

Customised for Control



An inspection of the Detection Directorate of HM Revenue & Customs and considerations for its realignment to meet the challenge of their role within the new Border structure

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The Financial Secretary to the Treasury
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18th January 2008

Dear Minister

CUSTOMISED FOR CONTROL:

**An inspection of the HM Revenue & Customs Detection Directorate
and considerations for its realignment to meet the challenge of their
role within the new Border structure**

Please find attached a copy of our inspection report into the Detection Directorate of HM Revenue and Customs. The report raises sensitive issues, which may require the drafting of a redacted version for publication. I believe these matters are in the hands of HMRC legal advisers.

The inspection focussed upon the operations of the Detection Directorate. In light of the recent policy announcements relating to the future shape of UK border controls, the report highlights areas of expertise where Detection can contribute to the success of a Border Agency, the opportunities to be grasped and the issues that need to be addressed.

I have been impressed by the commitment of Detection staff to fulfil their role especially given the challenges they face at the border by the growth in passengers and trade along with the increasing diversity of their responsibilities. Furthermore the traditional "customs officer" skills of search, rummage, visual profiling and remote profiling of passengers, cargo and transport modes provide a powerful capability with which to enhance border security. The Freight Targeting System offers a core profiling tool, not only for the new Border Agency but for other law enforcement bodies. It is important that Detection consider joint-agency frameworks through which this and other initiatives can be developed.

The report emphasises the importance of a layered approach to border security. Detection's operational activity in Jamaica and Ghana and close joint working with SOCA and HMRC's overseas networks are commendable examples of their effort to 'export the border' by operating at the outer layer of security. These overseas activities and UK based target identification and intelligence generation which identify potential smugglers prior to their arrival, provide invaluable support to the checks that Detection conducts at the physical frontier. To ensure that the potential benefits of this layered model are fully realised it is crucial that Detection's current operations are strengthened.



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During the review, potential limitations in the methods of operation and performance management were evident which militate against Detection moving beyond its current agenda to a wider border security mission. Whilst championing the idea of resourcing to risk, Detection has not, in recent years, followed through in operationalising his approach. The constraints within which Detection operates is also a factor which has restricted Detection's flexibility and caused some managers to be target, as opposed, to intelligence focussed. In order to address these issues, the future Border Agency would benefit from a more robust, risk based, intelligence-led, tasking and co-ordination structure.

The lack of actionable intelligence available to Detection is a recurring theme in the report. The formation of close working relationships with the other law enforcement components of HMRC and other agencies could provide the Border Agency with the mechanisms through which to receive such intelligence.

Detection have emphasised that its mobile teams are a key effective and efficient operational component of its flexible deployment structure. However, shortcomings in Detection's performance management structure preclude any robust assessment of its mobile resources. Whilst mobile teams should remain an operational option, further evaluation of their activities, especially in cases where they are used to supplement fixed staff at static locations, should be undertaken once structures are in place to capture the requisite performance information.

I am pleased to note that HMRC has already taken number of positive steps following the submission of the draft report to the Director General, Enforcement and Compliance and Director General. Frontiers. I have forwarded a copy of the final report to Acting Chairman, David Hartnett.

Yours sincerely,



Denis O'Connor
HM Inspector of Constabulary



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30th March 2008

Dear Denis

CUSTOMISED FOR CONTROL: An inspection of the HMRC Detection Directorate and considerations for its realignment to meet the challenge of their role within the new Border structure

HMRC accepts your recommendations and as you note in your letter, had already begun to address some of the issues raised, whilst your report was in draft. HMRC has a plan through which all recommendations will be addressed and implemented. Those, which relate to the creation of the UK Border Agency, are being fed into the design work, which is currently being undertaken for the new agency. HMRC will of course keep you updated on progress.



I am copying this letter to Liam Byrne as Minister responsible for the UK Border Agency, to Lin Homer its Chief Executive and to Mike Eland and Martin Peach

Yours
Jane.

RT HON JANE KENNEDY MP

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Executive Summary

Changing Expectations at the Border

- I The challenge facing customs and other border authorities in this country and across the globe is apparent, given that world merchandise imports have more than doubled between 1995 and 2005¹ and international passenger numbers have increased by 26% between 2000 and 2006². The contribution of HMRC Detection to curtailing illicit goods and in securing revenue for the Treasury has been substantial, as is evident from the seizure of over 1.3 billion cigarettes between April 2006 and May 2007. If these had reached the market, the duty and tax unpaid would amount to over £260m³. However, expectations of security and control have changed during this period following 9/11, the London bombings in July 2005 and the failed terrorist attempts in August 2006, and indeed so too have market conditions with the surge in counterfeiting. This has culminated most recently in the Prime Minister's requirement for a review of Border Control in July 2007⁴ and the resulting report *Security in a Global Hub*⁵. That report highlights 5 key principles which will guide how the border is to be secure and managed.
- II This report has been framed so that it highlights the opportunities for those elements of Detection that are to be incorporated into the new UK Border Agency to contribute to the maximum effect. As such it is a forward looking take on matters and only explores the historic perspective to inform the developmental agenda going forward. There is obviously a recognition that recommendations have to be framed in terms of the available resource.

The Mission and Performance Management

- III The current mission for Detection is shaped by the Public Service Agreements (PSAs) that HMRC contribute to and as such is primarily fiscally focussed. As the new Agency's priorities and strategy are set through a Cabinet Sub Committee this will present the opportunity to clarify and refocus the mission at the border. It is crucial that the performance measures which underpin this mission provide accurate and timely information to enable better and more effective management interventions. To date, Detection has made a substantial contribution to HMRC performance against its PSA targets and, furthermore, has set stretching internal "strategic expectations" in order to drive the organisation forward.

- IV Modelling the illicit market share of revenue goods in the UK is an inherently difficult and complex exercise. The impact of environmental, social and other demographic changes to the UK all militate against the production of precise estimates. However, HMRC's figures, which show it to be in line to achieve its PSA objectives, are published in the Pre-Budget Report and have been scrutinised by the National Audit Office. Notwithstanding this and the year-on-year increases of Detection seizures of cigarettes and hand rolling tobacco achieved in 2006/07, the Directorate failed to achieve its internally set "Strategic Expectations" for these commodities. This should be examined when performance targets are set to measure the UK Border Agency (UKBA) performance against its strategies.
- V Similarly, although Detection were close to achieving its PSA targets for the number of heroin and cocaine seizures in 2006/07, the weight of these seizures, set at 2005/06 seizure levels, were below target. In addition to the PSA set targets for heroin and cocaine, Detection has departmentally set "Strategic Expectations" for the number and volume of other Class A drugs, which it more than comfortably exceeded by over double the number of seizures and by a 50% increase on the weight target. Although HMRC records the number and quantity of Class B and Class C seizures it makes, its efforts are not reflected in the PSA, nor do they feature in the Department's annual reports. Detection seized over 60 tonnes of cannabis during 2006/07 and the enforcement activity necessary to deal with the substantial level of such seizures should not be underestimated.

Key Elements of HMRC Detection Strategy 2005

- VI In 2005 the Directorate announced the elements of the strategy⁶ it would pursue to achieve its objectives. These included the importance of being intelligence led, resourcing to risks and using mobile teams and multi-functional skilled teams. However, this inspection revealed that the following critical elements of an intelligence led or knowledge based approach to law enforcement were absent, incomplete, or inconsistent across the organisation:
- preventive environmental scanning and trend prediction;
 - analysis and supporting packages to inform tasking;
 - structured and managed tasking and co-ordination;
 - resource decision based on priority and risk;
 - structured briefing and tasking at tactical level;
 - regular and comparable analysis of results achieved.

With regard to risk analysis, National Risk Assessments (NRAs) were initiated between 2002 and 2004 for tobacco, Class A drugs, cash and hydrocarbon oils. However, since 2004 such a comprehensive national assessment has not been

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undertaken, although work has been commissioned by individual managers and portfolio holders. Furthermore, Detection did not implement planned strategic intervention across the country.

- VII The Directorate's mobile teams have not been subject to comprehensive evaluation to compare the relative costs and outputs of their deployments to those of fixed assets (the limitations of the performance management regime and records make such an evaluation difficult). However, these resources are expensive and, whilst an argument can be made based on historical infrastructure savings, this does not reflect the current operational context. Prior to carrying this "Mobile Strategy" into the new agency a detailed evaluation should be pursued.
- VIII It is crucial that managers understand the ethos of a knowledge based approach, have sufficient understanding and experience to commission intelligence, prioritise packages, ensure appropriate tactics are utilised and critically examine and appraise results. Equally, they have to understand the criminal justice process, including the balance between intelligence and evidence. The inspection has exposed that managers are able to fulfil these criteria for success in a varying degree, but little has been put in place to accredit and support these key individuals in these areas. Again this is an area where the lessons learned from this inspection must be carried forward into the new agency.

Unique Capabilities of HMRC at Borders

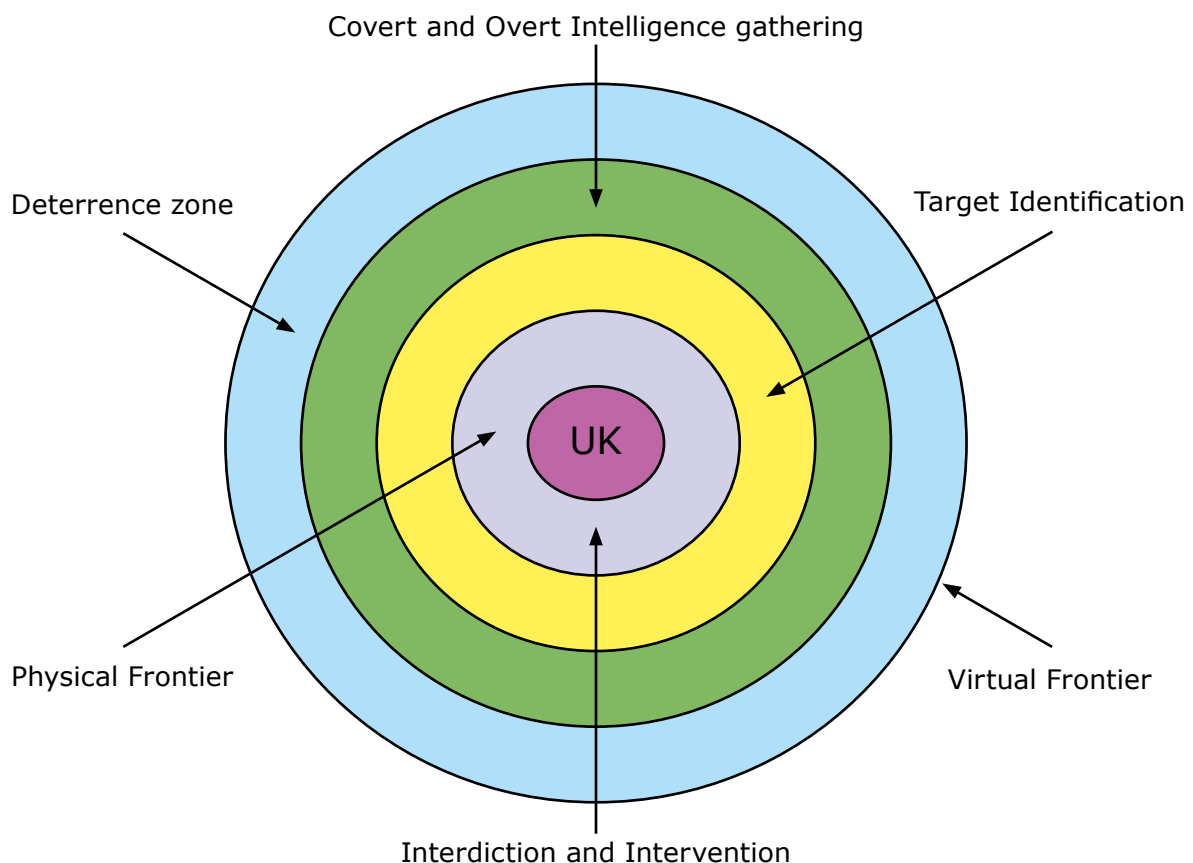
- IX In general, Detection teams are skilled in the traditional "customs officer" skills including search, rummage and visual and remote profiling of passengers, cargo and vessels. When combined with a number of their other systems, particularly the Freight Targeting System, they provide a potential potent mix for any border control mechanism whether operating as a stand alone or as a component part of the future arrangements.
- X Notwithstanding the focus of targets in recent years, Detection staff still see themselves in many cases as "customs officers" with a frontier protection role and do not identify easily with the current rationale for HMRC work. This generates a morale issue for some. This could easily be dismissed as something that could be rectified by better communications, but there was a sense during this inspection that this was about a deeper issue to do with a sense of identity and role deeply felt by the staff involved in this work. The formation of the new agency gives an opportunity to address these issues in such a way that staff are motivated to deliver success.

Delivery

- XI In order to provide an operation at the border that delivers against the five principles outlined in "Security in a Global Hub", the desired Endstate in terms of revenue, personal and commercial interests, and the factors that undermine that desired Endstate, must be identified.

The ability to identify and interdict illicit or counterfeit goods or illegal and undesirable individuals is key to this. A single line of defence will not work, no matter how sophisticated, when it can be subverted (false papers, transshipping etc.) or avoided (use of uncontrolled or uncanalised points of entry (POEs)). The Airbridge and Westbridge initiatives show that it is possible to begin the process of control of the border much further upstream. The need to move from Detection's current operational model, based primarily at points of entry, to a more layered approach where a variety of techniques and deployments are utilised, in a calculated strategy to reduce subversion or avoidance of UK controls, should be considered. A layered model, building on successive opportunities to combat threats, elaborates on the initiatives that Detection and other stakeholders have taken in some operations. Figure 1 illustrates this model. This is followed by an outline of its potential components.

Chart 1: Layered Approach to Border Security



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Deterrence zone – Actions in identified communities to dissuade illegal activities, to highlight the potential penalties and sanctions and to emphasise the determination to secure our borders. Exporting the border is a fundamental concept in the development of an effective initial deterrence zone and HMRC have demonstrated the effectiveness of such action through the targeting of drug couriers in Jamaican and Ghanaian airports⁷. Moreover, the deterrence zone should include targeted media campaigns with an emphasis on positive interventions and interdictions, such as recent HMRC initiatives to publicise the movement of cash within the Chinese community and highlighting Product of Animal Origin issues amongst the West African diaspora. (Aligns with *Security in a Global Hub's* Principle 1: *Act Early* and Principle 5: *Reassure and Deter*⁸)

Covert and Overt Intelligence Gathering – Co-operation with, and deployment to, agencies in other countries that are either the seat of incursive activities or effective partners in data and intelligence sharing. (Aligns with *Security in a Global Hub's* Principle 2: *Target Effort*⁹)

Target identification and enhanced profiling – enhancing current target and selection systems, investing in shared profiling protocols with other agency partners both UK and foreign based. This integration should enable earlier target identification and result in more requirements being made for intelligence development. (Aligns with *Security in a Global Hub's* Principle 2: *Target Effort* and Principle 3: *Managing the Bottlenecks*¹⁰)

Interdiction and intervention – Interdiction by measures that remove the profitability and increase the barriers to entry to the illicit and contraband markets. Intervention Intelligence driven tasking, both of organisational and other partner assets. (Aligns with *Security in a Global Hub's* Principle 4: *Maximising Depth and Breadth of Protection*¹¹)

Physical Frontier – The reassurance dividend and “last filter” role (as opposed to primary security line) of a uniform presence at the physical frontier should not be underplayed. Whilst professional opinion may dictate that the resources could be better deployed elsewhere, the impact on the travelling public’s confidence, whether UK citizens or not, is an important ingredient in delivering a frontier that is seen to be secure and under control. (Aligns with *Security in a Global Hub's* Principle 5: *Reassure and Deter*¹²)

XII However, the development and delivery of such a model is predicated on the Endstate being defined and the tactical effect of interventions and interdictions being understood. To ensure success at the frontier it is crucial that weaknesses in the current operation are not incorporated.

Therefore, the issues highlighted in relation to:

- Intelligence;
- Risk assessment across the UK;
- Resource and asset management;
- Management of operations;
- Performance Management;

must be addressed.

XIII As previously indicated, HMRC Detection has distinctive search and profiling capabilities which neither immigration nor the police components can offer to a border mission. The 'trade offs' in their contribution, which the border control mission demands, will need to be acknowledged given the increased efficiency Detection could bring to others on search and profiling.

