANAO recommends that Customs review its major ongoing projects to gain assurance that they are supported by a sound project management framework.
- **Recommendation 3** – The ANAO recommends that Customs review its contract management arrangements for major ongoing projects to ensure compliance with:
 - ⇒ Chief Executive’s Instructions;
 - ⇒ Commonwealth Procurement Guidelines; and
 - ⇒ Financial Management and Accountability Regulations.
- **Recommendation 4** – The ANAO recommends that Customs develop, as a part of its software development lifecycle, a standardised approach to the testing and implementation of application projects and system modifications. This approach should require that:
 - ⇒ standards are established prior to the approval of the test project plan; and
 - ⇒ testing be undertaken in accordance with the project test plan.
- **Recommendation 5** – The ANAO recommends that Customs updates its existing Memoranda of Understanding to reflect the implementation of the Integrated Cargo System. This should clearly establish: inter-agency consultative arrangements; security of information; message integrity requirements; and other administrative arrangements.
- **Recommendation 6** – The ANAO recommends that Customs’ review of the Integrated Cargo System (ICS) Imports Business Continuity Plan include:
 - ⇒ an evaluation of Customs’ Business Continuity Management framework, specifically assessing its continued appropriateness following the implementation of the ICS and its relationship to existing disaster recovery requirements;
 - ⇒ documenting a control framework for transactions that occur as a result of a disruption to normal business activities; and
 - ⇒ developing processes for regularly reviewing and testing continuity plans.
- **Recommendation 7** – The ANAO recommends that Customs review its strategy for communicating with industry and, as part of this review:

- ⇒ identify the most appropriate forums for communicating with industry;
- ⇒ establish formal feedback and review mechanisms;
- ⇒ determine the information to be exchanged and the most appropriate delivery method for each industry sector; and
- ⇒ assess the practicalities of implementing an industry/Customs secondment program.

Agency response

19.16 Customs provided the following response to the ANAO's performance audit:

Through the implementation of the Cargo Management Re-engineering (CMR) Project, Customs has delivered a robust platform for business re engineering, replaced our legacy cargo management systems and introduced the Trade Modernisation Legislation to support the new security and trade facilitation environment.

At the same time, Customs acknowledges that there are some things that could have been done to make the implementation smoother and that there are lessons for Customs that will arise not only in the continuing development of the Integrated Cargo System (ICS) but also in future major systems developments. Customs has made significant progress in addressing the shortcomings identified by the ANAO in this report and taking action to ensure they do not re-occur.

Our staff responded quickly to address the immediate problems experienced by industry following the implementation of the imports processing component of the ICS in October 2005 and the system has functioned reliably during the past 14 months. However, it is clear that much remains to be done to realise the potential benefit of the ICS for both Customs and industry. Industry is now actively engaged with Customs in undertaking this work. Over the past year, Customs has implemented significant changes to the ICS to address the difficulties faced by industry and worked hard to build a more effective industry relationship for the future.

Recognising the serious impact on Customs and industry, Customs commissioned external reviews of the ICS implementation and intelligence processes. Additionally, Customs

has undertaken internal reviews of key business processes including the Cargo Risk Assessment component of the ICS.

In early 2006, Customs engaged independent experts to assist it to identify the business improvements required to address any shortfalls of the ICS, and to deliver any unrealised benefits for government or industry.

The review of the ICS proposed a number of recommendations, addressing improvements to governance arrangements; tactical improvements providing for increased functionality, usability and system stability; and strategic transformation actions. A number of actions have been completed, including:

- Implementation of a range of enhancements to the ICS addressing functionality issues. Work on further enhancements continues in line with a work program agreed with industry;
- Establishment of the Cargo Processing Executive Steering Committee, chaired by the CEO of Customs and comprising senior representatives from industry and Customs, to provide on-going strategic direction to Customs Trade Facilitation Program;
- Development of a Trade Facilitation program management structure to ensure sound governance of the work program;
- Implementation of the first stage of new organisational accountabilities that better align operational outcomes with agency objectives, including the creation of a dedicated focus on end-to-end cargo management processes;
- Establishment of new cargo management business re-engineering projects, including projects examining Alternative Cargo Reporting, Supply Chain Security and Standardised Data Sets - co-design with industry and other stakeholders is a feature of these projects;
- Revision of software development procedures governing release of software;
- Implementation of a revised ICS Business Continuity Plan.

Action continues to ensure all recommendations of the independent review are addressed. Monitoring of implementation is occurring through Customs Executive Management and the Customs Audit Committee.

