The Auditor-General
Audit Report No.42 2013–14
Performance Audit

Screening of International Mail

Department of Agriculture

Australian Customs and Border Protection Service

Australian National Audit Office

© Commonwealth of Australia 2014

ISSN 1036–7632
ISBN 0 642 81480 5 (Print)
ISBN 0 642 81481 3 (Online)

Except for the content in this document supplied by third parties, the Australian National Audit Office logo, the Commonwealth Coat of Arms, and any material protected by a trade mark, this document is licensed by the Australian National Audit Office for use under the terms of a Creative Commons Attribution-NonCommercial-NoDerivatives 3.0 Australia licence. To view a copy of this licence, visit

http://creativecommons.org/licenses/by-nc-nd/3.0/au/.

You are free to copy and communicate the document in its current form for non-commercial purposes, as long as you attribute the document to the Australian National Audit Office and abide by the other licence terms. You may not alter or adapt the work in any way.

Permission to use material for which the copyright is owned by a third party must be sought from the relevant copyright owner. As far as practicable, such material will be clearly labelled.

For terms of use of the Commonwealth Coat of Arms, visit the *It's an Honour* website at http://www.itsanhonour.gov.au/.

Requests and inquiries concerning reproduction and rights should be addressed to:

Executive Director
Corporate Management Branch
Australian National Audit Office
19 National Circuit
BARTON ACT 2600

Or via email:
publications@anao.gov.au.

Australian National
Audit Office

Canberra ACT
18 June 2014

Dear Mr President
Dear Madam Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Department of Agriculture and the Australian Customs and Border Protection Service titled *Screening of International Mail.* The audit was conducted in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit to the Parliament.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's website—http://www.anao.gov.au.

Yours sincerely

Ian McPhee
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office (ANAO). The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits, financial statement audits and assurance reviews of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Australian Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

For further information contact:

The Publications Manager
Australian National Audit Office
GPO Box 707
Canberra ACT 2601

Phone: (02) 6203 7505
Fax: (02) 6203 7519
Email: publications@anao.gov.au

ANAO audit reports and information about the ANAO are available on our website:

http://www.anao.gov.au

Audit Team

Troy Kelly
Meegan Reinhard
Shelley He
Tom Clarke

Contents

Abbreviations and Glossary 8

Summary and Recommendations 11

Summary 13
Introduction 13
Audit objective and criteria 16
Overall conclusion 16
Key findings by chapter 19
Summary of agency responses 26
Recommendations 28

Audit Findings 31

1. Background and Context 33
Assessing risk in the context of international mail 34
Australia Post's role and the screening of international mail 36
Audit objective, criteria and methodology 40
Structure of the report 41
2. Administrative Arrangements for International Mail 42
Introduction 42
Identifying and managing international mail risks 42
Relationship management 46
Conclusion 52
3. Promoting Importer Compliance 53
Introduction 53
Promoting compliance through public education 53
Customs' management of firearms in international mail 56
Conclusion 58
4. Targeting for Quarantine Risks 59
Introduction 59
Agriculture's model for targeting quarantine risks 59
Monitoring the performance of national profiles 65
Conclusion 68
5. Targeting for Prohibited Imports 70
Introduction 70
Customs' targeting framework 70
Monitoring targeting performance and leakage of prohibited imports 78
Conclusion 81
6. Screening and Examination of International Mail 83
Introduction 83

The presentation of mail for screening 83
Screening of international mail 84
The examination of international mail items 92
Conclusion 97
7. Measuring and Reporting Performance 100
Introduction 100
External reporting 100
Conclusion 107
Internal management reporting 109
Conclusion 113

Appendices 115

Appendix 1: Agency Responses to the Proposed Report 117
Appendix 2: Australia Post's methodologies for estimating AO and letter class mail volumes 123
Index 124
Series Titles 126
Better Practice Guides 131

Tables

Table 1.1: Mail types in international mail 34
Table 1.2: Percentage of incoming mail entering gateway facilities in 2012–13 36
Table 1.3: Number of mail items screened and number of seizures of international mail between 2006–07 and 2012–13 38
Table 4.1 Key statistics for each targeting option 61
Table 4.2: Classifications of commodities in MAPS by risk 63
Table 5.1: Comparison of the drugs seizures in All AOs, Cohort A and Cohort B for 2012–13 76
Table 5.2: The estimated leakage of prohibited imports in unscreened international mail for 2012–13 80
Table 7.1: Customs' reported performance against its PBS deliverables, from 2008–09 to 2012–13 102
Table 7.2: Estimating screening numbers at each gateway facility 106
Table 7.3: Agriculture's five internal performance indicators 110

Figures

Figure 2.1: Investigation of theft at the Sydney Gateway Facility 44
Figure 3.1: Number of mail items seized containing laser pointers 55
Figure 3.2: Missed detections of firearms at the Sydney Gateway Facility 57
Figure 4.1: The number of seizures of egg noodles, for the period 2006–07 to 2012–13 64
Figure 5.1: Australian Federal Police's approach to investigating scattergun importers 73
Figure 6.1: Number of mail items arriving and screened, nationally, from 2006–07 to 2012–13 85
Figure 6.2: Customs' seizures from the cohort subject to mail bag screening at the Sydney Gateway Facility, 2012–13 89
Figure 6.3: Agriculture's effectiveness of examinations referred from x-ray or detector dog screening, nationally, 2006–07 to 2012–13 96
Figure 6.4: Customs' examination strike rates per financial year for non-letter class and letter class mail nationally, 2008–09 to 2012–13 97

Glossary

ACBPS	Australian Customs and Border Protection Service.
Agriculture	Department of Agriculture.
Approach rate	The proportion of incoming mail items that contain non-compliant material.
AO	Articles ordinaire, a mail article that weighs more than 500 grams but less than two kilograms.
Border agencies	A collective term for Agriculture and Customs.
Customs	Australian Customs and Border Protection Service.
DGMS	Detained Goods Management System, the database where Customs records all seized goods.
Examination	Involves the opening of a mail article by Australia Post, so that the interested border agency can check the contents for prohibited or restricted items. Customs refers to this process as an examination, whereas Agriculture refers to it as an 'inspection'.
EMS	Express mail service, a premium express courier mail service, which may weigh up to 20 kilograms.
Letter class mail	Mail articles weighing less than 500 grams. Australia Post may also categorise letters as small letters and large letters.
MAPS	Mail and Passengers System, the database where Agriculture records all seized goods.
Mail cohort	Mail of a particular type, from a specific country. For example United Kingdom parcels and United Kingdom articles ordinaire are different mail cohorts.

National profiles	Agriculture's national assessment of reward for effort for targeting/screening each mail cohort.
Non-letter class mail	The collective term for express mail service articles, parcels and articles ordinaire.
Parcels	Mail articles that weigh between two kilograms and 30 kilograms.
Screening	The non-intrusive assessment of mail items by visual assessment, x-ray or detector dog. Agriculture refers to this process as screening, whereas Customs refers to it as an 'inspection'.
Seizures	Mail articles found to contain prohibited imports or quarantine risk material that are detained. Agriculture refers to these items as seizures, whereas Customs refers to them as 'detections'.

Summary and Recommendations

Summary

Introduction

1. The Australian border is a challenging environment with people, cargo and mail items entering and leaving in significant numbers each week. The majority of these people, goods and mail pose no threat, but there are some that do present risks to Australia's safety and security. The Department of Agriculture (Agriculture) has identified a range of commodities that pose a biosecurity risk, including particular seeds and grains, animal products and veterinary therapeutics. For the Australian Customs and Border Protection Service (Customs), the predominant risks to border security are the importation of illicit drugs and firearms.

2. In this context, Agriculture seeks to support access to overseas markets and to protect the economy and the environment from the impacts of unwanted pests and diseases.[1] Similarly, Customs seeks to protect the safety, security and commercial interests of Australians through border protection activities.[2] Both agencies appreciate, however, that there is a balance to be struck between managing these risks and facilitating legitimate trade and travel.

3. Different import streams also present different risks. Agriculture and Customs (collectively referred to in this report as the border agencies) consider that international mail items pose a lower risk when compared with air and sea cargo because mail items are generally smaller consignments and intended for domestic use or consumption. The management of risks in any one stream is necessarily influenced by the availability of resources and the overall risks that each agency seeks to manage at the border.

Assessing risk in international mail

4. In 2012–13, around 180 million international mail items arrived in Australia in the form of letters, express mail service, parcels and articles ordinaire (AO).[3] While all incoming international mail is subject to border controls, Agriculture and Customs cannot and do not screen all mail received.

---

1 Department of Agriculture, *Budget: Portfolio Budget Statements 2013–14,* 2013, p.69.

2 Australian Customs and Border Protection Service, *Budget: Portfolio Budget Statements 2013–14,* 2013, p.97.

3 Collectively this report refers to express mail service, parcels and articles ordinaire (AO) as 'non-letter class mail'. The characteristics of each mail type are provided in Table 1.1.

Rather, the border agencies seek to take a targeted approach that identifies the mail considered to be at higher risk of containing quarantine risks or prohibited imports. Adopting a risk-based, targeted approach is consistent with the agencies' views that the vast majority of mail is compliant with legislative requirements[4], and that screening all international mail would be costly and resource intensive.

5. Implementing this approach for international mail is challenging because, unlike incoming air and sea cargo, the border agencies do not receive pre-arrival details of the sender, receiver or declared contents of individual items. The border agencies advised that this lack of pre-arrival data constrains their ability to conduct risk-based targeting. Agriculture and Customs generally focus their targeting analysis on historical seizure data—that is, quarantine material or prohibited imports that have previously been seized and factors such as the country of origin, the mail type and the significance of each seizure. Implicit in this approach is the understanding that not all mail containing quarantine risk items or prohibited imports will be targeted, and that screening effort is weighted towards the cohorts considered most likely to contain the highest risk items.

Australia Post's role and the screening of international mail

6. Australia Post receives international mail at one of four offices of exchange (referred to as gateway facilities) located in Brisbane, Melbourne, Perth and Sydney.[5] The border agencies inform Australia Post of their targeting priorities, and Australia Post is required to present requested mail for screening. Screening is a non-intrusive assessment of individual mail items to determine whether they may contain quarantine risk material or prohibited imports. The screening process involves one or more of the following: a visual assessment of individual mail articles; viewing x-ray images; and/or detector dogs that are trained to target and identify specific odours that may indicate that mail items are non-compliant. Depending on their targeting priorities, mail cohorts may be screened by one border agency or by both.

---

4 Using Agriculture's seizure and leakage survey data, Agriculture and the ANAO estimated that 99.9 per cent of incoming mail items in 2012–13 were compliant with quarantine regulations. Using Customs' seizure and sampling program data, the ANAO estimated that 99.7 per cent of incoming mail items in 2012–13 were compliant with customs regulations.

5 The facilities are the Brisbane Airport Transit Centre, Melbourne Gateway Facility, Perth Gateway Facility and Sydney Gateway Facility.

7. In 2012–13, Agriculture reported that it screened around 35 million mail articles (around 19 per cent of all mail), which resulted in the seizure of 27 608 items carrying quarantine risks. By comparison, Customs reported that it screened around 46 million items (around 25 per cent of all mail) and seized 67 123 prohibited imports. The number of seizures by Agriculture has declined by around 75 per cent since 2006–07, while Customs seizures have increased by around 190 per cent over the same period.

8. Mail that is screened and assessed as compliant is cleared for delivery by Australia Post, and mail assessed as potentially containing prohibited imports or quarantine risk material undergoes further 'examination'. The examination process involves the opening of mail by Australia Post so that its contents can be checked by the relevant border agency. Mail articles identified with prohibited imports or quarantine risk material are seized and their details entered into the seizure database of the relevant agency.[6] The seizure data then forms the basis of future targeting analysis. As seizures generally come from mail that has been screened, processes to monitor risks in unscreened mail are important to provide a comparable assessment of risk between screened and unscreened mail. For these purposes, Agriculture has implemented a leakage survey and Customs has a sampling program.

9. Agriculture and Customs work closely with Australia Post to facilitate the movement of international mail into Australia's postal network. However, each agency has a different role and sometimes competing objectives. This relationship has been formalised through a Memorandum of Understanding, and regular meetings of a National Tripartite Forum.

Staffing and funding at the border agencies

10. At the end of 2012–13, Agriculture employed 97 full time equivalent staff working at the gateway facilities, and Customs had 152 full time equivalent staff. Agriculture has been reducing staffing levels at the gateway facilities, and is continuing to assess the nature of its workforce deployed across its border compliance operations. In contrast, the Government announced on 23 January 2014 that it will allocate an additional $88 million in funding over four years to increase the rate of Customs' cargo screening at the border. This funding will include $30.1 million to increase air cargo and

6 Agriculture's seizure database is the Mail and Passengers System (MAPS) and Customs' is the Detained Goods Management System (DGMS).

international mail screening, with the number of mail items required to be screened to increase by 10 million to a total of 50 million.[7] Customs advised that the increased funding for international mail operations was based on the calculation of an additional 22 operational staff employed at the gateway facilities.

Audit objective and criteria

11. The objective of the audit was to assess the effectiveness of Agriculture's and Customs' arrangements for the targeting and screening of incoming international mail to identify prohibited and restricted goods. In order to form a conclusion against the audit objective, the ANAO adopted the following high level criteria:

- appropriate administrative arrangements support each agency's international mail program;
- methodologies for targeting international mail are effective;
- screening and examination arrangements for incoming international mail items are effective; and
- processes are in place to measure and report the performance of the international mail programs.

Overall conclusion

12. Achieving and maintaining a balance between border control and facilitating the flow of international mail into Australia is a challenge for Agriculture and Customs, who work in close cooperation with Australia Post. The volume of international mail, particularly parcels and other larger items, continues to increase. Australia received around 180 million international mail items in 2012–13 at its four gateway facilities, with the vast majority of mail considered to be compliant with border regulations. To screen and examine all consignments would be costly, resource intensive, and impede the flow of mail. Nevertheless, some international mail will contain quarantine risk material or prohibited imports, and a small proportion of these items may pose a serious risk to the wellbeing of people in Australia. It is therefore necessary

7 Scott Morrison MP, Minister for Immigration and Border Protection (Press Release), *$88 million to better target border crime*, 23 January 2014 <http://www.minister.immi.gov.au/search/cache.cgi?collection=immirss&doc=2014/sm 211078.xml> [Accessed 29 January 2014].

for Agriculture and Customs to have adequate processes in place to identify those mail items that are more likely to carry higher risk non-compliant goods and deal with them appropriately.

13. Prior to 2008–09, the border agencies screened all incoming international mail. Since that time, each agency has sought to encourage voluntary compliance by educating the public about quarantine and customs requirements, and has developed risk-based strategies for targeting and screening higher risk cohorts of mail on arrival. However, neither agency is able to demonstrate the effectiveness of these strategies. They also gain limited assurance from their leakage survey (Agriculture) and sampling program (Customs) in relation to the number of detections missed in unscreened mail.

14. Agriculture's targeting model is statistically based, nationally consistent and reflects the work undertaken by the department since 2011 to improve its understanding of risk in the mail environment. Initial targeting analysis (undertaken in 2011) estimated that the department could expect to seize around 72 per cent of targeted high risk quarantine material. Agriculture advised that this work was an early move into what was considered an innovative risk profiling methodology and that its seizure rate estimate was ambitious, and required optimal operational conditions. The ANAO's analysis of the department's leakage survey data indicated that it has substantially under achieved against this estimate as only around 19 per cent of high risk quarantine material was seized between August 2012 and May 2013. The department was unable to fully explain the wide variance between its estimated and actual seizures, but subsequently advised that it reviewed its targeting priorities in late 2013, although these are yet to be implemented.

15. Customs' targeting approach, which it describes as 'intelligence-led risk-based', is more devolved and is based on an assessment of risk by each gateway manager, taking into account a range of inputs including seizure data and national intelligence reports. However, in practice, targeting decisions were often not documented, did not align with risk analysis, were inconsistent between gateways and incompatible with analysis provided in the national intelligence reports, providing little assurance that Customs is adequately and consistently targeting high risk mail cohorts. Further, Customs does not assess the effectiveness of its targeting strategy. Rather, it considers that an increase in seizures from 23 009 in 2006-07 to 67 123 in 2012–13 reflects improved targeting processes. The ANAO's analysis of data from the agency's sampling program indicated that around only 13 per cent of prohibited imports arriving

in international mail were seized in 2012–13. Customs advised that it now considers the implementation of its sampling program was flawed, raising questions about the integrity of its sampling data.[8]

16. Agriculture aims to screen only the mail that is targeted as a result of its risk analysis and the processes employed by each gateway facility are generally consistent. In 2012–13, Agriculture reported screening around 35 million articles, and seizing more than 27 000 items. In contrast, Customs adopts a more flexible approach, with gateways sometimes screening untargeted mail, and at other times not screening targeted cohorts. There is no guidance to support, or visibility by Customs' management of, these different screening practices. Customs reported screening around 46 million mail articles, and seizing more than 67 000 items for 2012–13.

17. It is important to note that the number of seizures is not, in itself, an indicator of effectiveness. Activities to promote voluntary compliance may reduce the flow of risk items in international mail, and the nature of goods that are considered to warrant seizure can, and do, change over time. It is for this reason that Agriculture's leakage survey and Customs' sampling program have been implemented to assess the risks of missed detections in unscreened mail. The absence of a 'leakage' target however, means that the agencies have not determined whether the estimated outcome of their respective targeting and screening methodologies represents an acceptable level of missed detections. Both agencies have advised that they are reviewing their survey and sampling methodologies.

18. Agriculture and Customs devote considerable resources to their international mail programs and their respective Portfolio Budget Statements outline outcomes relating to the implementation of risk-based intervention strategies for these programs. However, as neither agency has developed appropriate deliverables, key performance indicators and targets, the agencies do not adequately report their performance against their stated outcomes and objectives. External reporting by both agencies provides little insight for key stakeholders into the success (or otherwise) of the operations of international mail. In addition, the collection of performance data relating to screening activities, particularly for Customs, requires review[9], if the actual number of

8 The sampling program is discussed in Chapter 5.

9 Currently, each gateway facility calculates and reports screening numbers differently, reducing the confidence that can be placed in the accuracy of screening figures.

mail items screened is to be reported accurately against its target volumes. Greater management oversight is also required by Customs to gain assurance that gateway facilities are employing consistent targeting and screening practices.

19. The ANAO has made three recommendations directed towards improving Customs' targeting and screening practices, and Agriculture's and Customs' reporting frameworks.

Key findings by chapter

Administrative Arrangements for International Mail (Chapter 2)

20. The border agencies have appropriately incorporated the key risks associated with international mail into their corporate risk management arrangements. They have also identified in agency-wide and division-level planning documents a range of staffing-related risks such as the theft of seized goods by staff, or that staff may engage in abuse of office or make an unauthorised disclosure of information. Agriculture advised that there have been no instances of any such risks being realised in international mail, while Customs had investigated two suspected thefts. Although the thefts were not attributed to any individuals, the agency was installing additional closed-circuit television cameras at the time of the audit.

21. The Australian Federal Police also advised that it had not identified any instances of corruption in international mail, but that organised crime employs sophisticated methods to circumvent screening and law enforcement efforts. Therefore, it considers that the risk of corruption or criminal penetration may have similarities to other import streams where investigations have shown that officers working at the border have been involved in illegal activities.

22. The relationship between Agriculture, Customs and Australia Post is supported by a Memorandum of Understanding (signed in August 2009) and Intervention Strategy Agreements that outline the targeting priorities of each agency.[10] A National Tripartite Forum provides strategic guidance, and senior managers of each agency advised that the relationships are cooperative. Nevertheless, the ANAO identified instances where agencies had not

10 Australia Post advised that the Memorandum of Understanding has been used as a template by other foreign postal services, which it considers highlights the sound framework in place.

adequately consulted or taken account of the overall impact of their individual decisions on broader gateway operations. Early and ongoing consultation between the tripartite partners on key prospective strategic developments could have enhanced the overall tripartite relationship.

Promoting Importer Compliance (Chapter 3)

23. Agriculture and Customs have organisation-wide strategies to promote voluntary compliance. These strategies include providing information to the public through agency websites[11], as well as the use of social media for targeted communication campaigns.[12] To assess the effectiveness of its compliance activities, Agriculture uses its leakage survey to estimate the proportion of non-compliant mail items approaching the border. Customs does not use its sampling program in this manner.

24. A specific risk for Customs is the importation of firearms in the mail, particularly given the lack of pre-arrival information. If such items are not detected they will be released into the community without verifying that a legitimate import permit was issued. Customs advised that it cannot mandate that importers use sea or air cargo, rather than international mail, to legitimately import firearms. However, Australia is a signatory to a treaty, known as the Universal Postal Union, which includes a restriction on the carriage of firearms in air mail. Australia Post advised that it seeks to enforce this restriction when such imports are reported to it by Customs.[13] Customs' seizure data indicates that it seized and subsequently released[14] 2687 firearms or firearms parts sent in air mail items in 2012–13, but the agency provides the relevant sender details to Australia Post on an ad hoc basis only. The management of firearms risks would be more effective if, in the shorter term, Customs implemented procedures to routinely share firearms seizure data with Australia Post. In the longer term, there would be benefits in the

11 For example, Agriculture has an Import Conditions Database located on its website, which allows the public to search for the import conditions of around 20 000 different commodities.

12 Agriculture sent a specially designed brochure to 5165 individuals who had been identified as purchasing plant and seed material via the internet in 2011 and 2012 and Customs uploaded a presentation on YouTube to highlight the risks of importing laser pointers.

13 Australia Post advised that it contacts the relevant foreign postal service to manage this non-compliance, which may involve a relevant law enforcement agency where appropriate.

14 Customs seizes all firearms and firearms parts that it finds as part of its screening activities and will release the goods if the importer has been granted a valid permit.

two agencies working to harmonise their approaches in support of Australia's international commitments.[15]

Targeting for Quarantine Risks (Chapter 4)

25. In November 2011, Agriculture introduced a National Profile Register, which outlines the mail cohorts that it will screen and those that will be assessed and released.[16] Agriculture's targeting model underpinning the national profiles is statistically based, and considers the likelihood that each mail cohort will contain higher risk quarantine material, as well as a predicted screening effectiveness. This model estimated that the national profiles, current at the time of the audit, would result in 20.6 per cent of non-letter class mail being targeted, and that 72 per cent of all higher risk quarantine material would be seized. However, the ANAO's analysis of Agriculture's leakage survey results indicate that around 19 per cent of higher risk quarantine material was seized between August 2012 and May 2013.[17] Agriculture subsequently advised that its 2011 work was the first iteration of what it considered to be an innovative risk profiling methodology. The department now considers that the 72 per cent seizure rate estimate was overly ambitious.

26. To continue to improve its targeted approach and risk analysis, Agriculture has also undertaken three product prioritisation projects since 2010, with the aim of identifying low risk commodities that can be removed from the *Quarantine Proclamation 1998*. In completing the second product prioritisation project, Agriculture estimated that 55 000 items that would normally have been seized each year in the past, would no longer need to be seized as they are now considered low risk. The removal of these low risk commodities from the *Quarantine Proclamation 1998* is a practical approach to reducing the department's operational workload, and provides some context to the 75 per cent reduction in the number of seizures by Agriculture in 2012–13, when compared with its 2006–07 seizures.[18]

---

15 Australia Post advised that it raised this issue with Customs at the October 2013 meeting of the National Tripartite Forum. Customs advised that legal advice was sought, and that this advice confirmed that the sharing of this seizure data with Australia Post was allowed under s.16 of the *Customs Act 1901*. Australia Post also advised that it publishes a list of prohibitions for international postal operators, which reflect Agriculture's and Customs' restrictions on the import of goods.

16 'Assess and release' refers to a process where unscreened mail is set aside for visual assessment.

17 Overall, the ANAO estimates 133 568 mail items containing quarantine risk material were not detected, including 41 646 mail items carrying higher risk quarantine material.

18 Analysis of some commodities subject to product prioritisation shows that removing these products from the *Quarantine Proclamation 1998* had resulted in significant reductions in overall seizures.

27. Agriculture advised that the significant work undertaken to refine its concepts of risks will have impacted the performance of its targeting model. The department advised that it reviewed its national profiles in 2013, some two years after implementing its first version of these profiles. To date, the new profiles have not been operationalised and Agriculture is continuing to use the national profiles developed in 2011.[19]

Targeting for Prohibited Imports (Chapter 5)

28. Customs' targeting framework is outlined in *Instructions and Guidelines: International Mail Risk Assessment* (Risk Assessment Guidelines). However, the key risk factors identified in the guidelines, including the mail type, country of origin and materiality (or significance) of past seizures, are not clearly articulated. For example, the guidance on materiality does not clearly outline the types of prohibited imports that are considered higher risk, and are to be given priority when conducting targeting analysis. In addition, there is no guidance on how the three risk concepts interact to form a comprehensive targeting model.

