

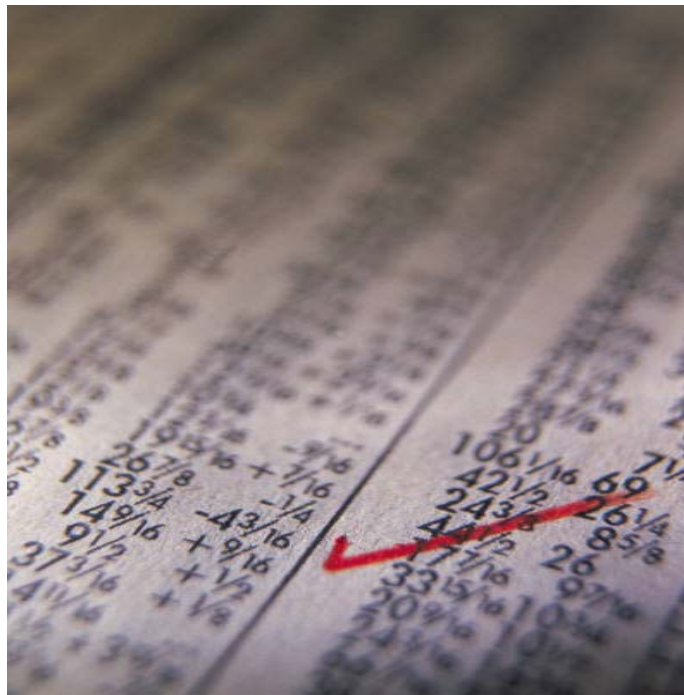
STATES OF JERSEY FINAL INTERNAL AUDIT REPORT

Merger of Customs and Immigration Frontier teams

07/25

Home Affairs Department

29 June 2007



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1 EXECUTIVE SUMMARY

1.1 Introduction

The Customs and Immigration Service has a dual role: responsibility to the Lieutenant Governor for controlling foreign immigration into the Island, and monitoring the importation of goods, involving the collection of customs and excise revenues and ensuring attempts to smuggle prohibited or restricted goods, such as illegal drugs, are prevented.

Customs and Immigration have undergone extensive changes between January 2005 and October 2006. The two erstwhile independent services were merged in successive phases and since then there has been continuing focus on rationalising service provision.

- January 2005: the imminent retirement of the Chief Officers of both departments within short span of time triggered the initiative of combining both departments under one leadership. The business case was prepared in 2004 and submitted to the States of Jersey and the Lieutenant Governor both of whom approved the merger from 1 January. Certain conditions were imposed; the key condition being that officers in each former department would never be forced to carry out activities they did not feel comfortable with. In other words, immigration officers could not be expected to fulfil customs tasks and vice versa.
- September 2005 to October 2006: since the first business case had stated that a potential revisit and additional merger could be envisaged Management proceeded to survey the officers in both departments to identify their willingness to perform each other's tasks and work as a more integrated unit. However, there was neither pressure nor obligation on officers to perform the tasks from the other department if they were not willing too. At the same time, shifts were harmonised across the teams and secondment programs were offered to officers from both departments.
- 2 October 2006: by summer 2006, officers had growing expectations to finalise the merger with the integration of the teams. Almost all had validated their willingness to be multi-functional when asked by management. The one last step was creating a new job description for multi-functional officers. The independent Hay maintenance review that occurred that year graded the job at a level that was accepted by management and made the multi-functional option viable. The creation of a multi-functional position and the merger occurred on 2 October 2006.

This review was conducted at Maritime House, the main place of operation for the Customs and Immigration Service outside of the airport and ports. Our review was conducted between June 4 and June 12 2007. The overall objective was to provide assurance that the expected benefits from the merger of the Customs and Immigration Frontier teams have been realised and that the quality and effectiveness of service delivery both during and following transition has not been adversely impacted by the change.

1.2 Overall assessment

The merger of the Customs and Immigrations Service has on an overall basis delivered the benefits that Management had expected with minimal service disruption and was managed diligently amidst environmental changes. However, at the time of the audit, there were a number of observations and area of improvements that were noted. Therefore, our overall assessment is:

<input type="checkbox"/> 4	All risks have been identified and controls are excellent. No control weaknesses or errors have been found. There are no major agreed actions although some “added value” suggestions may have been made to reflect best practice.
<input checked="" type="checkbox"/> 3	All major risks have been identified and controls are adequate. No significant errors or control weaknesses have been found. Some recommendations for further improvements to controls have been made.
<input type="checkbox"/> 2	Controls are not satisfactory and / or not all risks identified. Significant errors have either been found in the audit or there is a high possibility of error in the future or significant risks may not have been addressed. Recommendations for improving controls have been made.
<input type="checkbox"/> 1	There is non compliance with the mandatory Financial Directions relevant to the area audited. Controls are very weak and the department is exposed to unacceptable levels of risk. Immediate action needs to be taken to address the weaknesses found.

