

MANAGEMENT & ACCOUNTABILITY

This section reviews Customs major management and accountability strategies and performance.

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CORPORATE GOVERNANCE

Corporate Planning

With the adoption of accrual accounting and outcome/output budgeting, Customs planning documents were reviewed for continuing suitability. The documents consist of a broad strategic level Corporate Plan with a life of three years, an annual Working Corporate Plan (internal only), which focuses in detail on activities for a given year and annual Divisional, Branch and Work Area Plans – Customs functional business plans.

This series of documents was retained for the corporate planning of Customs but the planning framework was reviewed and aligned to Customs outcome/outputs. Performance measures were reviewed and incorporated in the Working Corporate Plan as well as Branch and Work Area Plans as required.

This new framework is working well and, to assist staff to embrace the change, a comprehensive planning guide was produced to provide web-based support in the preparation of Customs annual plans.

Internal Audit

Customs conducts internal audits to improve organisational performance by focusing on areas that have higher risk profiles, or concern management. Internal audits provide assurance to management and the Audit Committee of the quality of Customs internal controls and procedures and provide recommendations to improve the effectiveness and efficiency of its business practices.

30 audits and evaluations were completed, with a further five in draft. Virtually all recommendations were accepted by management, and progress toward implementation of the recommendations was monitored in accordance with the Audit Committee's quarterly schedule of meetings.

In addition to core audits, Internal Audit was involved in major system implementation projects, by providing ongoing controls advice. Major projects for the year included Y2K, tax reform, TRS, National Intelligence System (NIS) and CMR.

Risk Management

A new strategic risk profile was developed for 2000 and a major review of risk management in Customs was completed.

The review of risk management laid the basis for further actions to completely integrate risk assessment and management into Customs planning and resource allocation processes as well as its management culture.

Additional measures were also identified for ensuring that risk assessment and management form part of the day-to-day management and operations of Customs. This review and the foundation work carried out in the last half of 1999-2000 will form the basis of Customs risk management activity in 2000-2001.

Specific risk management exercises were conducted during the year to ensure the sound management of major Customs projects and initiatives. These assessments included high profile activities such as the Olympics, CMR and tax reform.

Output Based Accrual Budgeting

Following the implementation of accrual budgeting in 1999-2000, Customs sought to strengthen the integration of costing information and output budgeting with strategic decision making. The appointment of senior managers as Output Coordinators linked the budget process with internal arrangements. This was further reinforced by the adoption of the outputs structure within the Customs Corporate Plan.

Ethical Standards and Accountability

Code of Conduct/Integrity

In December 1999, Customs implemented the Australian Public Service (APS) Values and the APS Code of Conduct. Consistent with the new *Public Service Act 1999*, disciplinary provisions were replaced by breaches of the Code of Conduct mechanisms. Amendments were also made to Customs 'whistleblowers' policy.

Customs Internal Affairs Unit (IAU) delivered integrity training sessions to all new employees. The IAU informed managers and senior managers of the role and function of the unit, their obligations under the Code of Conduct and their responsibilities in reporting misconduct and suspected internal criminality.

Internal Affairs Unit

The IAU promptly and impartially investigates serious misconduct and complaints of criminality against Customs employees.

The IAU conducted investigations into 67 complaints of serious misconduct and/or criminality and 108 miscellaneous inquiries. Of the 67 matters received, 19 were substantiated, 29 were not substantiated and 19 are still being investigated. Of the matters substantiated, resulting action included officer counselling, fines, officer resignations and suspensions and procedural and policy change. Where incidents of suspected criminality were substantiated, the matters were referred to the AFP or other appropriate law enforcement agencies.

As an initiative to encourage employees to report incidents of suspected misconduct and criminality, IAU staff were more visible throughout the organisation. Together with integrity training this resulted in an increased number of inquiries by employees to the IAU.

Investigations changes were recommended to the use of the Customs computer system, the handling and storage of detained goods and the handling of cash. Such change will see a dramatic reduction in the amount of time it will now take to audit, analyse, identify and deal with inappropriate use of Customs computer system.

Customs Security

Customs security officers provide advice to managers on measures to protect agency assets and information, process personnel security clearances, and coordinate and conduct security risk reviews. The national review of security clearances was completed in June 2000. The review was part of an ongoing strategy designed to ensure all Customs staff are cleared to at least 'Protected' level and that only suitable contract staff obtain access to sensitive information and/or valuable resources.