29. In April 2013, Customs' Intelligence Division released its first quarterly *Analysis and Risk Assessment of the Postal Environment* (Advanced Analytics Report). The report improves on former analysis by providing a risk ranking for each cohort, based on the number of seizures of narcotics achieved compared with incoming mail volumes. While this report was a significant step forward, there were limitations to the analysis, including that it focused only on narcotics seizures (nine per cent of total seizures) and did not include other commodities such as firearms.[20]

30. Customs' targeting decisions are devolved and are made by gateway managers at each facility taking into account their own risk analysis and available intelligence. As a consequence, there were variations between gateways as to the treatment of some mail cohorts. Inconsistencies between cohorts ranked in the Advanced Analytics Reports and the targeting priorities of the Sydney Gateway Facility were also identified. Gateway managers must

---

19 Under its revised national profiles, the department advised that its target screening volumes will be commensurate with estimated levels of approaching higher risk material.

20 Customs advised that the risk rankings are based on its strategic priorities and that other intelligence reports identify the source countries of some other types of prohibited imports without producing risk rankings. Customs also considered that it cannot ignore all lower risk prohibited imports, and that when making targeting decisions gateway managers must take account of the specific mail cohorts that arrive at their facility.

balance a range of factors when making targeting decisions, but variable targeting decisions, and decisions that were not documented or supported by targeting analysis reduce the overall confidence of Customs' targeting strategies.

31. Customs implements a sampling program, which aims to sample 280 891 letter class and 6082 non-letter class items each year to assess the risk of missed detections in unscreened mail. The ANAO's analysis found that Customs had adopted a narrow focus for the sampling program, with 88 per cent of the non-letter class mail items being AOs, and that 80 per cent of the AO items sampled were from a single cohort. Using Customs' sampling data, the ANAO estimates that around 467 893 prohibited imports (87 per cent) were not detected by Customs' screening of international mail in 2012–13. While Customs designed the program to provide a 95 per cent confidence rating, the agency has subsequently advised that it is not confident in the design or implementation of its sampling program and the reliability that can be placed on the sampling data. Customs advised in March 2014 that it has suspended the sampling program pending a review of the program.

Screening and Examination of International Mail (Chapter 6)

32. Agriculture aims to screen mail cohorts based on its National Profile Register, and with the screening capability (detector dogs or x-rays) that it has assessed as likely to be most effective. This approach seeks to maximise the effectiveness of its screening resources, but limitations with Australia Post's sorting capabilities means that the department screens more mail than is required by its profiles. In particular, at the Sydney Gateway Facility it screens around 57 per cent of mail instead of its targeted 20 per cent. While Agriculture considers that the over-presentation of untargeted mail has a significant impact on its overall effectiveness, Australia Post advised that it would take more resources for it to separate some untargeted mail cohorts than it would for Agriculture to screen them.[21]

21 Australia Post also advised that it is extending the Sydney Gateway Facility to support the improved presentation of international mail for border screening.

33. Customs also uses detector dogs and x-ray machines to screen mail, with individual gateways adopting different screening approaches. These may include screening AO mail that is not targeted, and at other times not screening mail that is targeted. In addition, two gateway facilities undertake mail bag screening, which involves screening an entire bag of mail rather than one or a few items at a time. Customs has not developed guidance to support these screening practices, and there were differing views in relation to the methods used to screen AOs. The lack of effective oversight arrangements for AO screening reduces the assurance that these practices are appropriate to the circumstances and commensurate with the increased risks of leakage.

34. The border agencies conducted two trials in 2011 to explore the potential for one agency to screen a cohort of mail on behalf of the other. A joint communiqué released by the border agencies following these trials indicated that collaborative screening had resulted in efficiency gains, that border risks were managed appropriately, and that these trials would be expanded to other mail cohorts. At the time of the audit, both agencies advised that collaboration now refers only to one agency referring items of interest to the other if identified during their own independent screening activities. Nevertheless, there is no strategy in place to enhance cross-agency training to assist staff to understand and recognise the border risks of the other agency. Reassessing opportunities to enhance collaboration may assist Agriculture and Customs to maximise their limited screening resources to enhance operational effectiveness.

35. The ANAO observed vulnerabilities in processes for managing seizures. Agriculture recorded in its MAPS database that it returned to sender 43 of the 68 cannabis seizures it made in 2012–13. Agriculture subsequently provided information to indicate that the seizures had in fact been transferred to Customs as is required.[22] However, there was no clear alignment between these seizures and the records in Customs' DGMS database to enable verification that the agency had received the seizures from Agriculture. This gap may have been caused by issues such as time lags in entering seizure data into the system. The ANAO's analysis of Customs' seizure data found that its gateways take, on average, between four days (Melbourne Gateway Facility)

22 Agriculture advised that its MAPS system does not allow for staff to record that seizures were referred to Customs. As a result, staff were recording these seizures as 'Return to Sender', and then recording in a free text field that the cannabis seeds were transferred to Customs.

and 9.8 days (Perth Gateway Facility) after the day of seizure to enter data in the DGMS. Such delays pose risks for Customs, as data entry into DGMS is the principal means by which evidence of seized goods is maintained.

Measuring and Reporting Performance (Chapter 7)

36. Agriculture's Portfolio Budget Statement (PBS) outcome was to support access to overseas markets and protect the economy and the environment from the impacts of unwanted pests and diseases, and the safe movement to and from Australia of animals, plants, people and cargo. Underpinning this outcome was an objective and deliverable related to the implementation of risk-based intervention strategies and a key performance indicator to implement change projects. Similarly, Customs' PBS outcome was the protection of the safety, security and commercial interests of Australians through border protection designed to support legitimate trade and travel, which is also underpinned by an objective of undertaking risk-based interventions. Customs did not have a key performance indicator, but it did have three deliverables for 2012–13.[23] Neither agency is able to adequately assess its performance against the stated outcomes and objectives.

37. The border agencies rely on Australia Post's volumes data to assess the number of mail items screened. Australia Post provides two types of mail volumes data: individual gateway data and national level data. The border agencies expressed concerns about the variability of the different data sets, noting their reliance on this data for their own reporting and targeting analysis. While Australia Post advised that the national data is more accurate, at the time of the audit both agencies used the gateway level volume data for reporting purposes due to a six-week time lag in receiving the national data.[24]

38. Neither border agency has documented its processes for using Australia Post's volumes data to estimate screening numbers at each gateway. There were also differences in the way that the gateway facilities were reporting their screening numbers for each agency, but the differences were

23 The deliverables were: the screening of 15 million letter class mail items; the screening of 25 million non-letter class mail items; and the number of examinations that are conducted.

24 The six week delay occurs because Australia Post uses its own data and the data of foreign postal services to negotiate and agree on an incoming mail volume number from each country.

most notable for Customs.[25] Advice provided by each gateway, and internal documents regarding Customs' reporting processes, indicates that Customs has been under-reporting non-letter class mail screening volumes, so that it is not seen to be significantly over achieving against its target volumes. However, the true extent of the discrepancy between reported and actual screening numbers is unknown.

39. Agriculture has developed five internally reported performance indicators, which adequately cover the key aspects of its management of mail processing. The indicators cover risk in the mail environment, as well as the effectiveness of the targeting, screening and examination processes to locate higher risk quarantine material. Nevertheless, monthly and quarterly reporting was considered by Agriculture staff, at the time of the audit, to be overly statistical and difficult to interpret. Agriculture advised in March 2014 that it has since revised its quarterly reporting process to more clearly present this information. Customs also prepares monthly management reports that contain a significant amount of useful performance data. Nevertheless, comparing performance between gateway facilities is difficult, noting that there is limited confidence in the screening numbers reported by each gateway.

Summary of agency responses

40. The report was provided to Agriculture and Customs, along with extracts to the Australian Federal Police and Australia Post. Agriculture, Customs and the Australian Federal Police have provided formal responses which are included at Appendix 1, and Agriculture has also provided a summary response as below.

> The Department of Agriculture (the department) considers the report and findings provide a basis for further improvements to the risk based management of biosecurity in international mail. As noted in the report, international mail is currently estimated to have an overall compliance rate with quarantine regulations of 99.9 per cent.
>
> In an environment with over 186 million approaching mail items per year, the department's challenge is to identify biosecurity risk material in less than 0.1

25 For example, the Perth Gateway Facility reports that it screens the full volume of targeted mail. By contrast, the Melbourne Gateway Facility reported that, to account for variances in Australia Post's volumes data, it subtracts 45 per cent from the volume of targeted mail for its reporting. The Melbourne Gateway Facility could not provide the basis for this subtraction, and ANAO analysis found that there was only a four per cent variance between gateway and national data between January and May 2013.

per cent of arriving mail. The department's risk management approach has been implemented over recent years to concentrate resources in the areas of highest risk. The department's deployment of risk mitigation and targeting measures will continue to be refined with increased knowledge, understanding and experience of risk in this pathway.

The department is working closely with the University of Melbourne through the Centre of Excellence for Biosecurity Risk Analysis (CEBRA) on two key projects to further improve the targeting of biosecurity risk in the international mail pathway. These involve the spatial analysis of delivery addresses for intercepted mail items, with the objective of improving interception rates for certain classes of mail and, the examination of end-point surveys in international mail.

Recommendations

Recommendation No.1

Paragraph 5.35

To improve the targeting in international mail and to support informed and consistent decision making, the ANAO recommends that the Australian Customs and Border Protection Service:

- reviews its targeting model and clearly outlines its risk assessment framework and priorities;
- underpins targeting decisions with sound analysis and documentation; and
- reviews its sampling program and targeted campaigns to better assess risks in unscreened mail, as well as the effectiveness of its screening processes.

Australian Customs and Border Protection Service response: *Agreed*

Recommendation No.2

Paragraph 6.51

To improve its screening and examination processes, including control and accountability for seized prohibited imports, the ANAO recommends that the Australian Customs and Border Protection Service reviews its:

- screening practices for articles ordinaire, and develops guidance to support the consistent application of these practices; and
- processes for recording seized prohibited imports in the Detained Goods Management System so that delays in accounting for these items can be minimised.

Australian Customs and Border Protection Service response: *Agreed*

Recommendation No.3

Paragraph 7.25

To better measure and report the effectiveness of their intervention strategies for the international mail program, the ANAO recommends that the Department of Agriculture and the Australian Customs and Border Protection Service:

- develop and report against deliverables, key performance indicators and targets that assess the achievement of the program's outcome; and
- develop guidance to support the implementation of a consistent approach to collecting and reporting of accurate screening data by the gateway facilities.

Department of Agriculture response: *Agreed*

Australian Customs and Border Protection Service response: *Agreed*

Audit Findings

1. Background and Context

This chapter outlines the roles of the Department of Agriculture and the Australian Customs and Border Protection Service in the targeting and screening of international mail. The objective and scope of the audit are also outlined.

1.1 The Australian border is a challenging environment with significant numbers of people, cargo and mail items entering and leaving each week.[26] The majority of these people, goods and mail pose no threat, but there are some that do present risks to Australia's safety and security. The Department of Agriculture (Agriculture) is responsible for safeguarding Australia's animal and plant health status, and protecting the economy and environment from the impact of unwanted pests and disease. In a complementary role, the Australian Customs and Border Protection Service (Customs) is responsible for protecting the safety, security and commercial interests of Australians through border protection activities designed to support legitimate trade and travel.

1.2 Agriculture has identified a range of commodities that pose a higher biosecurity risk, including particular seeds and grains, animal products and veterinary therapeutics and seeks to prevent or control their incursion through risk assessments. For Customs, the predominant border security risks are the importation of illicit drugs and firearms. Both agencies appreciate that there is a balance to be struck between managing these risks and facilitating legitimate trade and travel.

1.3 Different import streams also present different risks. Agriculture and Customs (collectively referred to in this report as the border agencies) consider that items imported through the international mail gateways pose a lesser risk when compared with air and sea cargo because mail items are generally smaller consignments and intended for domestic use or consumption. The management of risks in any one stream is necessarily influenced by the availability of resources and the overall risks that each agency seeks to manage at the border.

26 On average, 606 482 air passengers and 291 ships arrive each week, and Customs reports that it screens 1958 sea cargo containers, 28 895 air cargo consignments and 891 619 mail items per week.

Assessing risk in the context of international mail

1.4 Mail articles are generally intended for personal use, and are distinguished from other air and sea cargo consignments because they are dispatched from the postal service of one country to a postal service of a second country. There are four types of international mail: express mail service (EMS); parcels; articles ordinaire (AOs); and letters. This report refers to EMS, parcels and AOs collectively as non-letter class mail. A description of each mail type is provided in Table 1.1.

Table 1.1: Mail types in international mail

Mail Type	Description
EMS	A premium express courier mail service that allows items up to 30 kilograms. Senders and addressees can track the progress of each article online.
Parcels	Includes mail articles that weigh between two kilograms and 30 kilograms. Senders and addressees may track the progress of each article online, depending on whether the sender chooses this option.
AOs	Includes mail articles that weigh less than two kilograms, with contents that are not documents.
Letters	Includes mail articles containing documents, usually weighing less than 500 grams. Australia Post may also categorise letters as small letters and large letters.

Source: ANAO analysis of Customs' documentation, and advice from Australia Post.

1.5 In 2012–13, Australia Post reported that around 180 million international mail items arrived for delivery in to the Australian community.[27] The majority were letter class items and the volume of these items has remained relatively stable since 2008–09. Over the same period, the number of non-letter class mail items arriving in Australia has risen by 200 per cent, which Australia Post attributes to the increase in online shopping.[28] The significant volume of arriving mail means that, instead of counting each incoming mail item, estimates are used based on conversion rates of arriving mail weight developed through Australia Post's sampling regime, which are outlined in Appendix 2.

27 Australia Post publishes the total number of mail items arriving each year in its Annual Report, but advised that the number of non-letter class and letter class mail arriving is classified commercial-in-confidence.

Australia Post, *Annual Report 2012–13*, p.132 [accessed 8 November 2013].

28 ibid p.9.

1.6 It is the border agencies' view that the vast majority of mail is compliant with relevant legislation, and that it is neither feasible nor practical to screen all incoming international mail. Agriculture and Customs advised that their ability to conduct risk-based targeting of international mail is constrained when compared with the air and sea cargo import streams. Air and sea cargo importers must electronically record the details of the consignor and consignee, address details and the nature of the goods into Customs' Integrated Cargo System in advance of the goods arriving in Australia. This information allows the border agencies to target those specific imports they would like to screen at the border. International mail does not have similar item-level reporting requirements.[29] Instead, overseas postal services electronically report the number of bags of mail that are being sent to Australia. The paper based declaration attached to each non-letter class mail item provides details of the sender, addressee and declared contents of individual packages.

1.7 Notwithstanding the challenges in international mail, implementing a risk-based targeted approach requires a sound model and analysis to identify, understand and manage risks appropriately. The border agencies primarily base their targeting analysis on historical seizure data—that is, quarantine risk material or prohibited imports that have previously been seized, as well as factors such as the country of origin for each mail item, the distribution of source countries across gateways, the mail type and description of goods, as well as available intelligence. Implicit in this approach is the understanding that not all mail containing quarantine risk items or prohibited imports will be targeted, and that screening effort is weighted towards the cohorts considered most likely to contain the highest risk items.

29 Customs advised that it is working with Australia Post on a mail modernisation project. The project aims to implement a pilot project for the sharing of pre-arrival data related to EMS and parcels from one country. If successful, the project would be expanded to include the sharing of pre-arrival data for EMS and parcels arriving from other countries. The sharing of any such information is not expected before 2015.

Australia Post's role and the screening of international mail

1.8 Under a protocol ratified by Australia in 1904, the Universal Postal Union recognises that each member nation has a right to a universal postal service and each member nation is required to nominate a designated operator to manage its service obligations.[30] These obligations include delivering international mail on behalf of foreign counterparts in exchange for a fee, which is based on standardised Universal Postal Union rates and the achievement of delivery timeframes. Australia Post has been nominated as Australia's designated postal operator.

1.9 International mail may be sent by overseas postal services to any designated office of exchange in a receiving country. The destination of choice is generally based on the overseas postal services business preferences or ability to access flights. Australia Post has four offices of exchange: the Brisbane Air Transit Centre and the Perth, Melbourne and Sydney Gateway Facilities. Table 1.2 provides the percentage of arriving non-letter class and letter class mail items received by each gateway facility in 2012–13. Mail arriving at any gateway may be destined for anywhere in Australia.

Table 1.2: Percentage of incoming mail entering gateway facilities in 2012–13

Gateway	Non-letter class (%)	Letter class (%)
Brisbane Airport Transit Centre	9	5
Melbourne Gateway Facility	20	19
Perth Gateway Facility	5	7
Sydney Gateway Facility	66	69
Total	**100**	**100**

Source: Customs' monthly reporting as at June 2013.

1.10 The gateway facilities hold international mail pending clearance by Agriculture and Customs. Australia Post cannot legally deliver this mail until this clearance has been given. To provide assurance that uncleared mail is secure and accounted for, the four gateway facilities are licensed as Customs

30 The Universal Postal Union is a United Nations agency for the postal sector, with over 190 member countries. The Union is the primary forum for cooperation between postal sector operators, and helps to ensure a universal network of products and services.

depots under section 77G of the *Customs Act 1901*, and Australia Post is required to abide by the terms of these licensing arrangements. Customs monitors the compliance of section 77G licensees on a risk basis.

1.11 Agriculture and Customs inform Australia Post of their targeting priorities, through an Intervention Strategy Agreement that is in place at each gateway facility. Australia Post is required to present requested mail for screening. Agriculture screens around 44 per cent of non-letter class mail and has not routinely screened letter class mail since 2012; Customs screens around 43 per cent of non-letter class mail and around 13 per cent of letters.

1.12 The key functions undertaken by staff at the gateways are to assess and screen on a risk basis incoming mail, examine items suspected as being non-compliant, record seizures in the respective agency's database, and assess the risk posed by untargeted mail. Screening is a non-intrusive assessment of mail items to determine whether they are likely to contain prohibited imports or quarantine risk material.[31] The screening process involves one or more of the following:

- visually assessing individual mail articles to identify specific risk indicators;
- reviewing x-ray images of the contents of the mail items; and/or
- using detector dogs trained to detect specific odours that may indicate that mail items are non-compliant.[32]

Depending on their targeting priorities, mail cohorts may be screened by one border agency, by both, or by neither. Where mail is screened by both agencies, each agency considers which screening method is appropriate, this may result in staff from both agencies reviewing the same x-ray image and/or the use of detector dogs.

1.13 Mail articles assessed as potentially containing quarantine risk material or prohibited imports are required to undergo further 'examination'.[33] The examination process involves the opening of mail by Australia Post so that its

31 Agriculture refers to this process as 'screening' while Customs refers to it as an 'inspection'. For consistency, this report uses 'screening'.

32 The border agencies advised that detector dogs are trained to detect odours that are specific to the border risks for each agency.

33 Customs refer to this process as an 'examination' while Agriculture refers to it as an 'inspection'. For consistency, this report uses 'examination'.

contents can be checked by the relevant border agency. Mail articles identified with quarantine risk material or prohibited imports are seized and their details entered into the seizure database of the relevant agency.[34] Table 1.3 shows the number of seizures recorded in Agriculture's Mail and Passengers System (MAPS) and Customs' Detained Goods Management System (DGMS) databases annually, between 2006–07 to 2012–13.

Table 1.3: Number of mail items screened and number of seizures of international mail, between 2006–07 and 2012–13

Financial Year	No. of mail items screened by Agriculture	No. of MAPS seizure records	No. of mail items screened by Customs	No. of DGMS seizure records
2006–07	144 856 059	108 745	83 991 842	23 009
2007–08	141 103 569	114 048	87 303 422	23 728
2008–09	137 166 873	101 857	58 825 025	22 941
2009–10	72 067 428	86 972	62 209 682	32 298
2010–11	56 295 874	88 820	61 469 674	45 066
2011–12	52 398 661	54 028	41 015 421	60 465
2012–13	35 363 377	27 608	46 364 216	67 123
Total	**639 251 841**	**582 078**	**441 179 282**	**274 630**

Source: ANAO analysis of Agriculture's and Customs' screening volumes data, and MAPS and DGMS databases.

Note: The border agencies advised that they transitioned to a risk-based targeting model in 2008–09. As discussed below, the number of seizures may be impacted for various reasons and may not in itself be an indicator of effectiveness. In 2012–13, Agriculture seized 0.08 per cent of mail items screened, and Customs seized 0.14 per cent of screened mail items.

1.14 Table 1.3 shows that, following the introduction of risk-based targeting, the number of mail items screened since 2006–07 has fallen by around 76 per cent for Agriculture and by some 45 per cent for Customs. On the other hand, the number of mail items seized by Customs has increased by around 190 per cent since 2006–07, while Agriculture's seizures have decreased by around 75 per cent over the same period. Seizure numbers alone are not necessarily an indicator of effective risk management, as activities to promote voluntary compliance may reduce the arrival of quarantine risk material and

34 Agriculture refers to mail items found to be non-compliant with relevant legislation as 'seizures' while Customs refers to such items as 'detained goods'. Not all mail items found to be non-compliant will be detained, as import permits may be provided. For consistency, this report uses 'seizures'.

prohibited imports, and the nature of goods that are considered to warrant seizure can, and do, change over time. Both agencies have independently implemented arrangements to estimate the volume of unscreened mail items that may contain quarantine risk material or prohibited imports that are not intercepted at the border. Agriculture has implemented a leakage survey, while Customs has introduced a sampling program.

1.15 The border agencies work closely with Australia Post in the international mail environment, and mail assessed as compliant during the screening process is cleared for delivery by Australia Post. Nevertheless, while cooperating to facilitate the movement of international mail into Australia's postal network, each agency has a different role and sometimes competing objectives. This relationship has been formalised through a Memorandum of Understanding and regular tripartite meetings are convened.

Staffing and funding at the border agencies

1.16 At the end of 2012–13, Agriculture employed 97 full time equivalent staff working at the gateway facilities, and Customs had 152 full time equivalent staff. Agriculture has been reducing staffing levels at the gateway facilities, and the department is continuing to assess the nature of its workforce deployed across its border compliance operations. In contrast, the Government announced on 23 January 2014 that it will allocate an additional $88 million in funding over four years to increase the rate of Customs' cargo screening at the border. This funding will include $30.1 million to increase air cargo and international mail screening, with the number of mail items screened to increase by 10 million (bringing the total deliverable to 50 million items).[35] Customs further advised that the increased funding for international mail operations was based on the calculation of an additional 22 operational staff employed at the gateway facilities.

35 Scott Morrison MP, Minister for Immigration and Border Protection (Press Release), *$88 million to better target border crime*, 23 January 2014 <http://www.minister.immi.gov.au/search/cache.cgi?collection=immirss&doc=2014/sm 211078.xml> [accessed 29 January 2014].

Audit objective, criteria and methodology

Audit objective and criteria

1.17 The objective of the audit was to assess the effectiveness of Agriculture's and Customs' arrangements for the targeting and screening of incoming international mail to identify prohibited and restricted goods.

1.18 In order to form a conclusion against the audit objective, the ANAO adopted the following high level criteria:

- appropriate administrative arrangements support each agency's international mail program;
- methodologies for targeting international mail are effective;
- screening and examination arrangements for incoming international mail items are effective; and
- processes are in place to measure and report the performance of the international mail programs.

1.19 The following matters were excluded from the scope of the audit:

- Australia Post and its management of mail before it arrives at the gateway facility, as it is a Government Business Enterprise[36];
- processes to collect revenue, as these were assessed as part of the Low Value Parcel Processing Taskforce Review in 2012[37]; and
- outgoing international mail, as this is not routinely screened by Agriculture and Customs.

36 Under s.16(2) of the *Auditor-General Act 1997*, the Auditor-General may only conduct a performance audit of Government Business Enterprises if requested to do so by the Parliamentary Joint Committee of Public Accounts and Audit.

37 The Low Value Parcel Processing Taskforce was tasked, by the then Government, with investigating new approaches to the handling and administration of low value import goods, including options for revenue collection and the administrative implications of lowering the GST threshold from the current $1000 limit.

Audit methodology

1.20 The ANAO reviewed key documentation held by each of the border agencies. Seizure data was analysed, along with Australia Post's mail volumes data. The ANAO also interviewed relevant Australia Post, Agriculture and Customs staff and visited the four gateway facilities. While visiting the four facilities, the ANAO observed the border agencies operational activities to assess that the:

- mail being screened was consistent with the targeting priorities of the border agencies;
- use of x-ray machines and detector dogs for screening purposes complied with internal guidance; and
- examination process was undertaken in accordance with organisational procedures.

1.21 The audit was conducted in accordance with the ANAO auditing standards at a cost of $669 083.

Structure of the report

1.22 The structure of the report is:

Chapter	Description
2. Administrative Arrangements for International Mail	Examines Agriculture's and Customs' administrative arrangements for their international mail programs, including their approach to assessing risk and relationship management.
3. Promoting Importer Compliance	Examines Agriculture's and Customs' approach to promoting importer compliance with the relevant regulations for international mail.
4. Targeting for Quarantine Risks	Assesses Agriculture's arrangements for assessing risk and targeting international mail cohorts carrying high risk quarantine material.
5. Targeting for Prohibited Imports	Assesses Customs' arrangements for assessing risk and targeting international mail cohorts at highest risk of containing prohibited imports.
6. Screening and Examination of International Mail	Assesses Agriculture's and Customs' arrangements for screening and examining international mail for quarantine risks and prohibited imports.
7. Performance Reporting	Examines Agriculture's and Customs' arrangements for measuring and reporting on their international mail programs.

