HM Customs and Excise: Custody and Disposal of Seized and Detained Goods
This report has been prepared under Section 6 of the National Audit Act, 1983 for presentation to the House of Commons in accordance with Section 9 of the Act.

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Summary and conclusions

1 In 1990–91, HM Customs and Excise seized drugs with a “street” value of over £300 million, 39,000 items of pornography and nearly 2,400 articles derived from endangered species. They also seized or detained large quantities of alcoholic drinks and cigarettes which had not been properly declared and many other goods subject to import or export prohibitions or restrictions. All seized or detained goods are transferred to a Queen’s warehouse, of which there are 34 in the United Kingdom, where they are stored in secure areas before being destroyed, sold or otherwise disposed of.

2 The National Audit Office examined the Department’s arrangements for the custody and disposal of seized and detained goods, with particular emphasis on the adequacy of the security arrangements. The National Audit Office’s main findings and conclusions are set out below, together with suggestions for further action necessary:

(a) **Security over seized and detained goods is good but there is a need for continued vigilance if the Department are to maintain their success to date in preventing any serious security breach.**

The National Audit Office assessed the Department’s security arrangements using the checklist at Appendix A. In most cases, Departmental instructions and guidance on security satisfactorily met the main risks and, in the locations visited, local staff generally complied adequately with the suggested procedures (paragraphs 2.3 to 2.8, 3.3, 3.9 to 3.13, 3.15 to 3.17 and 4.4).

Some isolated instances were found where guidance was incomplete or was not being followed. For example, the paperwork relating to some seizures accompanied the goods to the Queen’s warehouse rather than being sent separately; seized goods including drugs were sometimes held in insufficiently secure conditions; there were no detailed security procedures for transporting drugs; and not all locations had undertaken stocktakes in 1991. However, these instances did not indicate any significant or systematic weaknesses in security procedures. Nevertheless, the Department need to address the problems identified (paragraphs 2.8 to 2.17, 3.9, 3.10, 3.14, 3.15, 3.18, 3.19 and 4.13).

(b) **The Department need to strike an appropriate balance between their desire to publicise large drug seizures and their policy to give Queen’s warehouses as low a profile as possible.**

The Department are aware of the high risks in holding large quantities of drugs and therefore discourage publicity about the location or contents of Queen’s warehouses (paragraph 3.5).

However, to deter would-be smugglers and improve morale amongst preventive staff, the Department have allowed considerable media coverage of certain large drug seizures. This has included photographs inside Queen’s warehouses and at the places where drugs are destroyed. Such publicity needs to be reconciled with local efforts to maintain a low-key approach and
thereby protect warehouses and their staff from attack (paragraphs 3.5 to 3.8).

(c) **The Scottish courts' requirement that the whole amount of drugs seized must be retained until court proceedings are complete can cause severe security problems when large seizures are made in Scotland.**

In England, Wales and Northern Ireland, as in many other countries, the courts generally allow the bulk of any drugs seizure to be destroyed at an early stage, with samples being admissible in evidence. This procedure considerably reduces the risks of organised criminals attempting to recover the drugs (paragraph 4.5).

Scottish courts will not accept the destruction of seized drugs until court proceedings are concluded, although in one recent case a special High Court hearing accepted, as an exceptional concession, the Department's case for early destruction of the bulk of a cocaine seizure of £100 million. But even this was some seven months after the drugs were seized (paragraphs 4.5, 4.6 and Case II).

(d) **The lack of modern on-site incineration facilities at many Queen's warehouses means that drugs must often be transported—sometimes for long distances—to external incinerators, with consequent security risks.**

There are considerable risks in moving drugs for incineration. These risks are increased if non-Departmental incinerators are used. Not only are operational staff and the drugs more vulnerable to direct attack but there is increased uncertainty as to whether the drugs have been fully destroyed (paragraphs 4.7, 4.10 and 4.11).

