

## Audit Report No.50 2011–12

# Processing and Risk Assessing Incoming International Air Passengers

## Introduction

- 5.1 The Australian Customs and Border Protection Service (Customs and Border Protection) is responsible for the protection of the safety, security and commercial interests of Australians through border protection designed to support legitimate trade and travel, and to ensure collection of border-related revenue and trade statistics.<sup>1</sup>
- 5.2 At the border, Customs and Border Protection makes primary interventions at the Entry Control Point (ECP) to 'verify identity, respond to risk assessments and activate secondary assessments of persons of interest'. Officers identify persons of interest through real time risk assessments and through the deployment of detector dogs. Secondary interventions include questioning, baggage examination and searching of persons of interest, and related follow-on activities.<sup>2</sup>
- 5.3 Customs and Border Protection is operating in 'an environment of growth in both passengers and goods'. Incoming passenger movements increased from around 11.3 million in 2006–07 to around 13.9 million in 2010–11,

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1 ANAO Audit Report No.50 2011–12, p. 29.

2 ANAO Audit Report No.50 2011–12, p. 30.

with numbers expected to continue to increase significantly over the coming years.<sup>3</sup>

- 5.4 The SmartGate automated border clearance system was progressively deployed at Australia's international airports between 2007 and 2011, and is an important strategy to assist with the efficient processing of increasing numbers of passengers. SmartGate kiosks enable eligible passengers and crew to 'self-process' through passport control, using the electronic information in the ePassport and facial recognition technology to perform the Customs and Border Protection and Department of Immigration and Citizenship (DIAC) checks normally undertaken by a Customs and Border Protection officer at the manual ECP.<sup>4</sup>
- 5.5 At the time of the audit, eligibility for SmartGate was restricted to Australian and New Zealand passport holders over 16 years of age, who made up 8.4 million, or 57.1 per cent, of incoming passengers and crew in 2010-11. The extension of SmartGate eligibility to other nationalities was part of the original planning for its implementation.<sup>5</sup>
- 5.6 The processing of incoming international air passengers was the subject of a previous ANAO audit report – No.10 2009-10 – tabled in November 2009. That audit focused on the manual processing of passengers at the ECP, and made four recommendations to Customs and Border Protection to: improve assurance measuring and reporting of functions performed by officers; review and update a disaster recovery plan; improve information technology incident response processes; and update, monitor and report against the Key Performance Indicators in the Memorandum of Understanding with DIAC.
- 5.7 The JCPAA conducted an inquiry into this previous ANAO Report (No.10) in 2010.<sup>6</sup> Although the Committee did not make any recommendations, in its report it urged Customs and Border Protection to implement the ANAO's recommendation on information technology, and indicated that the JCPAA would continue to monitor the processing of incoming international passengers.

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3 ANAO Audit Report No.50 2011-12, p. 32.

4 ANAO Audit Report No.50 2011-12, p. 33.

5 ANAO Audit Report No.50 2011-12, p. 33.

6 JCPAA Report 418: *Review of Auditor-General's Reports Nos. 04 to 38 (2009/10)*, December 2010.

## The ANAO audit

### Audit objective and scope<sup>7</sup>

- 5.8 The objective of the audit was to assess the effectiveness of Customs and Border Protection's risk based management of end-to-end processing of incoming international air passengers in achieving border security and passenger facilitation outcomes.
- 5.9 As the Australian National Audit Office (ANAO)'s previous audit report, No. 10 2009–10 *Processing of Incoming International Air Passengers*, assessed Customs and Border Protection's manual processing of incoming international air passengers at the primary line, the scope of this audit was aligned to areas not previously covered: automated passenger processing through SmartGate; pre-arrival risk assessment; and secondary intervention outcomes.
- 5.10 The audit addressed whether:
- Customs and Border Protection's pre-arrival risk assessment effectively facilitates low-risk passenger movements and supports appropriate interventions for high-risk passenger movements;
  - the SmartGate automated primary clearance facility is achieving its objectives of enabling Customs to process more travellers securely and simply; enhancing border security; and improving identity verification; and
  - Customs and Border Protection effectively manages secondary examination interventions for passengers, including referrals to other agencies, on a risk basis.

### Overall audit conclusion

- 5.11 The audit report noted that Customs and Border Protection was operating in a 'growing and increasingly complex passenger environment' with increasing resource constraints, meaning that a risk based approach to identifying potential persons of interest was essential.<sup>8</sup>
- 5.12 The ANAO concluded that, overall, Customs and Border Protection was effectively managing the clearance of incoming international air passengers. However, it found structural weaknesses, gaps and overlaps

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7 ANAO Audit Report No.50 2011–12, p. 15.

