



Australian Government
**Australian Customs and
Border Protection Service**

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EXECUTIVE MINUTE
on
Joint Committee of Public Accounts and Audit (JCPAA)
Report 412
Audit reports reviewed during the 41st Parliament


In accordance with Recommendation 34 of the above report, a report on the status of the implementation of the recommendations contained in the Australian National Audit Office (ANAO) Performance Audit Report No. 24 and the Booz Allen Hamilton (BAH) Review of the Integrated Cargo System is attached for your reference.

General comments

Since the implementation of the Integrated Cargo System (ICS) imports in October 2005, Customs and Border Protection has worked with key industry representatives and other government agencies to improve cargo processes and systems. The focus of these efforts has been around:

- delivering a stable and efficient system that meets the needs of industry and government;
- improving the usability of these systems and implementing priority changes; and
- designing and implementing strategies that will ensure that Australia continues to have an end-to-end cargo processing system into the future that provides effective border protection for the Australian community and supports legitimate trade.

Since the ANAO released the Performance Report Audit Report No 24 - Customs' Cargo Management Re-engineering Project and the BAH Review of the Integrated Cargo System, both the ICS and the business models that support the smooth flow of international trade have matured significantly. As these systems matured and moved into a business as usual state, the high priority areas of focus for industry, other Government agencies and Customs and Border Protection have shifted away from systems fixes towards a focus on leveraging the capabilities of the system to simplify and streamline current practices, and developing future strategies for the reporting and movement of international cargo.


Michael Carmody
Chief Executive Officer

10 June 2009



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Status of Implementation of Audit Findings

Background

The Integrated Cargo System (ICS) was implemented in October 2005 as a component of the Cargo Management Re-engineering (CMR) Business Model. ICS was designed to replace the four existing transaction processing systems.

As part of its Performance Audit program the Australian National Audit Office (ANAO) undertook an audit of the Cargo Management Re-engineering Project. The objectives of the audit were to:

- examine Customs' management of the CMR project; and
- determine whether the ICS and Customs Connect Facility (CCF) met:
 - project and operational objectives; and
 - user capability and functionality requirements.

A number of recommendations were raised in this report.

Customs and Border Protection engaged Booz Allen Hamilton to undertake a separate review of the ICS. The purpose of that review was to provide Customs with a forward looking report on the lessons to be learned from the implementation of the ICS, its current status and the opportunities to enhance benefits for both Government and industry. The report was released in May 2006 and made thirteen recommendations relating to the ongoing management and governance of the Cargo Management Re-engineering Program at both strategic and tactical levels.

The following pages provide a summary of the changes in approach that have occurred as the system and the business models have matured. There are three key areas where the approach initially adopted in response to the ANAO and Booz Allan Hamilton (BAH) reports has matured and evolved. These areas are discussed in some detail below and are:

- Industry Engagement;
- ICS Improvements; and
- Program Management Focus.

The status of the various recommendations is provided from page 6.

Industry Engagement

In October 2005, the former Minister for Justice and Customs, established the Industry Action Group (IAG), a peak industry body, to work with Customs and Border Protection to deliver a range of contingency, operational and technical issues affecting import processing. The group also provided recommendations for improving the reporting, movement and clearing of cargo outside of issues impacted by implementation.

The Cargo Processing Executive Steering Committee (CPESC), formed in August 2006 ensured that senior executives from Customs and Border Protection and industry were closely monitoring the performance and ongoing enhancement of the ICS and looking towards developing future strategies for the reporting and movement of international cargo.

In January 2007, Customs and Border Protection created an Industry Engagement Section to further enhance communication between Customs and Border Protection and industry, and improve consultation around cargo processes and ICS issues. A number of Client Managers were established to progress and resolve issues.

In September 2008 Customs and Border Protection released the Customs Industry Engagement and Analysis Project, completed by TNS Social Research. The project was commissioned to assess the nature and satisfaction levels of Customs and Border Protection's engagement with, and service delivery to, industry stakeholders. Overall, industry stakeholders were satisfied with Customs and Border Protection and accepting of the service provided by the organisation (55% expressed satisfaction and 26% high satisfaction). However, areas for improvement were identified and some changes were recommended. As a consequence of this research, Customs and Border Protection has made a number of improvements to industry communication, and have introduced new arrangements for engagement between industry and Customs and Border Protection.