The external review of the intelligence function reported findings in December 2006. This review will provide a sound vision for the future development of Customs intelligence capability and to provide recommendations on how this can be achieved. To provide a stronger alignment of intelligence activity with agency

outputs a new Intelligence and Targeting Division has been established.

Action was undertaken in late 2005 and 2006 to address internal user issues associated with the Cargo Risk Assessment component of the ICS. Four working groups were established to consider issues in relation to usability, information quality, reporting and cargo selection. A number of CRA system enhancements have been implemented and an ongoing work program is being progressed as a high priority.¹⁰

The Committee's review

19.17 On 12 September 2007, the Committee held a public hearing to review progress made against the recommendations that came from the ANAO's audit. The public hearing was attended by representatives of the Australian Customs Service, and the ANAO.

19.18 The Committee took evidence on the following matters:

- changes to project management practices;
- IT services;
- accountability;
- issues related to the deactivation of profiles in October 2005;
- enhancing industry engagement; and
- the current status of recommendation implementation.

Changes to project management practices

19.19 As referred to in the overall audit summary above, the ANAO's audit of this project identified a number of key concerns with the project management framework supporting the development of the ICS and CCF. In chapter 3 of its report, the ANAO state that while Customs did develop a business case for the CMR, it not adequately identify costs, benefits, risks, deliverables or timelines. Additionally, there was no identified source of funding in the business case and no strategy for determining whether the project had achieved its overall objectives. No detailed financial plan for the CMR project overall or adequate business cases for

¹⁰ ANAO Audit Report No 24 2006-2007, *Customs' Cargo Management Re-engineering Project*, pp 31-32.

the CMR, the ICS or CCF made it extremely difficult to monitor project costs properly.

19.20 One issue of particular interest to the Committee was the difference between the initial budget of \$30 million and the final cost of the project which was in the vicinity of \$205 million.

19.21 At the review hearing, Mr Neil Mann from Customs confirmed that no detailed cost estimate was prepared at the commencement of the CMR project:

It is probably fair to say there was never a full life-cycle cost established at the outset of the project.¹¹

19.22 Mr Mann also confirmed that Customs was unable to determine how the initial estimate of \$30 million had been arrived at because no documentation has been found that would establish the basis upon which this figure had been calculated.

19.23 The ANAO reported that based on an initial cost estimate of \$30 million for the CMR (although this estimate was not included in the original business case), Customs made a decision to fund the project from existing internal resources. Over time as the development costs increased significantly Customs' decision to use internal funding eroded available cash reserves and put pressure on operating resources. The ANAO concluded that Customs were poorly placed to determine whether the CMR project was affordable and achievable.

19.24 In addition to these deficiencies, the ANAO determined that project governance was inadequate. Customs' Executives were informed of the project's status through meetings, briefings and reports. Although the risks associated with the ICS were consistently rated as 'extreme' or 'high', the ANAO could not determine from minutes of meetings what actions had been implemented to address emerging risks. Meeting minutes did also not reflect discussions around project costs even though monitoring of costs should have been an integral part of the project's governance arrangements.

19.25 The Committee notes from the ANAO audit report that Customs did not develop an implementation strategy nor plan for the introduction of the ICS Imports Release. As a consequence of this, many decisions made immediately following the implementation were made in a 'crisis' environment. In the ANAO's view, these should have been developed and agreed to by all relevant parties well in advance of the

11 Mr Neil Mann, transcript, 12 September 2007, p 4.

implementation. This would have enabled Customs to be better prepared. The ANAO recommended that Customs review the project management frameworks for ongoing projects.

- 19.26 The Committee sought assurance from Customs that the lack of documentation evident in this project no longer exists in other major projects in Customs. Mr Mann provided the following response:

...we have set up, in addition to each business area having its own program governance arrangements, an independent corporate project office that is reviewing all significant projects, to give the executive that second level of assurance.¹²

- 19.27 Mr Murray Harrison, Chief Information Officer at Customs provided a brief outline of new performance measurement and contract management arrangements as follows:

We have a very distinct governance structure that incorporates meetings with the CEOs. With those various organisations, on a regular basis we have a performance scorecard approach. We have new arrangements around service levels. There is a very elaborate structure that is designed to provide that information.¹³

- 19.28 Mr Mann outlined further changes to project management practices as follows:

In the implementation of our project management approach there is a big focus on much earlier stage gates around describing the intent, objectives and deliverables. For large projects they will be escalated to the Customs executive rather than left to the relevant project board.