Advice on security matters was provided for the establishment of Coastwatch National Surveillance Centre, the Sydney 2000 Olympic and Paralympic Games, implementation of tax reform initiatives, Y2K contingency planning, East Timor and accommodation refurbishments.

A Customs security awareness program was finalised in November 1999 although implementation was temporarily deferred due to other training commitments within Customs. Attention to security is an integral part of Customs everyday operations and the program is aimed at raising awareness throughout the agency.

INTERNAL AND EXTERNAL SCRUTINY

Freedom of Information

Section 8 of the *Freedom of Information Act 1982* (FOI Act) requires each agency to publish information about the way it is organised, its functions, its decision making powers, arrangements for public involvement in the work of the agency, documents held by the agency and the way in which members of the public may obtain access to these documents.

Information on the organisation, powers and functions of Customs is reported on page 9. Relevant consultative mechanisms are reported on page 12.

Figure 30: Requests Made under the *Freedom of Information Act 1982*

	1997-1998	1998-1999	1999-2000
Requests received			
Section 19	67	58	47
Section 54 (Internal Review)	5	5	7
Section 55 (AAT Review)	4	2	4
Total	76	65	58
Decisions in relation to Section 19 requests			
Access granted in full	12	20	20
Access granted in part	20	17	14
Access refused	7	14	14
Requests transferred	..	1	1
Requests withdrawn	19	6	3
Time taken to process Section 19 requests*			
0-30 days	31	34	34
31-60 days	16	12	10
61-90 days	6	2	1
More than 90 days	5	3	3
Fees and charges (\$)			
Application fees collected	1 450	1 690	1 390
Charges notified	6 928	2 517	935
Charges remitted	1 555	..	69
Charges collected	5 373	2 306	935
Outstanding charges at 30 June	..	211	..

* 1997-1998 data include requests that were withdrawn.

Freedom of Information Procedures and Access to Information

Applications for access to documents under the FOI Act can be made by contacting the Freedom of Information Coordinator at any of the Customs locations listed in Appendix C on page 142. Enquiries can be made by letter or telephone or in person. Formal Freedom of Information requests must be in writing and should include telephone contact numbers and return address. Customs provides facilities for the inspection of documents accessed under the FOI Act.

To ensure a transparent process, in which all interested parties have the maximum opportunity to defend their interests, Customs also maintains a public file for all anti-dumping and countervailing investigations and reviews.

Categories of Documents

Customs maintains information on a wide range of topics. A list of the broad categories of documents follows:

- Agendas, Minutes and Decisions
- Internal Administration Papers
- Manuals and Training Materials
- Briefing Papers
- Database Records
- Documents Open to Public Access
- Documents Available for Purchase
- Documents Normally Available to the Public.

Ministerial Representations

During the year, Customs dealt with 752 representations to, or referred to, the Minister for Justice and Customs. This compares with 589 in 1998-1999. Responses to 16 Parliamentary Questions were provided and 449 briefings were provided.

Figure 31: Ministerial Correspondence

	1997-1998	1998-1999	1999-2000
Initiated outside Customs			
Responses prepared by			
Border	149	76	95
Coastwatch	2	42	48
Commercial	635	406	557
Office of Business Systems	3
Information Technology Management	1	1	..
Investigations	18	2	10
Intelligence	2	1	2
Staffing	20	12	7
Financial Management	38	10	5
Executive	8	14	10
Legal	21	14	5
Planning and International (formerly Executive Support)	17	11	10
Total	911	589	752
Correspondence received for information	371	275	450
Total	1 282	864	1 202
Initiated within Customs			
Action and Information Briefs to the Minister	543	277	449

Review of Decisions and Litigation

There were 76 applications for review to the Administrative Appeals Tribunal. There were seven applications for review to the Federal Court for *Administrative Decisions (Judicial Review) Act 1977* matters. Additional information is provided at Appendix D.

Significant Judicial and Tribunal Decisions

AMI Toyota

In February 2000, the Federal Court upheld an appeal by AMI Toyota against a decision of the Administrative Appeals Tribunal (AAT) that the customs value of imported motor vehicles should include that element of the price of the vehicles attributable to 'average warranty costs'.

The implications of the Court's decision are significant as it directly effects the determination of the customs value of imported goods with a price which is inclusive of a warranty. Customs has appealed the decision to the Full Federal Court.