Summary of Recommendations and Considerations

XIV The following is a summary of the recommendations and considerations made in the body of the report.

HMI recommends that:

- 1** National Risk Assessments should be produced to inform the deployment decision making process, and these should be reviewed on an annual basis;
- 2** the basis for mobile team resources should be reviewed, in order to determine whether the time and financial costs inherent in their use as a supplement to fixed staff at static locations is sustainable;
- 3** auditable National Risk Assessments be reintroduced covering all points of entry;
- 4** any tasking and co-ordination structure should encompass prevention, intelligence and enforcement capabilities. The UK Border Agency should give serious consideration to establishing a joint-agency framework through which this can be achieved;
- 5** border control functions should be underpinned by embedded local intelligence resources;
- 6** IntelNet is made available to all UKBA frontline staff and is utilised as a joint resource for UKBA and HMRC;
- 7** a structured briefing system should be introduced for border management functions;

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- 8** an audit of the DCIS system, or its successor system CENTAUR, should be undertaken to determine:
 - data gaps;
 - data inaccuracies;
 - the training provided to staff; and
 - the quality of management assurance;
- 9** any new seizure recording system incorporates a unique port code for all locations;
- 10** professional performance analysts should be employed to evaluate comparative local, regional and national performance;
- 11** selection for operational border management posts should include an informed operational competency assessment, and where individuals are put in posts an appropriate training and support plan should be put in place. Consideration should be given to utilising training in NIM and Command available from the NPJA;
- 12** the Freight Targeting System should be developed as a core profiling tool for the UK Border Agency.

Consideration should be given:

- 1** by the UKBA and HMRC to jointly fund and staff the NCU and developing it to meet the full requirements of both agencies;
- 2** by all agencies with responsibility for border management to the introduction of a system to ensure that all significant decisions are fully documented and retained in a readily retrievable format to provide an accountable and auditable process;
- 3** by the UK Border Agency to securing the corporate knowledge of its precursor agencies as a basis for an effective knowledge management regime;
- 4** to the development of structured trials at a number of locations, in order to provide an indication of the relative merits of T&S selections compared to visual selections for the various modes of transport;
- 5** to planning a single-site national targeting centre for all transport modes;
- 6** to amending the Cyclamen Public Service Agreement target to 'intercept 100% of vehicles triggering an alarm', given the potential consequences of the successful smuggling of radioactive or radiological materials into the UK;
- 7** to the introduction of a remote system for capturing real time data and video footage from all the fixed Cyclamen portals;

- 8 to a review being undertaken of border control agencies' maritime capabilities, following the completion of National Risk Assessments, in order to support both canalised and uncanalised maritime anti-smuggling, illegal immigration, counter-terrorism and intelligence work;
- 9 to the development of a nationwide network of units based upon the Small Ports Units concept with regional boundaries coterminous with police Basic Command Units/Divisions, as a jointly funded and staffed uncanalised intelligence resource.

Notes:

- ¹ WORLD TRADE ORGANISATION (2006) *International Trade Statistics*. Table A4 [online]
Available at http://www.wto.org/english/res_e/statis_e/its2006_e/appendix_e/a07.xls
- ² See AIRPORTS COUNCIL INTERNATIONAL (2007) *Airports welcome record 4.4 billion passengers in 2006* [online]
Available at http://www.aci.aero/cda/aci_common/display/main/aci_content07_c.jsp?zn=aci&cp=1-5-54_666_2
- ³ Based on 20p duty and tax per cigarette stick
- ⁴ See *HC Deb* 25 July 2007 vol 463 c841-845
- ⁵ see CABINET OFFICE (2007) *Security in a Global Hub: Establishing the UK's new border arrangements*
- ⁶ HMRC DETECTION DIRECTORATE (5 December 2005) *Detection Directorate Business Planning Pack for period 2006-07 & 2007-08*
- ⁷ Operations Airbridge and Westbridge
- ⁸ CABINET OFFICE (2007) *Security in a Global Hub: Establishing the UK's new border arrangements*, Pages 8-9
- ⁹ *ibid.* Pages 8-9
- ¹⁰ *ibid.* Pages 8-9
- ¹¹ *ibid.* Pages 8-9
- ¹² *ibid.* Pages 8-9

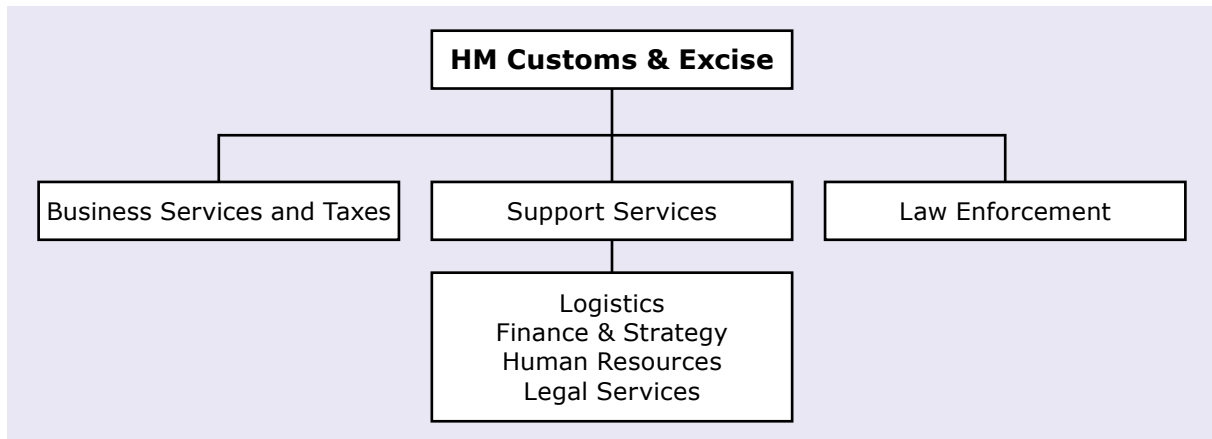
Chapter 1

History and Evolution of the Customs Border role

- 1.1 Until the mid-1980s, the stated role of HMCE remained overwhelmingly focussed on the collection of revenue and various taxes, but the Department also continued to perform a range of other non-revenue functions, both those imposed by statute and others through agreements with other Government and public bodies where Customs controls have been determined to provide the *"most convenient and economic instrument for such non-revenue work"*¹. These included, at various times, the enrolment and payment of men for the Royal Navy Reserve and *"enforcement of immigration and emigration controls, at certain minor ports and airports (on behalf of the Home Office)"*². As the level of drug trafficking increased during the second half of the last century, HMCE also became heavily involved in *"close co-operation with the Police and Home Office against drug smuggling"*³.
- 1.2 The HMCE Spring Report 2001 announced a major reorganisation of the Department to be implemented on 1st April 2001. The main features of the reorganisation were:
- *"the focusing of all the Department's activities into two core functions – Business Services and Taxes; and Law Enforcement,*
 - *the creation of a simplified, functional management structure based on these core functions, and*
 - *the separation of support services from front line functions."*⁴
- 1.3 The objectives of the reorganisation were to ensure greater accountability for delivery of the Department's objectives, making it clearer who was responsible for delivering each task. It was intended to provide the opportunity to:
- *"have a clearer focus on what they did;*
 - *eliminate artificial divisions; and*
 - *change the relationship between support and the front line."*⁵
- 1.4 The new structure was displayed in the 2001 Departmental Spring Report as below:

History and Evolution of the Customs Border role

Chart 2: HMCE Organisational Structure 2001



1.5 The Law Enforcement business function was divided into five sub-functions:

- Intelligence: all regional and central intelligence activities;
- Investigation: all regional and central investigation activities;
- Detection: all anti-smuggling and other detection activities;
- Policy: all policy relating to law enforcement; and
- Business Design: systems, controls, the definition of business requirements from support and the management of business change processes.

This structure introduced the Detection Directorate and created a post of Director, with national responsibility for the former front-line preventive staff.

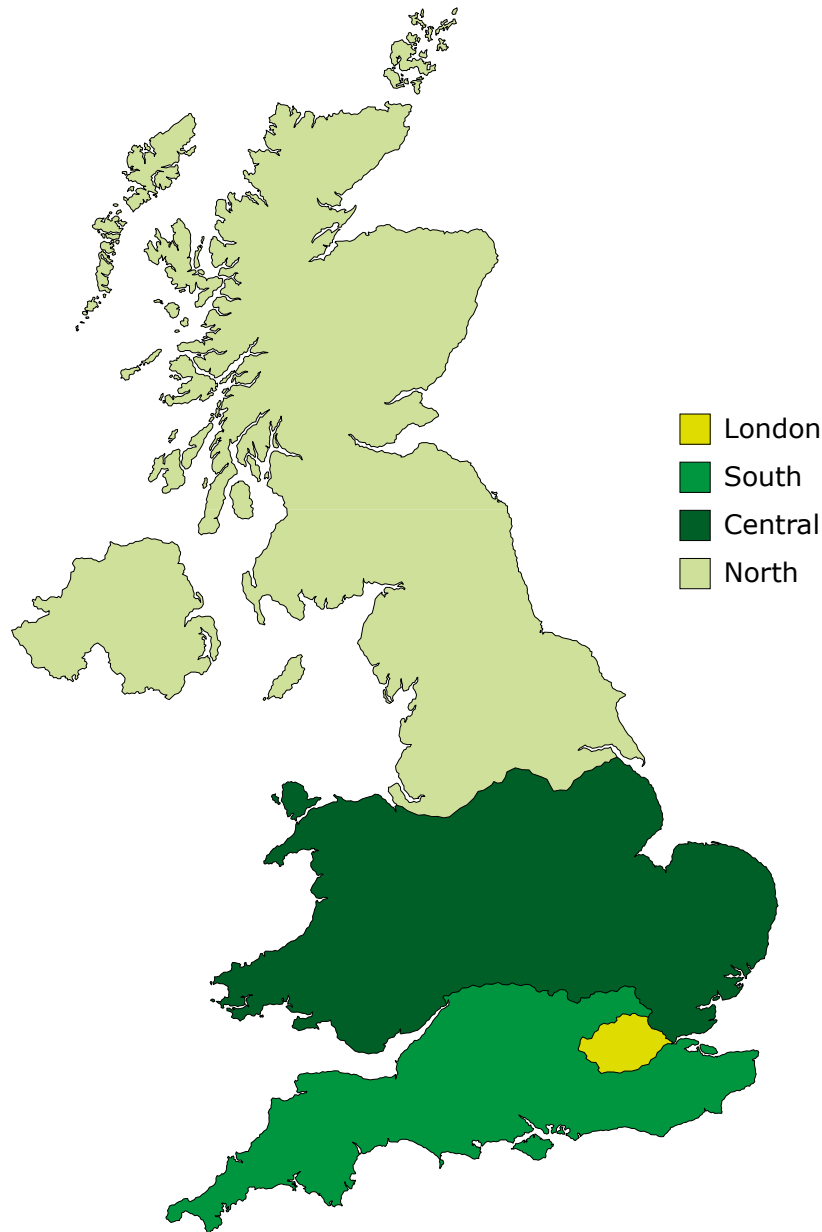
1.6 As at 1 April 2007, Detection had approximately 4,500 personnel located across the UK in the four Detection regions. Permanent staff are to be found at the busiest transport hubs such as Dover, Felixstowe, Heathrow Airport, Gatwick Airport and Manchester Airport, however a large proportion of staff resource is deployed through mobile teams. The aim was to be able to react to changes in risk, but it also enabled HR issues to be addressed when permanent manning was withdrawn in a number of locations. There is also the National Strike Force (NSF) which comprises a number of mobile teams that can be deployed to any location. Similarly, certain Detection Regions have Regional Strike Forces (RSF) which are similar to the NSF but only deploy within their own region. The NSF and RSF are often used for intensification efforts on hub locations.

1.7 Detection is headed by a Director and is divided into four regions: North, Central, South and London and a National Operations branch, each headed by a Senior Civil Service (SCS) Grade manager (Deputy Director). North Region includes Scotland and Northern Ireland. London Region covers the area inside the M25 motorway (including Waterloo, and now, St. Pancras International Rail Terminal), the major airports at Heathrow, Gatwick, Luton, Stansted and has responsibility for a number of smaller airports and airfields outside the M25 such as Blackbushe and Farnborough.

History and Evolution of the Customs Border role

The regional structure of Detection is as below:

Map 1: HMRC Detection Regions



- 1.8 Although Detection (and its predecessors) has been predominantly focussed on revenue collection, it has, throughout its history, undertaken a wide range of other duties on behalf of other government departments as assigned matters. Detection's current role in relation to these matters is discussed in more detail in Chapter 2 of this report.

Notes:

¹ GREAT BRITAIN HM Customs and Excise (1971) *HMCE 1971 Annual report*, Paragraph 64

² GREAT BRITAIN HM Customs and Excise (1976) *HMCE 1976 Annual Report*, Page 123

³ GREAT BRITAIN HM Customs and Excise (1967) *HMCE 1967 Annual Report*, Paragraph 114

⁴ GREAT BRITAIN HM Customs and Excise (2001) *Her Majesty's Customs and Excise Spring 2001 Departmental Report: The Government's Expenditure Plans 2001-02 to 2003-04 and Main Estimates 2001-02* (Cmnd. 5117) TSO: Norwich, Page 7

⁵ *ibid.* page 14

Chapter 2

The Challenge of the Border

The Global Marketplace

- 2.1 The challenge facing border agencies across the globe is to balance the economic imperative of facilitating the flow of trade, whilst protecting the country from fiscal and social harms caused by illicit goods being imported through a multitude of entry points across a variety of modes of transport. The enormity of this is exacerbated still further by the volume of freight, the complexities of globalised international trade supply chains and the unprecedented levels of international passenger travel.
- 2.2 The volume of foreign freight traffic entering the UK has increased dramatically during recent years. During 2006, 279 million tonnes¹ of foreign maritime imports entered the UK – a 47% increase since 1995². Underpinning this rise was a 61% increase in the volume of foreign bulk cargo and 76% rise in containerised/roll-on roll-off (RORO) traffic³. At Britain's busiest ports - such as Felixstowe, where during 2006 an average of 2,728 visually similar containers were imported through the port every day⁴, the scale of freight movements poses particular challenges.
- 2.3 The increase in maritime trade is surpassed by the continued growth in international air travel. The past 14 years has witnessed a dramatic increase in flights and passengers arriving in the UK:

Table 1 Air Transport Statistics⁵

	1993	2006	% increase
International inbound aircraft movements	444,239	762,524	71.6
International passenger arrivals	44,133,198	92,940,316	110.6
Freight tonnes arriving at UK airports	648,153	1,210,698	86.8

- 2.4 These increases, illustrated in Table 1, were not only witnessed in the major international airports; the greater challenge manifests itself in the growth of international traffic into UK regional airports. In 1993, international passengers arriving at Heathrow, Manchester and Gatwick airports accounted for 80% of such arrivals into the UK. Although passenger volume has continued to increase at these airports, by 2006 this proportion had fallen to 60%, with the other 40% shared between 48 airports across the length and breadth of the UK⁶. The number of Detection officers has not increased in line with air or maritime traffic and the associated threat.

The Challenge of the Border

- 2.5 The opening of the Channel Tunnel in 1994 provided a new route into the UK for smugglers to exploit. It increased the throughput and speed of cross-channel freight and passenger vehicular traffic, and the tunnel provides an opportunity for foot passengers to travel directly to central London from major European cities. In 2006, in excess of 15.3 million passengers, 1.5 million tonnes of freight and two million cars took advantage of this route⁷. In addition to the volume of traffic, the tunnel created its own particular set of challenges, including juxtaposed customs controls.
- 2.6 The UK's geography presents other particular challenges. The 7,758 mile coastline is the third longest in Europe and its close proximity to other countries has, for centuries, provided smugglers with an almost limitless array of suitable locations to facilitate their practices. There are more than 650 ports with statutory harbour authority powers, and many more wharves, marinas and moorings dot the coastline. The UK only has a relatively short land boundary compared to other European Union (EU) Member States, however the security issues relating to the 224 mile border with the Republic of Ireland disproportionately militate against Detection's ability to manage that frontier. Furthermore, across the UK there are 60 commercially active Civil Aviation Authority (CAA) reporting airports, 142 licensed aerodromes and several hundred unlicensed aerodromes and landing strips, which can be used legally as points of entry by legitimate traffic and equally be exploited by the criminal fraternity.