2. Administrative Arrangements for International Mail

This chapter examines Agriculture's and Customs' administrative arrangements for their international mail programs, including their approach to assessing risk and relationship management.

Introduction

2.1 It is important that Agriculture and Customs understand and manage the risks facing this high volume and challenging import stream. The agencies must also work cooperatively with Australia Post to facilitate the continuous flow of mail while targeting high risk mail items. In this context, the ANAO examined Agriculture's and Customs' administrative arrangements, including how each agency identifies and manages international mail risks and their relationships with each other, and with Australia Post. The following chapters of this report discuss how each agency manages the risks in relation to targeting high risk mail cohorts and items that contain high risk quarantine risk material and prohibited imports.

Identifying and managing international mail risks

2.2 The border agencies have incorporated the risks associated with international mail into their respective corporate risk management arrangements. Agriculture's Strategic Plan, divisional business plan, and Branch Outcome Map 2012–14 identify program specific risks that will be managed through the implementation of risk-based compliance and intervention initiatives. Similarly, Customs' Corporate Plan, division and branch plans outline its approach to managing border risks. Risks commonly identified by both agencies include increasing import volumes and the resources allocated to deliver effective border protection, damage to the agencies' reputations through missed detections, and that consultation with stakeholders is ineffective.

2.3 In addition, Agriculture and Customs have prepared agency-wide risk plans, which outline staffing-related challenges at the border and some of the mitigation strategies in place to manage these challenges. For example, Agriculture has a Fraud Control Plan and Customs has a Fraud Control and Anti-Corruption Plan that outline the strategies to prevent, identify and

manage fraud and corruption. In addition, Customs has developed a Cargo and Trade Division Program Integrity Risk Assessment, which covers the specific risks associated with staff operating in the program area. Across these plans, key risks identified were the abuse of office and breaches of professional and personal responsibility, including the theft or diversion of seized items, officer collusion or corruption and the unauthorised disclosure of information.

The risk of abuse of office in international mail

2.4 From the time that mail is posted until the time that it is delivered, it may pass through the control of many organisations, both internationally and domestically. Many individual items are not tracked and, if they were to go missing, it would be difficult to identify who was responsible. This means that mail is vulnerable to potential theft.

2.5 Agriculture's Integrity and Conduct Team is responsible for assessing potential breaches of the Australian Public Service Code of Conduct and its Fraud and Security Team investigates allegations of fraud or criminal behaviour by staff.[38] Similarly, Customs has an Integrity and Professional Standards Branch responsible for investigating internal integrity matters. Agriculture and Customs advised that no staff working in international mail for their respective agency had ever been suspended, had their employment terminated, or been criminally prosecuted as a result of employment misconduct, such as theft. The Australian Federal Police also advised that it could not identify any cases where staff from either agency had been involved in, or were suspected of being involved in illegal behaviour at the gateway facilities.

2.6 Nevertheless, Customs advised of two incidents of alleged theft involving its staff in international mail. In the first case, an opened and empty letter was found at the Perth Gateway Facility. The letter's physical attributes were similar to other letters that had been seized in the past because they contained narcotics, and was addressed to a person of interest to law enforcement agencies. An internal investigation could not identify the circumstances for it being opened, and no further action was taken. The second case is outlined in Figure 2.1.

38 The ANAO was advised that if any criminal behaviour is actually identified, then the case is referred to the relevant law enforcement agency.

Figure 2.1: Investigation of theft at the Sydney Gateway Facility

On 5 June 2013, a Customs officer working at the Sydney Gateway Facility found two empty mail packages in the deconstruction room (which is used to test unknown substances for narcotics). The packages were dated July and October 2012 and found behind a cupboard. Invoices attached indicated that one package had contained a 'sex toy' and the other a 'Leatherman Super Tool 300'. Customs investigated these incidents.

The length of time that the packages had been hidden meant that the theft of these items could not be linked to any individual. However, the investigation report noted that there were no closed-circuit television cameras in the deconstruction room and recommended that surveillance be improved. While this room requires Customs' swipe access, the report also noted that 'there is a possibility that the testing room door may have inadvertently been left ajar and any other employee at the [Sydney Gateway Facility] with access to the secondary inspection area could have accessed this room – whilst unlikely it is not impossible'.[1]

Source: ANAO analysis of Customs' internal investigation documents.

Note 1: Customs' International Mail Program advised that the door has an automatic closer and that there is no record to suggest that it has ever been out of order.

2.7 The deconstruction room routinely holds mail items that are suspected of containing narcotics and maintaining controlled access to these rooms is important. In March 2014, Customs advised that it had installed closed-circuit television cameras in the deconstruction rooms at the Sydney and Melbourne Gateway Facilities. There would also be benefits in the agency giving consideration to installing cameras in the deconstruction rooms in Brisbane and Perth. Further vulnerabilities in relation to the potential for theft are discussed in Chapter 6.

Abuse of office—the risk of collusion or corruption

2.8 Agriculture, Customs and the Australian Federal Police advised that they could not identify any cases where staff working in international mail had been corrupted or had colluded with organised crime. Customs also considers that the risk of collusion to facilitate illegal imports in mail is low because mail arrives randomly, and it would be difficult for staff to know when a specific mail item is arriving to assist its safe passage through border screening. Nevertheless, the Australian Federal Police advised that organised crime is employing sophisticated methodologies to circumvent screening and law enforcement efforts in international mail, and that the risk of corruption or criminal penetration may have similarities to other import streams where investigations have shown that border agency officers have been involved in

illegal activities.[39] Acknowledging the risks of corruption, Agriculture has its Fraud Control Plan and Customs released a document titled *Blueprint for Reform 2013–2018* in June 2013 articulating the agency's vision for the future and broad reform initiatives to achieve it.[40]

Monitoring of Australia Post's compliance with section 77G of the Customs Act

2.9 Facilities that hold imported goods subject to customs control are required to be licensed under section 77G of the Customs Act, including Australia Post's gateway facilities. Customs' Cargo and Trade Program Integrity Risk Assessment identifies that licensing the gateway facilities helps to mitigate the risk that its screening priorities could be disclosed by Australia Post staff.[41] The licensing requirements for Australia Post include:

- advising Customs of all persons with management and control of each gateway facility;
- accounting for mail by retaining documentation and, if requested, presenting that documentation to an authorised person;
- training its staff to deal with mail under customs control; and
- stacking and arranging mail so that authorised officers have reasonable access to and are able to examine it.

2.10 Customs prepared an undated and unsigned discussion paper titled the *Control of Cargo in the Postal Environment*. The paper refers to meetings held by the Postal Working Group in late 2005, and it noted that there had been reports that unscreened mail had been delivered by Australia Post without presentation for border screening, and that clarity was needed around whose responsibility it was to monitor Australia Post's compliance with section 77G requirements. Nevertheless, no substantive action was taken to address

39 In 2012 and early 2013, the border agencies faced government, media and public scrutiny following the arrest of one Agriculture officer for abuse of office offences, and four Customs officers charged with drug importation and abuse of office offences. These arrests were the result of an inter-agency investigation with the Australian Federal Police known as Operation Heritage. While this operation involved international passenger processing, the arrests highlight the need for the border agencies to be continuously vigilant in managing integrity risks.

40 Australian Customs and Border Protection Service, *Blueprint for Reform 2013–18*, <http://www.customs.gov.au/webdata/resources/files/ACBPS-Blueprint-for-Reform-2013-2018.pdf> [accessed 9 April 2014].

41 Australia Post advised that its staff are instructed not to discuss the screening arrangements with any person outside of Australia Post or the border agencies themselves.

these concerns and, at the time of the audit, Customs was not monitoring Australia Post's compliance with its licensing requirements. Customs' Compliance Assurance Branch and its International Mail Program each assumed that compliance was monitored by the other. During the audit, it was agreed that compliance monitoring would be undertaken by the Compliance Assurance Branch.

2.11 The Compliance Assurance Branch considers that the risk that Australia Post does not present targeted mail for screening is low because it is a government agency operating under its own legislation, and no reports of non-compliance had been received. Nevertheless, eight of the 16 operational staff interviewed by the ANAO identified the risk that Australia Post may not present all mail for screening and that there has been a lack of monitoring of its 77G license requirements. In response to these audit findings, the Compliance Assurance Branch advised that it conducted initial license maintenance checks of the four gateway facilities in August 2013. However, as at March 2014, no checks had been undertaken to gain assurance that all targeted mail is presented for screening. Australia Post's presentation of targeted mail for screening could be assessed as part of Customs' proposed compliance monitoring of its section 77G license requirements.

Relationship management

2.12 The ANAO also examined the relationship between the border agencies and Australia Post and, in particular, whether:

- agreements are in place to facilitate the relationships between the three agencies;
- meetings are held to discuss important strategic and operational issues; and
- key issues are managed effectively and in a collaborative manner.

Agreements to support the screening of international mail

2.13 A Memorandum of Understanding (MOU) was signed by Agriculture, Customs and Australia Post (the tripartite agencies) in August 2009. The MOU aims to facilitate the movement of legitimate international mail, while also enabling the protection of Australia's borders. The MOU establishes processes to enhance communication between the tripartite parties (and to external parties such as media organisations), including exchanging information and

resolving disputes.[42] The three agencies considered that the 2009 MOU provided a sound basis for managing their relationship.[43]

Intervention Strategy Agreements

2.14 Each gateway facility has also developed an Intervention Strategy Agreement (ISA) specific to its operations. These agreements outline the mail cohorts that do not need to be presented by Australia Post for border screening. As different mail cohorts pose different border risks, the agreements separately outline the requirements for each border agency.

2.15 The ISAs allow for the border agencies to modify their intervention arrangements at any time including, if they wish, to screen 100 per cent of mail cohorts not formerly listed. In addition, the border agencies may request corrective action to be undertaken where mail is not presented in accordance with the agreement. Corrective action can include the re-presentation of mail for screening in accordance with the border agencies' risk-based targeting priorities.

Direct Access mail

2.16 The ISAs also include details of the mail that is subject to Direct Access arrangements. Direct Access mail is sent from overseas by approved companies, but is labelled as an Australian origin mail item for warranty purposes. To be approved as a Direct Access company, the border agencies review the product list for each applicant to assess for border risks, and those considered low or no risk are approved. Once approved, each company provides import manifests outlining the specific items to be imported, and the border agencies provide pre-arrival clearance based on these manifests. This pre-arrival clearance process means that mail from Direct Access companies is not generally presented for border screening.

2.17 While Direct Access companies are assessed as low risk, sound administrative arrangements are required to provide assurance that these companies are not breaching a position of trust. Nevertheless, the border agencies do not always review the Direct Access manifests at each gateway. Manifests were not disseminated at the Melbourne Gateway Facility, and at the

---

42 Australia Post advised that the Memorandum of Understanding has been used as a template by other foreign postal services, which it considers highlights the sound framework in place.

43 The ANAO was advised that a new MOU was signed by the border agencies on 6 March 2014. While Australia Post was yet to sign the new MOU, the ANAO was advised that revisions were minor to include the rebranding of the Australian Quarantine Inspection Service to Agriculture.

other gateway facilities the manifests were only periodically reviewed and/or reviewed by only one border agency. In addition, the ANAO reviewed a number of manifests and found that some lacked the details to enable effective analysis of border compliance. For example, one Direct Access company describes each item as a 'toy', 'CD' or 'book'.[44]

2.18 There were also identified instances where Direct Access companies had sent quarantine risk material and prohibited imports in the mail. For example, Agriculture had identified high risk veterinary therapeutics in Direct Access mail, and Customs had identified steroids, tasers and firearms. Customs and Agriculture also advised that companies regularly change their product lists and that there is no structured process to review the approval of a Direct Access company.

2.19 In September 2012, the tripartite agencies developed a draft Direct Access Service Level Agreement. The draft agreement outlined the arrangements for submitting and assessing new Direct Access requests and the processes for submitting manifests by the approved Direct Access companies for review by the border agencies. The Direct Access Service Level Agreement had not been finalised at the time of the audit. The ANAO was advised in March 2014 that the Direct Access arrangements were being reviewed. Should Direct Access arrangements continue in the future, there would be benefit in finalising the Service Level Agreement in a timely manner.

The National Tripartite Forum

2.20 A National Tripartite Forum has been established by Agriculture, Customs and Australia Post with the aim of:

- maintaining a whole-of-government policy approach;
- providing a forum for considering key strategic policy and operational matters to ensure efficiency and national consistency; and
- providing a conduit for discussion by key senior national and regional officers of the three agencies.

2.21 In accordance with its terms of reference, the forum is expected to meet three times a year. The heads of delegation for each agency are the Assistant

44 ANAO analysis of Agriculture's records at the Sydney Gateway Facility identified that it refused pre-arrival clearance of 260 (39 per cent) manifests that were reviewed between January and June 2013 due to a lack of detail, or because manifests were not received in a timely manner.

Secretary Passengers and Mail (Agriculture), the National Manager Cargo Operations (Customs), and the General Manager Parcel Operations (Australia Post).[45] Only six meetings of the National Tripartite Meeting were held between October 2010 and March 2013, rather than the eight meetings envisaged by its terms of reference. The meeting minutes noted that the issues discussed generally included: the nature of agreements between the agencies; the requirements for exchanging item-level data with other countries; projections for mail volumes and the coordination of Christmas peak periods; and gateway infrastructure.

2.22 Senior managers for each agency advised that meetings are collaborative and that the agencies have established cooperative relationships. However, while each agency is required to manage their independent business priorities, there were instances where a single agency view had been taken in managing projects that impact broader international mail operations, and feedback from the tripartite partners was not actively sought. These instances are discussed below and include:

- the procurement and use of x-ray machines by the border agencies; and
- the development of principles to improve gateway facility design and infrastructure to support the transition to targeted screening.

The procurement and use of x-ray machines by the border agencies

2.23 X-ray machines are used by both border agencies to screen mail, which offers the opportunity to develop joint procurement arrangements. However, each agency separately sources its machines, with Agriculture leasing its x-ray machines and Customs purchasing them. Independent procurement arrangements mean that there are x-ray machines with different capabilities. For example, some x-ray machines have a dual screen monitor capable of taking a top-down and a side-on picture, while other machines have a single top down view. Operational staff use whichever x-ray machine is on the conveyor belt where targeted mail has been sent.

2.24 Agriculture reviewed its deployment of x-rays in 2012 and decided to remove machines from the Melbourne, Perth and Sydney Gateway Facilities.

45 The head of delegation for the border agencies are Senior Executive Service Band 1 officers, while the head of delegation for Australia Post is equivalent to a Senior Executive Service Band 2 officer. Where the relevant senior executive did not attend, the head of delegation was an Executive Level 2 departmental officer.

Agriculture advised that it sent its tripartite partners a letter to inform them of this decision in July 2012, but Customs and Australia Post advised that this letter was not received. While Customs was advised of Agriculture's x-ray review at the March and June 2012 National Tripartite Forum Meetings, its senior management advised that they only became aware of Agriculture's decision when its gateway managers received advice in August 2012 that the x-ray machines were soon to be removed. Minutes for the September 2012 tripartite meeting indicate that Customs advised Agriculture that its communication of its decision to remove the x-ray machines was unsatisfactory, and Agriculture agreed to maintain the contract on the x-rays until Customs could assess the impact of their removal on its screening activities.[46]

2.25 The issue of procuring x-ray machines is longstanding and was raised by the ANAO in its 1998–99 audit of Postal Operations. That report stated that:

> The issue of different and separate x-ray machines appears to have brought to a head the concern that there is duplication of effort in postal operations. The activity of the two agencies involved in screening seeking separately to install and operate their particular x-ray machines has been a contentious issue ... The underlying problem is that there is not an overall plan to manage the acquisition and deployment of postal screening resources.[47]

The border agencies have subsequently advised the ANAO that they have agreed to establish a joint panel for the procurement of x-rays once the previously formed Customs panel expires in September 2014.

The design of the gateway facilities

2.26 The design of gateway facilities should maximise the flow of mail and facilitate border screening processes. The Australian Government allocated Australia Post $49.4 million in 2002 to implement the current facility layouts and to construct the Melbourne Gateway Facility. To support this activity, the border agencies developed a document outlining the design standards that would provide optimal support for their screening of mail. At that time, the agencies advised that they screened all international mail.

---

46 Customs' review resulted in the decision to purchase one x-ray machine, formerly leased by Agriculture, at each of the Perth and Sydney Gateway Facilities.

47 ANAO Audit Report No.15 1998–99 *Postal Operations*, p.45.

2.27 The border agencies have since adopted a targeted screening approach and they advised that the design of the gateway facilities is no longer suitable, particularly in Sydney and Melbourne. Risk-based screening means that more space is required to allow Australia Post to adequately sort and present targeted mail for screening. The facilities are currently designed for mail to arrive and be sent down the conveyor belts used for border agency screening, with limited need for sorting between targeted and untargeted mail. In addition, the ANAO observed a number of design issues that impact the efficiency and/or effectiveness of gateway operations. These included that:

- due to the layout of a conveyor belt at the Brisbane Air Transit Centre, an additional border agency staff member was required to assist mail through the screening process;
- a lack of rails on conveyor belts at the Sydney Gateway Facility meant that detector dogs could not operate safely on those belts[48]; and
- not all conveyor belts could be accessed by the detector dogs, while other belts had to be stopped to allow the dogs to conduct screening.

2.28 Australia Post advised the National Tripartite Forum meeting in March 2013 that it was planning to redevelop and refurbish its gateway facilities out to 2019. In response, the border agencies sought sufficient notice of any refurbishment so that strategic discussions could take place around the design layout and potential use of any new infrastructure. The Sydney Gateway Facility was being refurbished in July 2013. Notwithstanding the discussion at the March 2013 National Tripartite Forum, there was no evidence that the requested strategic discussions had taken place prior to the commencement of the refurbishment. Rather, the ANAO was jointly advised by the three agencies that the refurbishment of the gateway facilities was an investment made to suit Australia Post's business priorities.

2.29 Whilst recognising that the tripartite agencies are independent businesses with different and varying objectives, that strategic discussions had not taken place prior to commencing the refurbishment of the Sydney Gateway Facility represents a potentially lost opportunity.[49] To maximise the benefits of

48 The ANAO was advised that Australia Post addressed the safety concerns in December 2013.

49 In response to the ANAO's audit, Australia Post advised that discussions have now taken place between operational managers and team leaders, and that its aim for extending the Sydney Gateway Facility is to improve the presentation of mail for border screening.

any refurbishment at the other gateway facilities, it is important that the border agencies have early and ongoing consultation with Australia Post on key prospective developments.[50]

Conclusion

2.30 Agriculture and Customs have adequate business planning and risk management arrangements to support the international mail stream. High-level planning and risk management strategies include identifying program risks such as agency resource allocations to deliver effective border protection and reputational damage that could arise from missed detections, as well as integrity risks such as that seized goods may be stolen, or that staff may engage in abuse of office and corruption activities. To manage their tripartite relationship, the border agencies have a Memorandum of Understanding, Intervention Strategy Agreements and regular meetings in a National Tripartite Forum. Advice from the tripartite agencies and a review of meeting minutes suggests that the relationships are generally amicable and cooperative. Nevertheless, there were opportunities for better communication regarding the sourcing and management of x-ray machines and Australia Post's proposed refurbishment program. It is important that there is early and ongoing consultation between the tripartite partners on key strategic and operational issues.

50 Customs advised that any major changes to the operating environment in future will be addressed through the calling of extraordinary National Tripartite Forum meetings.

3. Promoting Importer Compliance

This chapter examines Agriculture's and Customs' approach to promoting importer compliance with the relevant regulations for international mail.

Introduction

3.1 Agriculture and Customs have similar agency-wide compliance strategies that outline their operational response required for different client behaviours and motivations. As non-compliance can be due to a simple error, indifference or intentional disregard, their compliance response may range from education to investigations and prosecutions. Agriculture's and Customs' compliance models assume that most clients will comply, or try to comply, with their importation obligations. Each agency aims to encourage compliance and reduce the cost of compliance for those who do the right thing, while still using enforcement methods to address serious and deliberate non-compliance.

3.2 Research undertaken by Agriculture in 2012 concluded that the public's knowledge of quarantine risks is low and that raising public awareness is the key to minimising the volume of quarantine risk material arriving at the border. Similarly, Customs has identified in its agency-wide Risk Plan that the purchasing of non-firearms weapons and therapeutic substances through the internet is a significant risk to its resources. As a result, both agencies have invested in measures to promote voluntary compliance.

3.3 The ANAO examined Agriculture's and Customs' approaches to promoting compliance with the import regulations for international mail.

Promoting compliance through public education

3.4 Agriculture has an Import Conditions Database (ICON), which is publicly available on its website and provides the import conditions for around 20 000 different commodities. In addition, the Passengers and Mail Branch has an import enquiry email address that may be used by the public to request specific import advice. Prior to September 2012, Agriculture advised that it received 15 emails each day through the import inquiry address. However, the website now directs the public to review the ICON database or other publicly available information in the first instance, which has reduced the number of daily enquires to between two and three emails. The ANAO found the ICON database to be useful and easy to navigate.

3.5 Similarly, Customs aims to promote general education, assistance and compliance with border laws through a range of different mediums. The Customs website has several informative pages on the process for clearing goods that have arrived by international mail, the conditions for importing prohibited or restricted items and considerations for when buying items over the internet. Additionally, Customs has advised that it uses social media (Facebook, Flickr, Twitter and YouTube) to promote compliance. Social media campaigns aimed at increasing public awareness have historically covered topics such as the use of the SmartGate at airports, changes to duty free tobacco concessions and warning against people smuggling activities.

3.6 In addition, Agriculture and Customs have implemented communication campaigns to address risks specific to the mail environment.

Agriculture's communication campaigns

3.7 In June 2012, Agriculture developed a Cultural Dates Communication Strategy with the aim of formalising its approach to managing quarantine risks associated with cultural events. In particular, the strategy aims to educate target audiences about their import responsibilities through timed media releases and media events, the development of fact sheets and web content, use of social media advertisements, and the Border Security television show. For example, a Facebook advertising campaign in late 2012 and early 2013 promoted the quarantine risks associated with Diwali, Christmas and Chinese New Year. The campaign involved advertisements containing links to Agriculture's website when specific search terms were entered into Facebook, such as 'Diwali' or 'Indian food recipes'. Agriculture also trialled different designs for each advertisement, and monitored their effectiveness by counting the number of people who clicked on the relevant links.

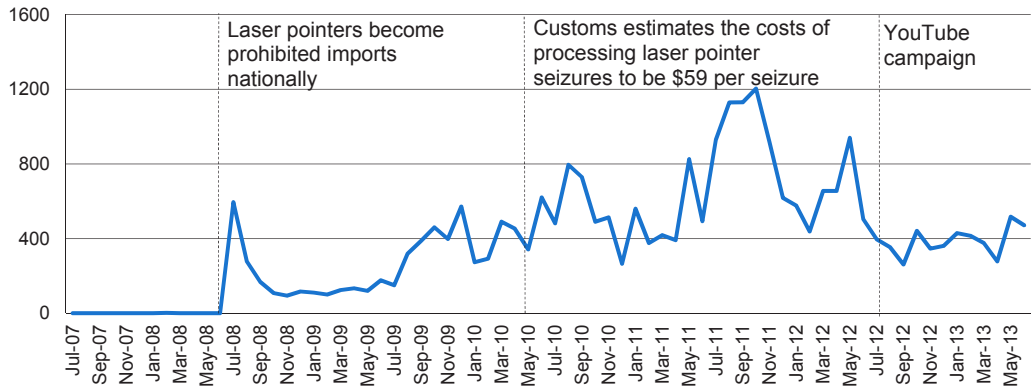
3.8 Similarly, the Passengers and Mail Branch conducted a Plant and Seed Communication Activity in 2013, with the aim of reducing the importation of plant and seed quarantine risk material. A brochure was developed and sent to 5165 individuals that had been identified as purchasing plant and seed material during 2011 and 2012 (the campaign cost $5500). The brochure included specific contact details that allowed Agriculture to monitor how people responded to the campaign, including that 345 people visited the relevant website and 41 made direct contact by telephone or email. The review of the Plant and Seed Communication Activity identified lessons learnt, noting that some of those receiving the brochure advised the department that the

plants and seeds were sent unsolicited by friends and family and/or interpreted the language as confrontational or confusing. Capturing such lessons provides a sound basis for improving future targeted communication approaches.[51]

Customs' communication campaigns

3.9 Similar to Agriculture, Customs' International Mail Program advised that it had undertaken a compliance initiative in July 2012 to highlight that importing some laser pointers was illegal. The importation of laser pointers with an emission of more than one milliwatt has been prohibited nationally since 2008. Since that time, more than 27 000 mail items containing laser pointers have been seized. The monthly number of seizures is represented in Figure 3.1.

Figure 3.1: Number of mail items seized containing laser pointers



Source: ANAO analysis of DGMS data.