Kia

In reconsidering a matter referred to it by the Federal Court, the AAT found that the buying commission paid by Kia Australia to an agent who had a two per cent share in Kia Korea should not be included in the customs value of motor vehicles purchased by Kia Australia from Kia Korea. The Tribunal found that the agent was not relevantly associated with Kia Korea and formed the view that any shareholding less than a controlling interest would be insufficient to form a relevant association.

Significant prosecution cases are reported in Output 1 on page 38 and Output 4 on page 60.

Reports by the Auditor-General tabled during 1999-2000

The Australian National Audit Office (ANAO) audited Customs financial statements, in accordance with its annual financial statements' review of Commonwealth Entities. The ANAO performance audit specific to Customs was:

- ANAO Report No 38 1999-2000: Coastwatch

Other audits which had significant implications or included Customs (among other agencies) in fieldwork and results were:

- ANAO Report No 02 1999-2000: Use of Financial Information in Management Reports;
- ANAO Report No 04 1999-2000: Fraud Control Arrangements;

- ANAO Report No 12 1999-2000: Management of Contracted Business Support Processes;
- ANAO Report No 18 1999-2000: Electronic Service Delivery;
- ANAO Report No 25 1999-2000: Commonwealth Electricity Procurement;
- ANAO Report No 32 1999-2000: Management of Commonwealth Non-Primary Industry Levies;
- ANAO Report No 39 1999-2000: Coordination of Export Development and Promotion Activities Across Commonwealth Agencies;
- ANAO Report No 45 1999-2000: Commonwealth Foreign Exchange Risk Management Practices; and
- ANAO Report No 47 1999-2000: Survey of Fraud Control Arrangements in the APS.

The recommendations reported in the above reports may cover generic recommendations to be adopted by Commonwealth entities, and/or recommendations targeted to specific agencies. Progress toward implementation of the recommendations relevant to Customs from all ANAO reports tabled during the year is monitored in accordance with the Customs Audit Committee's quarterly schedule of meetings.

Details of ANAO reports are on the ANAO website at (<http://www.anao.gov.au>).

Reports by Parliamentary Committees

In February 2000, Customs made a submission and appeared before the Senate Legal and Constitutional Legislation Committee on the Customs Legislation Amendment (Criminal Sanctions and Other Measures) Bill 1999. The Committee issued a report on 16 February 2000. Refer to page 42 for further information on this legislation.

The Senate Economics Legislation Committee reported on the Customs Amendment (Warehouses) Bill 1999 and the Import Processing Charges Amendment (Warehouses) Bill 1999 in August 1999. It also reported on the Customs Tariff Amendment Bill (No. 1) 2000 and the Excise Tariff Amendment Bill (No. 1) 2000 in May 2000. The Senate Standing Committee on Regulations and Ordinances reviewed a number of amendments to Customs (Prohibited Imports) Regulations and Customs (Prohibited Exports) Regulations including the amendment to introduce controls on the importation of erythropoietin (EPO) in September 1999.

The Joint Standing Committee on Treaties reported on the Protocol of Amendment to the International Convention on the Simplification and Harmonisation of Customs Procedures (Kyoto Convention) in April 2000 and recommended that binding treaty action be taken. Refer to page 43 for further information on revised Convention.

The Joint Committee of Public Accounts and Audit began an inquiry into Coastwatch and Customs made a submission to the committee in June 2000. Refer to Output 3 on page 53 for further detail.

Customs also made submissions to and/or appeared before a number of non-Customs specific parliamentary committees. Customs appeared before the Senate Standing Committee for the Scrutiny of Bills during its consideration of *Entry and Search Provisions in Commonwealth Legislation in August 1999*.

Information regarding these submissions and reports can be found at (<http://www.aph.gov.au>).

Privacy Matters

The Privacy Commission did not raise any specific cases on Customs matters.

Ombudsman Matters

Figure 32: Complaints under the *Commonwealth Ombudsman Act 1976**

	1997-1998	1998-1999	1999-2000
Complaints received			
Written	26	23	17
Oral	67	60	51
Total (complaints received)	93	83	68
Issues finalised			
Discretion exercised	56	56	52
Withdrawn or lapsed	5	5	4
Investigations resolved	32	32	23
In favour of complainant	4	4	..
Substantially in favour of complainant	1	1	..
Partially in favour of complainant	3	3	..
Not at all in favour of complainant	7	7	..
Arguable agency defect	6	6	10
No evidence of agency defect	14	14	9
Assessment of agency defect not determined	1	1	4
Total (issues finalised)	93	93	79
Median time to finalise investigated complaints (days)	70	70	19

* The method of reporting investigation outcomes was changed on 1 January 1999.