In 2009, Customs and Border Protection released its first Time Release Study (TRS), a World Customs Organization-endorsed method for measuring industry and border agency import clearance performance. This study enables Customs and Border Protection to benchmark its own performance and identify issues and opportunities for improvement. The study found that the average elapsed time from arrival to release for sea cargo is 1.3 days. For air cargo, the interval is 0.3 days. This compared favourably with the most recent TRS measurements from other economies in the Asia-Pacific region. Importantly, the first Study identified that Customs and Border Protection is generally not an impediment to cargo movement and that meeting government reporting obligations through the ICS was not seen as particularly onerous. The TRS showed that instead, business-to-business interactions pose a greater challenge to industry and that these relationships, rather than government interactions or interventions, are the key determinant in cargo throughput.

Customs and Border Protection remain committed to ongoing improvements and will be conducting additional Time Release Studies on a regular basis to better understand performance trends.

In April 2009, the Customs and Border Protection National Consultative Committee (CBPNCC) agreed to a new industry engagement model in place of the IAG and CPESC. It was agreed that:

- The CBPNCC will provide a forum for the discussion of strategic Customs and Border Protection related issues which affect the trading community, business and import/export specialists. The committee will review and make recommendations on:
 - Emerging strategic issues in the Customs and Border Protection international trade operating environment;
 - The work program of the sub-committees;
 - Where appropriate, proposed changes to the *Customs Act 1901* and other related legislation; and
 - Recent developments in case law in the Customs and Border Protection commercial operating environment.
- The two Sub-Committees will be tasked by the CBPNCC with examining technical, administrative and logistical matters. They will:
 - Provide technical advice and recommendations to the CBPNCC on Customs and Border Protection matters affecting industry; and
 - Share best practices and act as a sounding board to resolve problems.
- The proposed programs of work for each Sub-Committee are:

Service Delivery Sub-Committee

- Business processes, in the context of end to end cargo processing;
- Service standards and targets;
- IT service delivery issues; and
- Operational impacts of Government announcements and legislation changes.

Administration Policy and Legislation Sub-Committee

- Licensing matters;
- Education and training;
- Legislative compliance;
- Consultation on proposed industry related Customs legislation; and
- Assurance strategies for compliance with Customs law.

Customs and Border Protection have adopted a new approach to its engagement around major change. This co-design approach ensures that we actively work with industry, other Government agencies and other key stakeholders to develop a shared understanding of the intended outcome and conceptual design of the change. A key component of this is articulating the proposed changed experience for industry in carrying out their dealings with Customs and Border Protection, and for staff of border agencies in achieving their outcomes. The approach will help us ensure we have an early focus on the intended outcome, and ensure that this focus is maintained throughout the life of the change process. The co-design approach has been implemented successfully in projects such as Alternative Cargo Reporting, Supply Chain Security, and the Enhanced Trade Solutions program.

ICS Improvements

A number of changes to the ICS were implemented soon after the imports cutover to rectify key issues. These included a reduction in the required fields to match import declarations with the associated cargo report, new diagnostic facilities allowing users to search for consignment information and status of cargo, and improved performance for Customs Interactive users.

During 2006, further critical enhancements to the ICS were implemented. These enhancements ensured that the system would derive the correct Ocean Bill regardless of the order the reports were received, improved cargo reporting for air and sea cargo, implemented improvements for customs brokers and importers lodging import declarations, and introduced new diagnostic screens for cargo reporters and depot operators.

In 2007, enhancements primarily focussed on providing additional functionality, and on reducing system key strokes and wait times. The first phase of a major change around air cargo part-shipments was implemented, vessel arrival information was supplied in an electronic file giving software developers the ability to incorporate additional functionality into their products to assist in the accuracy of cargo reporting data, new functionality around date formats was introduced for Customs Interactive users, and improved client search capability was implemented.

The 2007 year also saw Customs and Border Protection conduct a number of 'hands on' workshops around the country explaining the ICS Business Continuity Plan (BCP) to industry clients. A more refined notification strategy was also introduced. The BCP continues to be regularly tested and refined. In addition to providing agreed continuity arrangements in the event of an ICS outage, the BCP has also been used successfully on a number of occasions to support industry when the ICS has been working but industry systems have been unavailable.

As part of the transition to a new IT service provider in 2008, all of Customs and Border Protection's applications supporting its business were moved to a new platform. Many industry clients participated in the testing of the transition as it migrated through the industry test environment.

In 2008, Customs and Border Protection's focus on improving 'certainty of status' to industry saw the implementation of a new Declaration Status Advice message (DSA) to customs brokers and importers, improvements in Customs and Border Protection's risk assessment processes and the implementation of history of events functionality. Customs Interactive functionality was further enhanced for importers and customs brokers with improvements in declaration amendment functionality and refund processing. The reduction in air cargo screening periods for amended cargo reports and the completion of the air cargo part-shipments enhancements were all introduced in a very busy year. Clarification on export cargo repositioning and sea cargo inspection and examination arrangements was also published.