The European Context

- 2.7 There has also been a growing complexity in the range of challenges facing customs authorities during recent years. The continual growth of large scale commercial counterfeiting and the trade in counterfeit goods estimated to be US\$200 billion in 2005⁸, represents one of the major evolving threats at this time. Large year-on-year increases in seizures of counterfeit goods have occurred both across the EU⁹ and in the United States¹⁰. This underlines what the European Commission's Taxation and Customs Union refer to as "a growing and increasingly dangerous phenomenon"¹¹. This phenomenon, which is linked to organised criminality, poses a significant risk to the Revenue and threatens the health and welfare of consumers.
- 2.8 The UK's membership of the EU also poses particular challenges to HMRC and the UK Border Agency, associated with operating within a broader European framework. The free movement of capital, services, goods and people enshrined under EU legislation restricts the range of border enforcement activity customs authorities can employ on intra-EU movements. Moreover, the continuing enlargement of the EU – which currently has a 7,730 mile external land border and 43,491 miles of coastline – and the inconsistencies of Member States' tax regimes and levels of enforcement provide greater opportunities for intra-EU smuggling.

- 2.9 As responsibility for the external border of the EU is laid to the European Commission, it has been developing a package of measures to facilitate trade and strengthen the external border¹². This will introduce new measures which, by 2009, will:
- *"propose a redistribution of tasks between customs offices on the external border and those inside the Community's customs territory. Border checks should focus on the security aspects while commercial and fiscal checks can be carried out elsewhere;*
 - *call for improved co-operation and exchange of information between all services responsible for goods crossing the EU's external borders;*
 - *establish a strategy for the simplification and rationalisation of customs regulations and procedures, maximising the use of information technology and supported by improved risk analysis and advanced auditing;*
 - *propose a way to meet security requirements whilst, at the same time facilitating trade; and*
 - *propose legislative changes to incorporate security interests, including pre-notification of import and export declarations, defining risk management and introducing the concept of "authorised economic operator."*¹³
- 2.10 These will have an impact on all EU Member States' customs services, as they will have to conduct compulsory risk assessments on goods at the first point of entry in the EU, irrespective of whether they are being transhipped to another Member State. This will enable importers or agents to lodge customs declarations in one country for clearance of the goods in another. There may be a consequent impact on numbers of imports to be assessed in the UK (although there are no realistic estimates at this time). HMRC are not bound to accept the risk assessments made by other Member States and UK controls for prohibited goods or security matters will continue.

Detection's Current Mission

- 2.11 Against the backdrop of continually increasing demands and growing complexities, one of Detection's key roles is to prevent and detect a wide range of economic and social threats to the UK. Although the Detection Directorate has not produced its own individual mission statement, its role is reflected in the Directorate's Strategic Aim (2007) to:
- "...put the customer at the centre of our business and improve the impact of our interventions to the level where criminals and terrorists are increasingly deterred from carrying out their activities in the UK or across its borders. In doing so, we will strengthen our position as the UK's lead border agency, working in partnership with our customers to improve compliance and HMRC's facilitation of the compliant."*

The Challenge of the Border

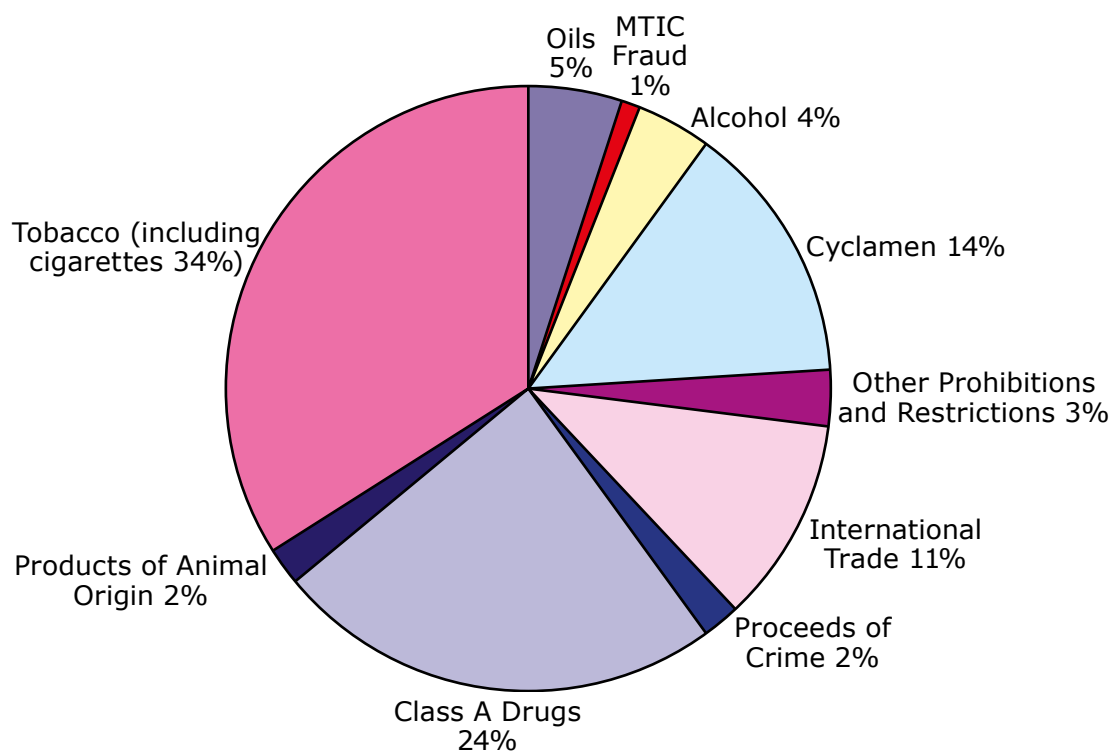
2.12 This aim contributes to HMRC's stated mission to:

"... provide an increasingly efficient and high quality service that:

- helps people and businesses understand and meet their tax obligations and understand and receive their entitlements;*
- strengthens frontier protection;*
- tackles those who do not comply."*¹⁴

2.13 The wide range of threats faced at the UK border by HMRC's Detection directorate falls broadly into two categories, namely fiscal/economic harms and those posed by prohibited and restricted goods. The allocation of staff across the various commodity risks (see Chart 3) provides an indication of Detection's priorities in 2007.

Chart 3: Detection Staff Year Allocation by Commodity 2007



Detection's staffing is primarily focussed on addressing fiscal risks, Class A drugs, facilitating international trade and Programme Cyclamen⁽ⁱ⁾ (a Home Office funded programme for the screening for nuclear and radioactive materials at the frontier).

⁽ⁱ⁾ See below, paragraphs 5.22 to 5.27

- 2.14 Although the concept of resourcing by commodity provides an indication of Detection's priorities, in reality it can never be a true reflection of the work undertaken by Detection officers. Principally, in an air environment, most operational Detection officers stated that they determined which persons or items should be intercepted based on indicators of criminal activity rather than targeting for a specific commodity. Moreover, although officer staff years are allocated by commodity, in practice frontline officers react to what they find for, as one officer stated, *"you don't know what's in the bag until you open it"*.

Forward Look

- 2.15 It is crucial that key areas of current Detection activity, including the vital work undertaken in tackling the fiscal risks to the UK posed by the smuggling of dutiable goods, continue to be addressed under the new arrangements. Moreover, consideration should be given to enhancing activity in other key areas such as the Proceeds of Crime Act (POCA) in line with the Government's efforts to *"encourage police forces and agencies to focus resources [on this]"*¹⁵ and with the financial support provided by the asset recovery incentivisation scheme.

Notes:

- ¹ See DEPARTMENT OF TRANSPORT (2007) *Transport Statistics Report: Maritime Statistics 2006*, Page 20
- ² Figures from ibid. Page 20 and DEPARTMENT OF TRANSPORT (2002) *Transport Statistics Report: Maritime Statistics 2002*, Table 1.2
- ³ Figures from DEPARTMENT OF TRANSPORT (2002), Op. cit Table 1.2 and DEPARTMENT OF TRANSPORT (2007), Op. cit Table 1.2
- ⁴ DEPARTMENT OF TRANSPORT (2007), Op. cit, Page 50
- ⁵ Figures provided by Civil Aviation Authority and based on scheduled and charter flights to the 49 reporting airports in the UK and excludes light aircraft and other uncanalised traffic.
- ⁶ Figures provided by the Civil Aviation Authority
- ⁷ Gounon, Jacques (2007) *Eurotunnel 2005 and 2006 Annual Reports*, 7 March 2007 [online] Available at http://www.eurotunnel.com/NR/rdonlyres/6BCBF31A-5FE6-41D9-AD20-22254F71290B/0/20052006Annualresults_7March2007.pdf
- ⁸ See ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (2007) *The Economic Impact of Counterfeiting and Piracy: Executive Summary* [online] , Page 4 Available at <http://www.oecd.org/dataoecd/13/12/38707619.pdf>
- ⁹ There was a 70% increase in 2006, See EUROPEAN COMMISSION TAXATION AND CUSTOMS UNION (2006) *Summary of Community Customs Activities on Counterfeiting and Piracy: Results at the European Border – 2006* [online] Available at http://ec.europa.eu/taxation_customs/resources/documents/customs/customs_controls/counterfeit_piracy/statistics/counterf_comm_2006_en.pdf
- ¹⁰ See US IMMIGRATION AND CUSTOMS ENFORCEMENT (January 11, 2007) *Counterfeit goods seizures up 83% in FY 2006: DHS made 14,675 seizures worth more than \$155 million*. Press release [online] Available at <http://www.ice.gov/pi/news/newsreleases/articles/070111washingtondc.htm>
- ¹¹ EUROPEAN COMMISSION TAXATION AND CUSTOMS UNION (2007) *Counterfeiting and Piracy: A Serious Problem for Everyone* [online] Available at http://ec.europa.eu/taxation_customs/customs/customs_controls/counterfeit_piracy/combating/index_en.htm [Accessed 1 September 2007].
- ¹² *Communication From The Commission to The Council, The European Parliament and The European Economic and Social Committee: A Simple and Paperless Environment For Customs and Trade*, COM (2003) 452
- ¹³ EUROPEAN COMMISSION TAXATION AND CUSTOMS UNION (2007) *Developing the New Approach in the Customs Field* [online] Available at http://ec.europa.eu/taxation_customs/customs/policy_issues/customs_strategy/index_en.htm
- ¹⁴ GREAT BRITAIN HM Revenue and Customs (2005) *HM Revenue and Customs: Spring Departmental Report 2005* (Cmnd 6542) TSO: Norwich, Page 7 – Author's underlining
- ¹⁵ HOME OFFICE (May 2007) *Home Office Asset Recovery Action Plan May 2007*. Page 12

Chapter 3

Constraints

Introduction

3.1 HMIC's inspection of HMRC's Detection directorate identified three key inhibitors that limited Detection's potential to achieve greater success in relation to its role at the UK border. These were the lack of:

- a) a truly 'intelligence-led' or risk-based deployment structure;
- b) integration of the directorates which used to constitute HMCE's Law Enforcement (LE) directorate;
- c) a robust performance management structure.

Of these, (a) and (c) remain valid as Detection is integrated into the new border agency.

Resourcing and deployments

3.2 Historically, Detection staff were based at fixed locations and had geographic responsibility for the surrounding area but, as part of the structural changes following the creation of Law Enforcement (LE) in 2001, permanent staff based at many of the UK's small ports were reassigned to mobile teams, leaving these locations with no permanent Detection presence.

3.3 To inform the deployment process, Detection management recognised that an 'intelligence-led' tasking and co-ordination process was required. To this end, national and regional Detection deployment committees were created and charged with determining the deployments of the newly created mobile teams. These deployments were to be based on intelligence flowing from the network of local intelligence staff, the central intelligence structure and that which emanated from investigation activity⁽ⁱ⁾.

3.4 As illustrated in the following paragraphs, this has not materialised as hoped, because of the lack of specific operational intelligence, a fractured deployment committee structure and the inflexible operational context of Detection's mobile resources. Staff are not deployed according to a genuine analysis of intelligence nor are Detection managers provided with a holistic national picture of the risks they face, and many locations receive very infrequent or no Detection attendance.

⁽ⁱ⁾ The deployment committee process has failed to fully achieve these aims, as is discussed later at paragraphs 3.34 to 3.40

National Risk Assessments

- 3.5 If a border control agency lacks sufficient staff to deploy to every point of entry, it is essential that it is aware of the range and nature of risks it faces at the border. It also needs to be satisfied that it has considered those risks and balances its deployments accordingly. A prerequisite for operating an intelligence-led deployment structure, therefore, is a strategic assessment across the UK, which would provide an awareness of where the risks/threats are located. This was recognised by the Director Detection who, following the creation of the LE business function in 2001, sponsored the Head of Intelligence Analysis to produce National Risk Assessments (NRAs) in 2002, 2003 and 2004 for four commodities: tobacco, Class A drugs, hydrocarbon oils and cash. The 2002 NRAs clearly state the purpose of the series of assessments was to inform Detection resource planning. The resultant annual analyses furnished Detection with national risk matrices of identified risks at national and regional levels for the selected commodities ⁽ⁱⁱ⁾.
- 3.6 The 2002 NRAs raised concerns about poor recording systems and lack of performance management data, common features in subsequent assessments and confirmed by this inspection. The 2002 Tobacco NRA was underpinned by detailed regional analyses for at least two (South and Central) of the then three regions: North, South and Central. This NRA analysed the risks HMCE faced at points of entry and examined where Detection resources were being deployed. The report highlighted that Detection deployed significantly more resources to some points of entry at the expense of those determined to be a greater risk; Detection failed to deploy to some locations at all and concluded *"Detection staff are probably not deployed to the most risky locations"*. Notwithstanding the production of national and local level risk assessments, HMRC have been unable to provide HMIC with any control strategies developed to address the risks identified or fill the intelligence gaps highlighted in the assessments.
- 3.7 Although the 2003 and 2004 NRAs raised similar concerns about intelligence gaps, none repeated the specific matter relating to deployment of resources. In a letter accompanying the 2003 NRAs, the Head of Intelligence Analysis stated in October 2003, that they *"represent the closest there is in HMCE to a national understanding of risk at the frontier"*. However, the production of a limited number of commodity-specific assessments led to other significant risks at the frontier, such as the smuggling of Products of Animal Origin, counterfeit goods (excluding cigarettes), firearms and endangered species, taking less prominence.
- 3.8 In addition to assessing locations as either top, high, medium or low risk across varying modes of transport, the NRAs also included a confidence level rating for each assessment. The 2002 assessments indicated the degrees of confidence as ranging from *"Fully tested [which] indicates that the risk indicators have been examined thoroughly"* to *"Untested [which] means the risk is best judgement as*

⁽ⁱⁱ⁾ No further NRAs have been produced. See paragraph 3.10

there is very little or no information available at this time". The 2003 and 2004 assessments utilise an amended confidence rating ranging from "level 1: high levels of past Detection activity, large amounts of intelligence and/or seizure data" to "level 4: little or no Detection activity, no intelligence and/or seizure data". The fact that the majority of assessments were rated as partially tested or untested in 2002 and confidence level 3 or 4 for 2003 and 2004 is indicative of the paucity of local geographic intelligence available to HMRC, especially in locations with no permanent Detection presence or no mobile team deployments. Before staff were removed from fixed locations to be deployed on the new 'intelligence-led' basis, they had the opportunity to liaise with the community to garner local intelligence and get a better understanding of the traffic and threats posed. With their reassignment and the removal of local intelligence officers, this flow of information all but dried up⁽ⁱⁱⁱ⁾.

3.9 The low confidence levels clearly raise questions about the robustness of many of the assessments. It is important therefore, that procedures should have been introduced to fill the identified intelligence gaps systematically. This did not happen. The lack of local Detection or Intelligence staff, which contributed to the intelligence gaps, also reduced HMRC's ability to fill them. Furthermore, crucially, no evidence has been provided that either Detection or Intelligence has created a structured collection plan for any locations where there are intelligence gaps since the assessments were produced.

3.10 The letter from the Head of Intelligence Analysis to the Director Detection in October 2003 stated:

"To move [the risk assessments] a stage forward ... requires a closer working relationship between us, especially with regard to capturing the outcome of Detection activity so that it can inform analysis..."

However, no NRAs were sponsored by the Director Detection after 2004, and interviews with both Detection and Intelligence indicate that this closer working relationship never materialised. It is unclear whether this was as a result of a lack of confidence by Detection in the analyses produced (which are inconsistent in their gradings of confidence level 3 and 4 ports and modes of transport), a failure by Detection to provide the necessary feedback to the analysts or both. Whatever the cause, the production and response to risk assessments, essential to an intelligence-led deployment paradigm, is just one area where closer relationships between Detection and Intelligence are vital, as will be discussed in greater depth later.