This report deviates from the standard format inasmuch as it contains a separate section that highlights the key benefits that were realised as a result of the merger.

1.3 Categories of observations

We set out below a summary of our observations. Each of the observations is rated in the detailed report on a scale of High to Low (refer to Grading Guide in Appendix A for definitions). A summary of the priority grading is as follows:

Priority	No. of observations
High	2
Medium	1
Low	1
Total	4

1.4 Major observations

During our review of the merger process, we have noted that whilst the project team had used best practice in managing projects to a scale adequate to their own organisation, there were a number of areas within the process where activities needed to be strengthened or developed in order to consolidate the changes implemented and create a solid base for future activities.

The detailed report lists all observations, the most significant of which are summarised below:

1.4.1 Core Competencies and Training (Priority: High)

When management was authorised by the immigration and custom officers to merge both teams, their first step was to organise a mentorship and training program. Mentorship was organised as early as end 2005 till January 2007 and training took place over 5 weeks until March 2007. Both Management and Frontier Teams acknowledge that training only covered the basic requirements and was the first step in an ongoing process. The frontier officers feel that they were not trained enough and because of the demands at the frontiers are not maintaining their level of knowledge to a standard that is appropriate. Management has planned to re-design the training programme to include employees' feedback and to provide further training from October 2007. (Observation number 3.3)

1.4.2 Environment Constraints on Budget and Service level (Priority: High)

In August 2004, at the time of the business case development nothing could have forecast an augmentation of 85% in traffic across all ports of entry for the summer season 2007. In 2005, the headcount had decreased due to corporate efficiency savings and the fundamental spending review process. Currently, with the given number of resources available, staffing at different locations for the customs purpose is not always possible. Management and the Frontier Teams are very conscious of the mandate they have been given by the States of Jersey and within the Common Travel Area therefore, all commercial immigration entry points are covered at 100%. As for the coverage of custom points, they decide which and when a custom point is covered based on risk analysis. Management believes they have been able to cope with the increase without damaging employees' commitment and work life balance thanks to the merger. However the lack of resource is creating stress and increased feeling of vulnerability in the field. Management has taken steps to communicate further on the phenomenon with other States services. (Observation number 3.4)

1.5 Management responses

Management responses were provided by the Head of Service and the Director of Law enforcement from the Customs and Immigration Service at the States of Jersey. We are satisfied

that the appropriate corrective actions to address the issues raised in the audit report will be completed within acceptable timescales.

1.6 Acknowledgement

This audit review has been undertaken as part of the 2007 Internal Audit plan. Internal Audit is grateful for the support provided by staff during the course of audit work.

We would like to express our thanks to the officers and members who have cooperated and provided input in the course of this review, in particular:

Mike Robinson	Head of Service
Steven Le Marquand	Director Law Enforcement
Andrew Hunt	Assistant Director Frontier

This report has been produced by KPMG Channel Islands Limited on behalf of Paul Redfern, Head of Internal Audit, States of Jersey. The contact details are given below:

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2 SCOPE OF AUDIT

2.1 Scope of audit

The scope of the audit was to revisit the manner in which the merger was conducted, providing independent assurance that adequate actions have been taken to manage the initiative so that the expected benefits have been realised while operational effectiveness has been maintained with the same service level as before 2005.

2.2 Risks identified

The following risks have been identified for the purpose of this review:

- Objectives of the merger are not achieved
- Operational effectiveness and service levels have deteriorated
- Staff redundancy
- Costs of merger outweigh the benefits therefrom
- Benefits not clearly articulated in the business case may lead to non alignment with the Strategic objectives of the Customs and Immigration Service.

2.3 Control objectives tested

- Project scope has been defined and validated by the Department Managers and external stakeholders (Home Affairs Committee/Minister and Lieutenant Governor)
- Organizational structure conducive to supporting the project objectives has been provided
- Quality management attributes have been defined (eg approvals, documentation, preventative and corrective actions, reviews, training etc...).
- A project plan has been defined with milestones and key events requirement and timeframe
- A project manager has been appointed and entrusted with accountability, authority and responsibility for managing the project
- Key dependencies have been defined and documented.
- Communication plan has been established with reporting to the steering committee scheduled at set intervals
- Defined activities stem directly from the project plan

- Monitoring of the activities in relation to the scope and plan of project is done at set intervals by project manager
- A project budget has been established based on project costs estimations that have been clearly defined and documented
- Activities have been defined in such a way that outputs are measurable
- Personnel who are responsible for carrying out activities have been involved in the definition of these activities
- Change management process has been set in place to communicate with staff about project progressions and impacts on their working environment.
- Management collates, stores and updates information from the project
- A system has been put in place to collect and analyse the information gained during after the project for use in a continual improvement process
- Training programs have been set in place to maintain /increase skills of staff and preserve operational effectiveness.
- At project closure, a review of the project performances has been conducted, revisiting all key benefits mentioned at inception and highlighting experience gained from project.