In 2009, Customs and Border Protection will continue to deliver key improvements to the ICS and the end-to-end cargo process for industry, other Government agencies and internal Customs and Border Protection systems users.

Program Management Focus

A Deputy Chief Executive Officer, Trade Facilitation, was appointed in September 2006 to provide high level strategic direction to the Customs trade facilitation role. Working closely with industry, the DCEO had responsibility for implementing the BAH and ANAO recommendations and overseeing the joint Customs / industry working groups exploring ways to improve trade facilitation.

The Trade Facilitation Program Board (TFPB) was established in March 2007 to actively manage all of the projects within the ICS work program, including industry engagement, IT, business process reengineering and organisational change. It also managed the demand for change to the systems and prioritises these within budget constraints. A small program management team has responsibility for providing support to the TFPB.

Customs and Border Protection has implemented a formal Project Management Framework that is required to be used by all projects.

A Corporate Projects Office (CPO) has been established which is responsible, at a corporate level, for the implementation of a common Project Management Methodology across the organisation, for the development of a competency framework for project managers, for the provision of mentoring and training support to project managers and to provide independent assurance to the Executive in relation to project progress.

Since June 2007 the CPO has provided independent quality assurance over strategically important projects that are significant in their size, complexity or risk profile and reports the project progress to the Executive Management Committee. This process of quality assurance has also ensured that improvements to the framework or additional training for project managers are addressed as needed.

As part of Customs and Border Protection's investment cycle for 2009, the CPO is one of the key review points for all project proposals.

Status of ANAO and Booz Allan Hamilton (BAH) recommendations

Australian National Audit Office (ANAO)
2006-07, Performance Report Audit Report No 24
Customs' Cargo Management Re-engineering Project

Recommendation No. 1 (paragraph 2.26)

The ANAO recommended that Customs implements the necessary arrangements to align the import and export processing provisions of the Customs Act 1901 with the ICS business rules and processes as a matter of priority.

Customs and Border Protection supported this recommendation in the initial response to the audit.

Comments on Implementation of Recommendation

Of the five specific areas of non-alignment that were raised with the ANAO, subsequent legal advice resolved two of the issues of non-alignment: two issues are being incorporated in the Customs Amendment (Export Controls) Bill, and following further consultation within Customs and Border Protection, it was decided that no further action was required on the remaining issue.

(Status of Recommendation – Open)

Recommendation No. 2 (paragraph 3.70)

The ANAO recommends that Customs reviews its major ongoing projects to gain assurance that they are supported by a sound project management framework.

Customs and Border Protection supported this recommendation in the initial response to the audit.

Comments on Implementation of Recommendation

Customs and Border Protection has implemented a formal Project Management Framework. The framework is required to be used by all projects.

Customs and Border Protection has established a Corporate Projects Office (CPO) which is responsible, at a corporate level, for the implementation of a common Project Management Methodology across the organisation, for the development of a competency framework for project managers, for the provision of mentoring and training support to project managers and to provide independent assurance to the Executive in relation to project progress.

Since June 2007 the CPO has provided independent quality assurance over strategically important projects that are significant in their size, complexity or risk profile and reports the project progress to the Executive Management Committee.

This process of quality assurance has meant that as we continue to identify project issues and address them through either improvements to the framework or additional training for project managers.

As part of Customs and Border Protection's investment cycle for 2009 the CPO are reviewing all project proposals and a number of business cases before committing to further investment.

(Status of Recommendation – Complete)

Recommendation No. 3 (paragraph 4.37)

The ANAO recommends that Customs reviews its contract management arrangements for major ongoing projects to ensure compliance with:

- **Chief Executive's Instructions;**
- **Commonwealth Procurement Guidelines; and**
- **Financial Management and Accountability Regulations.**

Customs and Border Protection supported this recommendation in the initial response to the audit

Comments on Implementation of Recommendation

Customs and Border Protection has implemented substantial improvements to its procurement processes. Since late 2003, Customs and Border Protection has been subject to a number of internal and external audits of its procurement practices, which have noted the improvement in procurement practices and reported high levels of compliance with procurement related obligations.