Recommendation 1: HMI recommends that National Risk Assessments should be produced to inform the deployment decision making process, and these should be reviewed on an annual basis.

⁽ⁱⁱⁱ⁾ There is further analysis on the removal of local intelligence, and the impact this has had on Detection, at paragraphs 3.41 to 3.45

- 3.11 Although no NRAs have been sponsored or produced since 2004, a limited number of risk assessments have been conducted on a location, commodity or mode of transport specific basis. These have been sponsored by various Detection managers across the regions, Commodity Groups and Deployment Committees to inform their decision making. However, the lack of central direction and co-ordination means the opportunity for a comprehensive national assessment is not exploited. A Detection Senior Officer has recently conducted preparatory work for a bulk cargo risk assessment. The resulting 37 page document lists details of all the wharves where bulk cargo is offloaded in the region, the port operators, an indication of the volume and type of cargo handled and the countries of origin of the cargo. Although this a worthwhile subject to explore, it would be more appropriate for this type of analytical work to be undertaken by intelligence analysts, supported by a proper tasking and co-ordination process.

Location of Permanent Static Staff

- 3.12 In written evidence to the House of Commons Select Committee on Welsh Affairs, HMCE set out the criteria for determining when and where to deploy staff:
- "Customs take account of the nature and volume of traffic (ports and airports), as well as relative seizure levels and specific intelligence, to inform the overall risk."*¹
- 3.13 In reality, the decisions on where permanent static staff are located appear to have been based solely on the first two criteria. In light of the importance placed on seizure targets, it is unsurprising that it places its static resources in those places where these 'common sense' indicators suggest they would make the greatest seizures. However, it is essential that if permanent staff are solely based at these locations, the risks posed at other locations must be addressed through the intelligence-led deployment of mobile resources.

Mobile Teams

- 3.14 Detection created two national mobile teams in 2000 to support the inland and frontier actions as part of the Government's Tackling Tobacco Strategy². As Detection subsequently moved from staff at fixed locations towards more mobile resources, it developed and increased the number of national teams over the following years. The current complement consists of National Strike Force Teams (NSF) supplemented by mobile staff in all four Detection regions. However, there is no consistency in the way the regional teams have developed or how they are deployed.

Constraints

- 3.15 NSF and regional mobile/brigade staff are drawn both from permanently manned stations and from those locations where fixed Detection staff have been withdrawn. It is evident from management correspondence concerning the withdrawal of staff from the South West of England that human resource issues at these locations was one of the drivers for the redeployment of these staff to mobile South West Intervention Teams (SWITs). It is likely that these considerations also had an influence on management decisions about creating mobile teams in other regions.
- 3.16 Although there are clearly inherent inconsistencies in the size and make-up of the strike force and brigade teams, none are, in practice, fully flexible intelligence-led resources. Rather than responding to intelligence and addressing the threats at the range of locations devoid of permanent staff, the directorate's overriding focus is on achieving high seizure figures. Its finite resources mean that, as with fixed staff, they are predominantly deployed to locations where there is a high volume of traffic and a history of frequent seizures.
- 3.17 In many locations these deployments are to supplement existing permanent Detection resources. The rationale for and nature of NSF deployments is similar to the regional teams. During 2006/07 the NSF deployed to only 15 locations, all but two of which are permanently staffed by other Detection officers. These deployments undermine the assertion made in the Review of the NSF that "*The National Strike Force is based on the concept of total flexibility*".
- 3.18 An analysis of planned deployments from mid March 2007 reveals that most of the SWIT teams were regularly deployed outside the South West of England. These teams work a seven day on, seven day off roster, but because of the long distances they have to travel every week, they are not operational for the whole of this period^(iv).
- 3.19 At other locations where there are high traffic flows but few or no permanent anti-smuggling staff mobile teams have also been deployed on an almost daily basis, with the inherent travel and subsistence costs that this incurs. The use of locally employed fixed staff at such locations would have no continuing subsistence or expenses, although it is acknowledged that some other additional costs might have been incurred for relocation expenses and training.
- 3.20 There are efficiency, as well as financial concerns around the use of the NSF and those mobile teams which regularly travel long distances from their home stations to their deployment locations. Due to the travelling time this incurs, many of these teams are non-operational for half of the first day and the whole of the last day of their seven day deployment. A deployment paradigm that involves officers spending at least 21% of their available working time on non-operational duties does not appear to be the most efficient use of resources. Further questions about the resources required to manage, and the efficiency of, the NSF are raised by the example of an NSF team comprised of staff from

^(iv) See below, Paragraph 3.21

Dundee, Falmouth, Belfast, Waterloo, Tilbury and Manchester, which in 2006/07 deployed regularly to Coventry and made occasional deployments to Coquelles, Dover and Felixstowe.

Table 2: Distance (miles) between the home stations of one NSF team and selected deployment locations

Home station	Deployment location			
	Coquelles	Dover	Felixstowe	Coventry
Belfast	582	551	512	370
Dundee	587	557	517	375
Falmouth	374	342	394	274
London	108	76	87	97
Manchester	325	295	255	112

- 3.21 The paucity of performance management information maintained by Detection across all its activities is discussed in detail below^(v). This prevents Detection management, or HMIC, from fully assessing the effectiveness of its operations, including its resourcing structure. Detection do not undertake regular comparative analyses of the performance of permanent and mobile teams, either as part of the deployment committee process, or within local, regional or national management. However, even in the absence of such statistical analysis, questions have to be raised about the efficiency of using mobile staff to provide cover for insufficient permanent staff.

Recommendation 2: HMI recommends that the basis for mobile team resources should be reviewed, in order to determine whether the time and financial costs inherent in their use as a supplement to fixed staff at static locations is sustainable.

Insufficient Detection presence at specific identified risk locations

- 3.22 With Detection's focus on seizure levels, the majority of its resources are deployed to locations and transport modes where, historically, large numbers of seizures have been made and where there are high volumes of traffic.
- 3.23 HMCE elucidated upon its determination of risk in its written evidence to the House Of Commons Select Committee on Welsh Affairs in June 2003, where it stated:
- "In deciding when and where to deploy staff, Customs take account of the nature and volume of traffic (ports and airports), as well as relative seizure levels and specific intelligence, to inform the overall risk. There is a twice-daily ferry into Pembroke Dock... On a daily basis, in the year to 31 March 2003, Pembroke Dock dealt with 540 passengers; 89 road haulage vehicles; 150*

^(v) See below, Chapter 4

Constraints

tourist vehicles; and two coaches. By way of comparison, in March 2003, the port of Dover dealt with a daily average inbound of: 15,900 passengers; 2,600 road haulage vehicles; 2,500 tourist vehicles; and 140 coaches”³. and “Seizures made at Pembroke..., have, in the main, been relatively small amounts”⁴

- 3.24 This clearly sets out that volumetrics are the primary indicator used by Detection to determine risk and the overriding basis for its deployments. Consequently, other areas highlighted as medium and high risk in risk assessments, receive minimal attention.
- 3.25 The Department recognises there are risks from uncanalised traffic⁵. Although local intelligence and inter-agency working are essential to deployment decisions in the uncanalised sector, even if the requisite intelligence structure were in place, it is doubtful whether Detection, with its current priorities, resource allocation, focus on seizures and deployment processes, could deploy regularly to these threats.

Recommendation 3: HMI recommends that auditable National Risk Assessments be reintroduced covering all points of entry.

Summary of Current Deployment Methodology

- 3.26 The strategy of concentrating large numbers of staff in hubs, supplemented by mobile teams, cannot be shown to be more effective for Detection’s current mission than providing a wider fixed presence across the UK. No statistics are available to demonstrate the relative performance of fixed and mobile resources. Furthermore the move towards a more mobile deployment paradigm with the current ineffective deployment structure and the lack of operational intelligence or up to date NRAs fails to represent a truly ‘intelligence-led’ approach to addressing the risks faced by the Department. HMRC Intelligence have underlined the risks inherent in Detection’s move towards a mobile deployment structure which is not adequately ‘intelligence-led’ and instead focuses on locations with a history of large seizures and have highlighted the danger in basing future effort on what has gone before.
- 3.27 There is further evidence, since 2002, of seizures increasing in ports of entry where fixed staff have been replaced with infrequent visits by mobile teams – which would suggest that smuggling activity is being displaced from hubs to locations where criminals are aware that Customs presence has reduced.
- 3.28 In the absence of the prerequisites for intelligence-led deployments, Detection’s deployment structure is problematic. Even limited to its anti-smuggling and trade facilitation roles, Detection’s focus of resources at hubs - which results in more support officers being based in one particular point of entry than there are front-line officers deployed to the whole of Wales and Northern Scotland - needs to be addressed. This is even more relevant with the wider counter-terrorist and border security remit of the UKBA.

Deployment Committees

3.29 Following the 2001 reorganisation, Detection and Intelligence developed formal national and regional tasking and co-ordination processes in order to be intelligence-led. The principles of Detection's Tasking and Co-ordination system⁶ built on Intelligence's move to combine its functional and geographical responsibilities into specific commands under Commodity National Intelligence Centres (NIC)⁷ and Modes of Transport National Intelligence Units (NIU)⁸, whilst each Detection region had established a Targeting and Selection capability. In addition, a clear tasking and co-ordination process had been set up along the following model:

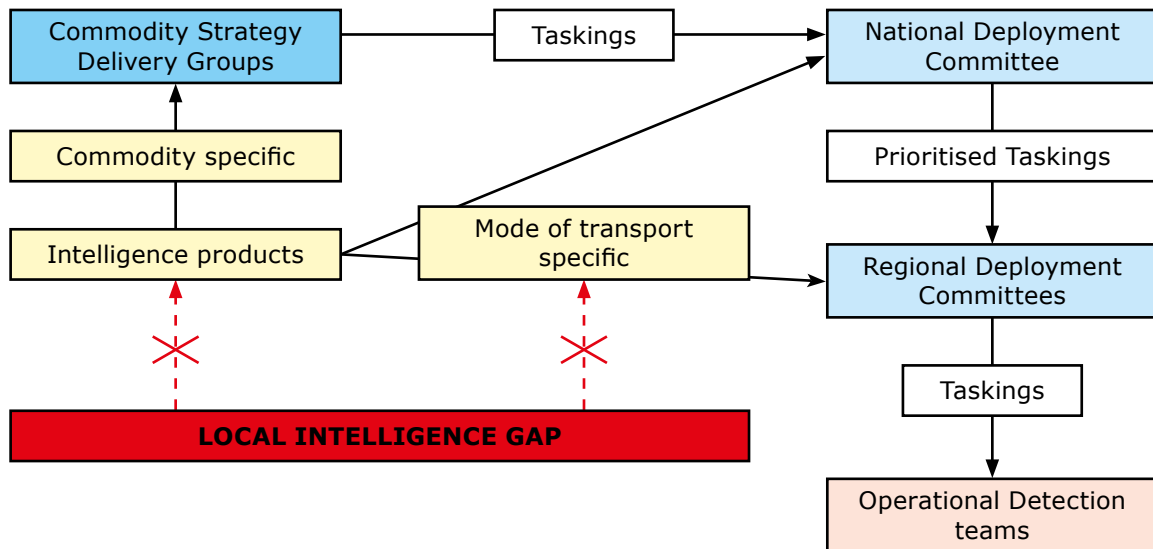
- monthly Detection National Deployment Committee (NDC) meetings, chaired by the Head of Frontier Security division⁹, with grade 7 regional representatives. NDC determine prioritised operational activity and direct staff deployments in response to the latest intelligence assessments from the NICs and NIUs which are presented by the Deputy Director Intelligence. The Deputy Director Intelligence should also agree any tasking of Intelligence required by NDC and task NDC for the specific deployment of resources to undertake activities to address specific significant intelligence gaps¹⁰; and
- following NDC, each region should then hold its own Regional Deployment Committee (RDC) meeting, chaired at grade 7 or above and attended by Regional Detection Managers. The meeting should be attended by a grade 7 or above Intelligence officer, who will add any local weighting to the national picture. The RDC will then direct regional operational resources in line with NDC decisions, whilst taking into consideration the local perspective. The RDC also agrees local tasking of Intelligence and, where appropriate, will accept tasking from Intelligence to fill intelligence gaps by using local Detection resources¹¹.

3.30 Although, on paper, this structure should have provided a basis for a genuine move to intelligence-led deployments of mobile staff and developments of intensification initiatives, the current Detection / Intelligence relationship overly relies on Strategic and Tactical 'trend and alert' intelligence and is undermined by the lack of current and actionable local operational intelligence that is required to support such decision making^(vi).

^(vi) There is further analysis on the removal of local intelligence, and the impact this has had on Detection, at paragraphs 3.41 to 3.45

National Deployment Committee and Detection Commodity Strategy Delivery Groups (DCSDG)

Chart 4: Detection Deployment Structure



- 3.31 In order to support its intervention activity, Detection subsequently created Detection Commodity Strategy Delivery Groups (DCSDGs) to supplement the Deployment Committee processes. Since the restructuring of Intelligence into functional streams these groups have become conduits for intelligence generated by the commodity NICs, who forward strategic intelligence briefings to them, rather than directly to the NDC. Consequently, the DCSDGs are now responsible for developing taskings based on their analysis of the available intelligence picture which in turn are submitted to the NDC for prioritisation and dissemination. This process removes the direct interaction between the NDC and senior Intelligence managers outlined in the model above and reduces NDC's primary role to simply prioritising the DCSDG taskings. This is not necessarily an insurmountable problem, so long as the taskings developed by the DCSDGs are based upon a full intelligence picture. This, however, is not the case. In reality, the lack of local intelligence adversely impacts upon the quality of the intelligence products the DCSDGs receive. Furthermore, the time-constraints a monthly NDC cycle places on Intelligence creates further problems, and as a Detection senior manager acknowledged:

"Intelligence have not been able to compile the quality products they aspire to, and the delivery groups have not had enough time to consider tasking"¹².

- 3.32 The lack of quality intelligence flowing into the DCSDG has, on occasions resulted in taskings being based on other information. In one example of this a DCSDG requested an analysis of seizure statistics at UK airports in an attempt to identify those times in the week when most seizures had been made. Based upon this,

the DCSDG created a national tasking for intensification of effort at the specified times. It took no account of a number of essential factors, including the number of staff on duty or availability of technical equipment across the different time periods. This is plainly not intelligence-led.

- 3.33 The analysis of the effectiveness of taskings and deployments is an essential element of a robust tasking and co-ordination system. However, at time of inspection the NDC did not routinely conduct structured evaluations of all the national taskings, laying this responsibility to the strategy groups. More effort is required to determine strategic, operational and tactical outcomes.

Regional Deployment Committee

- 3.34 The four regions take varying approaches to the RDC process and place differing emphases on products generated by the meetings. These inconsistencies are primarily based upon the availability, or lack of, regional mobile resources. For instance, North Region RDC creates deployments for its RSF teams and a 'Rolling Programme' of operational priorities to be addressed by staff across their command (although this accounts for only approximately 20% of the staff time), and South Region, which has a heavy reliance on brigades, exerts most of its effort on their deployment. Conversely, as Central Region has no mobile teams, its RDC determines only how staff will be deployed in relation to specific national NDC led exercises and constructs bids for NSF resources to cover resourcing gaps.
- 3.35 Each region has a Risk Manager at Senior Officer (SO) grade to support the RDC process and, in practice, this manager plays a significant role in determining deployments prior to the RDC meetings. They have responsibility for carrying out analysis of any seizure or deployment data collected in the region, assessing any strategic or trend intelligence and prioritising bids for resources from SO Operational Team Leaders in the region. Prior to RDC meetings, the Risk Manager produces draft deployment schedules and plans for the regions' Operational and Branch Managers to consider. Although these are discussed at the subsequent meeting and are on occasion modified at this forum, in some regions the RDC's primary role is to rubber-stamp plans which have already been produced.
- 3.36 HMIC considers that the NDC and RDC meetings they attended in North, Central and London Regions did not fully meet the requirements of professional tasking and co-ordinating meetings. Although some debate was held about tasking of resources, in reality they all took the course of general management meetings. In short, they lacked structure, thoroughly analysed assessments of performance, results analyses, detailed resource availability for the forthcoming period and, more importantly, current detailed intelligence.

