



**Australian
CUSTOMS AND
BORDER PROTECTION**

OPENING STATEMENT

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AUSTRALIAN CUSTOMS AND BORDER PROTECTION SERVICE**

Senate Legal and Constitutional Affairs Legislation Committee
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Since I last appeared before this Committee in February, I have had the honour of being appointed to the role of Chief Executive Officer of the Australian Customs and Border Protection Service. This Service is one of the longest serving agencies of State having existed in one form or another since federation.

I have also made several senior appointments in the last few weeks to ensure that we have the right leadership team in place. I have appointed a new Deputy Chief Executive Officer for Border Enforcement, Mr Roman Quaedvlieg, who is sitting with me today.

Mr Quaedvlieg joins us from the Australian Federal Police where he served the last three years as Chief Police Officer of ACT Policing. Mr Quaedvlieg will focus on the delivery of intelligence, targeting, compliance, enforcement and maritime outcomes for the Service.

Also present today are new senior executives including Ms Rachel Noble as National Director Intelligence, Ms Cindy Briscoe National Director Support, Ms Karen Harfield National Director Compliance and Enforcement and Mr Randall Brugeaud our new Chief Technology Officer.

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By: Mr Michael Pezzullo, CEO, Customs

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These new leaders bring with them a wealth of experience and insight from across the public service including law enforcement, national security and service delivery experience. Their experience will add to our existing leadership team to better position the Service to meet both current and future challenges.

I can also update the Committee on the issue of Customs and Border Protection Reform. As the Committee would be aware, last December the Government announced an intention to undertake 'root and branch' reform of the Customs and Border Protection Service. To that end, it established a Reform Board (which reports to the Minister for Home Affairs) consisting of The Honourable James Wood AO QC, former Royal Commissioner of the NSW Royal Commission into the NSW Police Service; Mr Ken Moroney AO APM, former Commissioner of the NSW Police Force; and Mr David Mortimer AO, former CEO TNT Limited, former Deputy Chairman of Ansett, former Chairman of Australia Post and Leightons Holdings.

The Board has met five times – most recently yesterday. It is not my place to speak for the Board. What I would say is that it has already assisted me quite significantly in shaping my thinking about a plan for reform which I intend to finalise in the near future. (I have also been assisted in this endeavour by the recently concluded Australian Public Service Commission Capability Review, which I have on my desk as we speak.)

Our Reform Programme will consist of three interdependent tracks, entailing reforms in the following areas:

- **Our People and Operating Model:** creating a more agile and capable Service, with a particular focus on the creation of a new enforcement agency model and a disciplined, uniformed career stream.
- **Modernisation of Systems and Processes:** developing efficient and sophisticated business systems to give our staff the tools that they need to do their job. This includes modernisation of border processes and intelligence

capabilities, and upgrades of our technology, services and practices so that we can deal with increasing trade and travel volumes and complexity.

- The third track focusses on **Integrity**: to build a Service culture hardened against corruption and this relates to our values, our identity and our professional standards.

I would like to address this last theme in more detail and update Senators on our work in this area. As I said at the last meeting of this Committee more arrests were to be expected in relation to allegations of corruption. Since that time, four officers have been arrested by the AFP in relation to these serious allegations of criminal conduct, and action was taken to immediately suspend these officers. All officers were immediately suspended without pay pending disciplinary inquiries.

Two of these individuals are no longer employees of Customs and Border Protection having resigned prior to completion of internal inquiries. Two officers have been suspended without pay pending the outcome of their charges.

I can also report that on 26 April this year a former Customs and Border Protection officer, Mr Paul Katralis, was sentenced to a total of seven years imprisonment, with a non-parole period of four years.

In handing down the sentence the judge made comment that the sentence was to act as a general deterrence for Customs and Border Protection officials (and more widely the Public Service), in relation to abusing positions of trust for corrupt and criminal ends.

I wish to assure this Committee that the Service and its senior leadership is committed to taking strong and resolute action to deal with issues regarding the integrity of our officers and the Service. Gratifyingly, so are most of our people.

Customs and Border Protection has been alert to the risk of corruption and criminal infiltration for a number of years. We have appreciated the risk that criminal groups

will attempt to infiltrate the Service so as to gain access to sensitive information or even active support for the smuggling of illegal, prohibited or regulated goods.

As I outlined to this Committee in February we now have in place stronger corruption-fighting powers which allow for:

- the integrity testing of Customs and Border Protection officers;
- the power for the CEO to make a declaration that an officer's employment has been terminated as a result of serious misconduct;
- mandatory reporting requirements under which officers are required to report serious misconduct, corrupt or criminal activity; and
- drug and alcohol testing for all Customs and Border Protection officers.

In relation to the mandatory reporting requirements, I can advise this Committee that one of my first acts as CEO was to issue a CEO Order making it a legal requirement for all employees of Customs and Border Protection to report serious misconduct, corrupt conduct and/or criminal behaviour.

To support our officers in meeting their obligations, an Integrity Support and Referral Network has been established to provide support and advice on options regarding reporting obligations, or as another avenue to report concerns regarding serious misconduct, corruption and/or criminal behaviours.