...We have added to the basic project management methodology – PRINCE2 is the version that we are using – to go even further to get clear statements of intent and deliverables at an early stage, which would need to be agreed at the highest level within the organisation. We have also taken a different approach to large projects, where, rather than committing ourselves to the full implementation of a project, we are saying: 'Hang on, let's just go to a proof-of-concept stage and develop a business case. Let's make quite clear that there is a go/no-go stage, without committing into the future.' That is certainly the approach that we are taking in response to the redevelopment of our passenger

12 Mr Neil Mann, transcript, 12 September 2007, p 5.

13 Mr Murray Harrison, transcript, 12 September 2007, p 7.

assessment and clearance systems. In that case we sought an initial two-year funding from government to do some basic work around the infrastructure and platform issues, and we will be going back to government with a more detailed description of benefits in the out years before we seek the long-term funding.¹⁴

19.29 The Committee was informed that Customs had established a corporate project office and an internal audit committee. It is anticipated the former will be headed up by individuals external to the organisation who will, at a cost of \$1 million per annum, review current project management approaches to ensure industry best practice and provide an independent assurance on significant projects to the CEO at Customs.¹⁵ The internal audit committee has been restructured to comprise two external members, three internal members and a number of committee observers. Mr Mann advised that the composition of the audit committee is consistent with ANAO better practice guidelines.

19.30 Additionally, the Committee heard about how difficulties would be now responded to by Customs should they be raised in the context of an internal audit. First, projects similar in size to this project will be subject to the gateway review¹⁶ and external government processes. Second, within Customs itself, there is now an obligation, via the audit committee to ensure the CEO is advised of any concerns. Finally, there is a “very methodical approach”¹⁷ taken to project management such that any risks raised and actions taken would now be carefully recorded and documented.¹⁸

IT services

19.31 The Committee queried Customs’ ongoing contractual relationship with Electronic Data Systems (EDS) Australia and was pleased to learn that while the initial development of the CMR applications had been the responsibility of EDS, the delivery of those services had now been divided

14 Mr Neil Mann, transcript, 12 September 2007, pp 9-10.

15 Mr Neil Mann, transcript, 12 September 2007, p 10.

16 The Gateway Review Process (Gateway) is designed to improve the delivery of major projects. Gateway involves short, intensive reviews at critical points in a project’s life cycle by a team of reviewers who are not associated with the project. The review team comprises accredited reviewers coordinated by the Department of Finance and Administration. Gateway applies to new projects undertaken by the *Financial Management and Accountability Act 1997* agencies which require cabinet approval and which satisfy certain financial and risk thresholds.

17 Mr Neil Mann, transcript, 12 September 2007, p 9.

18 Mr Neil Mann, transcript, 12 September 2007, p 9.

into six categories. Mr Harrison explained the nature of the new information technology arrangements as follows:

The EDS contract that was entered into in 1998 was a contract that was for five years plus two plus two. It ran out at the end of June this year. We have now conducted a market-testing exercise around a sourcing strategy about how we want to deliver those services going forward. It is a long story, but we have broken up those services into essentially six categories. Of the six categories, we have put four to the market. One we decided to bring back ourselves and with the other we are going forward on a case-by-case basis. What I mean by that is that all our services in our main processing of mainframes, midrange and all that sort of stuff were, under the previous arrangement, delivered by EDS, either directly or through contract.

...

The main processing was one – and this exercise by IBM. Another component is what we call the internet and secure gateway services. That has been won by Verizon, which used to be Cybertrust – they were doing it under contract before – and Telstra won telecommunications. On what we call 'applications, maintenance and support', we have essentially 100 or thereabouts basic business applications in the organisation. We have decided to put a panel arrangement in place to support those. Two companies will get the bulk of the work. We are splitting it fifty-fifty. EDS will retain one of those components and KAZ, the other. There are three other companies on a panel, if necessary.¹⁹

Accountability

19.32 At the hearing, the Committee was advised that while no personnel involved with the design and implementation of this project from the outset remain with Customs, the former Chief Executive Officer had publicly taken responsibility for the management of the project.