Summary

3.37 HMIC's evaluation of the deployment meetings attended during the course of the inspection highlighted that:

- the Intelligence contribution to the RDC was usually by way of a briefing from one of the Transport NIU (TNIU) and tends to be a composite of recent seizures and details of recently identified concealment methods;
- the intelligence input usually had little or no actionable operational intelligence or local intelligence. As with the NDC, this gap militates against taskings being genuinely 'intelligence-led';
- taskings were generally *ad hoc* initiatives and were developed through unstructured, round table discussions, with little or no professional analytical input;
- resource plans were not regularly produced for continuing taskings and many of the taskings do not have clear objectives;
- there was a lack of tasking specifically to fill intelligence gaps;
- there was no structured evaluation of the resources deployed on, or the results of, previous taskings – which is a critical element of a robust 'intelligence-led' approach.

3.38 The lack of value attributed to the RDCs in some regions is highlighted by occasions when intelligence representatives failed to attend meetings and managers did not raise concerns when meetings had not been held for a number of months. Interviews across the country revealed that the majority of taskings were not determined by deployment committees, but by local knowledge and 'business as usual'.

3.39 In summary, the current DCSDG, NDC and RDC process suffers from serious fractures which prevent it from achieving its aims. These are:

- the delivery of strategic information, as opposed to operational intelligence;
- minimal involvement of intelligence or investigation representatives;
- a lack of a co-ordinated approach to the continuing production of strategic assessments;
- no Control Strategy;
- no ownership of the intelligence product as it moves through the Tasking and Co-ordination Group (T&CG) process;
- no thorough professional debriefing and analysis of taskings;
- no embedded analysts.

- 3.40 However, the fundamental shortcoming of HMRC's tasking and co-ordination process is more systemic. The National Intelligence Model (NIM) is the business process of modern UK law enforcement. It improves the whole tasking and co-ordination process and it can be developed individually by directorates only if they have the capability to complete the end to end process. None of HMRC's law enforcement directorates currently has this capacity. The schism between Detection and its intelligence and investigation partners, described in the following pages, has militated against the development of a fully functioning tasking and co-ordination process. The need to connect frontline Detection officers and intelligence and investigative support will also, potentially, pose a significant challenge to the UK Border Agency.

Recommendation 4: HMI recommends that any tasking and co-ordination structure should encompass prevention, intelligence and enforcement capabilities. The UK Border Agency should give serious consideration to establishing a joint-agency framework through which this can be achieved.

Intelligence support for Detection

Local Intelligence Gap

- 3.41 Historically in HMCE intelligence gathering formed part of uniform customs officers' duties, with the co-ordination and development of intelligence primarily laid to the Investigation Division. A formal intelligence structure, the National Intelligence Division, was created in the 1990s, incorporating elements of the uniform customs service and parts of the intelligence function from within Investigation. Throughout this period a network of locally based intelligence officers remained a key element of the Department's process of intelligence gathering and development. However, subsequent re-organisations have led to the reduction in their numbers and their incorporation into commodity NICs and modes of transport NIUs. Since the creation of NICs and NIUs there has been a shift in emphasis away from locally generated operational intelligence towards higher level strategic products. This realignment of focus and subsequent removal of local intelligence officers, coupled with a reticence amongst some Detection officers to engage with potential human sources of information (HUMINT)¹³, has created the local intelligence gaps referred to above. These, in turn, have led to the low levels of confidence attributed to many location's risk assessments and undermine the Deployment Committee structure.

Constraints

- 3.42 In December 2003, Intelligence managers recognised this problem and in particular that there had been a reduction in previous intelligence capability in the uncanalised sector. In recognition of this weakness Maritime and Aviation Intelligence Teams (MAIT) were created with the remit to gather intelligence at the regional level and:
- liaise with local law enforcement agencies and other government departments (OGD);
 - build and exploit contacts within the trade;
 - develop intelligence packages;
 - inform NRAs;
 - scope the physical threat and develop local profiles and expertise.
- 3.43 Since the last NRAs were produced in October 2004, the MAITs have been disbanded, although in a few locations these have been replaced by Co-ordinated Frontier Activity Project (COFAP) Officers. If HMRC wish to have a genuinely 'intelligence-led' approach it is crucial that a comprehensive local intelligence structure is resurrected. This is required in order to facilitate the production of NRAs, which in turn will underpin Detection's – or a wider HMRC – ability to tackle the risks it faces. It is also imperative that local links with the trade and other law enforcement partners are rebuilt, following the Department's previous abortive attempts to engage at a local level.
- 3.44 Clearly, a structure which facilitates the capture of local knowledge is essential before any meaningful geographic risk assessment can be produced. Only combined actions based on the proper tasking and co-ordination of frontline operational resources, with intelligence and investigation support, will be successful in tackling organised criminality at the frontier.
- 3.45 Any proper tasking and co-ordination process must be supported by current actionable intelligence. Historically, intelligence officers were co-located with their Detection colleagues at points of entry. In 2001 and 2004, the Directors of HMCE's Detection and Intelligence directorates highlighted the importance of embedded intelligence, stating that this "should be the guiding basis for operational activity and deployment".

Recommendation 5: HMI recommends that border control functions should be underpinned by embedded local intelligence resources.

Intelligence Briefings and products

- 3.46 As discussed earlier, there are shortcomings with the intelligence briefings produced to inform the deployment committees. HMIC has been provided with a large number of these intelligence analyses and considers the majority to be of little value in support of a proper tasking and co-ordination process as, in general, they are summaries of recent seizures made in the UK and overseas and lack any analysis of operational tactical intelligence. However, certain RIS

teams develop intelligence from sensitive sources and produce specific packages for Detection, which are of great value. For example, the Tobacco Operational Intelligence Team (TOIT) provides *ad hoc* intelligence to Detection, which has resulted in significant seizures.

- 3.47 It is recognised that HMRC receives and disseminates specific intelligence through its National Co-ordination Unit (NCU). This is a 24-hour information and co-ordination facility with analytical capability, able to add value to inquiries from many work streams, but law enforcement in particular. NCU officers have access to a large number of internal and external databases, and analysts who are able to undertake data mining. NCU is also the location of the Customs Confidential hotline and operational intelligence derived from this and other sources is now disseminated to the Detection regions by 5x5x5¹⁴ Intelligence reports via the T&S hubs. These are then assigned an appropriate priority category and further disseminated to operational teams as a 'target'. Additionally, the NCU processes tactical intelligence derived from the NIUs. Such intelligence is disseminated via *Intelnet*: an NCU administered self-briefing system which is transmitted through the HMRC intranet. Detection feeds statistical data into it and officers are encouraged to input more detailed reports, regarding such items as concealments, in order to spread knowledge more widely. Detection frontline staff find *Intelnet* a useful tool in the absence of other briefing mechanisms, although its value is undermined as not all staff have access to the system. Furthermore, *Intelnet* should not be used as a replacement for structured briefing and tasking processes.

Consideration 1: Consideration should be given by the UKBA and HMRC to jointly funding and staffing the NCU and developing it to meet the full requirements of both agencies.

Recommendation 6: HMI recommends that IntelNet is made available to all UKBA frontline staff and is utilised as a joint resource for UKBA and HMRC.

- 3.48 The inspection revealed there is no process for Detection officers to receive daily operational intelligence briefings. One Detection senior manager stated that it was not possible to conduct any such briefings due to the nature of their mobile deployments and the lack of appropriate facilities. However, this argument is unsustainable, bearing in mind that the military conduct such briefings in even more hostile environments. In the absence of a formalised briefing structure, Detection rely upon their staff proactively seeking out information on latest seizures and methods of smuggling concealments on the Intelnet system.

Recommendation 7: HMI recommends that a structured briefing system should be introduced for border management functions.

Criminal Investigation

- 3.49 Although Detection staff at operational and management levels were generally satisfied with the working relationships with their CI colleagues, concerns were expressed in some locations about CI's capacity for taking on the prosecution of cases referred by Detection, especially inveterate cigarette smugglers. The pressures on Detection to meet seizure targets has a knock-on effect on the number of cases referred to CI, and any intensification exercises undertaken will potentially result in more arrests. Unless CI are fully involved in the tasking and co-ordination processes, any intensification exercises carried out by Detection may be undermined by CI's capacity to take on the cases referred.
- 3.50 Detection officers and managers at all levels recognised that seizure of large quantities of cigarettes alone is not the solution to the problem caused by cigarette smuggling. They were particularly concerned that, without a more robust investigation and prosecution policy, seizing cigarettes and allowing offenders to walk away was giving organised criminals the impression that Detection were impotent to deal with them and they were being treated with disdain. HMRC's evidence suggests the current illicit market in cigarettes is now dominated by counterfeit sticks. If this assumption is correct, it is probable that cigarette smuggling is increasingly being controlled by organised crime groups. A concerted law enforcement approach to the detection of smuggled cigarettes, investigation of cases and the disruption of organised gangs will be required in order to address this new paradigm.
- 3.51 In 2002/03 HMRC disrupted 87 cigarette smuggling gangs, the highest number this century. Since then, LE Investigation, and subsequently CI, has diverted its attention on reducing the multi-billion pound losses from Missing Trader Intra Community (MTIC) Fraud and this has consequently led to fewer investigative resources being focussed on other threats to the UK. The Director Detection himself alluded to this and noted that Detection's failures to achieve its strategic expectations were a consequence, mainly, of the emphasis of intelligence and investigation resource on MTIC fraud this year. Although there are other major factors which inhibit Detection's performance, this claim does highlight the importance of an investigative capability in support of Detection's activity. In addition to a fully engaged intelligence structure, Detection needs access to investigative capability. Without both, HMRC will find it increasingly difficult to have further impact in reducing the illicit market share.
- 3.52 Many Detection officers and managers also expressed concern that as a consequence of HMRC's cessation of proactive drug investigations in April 2006, interaction with investigators had declined. They believed that this had resulted in a significant reduction in the number of occasions where they have been asked to support on-going drugs investigations, which subsequently caused a loss of intelligence product. The Director's 2007/08 Detection Business Plan made reference to the issue of investigation and intelligence capability:

"SOCA is still in its infancy as a new organisation. It is continuing to build its capacity and capability, focusing on the highest levels of serious organised crime. We are working with them to develop their investigative and intelligence support to tackling Class A drugs risk at the frontiers".

- 3.53 Certainly, according to one manager in CI, the creation of SOCA had an immediate impact on some joint CI and Detection initiatives. Although the majority of resources deployed to the Port Crime Team (PCT) at one location were from Detection, it was managed by a Senior Officer and supported by a further two investigators from CI and two Special Branch Officers. In April 2006, the regional CI office transferred 100 investigators to SOCA along with its remit to conduct proactive investigations of drugs smuggling cases. As a consequence, the officers seconded to the PCT were recalled to CI and the PCT folded (along with another Airport Crime Team). The view of those involved in the PCT is that, at the time of its demise, it was a successful joint agency initiative and had made progress in identifying criminality at the port. This work has not continued since.
- 3.54 Although the development of a combined LE command in 2001 created an environment for closer working, without proper management, the potential for the creation of silos within this structure is evident. As the national organisations, such as the Intelligence, Investigation and Detection Directorates grew, their focus became more strategic and centralised.

Lessons learned

- 3.55 The disconnect between HMRC's Detection, Intelligence and Criminal Investigation functions, combined with the move away from local intelligence officers and the focus of investigative resources on other aspects of criminality, impacted significantly on Detection's success at the frontier. It is essential that cognisance needs to be taken of these issues, under the new border arrangements.
- 3.56 The UK Border Agency will need investigative and intelligence support to underpin its frontier activity. Clearly the relationship between Criminal Investigation, which is best placed to provide an investigative resource in respect of smuggling, and the UKBA is crucial. Indeed it can be envisaged that the CI / Border Agency relationship will be the umbilical cord that binds HMRC with the new agency.
- 3.57 It will have to be determined whether intelligence support to UKBA will remain within HMRC's RIS structure or move to the new agency. However, regardless of this, it is essential that a local intelligence resource structure is developed to support both HMRC's and UKBA's activities. Moreover, to ensure an effective intelligence led approach to its activities, UKBA's tasking and co-ordination process will need to fully incorporate input from investigation and intelligence resources.

Constraints

- 3.58 In light of the creation of the UKBA, serious consideration will have to be given to the future role of the remaining elements of the HMRC law enforcement structure. The transfer of Detection to the new Agency could potentially weaken both the criminal investigation and intelligence functions of the Department. It is imperative, therefore, that a new operational framework is developed to ensure that RIS and CI can effectively support both HMRC and UKBA activity. Whatever the outcome, the UK cannot afford any law enforcement agency's effectiveness to be compromised in the interim, given the nature and scale of the threats the country faces.

Notes:

- ¹ "Written evidence submitted by HM Customs and Excise" in *House of Commons Select Committee on Welsh Affairs Minutes of Evidence...* HC 916 (2002-2003) Paragraph 56
- ² HM TREASURY AND HM CUSTOMS AND EXCISE (March 2000) *Tackling Tobacco Smuggling* HM Treasury: London
- ³ HC 916 (2002-2003) Op Cit, Paragraph 56 - 57
- ⁴ *ibid.* Paragraph 59
- ⁵ See HMCE MARITIME AND AVIATION INTELLIGENCE TEAM (18 February 2005) *Maritime and Aviation Intelligence Team – Implementation Report* Unpublished
- ⁶ HMRC (November 2004) *Detection and Intelligence Interface* Unpublished
- ⁷ NICs are now referred to as Commodity NIUs
- ⁸ Modes of Transport National Intelligence Units are now referred to as Transport NIUs
- ⁹ Detection Head of National Operations
- ¹⁰ See HMRC (November 2004) *Detection and Intelligence Interface* Unpublished
- ¹¹ See *ibid.*
- ¹² HMRC HEAD OF NATIONAL OPERATIONS (23 November 2006) *National Deployment Committee Proposed Streamlining Letter* Unpublished Issue Paper DRAFT
- ¹³ See O'CONNOR, DENIS (2006) *Inspection of HM Revenue & Customs' Handling of Human Intelligence Sources*, (HMRC: London) Paragraph 7.2.8
- ¹⁴ The National Intelligence Model minimum standard format for intelligence reports

Chapter 4

Managing Performance

- 4.1 In order to exercise control, the UK Border Agency should be underpinned by a robust performance management regime. Any such regime should consist of reliable data, subject to consistent analysis in order to allow comparative assessments to be made. This enables management oversight and intervention at tactical and strategic levels. As will be shown, the inspection found shortcomings in relation to all of these elements. The cumulative effect of flawed data, inconsistent processes and the inability to access and analyse historical performance is that the ability of the organisation to review, learn and develop is hampered.
- 4.2 The Office of Government Commerce (OGC), in its Success Delivery Toolkit states that "*performance measures ... should be*":
- a. Focussed;
 - b. Reliable;
 - c. Worthwhile;
 - d. Balanced;
 - e. Avoiding perverse incentives;
 - f. Ready for change¹.
- 4.3 HMIC's inspection of Detection highlighted that although the Directorate's performance measures comply with some of these elements, they are fundamentally undermined by the reliability of the underpinning data.

The use of reliable performance data

- 4.4 The collection and availability of accurate performance data is an essential pre-requisite for any effective performance management regime. However, concerns have been raised by HMRC's Intelligence function, both in its printed risk assessments and HMIC interviews, about the quality of data stored on the Detection Control Information Service (DCIS) system². In some cases, user error has resulted in inaccurate data being recorded. For example, in one case, a Liverpool mobile team's cigarette seizure was wrongly assigned to Littlehampton rather than Liverpool. In other instances, inaccuracies have been caused by the fact that, surprisingly, some ports do not have their own port code on DCIS. This appears to be the cause of at least one major inaccuracy, where the seizure of 42.6 million cigarettes from bulk freight at Warrenpoint in 2001 – incidentally, Detection's largest ever cigarette seizure – was recorded as a County Down inland seizure. These errors, coupled with concerns about the accuracy of seizure quantities, could undermine confidence in the system and militate against any robust evaluation of where seizures are being made.