3.10 Seizing goods such as laser pointers incurs a cost for the importer (as the goods are not delivered) as well as Customs. In 2010, the International Mail Program estimated that seizing 3843 laser pointers between July 2009 and April 2010 cost the agency an average of $59 per seizure, or $226 896. In this context, the International Mail Program developed a video to educate the public on the restrictions to importing laser pointers, which was uploaded to YouTube and had 4131 views as at 9 December 2013. Customs has not assessed the impact of its laser pointer campaign and its officers provided mixed

51 Agriculture also advised that it is considering developing a more cost effective email brochure for distribution to gardening societies, which could then be re-distributed to their respective members.

assessments of its success. As Figure 3.1 shows, the campaign commenced at a time when the number of laser pointer seizures had started to decline from a peak of 1200 seizures in September 2011, and the number of seizures had remained relatively stable through to June 2013.[52] Therefore, it is difficult to know whether the campaign has had an impact on laser pointer seizures.

3.11 As Customs' Risk Plan particularly identifies the seizure of non-firearms weapons and therapeutic substances in mail to be a risk to its resources, there would be value in the agency considering the costs and benefits of developing additional campaigns to promote compliance for other relevant items. The effectiveness of any such strategy should be evaluated so that future campaigns can be adapted as necessary.

Communication with online suppliers

3.12 Customs' Intelligence Division has also established a relationship with one major on-line supplier, with the aim of reducing the number of prohibited imports advertised on its website. For example, following advice from one of the gateway managers, the Intelligence Division requested that advertisements of non-compliant goods be removed from the website of a supplier, or that a notice be added to raise awareness that the goods are banned in Australia. As there is currently no formal arrangements within the International Mail Program for working with the Intelligence Division, there would be benefits in developing a strategy to engage on opportunities to communicate with on-line suppliers about importing prohibited goods.

Customs' management of firearms in international mail

3.13 In recent times, the importation of firearms through international mail has been an issue of significant law enforcement, parliamentary and media interest. To legally import firearms and firearms parts into Australia, importers are required to apply for, and be granted, a permit. Customs advised that it cannot mandate that importers use sea or air cargo, rather than international mail, to legitimately import firearms into Australia, even though it considers that the legitimate importation of firearms in international mail poses significant risks, particularly because of the lack of pre-arrival data.

52 In addition, ANAO analysis identified that mail from three countries accounted for around 91 per cent of laser pointer seizures in 2012–13, and each of these cohorts is subject to periodically reduced screening activity, at the Sydney Gateway Facility (discussed later in Chapter 6).

3.14 While Customs cannot mandate which import stream is used, there are restrictions on firearms and firearms parts being imported into Australia through international mail under the Universal Postal Union treaty to which Australia is a signatory.[53] Australia Post advised that where it becomes aware that firearms and firearms parts have been found in mail items (for example, on advice from Customs), it will contact the relevant foreign postal service so that it can enforce these restrictions with the relevant senders.[54]

3.15 The ANAO's analysis of Customs 2012–13 seizure data identified that there were 8082 firearms or firearms parts seized in international mail, and that 2687 of these were released by the agency as legitimate firearms imports.[55] Customs currently reports to Australia Post that such importations have occurred on an ad hoc basis only, even though the agency changed its screening priorities as a result of the legitimate importations of firearms in the mail being missed by its targeting and screening processes (as outlined in Figure 3.2). It does not, however, systematically analyse its seizure data so that it can advise Australia Post of all firearm detections to enable it to enforce the Universal Postal Union's carriage restrictions.

Figure 3.2: Missed detections of firearms at the Sydney Gateway Facility

On 30 March and 5 October 2012, the Sydney Gateway Facility missed the importation of shotguns into Australia in an untargeted EMS cohort. The importer advised Customs of these imports and subsequently presented his permits. Nevertheless, reviews into the missed detections noted that the firearms carriage restrictions had not been enforced, and that perceptions of risk were changed for this mail cohort. As a result, the Sydney Gateway Facility reported that it screened this cohort for a short period of time and concluded that it remained a low risk.

Source: ANAO analysis of Customs' documents.

3.16 Minimising the number of firearms imported through international mail would improve overall compliance with the Universal Postal Union's restriction, and assist Customs to better manage its border risks. There would therefore be benefit in Customs periodically assessing its seizure data, and providing Australia Post with the relevant information on a monthly or

53 Universal Postal Union, *Customs List of Prohibited Imports*, 2007, <http://www.upu.int/en/activities/customs/list-of-prohibited-articles.html> [accessed on 17 February 2014].

54 The receiver of the mail item is not generally responsible for selecting the import stream.

55 Customs disposed of 3946 of these firearms seized as illegal imports, and the remaining 1449 were held by the agency in July 2013.

quarterly basis so that, in the shorter term, it can enforce firearms carriage restrictions through engagement with relevant overseas postal services.[56] In the longer term, there would be benefits in the two agencies working together to harmonise their approaches in support of Australia's international commitments.

Conclusion

3.17 Agriculture and Customs have adequate organisation-wide strategies to promote voluntary compliance. These strategies include providing information to the public through agency websites, as well as the use of social media for targeted communication campaigns. The respective international mail program for each agency has also implemented some mail specific compliance activities. There would be benefits in Customs evaluating the effectiveness of any future campaigns.

3.18 A specific risk for Customs is the importation of firearms, particularly as such goods may be released into the community without verifying that a legitimate import permit has been issued. While Customs advised that it cannot mandate which import stream is used, there are restrictions under the Universal Postal Union to which Australia is a signatory, and these can be enforced by Australia Post. Currently, Customs provides some firearms seizure data to Australia Post on an ad hoc basis. However, the management of firearms risks would be more effective if, in the shorter term, Customs implemented procedures to routinely share firearms seizure data with Australia Post to enable it to enforce the Universal Postal Union restrictions. In the longer term, there would be benefits in the two agencies harmonising their approach to support Australia's international commitments.

56 Australia Post advised that it raised this issue with Customs at the October 2013 meeting of the National Tripartite Forum. Customs advised that legal advice was sought, and that this advice confirmed that the sharing of this seizure data with Australia Post was allowed under s.16 of the *Customs Act 1901*. Australia Post also advised that it publishes a list of prohibitions for international postal operators, which reflects Agriculture's and Customs' restrictions on the import of goods.

4. Targeting for Quarantine Risks

This chapter assesses Agriculture's arrangements for assessing risk and targeting international mail cohorts carrying high risk quarantine material.

Introduction

4.1 Following a review of its quarantine and biosecurity arrangements in 2008[57], Agriculture moved from screening 100 per cent of international mail to a risk-based approach. Agriculture considers that the vast majority of mail does not contain quarantine material and its risk analysis seeks to identify those mail cohorts that present the highest quarantine risk.[58] In November 2011, the department introduced a National Profile Register, with higher risk mail cohorts recorded in the register as 'to be screened' and the rest defined as 'assess and release'.[59]

4.2 Adopting a risk-based approach requires effective analysis to identify those mail cohorts that may contain quarantine material to inform targeting decisions. Processes should also be in place to monitor the risks associated with unscreened mail so that emerging risks and changes in the mail environment can be identified and responded to appropriately.

4.3 The ANAO assessed Agriculture's targeting model, including the department's risk analysis and decision-making process for setting its national profiles. Agriculture's projects to refine risk concepts and its assessment of quarantine material that is missed (or 'leakage') by its intervention strategies were also examined.

Agriculture's model for targeting quarantine risks

4.4 Agriculture's targeting analysis is undertaken by its Passengers and Mail Branch, with the final decisions operationalised by each gateway through its respective Intervention Strategy Agreements with Australia Post.

---

57 R. Beale et al, *One Biosecurity: A Working Partnership*, 30 September 2008.

58 Using Agriculture's seizure and leakage survey data, Agriculture and the ANAO estimated that 99.9 per cent of incoming mail items in 2012–13 were compliant with quarantine regulations.

59 'Assess and release' refers to a process where untargeted mail is set aside for visual assessment by Agriculture officers and, where appropriate, released for delivery by Australia Post. For consistency, the ANAO refers to mail as screened and unscreened.

4.5 Agriculture's targeting model is statistically based and generally requires the use of seizure information, leakage survey data and incoming mail volumes.[60] In analysing this data, Agriculture uses a statistical program to assess the risks present in each mail cohort. The targeting model is based on the:

- **approach rate:** the proportion of mail items approaching the border that contain quarantine risk material. Seizure data is used to develop an approach rate for targeted mail cohorts, while leakage survey data is used to develop an approach rate for untargeted cohorts; and
- **effectiveness rating:** the estimated leakage of quarantine material during screening processes (through the use of x-rays or detector dogs), which aims to inform targeting decisions based on likely screening outcomes.

4.6 Agriculture records seizures as 'risk' or 'higher risk' in its MAPS database, and the department uses this data to calculate the approach rate and effectiveness rating for the different types of commodities according to the recorded risk. The number of seizures that could be achieved from targeting each mail cohort is then estimated. Timing survey and volumes data is used to calculate the screening resources required for each cohort, as well as the period of screening time to achieve each seizure.[61] Agriculture then plots every mail cohort on a Receiver Operator Characteristic (ROC) Curve that seeks to represent the greatest risk and reward for screening effort.[62]

4.7 Agriculture's model, which was implemented in November 2011, is designed to enable evidence based decision-making using analysis of all available data. Any potential decision can be plotted on the ROC curve to allow for an estimate of the number of seizures that may be achieved comparable with the volume of mail screened.

---

60 In establishing its targeting model, Agriculture sought advice from the Australian Centre of Excellence for Risk Analysis (ACERA).

61 Agriculture's timing survey records the length of time taken to screen different mail types, by detector dogs or x-rays machines. The timing survey identified that screening by detector dogs is around three times faster than by x-ray and that a single AO screened by x-ray takes around three seconds, compared with 12 seconds for a single EMS and parcel.

62 A ROC Curve is a graphical plot that illustrates the performance by arranging different mail cohorts in order of a calculated and standardised characteristic, such as the approach rate.

The setting of national profiles

4.8 To provide the underlying analysis for determining the national profiles, Agriculture calculated the approach rate and effectiveness rating for all non-letter class mail cohorts. Two options were developed based on higher risk seizure data in the form of ROC curves, and included:

- **Option 1:** the volume of mail screened to achieve each seizure (without taking account of the time taken to screen different mail types); and
- **Option 2:** the time spent screening to achieve each seizure, taking account of the mail volumes for each cohort and timing survey calculations in regards to screening each mail type.

The options included analysis up to the ROC curve's 'efficiency point'. Mail cohorts screened up to the efficiency point are expected to produce a higher rate of seizures than the global average. Based on this analysis, key statistics (outlined in Table 4.1) were produced for each option to highlight the estimated annual outcomes for targeting mail up to the efficiency point.

Table 4.1 Key statistics for each targeting option

Key statistics	Option 1:	Option 2:
Total mail subject to targeted profiles	22.5 per cent	20.6 per cent
Projected number of higher risk seizures per annum	20 378	19 562
Mail items screened per detection	524.8	499.3
Screening hours per detection	1 hour 6 minutes	1 hour
Total screening time required to target mail up to the efficiency point	22 585 hours	19 832 hours

Source: ANAO analysis of Agriculture's documentation.

4.9 Each option was shown to have different strengths. Option 1 estimated an extra 816 seizures (an increase of four per cent on Option 2), but required an extra 2753 hours (14 per cent) of screening time. Agriculture decided to base its national profiles on Option 2 as it represented greater estimated efficiency. This means that every cohort below the efficiency point for Option 2 would be screened; while all other cohorts were to be assessed and released. In taking this option, the model required the targeting of 20.6 per cent of mail items (based on volumes at the time) and estimated that under optimal conditions the department could expect to seize 19 562 of the 27 326 (72 per cent) higher risk quarantine items approaching the border in international mail.

Reviews of the national profiles

4.10 International mail is a dynamic environment and risks may change over time. Changes in the data, such as incoming volumes, can impact the assessment of a cohort's risk when compared with other cohorts. The national profiles should, therefore, be periodically reviewed so that risks can be reassessed and targeting priorities adjusted if necessary. Agriculture advised that it reviewed its first iteration of the national profiles in October 2013, and that it had not reviewed the profiles earlier because it takes six weeks to conduct the analysis.[63] To improve the timeliness of reviews in future, the department advised that it has now automated the national profile analysis.

4.11 The automation of the national profiles analysis could provide significant efficiencies for the department. However, it will be important that Agriculture considers the optimal timing of future national profile reviews, including in consultation with Australia Post and Customs as resetting the national profiles could impact the overall operations at each gateway facility.

Risk categorisation in MAPS

4.12 As previously discussed, Agriculture's targeting model is based on the analysis of seizures of higher risk quarantine material. The MAPS system allows for some seizures to be automatically classified as 'risk' or 'higher risk' based on records created in its category, sub-category and commodity fields. The risk assigned to other seizures is determined by the seizing officer who assesses the level of processing applied to the goods. The number of commodities that fit into these three classifications is provided in Table 4.2, along with examples.

63 While the national profiles were reviewed in October 2013, the new profiles had yet to be implemented by March 2014. Under the new profiles, the department will seek to screen 10.1 per cent of arriving non-letter class mail, to detect an estimated 9.8 per cent of approaching higher risk quarantine material.

Table 4.2: Classifications of commodities in MAPS by risk

Risk classification	Number of commodities	Examples of commodities
Risk	150	Yoghurt, eggs, prawns, starter cultures, vaccines, veterinary therapeutics, snakes and truffles.
Higher risk	18	Live mammals, rodents, live plants, soil, tissue cultures and pine cones.
Determined based on level of processing applied to the goods.	114	All seeds, vegetables and vegetable products, shamrock, salami, and all grains and legumes.

Source: ANAO analysis of Agriculture's documentation.

4.13 Two months after setting the national profiles (in 2011), the Mail and Passengers Branch commenced a project to re-categorise the MAPS risk ratings, which had previously been set in 2003. After consultation, final advice was received from the Plant and Animal Biosecurity Divisions in early 2013 that stated that 46 commodities were now considered 'higher risk' in international mail and the remaining commodities classified as 'risk'.[64]

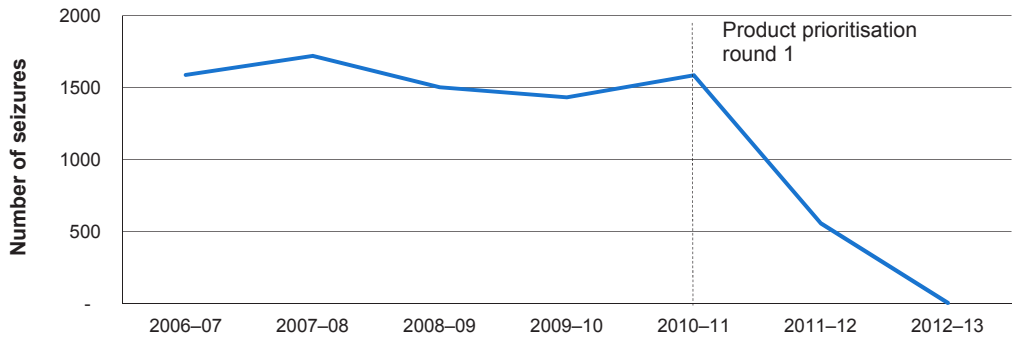
4.14 A comparison of the old and new risk ratings shows that 26 of the 46 commodities now considered 'higher risk' were formerly classified as risk. This means that the analysis used to set the national profiles in 2011 excluded 56 per cent of the commodities now classified as 'higher risk'. In March 2014, Agriculture advised that the new commodity risk ratings were incorporated into its analysis to develop new national profiles. The department further advised that the new national profiles had not been operationalised as the department is developing an implementation and communication package for its staff on the proposed changes to the risk classifications.

64 This advice referred to commodities as 'active targets' or 'response'. 'Active targets' are those that Agriculture use in analysis to determine its national profiles, while 'response' commodities are those that may be seized if identified when screening for 'active targets'. The former wording has been retained for consistency.

Product prioritisation

4.15 Since 2010, Agriculture has undertaken three separate product prioritisation projects.[65] Product prioritisation is a risk assessment of selected commodities to identify those goods that can be removed from the *Quarantine Proclamation 1998* as they represent a low risk. Commodities assessed as part of the projects included items such as meat jerky, egg noodles, instant use coffee and protein powder. The aim is to reduce the time spent seizing goods that are no longer considered to pose a biosecurity risk. For example, as shown in Figure 4.1, one commodity analysed by the ANAO accounted for a total of around 1500 seizures per annum, compared with just three seizures in 2013.

Figure 4.1: The number of seizures of egg noodles, for the period 2006–07 to 2012–13



Source: ANAO analysis of MAPS data.

4.16 Agriculture's total seizures have reduced from 88 820 in 2010–11 to 27 608 in 2012–13.[66] The removal of low risk commodities from the *Quarantine Proclamation 1998* is a practical approach to reducing the department's workload, allowing for resources to be redeployed as appropriate and/or to enable a greater focus on the highest quarantine risks.

65 The first round of product prioritisation was completed in November 2011 and involved eight commodities. The second round was completed in September 2012 and involved 22 commodities (Agriculture estimated that 55 000 mail items would no longer need to be seized each year). The third round of product prioritisation was in progress at the time of the audit.

66 The number of mail items screened by Agriculture has also reduced from around 55 million mail items to around 35 million in the same period. Agriculture also advised that the decline in seizures may have been affected by promotional activities and increased community awareness about import conditions.

Reassessing quarantine risks in letter class mail

4.17 National profiles for letter class mail cohorts were not developed in 2011 because it was considered that the workload involved for Australia Post to sort letters into particular cohorts was too great. In 2012, the department assessed the risks from letter class mail and concluded that:

- screening of letter class mail for 2011–12 cost $171 000 and took around 1400 staff hours;
- around one in 10 000 letters screened contained higher risk quarantine material, well below the approach rate for the national profiles[67]; and
- the quarantine risk in letters were of only small quantities.

4.18 Based on the findings of this review, Agriculture made the decision to cease the routine screening of letter class mail in August 2012, as there are limited opportunities to target specific cohorts and they are generally low risk. Nevertheless, the department still monitors the quarantine risks of letter class mail through its leakage survey (discussed below).

Monitoring the performance of national profiles

4.19 Seizures generally come from mail that is screened. Estimating the detections that are missed in both screened and unscreened international mail should enable Agriculture to report the proportion of quarantine material 'leaked' into the community, and provide insights into the effectiveness of the department's model for targeting higher risk mail cohorts. Agriculture uses its leakage survey to estimate the number of missed detections only.[68]

Implementation of the leakage survey

4.20 In 2012–13, the leakage survey targeted a sample of 435 000 letters and 7800 non-letter class mail items each month. These samples are apportioned across the four gateway facilities, and risk managers in each gateway are responsible for implementing the leakage survey. The survey requires that samples are taken at random from mail that is screened (providing an estimate

67 ANAO analysis of more recent leakage survey data (from 1 September 2012 to 30 June 2013) also found that the higher risk quarantine material approach rate for letter class mail was one in every 14 388 letter items surveyed.

68 In October 2013, Agriculture renamed its leakage survey an 'end-point survey' in an aim to reflect the neutrality of the activity and remove the negativity of 'leakage'.

of screening effectiveness), and from unscreened mail. Each gateway facility has developed standard templates to assist staff with collecting and recording the outcomes of the samples taken each day. All non-letter class mail samples are opened and their contents checked.

4.21 Agriculture advised that the sample size provides a 95 per cent confidence level that the leakage survey will reflect actual leakage.[69] Agriculture's leakage survey data indicates that each facility achieved above its sample quota for non-letter class mail between August 2012 and May 2013.[70] For letter class mail, the Brisbane Air Transit Centre and Melbourne Gateway Facility achieved their quota; the Perth Gateway Facility achieved 99.8 per cent of its sample quota; but the Sydney Gateway Facility only achieved 59 per cent.[71]

4.22 Agriculture's Leakage Survey Training Course provides a methodology to assist with maintaining a random sample, to limit any bias that may affect the leakage outcomes. Staff are advised to select a random number and then to take each nth item as a sample. The ANAO discussed the leakage survey with Agriculture's operational staff and observed the selection of samples. No significant issues were observed with the selection of random samples. Nevertheless, ANAO analysis of Agriculture's MAPS database found that the leakage survey detected 198 seizures nationally in 2012–13; with 188 of these detections made in Melbourne (Sydney seized nine items from its leakage survey; Brisbane, one; and Perth, zero).

4.23 Melbourne's 188 seizures came from a sample of around one million items, while Perth's sample was around 560 000 items. Significant variation in outcomes may indicate problems in the implementation of the survey—for example, not taking random samples, or not accurately recording all survey seizures. While Agriculture had not analysed the reasons for the strong variance in recent leakage survey outcomes, the department advised that it had no evidence of Melbourne staff preferentially selecting samples for the leakage survey, or of staff at other gateways recording their seizures

69 At the time of the audit, the Sydney Gateway Facility was required to sample 285 000 letters and 3000 non-letter class mail items per month; the Melbourne Gateway Facility 60 000 letters and 1800 non-letters; and Brisbane and Perth 45 000 letters and 1500 non-letters each.

70 Agriculture averaged around 10 per cent more survey samples for non-letter class mail than required.

71 Agriculture advised that letter class mail is surveyed by detector dogs, and that staff availability and working arrangements impacted on the detector dog resourcing during 2012–13. The department advised that the Sydney Gateway Facility received additional resources in May 2013, which should assist that gateway to meet its future surveying targets.

incorrectly. In 2010, Agriculture conducted a verification exercise to assess compliance with, and the effectiveness of, instructional material related to leakage surveys. The exercise concluded that generally all staff complied with the instructional material, although there were some knowledge gaps regarding selecting samples, and ensuring that sampling had occurred. Given its reliance on the leakage survey, and the variability of the 2012–13 survey results, there would be benefit in Agriculture periodically conducting a similar exercise to assess staff knowledge and application of instructional material.

4.24 The design of Agriculture's leakage survey is sound, and the size of the survey along with the opening of all non-letter class mail is a substantial commitment to monitoring risk. Nevertheless, there is scope to improve assurance as to the survey's implementation, particularly in terms of the collection of adequate letter class mail samples at all gateway facilities (given that the Sydney Gateway Facility only achieved 59 per cent of its quota for non-letter class mail), the selection of random samples and the recording of subsequent seizures in MAPS. In acknowledging the limitations of the current survey design, Agriculture has commenced a review of the leakage survey methodology and analysis with the Centre for Excellence for Biosecurity Risk Analysis (formerly ACERA), which is due for completion by mid-2015.

Estimated leakage of quarantine risk material

4.25 Agriculture calculates estimated leakage and overall effectiveness, and reports these figures monthly to management (discussed in Chapter 7). In 2011, Agriculture had estimated that it would seize around 72 per cent of non-letter class mail items containing higher risk quarantine material approaching the Australian border through its national profiles, although no seizure rate target was subsequently set.

4.26 The ANAO analysed Agriculture's monthly reports from August 2012 to May 2013, and averaged the reported leakage compared with the actual number of seizures. Based on this data, the ANAO estimates that Agriculture seized only 19 per cent of mail containing higher risk quarantine material and around 17 per cent of mail containing any quarantine risk material. Overall, the outcome equates to around 133 000 quarantine risk material items being

missed (including around 41 000 higher risk items) between August 2012 and May 2013.[72]

4.27 The department had not reviewed and was unable to explain the significant variance between estimated and actual seizures. It did advise that its 2011 work was an early move towards an innovative risk profiling methodology, and its 72 per cent seizure rate estimate was ambitious, and required optimal operational conditions to be achieved. The department further advised that it used the learning from this work to inform the methodology to develop new national profiles in late 2013, although these are yet to be implemented. In future, the ANAO considers that there would be value in the department reviewing the national profiles as a matter of priority when they are found to be producing substantially different outcomes than those estimated by targeting analysis and leakage surveys.

Conclusion

4.28 In November 2011, Agriculture introduced national profiles based on a statistical targeting methodology that seeks to take account of a range of data inputs including seizure, volumes and timing survey data. The department has also been active in refining concepts of risk, including by undertaking three projects since 2010 to identify low risk commodities that can be removed from the *Quarantine Proclamation 1998*. The removal of these commodities from the *Quarantine Proclamation 1998* is a practical approach to reducing the department's operational workload, and provides some context to the 75 per cent reduction in the number of seizures by Agriculture in 2012–13, when compared with its 2006–07 seizures.

4.29 When implementing its targeting methodology in 2011, Agriculture estimated that it would seize around 72 per cent of higher risk quarantine material approaching the border in international mail. Based on the department's leakage survey data, the actual performance has been significantly lower, with around 19 per cent of higher risk quarantine material seized. Such outcomes reduce confidence in the department's targeting methodology, the effectiveness of screening activities and/or the leakage

72 Factoring in the statistical variations aligned with a 95 per cent confidence interval, the estimated leakage can fall within a significant range. While this range is not reported by Agriculture, ANAO analysis indicates that leakage could have been as high as 237 371 for higher risk and 378 802 for all quarantine risk material between August 2012 and May 2013. This data emphasises the care needed when interpreting reported leakage survey results.

survey. In response, Agriculture advised that it reviewed its national profiles in 2013 and that this review took into account lessons from 2011. The new national profiles have yet to be implemented. The department has also commenced a review of its leakage survey.

5. Targeting for Prohibited Imports

This chapter assesses Customs' arrangements for assessing risk and targeting international mail cohorts at highest risk of containing prohibited imports.