The members of this Service have embraced the need to improve our integrity framework and this was clearly evident when the call went out across the Service for volunteers to be an Integrity Support Officer. This was met with an overwhelming response from all levels within the Service and resulted in more officers volunteering than positions available.

To ensure we are creating the culture that is resistant to corruption I have outlined to the senior executives my expectations of them as the leaders of this Service. It is the

leadership within the Service who set the culture and that can influence in a very real way what our staff, and those working with us, think is acceptable behaviour. I have made it clear that I am committed to stamping out corruption and dishonesty by setting a new direction and culture for the Service. To this end I stated very clearly that I will hold the senior leadership group accountable, as I am, to stamping out corruption and creating the culture that will not stand for it. I made very clear that I expect the senior leaders to exercise all due diligence with respect to matters of integrity by ensuring their staff understand and act upon their integrity obligations.

The work I foreshadowed to this Committee in February, to enhance our organisational suitability checking processes to be better able to detect and deal with officers with criminal associations, is progressing. We are focussing on four key areas.

First, we are raising the standard and increasing the range of information/intelligence sources against which prospective employees will be checked and assessed from an organisational suitability perspective.

Second, we are redesigning our post-commencement screening activities to be more flexible and dynamic, encompassing continual monitoring, education and, if necessary, tailored aftercare arrangements and risk mitigation strategies (for example, examining links between our staff and organised criminal groups, for instance through secondary employment relationships).

Thirdly, the development of an early identification and intervention system, which will attempt to proactively identify and work with staff to correct potential problematic behaviours before they become an issue; rather than relying on reactive, formal and punishment-based systems; and

Fourth, we are further integrating integrity and HR processes – so that positive behaviours are rewarded and recognised and data collected through HR processes (such as relevant workforce metrics) can be used to support our proposed early intervention system.

We have also instituted our drug and alcohol testing program to further strengthen our integrity framework. A pilot programme commenced on 13 March 2013. As at 28 May, 551 Customs and Border Protection staff have been tested.

In instances where we have a 'verified positive result', that is a positive drug or alcohol result which is confirmed by laboratory testing and verified by an independent Medical Review Officer, the matter is referred to our Integrity and Professional Standards Branch to commence a Code of Conduct inquiry. The officer will be informed of the verified result and the initiation of the Code of Conduct inquiry.

As a Service we are cognisant of the fact that criminal organisations will seek to avoid the systems and processes we put in place. Consequently those systems and processes need to be continually enhanced and improved.

In order to strengthen our approach to these issues, I have decided to bring a more direct focus and accountability to bear by bringing together these functions in a new division – the **Integrity, Security and Assurance Division** under the leadership of Ms Jan Dorrington as National Director and Chief Risk Officer. Added to this is a further expansion of the remit of the Integrity and Professional Standards Branch so that it directly manages all disciplinary processes undertaken under the provisions of the APS Code of Conduct. This will give us a more integrated approach to managing professional conduct in our workplaces, fighting corruption and criminal infiltration, and dealing with misconduct.

To support this focus and to ensure we have the capability, the right professional standards practice model, with the right processes in place to deal with integrity matters, I announced an Integrity Management Review on 21 March this year. This internal review is due to report to me this month. I have seen a draft of this report, and will be taking action on it in the weeks ahead.

Further to this we have also implemented an online course that will join the mandatory e-learning courses for all staff contributing to our Performance Assessment and Feedback cycle for all staff. The next cycle commences on 1 July 2013, however staff have been encouraged to complete the course as soon as

practicable. The course sets out the expectation of ethical behaviour and will assist in embedding the enhanced integrity measures into our everyday work. This builds on the integrity briefing sessions which are mandatory for new employees.

Our work to strengthen our integrity has not detracted from our day to day business – and that is to protect Australia's borders.

Last week I joined the Minister for Home Affairs, the Chief Executive Officer of the Australian Crime Commission and the Australian Federal Police Commissioner to the launch the Commission's Illicit Drug Data Report 2011-12.

This report showed that working with our partner agencies, we achieved a record 23.8 tonnes of seized illicit drugs during 2011-12. That's up from 9.3 tonnes seized in the previous year.

Notwithstanding the fact that the volumes of trade and travel across the border are increasing, we have seen an increase in the numbers of detections – with intelligence playing a significant role.

From 2009-10 to April this year we have seen an increase in the number of drug and precursor detection numbers to the tune of 69 per cent over this time.

The reality of our resource challenges has meant that over a similar period we have seen a reduction in our staffing strength of around 7 per cent of our total average staffing numbers.

But these increased detections are not the result of just one factor – it is in fact due to the layered approach that we employ to protect the border.

This involves:

- more targeted screening of cargo
- better intelligence capabilities

- enhanced collaboration with Australian law enforcement agencies as well as international partners
- strengthened engagement with industry and the public (in terms of Customs Watch)
- the skill and tradecraft of our officers.

I am determined to continue to build on this productivity and ensure that we are providing our officers with better training, giving them better systems, and giving them better intelligence support.

In concluding, I wish to salute the silent majority of the Service, who are hardworking, diligent officers – those who are at this very moment keeping our borders open to legitimate trade and travel and securing our borders. They have recognised the need for change and reform in our Service and have embraced it.