MANAGEMENT OF HUMAN RESOURCES (HR)

Customs Workforce Planning Project is linking effective HR management with organisational goals. Customs developed a comprehensive approach to recruitment, training, development, skilling and selection of staff to meet future workforce requirements.

The performance of staff was more clearly linked to the corporate planning process. Customs introduced individual staff performance assessment based on performance goals which are derived from the Australian Business Excellence Framework and Customs corporate, divisional and work area plans.

Workforce Planning Project

The policy development stage of the Customs Workforce Planning Project was completed. The project began in March 1999 and focussed on putting policies and practices in place to deliver a workforce with the characteristics and attributes necessary to meet Customs business requirements now and into the future.

A vision of Customs business and a statement of required workforce characteristics were used as a point of reference in developing integrated approaches to recruitment and selection, training and development, performance management and the development of a broad skill base through work assignment.

New approaches developed through the project were implemented or trialled during the first half of 2000. Recruitment and training for the introduction of the TRS tested and validated new directions and practices.

Development of data analysis and reporting tools to support workforce analysis, projection and planning is nearing completion. Availability of these tools early in the second half of 2000 will assist in the development of a national workforce plan and guide strategies to address requirements for recruitment, skill development and succession planning.

Customs Graduate Trainee Program

Through the Graduate Trainee Program, Customs recruits and develops tertiary qualified staff to contribute to the achievement of business outcomes and develop leaders of the future.

Linda Carrall, a Customs Graduate in 1999, said:

'This year has been one of the most rewarding I have experienced in terms of development. I would recommend the program to anyone who would like the opportunity to learn a great deal in a relatively small amount of time.

In terms of career prospects the graduate program provides many opportunities to begin a satisfying career in Customs. I (have) found good friends, caring mentors and an interesting career.'

Work on the creation of an integrated, competency based Customs Development Program began with the identification of a single set of competencies including management and technical skills required by staff in all work areas.

The approach builds on previous work in the development of program specific training packages relating to:

- Commercial Education
- Public Sector Quality Management
- Fraud Control (Investigations)
- Assessment and Workplace Training.

Implementation of the program is expected towards the end of the 2000 calendar year following a process of curriculum revision, development and accreditation.

Detailed Human Resources and Occupational Health and Safety (OH&S) information is at Appendices E and F on pages 145 and 148.

Commercial Education Program (CEP)

CEP is a competency based program available to all staff. 64 staff applied for assessment against a set of functional competency standards through the Recognition of Current Competency (RCC) process and 35 staff were recognised at the required standard.

21 Certificate Level IVs and 31 Diplomas in Business and Commerce (Customs) were awarded to staff. The University of Canberra separately awarded five Advanced Diplomas and one Graduate Certificate in Business under a partnership arrangement.

The CEP curriculum continued to be developed at all three levels and 40 units are now available for delivery. 30 courses were delivered and there were over 820 attendances at formal training sessions on Commercial related functions.

Production and delivery of Tax Reform training was a major achievement as all staff undertook some form of GST training delivered under the CEP.

Implementation of the 1999 Certified Agreement - Customs Five Level Structure

In August 1999, a new five-level classification structure replaced Customs 31 separate classifications in eight levels below the Senior Executive Service. This was a key element of Customs Certified Agreement, which was ratified by the Industrial Relations Commission in June 1999. Benefits of the new structure include greater flexibility in deployment of staff previously limited by classification barriers and a significant reduction in the use of higher duties and other classification based allowances.

Performance Assessment and Feedback (PAF)

Customs officially implemented the Performance Assessment and Feedback system. All major milestones were met during the cycle. The new system linked pay advancement to performance based on contribution to the work area plan. Pay outcomes for 1999-2000 will be in place in early August 2000.

The system provides a mechanism for staff to gain feedback on workplace performance and identify development options. A recent staff survey indicates the opportunity to do this is highly valued by staff.

Successful implementation of the Performance and Assessment Feedback system has taken commitment and effort by all staff. Some challenges have been experienced and these will be addressed in the review phase in August 2000.