Introduction

5.1 Prior to 2008–09, Customs advised that it screened 100 per cent of incoming international mail. It has since implemented a risk-based targeted approach, as like Agriculture it considers that the vast majority of mail does not contain prohibited imports.[73] Inherent in adopting a targeted approach is that some mail cohorts will not be targeted, and that some mail items containing prohibited imports will not be screened. This approach recognises that it is important for limited resources to be used to mitigate the highest priority border risks.

5.2 In adopting a targeted approach, it is important that risk analysis is regularly undertaken to identify and review the highest risk mail cohorts. Processes should also be in place to monitor the risks from cohorts that are not screened so that any changes in risks can be identified and responded to appropriately.

5.3 The ANAO assessed Customs' targeting framework, including the risk analysis undertaken and decision-making processes. Customs' sampling program, which is implemented to monitor risk as well as missed detections in unscreened mail, was also examined.

Customs' targeting framework

5.4 Customs' targeting framework is outlined in its *Instructions and Guidelines: International Mail Risk Assessment* (Risk Assessment Guidelines). The mail arriving at each gateway varies, and each gateway manager makes independent targeting decisions based on their analysis of seizure and mail volumes data, and after taking into account analysis prepared by the Intelligence Division. These targeting decisions are reflected in the ISAs at each gateway facility, which were updated in mid-2013. At the time of the audit,

73 Using Customs' seizure and sampling program data, the ANAO estimated that 99.7 per cent of incoming mail items in 2012–13 were compliant with customs regulations. Customs, subsequently advised that the integrity of the data used in its sampling program could impact on these compliance rates.

risk matrices were also used to highlight each gateway's assessment of risk for each cohort, but Customs advised in March 2014 that it no longer uses these documents.

The targeting framework guidance

5.5 There are three main concepts of risk outlined in the Risk Assessment Guidelines: country of origin; the mail type; and materiality of past seizures. Analysing risks by country of origin and mail type is consistent with Australia Post's ability to present some mail cohorts for screening. Materiality allows for the significance of past seizures to be considered. Despite the Risk Assessment Guidelines being updated in March 2013, Customs advised that the guidance related to country of origin risks, which identified the top 32 highest risk countries, was no longer valid from April 2013. At that time, Customs' Intelligence Division produced a new report analysing risk in the mail environment and risk ranked each country within each mail type (discussed below).

5.6 In relation to mail type, the Risk Assessment Guidelines state that each type has a different level of risk and that EMS packages are considered the highest risk because they:

- can be tracked on the internet by the sender and addressee while in transit (which allows criminals to monitor the progress of their package through border control checkpoints);
- offer the potential for larger concealments because of their size; and
- result in the largest percentage of seizures.

However, the Risk Assessment Guidelines do not identify the risks associated with the other mail types and, based on the ANAO's analysis of the guidelines, it was unclear why EMS would be considered the highest risk. For example, parcels can also be tracked in transit on the internet and can weigh up to 30 kilograms, the same weight that can be carried by EMS packages. Analysis also shows that 60 per cent of seizures were found in AOs in 2012–13.[74]

74 Customs advised that the guidelines should have stated that EMS mail results in the largest percentage of 'significant' seizures, and that 82 per cent of narcotics seized (by weight) are taken from EMS.

5.7 Customs considers the materiality of past seizures to be the most important targeting concept. Materiality is defined in the Risk Assessment Guidelines as:

> ... cohorts of mail where many seizures of less materiality [importance] occur and cohorts of mail where less detection is made but they are of greater materiality. For instance Hong Kong AOs will provide many seizures of laser pointers and other non-firearms weapons. Thus they have a high approach rate ie seizures per 1000 inspections. In comparison US AOs will provide far fewer seizures per 1000 inspections but some of those seizures will be highly significant such as firearms and firearms parts. These factors must be applied when assessing risk in the mail environment.

5.8 While the guidelines do acknowledge that mail cohorts have different seizure profiles and approach rates, they do not provide guidance on how those differences should influence targeting decisions. For example, the guidance on materiality does not clearly outline the types of prohibited imports that are to be given priority within the mail targeting model. Rather, the guidelines list the following categories of goods, but do not specify whether this list is in priority order, or if items listed together, such as firearms and other weapons, are of similar priority[75]:

- drugs such as amphetamine type stimulants, precursors, heroin, cocaine, phenthylamine, including ecstasy and cannabis;
- counter terrorism and counter proliferation;
- firearms, firearms parts and other weapons;
- objectionable goods, performance and image enhancing drugs;
- trade infringements;
- wildlife;
- consumer safety; and
- revenue including tobacco and alcohol products.

75 Customs advised that it has agency-wide guidelines related to significant detections, which may include seizures of narcotics in excess of one kilogram, concealed handguns and revenue understatements of $500 000 or more. Customs made 242 significant detections (around 0.36 per cent of all seizures) in international mail in 2012–13.

5.9 Customs' Risk Plan 2013–14 also identifies the 'scattergun' methodology as a significant threat in international mail, but this methodology is not included in the Risk Assessment Guidelines. The methodology involves importing small quantities of narcotics in many different mail articles to conceal the overall size of the importation.[76] Advice from the Australian Federal Police also suggests that smaller seizures can provide significant intelligence and positive investigative outcomes (see Figure 5.1).[77] The ANAO considers that there would be merit in the Risk Assessment Guidelines appropriately referencing the risks posed by scattergun imports, and incorporating this risk into the targeting framework commensurate with its standing among other border risks in international mail.

Figure 5.1: Australian Federal Police's approach to investigating scattergun importers

The Australian Federal Police advised that it established a National Forensic Rapid Lab in March 2013, which uses forensic intelligence techniques to link multiple seizures containing illicit materials. As at 12 March 2014, this team had established intelligence linkages between up to 60 per cent of the seizures reviewed and international mail. There is an increasing awareness that organised crime is importing illicit goods through the mail stream, and the National Forensic Rapid Lab's analysis highlights that organised crime is using sophisticated methodologies to circumvent screening and law enforcement efforts.

The National Forensic Rapid Lab's work has also had a number of positive investigative results, both within Australia and in partnership with law enforcement agencies in source countries. In one successful investigation, the Australian Federal Police linked 28 importations of illicit narcotics to a single individual. During a search of premises associated with this individual, a substantial number of mail articles containing illicit narcotics were found and another mail item was delivered by Australia Post while the premises were being searched.

Source: Advice provided by the Australian Federal Police.

5.10 In the absence of item-level data to allow for the targeting of individual mail items, Customs undertakes broad-based targeting of entire mail cohorts. Overall, the Risk Assessment Guidelines do not provide sufficient guidance on each of the three risk concepts that underpin Customs' broad based targeting approach, nor do they provide an analytical model to comprehensively assess and differentiate between border risks. To provide assurance that the agency's

76 Customs advised that its Intelligence Division undertakes post detection analysis of seizures and that the number of small narcotics seizures has increased by around 589 per cent since 2010–11.

77 The Australian Crime Commission's Illicit Drug Data Report identifies that international mail accounted for 99.9 per cent of MDMA (20 per cent by weight), 98.8 per cent of cannabis (51 per cent by weight), 69.6 per cent of heroin (3.2 per cent by weight) and 94.1 per cent of cocaine (6.2 per cent by weight) seizures at the Australian border in 2012–13. The report also highlights that the percentage of seizures attributed to international mail was generally above long term trends.

targeting priorities are understood and applied at the gateway facilities, there would be merit in Customs updating its guidelines to reflect its targeting priorities.

Intelligence Division's analysis of international mail risks

5.11 Customs' Intelligence Division has developed a variety of reports over the years to assist operational targeting. However, much of this reporting is a statistical aggregation of mail seizure data by commodity type, rather than providing advice on targeting priorities.[78] In April 2013, the Intelligence Division released its first quarterly *Analysis and Risk Assessment of the Postal Environment Report* (Advanced Analytics Report). This report includes analysis of the number of narcotics seizures where a weight related materiality threshold has been met, cross-referenced with Australia Post's volumes data. From this analysis, a risk ranking is developed for each country within each mail type (for example, AO cohorts were ranked against other AO cohorts but not against EMS, parcel or letter cohorts). A small section of the report also provided details of firearms seizures, but this data was not included in the development of the risk rankings.

5.12 The report provides some useful analysis to support informed targeting decisions, particularly by incorporating risk rankings. However, there were limitations to the analysis including that:

- different seizure thresholds are set for each mail type, reducing comparability of risk across each type[79];
- the risk rankings focus on narcotics seizures and do not include other types of high risk commodities, such as firearms[80]; and
- analysis is based on volumes data rather than likely screening numbers, which means that there is a bias towards screened cohorts.

---

78 For example, International Mail Monthly Analysis Reports were introduced in mid-2012 to identify the main source countries and mail types for different commodities. While each commodity type may have a list of different source countries and mail types, there is no assessment of overall cohort risk.

79 In response, Customs advised that each mail class carries different risks, and that consistent thresholds across all mail classes would potentially distort the analysis. Nevertheless, the ANAO considers a seizure of a specific quantity of narcotics should be of equal value regardless of mail type, and that increased weight could be given to larger narcotics seizures to reflect relative significance.

80 Customs advised that the rankings are based on its strategic priorities (which are currently under review), and that illegal firearms seizures occur infrequently and so would have limited impact.

5.13 There would be merit in incorporating the Advanced Analytics Report's methodology in any review of the Risk Assessment Guidelines (as suggested above).

Targeting analysis and decision-making at the gateways

5.14 Customs' targeting decisions are made by gateway managers, based on their analysis and other available intelligence. However, the ANAO observed that this analysis was generally as required and limited in scope. For example, one set of analysis reviewed by the ANAO assessed the number of seizures in letter class mail by country, but there was no record of the conclusions drawn about risk from each cohort. Similarly, Customs provided emails that recorded some conclusions about risk for specific cohorts without any link to source data. The lack of documentation to support risk analysis means that it is difficult to validate targeting decisions at each gateway.

5.15 As previously noted, targeting decisions are documented in the ISAs with Australia Post, and risk ratings for each mail cohort outlined in risk matrices for each gateway facility. The ANAO compared these documents and found that the Sydney, Melbourne and Brisbane Gateway Facilities did not target two cohorts rated as high or medium risk.[81]

5.16 The ANAO also compared the Advanced Analytics Reports cohort risk rankings for the April and July 2013 quarters with the Sydney Gateway Facility's ISA.[82] The analysis found that: nine cohorts are targeted that were not ranked in either report; seven cohorts are targeted but were ranked in only one report; and three cohorts were ranked in both reports but were not targeted. Inconsistencies between the ISA and the gateway risk matrices and Advanced Analytics Reports would suggest that there would be benefits in Customs reviewing its processes so that targeting decisions are consistent with its risk analysis.

A case study of risk: comparing the risk of Cohort A and Cohort B

5.17 The gateway managers also have different views of the risks presented by two AO cohorts (referred to as Cohort A and Cohort B). Cohort A is

81 Customs advised that it phased out the risk matrices after the introduction of the Advanced Analytics Report in April 2013. Notwithstanding this advice, the risk matrices were provided to the ANAO with the advice that they provided Customs' current assessments of cohort risk within each gateway.

82 The Sydney Gateway Facility was selected for this analysis as it receives the greatest mail volume, the highest number of cohorts and, based on advice from Customs, receives the highest risk mail. The analysis focused only on mail cohorts that Australia Post could remove from the screening process.

targeted at all four gateway facilities, while Cohort B is only targeted at two gateways (Brisbane and Melbourne).[83] The ANAO analysed the number of drug seizures for each cohort (see Table 5.1).

Table 5.1: Comparison of the drugs seizures in All AOs, Cohort A and Cohort B for 2012–13

Category of seizures	All AOs	Cohort A	Cohort B
Total number of 'hard drug' seizures[1]	2575	4	286
Total number of cannabis seizures	2989	1	2257
Total number of other drug seizures	9942	1284	1321

Source: ANAO analysis of DGMS seizures data.

Note 1: The ANAO searched the DGMS for records of the following terms: cocaine; heroin; MDMA [methylenedioxymethylamphetamine]; phetamine; ecstasy; ecstacy; LSD [lysergic acid diethylamide]; ephedrine; synthacaine; propamine; cathinone; and ice.

5.18 Cohort A, which is targeted at all four gateways, had around 0.16 per cent of all hard drug seizures and 0.03 per cent of all cannabis seizures. Cohort B, which is targeted at just the two gateways, accounted for 11 per cent of all hard drug seizures[84] and around 76 per cent of all cannabis seizures.

5.19 The ANAO also assessed the nature of all prohibited imports seized for each cohort. In 2012–13, Cohort A resulted in a total of 6820 seizures, one third of which were the drug seizures referred to in Table 5.1. A further 3908 seizures were recorded as weapons, of which 1433 were further described as laser pointers (which are generally regarded as a lower risk than other 'weapons'). By comparison, Cohort B recorded a smaller overall total of seizures (4814), but around 80 per cent (3864) of these seizures were listed as drugs.

5.20 The ANAO's analysis suggests that, contrary to current practice, Cohort B would warrant a higher targeting priority than Cohort A at all gateways, particularly given Customs' advice that narcotics are its highest strategic priority. In response to this analysis, Customs advised that the balancing of:

> … priorities and resources to achieve optimal outcomes in terms of protecting the safety, security and commercial interest of Australia requires constant fine

83 The July 2013 Advanced Analytics Report ranked Cohort B as 23rd (with 45 drug seizures) and Cohort A as 25th (with three drug seizures). The April 2013 report ranked Cohort B 11th and Cohort A was not ranked.

84 Cohort B was ranked third for 'hard drug' seizures, with the top three source countries accounting for around 74 per cent of all 'hard drug' AO seizures.

> tuning. The challenge is that we cannot process both these cohorts so have to make choices. If ACBPS were to choose one risk over the other i.e. acquit small higher risk detections (miniscule in this case) before we reach the lower risk cohort then the effect would be to allow free importation of the lower risk items. Non-firearms weapons, such as knives, knuckle dusters and laser pointers, pose a real and significant danger to the community.

The ANAO considers that this case study highlights the need for Customs to develop a clear and comprehensive targeting model to provide assurance that an appropriate balance has been achieved in managing the different border risks and that priority is being given to the highest mail risks across all gateway facilities.

Targeted campaigns and exercises

5.21 Each gateway may assess risk in unscreened mail cohorts by conducting targeted campaigns, which allows for targeting priorities to be adjusted as necessary. The ANAO was advised by the Director, Strategy and Business Modernisation (who is responsible for developing international mail guidance) that targeted campaigns involve individual gateway facilities periodically targeting unscreened mail. However, there is no national strategy for the conduct of targeted campaigns, and there is limited guidance in relation to conducting and recording them.

5.22 A National Targeted Exercise Register has been posted to the International Mail SharePoint site and can be accessed by all mail staff to report targeted campaign details and outcomes. Only one targeted campaign was recorded in the register for 2013 (up to June), none were recorded in 2012, and 28 campaigns were recorded across 2010 and 2011. Nevertheless, the ANAO identified some documents which highlight that campaigns are conducted without the results being recorded in the campaign register.

5.23 A sound strategic approach and the capturing of targeted campaign data could inform future risk analysis. However, the national register was not up to date, and recorded entries did not generally include the number of items screened during campaigns or the resulting seizures. This means that an Advanced Analytics Report risk ranking for mail cohorts subject to a targeted campaign would not be accurate, because the ranking can only be based on the incoming volume of mail. To enhance risk analysis, there would be benefit in Customs developing a national strategy to coordinate targeted campaigns; and to collect accurate data so that campaign results can be compared with the screening results of targeted mail cohorts across the gateway facilities.

Monitoring targeting performance and leakage of prohibited imports

5.24 As previously discussed, risk-based targeting also requires processes to assess the risk of missed detections, particularly in unscreened international mail. To this end, Customs implemented its sampling program in 2011.

Implementation of the sampling program

5.25 Customs has developed sampling guidelines that outline its sampling methodology, and include the following principles:

- sampling workload is apportioned between the four gateway facilities comparable with the volume of mail received at each;
- sampling is stratified across letter class mail (280 891 samples per year) and non-letter class mail (602 EMS, 5370 AOs and 110 surface parcel samples per year); and
- an annual review of the sample numbers is to take account of changes in mail volumes.

5.26 Customs' documents indicate that these sample sizes would result in a 95 per cent confidence rating. While an appropriate sample size should take account of the resources available within a program area, the ANAO notes that Agriculture's leakage survey (discussed in Chapter 4) is significantly larger than Customs' sampling program. Also, Agriculture's leakage survey takes samples after its screening process to assess overall screening effectiveness, but Customs' sampling program does not.

5.27 The ANAO reviewed Customs' sampling data and found that sampling occurs approximately weekly; but the regularity of sampling varies between gateway facilities. Sampling data is uploaded to the International Mail SharePoint site and Customs used this data to prepare a sampling report in October 2012 (the only report prepared at the time of the audit). The ANAO assessed the October 2012 sampling report and found that around 80 per cent of all AO samples were from one mail cohort.[85] Therefore, while undertaking a sampling program is important for monitoring risks, the narrow focus of

85 This included: 100 per cent (551 out of 552) of AOs sampled at the Melbourne Gateway Facility; 99 per cent (376 out of 380) of AOs sampled at the Perth Gateway Facility; 62 per cent (373 out of 599) of AOs sampled at the Brisbane Air Terminal Centre; and, an estimated 36 per cent (60 out of 166) at the Sydney Gateway Facility.

Customs' program reduced the overall assurance that may be taken from it in relation to the effectiveness of its targeting arrangements.

5.28 The ANAO observed that the border agencies do not share their respective leakage survey/sampling data. Noting that each program seeks to monitor risk in the mail environment, the ANAO considers that there is an opportunity for enhanced collaboration through the conduct of a joint leakage survey and/or the sharing of data.

Estimated leakage of prohibited imports

5.29 An aim of the sampling program should be to calculate non-compliance rates in unscreened mail ('leakage'). However, unlike Agriculture's monthly reporting (discussed in Chapter 4), Customs' first (and only) sampling report, produced in October 2012, did not calculate leakage. Instead, it listed some of the sampling program's seizures and concluded that the analysis 'demonstrates low level leakage of a small number of prohibited imports of a minor nature' which supported the continuation of the targeting strategy.

5.30 As Customs has not independently calculated its leakage, the ANAO calculated leakage rates for non-letter class and letter class mail using data in the October 2012 sampling report. This analysis showed that:

- non-letter class mail samples resulted in 31 seizures, at a leakage rate of 11.25 seizures per 1000 items sampled; and,
- letter class mail samples resulted in 33 seizures, at a leakage rate of approximately 0.16 seizures per 1000 items sampled.

These seizure rates were used to calculate the total leakage from unscreened mail. The results are shown in Table 5.2.

Table 5.2: The estimated leakage of prohibited imports in unscreened international mail for 2012–13

Category of mail	Calculation of leakage
Non-letter class mail	Total items arriving minus total items screened = unscreened non-letter class mail items. Unscreened non-letter class mail items multiplied by the leakage rate = total leakage of 451 125 non-letter class items with prohibited imports.
Letter class mail	Total incoming volumes minus total items screened = unscreened letter class mail items. Unscreened letter class mail items multiplied by the leakage rate = total leakage of 16 768 letter class items with prohibited imports.
Total leakage	**467 893 prohibited imports**

Source: ANAO analysis of Customs' documents.

5.31 The ANAO acknowledges that the accuracy of surveys used to estimate missed detections may be affected by methodological and implementation considerations, and estimates need to be treated with some caution. However the available data indicates that the 67 123 seizures achieved by Customs in 2012–13 represent around 13 per cent of potential prohibited imports seizures.[86] Customs' high estimated leakage rate, particularly in unscreened non-letter class mail would suggest that Customs':

- targeting priorities require adjustment;
- sampling methodology and its implementation requires review; and/or
- screening activities miss a large number of prohibited imports.[87]

5.32 In response, Customs advised of deficiencies in its sampling program including that: there was inadequate separation of samples taken from screened and unscreened mail; samples are not taken at random; sample sizes have not been adequately adjusted in line with increasing mail volumes; sample data was lost or not properly recorded; and, that its own analysis of sampling data was poor. Given these issues, Customs considers that Table 5.2 may not be representative of actual leakage. However, Customs has not assessed the extent to which any (or all) of these deficiencies in the implementation of the sampling program have affected the data used to

86 The 13 per cent seizure rate is the total number of seizures, expressed as a proportion of the sum of the total leakage (from Table 5.2) and Customs' seizures.

87 The ANAO's leakage calculations do not include potential leakage from screened mail, as the sampling program does not aim to assess screening effectiveness.

estimate overall leakage. Customs advised in March 2014 that it has suspended its sampling program pending a review of the program.

Conclusion

5.33 Customs' Risk Assessment Guidelines do not adequately outline its national targeting framework for international mail. Consequently, local targeting decisions are inconsistent between gateways and with the agency's targeting analysis. This variability reduces confidence that high risk mail items are being effectively targeted. The agency introduced its Advanced Analytics Report in April 2013, which was a significant step forward in targeting analysis. However, limitations in the report's methodology reduced its value in supporting targeting decisions.

5.34 Data from Customs' sampling program indicates that the agency seized only 13 per cent of prohibited imports in international mail in 2012–13. While this suggests that Customs' targeting could be significantly improved, Customs advised that deficiencies in the implementation of its sampling program means that there is uncertainty around the leakage estimate. The sampling program is currently under review.

Recommendation No.1

5.35 To improve the targeting in international mail and to support informed and consistent decision making, the ANAO recommends that the Australian Customs and Border Protection Service:

- reviews its targeting model and clearly outlines its risk assessment framework and priorities;
- underpins targeting decisions with sound analysis and documentation; and
- reviews its sampling program and targeted campaigns to better assess risks in unscreened mail, as well as the effectiveness of its screening processes.

Australian Customs and Border Protection Service's response: *Agreed.*

5.36 Customs and Border Protection Border Operational Risk Priorities have been reviewed and allocated. The framework under which the targeting process operates, including the prioritization of risks and guidance to operational areas in allocation of inspection and examination resources has been reviewed with response plans being developed for these operational priorities.

5.37 Customs and Border Protection has moved to a more analytical approach to targeting in mail with the development of the Advanced Analytics reports and their translation into targeting via the Intervention Strategy Agreements. These reports provide a robust analysis platform upon which targeting decisions in relation to narcotics and firearms in mail can be made. A more formalised approach to the manner in which the analysis is translated into targeting decisions is now being implemented in line with operational priorities.

5.38 ACBPS acknowledge that the sampling program in International Mail can be improved. Customs and Border Protection has commenced a redesign and will implement a robust sampling program in International Mail. The intended effect of the sampling program will be to test the effectiveness of the inspection and examination regime in detecting prohibited items in targeted mail cohorts, as well as gauging this risks and leakage in untargeted mail as a method of validating targeting decisions.

6. Screening and Examination of International Mail

This chapter assesses Agriculture's and Customs' arrangements for screening and examining international mail for quarantine risks and prohibited imports.

Introduction

6.1 As previously discussed, Australia Post is required to sort incoming international mail and present the targeted cohorts to Agriculture and Customs for screening.[88] The border agencies primarily use detector dogs and x-ray machines to screen mail. If screening indicates the possible presence of items of quarantine concern or prohibited goods, the items are opened by Australia Post so that their contents can be checked by the relevant border agency to assess compliance with border legislation.

6.2 The ANAO assessed Agriculture's and Customs' arrangements for the screening and examination of international mail, and the presentation of mail by Australia Post.

The presentation of mail for screening

6.3 Senior managers of each border agency advised the ANAO that Australia Post's presentation of targeted mail is generally sound. However, Agriculture considers that the over-presentation of untargeted mail, particularly at the Sydney Gateway Facility, is inefficient. The department currently screens 57 per cent of non-letter class mail at this facility rather than its targeted 20 per cent. It also considers that screening effectiveness may be reduced because staff and detector dogs can lose interest when screening lower risk mail mixed with targeted mail.

6.4 In response to these concerns, Australia Post advised the ANAO that it would use more resources to remove low volume untargeted mail cohorts than Agriculture would use to screen it.[89] To raise awareness of its targeting priorities, Agriculture has included in the Sydney Gateway Facility ISA a

88 Screening is a non-intrusive assessment of individual mail items to determine whether they may contain quarantine risk material or prohibited imports.

89 Australia Post also advised that it is extending the Sydney Gateway Facility to support the improved presentation of international mail for border screening.

request that Australia Post 'endeavour' to remove low volume untargeted mail from border screening.[90] Within this context, Chapter 2 discusses the design of the gateway facilities, noting that they were not designed for a targeted screening approach.