- 4.5 Other concerns raised by Intelligence in 2002 relating to DCIS seizure records raise questions about the validity of Detection's internal seizure performance figures and those published by HMRC. Intelligence identified that, of five cigarette seizures recorded on DCIS for a certain port (but actually logged on DCIS as Inland seizures) between July 2000 and May 2002, one referred to a case where the cigarettes were returned on appeal whilst another two related to cases where no cigarettes were physically seized. Therefore, rather than five seizures totalling 712,000 cigarettes, as appears on DCIS, in reality it appears that there were only two seizures totalling 2,800 cigarettes³. These erroneous figures still appeared on a DCIS printout actioned in April 2007 – more than four years after the problem was identified in a risk assessment, requested by and prepared for Director Detection.
- 4.6 HMRC have been aware of the DCIS' shortcomings for some time and decided, in 2004, that it would need replacing. It is due to be incorporated into, and replaced by, the CENTAUR project (as part of a larger Spectrum Programme) and is due to be delivered in August 2008. All data that is migrated from DCIS to CENTAUR at that time will be subject to a cleansing process to produce reliable data for retention on the new system.

Recommendation 8: HMI recommends that an audit of the DCIS system, or its successor system CENTAUR, should be undertaken to determine:

- 1. data gaps;**
- 2. data inaccuracies;**
- 3. the training provided to staff; and**
- 4. the quality of management assurance.**

Recommendation 9: HMI recommends that any new seizure recording system incorporates a unique port code for all locations.

- 4.7 DCIS/CENTAUR is a cross-directorate IT resource, utilised through HMRC's law enforcement function. If this system is adopted by the anti-smuggling component of UKBA, consideration will need to be given to the production of Memoranda of Understanding (MoUs) between HMRC and UKBA to ensure its future funding, interoperability and development.

The use of balanced performance indicators

- 4.8 Detection's primary focus upon achieving internally set strategic expectations of seizure quantities, based upon HMRC's Public Service Agreement targets has, as discussed in Chapter 3 of this report, been the key determinant of the deployment of the Directorate's anti-smuggling resources. Although the Directorate set internal targets for other areas of activity, the apparent primacy of the seizure targets is not readily compatible with the development of an

interdiction capability which is genuinely risk and intelligence led and which can produce the requisite level of control the new Agency is charged with delivering. Placing a wider emphasis on a broad range of achievable performance measures could inhibit the focus of resources on simple volumetrics and engender a performance management approach that is focussed on holistic performance rather than on specific action.

The use of performance indicators which are not likely to create perverse incentives

- 4.9 The selection of appropriate performance indicators is key to providing a clear framework for directing an organisation's operational activity. Therefore, it is important that indicators are focussed on delivering the organisation's key mission and are not likely to create perverse incentives. The suite of indicators Detection used to evaluate its performance in tackling hydrocarbon oils fraud in Great Britain included an example of an indicator which could direct activity away from the Directorate's core mission. In addition to setting strategic expectations for the number of illegal fuel detections achieved, expectations were also set for the number of vehicle challenges that should be undertaken. Some Detection officers and managers expressed concerns that the drive for a large number of challenges has, on occasions, led to tests being conducted in locations that will yield a large quantity of challenges, rather than where there is a greater expectation of detections being made.
- 4.10 Initially, the UKBA, HMRC, HM Treasury and the Home Office should give consideration to jointly developing a suite of key performance indicators. To assist in strengthening the performance management ethos of the UKBA, consideration should also be given to the creation of statutory obligations for the new Agency to provide periodic performance information, including not only these high level KPIs but also a set of other management information reflecting the full range of the Agency's activities.

Structured performance monitoring, assessment and review

- 4.11 The OGC also highlights the importance of systematically and accurately measuring outcomes. The inspection revealed that Detection lacked a uniform structure for conducting comparative monitoring and assessment of performance. As Detection does not employ professional performance analysts, this role is undertaken by Senior Officer Risk Managers, who are experienced Detection operational managers. Due to Detection's regional structure, the data available to the risk managers varies from region to region, as does the nature of the reports they produce. These documents form the basis of regional assessments of performance and future deployments which should inform the RDCs. In general, however, they fail to represent a comprehensive analysis of the performance of staff at certain locations, or an evaluation of specific deployments and projects. Although the reports include charts and tables detailing seizures made at the various points of entry within the region and

other intervention outcomes, none of those provided to HMIC examined the inputs – either in terms of staffing or equipment resources – that underpinned these outcomes.

Recommendation 10: HMI recommends that professional performance analysts should be employed to evaluate comparative local, regional and national performance.

- 4.12 In addition to analysing current and recent performance, a review process should also consider past performance, in order to evaluate the effectiveness of operational initiatives and to determine the factors which might affect performance in the future. Access to corporate memory is clearly key to this. It is a valuable asset which gives depth to a business, enabling it to learn from actions of the past in order to grow efficiently and effectively. Unfortunately knowledge management and access to corporate memory has not been seen as a priority within Detection and therefore it has suffered as a result.
- 4.13 At a meeting with Detection, in March 2007, a request was made for a list of material to support the analysis of Detection's performance, including all risk assessments used to determine Detection's deployments. Detection was also asked to provide:
- "Any 'policy' papers held to justify decisions to move staff to brigading teams, and any work undertaken to measure or review the effectiveness of mobile teams as opposed to static teams."*
- 4.14 Over the following months, a large number of printed documents and electronic files, which had been collated from across the Detection Regions, were supplied. HMI acknowledges the efforts made by staff across HMRC, and in particular in the Detection directorate, to satisfy a detailed request for information. However, it was apparent that Detection had no comprehensive knowledge of the information it held nor where such information was recorded.
- 4.15 Detection was not readily able to produce policy documents and copies of relevant risk assessments that had been sponsored personally by the Director Detection. The failure to bring the 2002 National and Regional Risk Assessments to HMIC's attention until late in the inspection process, and the subsequent delays in providing these reports, are particularly disconcerting as these assessments contained criticism of Detection management's deployment policy.
- 4.16 Despite Detection being a national organisation, it has remained, as with the previous Collection structure, largely an amalgamation of autonomous regions. Although there are fewer regions than there were Collections (and Collection heads – 'Collectors'), the Regional Heads have created their own method of collating and storing data and records. Furthermore, Detection has not developed a central repository (or electronic folder) of policy documents. It is,

therefore, fortunate that South Region retained a number of historic documents related to the Region's move from fixed staff to mobile teams for, apart from these and a number of background papers, no other policy documents relating to this key national issue have been provided.

- 4.17 The DCSDGs provide a further illustration of the limitation of Detection's information management. It took Detection more than two months to provide a response to HMIC's request for details of the structure, membership and terms of reference of these groups. Once the reply was eventually received it highlighted weaknesses in the Directorate's management of national strategies. It was apparent from the documents provided that the groups' activities are uncoordinated, irregular and unstructured. No terms of reference existed for most of the groups and there was a distinct lack of consistency across their activities and an attempt by the Tobacco Strategy Delivery Group in December 2005 to address these problems was not seen through.
- 4.18 Given the autonomous nature of Detection's regions, it is unsurprising that there is no consistency in the way the Regional Deployment Committee decisions are recorded. It is, however, concerning that the minutes, or other records of RDC meetings produced across the four geographic commands, regularly fail to outline the reasons for key deployment decisions. The lack of regional audit trails for the decision making process concerning the deployment of mobile teams also militates against the capacity of national Detection management to oversee and evaluate deployments across the UK. Decision making should be specific, authorised, auditable, proportional and recorded.

Consideration 2: Consideration should be given by all agencies with responsibility for border management to the introduction of a system to ensure that all significant decisions are fully documented and retained in a readily retrievable format to provide an accountable and auditable process.

Consideration 3: Consideration should be given by the UK Border Agency to securing the corporate knowledge of its precursor agencies as a basis for an effective knowledge management regime.

Notes:

¹ See Office of Government Commerce Successful Delivery Toolkit

² DCIS is currently used nationally by both Detection and Investigation to record details of seizures, detentions, storage and disposal of goods and property

³ Incidentally, one of these two, accounting for 2,000 cigarettes, actually occurred at a location, for which there is no port code

Chapter 5

Capability

The Management Pool

- 5.1 The formation of HMRC has provided Detection with a larger pool from which to recruit its managers, but many of the applicants for these posts are devoid of Detection or other law enforcement experience. This has resulted in a situation where more than 30% of the 23 grade 6 (Heads of Operations) and grade 7 (Heads of Operational Branches) managers interviewed during the course of this inspection lacked operational experience as Detection Officers. This situation is of concern to HMIC, especially in light of grade 7 managers' intrinsic role in operational decision making. This is further compounded by the lack of training, support or accreditation for staff appointed to managerial positions within Detection. Detection senior management have themselves recognised these problems, and one senior manager described the support given to incoming managers and the lack of any formal induction programme or support network as *"woeful especially for the grade 7s and above"*. This current situation does not appear compatible with the Directorate's stated aim *"to invest in the development of Detection's leadership and management capability"* and it is imperative that these issues are addressed. When a chair of a Detection Tasking & Co-ordination Group (T&CG) meeting was interviewed, it became apparent that they had no experience in investigation or intelligence and had been recruited to the post on the basis of generic management competencies. They confirmed that there had been little or no support or development put in place to enable them to discharge a complex and specialist role. When another Senior Officer (SO) was asked for views about Detection grade 7s without investigative or intelligence experience, they were at pains to say that it was important not to have preconceived ideas about people, and that it could be argued that people new to Detection brought with them a fresh perspective and a 'looking from the outside in' approach with them. However, overall the manager considered that the most important thing was a balance and believed it had shifted to a point where Detection had too many grade 7s without operational experience who lack an understanding of the impact of their decisions.

Recommendation 11: HMI recommends that selection for operational border management posts should include an informed operational competency assessment, and where individuals are put in posts an appropriate training and support plan should be put in place. Consideration should be given to utilising training in NIM and Command available from the NPJA.

Targeting and Selection

Background

- 5.2 Since the introduction of Red and Green Channels at UK points of entry there has been an onus upon customs officers to determine which passengers would be subject to questioning and search. Originally, this was based solely on the professional judgement of uniform customs officers, who would select persons on the basis of behaviour and appearance. Through the development of relationships with airlines and other bodies, HMCE gained access to increasing volumes of information about the travelling public and, during the 1980s and 1990s, Operational Intelligence Teams (OIT) developed pre-arrival air passenger profiling based on this airline information and outbound observations. Subsequently, this pre-arrival profiling was introduced for air cargo, and then for maritime and other freight.
- 5.3 Although, for a period, this pre-arrival profiling moved under Intelligence's remit, since 2001 Detection has regained responsibility for this activity. The following paragraphs examine the current structure of Target and Selection (T&S) across the four Detection regions, the quality of T&S selections and performance management issues, and make recommendations for the future development of this key activity.

Overview of the current structure of T&S

- 5.4 The primary role of T&S is as an early warning system to identify potential smuggling activity. Detection management place great importance on the value of T&S' ability to provide operational managers with targets for their interdiction activity and to support Detection's current mobile deployment structure. This is underlined by the fact that currently approximately 10% of the Directorate's staffing resources are dedicated to T&S. However, the inconsistencies in approach to Detection activity between the largely autonomous regions, which have been highlighted elsewhere in this report, are also evident in the grades of staff Regional managers assign to T&S activities. London and South principally use Officer grade personnel whereas Central and North use a mix of Officer and Assistant Officers. Although Detection has recognised this issue and is taking steps to introduce a national standard, at the time of inspection, inconsistencies of approach remained. Moreover, there is also a substantial variation in the percentage of staff employed on T&S duties.
- 5.5 The relatively high number of T&S resourcing in North Region is indicative of a lack of a corporate approach across key areas of Detection's business. The Head of Detection's North Region is charged with the national policy lead for T&S and, as a keen champion of the benefits of pre-arrival profiling, has introduced a unique dedicated regional target and selection branch. The Branch's grade 7 manager has direct line management responsibility for all T&S officers across the Region. This region-wide T&S functional branch has been replicated in South region. In Central and London, grade 7 managers are responsible for both T&S staff and frontline intervention officers.

- 5.6 In addition to inconsistencies of approach between Detection regions, there is also a lack of commonality in the systems used to underpin T&S activity across the various modes of transport. One of the principal causes of this, and the main external disabler to the T&S process, is the difficulty Detection has in accessing comprehensive manifest and booking information from airline, shipping companies and agents. Although Detection has made great efforts in securing access to manifests and companies' electronic systems, there is no legislative requirement for companies to provide HMRC with pre-arrival information for any intra-European Union (EU) freight movements or for booking information for intra-EU passenger flights. Many carriers do supply this information, however, Detection currently has access to only approximately 20% of airline systems, and data from only 60% of ferry and 50% of container operators¹. Although companies are required to report extra-EU arrivals to HMRC, the comprehensiveness of this varies from carrier to carrier. As the current legislative requirements on data provision are limited it is essential for Detection to continue to develop partnerships with the relevant operators in order to gain access to the necessary information.
- 5.7 Current T&S activity falls into a number of areas each with a differing level of sophistication:
- Air passengers are profiled through access to airline reservation systems. As there is no legal requirement for a carrier to provide reservation data it has been necessary for HMRC to enter into Memoranda of Understanding (MoUs) with individual airlines. Most have been willing, although there are a few notable exceptions. Apart from a few airlines which enable access to the data from a terminal within a Detection office, officers are required to visit each carrier to undertake T&S activity. This can be minimised as some carriers share reservation systems, however in general this is labour intensive;
 - Air cargo is profiled on the basis of information submitted on the import entry;
 - Sea Containers are profiled through the Container Operational Anti-Smuggling Targeting System (COAST) system which relies upon manifest and import entry data;
 - Roll-on roll-off (RORO) commercial vehicles are profiled through the Freight Targeting System (FTS) and direct access to carrier and consolidator booking systems;
 - Private vehicles and foot passengers arriving by ferry are profiled on the basis of access to reservation data provided by the ferry companies. This is supplemented by manifest data;
 - At the time of inspection, Commercial vessels were only selected for search by the National Deep Rummage Teams (NDRT) for potential Class A drug concealments based upon risk information or specific intelligence.

T&S Performance

5.8 It is disappointing that it is not currently possible to accurately assess whether T&S methodology is more effective, efficient or successful, as a national means of producing seizures, than visual profiling. The reasons for this uncertainty are that:

- although Detection produce figures on the number of T&S selections made and the number of these that yielded positive results, there are no national records of any corresponding 'hit rates' for visual selections;
- there is no mechanism for being able to definitively determine whether the person or item identified by the T&S profile would have been selected for examination through the visual selection procedure anyway;
- Detection has been unable to provide statistics on the percentage of positive T&S 'hits' which resulted from actionable intelligence logs, which previously would have been disseminated direct to operational managers.

Consideration 4: Consideration should be given to the development of structured trials at a number of locations, in order to provide an indication of the relative merits of T&S selections compared to visual selections for the various modes of transport.

The move from local targeting to hubs

5.9 Following an HMRC Internal Audit review of T&S activity in 2006, the Director Detection has implemented plans to centralise T&S activity at hubs. This approach was being trialled whilst this inspection was being undertaken. Those nominated to date include:

- Port of Dover: Accompanied RORO freight Traffic;
- Immingham Port: Unaccompanied RORO freight Traffic;
- London (Heathrow) Airport: Scheduled Airlines;
- London (Heathrow) Airport: Airfreight;
- Manchester Airport: Low Cost and Charter Airlines;
- Paisley: Un canalised Commercial Shipping;
- East Midlands Airport / London (Stansted) Airport: Fast Parcels.

Additionally, there are currently three hubs targeting for sea containers. A scoping study is underway to determine the feasibility of this activity being concentrated at one hub.

5.10 Concerns have been raised by Detection officers that the centralisation of T&S activity at hubs has resulted in a reduction in the level of pre-arrival profiling activity being undertaken on freight and passengers arriving at other locations. Although such situations may represent 'teething problems' of a new system,

it is imperative that oversight is maintained to ensure that traffic entering the remotely serviced ports and airports receives at least the same attention it was receiving from the locally based profilers.

- 5.11 At many of the points of entry away from the T&S hubs which have access to carriers' booking systems, officers undertake their own pre-arrival targeting to supplement the selections generated by the hubs. Potentially, this arrangement can add value to the T&S process, as it utilises the local knowledge of officers based at the port. However, apart from anecdotal evidence, it cannot be determined whether local selections add value to those from the hub.
- 5.12 To ensure that risks are addressed across all points of entry and modes of transport, T&S checks should be undertaken on all arrivals for which pre-arrival information is available, regardless of the deployment of anti-smuggling resources. At the time of inspection, this was being conducted in only one of Detection's four regions.

Consideration 5: Consideration should be given to planning a single-site national targeting centre for all transport modes.