Staff have Their Say on Survey Day

On 16 February 2000, 94 per cent of staff responded to the second staff opinion survey. The survey results indicated a significant improvement in motivation. In response to the survey results, Customs Executive identified three areas of significance: Direction, Career Prospects and Organisational Appreciation.

Using feedback from the 1998 staff survey, Customs undertook a national approach to survey data, analysis and feedback. In an innovative approach, Customs Survey Feedback and Action System provided staff with the opportunity to comment on, and contribute to, the development of work area improvement actions.

Overall the strategy worked well. Many favourable comments were received particularly regarding the timeliness of the feedback received and the receptiveness to improvement initiatives implemented.

Customs plans to conduct another survey in about two years time.

People Management Reporting

Work began on the development of a people management reporting solution. The solution provides a single point of access to information about workforce demographics, key performance indicators for people management and internal and external benchmarks.

Phase One will provide Customs managers and human resource advisers with access to people management reports via the Customs Intranet. Accessible information will include trend and performance data covering areas such as staff turnover, unscheduled absence and age, classification and tenure profiles.

Access to improved people management information through the reporting solution is expected to better equip managers for both day-to-day decision making and longer term recruitment, work assignment and succession planning.

Workplace Reform

Focus on workplace reform continued with procedures and practices routinely being monitored and modified to improve matching of resources to workloads. Shift arrangements at both Melbourne and Brisbane airports were reviewed (refer to Output 2 on page 49). Customs also reviewed District and Geographic (D&G) allowances. The new D&G provisions to be introduced in July 2000 reduce the number of allowances thereby streamlining and simplifying administration processes.

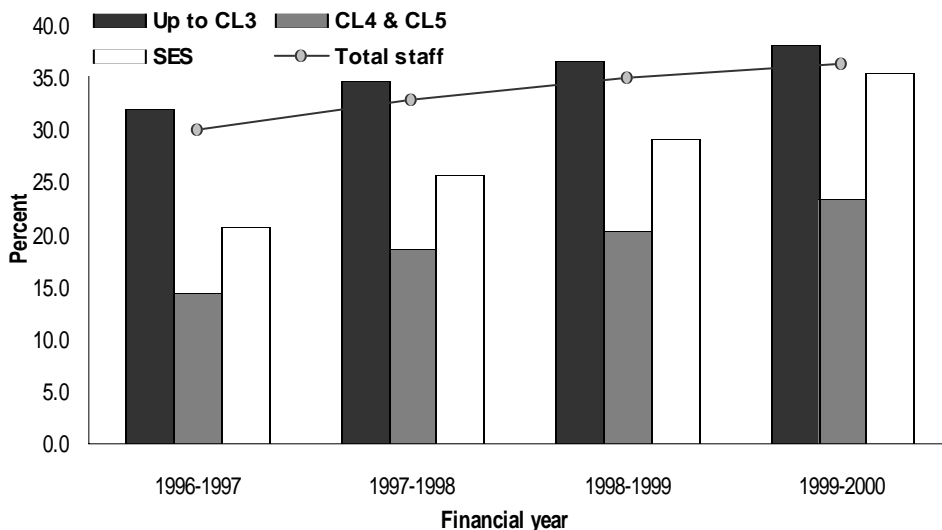
Workplace Diversity

Equity and Diversity – a Strategic Plan to 2001 was implemented in 1997. Included in this plan were strategies to:

- incorporate equity and diversity principles and practices into all workplace activities; and
- draw on the qualities of Customs employees to assist in the achievement of business objectives.