2.4 Approach

Our work was undertaken through review of the documentation of the project roll out (e.g., implementation manuals, progress reports, etc.) to understand the business case and history of the project and by conducting interviews with personnel to ascertain whether the objectives of the merger were attained. We interviewed the Head of Services, the Director Law Enforcement, 2 Assistant Directors (Frontiers and Intelligence & Financial Crime) and all the Frontiers and Service Investigation Unit Teams.

We concentrated the review within the Department of Home Affairs - Customs and Immigration Service. To the extent that the Frontier Teams were the most impacted by the merger, we have conducted interviews with staff on the process and changes they have been through with the merger. However since all teams interact together and rely on each other for certain processes, we have also met with the Intelligence and Financial Crime unit and the Service Investigation unit teams.

We have also focused the review on key characteristics of merger projects and reviewed the following in detail:

- extent of benefits realised from the merger of the frontier teams;

- whether operational effectiveness has been maintained;
- operational efficiency review;
- service levels; and
- causes for any adverse impact as a result of the merger (if any).

3 OBSERVATIONS AND AGREED ACTIONS

This section sets out our observations and management agreed actions in relation to the review of the merger of Customs and Immigration Frontier Teams. All of the observations made in this report stem from the comparison of the activities or tasks undertaken during the merger and the corresponding areas of best practice.

Each of the observations has been graded in accordance with the priority associated with the observation as set out in the grading guide attached as Appendix A.

3.1 Change Management accompaniment

We have reviewed the business case and documents that demonstrated the approach chosen by management to roll out the merger and conducted interviews with the Frontier teams, and other stakeholders.

Whilst buy in from all stakeholders had been sought for during the roll out of the merger project, and the general consensus was that adequate level of communication existed at that time, we made the following observations during our interviews on the team's perception of the future which require management attention:

Observation

- Officers have indicated a degree of uncertainty on future changes in the service and how their position will evolve. They have commented on the lack of visibility for the “what next picture” and forward planning.
- Faced with change, officers feel under pressure and worried about their level of competency to perform tasks they were not used to, the impact on their performance appraisals and how management will be addressing the issue of training, promotion path etc.
- All officers believe that the merger has not yet been fully consolidated and that the project will still go on for some more time in order to re-establish the same level of competencies and confidence in the teams.

Risk

- In the absence of a formalised communication channel, acceptance of change from the impacted stakeholder community is reduced and there is a risk that employees will leave the service if they do not feel happy with the changes.
- In the absence of a demonstration of future planning, clearly organised and defined steps within a set timeframe, there is a risk that employees will feel frustrated and discontented about their position, leading to potential poor performance and lower motivation levels in the long term.

Agreed action

Management is aware of the teams’ concerns and has communicated constantly with them through email and direct visits. Management has always promoted an “open door” policy and is insisting further in sharing information to address the issue through the following initiatives:

- 1 Senior Officers are grade eleven officers and undertake the role of team leaders. Management will reiterate to each Senior Officer their role as a facilitator for communication from officers to management and vice versa.
- 2 Enforce senior officer meetings: the meetings have been formalized with a chairman and minutes taking. This meeting should take place every two months and minutes will be distributed to all staff (sensitive personnel information will be censored). This first meeting should take place in July 2007.
- 3 Management meetings minutes: the minutes are distributed to all staff (sensitive private information will be censored). They detail the next initiatives and actions that management is undertaking to address issues. The Senior Management Team comprises of the \head of Service, the Directors and Assisatnt Directors and meets every month.
- 4 The Assistant Director will participate to shifts on location (airport and ports) to regularly assess conditions and identify early potential issues.

The effectiveness of these measures will be revisited by December 2007.

<i>Priority</i>	<i>Responsibility and Date</i>
Medium	1 Steve Le Marquand 3 July 2007
	2 Steve Le Marquand 3 July 2007 and onward
	3 Mike Robinson 16 May 2007 and onward
	4 Andrew Hunt 2 July 2007 and onward

3.2 Final Merger report

We have reviewed all the documentation prepared by the project team as output from the project life cycle and appraised the existence, content and form of each document given the specific context of the Customs and Immigration Service.