6.5 During the audit, Australia Post advised that a multi-product sorter would be installed at the Sydney Gateway Facility. This sorter will have the ability to sort mail by postcode. The sorter was intended to assist Australia Post with the sorting of mail prior to dispatch to its domestic distribution network, not for the sorting of mail to improve border screening processes. Nevertheless, the border agencies advised that the sorter could improve their targeting if used to allow the screening of mail addressed to high risk postcodes. Given the limitations of the current sorting process, there would be benefit in the National Tripartite Forum developing a concept of operations to outline the benefits of screening some mail by postcode, as well as by cohort at the Sydney facility.[91]

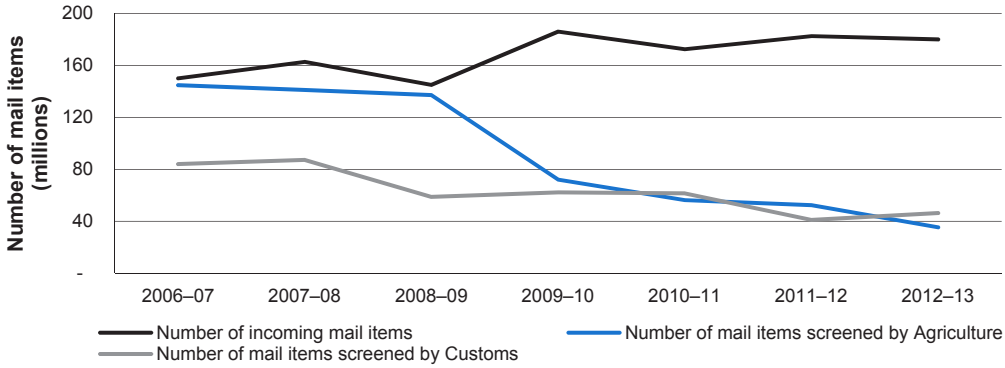
Screening of international mail

6.6 The transition to a risk-based targeting model has resulted in a decline in Agriculture's screening volumes from 145 million items in 2006–07 to 35 million items in 2012–13. Similarly, Customs screening has decreased from around 84 million items to 47 million during the same period (see Figure 6.1). Reflecting the agencies' evolving views of risk, Agriculture is continuing to reduce the number of mail items that it screens, while Customs has recently increased its screening activity.

90 Customs did not share these concerns and its monthly reporting indicates that staff at the Sydney Gateway Facility screened 51 per cent of incoming non-letter class mail in 2012–13.

91 Customs advised that discussions are now occurring regarding the use of the multi-product sorter for screening.

Figure 6.1: Number of mail items arriving and screened, nationally, from 2006–07 to 2012–13



Source: ANAO analysis of Agriculture's, Customs' and Australia Post's documents.

Screening of targeted mail cohorts

6.7 Agriculture's approach to screening is to only screen the mail that is targeted under its national profiles. This approach seeks to maximise effectiveness and efficiency based on existing resources. In contrast, Customs does not always screen mail according to its targeting priorities. For example, on occasions, the Sydney Gateway Facility does not screen targeted AO cohorts (referred to as 'rip and tip'), or may screen untargeted AO mail. Screening decisions are made daily by the shift supervisor based on available resources and other operational activities. The screening of one AO cohort also tapers off for the second half of each month at the Brisbane Air Transit Centre. Customs has no guidance on when (and if) these screening practices should be employed.

6.8 The Sydney Gateway Facility's Daily Operations Reports for May and June 2013 indicate that the screening of targeted cohorts was not carried out for some periods over those two months, but the volume of mail not screened on each occasion was not reported.[92] However, the ANAO's analysis identified that around one per cent (384) of all seizures at the Sydney Gateway Facility in 2012–13 were detected in an untargeted cohort, indicating that significant variation is occurring between targeting priorities and actual screening activities. The screening of untargeted mail and not screening targeted mail has several impacts, including that it reduces:

92 Records indicate that 'rip and tip' occurred for a number of hours in 23 daily operations reports.

- the value of targeting analysis; and
- assurance that screening effectively manages key border risks.

It is important that accurate screening records are maintained and monitored. These records should estimate the number of items actually screened and should be used in targeting analysis to estimate the overall risk for each cohort (as opposed to incoming volumes).

The use of detector dogs for the screening of international mail

6.9 Detector dogs are not trained to detect the odour of all quarantine risk material or prohibited imports. For example, Agriculture's detector dogs were trained to detect live animals until 2008, but this training ceased because of concerns regarding the use of live animals for training.[93] Similarly, Customs' detector dogs are trained to detect organic material such as narcotics, but will not detect firearms and weapons.

6.10 Agriculture screens non-letter class mail by detector dog and/or x-ray, but decided in 2012 that detector dogs are preferred wherever operationally feasible. This decision was based on analysis that indicated that detector dogs screen mail three times faster than x-ray machines. As a result the percentage of mail screened by detector dog increased in 2012–13.

6.11 While Customs also screens non-letter class mail with either capability, x-rays are generally used because detector dogs are not permanently located on-site and there is a risk that they would miss non-organic prohibited imports. Detector dogs are Customs' primary screening tool for letter class mail at all gateway facilities except Sydney, which also uses hand-sorting.

Customs' hand-sorting versus detector dog capabilities

6.12 Hand-sorting at the Sydney Gateway Facility involves the checking of letters for external markings and feeling for internal abnormalities to suggest that it may contain prohibited imports. A training module has been developed to assist staff to recognise risk indicators for hand-sorting, and this method may be used instead of, or in addition to, using detector dogs.

---

93 Agriculture produced an intelligence report in August 2012 that found that the largest proportion of live animal smuggling attempts were made in a cohort generally screened by detector dogs. The report recommended that either Agriculture use x-rays to screen this cohort or that detector dog training to detect live animal imports be resumed.

6.13 Management and staff at the Sydney Gateway Facility consider that hand-sorting provides better screening results because analogue drugs (chemically altered derivatives of other drugs) and odour proofing methodologies inhibit effective detector dog screening. The ANAO's analysis of Customs' seizure data indicates that detector dogs made 2021 seizures in letter class mail in 2012–13, with 'officer's suspicion' resulting in 3590 seizures. However, unlike Agriculture, Customs' sampling program does not seek to estimate the number of prohibited goods missed by each screening methodology or overall screening effectiveness.

Screening by x-ray

6.14 Depending on the respective targeting decisions of each border agency, screening by x-ray may include staff from one or both agencies assessing the same x-ray. When screening by x-ray, each agency takes different approaches.

6.15 Regardless of the mail type, one Agriculture staff member is involved in screening mail items by x-ray, and when the x-ray image or packaging is suspicious the staff member will look for other risk indicators including the country of origin, consignee and sender details located on the declaration.[94] Agriculture's Work Instructions require all risk indicators to be assessed prior to making a decision about whether to refer an item for examination.

6.16 In contrast, Customs' approach to x-ray screening is different for EMS, parcels and AOs. EMS and parcel mail is required to be individually x-rayed. In addition, all risk indicators are to be assessed, including the packaging and appearance, the country of origin, sender and addressee details as indicated on the postal declaration. Two staff are involved in this process; one officer conducts a visual assessment of the package (the 'profiler'), and the second officer assesses the x-ray image (the 'analyst'). However, due to the significant volume of AO mail received, a profiler is not used and AOs are not individually x-rayed.[95]

---

94 Agriculture officers advised that declarations are often not specific or complete enough to be relied upon. ANAO analysis of the MAPS seizure records for 2012–13, showed that the contents of the mail item had not been correctly declared in almost 55 per cent of seizures.

95 Customs advised that AOs are screened commensurate with the risk that they pose, and that the smaller nature of these items means that there is less room to conceal prohibited imports, and a reduced risk of those goods being missed.

6.17 Across all four gateways, the ANAO observed x-raying of mail by Agriculture staff for around five hours and by Customs staff for around 25 hours. The ANAO concluded that border agency staff were alert while reviewing the x-ray images, and were proactive in assessing mail items.

Customs' mail bag screening approach for some AOs

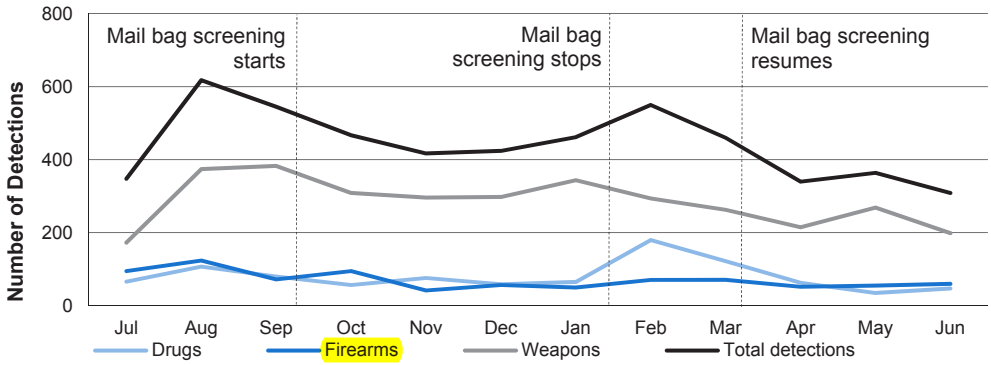
6.18 At the Sydney and Perth Gateway Facilities, Customs conducts mail bag screening. This is the screening of specific AO cohorts by x-ray without removing them from the mail bag. There is no formal guidance to advise if, or for which cohorts, such screening is appropriate.

6.19 The Sydney Gateway Facility periodically screens one cohort by the mail bag as the bags are not densely packed, and there is a clear x-ray image, which the facility considered to be a pre-requisite for mail bag screening. In contrast, the ANAO observed mail bag screening of a different cohort at the Perth Gateway Facility, and noted that each bag was tightly packed, and contained an estimated 100 items or more. The large number of items in bags screened in Perth may increase the risk that a prohibited import could be missed.

6.20 Customs considers that mail bag screening has not had an impact on the number of overall seizures from these cohorts. Figure 6.2 analyses the Sydney Gateway Facility's relevant 2012–13 seizure data.[96]

96 Customs did not commence recording the mail type for each seizure until 2012–13, therefore longer term analysis could not be undertaken. As the Perth Gateway Facility commenced mail bag screening in March 2012, no analysis could be undertaken because there was no prior seizure data in which to make a comparison of effectiveness.

Figure 6.2: Customs' seizures from the cohort subject to mail bag screening at the Sydney Gateway Facility, 2012–13



Source: ANAO analysis of DGMS database.

Note: Customs stopped screening this cohort by mail bag in February 2013 due to an increase in seizures of a body building supplement containing a substance similar to methamphetamine. Screening of mail bags resumed in March 2013 when law enforcement action stopped these imports.

6.21 Figure 6.2 indicates a downward trend in the number of seizures since mail bag screening commenced.[97] In response, Customs advised that the number of seizures from this cohort was declining when it implemented mail bag screening at the Sydney Gateway Facility, and that the ANAO's analysis confirms this trend. Customs also considers that mail bag screening is a pragmatic approach to managing increasing mail volumes and that there is insufficient data to form any conclusions about the impact from this practice on seizure numbers.[98] As Customs has agreed that better guidance and management arrangements for mail bag screening are needed, there would be benefit in Customs assessing the risk that prohibited imports may be missed when subject to mail bag screening, and comparing those risks with other potential options for managing the increasing volume of mail.

Monitoring of screening effectiveness

6.22 As part of its national profile targeting analysis, Agriculture assesses the 'detectability' of quarantine material based on the likelihood that each screening method will detect higher risk commodities. This analysis is based on leakage survey data, and analysis of the commodities seized in each cohort.

97 The number of drugs and firearms seizures declined by around 40 per cent between the first quarter of the financial year and the final quarter.

98 Nevertheless, the ANAO notes that Customs relied on similar seizure data to conclude that mail bag screening has not had an impact on the number of seizures.

In developing its National Profile Register, Agriculture uses this analysis to recommend that each mail cohort be screened by detector dog, x-ray or by either detection method. In addition, Agriculture uses its leakage survey data to internally monitor screening effectiveness (discussed further in Chapter 7).

6.23 By comparison, Customs does not undertake detectability analysis and, notwithstanding its various screening processes, does not seek to assess the effectiveness of each approach. Instead, Customs monitors its screening effectiveness through reviews of missed and near missed detections.[99] Customs advised that, across all four gateway facilities, 120 missed or near missed detections have been identified since 2008. Reviews are uploaded to the International Mail Program SharePoint site to enable the sharing of lessons with relevant staff.

6.24 The number of missed and near missed detections recorded by Customs is likely to be understated. The Australian Federal Police advised the ANAO of one investigation where around 100 international mail articles containing narcotics had been missed. In addition, the ANAO's analysis of DGMS data identified 2350 seizures that were the result of referrals by Agriculture between 2008–09 and 2012–13, indicating that they were either detected in cohorts not targeted by Customs, or after its screening processes.[100] Whilst recognising the value of conducting formal reviews of missed detections, there would also be benefit in Customs assessing the effectiveness of its current procedures for collecting data related to such incidents.

Collaboration in the screening of international mail

6.25 As previously noted, detector dogs are trained to respond to specific quarantine or customs target odours, which limit opportunities for collaboration between the border agencies. Nevertheless, collaboration in the conduct of x-ray screening may assist the border agencies to extend their limited screening resources and to enhance gateway efficiency.

---

99 Missed detections are where mail is delivered and information becomes available to suggest that it contained a prohibited import (for example, through an investigation by law enforcement agencies). A near miss is where a mail article containing prohibited imports evades some of the controls in international mail, but is detected before it is delivered (for example, seizures found through Agriculture's leakage survey, provided they are a significant border risk).

100 Analysis of Customs' 2012–13 DGMS data found that 633 seizures were referrals from Agriculture.

6.26 In May 2011, the Sydney Gateway Facility conducted a two week trial to evaluate whether the border agencies could screen mail on behalf of each other. Agriculture screened two low risk EMS cohorts for Customs, and Customs screened one air parcel cohort for Agriculture. Increased leakage survey/sampling was undertaken to monitor the screening performance and found only minor leakage. The Brisbane Air Transit Centre also conducted a collaboration trial in August 2011, with Agriculture and Customs officers jointly staffing an x-ray machine (one reading the declaration and the other assessing the x-ray image). As with the Sydney Gateway Facility trial, increased leakage surveys/sampling showed minor leakage outcomes.

6.27 The agencies noted in a joint communiqué that the collaboration trials had resulted in efficiency gains, and maintained appropriate management of border risks. While the communiqué also noted that joint screening would be expanded, senior management of each agency advised the ANAO that collaboration now involves one agency referring items of interest to the other, as identified in their own screening activities. In addition, Customs considers that Agriculture's decision to prioritise the use of detector dogs for mail screening limits the possibility of future collaboration. Nevertheless, Agriculture's data indicates that it screened around 23.7 million of the 29.7 million items by x-ray at the Sydney and Melbourne Gateway Facilities in 2012–13, suggesting that opportunities remain to enhance collaboration.

6.28 Regardless of collaboration arrangements, effective cross-agency training may also enhance the ability of screening staff to recognise the border risks of each agency. Of the 32 operational staff (16 Agriculture staff and 16 Customs officers) interviewed by the ANAO, only five Agriculture staff advised that they had received training from Customs, whereas eight Customs officers advised that they had received training from Agriculture.

6.29 The MAPS and DGMS data includes items referred between agencies. For 2012–13, Agriculture recorded that it seized 6185 items (around 18 per cent) referred by Customs. In contrast, Customs recorded that it seized 633 items (around one per cent of all seizures) that had been referred by Agriculture. Improved training and collaboration may assist the border agencies to increase referrals as well as provide opportunities to improve collaboration.

The examination of international mail items

6.30 As previously noted, mail items identified with particular risk indicators during the screening process are referred for examination, which involves the item being opened and its contents checked. As the process is intrusive, it is important that staff comply with relevant legislative requirements.

Authority to open mail

6.31 Agriculture and Customs advised that their internal policy is that Australia Post's staff should open mail for subsequent examination by their officers as the process is then more controlled and accountable.[101] While the ANAO observed that Australia Post's staff do generally open the mail, the ANAO also observed that:

- Agriculture's detector dog handlers opened mail at three gateways, and Customs' staff opened mail at two gateways[102]; and
- where Customs staff opened the mail, they did not document the procedure as required by legislation.

6.32 Commonwealth law provides explicit authority for Agriculture and Customs officers to open mail items for examination. However the legislation is silent on whether Australia Post staff may open mail for Commonwealth quarantine purposes. As it is Agriculture's internal policy that Australia Post staff open mail items, there would be benefits in clarifying this matter. In this context, in response to the ANAO's audit, Australia Post advised that it supports a recommendation by the Low Value Parcel Processing Taskforce to remove the requirement that Australia Post staff open mail items for examination.

101 The border agencies advised that Australia Post staff opening the mail allows them to verify whether any of the contents are broken so that any claims for damages can be apportioned to the correct agency. Australia Post also scans tracked items to maintain accountability.

102 For example, during one observation of detector dogs screening, the ANAO noted that Customs staff had opened and seized 18 letters suspected of containing narcotics.

The conduct of examinations by the border agencies

6.33 The contents of mail items belong to the addressee unless lawfully seized. It is therefore important that examinations are conducted in a controlled manner, and with access to information that allows staff to identify the legal status of mail contents. Agriculture's work instructions and Customs' guidelines require examinations to be conducted on a clear desk and with only one mail item to be opened at a time. The ANAO observed 72 examinations conducted by Agriculture's staff and 65 examinations conducted by Customs' staff, and found that these practices were adhered to, minimising the risk that mail contents will not be returned to an opened package, or that the contents of different mail items could be intermingled.

6.34 The border agencies seize a diverse range of quarantine risk material and prohibited imports. Agriculture seizes commodities from pumpkin seeds to bovine semen; and Customs seizes goods such as narcotics, therapeutic medicines and a variety of controlled weapons. The significant variations in commodities can make decisions to seize complex and access to relevant resource materials is important to support this decision-making. While Agriculture had desktop computers at the examination benches at all four gateway facilities, Customs only had computers at the Melbourne and Brisbane facilities. Where computers were available, staff used them to search the internet and internal departmental resources to assist with the identification of quarantine risk materials and prohibited imports.[103] At the Sydney and Perth Gateway Facilities, Customs had computers located in nearby offices, but staff generally relied on hard copy reference materials.

Processes to control seized goods following examination

6.35 The recording of seizures into each border agency's respective seizure database is important to establish an effective electronic record of the seized goods, particularly for Customs which seizes large quantities of illicit goods of high value and of relevance to criminal investigations.

6.36 The ANAO assessed the time between the date of seizure and the date that each MAPS record was created in 2012–13. Nationally, Agriculture officers recorded seizures in MAPS on average 0.6 days after detection, and

103 For example, the computers allow for searching of Agriculture's Import Conditions Database. Customs staff also had access to a document that lists whether a range of drugs, medications and herbal products should be seized.

98.3 per cent of seizures were recorded on the date of detection. For the 478 seizures which took more than one day to be entered into MAPS, Agriculture advised that the reasons for such delays may include that the examination officer was seeking advice on whether the goods should be seized and data entry errors. All seizures observed by the ANAO were recorded in the MAPS database when first detained.

6.37 The ANAO also assessed the time between the date of seizure by Customs and the date that the DGMS's record was created in 2012–13. Only 36.3 per cent of Customs' seizures were recorded on the day of seizure (24 352 records). Perth and Brisbane were the slowest to record seizures in the DGMS, taking on average 9.8 and 6.3 days respectively.[104] However, when the ANAO excluded seizures recorded in the DGMS on the day of detection, Melbourne was identified as taking significantly longer to record seizures than the other facilities.[105] Across all gateways, around three per cent (1783) of all seizures were recorded in the DGMS more than 30 days after being seized, including around one per cent (553) of seizures that were recorded as drugs.[106]

6.38 Delays are also caused by a lack of computers at Customs' examination tables in Sydney and Perth. For example, in Sydney, seized items awaiting DGMS entry were located:

- on a table in an access controlled room, but accessible by all Customs staff and within metres of staff lockers; or
- in a safe accessible only to Customs' managers.

The agency advised that firearms and narcotics are stored in the above mentioned safe (and are recorded in a register awaiting DGMS data entry), with all other seizures located on the table (and recorded in a separate register only once DGMS data entry has occurred). Staff taking a break from screening or examining mail are required to enter the details of seizures into the DGMS,

104 On average, DGMS records were created in Sydney and Melbourne in 4.6 and 4.0 days respectively.

105 Melbourne's average length of time for DGMS data entry increased from 4.0 to 18.9 days when seizures that were recorded in the DGMS on the day of detection were excluded from the analysis. By comparison, Sydney's period of time increased from 4.6 to 6.0 days, Brisbane's from 6.3 to 8.2 days, and Perth's from 9.8 to 11.0 days.

106 While Customs advised that it prioritises data entry for narcotics, the ANAO identified some examples of narcotics seizures that had taken extended periods for data entry including: in Melbourne, a seizure of 1.025 kilograms of white powder suspected to be cocaine took 33 days; in Perth, seizures of 7.5 kilograms of a body building supplement containing methamphetamine analogue took 27 days, 100 MDMA tablets took 39 days and 50 grams of cocaine took 22 days; and in Sydney, 1000 LSD tablets took seven days.

based on the paper records attached to each item by the officer who conducted the examination.

6.39 Once a DGMS record is created, only staff with system administrator access can delete the record from the system. This is an important control to provide assurance that seized goods are accounted for. The interim methods used in Sydney and Perth (which enters data into a spreadsheet) do not provide the same level of assurance. Also, the extended delays in entering some DGMS data at all gateways, increases the risks that goods could be stolen without an appropriate electronic record created to indicate that a mail item was seized.

Accountability for cross-agency referrals

6.40 As previously discussed, one border agency may refer goods to the other agency for assessment of border compliance and, where appropriate, seizure. Maintaining accurate records of such referrals is important for accountability.

6.41 Agriculture's MAPS data for 2012–13, indicated that 43 of 68 seizures of cannabis seeds were returned to sender.[107] However, Agriculture advised that MAPS does not contain a code to record when seized goods are transferred to Customs, meaning that the records were incorrect. Further information provided by Agriculture indicated that where the MAPs record states that the seeds had been returned to sender, staff had also recorded that the goods had been transferred to Customs, in a free text field. However, there was no clear link between the recorded referral in MAPS, and Customs' DGMS records.[108]

6.42 In addition, Agriculture recorded that 107 items were transferred to Customs from its leakage survey at the Sydney Gateway Facility in 2012–13 (including 35 items suspected to be drugs). Customs advised that it compared this data with a referrals register that it keeps at the Sydney Gateway Facility, and that none of the items that it checked were recorded in the register. Furthermore, Customs advised that it assessed a sample of these referrals by searching its DGMS records for 14 of the 35 drugs seizures, but could not

107 Agriculture seizes cannabis seeds because of the quarantine risk, while Customs seizes cannabis because it is a prohibited narcotic. Agriculture's guidance material states that articles believed to be related to narcotics or drugs are to be referred to Customs, if the quarantine risk is controlled.

108 Difficulties in linking these referrals with Customs' DGMS data include that Agriculture records the number of cannabis seeds seized compared with Customs' records containing weights. Delays in Customs recording seizures in DGMS also impacts the ability to link seizures between the agencies with any confidence.

identify any matches. Where similar DGMS records were listed around Agriculture's referral date, Customs' records did not indicate that the seizures were the result of a referral from Agriculture. To provide assurance that inter-agency referrals are being properly accounted for there would be benefit in the border agencies reviewing their processes for transferring seizures.

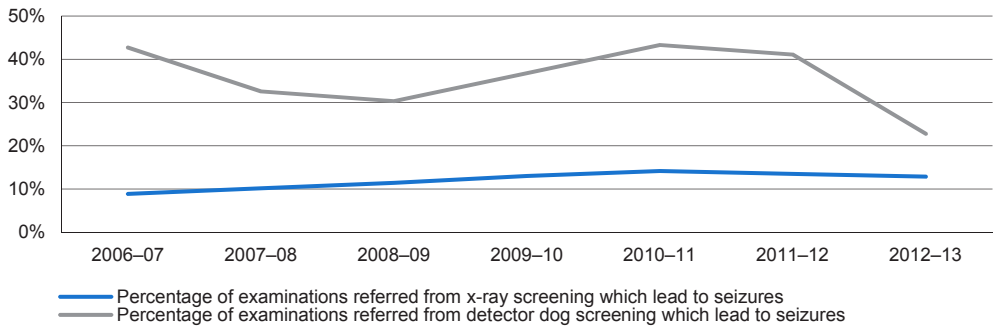
Measuring the effectiveness of examinations

6.43 The examination of mail is time consuming and labour intensive, and referring too much mail to be opened can impact upon gateway efficiency. However, there is a balance to be struck between efficiency and encouraging staff to refer articles where there is a reasonable suspicion of non-compliance.

Agriculture's examination effectiveness

6.44 Agriculture records the screening method for each mail item referred for examination, as well as the outcome of each examination. While the number of examinations conducted has declined from 940 131 in 2006–07 to 172 494 in 2012–13, the percentage of examinations that led to seizures increased from around 12 per cent to around 18 per cent in the same period. As previously discussed, detector dogs are Agriculture's preferred screening resource and Figure 6.3 shows that they have a higher and more efficient examination success rate.

Figure 6.3: Agriculture's effectiveness of examinations referred from x-ray or detector dog screening, nationally, 2006–07 to 2012–13



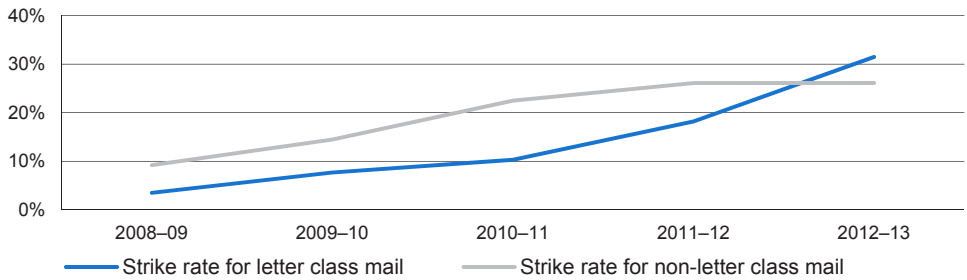
Source: ANAO analysis of Agriculture documentation.