8 ANAO Audit Report No.50 2011–12, p. 16.

in the risk based approach to passenger clearance, reducing assurance that high-risk passengers were being consistently identified, and low-risk passengers were not subject to unnecessary intervention. In particular, the ANAO found that pre-arrival risk assessment and the development and review of profiles were not guided by a risk prioritisation model.<sup>9</sup>

- 5.13 The ANAO also found that while SmartGate worked well and passenger usage was increasing, its potential contribution to passenger processing efficiency had 'not been realised and could be improved'. Passenger clearances through SmartGate and the resultant efficiency savings, while increasing annually, were 'well below the forecasts advised to government in 2009'. The audit found that as management of SmartGate had been the responsibility of individual airports, there had been 'variable results' in encouraging and achieving passenger usage. The ANAO suggested that a national strategy for SmartGate would assist Customs and Border Protection to improve SmartGate performance.<sup>10</sup>

## ANAO recommendations

- 5.14 The ANAO made three recommendations aimed at improving Customs and Border Protection's management of incoming international air passenger processing and risk assessment.<sup>11</sup>

Table 5.1 ANAO recommendations, Audit Report No.50 2011-12

1.	<p>To guide and invigorate a coordinated national approach to improving SmartGate's presentation and clearance rates, the ANAO recommends that Customs and Border Protection:</p> <ul style="list-style-type: none"> <li>▪ develop a strategic plan for SmartGate, containing clear objectives, priorities, strategies and performance targets; and</li> <li>▪ identify, and promulgate nationally as appropriate, better practices for SmartGate.</li> </ul> <p><b>Customs and Border Protection Response:</b> <i>Agreed.</i></p>
2.	<p>To better identify and reduce the impact of system process errors on SmartGate clearances and referrals, the ANAO recommends that Customs and Border Protection enhance its monitoring and diagnostic tools for identifying exceptions and anomalies in SmartGate data.</p> <p><b>Customs and Border Protection Response:</b> <i>Agreed</i></p>
3.	<p>To improve assurance that passenger risk assessment is achieving effective border security outcomes, the ANAO recommends that Customs and Border Protection gives priority, in implementing the Passenger Targeting Model, to:</p> <ul style="list-style-type: none"> <li>▪ developing stronger systems for performance reporting and measurement of the effectiveness of its pre-arrival risk assessment activities;</li> </ul>

9 ANAO Audit Report No.50 2011-12, p. 16.

10 ANAO Audit Report No.50 2011-12, pp. 16, 17.

11 ANAO Audit Report No.50 2011-12, p. 17.

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- better prioritising the allocation of passenger risk assessment and intervention resources through a risk priority model; and
  - reviewing the internal governance arrangements to provide for appropriate coverage of national and local interests.

**Customs and Border Protection Response: *Agreed***

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## The Committee's review

- 5.15 The Committee conducted its review of the audit report through written correspondence.
- 5.16 The Committee sent Customs and Border Protection two questions in writing, focusing on the audit's findings in relation to the under-utilisation of SmartGate. The response provided the Committee with evidence on the following matters:
- SmartGate usage at Australian airports
  - Measures to increase SmartGate usage.

### SmartGate usage at Australian airports

- 5.17 The ANAO reported that 2.16 million passengers had presented at SmartGate kiosks in 2010–11, representing 42.24 per cent of eligible passengers.<sup>12</sup> Accounting for passengers who may have attempted to use SmartGate but were not automatically cleared – producing a more important figure when assessing the success of the initiative in achieving efficiencies – the ANAO found that 1.81 million passengers had *successfully* used SmartGate. This number was well below the 4.16 million passengers forecast in estimates provided to government in 2009. Consequently, 'biometric efficiency dividend' savings were 'well behind the forecast returns'.<sup>13</sup>
- 5.18 In percentage terms, the ANAO found that the SmartGate clearance rate was just 37 per cent of eligible passengers in 2010–11. The clearance rate had shown encouraging signs of improvement in 2011–12, increasing to 46 per cent by March 2012, however, this was still 'well behind' the forecasts.<sup>14</sup>

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12 ANAO Audit Report No.50 2011–12, p. 61.

13 ANAO Audit Report No.50 2011–12, p. 69.

14 ANAO Audit Report No.50 2011–12, p. 63.

- 5.19 The Committee requested updated figures from Customs and Border Protection on the number of passengers using SmartGate at Australian airports.
- 5.20 In its response, Customs and Border Protection reported that 3.09 million eligible travellers had used SmartGate in 2011-12. The figure for the month of August 2012 was 339 594, representing 61.9 per cent of eligible travellers.<sup>15</sup>
- 5.21 In regards to passenger clearance rates, the Committee was informed that in August 2012, 51.4 per cent of eligible passengers had successfully cleared through SmartGate.<sup>16</sup>