Observation

Whilst the amount of preparation, analysis, control and communication was comparable to best practices in project management, we noted that several memos on focussed issues, concerns or benefit of the merger had been drafted but we have not found a closing memo that would revisit the expected benefits achievement, demonstrate the lessons learned and illustrate to other stakeholders the results of the project.

Risk

- In the absence of a formal report, stakeholders and management cannot appraise globally the achieved benefits.
- In the absence of a formal report, the closure on the merger and identification of potential area of improvement or issues cannot be obtained.

Agreed Action

The Director of Law Enforcement's intent is to wait for the end of the busy summer season to receive additional data and provide stakeholders with a more meaningful analysis of key performance indicators for service level in customs and immigration.

- The Director of Law Enforcement who was also in charge of the project will gather already existing data and will draft a report by September 2007.

<i>Priority</i>	<i>Responsibility and Date</i>
Low	Steve Le Marquand 28 September 2007

3.3 Core competencies & training

We have reviewed the training programmes, the timeframe and the appraisal surveys completed the officers. We have also conducted interviews with the teams and noted that whilst the training approach through mentoring and in class theory learning was adequate, the length of the training was not long enough for the officers to confidently assume responsibility for the new tasks assigned. Although it is generally accepted that at the time of the audit, we would encounter dilution of expertise as in any normal change management cycle, we have noted the following observations:

Observation

- The training delivered was 2 weeks for custom officers and 3 weeks for immigration officers. The mandatory training delivered to new recruits for skill acquisition is usually longer.
- The officers did not feel that the mentoring phase was long enough to really understand what the other function was about. The timing of the mentoring was too early compared to the training.
- A majority of the officers feel they do not have time to assimilate lessons learned from training through exposure and repetitions since they have to do both immigration and customs activities.

Risk

- There is a risk that in the long term, due to experienced officers' retirement and lack of adequate training the level of expertise gets diluted.
- There is an increased risk of reputation issues if the mandates given by the European Community and United Kingdom authorities are not fulfilled appropriately due to lack of knowledge and training.
- There is a risk that officers feeling vulnerable while doing their jobs end up resenting their lack of training and decrease their motivation and "pride" in doing their jobs leading to lower performance levels.

Agreed Action

Management confirms that training was not as long as it should have been and has acknowledged the need for additional training requirements. The agreed course of action is as follows:

- 1 The Director of Law enforcement will finalize the new training policies by September 2007. This document will describe all mandatory, optional and specialization training linked with each core competency that officers should have acquired at their level
- 2 A calendar of large attendance courses will be published. Courses have been scheduled already for October 2007 through March 2008. Additionally, personal courses are being rolled out as part of the appraisal cycle.

<i>Priority</i>	<i>Responsibility and Date</i>
High	1. Steve Le Marquand 28 September 2007 2. Andrew Hunt 31 August 2007

3.4 Environmental constraints

We have reviewed the shift rosters, the key performance indicators on historic, forecast and actual traffic volumes, and conducted interviews with Frontier field officers and management.

Observation

We have noted the following:

- at the time of the business case development nothing could have forecast an increase of 85% in traffic across all ports of entry for the summer season 2007. All commercial immigration entry points are covered at 100%. However due to staffing levels and based on risk analysis, management decides which and when a custom point is covered;
- the lack of resources imposes longer hours on the evening shift to accommodate for late arrival, juggling in between physical locations and reliance on officers' goodwill to come back to work even if they are supposed to be off; and
- the Frontier teams (field officers) have commented that the shortage of resources that existed before merger had been improved by the integration of both teams but that the change of circumstances as well as the late notice in the request for additional services such as on board controls and additional route openings had diluted the effects.

Risk

- In the absence of border coverage from Custom and Immigration Officers, there are risks of smuggling of illegal substances and unauthorised or illegal immigration, thus putting the island's reputation at stake if the mandates given by the European Community and United Kingdom authorities are not fulfilled appropriately.
- The lack of resources to cover borders from a customs standpoint reduces the control of the smuggling of prohibited and restricted goods increasing the risk for the health and safety of people living in the Island and a potential loss of revenue for the States through commercial smuggling of dutiable goods.
- Due to the lack of resources and the increased demand on officers, there is a risk that their stress and exposure to uneasy situations may become too difficult to handle. This could generate lower performances due to feelings of vulnerability and low morale. Officers could start feeling unwell from stress related illnesses. The extreme ultimate consequence would be loss of resources through resignation.