Customs and Border Protection's contract management arrangements are subject to a process of continuous review and improvement, which is undertaken by the National Procurement and Contracting Unit (NPC). The NPC has been the subject of restructuring, and provided with additional staffing resources, to assist in ensuring high standards of compliance with the Commonwealth financial management framework. NPC is responsible for the ongoing amendment of the Customs and Border Protection suite of contract templates, particularly ensuring that contracts address the requirements of the:

- Commonwealth Procurement Guidelines;
- Financial Management and Accountability Act 1997;
- Financial Management and Accountability Regulations 1997; and
- Related government policy.

Contract templates have been amended (where appropriate for the nature of the required services) to incorporate a default position for key contract management issues in the form of Key Performance Indicators (KPI's). These default KPI's address matters such as:

- Staffing Requirements;
- Quality of Services and Processes;
- Cost Control and Audit; and
- Consultation with External Stakeholders.

These core KPI's form the basis for establishing effective contract management arrangements.

(Status of Recommendation – Complete)

Recommendation No. 4 (paragraph 5.45)

The ANAO recommends that Customs develop, as part of its software development lifecycle, a standardised approach to the testing and implementation of application projects and system modifications. This approach should require that:

- standards are established prior to the approval of the test project plan; and
- testing be undertaken in accordance with the project test plan.

Customs and Border Protection supported this recommendation in the initial response to the audit

Comments on Implementation of Recommendation

Customs and Border Protection has developed and documented a standardised approach to the testing, quality management and implementation of application projects and system modifications. Through this approach, testing is required to comply with Full Life Cycle Testing (FLT) principles, standards, procedures and methods and to be managed, monitored and improved to provide optimal service.

Additionally Customs IT has adopted industry test documentation standards. As part of our continued improvement to service optimisation, a review is being undertaken of the end-to-end testing of applications.

(Status of Recommendation – Complete)

Recommendation No. 5 (paragraph 5.74)

The ANAO recommends that Customs updates its existing Memoranda of Understanding to reflect the implementation of the ICS. This should clearly establish: inter-agency consultative arrangements; security of information; message integrity requirements; and other administrative arrangements.

Customs and Border Protection supported this recommendation in the initial response to the audit

Comments on Implementation of Recommendation

The Memorandum of Understanding (MOU) with the Australian Taxation Office, the Department of Innovation, Industry, Science and Research, and the Australian Quarantine Inspection Service (AQIS) have been updated to reflect the implementation of the ICS.

Customs and Border Protection is currently working with the Department of Defence on annexes to the MOU to clarify military reporting arrangements under ICS.

The MOU with the Australian Bureau of Statistics is currently being finalised and is expected to be signed in the next couple of months.

The review of the MOU's to reflect the implementation of ICS has provided an opportunity to clarify and negotiate arrangements for a variety of services that have been introduced or modified since the last time the MOU's were reviewed.

(Status of Recommendation – Open)

Recommendation No. 6 (paragraph 8.12)

The ANAO recommends that Customs review of the ICS Imports Business Continuity Plan include:

- an evaluation of Customs Business Continuity Management Framework, specifically assessing its continued appropriateness following the implementation of the ICS and its relationship to existing disaster recovery requirements;
- documenting a control framework for transactions that occur as a result of a disruption to normal business activities; and
- developing processes for regularly reviewing and testing continuity plans.

Customs and Border Protection supported this recommendation in the initial response to the audit

Comments on Implementation of Recommendation

The Business Continuity Plan (BCP) for ICS has been fully revised in consultation with industry and was released in December 2006.

The BCP has been tested, in conjunction with industry and other government agencies, on a number of occasions since. In addition to providing agreed continuity arrangements in the event of an ICS outage, the BCP has also been used successfully on a number of occasions to support industry when the ICS has been working but industry systems have been unavailable.

As a part of the transition of Customs and Border Protection's systems to the new IBM processing contract in 2008, ICS disaster recovery capability was improved with a higher capacity disaster recovery mainframe. A test of the new disaster recovery configurations is expected to be completed by 30 June 2009. This test will then be conducted on an annual basis.

Customs and Border Protection continues to regularly review its Business Continuity Planning framework and assess its Disaster Recovery requirements.

(Status of Recommendation – Complete)

Recommendation No. 7 (paragraph 8.26)

The ANAO recommends that Customs reviews its strategy for communicating with industry and, as part of this review:

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

Customs and Border Protection supported this recommendation in the initial response to the audit

Comments on Implementation of Recommendation

Since 2005, Customs and Border Protection has made considerable progress in improving its engagement and communication with industry.