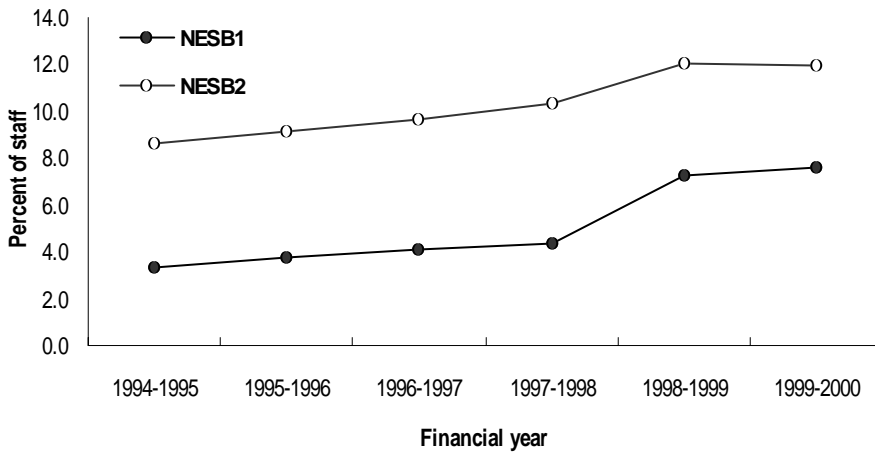
Over 80 per cent of Customs employees report their Equity and Diversity (E&D) status. There was an increase in the number of women represented at all levels across Customs. The overall representation has increased to over 36 per cent since the E&D plan was introduced. The number of staff from non-English speaking backgrounds (NESB) also continued to increase. For further E&D information see Appendix E.

Figure 33: Women as a Percentage of Total Staff by Classification, 1996-1997 to 1999-2000



*CL refers to Customs Level.

Figure 34: Non-English Speaking Background (NESB) Staff as a Percentage of Total Staff



NESB1 refers to Non-English speaking background (first generation).

NESB2 refers to Non-English speaking background (second generation).

ACCOUNTABILITY TO CUSTOMS CLIENTS

Complaints & Compliments Handling System

The national Complaints and Compliments Handling System (CCHS) began in July 1999, after a successful trial was conducted in NSW from April-December 1998. The CCHS seeks to improve Customs processes based on the comments received from clients. Strict timeframes apply to handling client comments.

The CCHS processed 707 complaints and 692 compliments during the year. A national database, Satisfy 2000, was developed to provide quarterly reports to management and allow analysis to identify areas for process improvement.

The CCHS, with the client Service Charter, enables Customs to continue refining its client focus and to translate this into value added process improvement. The client counter at Customs Mascot office in Sydney was completely redesigned following client feedback. The redesign enabled:

- Personal effects to be cleared at the one place;
- Easier access to the building and less confusion as a result of improved signage;
- Assistance to clients in preparing entries and other documents through improved facilities and resources;
- AQIS and Customs clearance to be provided at one location;
- Fair and timely service through an improved electronic queuing system; and
- Client education and awareness through the provision of brochures, forms and other documents.

Customs Client Service Charters

In December 1999, Customs was recognised for its commitment to excellent service, winning a gold award in the *Service Charter—Awards for Excellence in Customer Service*. Customs received a gold award for *Excellence in service practices in agencies with Service Charters*. The award recognised the professional and innovative ways in which Customs staff deliver services to clients. It also recognised Customs as a leader in the public sector, among agencies with significant customer service challenges.

Customs reviewed the client service charters in late 1999 and will move to a new single client service charter in 2000-2001. The new Charter will be available on Customs website at (<http://www.customs.gov.au>) and will provide:

- Links to Customs client service standards and the Customs Complaints and Compliments Handling System;
- Information for people of diverse cultural and linguistic backgrounds; and
- An avenue for clients to obtain information about all aspects of Customs business.

1999-2000 Performance against Key Standards Stated in Customs Service Charter

Customs Service Charters present key speed and efficiency processing standards for cargo and passenger facilitation. The Portfolio Budget Statements include specific targets for these and other service standards. Customs 12 key service delivery standards must be met at least 90 per cent of the time.

Customs performed strongly against the targets for the key standards. Customs achieved or exceeded the targets for the processing standards in almost all instances, exceeding 99 per cent for seven standards. Customs actual performance against the Charter's 12 key passenger and cargo facilitation service standards is available on Customs website at (<http://www.customs.gov.au>).

The processing of drawback claims and the completion of anti-dumping/ countervailing cases did not meet the stated service delivery targets. Ten per cent of drawbacks were selected for field verification and were not normally able to be processed within 21 days. The Minister had granted an extension for the anti-dumping or countervailing cases that were not finalised within 155 days.

Customs is undertaking a Cargo Management Re-engineering (CMR) project to maintain fast and effective client service delivery. CMR will deliver business processes savings for clients, offer greater flexibility in service delivery and achieve increased compliance.

Customs Access and Equity Initiatives - Social Justice

Customs continues to ensure that services meet the needs of people from diverse linguistic and cultural backgrounds consistent with the seven principles set out in the Government's *Charter of Public Service in a Culturally Diverse Society*.