Agreed Action

Management is aware of the increased risks they are facing by not performing 100% of the controls on all ports of entry for customs. A risk map has been created by management to allocate resources accordingly. Upon receiving the news of increased traffic in December 2006, management was able to reschedule shifts of employees to accommodate later arrival of boats. The new shift system implemented with the merger has managed to preserve work life balance for the employees. Management has agreed to the following actions:

- 1 Assess the number of officers at immigration points required to process controls so as to define an acceptable waiting time for people coming through borders so as to release some officers to other areas that need covering.
- 2 Negotiate and come to an agreement with Home Affairs that extra funding is made available from 2008 which will enable recruitment to take place for new Grade 7 officers. The alternative would be to carry vacancies.
- 3 Encourage communication between Customs and Immigration Service and other departments of the States of Jersey so as to forecast better developments that could impact their volume of work in the future. This is crucial to allow enough time to organise the service in order to maintain the expected level of performance while preserving employees' work life balance

<i>Priority</i>	<i>Responsibility and Date</i>
High	1. Andrew Hunt June and July 2007 2. Mike Robinson 29 June 2007 3. Mike Robinson 30 June 2007

4 OTHER OBSERVATIONS

During discussions with management and the Frontier Teams, we have observed the following benefits resulting from the merger initiative:

Support function

There is a general consensus on the fact that better support functions have been implemented for HR, Finance etc. This was linked directly with a key initiative of the merger phase 1 in 2005.

Real number of officers on field:

The number of frontier officers at all times is higher than before October 2006. The implementation of shifts and multi-functionality allowed the creation of teams of 8 with at least 6/7 officers available in each frontier team (excluding supplementation from the investigation units).

Work life balance:

Officers now have set shifts providing for defined working hours and better work life balance. The split shifts were terminated and a three week roster has been organized for the 3 Frontier teams and 2 shifts were organized to cover the investigation unit. Shifts are constantly monitored in response to demand created by shipping and aircraft movements. Management is very sensitive about maintaining the work life balance of officers, it is therefore vital in their view that the Customs and Immigration Service are involved in the process of deciding about those movements.

Increased action on intelligence

The merger has allowed the creation of a specialized team available for more days / hours a week and able to act diligently on intelligence gathered. The team has now ability to prosecute principals in the chain instead of couriers. The SIU team has been increased; shifts patterns have been changed to provide for coverage on weekends and later at night. All these decisions have lead to significant seizures of control drugs and the arrest of drug traffickers while still providing support for the Frontier Teams.

Appraisal process

The appraisal process has been harmonized across both services. Customs officers already had a well established process in place prior to the merger. This process has been brought over to the immigration officers. Performance plan development is now required from all employees on a yearly basis. Monitoring is done on overall performance and specific targets on an annual basis with appraisal schedules defined by the employee and their appraiser, personalising the

evaluation. A training policy will be developed to map and link training paths with career progression and promotion potential. Management monitors that officers set dates for plan development and performance reviews.

Flexibility in managing budget

The merger has resulted in a reduction in the number of senior officers and allowed the creation of an assistant officer grade which has lead to considerable savings. The final report of the merger that will be published by end of September by the Director Law Enforcement will quantify these savings.

A Grading guide

Each issue noted in section 3, “**OBSERVATIONS AND AGREED ACTIONS**”, is given a grading to assist management in understanding its importance. The grading is an audit grading for risk assessment, which relates to the priority of the issue in terms of potential impact on the business.

The scale is as follows:

Priority

High:

A fundamental control weakness or a significant weakness in the system of internal control, which exposes the organisation to an unacceptable risk. This may indicate that management cannot place assurance on the adequacy of the internal control environment to mitigate and/or manage the inherent risks faced by the business unit/activity under review. This indicates where immediate management attention and action is required.

Medium

An important control weakness which increases business risk beyond prudent levels. Limited assurance can be placed on the adequacy of the internal control environment to mitigate and/or manage the inherent risks faced by the business unit/activity under review. This indicates management action is required within agreed timescales.

Low:

A minor control weakness whereby the current exposure to risk is unlikely to be significant. Reasonable assurance can be placed on the adequacy of the internal control environment to mitigate and/or manage the inherent risks faced by the business unit/activity under review. This indicates that management action is recommended to improve the overall system of internal control.

B Circulation list

Senator Wendy Kinnard	Minister for Home Affairs
Stephen Austin-Vautier	Chief Officer, Home Affairs Department
Steve Le Marquand	Director, Law Enforcement
Mike Robinson	Head of Customs and Immigration Service
Paul Redfern	Chief Internal Auditor for the States of Jersey
Chris Swinson	Comptroller and Auditor General
PriceWaterhouseCoopers	External Auditor