In October 2005, the former Minister for Justice and Customs, established the Industry Action Group (IAG), a peak industry body, to work with Customs and Border Protection to deliver a range of contingency, operational and technical issues affecting import processing. The group also provided recommendations for improving the reporting, movement and clearing of cargo outside of issues impacted by implementation.

The Cargo Processing Executive Steering Committee (CPESC), formed in August 2006 ensured that senior executives from Customs and Border Protection and industry were closely monitoring the performance and ongoing enhancement of the ICS and looking towards developing future strategies for the reporting and movement of international cargo.

In January 2007, Customs and Border Protection created an Industry Engagement Section to further enhance communication between Customs and Border Protection and industry, and improve consultation around cargo processes and ICS issues. A number of Client Managers were established to progress and resolve issues.

In April 2009, the Customs and Border Protection National Consultative Committee (CBPNCC) agreed to a new industry engagement model in place of the IAG and CPESC.

Customs and Border Protection have adopted a new approach to its engagement around major change. This co-design approach ensures that we actively work with industry, other Government agencies and other key stakeholders to develop a shared understanding of the intended outcome and conceptual design of the change. A key component of this is articulating the proposed changed experience for industry in carrying out their dealings with Customs, and for staff of border agencies in achieving their outcomes. The approach will help us ensure we have an early focus on the intended outcome, and ensure that this focus is maintained throughout the life of the change process. The co-design approach has been implemented successfully in projects such as Alternative Cargo Reporting, Supply Chain Security, and the Enhanced Trade Solutions program.

Customs and Border Protection continues to fine tune its industry engagement arrangements.

Customs and Border Protection is currently working with industry assessing an industry/Customs and Border Protection secondment program.

(Status of Recommendation – Complete)

Recommendation No. 1

Establish a formal executive steering committee for the Program with a clear terms of reference to provide strategic direction, oversight and monitoring of the future ICS work program.

Customs and Border Protection supported this recommendation in the initial response to the review

Recommendation No. 2

Establish a Program Management structure and process according to industry best practices. This will actively manage all of the projects within the ICS work program, including industry engagement, IT, business process reengineering and organisational change. It will also manage demand for change to the systems and prioritise these within budget constraints.

The Program should be led by senior executive reporting to the executive board or CEO. This executive should not have normal line responsibilities during discharge of this office to ensure that adequate time and effort can be dedicated to the task. The Program Management function should also be supported by a small number (3-5) of qualified and full-time staff.

The Program Management function will take ownership of the Program, including ensuring that all relevant internal Customs teams are appropriately engaged and aligned. Industry representatives should take part in a newly formed program management structure. This representation should go beyond the already existing representation in the Industry Action Group. We do not imply by this that Customs must accept all suggestions proposed, but should listen and provide feedback on proposals put forward.

Customs and Border Protection supported this recommendation in the initial response to the review

Recommendation No. 3

Rationalise existing committee and forums within the above model. Where the body is not accountable for a specific outcome, it should be abolished. For the balance, each should have clear terms of reference and targeted outcomes.

Customs and Border Protection supported this recommendation in the initial response to the review

(Comments addressing recommendations 1, 2 & 3 below)

Comments on Implementation of Recommendations 1- 3

A Deputy Chief Executive Officer, Trade Facilitation, was appointed in September 2006 to provide high level strategic direction to the Customs trade facilitation role. Working closely with industry, the DCEO had responsibility for implementing the BAH and ANAO recommendations and overseeing the joint Customs / industry working groups exploring ways to improve trade facilitation.

The Trade Facilitation Program Board (TFPB) was established in March 2007 to actively manage all of the projects within the ICS work program, including industry engagement, IT, business process reengineering and organisational change. It also managed the demand for change to the systems and prioritises these within budget constraints. A small Program Management team has responsibility for providing support to the TFPB.

Customs and Border Protection has implemented a formal Project Management Framework that is required to be used by all projects.

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Since June 2007 the CPO has provided independent quality assurance over strategically important projects that

are significant in their size, complexity or risk profile and reports the project progress to the Executive Management Committee. This process of quality assurance has also ensured that improvements to the framework or additional training for project managers are addressed as needed.

As part of Customs and Border Protection's investment cycle for 2009, the CPO is one of the key review points for all project proposals.

Customs and Border Protection conducts regular reviews of its Committees and Forums.

(Status of Recommendations 1 - 3 – Complete)

Recommendation No. 4: Continue the existing IAG-driven program of tactical improvements, prioritising high-impact changes with a short-term benefit. This should avoid driving long-term focused change to avoid potential conflicts with the developing strategic agenda, and we have therefore proposed a six-month window for short-term improvements to be agreed.