Outcomes were achieved in the areas of improved client accessibility to Customs information campaigns and additional cross cultural awareness training for staff. All entry level trainees in Customs, including those recruited for the Olympics, receive training in cultural awareness as part of their trainee programs.

Access and Equity Initiatives During 1999-2000 Included:

- Customs coordination of the Federal Government's Visitor Information Campaign to ensure all relevant information is available and accessible by those travelling to Australia to attend the Sydney 2000 Olympic and Paralympic Games, irrespective of their location, cultural or linguistic background.
- Referrals to a tax reform tele-typewriter service for hearing-impaired clients and translating and interpreting service for linguistically diverse clients on TRS documentation.
- Joint production with DISR of a training video for Customs Officers. The video enhanced cross-cultural awareness amongst staff, particularly in the lead up to the Sydney 2000 Olympic and Paralympic Games.
- Distribution of a CMR CD-ROM to industry (and to the public via the Internet) to provide information and allow consultation on the proposed CMR model. While the CD-ROM provided advanced visual appearance and interactivity, it was designed to run on the majority of computer systems available. Audio commentary was replicated on the computer screen, which assisted hearing-impaired clients.

Customs Advisory Services

The Customs Advisory Service (CAS) continues to focus on the provision of information to industry and the general public. CAS focussed on supporting the Customs Information Centres (CIC) by ensuring that they had sufficient knowledge to provide information to their clients, particularly in relation to tax reform issues.

CICs were benchmarked under the Output Pricing Review. The successful outcome of the benchmarking exercise is reported on page 55.

An On-line Information System is being developed and a Client Service Unit was developed and piloted within the Commercial Education Program. The number of CIC email enquiries received rose from approximately 200 in May 1999 to about 1 400 in May 2000. A strategy for dealing with this increase is under development so that service levels can be achieved (ie reply within five working days).

PERFORMANCE AGAINST PURCHASING POLICIES

Customs supports and applies the core policies and principles of the Commonwealth Procurement Guidelines, including the participation of ANZ suppliers and Small to Medium Enterprises (SME). Customs has a devolved purchasing environment that relies upon the concept of 'simple' and 'complex' purchasing.

Under \$100 000, managers arrange purchases using straightforward processes and benchmarks. However, over \$100 000, purchases tend to be more complex and Chief Executive Instructions require that the method of procurement be decided centrally.

Customs Accredited Purchasing Unit (APU) provides direct client area assistance with complex purchasing. The APU ensures that public 'Business Opportunities' are notified on appropriate websites.

No complex purchases passed over a suitable and equal offer, from an identified ANZ or SME supplier, in favour of an overseas or larger enterprise.

Assessment of Effectiveness of Asset Management

Responsibility for asset management was transferred from a central point within Customs to asset administrators within each of the business groups in central office as part of Customs 1999 National Resource Assessment process. Asset Administrators already existed in each region and these Administrators became responsible for the asset matters in their region. The Financial Management Branch retained responsibility for reconciling the asset register to the general ledger, coordination of stocktaking, asset revaluations, policy preparation and advice.

The devolution of the asset function enhanced business group skills and improved the accuracy of the expenditure information. This is a high priority due to the significant impact of depreciation on internal allocations. Business groups also became more familiar with the financial data and accrual accounting principles relating to depreciation, write down and net loss/gain on assets.

Cash Management - Implementation of Devolved Banking

Customs successfully implemented devolved banking arrangements. The new arrangements enable Customs to effectively operate within the accrual/output environment by linking appropriations to the timing of output delivery. A 'Treasury' function was established within Customs with responsibility for the management of cash flows and banking relationships.

Customs market tested its transactional banking needs and selected a bank to deliver these services. Implementation of the new arrangements is expected to be completed before 2001. The move is expected to deliver significant benefits for cash management both in terms of Customs internal financial management and in its role as a major revenue collection agency.

COMPETITIVE TENDERING AND CONTRACTING

Customs has made considerable use of competitive tendering and contracting (CTC). Major outsourced functions include Coastwatch aerial surveillance, IT support, property management, and internal audit. Legal Services were outsourced during the first half of 1999-2000. This brings the total value of major outsourced functions to approximately 21 per cent of Customs annual departmental appropriation. Numerous other technical, specialist training and smaller corporate support functions (such as archival services, staff counselling and property and facilities management) are also contracted out.