Freight Targeting System (FTS)

- 5.13 Detection has developed the FTS to refine the T&S process. This evaluates commercial data against a number of parameters.
- 5.14 Effectively, FTS provides a 'first sift' that is performed manually by other T&S teams, saving officers time and enabling them to focus their attention on the further enhancement of identified selections.
- 5.15 FTS has a great deal of potential beyond being a Detection resource. It has applications for HMRC Criminal Investigations (CI) and Risk and Intelligence Service (RIS) as well as the wider law enforcement community. As FTS is an essential element in any border control or security strategy it should become a key system within the HMRC Information Systems (IS) Strategy in order to secure its funding and future development.

Recommendation 12: HMI recommends that the Freight Targeting System should be developed as a core profiling tool for the UK Border Agency.

Other T&S Processes - Joint Border Operations Centre (JBOC)

- 5.16 Through the JBOC, HMRC, Border and Immigration Agency (BIA) and Special Branch (SB) receive inward airline manifest data. This is input into a system by the airlines and is utilised for checking names against border agencies' databases.
- 5.17 Detection supplies officers to JBOC who are primarily responsible for referring to Detection any hits on the databases relevant to HMRC, and for undertaking checks on HMRC databases on behalf of other agencies.

- 5.18 As JBOC matches names against databases, rather than acting as a pro-active profiling tool, some Detection officers have expressed the view that it presently provides little additional support to their own T&S provision. However, as other UK border agencies have not developed similar systems to T&S, JBOC has provided them with added value, as it has enabled them to systematically check large volumes of data against databases².

T&S Conclusion

- 5.19 The HMRC T&S capability will be of considerable value to the new UK Border Agency and other UK law enforcement agencies.
- 5.20 T&S should not be seen as the panacea for interdiction. It should not stand alone but rather be seen as part of an integrated, layered, approach to border security, supplemented by other components such as national and local intelligence, visual profiling and information sharing with overseas customs authorities.

Exporting the border

- 5.21 The earlier that pre-arrival profiling is undertaken the better chance there is to intervene successfully. By placing officers overseas at high risk locations or traffic hubs the process can be expedited with the resources of foreign agencies also being brought to bear. Detection has proved the value of the concept through its Airbridge (Jamaica) and Westbridge (Ghana) programmes. These involve deploying Detection staff to Kingston Airport, Jamaica and Accra Airport, Ghana to identify potential Class A drug couriers routing to the UK. As far as possible, the couriers are intercepted at the point of departure, thus saving the time and expense of UK law enforcement, judicial and prison resources. This easily off-sets the cost of sending the officers overseas. Further opportunities for this type of overseas activity could be sought, particularly in conjunction with the activity of the HMRC Fiscal Crime Liaison Officer (FCLO) and SOCA Liaison Officer (SLO) networks.

Programme Cyclamen

- 5.22 In light of increased 'threat, fear or risk' of terrorist attacks, in 2003 the Government developed the CONTEST counter-terrorism strategy. One of the projects to flow from CONTEST is Programme Cyclamen, which is the only other assigned matter for which Detection currently receive additional funding. This is a Home Office-led programme for the screening for nuclear and radioactive materials at the frontier. The Home Office is responsible for the procurement, installation and maintenance of all Cyclamen related equipment. At the start of the 2004 Spending Review period, HMT allocated money to HMRC's baseline to pay for the staff years to operate the equipment to a level agreed with the Home Office. HMRC's performance under the Cyclamen Programme is governed by a SLA with the Home Office which includes measures of effectiveness, including the percentage of alarming traffic intercepted. This target (of 98% in 2006/07) only applied to those locations where there is permanent presence to monitor the

Cyclamen portals and did not include locations where HMRC and the Home Office have agreed to monitor an agreed percentage of the traffic, such as Plymouth, where officers will leave the portal turned on and will check the system whenever they are at the port.

Consideration 6: Consideration should be given to amending the Cyclamen Public Service Agreement target to 'intercept 100% of vehicles triggering an alarm', given the potential consequences of the successful smuggling of radioactive or radiological materials into the UK.

- 5.23 During 2006/07, 650 Detection staff-years were allocated to the management and operation of fixed Cyclamen portals and Mobile Radiation Detection Units (MRDUs). The installation of this equipment at ports and airports is due to be completed during 2009.
- 5.24 Due to the nature of the threat posed by the smuggling of radiological and radioactive material, other Customs authorities ensure that all containers entering their ports are subject to radiological screening. However, this is not the case in the UK. Of the five points of entry which are equipped with static Cyclamen portals, 100% freight scanning is undertaken at only four. There is no formal national Cyclamen T&S system. Furthermore, HMRC does not have to respond to all Cyclamen alarms: under the Department's current PSA 3 Objective only 98% of vehicles triggering an alarm have to be intercepted.
- 5.25 In most locations, fixed Cyclamen portals are operated by officers specifically deployed to the task and, as such, Cyclamen is resource intensive. Alternatives to this deployment paradigm may provide Detection with the opportunity both to increase the proportion of freight subject to Cyclamen scan and release these staff to other duties.
- 5.26 The redevelopment of the facilities at one UK port provided local Detection managers with the opportunity to ensure that the fixed Cyclamen portal was installed near its examination sheds. This arrangement, which HMI views as good practice, allows Detection officers to undertake other anti-smuggling duties and intercept any vehicles triggering the alarm. However, this is not possible at most ports or airports due to the geography of port infrastructure.
- 5.27 Certain overseas Customs agencies have enhanced their ability to conduct remote radiological monitoring of freight. HMRC have recognised that remote monitoring is an option for the future, but this will be dependent on Home Office funding. No further Cyclamen developments are being actively explored until reliability issues with the portals have been resolved.

Consideration 7: Consideration should be given to the introduction of a remote system for capturing real time data and video footage from all the fixed Cyclamen portals.

Cutters/boats

- 5.28 As of 2007, HMRC's Revenue cutter fleet consisted of five Revenue cutters³ and, although 16 smaller vessels are still owned by the Department, they are all on loan to other agencies. Although it is acknowledged that procurement and maintenance of vessels is expensive, HMRC's disposal of its in-shore resource is somewhat surprising, given that even customs services in land-locked countries such as Switzerland have their own small craft, and 62 such craft are in use by police services across the UK, at least one of which is one of the 16 on loan from HMRC.
- 5.29 The lack of any inshore assets, other than the Rigid Hull Inflatable Boats on the cutters, poses difficulties for the Department, particularly in areas of intense uncanalised activity, or in remote areas, where no local maritime capability means that vessels either cannot be boarded or observed.
- 5.30 Contemporaneous with the reduction in inshore resources, HMCE developed its fleet of Revenue cutters to provide the Department with a sophisticated 'blue water' capability, unique amongst UK law enforcement, and could prove an effective resource in tackling these threats to the UK, as part of the UKBA. They are operated by full-time crews, comprised of Detection officers, who are fully trained in anti-smuggling duties. In addition, the cutter Commanders, First Officers and Engineers are all fully trained specialists in their respective roles. During the 1990s and the early part of this decade, the value of these resources was underlined by significant successes in supporting proactive, intelligence-led drug investigations⁴.
- 5.31 Although their primary roles have been as an anti-smuggling, surveillance and intelligence platform, the cutters have on occasions undertaken both counter-terrorist and illegal immigration work. They have regular liaison with Ministry of Defence (MOD) resources and have the ability to operate in conjunction with Maritime Patrol Aircraft, the fishery protection fleet and other naval surface vessels. Additionally, the cutters are regularly deployed on international exercises and joint-operations with military assets.
- 5.32 The fleet's operating ethos was based on maintaining a small number of modern, well equipped vessels, with no home port, deployed on focused, 'intelligence-led' operations. By contrast, some European customs agencies utilise a larger number of vessels, primarily to patrol areas close to their home ports. One European customs authority, for example, employs only two cutters with a deep water capability, but have 15 other vessels with home ports which deploy to specific patrol areas. Although its vessels are also used in support of 'intelligence-led' operations to interdict smugglers, its emphasis is on a high visibility deterrent.

- 5.33 During the 1990s the cutter fleet was brought under the command of the Investigation Directorate and a management and liaison structure, Maritime A, was created to support them. The cessation of HMRC's proactive drugs investigations in April 2006, removed CI's role in cutter deployment, and operational control of the cutters and Maritime A passed to Detection. Furthermore, a number of experienced officers from Maritime A moved to SOCA. Cutter management and crew have raised serious concerns that these developments have led to a significant reduction in the number of intelligence-based tasking requests submitted to Maritime A, and an end to viable intelligence-led cutter operations. As a consequence, rather than being focused upon intelligence and interdiction work through intensive operations in high risk areas, cutters have been dispatched singly to patrol areas or support land based activity. In this new role, the small number of HMRC cutters – which were viewed as the optimum level of resources for an 'intelligence-led' role – have vast areas of sea to patrol. With a lack of intelligence to drive their deployments, the deterrent and interdiction capability of cutters patrolling an average of 2,497 kilometres of coastline per vessel (compared to 411 kilometres per vessel in another EU member state) is limited.
- 5.34 The cutters, their crew and infrastructure are expensive, but extremely powerful resources if they are utilised to their best effect. Furthermore, Detection has a number of officers who have retained their small boat-handling skills, despite the Department's decision to dispose of its in-shore assets⁵. It is essential, therefore, once HMRC has produced thorough national risk assessments, it determines the necessary assets required to deploy to address the threats.

Consideration 8: Consideration should be given to a review being undertaken of border control agencies' maritime capabilities, following the completion of National Risk Assessments, in order to support both canalised and uncanalised maritime anti-smuggling, illegal immigration, counter-terrorism and intelligence work.

Specific skills

Search of Persons

- 5.35 When undertaking visual selections, Detection officers employed at the ports and airports will select passengers to stop based on their experience. Their assessments may be supported by T&S referrals or by visual profiling based on 'tell' signs or other aberrant behaviour and, as a result of these stops, searches will be undertaken. Their power to search is conferred by Section 164 of the Customs and Excise Management Act (CEMA) 1979.
- 5.36 Given the nature of concealments, Detection officers are trained to conduct in-depth examinations of passengers and baggage. To support them, they have access to fixed and mobile x-ray scanners for baggage and technical analysis equipment, should a person be suspected of an internal concealment.

Searching of Vessels, Aircraft and Vehicles

- 5.37 In addition to passengers and cargo, the method of transport itself can be used to conceal goods. Rummage, the term used to search a mode of transport, particularly a vessel, has been a core Customs activity for well over a century. By the early part of this decade most of the rummage resource had been withdrawn, despite the fact that smuggling patterns had not changed. Whilst some Detection officers have the skills to search vessels and aircraft, at least on a cursory basis, during the inspection, only a small number of locations were identified where this was being conducted.
- 5.38 Specialist rummage activity is now laid to National Deep Rummage Teams (NDRTs), which are dedicated to ship searches. At the time of the inspection they deployed to only Class A drug work, although there are plans to extend their remit to target tobacco smuggling. For health and safety reasons, these are the only teams authorised to undertake this work.
- 5.39 In addition to its limited capability to search vessels and aircraft, Detection has developed considerable expertise in searching commercial and private vehicles for concealments of prohibited and restricted goods.

Freight examination

- 5.40 Detection utilise fixed and mobile x-ray scanners to assist in its anti-smuggling role at ports and airports. As it is very difficult to identify small items on the images, they should not be used as the sole intervention tool. However, they do provide a quick and effective mechanism for identifying large concealments of smuggled goods, and enable officers to conduct quick cursory examinations of vehicles and containers, whereas full outturns can take many hours. They are particularly useful at locations with high volumes of inbound freight and those with low numbers of staff to conduct outturns. However, many such ports have infrequent access to such equipment. There are also concerns around the frequency of mobile scanner deployments per se. Between August 2006 and July 2007, one scanner was deployed for only 110 out of 363 days⁶.
- 5.41 At present, less than 2% of containers imported through one major UK port are subjected to x-ray scans by Detection. One hundred percent x-ray scanning at major container ports, could be achievable with appropriate infrastructure and reorganisation of the port procedures. It was estimated that at Felixstowe it would take approximately 5 minutes to scan each container. Currently, though, Detection's reliance on dock workers to move containers and non-self propelled RORO units to their examination facilities at many ports creates delays, and examples were given where Detection officers had to wait days for selected units to be produced for examination.

- 5.42 Considerable differences were expressed across Detection in the approach to the method of offloading goods for examination. Whilst some managers took the view that HMRC officers should use their time only to examine goods offloaded by professional dock staff, other managers extolled the benefit of having their own specialist offloading equipment, such as fork-lift trucks, together with providing training for staff to operate them. The decision to acquire equipment in some locations was often as a consequence of Detection managers' frustration at having to wait for excessively long periods for the port operators to bring containers and freight consignments to examination sheds and offload them. A national policy on this issue would be helpful and HMIC understand that such a policy is currently under development.

Inland

- 5.43 Detection Inland Multi-Function Teams operate within the UK, primarily in support of oils, alcohol and tobacco operations. This inland activity is supplemented by strike forces and other mobile units, to assist Criminal Investigation and Compliance activity.
- 5.44 Concerns were expressed by RIS and Detection officers about the inconsistent way in which Detection manages, responds to and evaluates the large amount of specific intelligence concerning tobacco related smuggling activities inland. Although inland operations generate a substantial proportion of HMRC's total seizures of revenue goods, these efforts are not well co-ordinated, and varying emphasis is placed on the importance of these duties between, and even within, regions. In some locations 5x5x5⁷ intelligence logs, generated by the NCU from calls to the Customs Confidential Hotline, are treated as a priority and efforts are made to develop further information to support search warrant applications. At other locations, due to other priorities, this intelligence development is not undertaken. In these cases, once a sufficient number of logs relating to a geographic area has been received, officers are deployed to conduct a series of speculative calls at suspect premises, where searches are made 'by consent'. Although officers spoke of occasionally getting positive results from searches by consent, conducting fewer, but more focussed, 'intelligence-led' searches supported by warrants could elicit greater results.
- 5.45 A specific concern expressed at the NCU was the lack of feedback it received from Detection inland teams in respect of information from the Customs Confidential hotline. A Detection manager acknowledged that his teams had a "*great deal to do*" when it came to providing feedback to the hotline and recognised the negative result of failing to provide this to the NCU.

- 5.46 The other major component of inland work is the operation of the Road Fuel Testing Units (RFTU). These are dedicated mobile units, usually marked vans, which test for rebated fuel oil (diesel) being misused in road vehicles. The vans are essentially a mobile laboratory that can test for the chemical markers placed in rebated fuel. They can also be used to check oil stored in tanks at petrol stations, commercial companies, etc. Other units are able to test for rebated oil but do not have such an extensive range of equipment as the RFTU vehicles. Concerns were expressed by some RFTU staff that they were being asked by managers to conduct oil dips in low risk locations in order to meet targets.
- 5.47 In light of the advent of the UK Border Agency, Detection's inland role needs to be reassessed. It is imperative, going forward, that the importance and contribution to inland work is not underestimated or ignored.

Notes:

¹ As Detection has access to many of the larger carriers, its overall coverage of traffic is higher than these proportions.

² JBOC is developing into a larger e-Borders project

³ Of these only four are operational at any one time, the fifth undergoing refitting and refurbishment

⁴ Between 1990 and 2005, HMCE's maritime assets were involved in seizures of 203 tonnes of cannabis, 20 tonnes of cocaine and 200kgs of heroin. Furthermore, in December 2001 the cutters were instrumental in the largest recorded seizure of cigarettes in the British Isles, 80 million from MV Anto, Dundalk, Republic of Ireland

⁵ Figures from a spreadsheet of resources provided by HMRC Maritime Branch

⁶ Two days for annual refit

⁷ The National Intelligence Model minimum standard format for intelligence reports

Chapter 6

Inter-agency working

Joint intelligence Cells (JICs) and Regional Intelligence Units (RIUs)

6.1 The removal of HMRC's local intelligence officers and the realignment of Intelligence into distinct Commodity and Mode of Transport National Intelligence Units has fundamentally impeded HMRC's capability to actively engage in JICs and RIUs with police forces. HMRC managers have expressed concerns about the negative impact the withdrawal of criminal intelligence resources from across the UK and the frequent restructuring of Intelligence has had on the Department's relationships with the police and other agencies. HMRC has provided patchy support to JICs. This is despite support from managers in HMRC's RIS and a public endorsement of the value of such bodies. In written evidence to the Select Committee on Welsh Affairs in 2003, HMCE stated:

*"Through their increasing investment in Intelligence, and strategic partnerships with police, Special Branch and Security Agencies, Customs will be forewarned about the most serious suspects and threats. Of particular note in Wales is the formation of a new Joint Intelligence Cell in Bridgend, comprising Customs intelligence officers and members of South Wales, Gwent and Dyfed Powys police forces. They will make use of constant quality intelligence sources, from all over the world, and be able to improve Customs' risk assessments and effectiveness of operations at ports, airports and inland."*¹

Enquiries have uncovered that HMCE deployed only one intelligence officer to this JIC and, following the creation of HMRC, his participation in the Cell became less frequent and, when he was posted elsewhere, he was not replaced. This is not the only example of limited support for proactive formalised intelligence sharing.