This can also address short-term functional gaps highlighted in Table 4, where these can be managed within the six-month window.

Customs and Border Protection supported this recommendation in the initial response to the review

Comments on Implementation of Recommendations

Since the implementation of the ICS imports in October 2005, Customs and Border Protection has worked with key industry and other government agency representatives to improve cargo processes and systems.

A number of changes to the ICS were implemented soon after the imports cutover to rectify key issues. These included a reduction in the required fields to match import declarations with the associated cargo report, new diagnostic facilities allowing users to search for consignment information and status of cargo, and improved performance for Customs Interactive users.

During 2006, further critical enhancements to the ICS were implemented. These enhancements ensured that the system would derive the correct Ocean Bill regardless of the order the reports were received, improved cargo reporting for air and sea cargo, implemented improvements for customs brokers and importers lodging import declarations, and introduced new diagnostic screens for cargo reporters and depot operators.

In 2007, enhancements primarily focussed on providing additional functionality, and on reducing system key strokes and wait times. The first phase of a major change around air cargo part-shipments was implemented, vessel arrival information was supplied in an electronic file giving software developers the ability to incorporate additional functionality into their products to assist in the accuracy of cargo reporting data, new functionality around date formats was introduced for Customs Interactive users, and improved client search capability was implemented.

In 2008, Customs and Border Protection's focus on improving 'certainty of status' to industry saw the implementation of a new Declaration Status Advice message (DSA) to customs brokers and importers, improvements in Customs and Border Protection's risk assessment processes and the implementation of history of events functionality. Customs Interactive functionality was further enhanced for importers and customs brokers with improvements in declaration amendment functionality and refund processing. The reduction in air cargo screening periods for amended cargo reports and the completion of the air cargo part-shipments enhancements were all introduced. Clarification on export cargo repositioning and sea cargo inspection and examination arrangements was also published.

In 2009, Customs and Border Protection will continue to deliver key improvements to the ICS and the end-to-end cargo process for industry, other Government agencies and internal Customs and Border Protection systems users.

In April 2009, the Customs and Border Protection National Consultative Committee (CBPNCC) agreed to a new industry engagement model in place of the IAG and CPESC. It was agreed that:

- The CBPNCC will provide a forum for the discussion of strategic Customs and Border Protection related issues which affect the trading community, business and import/export specialists. The committee will review and make recommendations on:
 - Emerging strategic issues in the Customs and Border Protection international trade operating

environment;

- The work program of the sub-committees;
 - Where appropriate, proposed changes to the *Customs Act 1901* and other related legislation; and
 - Recent developments in case law in the Customs and Border Protection commercial operating environment.
- The two Sub-Committees will be tasked by the CBPNCC with examining technical, administrative and logistical matters. They will:
 - Provide technical advice and recommendations to the CBPNCC on Customs matters affecting industry; and
 - Share best practices and act as a sounding board to resolve problems.

The proposed programs of work for each Sub-Committee are:

Service Delivery Sub-Committee

- Business processes, in the context of end to end cargo processing;
- Service standards and targets;
- IT service delivery issues; and
- Operational impacts of Government announcements and legislation changes.

Administration Policy and Legislation Sub-Committee

- Licensing matters;
- Education and training;
- Legislative compliance;
- Consultation on proposed industry related Customs legislation; and
- Assurance strategies for compliance with Customs law.

(Status of Recommendation – Complete)

Recommendation No. 5 : Improve systems support processes to a best-practice level, including:

- **Help Desk (e.g., get clear ownership for end-to-end Help Desk process and implement one common set of Help Desk tool);**
- **Incident Management (management of incidents in a structured and responsive fashion);**
- **Problem Management (problem resolution and longer-term planning, proper tracking and monitoring);**
- **Release Management (upgrade and change releases to system);**
- **Testing – Customs and Border Protection Internal Testing of new releases. An end-to end testing environment should be developed that includes automated testing tools and robust test cases to cover all parts of the Customs and Border Protection import/export supply chain.**

Customs and Border Protection supported this recommendation in the initial response to the review.

Comments on Implementation of Recommendations

The Information Technology Infrastructure Library (ITIL) service support framework has been implemented to improve help desk, incident management, problem management, change management, testing and release management to industry standards. An independent assessment rated these processes as mature and disciplined.

These processes continue to be reviewed both internally and externally for improvement. Practice Statements and Working Instructions and Guidelines are supported by auditable processes and systems. Additionally Customs IT has adopted industry test documentation standards. As part of our continued improvement to service optimisation, a review is being undertaken of the end-to-end testing of applications.