19.33 The Committee was interested to learn what processes had been put in place to ensure adequate reporting to the relevant Minister. Ms Bailey responded as follows:

...the process we now have is that we have an industry action group which meets quarterly. The minister's office staff attends every meeting and gives an independent report back to the

19 Mr Murray Harrison, transcript, 12 September 2007, pp 6-7.

minister on those occasions. Jo [Corcoran] and I monitor those issues arising from industry. So I do think we have a much clearer line of sight now on the issues that are arising for industry dealing with the system and we make sure that that is treated with high priority and the respect it deserves. The minister's representative is there and we do regularly update them on the arrangement of issues that are arising.²⁰

Issues related to the deactivation of profiles in October 2005

- 19.34 The ANAO performance audit reported that when ICS Imports (Release 3) was implemented there was a significant disruption to the movement of cargo, particularly in relation to sea cargo. This was because of problems with the risk profiling function. As a result of this problem, excessive cargo was being held and ports became congested with a backlog of uncleared containers for many weeks. In an effort to reduce the cargo backlog, all air and sea cargo profiles were de-activated posing a considerable risk to border security and Customs revenue collection responsibilities.²¹
- 19.35 The Committee was interested to learn what had been done by Customs to compensate industry for the disruption to their businesses and additionally, how the identification process of high risk cargo had been restored.
- 19.36 Mr Mann informed the Committee that while the experiences across industry stakeholders were not universally negative, Customs has reviewed and settled 555 compensation claims paying out \$1.75 million.
- 19.37 With regard to the problems created as a result of the de-activation of the risk profiles, Ms Jane Bailey of Customs advised the following:

By 3 November [2005], basically all the profiles had been restored and were fully functioning. Today we have the profiles for effective work, the cargo processing is quite stable and the risk processing is quite stable in the ICS. So while there was some time, especially on the first day or two, when a significant cohort of the air cargo profiles were deactivated, we in that case of course had a second line of defence there, which was basically our Customs officers. They were active there. For sea cargo the deactivation was for a much smaller cohort and they were quickly reactivated. So,

20 Ms Jane Bailey, transcript, 12 September 2007, p 15.

21 ANAO Audit Report No 24 2006-2007, *Customs' Cargo Management Re-engineering Project*, p 119.

while we recognise that there were issues, we quickly moved to restore them. Since that date, that process of profiling, and the activation and deactivation of them, has been standard and works as it is directed by the intel and targeting team.²²

- 19.38 The Committee notes that individual Customs officers played a significant role in trying to clear the backlog of containers smoothing out some of the problems.²³

Enhancing industry engagement

- 19.39 Although Customs put in place a number of strategies to engage with industry during the development of the Cargo Management Re-engineering Business Model, the ANAO found that Customs did not achieve a large proportion of industry 'buy in' for the Business Model. This was identified by the ANAO as a risk to the successful implementation of the project.
- 19.40 Throughout the development of the Business Model, industry raised concerns about a number of issues (e.g., onerous cargo reporting requirements, a strict sanction regime for non-compliance etc.) which were never resolved to their satisfaction. In considering these issues, Customs advised that it had to balance industry's concerns with its border protection responsibilities. This notwithstanding, the ANAO concluded that if some of the issues raised by industry had been more thoroughly examined by Customs early in the project, a number of the problems faced in implementing the ICS may have been minimised.²⁴
- 19.41 The ANAO acknowledged initiatives that had been undertaken by Customs to improve its systems and processes and relationship with industry. The Committee queried Customs further on its attempts to enhance links with industry and repair the relationship. The Committee was informed that over the last 12 months, Ms Bailey, National Director of Cargo, had been working with industry to identify and address their concerns by enhancing Customs' processes. This included the establishment of a new branch entitled Industry Engagement and User Services Branch which incorporates a 'help desk' for industry.²⁵

22 Ms Jane Bailey, transcript, 12 September 2007, p 8.

23 Ms Sharon Grierson, MP, transcript, 12 September 2007, p 7.

24 ANAO Audit Report No 24 2006-2007, *Customs' Cargo Management Re-engineering Project*, p 19.

25 Transcript, 12 September 2007, p 6.

19.42 Additionally, Mr Mann reiterated the strategies that have been adopted to further enhance the relationship with industry:

We still have our Customs national consultative committee that allows all of the major peak bodies to tell us what they think is going wrong or right, and we can provide them with updates. In addition, we have created a cargo processing executive steering committee, where the CEO has invited respected individuals from industry – ²⁶

19.43 And, further:

They have been asked in their own right to be advisers to the CEO on not only how the current process is working but the future improvements they believe need to be made. Evidence of that is that, at industry's request, we are looking at whether there are benefits in moving to an alternative cargo reporting system such as that used in the United States. We are working in a joint team with industry to do the evaluation of a model that could perhaps take us forward. That is a process where we now are bringing industry into our working teams to actually provide joint advice to us around the merits of going one way or the other.²⁷

19.44 Mr Mann further stated:

In different parts of the organisation, much more now, we are bringing other government agencies and industry members into those consultation and codesign approaches. The industry action group that was established by the minister when things went bad is still going, and we are constantly prioritising with them on what the most important changes are, whether they be procedural, policy or system changes, to address their concerns. We will continue to do that for as long as industry wants to participate.