In Scotland, a former MAIT officer⁽ⁱ⁾, is working in a JIC with a local police force. Although officially an employee of HMRC's RIS directorate, he assists the police's targeting and selection function on ferry traffic. This officer's continued presence in the JIC is seen as essential by senior officers, as well as the police and the HMRC CI regional office, both of whom gave glowing tributes to the value of the profiling and intelligence role he plays. Unfortunately, as his role does not fit neatly within either Detection's or RIS' remits, there is a high degree of uncertainty as to the future of his post, which RIS have considered closing. HMRC should ensure that the requisite reintroduction of embedded local intelligence officers⁽ⁱⁱ⁾ is supplemented by a demonstrable commitment to formalised inter-agency intelligence sharing arrangements, such as JICs and RIUs, to address the Department's local intelligence gap.

⁽ⁱ⁾ See above, paragraph 3.42 - 3.43 for a description of the role of the MAITs

⁽ⁱⁱ⁾ See Recommendations, above

- 6.2 One of the recognised benefits of HMRC's involvement in the JIC was their ability to draw on intelligence developed by Police Small Ports Units. In some police forces, Small Ports Units are responsible for policing maritime movements and/or non-designated airfields, with a priority to counter the threat to "*National Security from terrorism, Espionage, Sabotage and Serious Organised (major) Crime*"². Although there are inconsistencies across the UK in the structure, size and staffing of these units, it is clear that the nature of their work and their relationships in local communities provide them with the opportunity to gather information relevant to all border agencies, especially in the uncanalised sector. As not all forces, especially those responsible for remote areas or long coastlines, have sufficient resources to dedicate officers to this role, closer working would be mutually beneficial.

Consideration 9: Consideration should be given to the development of a nationwide network of units based upon the Small Ports Units concept with regional boundaries coterminous with police Basic Command Units/Divisions, as a jointly funded and staffed uncanalised intelligence resource.

- 6.3 As is discussed at Chapter 3, in the years immediately following the creation of HMCE Law Enforcement the Department established other joint initiatives with the police in the form of Port and Airport Crime Teams. These were managed by Senior Officers (SOs) from the Investigation directorate and had a significant input from Detection and SB. Port Crime Teams were established at a number of ports.
- 6.4 It is anticipated that the Immigration, Asylum and Nationality Act 2006, will add to HMRC's and the UK Border Agency's information armoury and will enable them to undertake more comprehensive pre-arrival and departure checks on freight and passenger traffic to and from the UK. In advance of the establishment of the UKBA, HMRC are continuing to work closely with BIA, UK Visas and the Police in the e-Borders Programme to introduce the process by which carriers can provide one set of data to Government through a single window rather than having to produce separate data to each requesting agency.

Future arrangements

- 6.5 The relationship between HMRC Criminal Investigations/RIS will be one of the future pillars of joint agency work with the Detection component of the UKBA. It is essential, therefore, that structures are in place to facilitate this as the earliest opportunity.

Notes:

¹ "Written evidence submitted by HM Customs and Excise" in *House of Commons Select Committee on Welsh Affairs Minutes of Evidence...* HC 916 (2002-2003) Paragraphs 23-24

² POLICE SERVICE OF NORTHERN IRELAND Small Ports Units (online)
Available at <http://www.psn.police.uk/index/departments/portsoffice.htm>

Chapter 7

Populating the 5 steps model

- 7.1 The Cabinet Office report *Security in a Global Hub* outlined five specific proposals that need to be considered for the future border arrangements. Each of these is to an extent being currently addressed by Detection. Furthermore they complement the layered approach to border security outlined in the Executive Summary of this report.

Step 1: Act Early

- 7.2 The earlier that action can be taken, the greater the opportunity to effectively counter the threat. Exporting the border⁽ⁱ⁾ is a fundamental concept in the development of an effective initial deterrence zone. HMRC have demonstrated the effectiveness of such action through:
- Airbridge and Westbridge⁽ⁱⁱ⁾, the targeting of drug couriers at the airports in Kingston, Jamaica and Accra, Ghana, respectively;
 - Juxtaposed controls for the Channel Tunnel, whereby Detection staff are deployed to Coquelles to pre-passengers and freight;
 - Acting upon intelligence generated by, and supporting the work of, the HMRC FCLO network.
- 7.3 The Detection component of the UKBA has the opportunity to extend this approach and harness the overseas resources of both HMRC and SOCA.

Step 2: Target Effort

- 7.4 Detection should move towards a truly risk-based, intelligence-led approach to their operational activity. Technological solutions such as FTS contribute towards risk-based targeting but have to be placed within suitable processes and structures. Targeting falls within the mid-zone between outer deterrence and the frontier. Effectiveness depends upon:
- developing a risk-based Tasking and Co-ordination process with enshrined intelligence and criminal investigation input along with ongoing evaluated national risk assessments;
 - development of a strategic control strategy;
 - local intelligence framework;
 - deployments to address risk and increase control rather than designed to pursue targets and high volume sites;

⁽ⁱ⁾ See above, Paragraph 5.21

⁽ⁱⁱ⁾ See above, Paragraph 5.21

- close working relationships with other law enforcement partners such as the police, HMRC CI/RIS and SOCA.

Step 3: Managing the Bottlenecks

7.5 Facilitation of passengers and trade is a key priority for HMRC. Consequently border controls are focused to minimise disruption to traffic flow and have been a driver to develop focused target and selection activity. Issues to be considered are:

- the need to continue Detection's good practice of actively engaging with the transportation industry in order to obtain pre-arrival manifest and booking data to inform T&S activity;
- the strengthening of relationships with the port/airport operators and user groups to engender co-operation.

Step 4: Maximising Depth and Breadth of Protection

7.6 In developing capacity it is necessary to look beyond the major hubs and provide a genuine level of control across the myriad of UK Points of Entry. This should be supported by technical resources. In addition to developing a truly risk based deployment structure and the re-evaluation of relative staffing levels across the UK border points, it will require the detection component of the UKBA to:

- consider wider use of scanning technology;
- effectively use Programme Cyclamen resources, and consider utilising remote monitoring ⁽ⁱⁱⁱ⁾;
- work closer with SB units particularly in the uncanalised arena;
- re-consider an in-shore waterborne capability;
- consider developing the off-shore role both for interdiction and intelligence purposes.

7.7 *Security in a Global Hub* recommends that "the cost and feasibility of rolling out airwave radio communication should be considered."¹ HMRC are currently in the process of procuring this system for its law enforcement units, including Detection.

Step 5: Reassure and deter

7.8 At the physical frontier the role of Customs has always been to prevent and detect smuggling. It has also acted as a reassurance for the British population that the UK is protecting the border. Reassurance is as important as outcome today as it has ever been. In order to enhance reassurance, consideration should be given to;

- the development of a robust risk assessment process, that addresses the risks along the UK border and which may provide coverage to many locations which currently lack any uniform customs presence.

Notes:

¹ Cabinet Office (2007) *Security in a Global Hub: Establishing the UK's new Border Arrangements*. Page 88

⁽ⁱⁱⁱ⁾ See above, Paragraph 5.27

Appendix A

Recommendations and Considerations

Recommendations

HMI recommends that:

- 1 National Risk Assessments should be produced to inform the deployment decision making process, and these should be reviewed on an annual basis;
- 2 the basis for mobile team resources should be reviewed, in order to determine whether the time and financial costs inherent in their use as a supplement to fixed staff at static locations is sustainable;
- 3 auditable National Risk Assessments be reintroduced covering all points of entry;
- 4 any tasking and co-ordination structure should encompass prevention, intelligence and enforcement capabilities. The UK Border Agency should give serious consideration to establishing a joint-agency framework through which this can be achieved;
- 5 border control functions should be underpinned by embedded local intelligence resources;
- 6 IntelNet is made available to all UKBA frontline staff and is utilised as a joint resource for UKBA and HMRC;
- 7 a structured briefing system should be introduced for border management functions;
- 8 an audit of the DCIS system, or its successor system CENTAUR, should be undertaken to determine:
 - data gaps;
 - data inaccuracies;
 - the training provided to staff; and
 - the quality of management assurance.
- 9 any new seizure recording system incorporates a unique port code for all locations;
- 10 professional performance analysts should be employed to evaluate comparative local, regional and national performance;
- 11 selection for operational border management posts should include an informed operational competency assessment, and where individuals are put in posts an appropriate training and support plan should be put in place. Consideration should be given to utilising training in NIM and Command available from the NPIA;
- 12 the Freight Targeting System should be developed as a core profiling tool for the UK Border Agency.

Considerations

Consideration should be given:

- 1 by the UKBA and HMRC to jointly funding and staffing the NCU and developing it to meet the full requirements of both agencies;
- 2 by all agencies with responsibility for border management to the introduction of a system to ensure that all significant decisions are fully documented and retained in a readily retrievable format to provide an accountable and auditable process;
- 3 by the UK Border Agency to securing the corporate knowledge of its precursor agencies as a basis for an effective knowledge management regime;
- 4 to the development of structured trials at a number of locations, in order to provide an indication of the relative merits of T&S selections compared to visual selections for the various modes of transport;
- 5 to planning a single-site national targeting centre for all transport modes;
- 6 to amending the Cyclamen Public Service Agreement target to 'intercept 100% of vehicles triggering an alarm', given the potential consequences of the successful smuggling of radioactive or radiological materials into the UK;
- 7 to the introduction of a remote system for capturing real time data and video footage from all the fixed Cyclamen portals;
- 8 to a review being undertaken of border control agencies' maritime capabilities, following the completion of National Risk Assessments, in order to support both canalised and uncanalised maritime anti-smuggling, illegal immigration, counter-terrorism and intelligence work;
- 9 to the development of a nationwide network of units based upon the Small Ports Units concept with regional boundaries coterminous with police Basic Command Units/Divisions, as a jointly funded and staffed uncanalised intelligence resource.

Appendix B

Abbreviations and Acronyms

ACPO	Association of Chief Police Officers
ANPR	Automatic Number Plate Recognition
BIA	Border and Immigration Agency
CAA	Civil Aviation Authority
CBP	[US] Customs and Border Protection
CEMA	Customs and Excise Management Act 1979
CI	Criminal Investigation
CIH	Coventry International Hub
COFAP	Co-ordinated Frontier Activity Project
CT	Counter Terrorist
DCIS	Detection Control Information Service
DCSDG	Detection Commodity Strategy Delivery Groups
DOC	Detection Operating Committee
ECOps	Enforcement and Compliance Operations
EOSR	End of Shift Report
EU	European Union
ExCom	Executive Committee [of HM Revenue and Customs]
FCLO	Fiscal Crime Liaison Officer
FTE	Full Time Equivalent
FTS	Freight Targeting System
GA	General Aviation
HMCE	Her Majesty's Customs and Excise
HMI	Her Majesty's Inspector [of Constabulary]
HMIC	Her Majesty's Inspectorate of Constabulary
HMRC	Her Majesty's Revenue and Customs
HUMINT	Human Intelligence [source]
IR	Inland Revenue
IS	Information Systems
IT	Information Technology
JBOC	Joint Border Operations Centre
JIC	Joint Intelligence Cell
LE	Law Enforcement
MAIT	Maritime and Aviation Intelligence Team
MOD	Ministry of Defence
MoU	Memorandum of Understanding

MRDU	Mobile Radiation Detection Unit
MRT	Mobile Rummage Teams
MTIC	Missing Trader Intra-Community
NCU	National Co-ordination Unit
NDC	National Deployment Committee
NDRT	National Deep Rummage Teams
NIC	National Intelligence Centre
NIM	National Intelligence Model
NIU	National Intelligence Unit
NRA	National Risk Assessment
NSF	National Strike Force
OGD	Other Government Departments
OIT	Operational Intelligence Teams
PCT	Port Crime Team
POCA	Proceeds of Crime Act
POE	Point of Entry
PSA	Public Service Agreement
RDC	Regional Deployment Committee
RFTU	Road Fuel Testing Units
RHIB	Rigid-Hulled Inflatable Boat
RIS	Risk and Intelligence Service
RORO	Roll on roll off
RSF	Regional Strike Force
SB	Special Branch
SCS	Senior Civil Service grade
SLA	Service Level Agreement
SO	Senior Officer
SOCA	Serious Organised Crime Agency
SWIT	South West Intervention Team
T&CG	Tasking and Co-ordination Group
T&S	Target and Selection
TNIU	Transport National Intelligence Unit
TOIT	Tobacco Operational Intelligence Team
UK	United Kingdom of Great Britain and Northern Ireland
UKBA	UK Border Agency
USA	United States of America
USONI	US Office of Naval Intelligence
VAT	Value Added Tax

Appendix C

Methodology

A review of HM Revenue & Customs' Detection Directorate's contribution to frontier control and border management, and relationships with other key stakeholders.

The inspection focussed on the unique role and function of HMRC's Detection Directorate in the field of border control and law enforcement, considering those particular capabilities that enable HMRC to contribute to the concept of border management and manage the associated threats and risk.

Key areas of the Terms of Reference agreed between HMIC and HMRC were:

- Detection's understanding of its role in protecting society and the revenue;
- the integration of effort through inter-agency relationships, in particular those with the police and UK Immigration Service, both as part of the Border Management Programme pilot schemes and through local initiatives;
- Detection's capability to contribute to the wider Border Management concept, in particular targeting, selection and searching, and other cross cutting initiatives (e.g. Cyclamen);
- the integration of HMRC directorates (to include Frontiers & International Trade and Criminal Investigation) in relation to border management;
- the alignment of Detection's performance management systems with the concept of border management.

Other principal areas for consideration were identified as:

- focus through objectives, intelligence and performance;
- processes;
- partnerships (internal and external);
- resources, organisational competencies and abilities;
- direction provided through leadership and governance;
- Performance Management and accountability.

The first phase of the inspection involved the collection of documents from across Detection, HMRC and open sources. In addition to the related Acts of Parliament this included pertinent reports and those documents relating to policy, strategy, advice and guidance. This material was then reviewed and used to identify key areas of activity that would be subject to inspection.

In order to obtain a broad opinion of Detection practices and procedures across HMRC, scoping visits were then conducted at two key strategic sites, where the inspection team were warmly received.

There followed a structured series of field visits across each of the four regional commands and National Operations between March and June 2007. Local, regional and central records, files, documents, systems and procedures were examined in order to assess the delivery of HMRC's current strategy and procedures. Interviews were conducted with key personnel at all levels of the organisation providing them with the opportunity to share their knowledge, understanding and experience.

The inspection team then conducted further field visits with stakeholders and partners both within and outside HMRC. Internally, key personnel involved in the intelligence, prevention and enforcement process were interviewed, including Public Service Agreement leads, representatives from the Executive Committee (ExCom), Frontiers & International Trade, Criminal Investigation, Risk & Intelligence Service, Central and Local Compliance. Senior staff were interviewed to assess strategy, leadership and accountability at all levels. Relevant documents and intelligence material were examined to assess the systems and process for handling intelligence. Externally, the Border and Immigration Agency, Serious Organised Crime Agency, Police Special Branches, Home Office and the Cabinet Office were consulted. Overall, in excess of 170 interviews were conducted.

The inspection also conducted a benchmarking exercise with European Union and international border authorities and law enforcement agencies, which included visits to three countries. HMI would like to extend his sincere thanks to the customs authorities and government departments from Australia, Canada, France, Netherlands, New Zealand, Norway, the Republic of Ireland, Sweden and the United States of America.

HM Inspector extends sincere thanks to the Board, directors and all HMRC staff who took part in the inspection. As was the case with our previous inspections, the inspection team were warmly welcomed at every venue. He also extends thanks to Criminal Justice Enforcement Standards for their assistance in arranging the extensive programme of inspection visits across the Department and enabling field visits and interviews with key personnel.

HM Inspector was supported by an inspection team comprising Specialist Staff Officers with a wide breadth of experience of conducting and managing criminal investigations. The team also included officers with recent and extensive experience of ports and border policing.

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