(Status of Recommendation – Complete)

Recommendation No. 6 : To improve the level of training available to all users of the ICS including:

- **Provision of a live testing environment for the ICS;**
- **Making available regular communications on up-coming changes to the system and any associated changes expected in industry processes.**

Customs and Border Protection supported this recommendation in the initial response to the review

Comments on Implementation of Recommendations

In addition to the production environment the ICS now has additional environments to cater for User Acceptance Testing, external Industry Testing and internal ICS Training.

Overall training has improved with the introduction of multiple delivery channels, targeted training when changes are introduced, and the measurement of training effectiveness. A new Cargo Support website has been delivered aimed at industry users and includes video tutorials and more user-friendly presentation of manuals. The website has received strong industry endorsement and continues to be developed in partnership with industry.

Customs and Border Protection are regularly invited to attend industry conferences and forums to provide information about issues of interest and upcoming changes. Where changes are particularly significant, Customs and Border Protection work with impacted industry groups to conduct information sessions for their members and deliver targeted training.

(Status of Recommendation – Complete)

Recommendation No. 7 : Improve the quality of interaction with third-party software vendors and in-house software applications through:

- **Establishment of clear quality criteria that third-party applications should meet regarding their interaction with the ICS;**

- **Establishment of a more rigorous test regime and test bed to more comprehensively test software against the agreed criteria;**
- **Development and publication of statistics on third-party software interaction compliance and quality leading up to future releases;**
- **Develop an industry protocol for software vendors covering a commitment to quality and agreeing contingency measures should a software release have issues impacting customers.**

These activities should be done cooperatively with vendors and major users of third-party software.

Customs and Border Protection supported this recommendation in the initial response to the review

Comments on Implementation of Recommendations

A standard 2 week industry test period is applied to all ICS releases. For more complex releases, extended periods have been negotiated with industry and third-party software providers.

Customs and Border Protection applies a rigorous test cycle to each ICS release including integration, system, user acceptance and industry test phases to ensure the quality of the product delivered into the production environment.

Incidents discovered during any test phase, including the industry test phase, are assessed by Customs and Border Protection, and in some instances, a release will be delayed in order to ensure the quality of the final product.

Third party software developer message statistics are analysed by Customs and Border Protection and developers are advised of issues and/or opportunities represented by the statistics (e.g. more efficient packaging for large volume users of the ICS).

A co-design approach is used with third party developers and in-house developers to design and develop solutions that incorporate appropriate implementation strategies (e.g. contingency arrangements and back-out arrangements).

(Status of Recommendation – Complete)

Recommendation No. 8 : For future releases, ensure that implementation risks are managed through at least one of the following mechanisms:

- **Parallel operation, so that users can fall-back to an older version if the software does not operate correctly;**
- **Staged implementation, where correct operation is verified in production use before it is deployed more widely;**
- **Guaranteed roll-back – ensure that changes implemented can be rolled-back to the original state in the event that they are found to be functioning incorrectly;**

Note that all of these release strategies require matching responses from third-party software and should be developed cooperatively with vendors and developers of these software packages.

Customs and Border Protection supported this recommendation in the initial response to the review

Comments on Implementation of Recommendations

Implementation risks have been significantly reduced through the adoption of staged implementation, parallel operations, roll-back functionality and usability testing with industry and internal users.

A co-design approach is used with third party developers and in-house developers to design and develop solutions that incorporate appropriate implementation strategies (e.g. contingency arrangements and back-out arrangements)

(Status of Recommendation – Complete)

Recommendation No. 9: Address the usability issues with Customs and Border Protection Interactive using industry joint design and usability testing.

Customs and Border Protection supported this recommendation in the initial response to the review

Comments on Implementation of Recommendations

A number of changes have been implemented to increase functionality, usability and stability of the system. These changes include:

- Enhancements primarily focussed on providing additional functionality, and on reducing system key strokes and wait times;
- New functionality around date formats;
- Improved client search capability;
- Improvements in declaration amendment functionality and refund processing for importers and custom brokers;
- The reduction in air cargo screening periods for amended cargo reports; and
- The completion of the air cargo part-shipments enhancements.

The delivery of usability and diagnostic improvements to stakeholders is now a standard component of Customs and Border Protection business-as-usual activities.

Customs and Border Protection will continue to deliver key improvements to the ICS and the end-to-end cargo process for industry, other Government agencies and internal Customs and Border Protection systems users.