Only 12 of the 34 Queen's warehouses have their own incinerators. There are no on-site incinerators at all in Scotland or in England north of Hull. The lack of adequate facilities in some areas was originally raised by the Department's management services division in 1987. The Department still do not have a programme for installing more incinerators (paragraph 4.7).

(e) **Much better information is needed on the costs and proceeds of selling goods if the Department are to determine whether they are maximising their receipts and are at least covering their costs.**

Certain seized goods, such as wines, spirits, jewellery and vehicles may be sold after specified periods of time. The Department's objective is to maximise the receipts from such sales. At a minimum, the proceeds from sales should cover all the costs of sale, including additional storage, staff time, professional fees and transport. Sales must also cover any duties and value added tax due (paragraphs 4.25, 4.29 and 4.33).

There is very little management information, either centrally or locally, as to whether the Department are maximising receipts or indeed whether sales are cost-effective at all. Beyond specific direct costs such as advertising and printing, Queen's warehouses make little attempt to establish the likely staffing, storage and indirect costs involved. From 1992, each Queen's warehouse will be required to report gross proceeds and approximate costs of sale. But this information will still not be sufficient to determine whether, for certain types of goods, costs outweigh receipts and immediate destruction would be the cheapest option (paragraphs 4.30 to 4.32 and 4.35).
Overall conclusions

3 The National Audit Office found that HM Customs and Excise were fully aware of the risks in holding large quantities of drugs and other goods which could become the target of criminal attack. In general, their security arrangements satisfactorily addressed these risks and were determinedly put into effect by local staff. Nevertheless, the threat is constant and the Department must exercise continuing care. This will be particularly important if, as expected, drug seizures continue to increase from 1993 onwards.
Part 1: Introduction

1.1 Smuggling is as old as Customs and Excise. But it did not become a serious problem until the late 17th century when duties were raised substantially to pay for the military campaigns of the Duke of Marlborough. The customs service built up a fleet of ships to cope with the growing menace; warehouses were set up at every major port to store seized contraband; and excisemen were encouraged in their work by receiving a share of the value of the goods they seized.

1.2 Today, drugs, pornography and endangered species have largely replaced tobacco, brandy and French lace as the Department’s chief concerns; and customs officers no longer get a productivity bonus in kind. But the Department still require a network of storage depots to house seized goods, pending destruction or disposal. These “Queen’s warehouses”, of which there are now 34, cost £2.8 million to run in 1990–91. The goods in their care are, however, of immensely greater value; and by their nature safe custody and effective disposal are essential in the public interest.

Seizure and detention

1.3 Customs may seize or detain goods, depending on the nature of the goods and the type of offence committed. Goods are seized if they are prohibited from import or export or if they have been concealed to deceive customs officers or evade duties. Vehicles, boats and aircraft used to conceal smuggled goods may also be seized. Under the Customs and Excise Management Act 1979, seized goods are in the custody of the Crown for one month, after which they become the property of the Crown and may be disposed of unless the owner has lodged a claim against forfeiture.

1.4 Goods are detained if there is doubt as to the legality of their import or export; if the importer declares the goods but is unable to pay the tax due; or whilst an import or export licence is being sought. Detained goods are returned to their owners once the conditions of import or export are met. If the conditions are not met within a set period of time, the goods become seized and may be disposed of.

1.5 Most goods are seized or detained through checks at points of entry or exit from the United Kingdom:
   - 47 seaports;
   - 27 airports;
   - 12 international clearance depots;
   - 5 international freight terminals;
   - 27 postal depots.

1.6 Powers of seizure do not apply only at point of entry. Customs officers are permitted to follow suspect goods to their final destination to arrest the smugglers or recipients of those goods. They may also search private premises for smuggled goods without a search warrant.

1.7 Seizures and detentions may be of:
   (a) goods such as drugs, pornography and illegal firearms, which are prohibited from import or export;
   (b) goods which have been imported or exported without a licence, for example, endangered species;
   (c) goods which have been imported or exported in breach of copyright or trades descriptions’ regulations;
   (d) revenue goods, mainly spirits and tobacco, which have not been properly declared; or
   (e) vehicles, boats and aircraft used in smuggling.