## Measures to increase SmartGate usage

- 5.22 The audit report indicated that a key assumption underlying SmartGate forecasts was that the facility would be extended to holders of ePassports from other countries – something that still had not occurred at the time of the audit.<sup>17</sup>
- 5.23 The ANAO suggested that given this constraint, Customs and Border Protection would need to maximise SmartGate usage by the eligible passenger population of Australian and New Zealand ePassport holders over 16 years of age if more efficient processing was to be achieved. The ANAO concluded that SmartGate had lacked 'national direction' in the form of national clearance rate targets or a plan for achieving SmartGate's objectives. As noted above, it recommended that a Smartgate strategic plan be established and promulgated nationally.<sup>18</sup>
- 5.24 In this context, the Committee asked for an update on Customs and Border Protection's efforts to improve SmartGate presentation and clearance rates.
- 5.25 Customs and Border Protection informed the Committee that it had received \$7.9 million in the 2012-13 budget to increase the capacity of SmartGate. This funding was being used to install five new gates in Melbourne Airport by December 2012 and eight new gates in Sydney Airport by June 2013.<sup>19</sup>

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15 Customs and Border Protection, *Submission 4*, p. 1.

16 Customs and Border Protection, *Submission 4*, p. 1.

17 ANAO Audit Report No.50 2011-12, pp. 69-70.

18 ANAO Audit Report No.50 2011-12, pp. 70-71.

19 Customs and Border Protection, *Submission 4*, pp. 1-2.

- 5.26 Customs and Border Protection indicated that increased SmartGate uptake would be achieved by the use of 'additional dynamic signage, way finding and marshalling' and estimated that at least 65 per cent of eligible travellers would be using SmartGate by June 2013, and 80 per cent by June 2014.<sup>20</sup>
- 5.27 The Committee was informed that plans were 'well advanced to extend the use of SmartGate to other nationalities', with a pilot for United States Global Traveller members planned to commence late in 2012.<sup>21</sup> Customs and Border Protection also advised that, depending on the outcome of this pilot, eligibility may be extended to eligible United States and United Kingdom ePassport holders in 2013.<sup>22</sup>

## Committee comment

- 5.28 The Committee recognises the importance of Customs and Border Protection's role in minimising risks to Australian security, and welcomes the publication of the ANAO's report. The Committee fully supports the audit's findings and recommendations.
- 5.29 The Committee was disappointed to learn that the anticipated efficiency gains of the SmartGate automated passenger clearance facility had not all been realised due to lower than expected usage and clearance rates. It appears that at least some of the large cost-saving potential of the facility has been missed due to investments in technology not being followed up with the strategic direction needed to encourage its use.
- 5.30 Nevertheless, it is recognised that Customs and Border Protection is now taking measures to increase SmartGate usage in Australian airports, such as by improving signage and marshalling. The Committee is encouraged that SmartGate usage appears to have continued to increase in the period since audit was completed.
- 5.31 The Committee welcomes the allocation of additional funding in the 2012-13 budget to increase SmartGate capacity at the nation's busiest airports. This appears to be a logical investment of public money, given

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20 Customs and Border Protection, *Submission 4*, p. 2.

21 Global Entry is a United States Customs and Border Protection program that allows expedited clearance for pre-approved, low-risk 'Global Travellers' upon arrival in the United States. According to the Global Entry website, the SmartGate pilot was to commence on 1 November 2012. See <<http://www.globalentry.gov/>> viewed 27 November 2012.

22 Customs and Border Protection, *Submission 4*, p. 2.

the increased potential for efficiency returns in the longer term if clearance rates can be improved.

- 5.32 The Committee also supports efforts by Customs and Border Protection to extend eligibility to use SmartGate to passengers of other nationalities, where this can be done cost effectively and whilst maintaining appropriate levels of security. It is clear that this will be necessary to maximise the use of SmartGate and hence to achieve the potential efficiency gains originally anticipated.
- 5.33 The Committee was, however, surprised that there was no mention of a strategic plan for improving SmartGate presentation and clearance rates in Customs and Border Protection's response to its questions. The development of such a plan was a key recommendation of the ANAO. The Committee notes that at the time of the audit report, a strategic plan was reported to be 'under development', and that SmartGate presentation and clearance targets had been included in the 2012-13 Portfolio Budget Statements.<sup>23</sup>
- 5.34 The Committee is interested in learning more about the continuing development and implementation of the strategic plan, and therefore recommends:

### **Recommendation 10**

**That, within six months of the tabling of this report, the Australian Customs and Border Protection Service provide the Committee with an update on its progress in developing and implementing a strategic plan for SmartGate. The response should include:**

- **an overview of measures introduced as part of the plan to improve SmartGate clearance numbers;**
- **the latest figures on the number and percentage of eligible passengers clearing through SmartGate; and**
- **how the year to date figures compare with the presentation and clearance targets identified in the 2012-13 Portfolio Budget Statements.**

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23 See ANAO Audit Report No.50 2011-12, pp. 70, 71.