(Status of Recommendation – Complete)

Recommendation No. 10: Establishment of test processes and a test environment for profiles that allows their performance and impact to be assessed before they are used in a live environment. This should include rigorous processes to prevent profiles being implemented outside of authorised test and implementation processes.

Customs and Border Protection supported this recommendation in the initial response to the review

Comments on Implementation of Recommendations

The performance and impact of profiles is tested prior to implementation into the production environment.

The overall impact of profile related activity is regularly monitored to ensure that the activity doesn't adversely impact systems performance.

(Status of Recommendation – Complete)

Recommendation No. 11: Agree a set of targeted outcomes and operational measures for the effectiveness and efficiency of cargo processing, including the border protection and compliance processes for cargo.

Customs and Border Protection supported this recommendation in the initial response to the review

Comments on Implementation of Recommendations

The Cargo Processing Executive Steering Committee (CPESC) agreed a set of outcomes and endorsed key measures of success in September 2007.

A baseline set of operational measures of efficiency and effectiveness are reported in Customs and Border Protection Annual Report, to the Executive Management meeting and to Divisional Executive Meetings.

Additional measures were introduced in 2008 to measure efficiency and effectiveness of the cargo process. The Time Release Study (TRS) was published and provided a baseline of Customs and Border Protection's

performance in trade facilitation and identified opportunities to improve that performance.

Additional measures, such as the effectiveness of cargo profiling processes, are being developed by the recently established Business Intelligence Taskforce.

(Status of Recommendation – Complete)

Recommendation No. 12: Assess the alignment of the current organisational model to achieve these outcomes. Issues that require examination include:

- **A consistent operating model and operating procedures across the regions;**
- **The role of regional and Canberra teams in authorising, designing, building, and testing ICS profiles. This should cover regional and national profiles;**
- **Accountabilities that cross Branches and how these are managed. This should include an assessment of decision rights where organisational boundaries are not clear.**

Customs and Border Protection supported this recommendation in the initial response to the review

Comments on Implementation of Recommendations

Customs and Border Protection has established a National Profiling Centre, which provides a nationally consistent approach to the management of profiles.

The establishment of the National Profiling Centre has resulted in:

- Nationally consistent Profiles focussed on known and emerging areas of high risk;
- Higher quality Profiles;
- Central coordination of Profile Management; and
- Improved client engagement and management processes.

(Status of Recommendation – Complete)

Recommendation No. 13 : Based on the targeted outcomes and KPIs for cargo, and using input from international best practices, assess the potential changes in the import and export supply chains and potential benefits for Customs and industry. This should be done in close cooperation with industry, recognising that industry is heterogeneous and does not share the same targeted outcomes.

For some parts of Customs' operations such as intelligence, it may not be possible to engage closely with industry due to security concerns. Based on our assessment, we expect significant opportunities for improvement based on the ICS, by changing the long-established business processes. This should take a perspective of optimising the end-to-end supply chain and border security, rather than improving each step in the chain. The opportunities available are discussed further in Section 8. These should act as a catalyst for these discussions, rather than as a prescriptive list of improvements.

Customs and Border Protection supported this recommendation in the initial response to the review

Comments on Implementation of Recommendations

Since the Australian National Audit Office (ANAO) released its report on the Cargo Management Re-engineering project in February 2007, both the ICS and the business models that support the smooth flow of international trade have matured significantly. As these systems matured and moved into a business as usual state, the high priority areas of focus for industry, other Government agencies and Customs and Border Protection have shifted away from systems fixes towards a focus on leveraging the capabilities of the system to simplify and streamline current practices, and developing future strategies for the reporting and movement of international cargo.

Customs and Border Protection has adopted a new approach to its engagement around major change. This co-design approach ensures that we actively work with industry, other Government agencies and other key

stakeholders to develop a shared understanding of the intended outcome and conceptual design of the change. The co-design approach has been implemented successfully in projects such as Alternative Cargo Reporting, Supply Chain Security, and the Enhanced Trade Solutions program

In April 2009, the Customs and Border Protection National Consultative Committee (CBPNCC) agreed to a new industry engagement model in place of the IAG and CPESC. It was agreed that:

- The CBPNCC will provide a forum for the discussion of strategic Customs and Border Protection related issues which affect the trading community, business and import/export specialists. The Committee will review and make recommendations on:
 - Emerging strategic issues in the Customs and Border Protection international trade operating environment;
 - The work program of the sub-committees;
 - Where appropriate, proposed changes to the *Customs Act 1901* and other related legislation; and
 - Recent developments in case law in the Customs and Border Protection commercial operating environment.

(Status of Recommendation – Complete)