Note: Agriculture advised that its Product Prioritisation Projects (discussed in Chapter 4) are the likely cause for the decline in the detector dogs' examination success rate. Detector dogs are trained to detect target odours and some commodities are no longer seized following those projects.

Customs' examination effectiveness

6.45 Customs also monitors examination effectiveness through its 'strike rate', which is the proportion of mail that is referred for an examination that resulted in a seizure. While Agriculture monitors examination effectiveness for each screening capability, Customs measures its strike rate for non-letter class and letter class mail. The ANAO analysed Customs' strike rate from 2008–09 to 2012–13 (see Figure 6.4).

Figure 6.4: Customs' examination strike rates per financial year for non-letter class and letter class mail nationally, 2008–09 to 2012–13



Source: ANAO analysis of Customs' internal reporting.

6.46 Customs' strike rate for letter class mail has increased from around four per cent to around 32 per cent since 2008–09, compared with an increase from around nine per cent to around 26 per cent for non-letter class mail. The agency considers that the reasons for these increased strike rates include: improved targeting, x-ray analysis and the ability of staff to identify letter class mail risk indicators through hand-sorting; as well as an increase in the number of weapons (including laser pointers) seized in the mail, which are readily identifiable on x-ray.

Conclusion

6.47 Agriculture aims to only screen targeted mail with the screening capability (detector dogs or x-ray) that its analysis indicates is the most effective for that mail cohort. Where neither screening capability is assessed to be more effective, Agriculture has directed gateway facilities to use detector dogs because they are considered more efficient.

6.48 Customs also uses detector dogs and x-ray machines to screen mail, but does not always screen according to its ISAs at each gateway. On occasions, Customs screens AO mail that is not targeted and at other times does not

screen mail that is targeted. Two gateway facilities undertake mail bag screening, which involves screening an entire bag of mail rather than one or a few items at a time. A lack of guidance on when (or if) these screening practices should be undertaken, along with a lack of effective oversight arrangements, reduces the assurance that these practices are appropriate to the circumstances and are commensurate with increased risks of leakage.

6.49 Vulnerabilities identified by the ANAO in border agency management of seized goods increases the risk that items may not be accounted for. On occasions, Agriculture and Customs will refer seizures to each other, but there was a lack of clear documentation to support that the transfer had occurred and that the goods were accounted for in the receiving agency's seizure database. In addition, ANAO analysis of Customs' seizure data found that it takes, on average, between 4.0 days (Melbourne Gateway Facility) and 9.8 days (Perth Gateway Facility) after the day of seizure to enter data in the DGMS. Such delays pose risks for Customs, as data entry into DGMS is the principal means by which evidence of seized goods is maintained.

6.50 Two trials in 2011 showed that screening collaboration, where one border agency screens on behalf of the other, is effective for managing border risks. However, Agriculture and Customs have not pursued further collaborative screening arrangements, suggesting that an opportunity to maximise limited resources and improve overall efficiency of mail screening has been missed.

Recommendation No.2

6.51 To improve its screening and examination processes, including control and accountability for seized prohibited imports, the ANAO recommends that the Australian Customs and Border Protection Service reviews its:

- screening practices for articles ordinaire, and develops guidance to support the consistent application of these practices; and
- processes for recording seized prohibited imports in the Detained Goods Management System so that delays in accounting for these items can be minimised.

Australian Customs and Border Protection Service's response: *Agreed.*

6.52 In financial year to March 2014, Articles Ordinarre (packets) made up approximately 90% of the non-letter mail volume (32% of total mail volume) and account for 60% of all detections made in International mail. However they comprise only 2.7% of the significant detections made in International Mail. Customs and Border Protection applies risk strategies and screening practices in regard to Articles Ordinarre that are commensurate with the risk they pose to the border given the materiality of those detections and available resources. These screening practices require consistency in their application and need to be supported by a robust documentary guidance framework. Customs and Border Protection will develop and implement guidelines for the treatment Articles Ordinarre that provide better instruction and guidance to operational areas.

6.53 ACBPS will review the management and handling of detections to minimizing delays in recording.

7. Measuring and Reporting Performance

This chapter examines Agriculture's and Customs' arrangements for measuring and reporting on their international mail programs.

Introduction

7.1 Since the mid-1980s, Australian government agencies, including Agriculture and Customs, have reported on their performance. Reporting requirements have evolved over time, but the purpose remains the same: to allow the Parliament, the public and key agency stakeholders to assess the effectiveness of an agency's operations and how public funds are being used to achieve legislative requirements and government policy objectives. Program reporting is intended to focus on the objectives of a program, its resourcing, the deliverables it produces and the key performance indicators (KPIs) that measure effectiveness. External reporting should be complemented by effective internal management reporting.

7.2 Within this context, the ANAO examined Agriculture's and Customs' arrangements for measuring and reporting the outcomes of their respective international mail programs.

External reporting

Agriculture's external reporting arrangements

7.3 Agriculture's PBS outcome in relation to international mail is to:

> Safeguard Australia's animal and plant health status to maintain overseas markets and protect the economy and environment from the impact of exotic pests and diseases, through risk assessment, inspection and certification, and the implementation of emergency response arrangements for Australian agricultural, food and fibre industries.[109]

7.4 Underpinning this outcome is a deliverable to 'implement risk-based intervention strategies for vessels, sea and air cargo, international passengers and mail to optimise deployment of resources to provide the greatest benefit to

109 Department of Agriculture, *Budget: Portfolio Budget Statements 2013–14,* 2013, p.4.

Australia's biosecurity status'[110], and a KPI to implement such risk-based biosecurity intervention. For 2012–13, the department's target for monitoring its progress against this KPI, was to 'implement change projects'.[111]

7.5 While the current KPI is linked to the program outcome through the development of risk-based intervention, there are no KPIs or targets that clearly outline and demonstrate the effectiveness of its intervention strategy in safeguarding Australia from quarantine risks. For example, there was no international mail specific information reported in Agriculture's Annual Report 2012–13, and the requirement to implement change projects does not adequately consider whether such projects are effective nor demonstrate the extent to which the department has achieved its outcome.

7.6 In August 2012, Agriculture implemented new internally reported performance indicators (discussed further below). In advice to the then Minister for Agriculture, Fisheries and Forestry, the department advised that it would publish its performance for one of these indicators: the post intervention compliance (PIC).[112] Despite this advice, the PIC was not reported in the Annual Report 2012–13. There would be value in Agriculture reporting the PIC, and developing indicators that provide a basis for assessing the effectiveness of its risk-based biosecurity interventions.

Reporting of seizure numbers

7.7 Agriculture's annual report includes the number of mail items seized each financial year. The ANAO's analysis of Agriculture's MAPS database showed that between 2009–10 and 2012–13, Agriculture reported between 18 and 25 per cent more seizures in its annual reports than it had recorded in its database. Agriculture advised that these variances occurred after it changed its data queries for the annual reports and that it would correct the figures in an appendix to its Annual Report 2013–14.

---

110 Department of Agriculture, *Budget: Portfolio Budget Statements 2013–14,* 2013, p.70.

111 According to the 2013–14 Portfolio Budget Statement, the department will 'monitor and review change projects' to track progress against this deliverable and KPI.

112 The PIC is the proportion of mail items in the postal system that are compliant with biosecurity regulations after all intervention activities have taken place. For example, a PIC of 99.9 per cent means that the department estimates that 0.1 per cent of mail items delivered will contain quarantine risks.

7.8 There has been a decline in the number of Agriculture's seizures by around 76 per cent since 2007–08. However, this does not in itself reflect a decline in the effectiveness of Agriculture's risk-based targeting approach. Available data suggests that, overall, international mail is highly compliant and Agriculture has undertaken a range of projects, which will have impacted the number of items seized. The lack of mail specific information in Agriculture's annual reports makes it difficult for external stakeholders to gain assurance as to the department's overall effectiveness and the reasons for the significant declines in seizure numbers.

Customs' external reporting arrangements

7.9 Customs' PBS outcome for International Mail is the 'protection of the safety, security and commercial interests of Australians through border protection designed to support legitimate trade and travel and ensure collection of border revenue and trade statistics'. To achieve this outcome, the agency has the objective to establish 'effective border protection for the Australian community by regulating and facilitating legitimate trade and undertaking risk-based interventions to prevent the illegal movement of goods across the border'. Customs had three international mail related PBS deliverables for 2013–14 that set the following target volumes: the screening of 25 million non-letter class mail items; the screening of 15 million letter class mail items; and the number of examinations that are conducted. Customs' performance against its deliverables are reported in its annual reports, and outlined in Table 7.1. There were no KPIs in the agency's PBS for international mail.

Table 7.1: Customs' reported performance against its PBS deliverables, from 2008–09 to 2012–13

PBS deliverable	2008–09	2009–10	2010–11	2011–12	2012–13
Number of non-letter class mail items screened (deliverable)—millions	18.3 (18)	20.7 (18)	21.1 (18)	20.6 (20)	30.8 (25)
Number of letter class mail items screened (deliverable)—millions	40.5 (40)	41.5 (40)	40.4 (40)	20.4 (20)	15.5 (15)
Number of mail items examined	239 689	202 858	181 195	215 643	223 150

Source: Australian Customs and Border Protection Service Annual Reports from 2008–09 to 2012–13.

7.10 While the deliverables provide a screening target, they do not provide an effective method for assessing whether Customs has achieved its objective of protecting the border through risk-based interventions. There would be benefit in Customs developing relevant KPIs that demonstrate that its risk-based interventions are effective.

Setting and allocation of screening deliverables for non-letter class mail

7.11 As highlighted in Table 7.1, Customs has periodically adjusted its deliverables. In regards to the non-letter class mail deliverable, advice to the National Director Cargo and Trade about the deliverables for 2012–13 PBS recommended an increase of five million items nationally, to enable accurate reporting without significant overachievement against the target. While this recommendation was agreed to by the National Director, the advice did not reflect the views of all gateway managers regarding the number of mail items being screened. The gateway managers in Brisbane, Melbourne and Perth had requested modest allocation increases. The Sydney manager had requested an increase of 21 million, which would have given that gateway a total allocation of around 33 million.[113] Ultimately, the Sydney Gateway Facility received only 3.17 million of the five million national increase. Customs could not provide any analysis on how it arrived at the increased figures. The setting of PBS deliverables and resource allocation is a matter for senior management, taking account of the relative risks across different operational areas. However, such decisions should be based on sound analysis and advice, and documented appropriately.

Setting and allocation of screening deliverables for letter class mail

7.12 The letter class mail screening deliverable was first set at 40 million (down from 66 million letters the previous year) based on advice in 2008 to the then Minister for Home Affairs that such mail was low risk, with around one in 58 000 items screened being found to contain prohibited imports. Since then, the deliverable was reduced to 20 million for 2011–12, and further reduced to 15 million for 2012–13. When recommending the reduction to 15 million items, the International Mail Program advised that a 94 per cent increase in the number of seizures from letter class mail, at a time when the

113 The Sydney Gateway Facility Manager advised that his request was based on his analysis of incoming mail volumes and the targeting priorities at the time. Nevertheless, in response to the ANAO's audit, this analysis was reviewed and found that the request should have been for an additional 14 million (for a total of 25 million). The error occurred because a 30 per cent screening increase to take account of the Christmas peak period had been applied to the full year rather than for one month.

number of items screened had been reduced by 50 per cent, indicated that letter class mail risks were being well managed.

7.13 The ANAO's analysis of Customs' seizure data found that: it seized one in every 1938 letters screened in 2012–13 (up from one in 58 000 in 2008); seizures in letter class mail have increased 625 per cent since 2010–11; and around 98 per cent of seizures in letter class mail are recorded as drugs. Customs considers that improved targeting of letter class mail and training of staff to recognise risk indicators has produced positive screening results. However, the lack of an effective sampling program (discussed in Chapter 5) means that the agency's targeting and screening effectiveness was not assessed.

Recording and reporting the number of items screened

7.14 Agriculture and Customs use Australia Post's mail volumes data to estimate the number of mail items screened based on the their targeting priorities, and the number of items arriving. There are two types of mail volumes data: individual gateway and national level data. Electronic scanning of each EMS and parcel item means that gateway and national level data for these mail types is generally accurate and consistent. However, there is no scanning of AOs or letter class mail, and volume estimates are based on conversion rates generated by Australia Post, using methodologies as outlined in Appendix 2.

7.15 The different conversion rates can result in significant variations in estimates of arriving mail. The ANAO's analysis of the number of AOs arriving between January and May 2013 shows that, when compared with the national reports, the gateway reports had:

- higher estimates for Sydney (average variance 27 per cent) and Brisbane (average variance 25 per cent); and
- lower estimates for Melbourne (average variance of four per cent) and Perth (average variance of 42 per cent).

7.16 Australia Post's gateway data indicates that 4.74 million more AOs arrived during the five month period than its national data. However, as the national and gateway level conversion rates are periodically adjusted, the variability between the two data sets would likely change. The border agencies have raised concerns about the variations in the volumes data with Australia Post, noting that the variations impact reporting and targeting analysis.

Australia Post advised that the national data is more accurate as it is based on an internationally agreed sampling methodology. The border agencies advised that, at the time of the audit, the gateway level data was used because of a six week time lag in receiving the national data.[114]

Agriculture's recording processes for screening numbers

7.17 Unlike Customs, Agriculture does not externally report the number of items that it screens, but it does use Australia Post's volumes data to support targeting analysis (discussed in Chapter 4) and internal reporting (discussed below). Each gateway is responsible for calculating the number of mail items screened based on the operational circumstances of the facility.

7.18 All gateway facilities advised that they report that 100 per cent of the incoming volume of mail for each targeted non-letter class mail cohort is screened. However, at the Sydney, Melbourne and Perth gateways, some targeted mail comes mixed with untargeted mail. Only the Sydney Gateway Facility advised that it adjusts its reported screening numbers to take account of untargeted mail that is mixed and screened with targeted mail. The adjustment is based on advice from Australia Post in regards to the untargeted mail that it cannot remove from the screening process. The ANAO considers that to enhance the accuracy of Agriculture's reporting and the integrity of its targeting model, there would be benefits in the Melbourne and Perth facilities also adjusting their reported screening numbers where appropriate.

Customs' reporting of screening numbers

7.19 Customs' gateway staff are also responsible for estimating the number of items screened. Each gateway has developed different recording processes, which are outlined in Table 7.2.

114 Customs advised that the national volumes data has been used to report screening numbers since January 2014.

Table 7.2: Estimating screening numbers at each gateway facility

Gateway facility	Methodology for estimating screening numbers
Brisbane Air Transit Centre	**Non-letter screening**: all targeted mail is reported as screened except: • one targeted AO cohort is reported as 20 per cent screened because the gateway aims to screen only some AOs from that country; and • reporting for a second AO cohort is based on how the facility is progressing against its deliverable allocation and likely intervention, noting that intervention in this cohort tapers off once the screening target is met. **Letter screening:** the number of letter trays screened is recorded each day, but reported figures are adjusted to align with the allocated deliverable.
Melbourne Gateway Facility	**Non-letter screening**: untargeted mail items are subtracted from the total incoming numbers, as well as an extra 45 per cent to adjust for inconsistencies in Australia Post's volumes data. The basis for the 45 per cent reduction could not be provided and, at the time of the audit, the gateway was reassessing its methodology. **Letter screening:** 304 letter trays was assumed to be screened each month. The gateway advised that it now records each letter tray screened.
Perth Gateway Facility	**Non-letter screening**: reports 100 per cent screening of targeted cohorts. **Letter screening:** the number of letter trays screened is reported.
Sydney Gateway Facility	**Non-letter screening**: in January 2013, untargeted mail numbers were subtracted from incoming numbers for EMS, parcels and AOs, along with 50 per cent of the three AO cohorts subject to 'rip and tip'. There was no adjustment made for the periodic screening of untargeted mail. The proportion of mail screened in January 2013 is used for calculating the screening activities undertaken each subsequent month. **Letter screening:** Australia Post is requested to present 100 trays for screening each day and all trays are assumed to have been screened for reporting purposes.

Source: ANAO discussions with Customs staff and analysis of Customs' data.

Non-letter class mail reporting

7.20 The ANAO considers that the Melbourne Gateway Facility is under-reporting the number of non-letter class mail items that it screens by subtracting 45 per cent of targeted AOs from its reported figure. The Sydney Gateway Facility is also likely to be under-reporting the number of non-letter class mail items that it screens because its conversion rate accounts for targeted mail that is not screened, but does not account for untargeted mail that is

screened.[115] Advice from the Director Strategy and Business Modernisation (who is responsible for internal advice regarding the setting of the deliverable targets) was that reporting aims to 'provide assurance that the deliverable is met, rather than to demonstrate the full extent of mail screening'. Gateway managers also advised that under reporting occurs due to its potential effect on resourcing levels.

Letter class mail reporting

7.21 In regards to letter class mail, the reporting methodology at the Brisbane Air Transit Centre only reports screening at levels consistent with its allocated PBS deliverable.[116] In contrast, the Sydney Gateway Facility requests that Australia Post present 100 letter class mail trays, and reports that all trays are screened. The ANAO compared Sydney's monthly performance reporting with its Daily Operational Reports between January and July 2013. The monthly performance reports recorded around 6.53 million letter class mail items screened, compared with 2.5 million letters recorded as screened in the Daily Operations Reports.

7.22 While the ANAO has identified issues with the different reporting methodologies, the extent of any discrepancy between reported and actual screening numbers is generally unknown. Given the different approaches adopted by each gateway, there would be value in developing appropriate guidance. The Government announced on 23 January 2014 that it will allocate $30.1 million to increase the screening of air cargo and international mail. In this context, it is important that the agency addresses these inconsistent and inaccurate reporting practices as a matter of priority.

Conclusion

7.23 The border agencies have PBS outcomes related to using risk-based interventions to manage quarantine and customs risks in international mail. However, reporting by each agency differs, with Agriculture having one key performance indicator that requires the implementation of risk-based

115 The Sydney Gateway Facility's Daily Operations Reports for May and June 2013 indicate that the screening of targeted cohorts was not carried out for some periods of those two months (discussed in Chapter 6). The ANAO also notes that the large increase in the non-letter class deliverable requested by the Sydney Gateway Facility manager in 2012 (see paragraph 7.13), was in part intended to enable more accurate reporting of screening volumes.

116 In August 2013, the Brisbane Air Transit Centre achieved its Portfolio Budget Statement deliverable target in the first eight days of screening, which means that the remaining 13 days were under-reported.

biosecurity intervention and a target to implement change projects. By contrast, Customs does not have any KPIs, but has three deliverables: the number of letter class and non-letter class mail items screened; and the number of examinations conducted. The ANAO considers that neither agency is able to demonstrate the effectiveness of their risk-based strategies to managing border risks. There would be value in both agencies developing and reporting on deliverables, KPIs and measurable targets that assess the effectiveness of their intervention activities.

7.24 In reporting against its PBS deliverables, Customs relies on Australia Post's incoming mail volumes data to estimate its screening numbers. Agriculture also relies on this data for internal reporting and targeting analysis. However, neither agency has developed guidance for collecting and reporting the number of mail items screened. There were also differences in the way that the gateway facilities were reporting their screening numbers for each agency, but most notably by Customs. Customs' inconsistent practices have led to inaccurate PBS reporting, although the quantum of this inaccuracy is not known.

Recommendation No.3

7.25 To better measure and report the effectiveness of their intervention strategies for the international mail program, the ANAO recommends that the Department of Agriculture and the Australian Customs and Border Protection Service:

- develop and report against deliverables, key performance indicators and targets that assess the achievement of the program's outcome; and
- develop guidance to support the implementation of a consistent approach to collecting and reporting of accurate screening data by the gateway facilities.

Department of Agriculture's response: *Agreed.*

7.26 The department agrees with this recommendation. The department welcomes the ANAO's acknowledgment that the department has developed five internally reported performance indicators which adequately cover the key aspects in managing arriving international mail in line with the department's risk based approach. The department has processes in place to review its current external reporting practises, consistent with the *Public Governance, Performance and Accountability Act 2013*.

7.27 Additionally, the department has initiated work with the Centre of Excellence for Biosecurity Risk Analysis (CEBRA), through the end-point survey project, to improve the approach to collecting and reporting accurate screening data by gateway facilities. This work will be complemented by continued improvements in Australia Post's operations, including infrastructure upgrades, to provide more accurate volume reporting.

Australian Customs and Border Protection's response: *Agreed.*

7.28 ACBPS will review its performance deliverables against comparable law enforcement agencies with a view to identifying any opportunities to benchmark and more closely align deliverables against its program outcome (while noting the broad nature of this outcome presents some challenges).

7.29 The ANAO has noted some of the issues related to volumetric data that occur in international mail. Customs and Border Protection has moved down the path of consistent methodology of collecting inspection data at each gateway. Customs and Border Protection will review the collection of inspection data with a view to obtaining as consistent and accurate data as possible to assist in reporting and refining targeting.

Internal management reporting

7.30 External reporting should be complemented by internal management reporting that enables monitoring by senior executives and supports decision making processes.

Agriculture's internal reporting arrangements

7.31 As part of implementing a risk-based targeting model, Agriculture sought advice from ACERA to assist with the development of its performance indicators. Based on ACERA's analysis, Agriculture implemented five internal performance indicators, statistically based on available seizure data, incoming mail volumes and leakage survey data (and outlined in Table 7.3).

Table 7.3: Agriculture's five internal performance indicators

Indicator	Description
Before intervention compliance (BIC)	The BIC is the proportion of mail items compliant with biosecurity regulations prior to intervention. Agriculture estimates non-compliance based on the number of seizures it achieves, as well as an estimate of non-compliance in unscreened mail and past screening methodologies based on leakage survey results multiplied across mail volumes.
Assessment hit rate	The assessment hit rate is the proportion of screened mail items that contain quarantine risk material whether detected or not, which provides a measure of the precision of targeting decisions (national profiles). This hit rate is calculated based on the number of seizures achieved, and an estimate of the proportion of mail items that contain quarantine material that are screened but missed, as evidenced by the leakage survey.
Screening hit rate	The screening hit rate is the proportion of mail referred for examination that contains non-compliant items, which provides a measure of the precision of screening referral decisions. This hit rate is calculated using the number of seizures achieved, and an estimate of the proportion of mail items that contain quarantine material missed during an examination (evidenced by leakage survey samples taken after this process).
Non-compliance effectiveness (NCE)	The NCE is the rate at which mail articles that contain quarantine risk material are seized when they have been screened and examined by the department. This provides an overall assessment of effectiveness for the screening and examination process.
Post intervention compliance (PIC)	PIC is the proportion of mail items remaining in the postal stream that are compliant with biosecurity regulations after all intervention activities have been performed. For example, a PIC of 99.9 per cent means that the department estimates that 0.1 per cent of mail items delivered will contain quarantine risks, as evidenced by the proportion of leakage survey samples containing such material extrapolated across Australia Post's incoming volumes data.

Source: ANAO analysis of Agriculture's documents and advice.

7.32 These indicators focus on 'higher risk' seizures, or for all types of quarantine material. They provide useful information for management and provide a measure of Agriculture's performance regarding each of the key mail processes (targeting, screening and examinations). In addition, the before intervention compliance indicator provides an estimate of the proportion of mail that contain quarantine risks approaching the border, which can be compared with the post intervention compliance indicator to assess the overall impact of the department's intervention approach. Monitoring the before intervention compliance indicator over time provides a guide as to whether risks in the environment are increasing or decreasing.

Reporting against internal indicators

7.33 Agriculture has prepared monthly management reports for international mail since August 2012. The monthly reports include each gateway's performance and areas for improvement, as well as a consolidated national level reports. The reports include:

- performance against the indicators described in Table 7.3;
- the amount of mail that was screened, and by which screening method;
- the number of seizures of 'risk' and 'higher risk' quarantine material; and
- the number of mail items taken as part of the leakage survey and leakage survey results.

7.34 Much of the information provided in the monthly reports is in graphical form, and gateway managers advised that the reports are difficult to interpret. The ANAO reviewed the reports and noted that there was limited analysis to explain the underlying reasons for the results. For example, the Sydney Gateway Facility's March 2013 report noted that it had seized only 16 per cent of the estimated 9326 mail items containing higher risk quarantine material arriving at the facility that month. There was no explanation of these results, which reduces the value and understanding that the data could otherwise provide. To improve the overall usability of the monthly performance reports, there would be value in Agriculture providing more analysis and interpretation of the data.

7.35 Agriculture also produces a quarterly International Mail Executive Report. The quarterly report outlines to senior management the performance against internal performance indicators and provides analysis of the volumes of incoming and screened mail, as well as the full time equivalent hours spent locating each high risk seizure. While these reports provide useful data, they also contain limited analysis to explain the outcomes. In March 2014, Agriculture advised that it has revised the format of its quarterly International Mail Executive Report and was also intending to revise its monthly reports.