We have also set in place stakeholder managers for elements of industry, whether they be exporters, importers or brokers. We now have dedicated people to get to know the industry, get to know the issues of the industry and be the channel – there is almost an internal advocate – for teasing apart what the consequences are for industry. They then represent those issues into our release management processes around which candidates we will promote for further work. We are not rushing to a systems solution; we are asking, 'What are other ways we could do it,

26 Mr Neil Mann, transcript, 12 September 2007, p 16.

27 Mr Neil Mann, transcript, 12 September 2007, p 16.

either in the interim or permanently?' It could be policy issues or it could be our processes that need to be fixed to address their concerns. So, there are a range of measures that we have put in place in the last 12 months.²⁸

Current status – implementation of recommendations

19.45 At the hearing on 12 September 2007, Mr Neil Mann, Deputy Chief Executive Officer (Passengers and Trade Facilitation) of Customs provided the Committee with an update on the implementation of the recommendations made in Booz Allen Hamilton's Review of the Integrated Cargo System and the ANAO's report as follows:

...[Booz Allen Hamilton's] review made 13 recommendations about how the ICS could be optimised...Just over 12 months later, 11 of those recommendations have been addressed, with work well advanced in respect of the remaining two, which focus on how we take ICS forward into the future.

The ANAO review of the Customs cargo management re-engineering project was tabled in February 2007. Noting the work already underway in Customs in response to the Booz Allen Hamilton review, the ANAO made seven recommendations...Customs agreed with all seven recommendations and has made good progress on addressing them.²⁹

19.46 Mr Mann, who identified himself as the key executive now responsible for the project, further advised:

We have, for the ANAO recommendations, some expected completion dates. Two, I believe, we have completed, but we have a schedule of when we expect to complete the rest of the recommendations. We are treating it seriously. When I took over my role, I tasked our internal audit function to give me a report on how we thought we had gone against the Booz Allen Hamilton recommendations, to make sure that we were starting off on the right foot.

...

There was a need for us to go back and make sure that the intent of the recommendation had been properly addressed in our

28 Mr Neil Mann, transcript, 12 September 2007, p 16.

29 Mr Neil Mann, transcript, 12 September 2007, pp 1-2.

implementation plans. That has now been done, and the same approach will be taken to the ANAO's recommendations.³⁰

- 19.47 Mr Peter White, Executive Director, ANAO reaffirmed progress made by Customs:

Customs is putting mechanisms in place to address some of the problems that came up. I think what is critical is that they have flagged the 13 Booz Allen Hamilton recommendations and the seven recommendations that we have made, and also flagged to rebuild this relationship with industry. That should give them a solid platform to go forward on.³¹

Recommendation 34

The Committee recommends that Customs provide a written report in the form of a submission to the Committee on the status of the implementation of the ANAO's recommendations and the recommendations of the review conducted by Booz Allen Hamilton within 6 months of the tabling date of this report.

- 19.48 It should also be noted that despite the difficulties associated with the implementation of the ICS, Customs appear satisfied with the system as it currently stands. As Ms Bailey reports:

...I think we are all now of the view that we have actually got a very stable high-performing system. We regret that it did not start as well as it could have, but in terms of processing trade transactions it has turned out to be a very reliable platform. We would like to and will work with industry to return more productivity through them, but I think there is definitely a focus now at all levels, from the CEO, to the DCO, to me, to my national managers, to industry, about how to manage this and to make sure that all the issues are given the credibility and priority they deserve.³²

30 Mr Neil Mann, transcript, 12 September 2007, 7.

31 Mr Peter White, transcript, 12 September 2007, p 16.

32 Ms Jane Bailey, transcript, 12 September 2007, p 15.

Conclusion

- 19.49 The Committee is satisfied from the evidence provided at the hearing that Customs has acknowledged and taken responsibility for the significant problems that beset the CMR project. The Committee is also satisfied that Customs have expended considerable effort in addressing the recommendations suggested by both the ANAO and the Booz Allen Hamilton review. Of particular note is the effort that has gone into implementing Recommendation 7 of the ANAO relating to its strategy for communicating with industry.
- 19.50 That said, the Committee is gratified that the ANAO is considering a follow-up audit. It looks forward to receiving the findings of such an audit report in due course.