In November 1999, the Government reaffirmed its commitment to CTC and required market testing of relevant activities, starting with corporate services, for all agencies subject to *the Financial Management and Accountability Act 1997*. Customs consequently implemented structures to manage a market testing program covering a range of its activities. These include an SES level Steering Committee chaired by the CEO, a CTC project team headed by an SES officer, and a team of external specialists to advise on business, market, costing, probity and legal issues.

Market testing of corporate services will proceed during 2000-2001 and into the following year, with initial emphasis on transactional and other processing functions. Significant activity before October 2000 is unlikely in order to avoid potential disruption during the critical Tax Reform implementation and Sydney 2000 Olympic and Paralympic Games periods.

The Output Pricing Review (discussed further on page 138) determined that savings of \$2.5m in 2000-2001 and \$5m thereafter would be anticipated from CTC related efficiencies. These will be credited against actual savings achieved by Customs.

Specific CTC Activity During 1999-2000

The provision of legal services to Customs line areas was outsourced. Core legal services including matters related to Customs legislation and prosecutions were outsourced to the Australian Government Solicitor (for a period of three years). A standing panel of four providers was also established to deliver other legal services. The estimated total cost of legal services is \$6m per annum (actual costs in any single year will be impacted by the demand for legal services such as those arising from litigation).

Improved Contract/Project Management Capability

Outsourcing added a degree of complexity to Customs contract management responsibilities. Expertise and lessons learnt from outsourcing internal audits, information technology and Coastwatch aerial surveillance, will contribute to the effective contract management of legal services, mail back for the Tourist Refund Scheme and any future outsourcing as a result of CTC.

Contract management and project management training programs, accredited by the University of Canberra, were available to Customs staff. Customs project management capability successfully met the demands of projects and Government priorities including tax reform, Y2K compliance, CMR and the Olympic and Paralympic Games.

MANAGEMENT OF INFORMATION TECHNOLOGY

Information Technology Contract Management

Customs Information Technology contract management effort was directed at:

- Ensuring that the outsourcing contractor, EDS Australia (EDSA), meets its service obligations.
- Catering for new activity.
- Refining the outsourcing arrangements.

EDSA's performance was variable. In areas such as the delivery of Tax Reform and preparation for Y2K it performed well. Its performance in some other areas did not meet Customs expectations.

Year 2000 Compliance

The effort made in Year 2000 Compliance planning and remediation proved successful. 35 000 lines of code were changed and implemented across 45 applications, and software versions were upgraded where required. All corporate computer hardware, business application systems and communication channels remained unaffected on and after 1 January 2000. Minor Year 2000 related problems encountered early in the New Year were rectified without impact on Customs clients.

IT Technical Infrastructure

The processing of Mainframe based applications was moved to an EDSA centre during the year and the UNISYS Mainframe was upgraded to meet workload growth. It will have sufficient capacity to cope with expected growth prior to the migration of applications from UNISYS to the new open platform. Customs also connected to the Intra-government Communications Network (ICON) in January 2000, giving secure linkages for voice and data to other Commonwealth agencies.

Customs and EDSA computer virus protection systems continued to provide effective virus protection for Customs systems. Viruses with international impact such as the 'I love you' virus did not cause any damage in Customs. There was no significant impact from any virus during the year.

Applications Development

In May 2000, Customs National Intelligence System (NIS) went live. NIS is the central storage and analysis tool for Customs intelligence efforts. Feedback from users was very positive with high levels of acceptance. This reflects the extensive user involvement in the system's design, development and implementation.

Customs and EDSA developed and updated applications including the Passenger Analysis Clearance and Evaluation System (PACE), Tax Reform and Manufacturing-in-Bond system changes, Electronic Data Interchange (EDI) for Input of Customs Entries 2 (EDIFICE 2), Coastwatch Reporting and Information System (CRIS) and NIS. IT related work also began on the CMR project.

Development of the National Examinations and Seizures System (NESS) and redevelopment of the Tariff and Precedence Information Network (TAPIN) continued. Implementation of these systems was delayed due to technical and functional issues arising during development. The delay did not cause any significant business impact, as the existing systems continued to operate. The Advanced Cargo Profiling (ACP) project was merged into CMR as an early deliverable for that project. NESS, TAPIN and ACP are planned for delivery during 2000-2001.