Customs' internal reporting arrangements

7.36 Customs' International Mail Program also produces a monthly management report. The report is updated by staff in each gateway, and is then provided to the National Manager and International Mail Program managers (including gateway managers). The report contains a significant

amount of data generally considered useful within the mail program. The format of the report has evolved from 10 worksheets in 2007–08 to 31 worksheets in 2012–13.[117] As at June 2013, the monthly report included data on:

- the volume of arriving mail items—by gateway and class of mail, with a comparison to the same month in the previous financial year;
- gateway progress against screening deliverables and examination strike rates—by non-letter class and letter class mail;
- the total number of seizures—by gateway, stocktake category, and mail class (divided into either letter class or non-letter class seizures);
- the examinations strike rate for significant finds, and details of each significant find for the reported month;
- the number of laser pointers and performance and image enhancing drug seizures for each gateway;
- the number of full time equivalent positions, overtime hours and total work hours per month for each gateway; and
- the international mail program budget and expenditure.

7.37 Customs monthly reporting allows for a comparison of performance between gateways across a range of gateway activity, including:

- screening rates compared with seizure rates[118];
- the number of mail items screened per work hour at each facility; and
- the operational workload of the program compared with available staff.

While such workload analysis would ordinarily provide useful performance and management information, the lack of consistent and accurate processes to capture screening numbers at each gateway (as discussed in Table 7.2) limits the reliability and usability of such analysis.

117 Customs advised that it has revised its internal reporting framework for 2013–14, and that the monthly report now contains 21 worksheets.

118 For example, Customs considers that the reported increase in its screening strike rate (i.e. number of seizures per items screened) of over 400 per cent since 2006–07 is an indicator of targeting effectiveness.

The number of seizures as a measure of performance

7.38 Customs considers the number of seizures to be a key performance indicator, particularly as it is seen as reflecting the effectiveness of its risk-based targeting and screening strategies. The ANAO reviewed the number of seizures reported in Customs' performance reports, and analysed the DGMS seizure records and noted variances for each financial year since 2007–08. Customs advised that the two sets of data would not necessarily reconcile as the monthly report takes a snapshot of DGMS data at a point in time. In addition, any deletions of DGMS records (discussed in Chapter 6) may impact the data and delays in recording seizures may mean that they are recorded after the monthly report is generated. It is not clear that these reasons fully account for the variations, particularly noting that there was around 10 per cent variability for 2007–08 and 2010–11.

7.39 The number of seizures of prohibited imports in international mail has increased around 190 per cent since 2006–07. This may be an indicator of sound targeting and improved screening performance, and/or that:

- risks in the international mail environment have increased significantly;
- the introduction of new Commonwealth regulations has increased the number of seizures; and/or
- targeting is increasingly weighted towards cohorts of mail that yield more seizures, rather than the highest risk prohibited imports.

7.40 However, as discussed in Chapter 5, implementing a reliable and accepted estimate of leakage would provide an important insight into overall effectiveness that should be considered along with the number of seizures.

Conclusion

7.41 Agriculture has implemented five internal performance indicators, which are reported against in monthly and quarterly performance reports. These indicators cover targeting analysis, screening and examinations, as well as providing an indication of overall risks in the environment and leakage of quarantine material. While the indicators are sound, reporting is statistically based and the reasons for the reported outcomes are not explained or supported by analysis, which reduces the usefulness of the performance reports.

7.42 Customs also prepares monthly reports that contain a significant amount of management and performance data. However, analysis of some aspects of performance is highly dependent on volumetric data, including screening numbers. As the screening numbers are not accurate, the value of such reporting and analysis is limited. Developing guidance for the consistent and accurate collection and reporting of mail data would provide greater assurance that the border risks are being effectively managed.

Ian McPhee

Auditor-General

Canberra ACT

18 June 2014

Appendices

Appendix 1: Agency Responses to the Proposed Report

Australian Government
Department of Agriculture

SECRETARY

Ref: EXEC2014-04709

Ms Barbara Cass
Group Executive Director
Australian National Audit Office
19 National Circuit
BARTON ACT 2600

Dear ~~Ms Cass~~ Barbara

Thank you for your letter of 8 May 2014 regarding the proposed performance audit on the Screening of International Mail and for the opportunity to respond to the report.

The Department of Agriculture (the department) agrees with the recommendation in the report that relates to its operations. The report recognises the complex international mail environment that the department operates in and the improvements made by the department to better understand and manage its risks in this pathway. The report also acknowledges the significant work undertaken by the department over recent years to move towards a risk based approach for screening international mail.

The department's comments for inclusion in the Audit Report Summary are provided at Attachment A.

Finally, I would like to acknowledge the cooperation and assistance provided by members of your audit team.

If you require any further clarification on our comments, please contact David Mackay, Director Business Assurance on 02 6272 3806 or david.mackay@agriculture.com.au.

Yours sincerely

Paul Grimes

5 June 2014

T +61 2 6272 3933
F +61 2 6272 5161

18 Marcus Clarke Street
Canberra City ACT 2601

GPO Box 858
Canberra ACT 2601

daff.gov.au
ABN 24 113 085 695

ATTACHMENT A

Audit Report Summary and Recommendation Response

Audit Report Summary

The Department of Agriculture (the department) considers the report and findings provide a basis for further improvements to the risk based management of biosecurity in international mail. As noted in the report, international mail is currently estimated to have an overall compliance rate with quarantine regulations of 99.9 per cent.

In an environment with over 186 million approaching mail items per year, the department's challenge is to identify biosecurity risk material in less than 0.1 per cent of arriving mail. The department's risk management approach has been implemented over recent years to concentrate resources in the areas of highest risk. The department's deployment of risk mitigation and targeting measures will continue to be refined with increased knowledge, understanding and experience of risk in this pathway.

The department is working closely with the University of Melbourne through the Centre of Excellence for Biosecurity Risk Analysis (CEBRA) on two key projects to further improve the targeting of biosecurity risk in the international mail pathway. These involve the spatial analysis of delivery addresses for intercepted mail items, with the objective of improving interception rates for certain classes of mail and, the examination of end-point surveys in international mail.

Department of Agriculture response to Recommendation 3:

Agreed.

The department agrees with this recommendation. The department welcomes the ANAO's acknowledgment that the department has developed five internally reported performance indicators which adequately cover the key aspects in managing arriving international mail in line with the department's risk based approach. The department has processes in place to review its current external reporting practises, consistent with the *Public Governance, Performance and Accountability Act 2013*.

Additionally, the department has initiated work with the Centre of Excellence for Biosecurity Risk Analysis (CEBRA), through the end-point survey project, to improve the approach to collecting and reporting accurate screening data by gateway facilities. This work will be complemented by continued improvements in Australia Post's operations, including infrastructure upgrades, to provide more accurate volume reporting.

2

Australian Government

Australian Customs and Border Protection Service

4 June 2014

Ms Barbara Cass
Group Executive Director
Performance Audit Services Group
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Ms Cass

Thank you for the opportunity to provide formal comments to the Australian National Audit Office's (ANAO) proposed audit report on the *Screening of International Mail.*

Australian Customs and Border Protection Service (ACBPS) thanks the ANAO audit team for their efforts in developing the proposed report. There are a number of business improvements that have been identified through the audit process and ACBPS has commenced the process of responding to and actioning these.

ACBPS believes that the overall effectiveness of the risk based approach is demonstrated by a 183% increase in the number of prohibited items detected since 2007-08, while the number of inspections has decreased by 47%.

The ACBPS approach to targeting in international mail is based on a broad risk based approach that is tailored to the mail environment. In absence of item-level data it is not possible to implement a centralised item level targeting regime, such as the one that operates in air and sea cargo. The intelligence analysis that supports this framework in international mail is based on intelligence priorities that are centrally produced. Illicit drugs and firearms are key areas of focus, consistent with national targeting priorities, risk assessment guidelines and the regular Advanced Analytics intelligence products.

Analysis and priorities are translated into targeting decisions consistent with the Intervention Strategy Agreements that have been negotiated with Australia Post. Given the environment, these decisions are broad and involve selecting cohorts of mail (country of origin and mail class). Regional gateway managers must balance a range of factors when nominating cohorts for inspection in the context of the Intervention Strategy Agreements. An optimal community protection approach requires interventions against the highest risk cohorts be delivered consistent with the regional risk profile. There is also a need to maintain a level of presence across mail cohorts as risk is spread widely across the environment and the deterrence value of intervening broadly across the population is significant. This layered approach to risk and the complexities that underpin it form the basis of the ACBPS approach to managing risk in international mail. This approach is supported by well-trained ACBPS staff, working in partnership with our investigators and Law Enforcement partners to deter and disrupt the

movement of illicit goods. The report over emphasises detector dog and x-ray tools in relation to detailing screening arrangements, when these are only two elements of the layered approach to targeting and interdiction.

ACBPS acknowledges that there is a leakage rate associated with intercepting prohibited items at the border. However, current data does not enable a reliable estimate of this leakage in International Mail. In the absence of this data, quoting the figure of 467,893 estimated prohibited imports that were not detected by the ACBPS screening program is unreliable because the current methodology has been identified as inaccurate.[119]

In addition to these overall comments, specific responses to each of the Recommendations are provided below.

Recommendation 1

To improve the targeting in international mail and to support informed and consistent decision making, the ANAO recommends that the Australian Customs and Border Protection Service:

- *reviews its targeting model and clearly outlines its risk assessment framework and priorities;*
- *underpins targeting decisions with sound analysis and documentation; and*
- *reviews its sampling program and targeted campaigns to better assess risks in unscreened mail, as well as the effectiveness of its screening processes.*

Customs and Border Protection Response

Agreed

- Customs and Border Protection Border Operational Risk Priorities have been reviewed and allocated. The framework under which the targeting process operates, including the prioritization of risks and guidance to operational areas in allocation of inspection and examination resources has been reviewed with response plans being developed for these operational priorities.
- Customs and Border Protection has moved to a more analytical approach to targeting in mail with the development of the Advanced Analytics reports and their translation into targeting via the Intervention Strategy Agreements. These reports provide a robust analysis platform upon which targeting decisions in relation to narcotics and firearms in mail can be made. A more formalised approach to the manner in which the analysis is translated into targeting decisions is now being implemented in line with operational priorities.
- ACBPS acknowledge that the sampling program in International Mail can be improved. Customs and Border Protection has commenced a redesign and will implement a robust sampling program in International Mail. The intended effect of the sampling program will be to test the effectiveness of the inspection and examination regime in detecting prohibited items in targeted mail cohorts, as well as gauging this risks and leakage in untargeted mail as a method of validating targeting decisions.

Recommendation 2

To improve its screening and examination processes, including control and accountability for seized prohibited imports, the ANAO recommends that the Australian Customs and Border Protection Service reviews its:

- *screening practices for articles ordinaire, and develops guidance to support the consistent application of these practices; and*
- *processes for recording seized prohibited imports in the Detained Goods Management System so that delays in accounting for these items can be minimised.*

[119] **ANAO comment:** The audit report notes Customs' reservations about how its sampling survey was implemented in paragraphs 15, 31 and 5.32, and notes that Customs has not undertaken any analysis to ascertain the impact of its implementation on the survey results. These issues underscore the importance of the consistent implementation of administrative practices, including the development of indicators of effectiveness, an important component of which would include estimates of leakage.

Customs and Border Protection Response

Agreed

- In financial year to March 2014, Articles Ordinarre (packets) made up approximately 90% of the non-letter mail volume (32% of total mail volume) and account for 60% of all detections made in International mail. However they comprise only 2.7% of the significant detections made in International Mail. Customs and Border Protection applies risk strategies and screening practices in regard to Articles Ordinarre that are commensurate with the risk they pose to the border given the materiality of those detections and available resources. These screening practices require consistency in their application and need to be supported by a robust documentary guidance framework. Customs and Border Protection will develop and implement guidelines for the treatment Articles Ordinarre that provide better instruction and guidance to operational areas.
- ACBPS will review the management and handling of detections to minimizing delays in recording.

Recommendation 3

Agreed

To better measure and report the effectiveness of their intervention strategies for the international mail program, the ANAO recommends that the Department of Agriculture and the Australian Customs and Border Protection Service:

- *develop and report against deliverables, key performance indicators and targets that assess the achievement of the program's outcome; and*
- *develop guidance to support the implementation of a consistent approach to collecting and reporting of accurate screening data by the gateway facilities.*

Customs and Border Protection Response

- ACBPS will review its performance deliverables against comparable law enforcement agencies with a view to identifying any opportunities to benchmark and more closely align deliverables against its program outcome (while noting the broad nature of this outcome presents some challenges).
- The ANAO has noted some of the issues related to volumetric data that occur in international mail. Customs and Border Protection has moved down the path of consistent methodology of collecting inspection data at each gateway. Customs and Border Protection will review the collection of inspection data with a view to obtaining as consistent and accurate data as possible to assist in reporting and refining targeting.

ACBPS will continue to seek improvements in the way we target, inspect, examine international mail. Implementing the recommendations of this ANAO audit will assist us on the pathway of continuous improvement.

I trust that you will find these comments useful in preparing your final report.

Yours sincerely

Karen Harfield

Karen Harfield
National Director
Compliance and Enforcement
3rd June 2014

AFP
AUSTRALIAN FEDERAL POLICE

COMMISSIONER

GPO Box 401, Canberra ACT 2601 Australia
Telephone +61 2 6131 5600 Facsimile +61 2 6132 6600
www.afp.gov.au
ABN 17 864 931 143

Our Reference: 2014/2921

4 June 2014

Mr Ian McPhee PSM
Auditor-General
Australian National Audit Office
GPO Box 707
Canberra ACT 2601

Dear Mr ~~McPhee~~ Ian,

I refer to correspondence from the Australian National Audit Office (ANAO) of 8 May 2014, under the signature of Ms Barbara Cass, which provided the AFP with an extract of the proposed audit report on Screening of International Mail. The proposed audit report has been provided to the AFP pursuant to sub-section 19(3) of the Auditor-General Act 1997.

The AFP welcomes the opportunity to contribute to the ANAO Performance Audit, *Screening of International Mail*. The AFP acknowledges that the international mail environment is particularly challenging for Australian Customs and Border Protection Service (ACBPS), Australian Quarantine and Inspection Service (AQIS) and the AFP. In recent years not only have international mail volumes increased significantly but internet based enterprises have also emerged that readily enable the importation of prohibited material to Australia. Delivery of the *Screening of International Mail* audit is therefore timely in informing agencies' ongoing efforts, and the AFP looks forward to reviewing the report in its entirety.

Should your office require any further assistance in relation to this matter, please contact Mr Jason Cresswell, Manager Internal Audit and Business Analysis (61315719).

Yours sincerely

Andrew Colvin APM
Performing the duties of Commissioner

Appendix 2: Australia Post's methodologies for estimating AO and letter class mail volumes

1. Australia Post generates volumes estimates for AO and letter class mail at each gateway, as well as at the national level. The methodology for generating the gateway estimates is different from the national level volume estimates.

2. The gateway level volume estimates for AOs and letters are based on manual counting of every arriving mail item for one week in March, and the average number that fits into standard receptacles become the conversion rates applied at each gateway for the following financial year.[119] The conversion rates are used to estimate arriving mail items based on the number of each type of receptacle filled at each facility. Australia Post advised that gateway volumes reports are generated a couple of days after each month, and are used by Australia Post to assess gateway productivity.

3. The national data has a different conversion rate based on an internationally agreed 'Items Per Kilo' sampling methodology. The Items Per Kilo methodology involves weighing and counting a sample of the contents of mail bags from different countries of origin, the results of which are averaged across a rolling 18 month period. This provides a conversion rate specific to each gateway for each mail cohort (i.e. the mail class and country of origin). The Items Per Kilo conversion rate is used to calculate the volume of mail arriving at each gateway dependent on the number of mail bags received from each country. This data is then compared with the data of foreign postal services, and Australia Post negotiates its remuneration for the mail that is delivered within Australia. As this data is subject to negotiation, the final agreed national mail volume reports are not available until around six weeks after the end of each month.

119 During that one week, the number of letters that fit into small and large trays, and the number of AOs that fit into a Universal Loading Device are counted and averaged.

Index

A

Advanced Analytics Report, 22, 74, 75, 76, 77

Approach rate, 60, 61, 65, 72, 110

Australia Post, 14, 19, 20, 23, 25, 45, 46, 50, 51, 52, 57, 75, 83, 84, 92, 104, 105, 123

Australian Federal Police, 19, 43, 44, 45, 73

C

Customs' response, 109

Customs' Risk Plan, 53, 56, 73

D

Detained Goods Management System, 15, 24, 38, 90, 91, 94, 95

Detector dogs, 23, 24, 51, 83, 86, 87, 96

E

Examination of mail, 92, 93, 94, 96, 97, 110

H

Higher risk quarantine material, 21, 62, 65, 67

I

Intervention Strategy Agreements, 19, 47, 52, 59, 70, 75, 82, 83

K

Key performance indicators and deliverables, 18, 25, 100, 101, 102, 103, 106, 107, 108

L

Leakage

- Agriculture's estimated leakage, 67
- Agriculture's leakage survey, 17, 18, 20, 21, 60, 65, 66, 67, 78, 79, 109, 110, 111
- Customs' estimated leakage, 79
- Customs' sampling program, 17, 18, 20, 23, 28, 78, 79, 80, 82, 87

M

Mail and Passengers System, 15, 24, 38, 60, 62, 63, 87, 91, 93, 95, 101

Mail types and classes

- Articles Ordinaire, 13, 24, 34, 74, 76, 79, 85, 87, 88, 123
- Express Mail Service, 13, 34, 35, 71, 74, 78, 87
- Letter class mail, 25, 36, 37, 65
- Letters, 25, 34, 36, 37, 43, 50, 65
- Non-letter class mail, 13, 25, 26, 34, 35, 37, 61, 84
- Parcels, 74, 78, 87

materiality, 22, 71, 72, 74, 99

Memorandum of Understanding, 19, 46, 47

Missed detections, 18, 23, 57, 65, 80, 90

N

National profiles, 21, 22, 61, 62, 63, 65, 68, 85

P

Product prioritisation, 21, 64

Prohibited imports

- Drugs, 72, 76, 87, 89, 94, 95, 104

Firearms, 20, 48, 56, 57, 72, 74, 77, 86, 89, 94

Laser pointers, 55, 76, 77, 97, 112

Non-firearms weapons, 56, 72, 76, 77, 86, 93

R

Risk Assessment Guidelines, 22, 70, 71, 72, 73, 75

S

Scattergun importations, 73

T

Targeted campaigns, 28, 77, 78

U

Universal Postal Union, 20, 36, 57

X

X-ray machines, 23, 24, 49, 50, 52, 86, 87, 88, 90, 96, 97

Series Titles

ANAO Audit Report No.1 2013–14
Design and Implementation of the Liveable Cities Program
Department of Infrastructure and Transport

ANAO Audit Report No.2 2013–14
Administration of the Agreements for the Management, Operation and Funding of the Mersey Community Hospital
Department of Health and Ageing
Department of Health and Human Services, Tasmania
Tasmanian Health Organisation – North West

ANAO Audit Report No.3 2013–14
AIR 8000 Phase 2 — C-27J Spartan Battlefield Airlift Aircraft
Department of Defence

ANAO Audit Report No.4 2013–14
Confidentiality in Government Contracts: Senate Order for Departmental and Agency Contracts (Calendar Year 2012 Compliance)
Across Agencies

ANAO Audit Report No.5 2013–14
Administration of the Taxation of Personal Services Income
Australian Taxation Office

ANAO Audit Report No.6 2013–14
Capability Development Reform
Department of Defence

ANAO Audit Report No.7 2013–14
Agency Management of Arrangements to Meet Australia's International Obligations
Across Agencies

ANAO Audit Report No.8 2013–14
The Australian Government Reconstruction Inspectorate's Conduct of Value for Money Reviews of Flood Reconstruction Projects in Queensland
Department of Infrastructure and Regional Development

ANAO Audit Report No.9 2013–14
Determination and Collection of Financial Industry Levies
Australian Prudential Regulation Authority
Department of the Treasury

ANAO Audit Report No.10 2013–14
Torres Strait Regional Authority — Service Delivery
Torres Strait Regional Authority

ANAO Audit Report No.11 2013–14
Delivery of the Filling the Research Gap under the Carbon Farming Futures Program
Department of Agriculture

ANAO Report No.12 2013–14
2012–13 Major Projects Report
Defence Materiel Organisation

ANAO Audit Report No.13 2013–14
Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2013
Across Agencies

ANAO Audit Report No.14 2013–14
Explosive Ordnance and Weapons Security Incident Reporting
Department of Defence

ANAO Audit Report No.15 2013–14
The Indigenous Land Corporation's Administration of the Land Acquisition Program
Indigenous Land Corporation

ANAO Audit Report No.16 2013–14
Administration of the Smart Grid, Smart City Program
Department of the Environment
Department of Industry

ANAO Audit Report No.17 2013–14
Administration of the Strengthening Basin Communities Program
Department of the Environment

ANAO Audit Report No.18 2013–14
Administration of the Improving Water Information Program
Bureau of Meteorology

ANAO Audit Report No.19 2013–14
Management of Complaints and Other Feedback
Australian Taxation Office

ANAO Audit Report No.20 2013–14
Management of the Central Movement Alert List: Follow-on Audit
Department of Immigration and Border Protection

ANAO Report No.21 2013–14
Pilot Project to Audit Key Performance Indicators

ANAO Audit Report No.22 2013–14
Air Warfare Destroyer Program
Department of Defence
Defence Materiel Organisation

ANAO Audit Report No.23 2013–14
Policing at Australian International Airports
Australian Federal Police

ANAO Audit Report No.24 2013–14
Emergency Defence Assistance to the Civil Community
Department of Defence

ANAO Audit Report No.25 2013–14
Management of the Building Better Regional Cities Program
Department of Social Services
Department of the Environment

ANAO Audit Report No.26 2013–14
Medicare Compliance Audits
Department of Human Services

ANAO Audit Report No.27 2013–14
Integrity of Medicare Customer Data
Department of Human Services

ANAO Audit Report No.28 2013–14
Review of Child Support Objections
Department of Human Services
Department of Social Services

ANAO Audit Report No.29 2013–14
Regulation of Commonwealth Radiation and Nuclear Activities
Australian Radiation Protection and Nuclear Safety Agency

ANAO Audit Report No.30 2013–14
Administering the Code of Good Manufacturing Practice for Prescription Medicines
Department of Health

ANAO Audit Report No.31 2013–14
The Australian Electoral Commission's Storage and Transport of Completed Ballot Papers at the September 2013 Federal General Election
Australian Electoral Commission

ANAO Audit Report No.32 2013–14
Delivery of the Hearing Community Service Obligation
Department of Health
Department of Human Services
Australian Hearing Services

ANAO Audit Report No.33 2013–14
Indigenous Employment in Australian Government Entities
Across Agencies

ANAO Audit Report No.34 2013–14
Implementation of ANAO Performance Audit Recommendations
Department of Agriculture
Department of Human Services

ANAO Audit Report No.35 2013–14
Managing Compliance of High Wealth Individuals
Australian Taxation Office

ANAO Audit Report No.36 2013–14
The Administration of the Parliamentary Budget Office
Parliamentary Budget Office

ANAO Audit Report No.37 2013–14
Management of Services Delivered by Job Services Australia
Department of Employment

ANAO Audit Report No.38 2013–14
Establishment and Administration of the National Offshore Petroleum Safety and Environmental Management Authority
National Offshore Petroleum Safety and Environmental Management Authority

ANAO Audit Report No.39 2013–14
Compliance Effectiveness Methodology
Australian Taxation Office

ANAO Audit Report No.40 2013–14
Trials of Intensive Service Delivery
Department of Human Services

ANAO Audit Report No.41 2013–14
Commercialisation Australia Program
Department of Industry

ANAO Audit Report No.42 2013–14
Screening of International Mail
Department of Agriculture
Australian Customs and Border Protection Service

Better Practice Guides

The following Better Practice Guides are available on the ANAO website:

Administering Regulation	June 2014
Implementing Better Practice Grants Administration	Dec. 2013
Human Resource Management Information Systems: Risks and controls	June 2013
Preparation of Financial Statements by Public Sector Entities	June 2013
Public Sector Internal Audit: An investment in assurance and business improvement	Sept. 2012
Public Sector Environmental Management: Reducing the environmental impacts of public sector operations	Apr. 2012
Developing and Managing Contracts: Getting the right outcome, achieving value for money	Feb. 2012
Public Sector Audit Committees: Independent assurance and advice for chief executives and boards	Aug. 2011
Fraud Control in Australian Government Entities	Mar. 2011
Strategic and Operational Management of Assets by Public Sector Entities: Delivering agreed outcomes through an efficient and optimal asset base	Sept. 2010
Planning and Approving Projects – an Executive Perspective: Setting the foundation for results	June 2010
Innovation in the Public Sector: Enabling better performance, driving new directions	Dec. 2009
SAP ECC 6.0: Security and control	June 2009
Business Continuity Management: Building resilience in public sector entities	June 2009
Developing and Managing Internal Budgets	June 2008
Agency Management of Parliamentary Workflow	May 2008
Fairness and Transparency in Purchasing Decisions: Probity in Australian Government procurement	Aug. 2007
Implementation of Programme and Policy Initiatives: Making implementation matter	Oct. 2006