1.8 Enormous amounts of smuggled goods are seized or detained each year. In 1990–91, Customs seized drugs with a “street” value of over £300 million. Seizures of hard drugs are increasing rapidly. The amount of heroin seized in 1990–91 (542 kilograms) was more than 70 per cent higher than in 1989–90, and more than twice the amount seized in 1988–89. Cocaine seized (1,049 kilograms) was more than 3½ times the 1989–90 figure and three times the 1988–89 figure (Table 1).
The Department also regularly seize or detain large quantities of pornography, firearms and offensive weapons, endangered species, alcohol, tobacco and other goods. The range and quantities of goods involved vary considerably from year to year (Table 2).

1.10 The creation of the Single European Market in 1993 is expected to increase the risks from smuggling of prohibited goods. Although the Department intend to retain frontier checks for prohibited goods and intensify their checks against drug smuggling, they expect that international criminals will increasingly target Europe to expand their drug smuggling activities. Customs therefore expect seizures of drugs to continue to rise. On the other hand, seizures and detentions of revenue goods are expected to decrease sharply after 1993.

1.11 As an alternative to seizure, the Department introduced an experiment in the Manchester area in 1989 which allowed smugglers of revenue goods such as alcohol and tobacco to keep the goods on payment of a fine (which included the duty) or risk going to court. The purpose of the experiment was to reduce the amounts of these goods detained and thereby cut down on the quantities held in Queen’s warehouses. In its first year of operation, the experiment reduced the amount of revenue goods detained by 33 per cent. The experiment has now been extended to all ports and airports in the United Kingdom.

Scope of the National Audit Office examination

1.12 Against this background, the National Audit Office examined the Department’s arrangements for the custody and disposal of seized and detained goods, with particular

| Table 1: HM Customs and Excise: Seizures of drugs, 1986-87 to 1990-91 |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Heroin (kilograms)      | 171     | 222     | 262     | 316     | 542     |
| Cocaine (kilograms)     | 99      | 455     | 351     | 290     | 1,049   |
| Amphetamines (kilograms)| 35      | 6       | 24      | 26      | 86      |
| Cannabis (kilograms)     | 20,270  | 23,442  | 42,638  | 51,518  | 22,279  |
| Number of seizures      | 5,564   | 5,214   | 6,272   | 8,180   | 8,450   |
| “Street” value of seizures (£ million) | 81 | 162 | 260 | 238 | 301 |

Source: HM Customs and Excise.

In 1990-91, HM Customs and Excise seized drugs with a “street” value of over £300 million.

| Table 2: HM Customs and Excise: Seizures and detentions of goods other than drugs, 1986-87 to 1990-91 (see note) |
|---------------------------------|------------------|------------------|------------------|------------------|
| Pornography                      | 33,000   | 29,000  | 24,000  | 32,300  | 39,000  |
| Firearms                         |          |         |         |         |         |
| guns and rifles                  | 200     | 200     | 1,700   | 900     |         |
| CS gas canisters                 | 300     | 400     | 400     | 1,100   |         |
| rounds of ammunition             | 7,400   | 23,000  | 40,000  | 9,000   |         |
| Offensive weapons                | 600     | 600     | 800     | 1,300   | 2,400   |
| Endangered species               |          |         |         |         |         |
| live animals and birds           | 1,600   | 2,300   | 1,800   | 1,500   | 1,200   |
| plants                          | 500     | 8,000   | 200     | 1,100   |         |
| articles derived from endangered species | 6,000 | 9,000   | 7,100   | 2,400   |
| Revenue goods                    |          |         |         |         |         |
| alcohol (litres)                 | 88,300  | 44,500  | 37,200  | 17,100  | 83,600  |
| tobacco (kilograms)              | 12,700  | 16,600  | 28,600  | 65,000  | 1,000   |
| cigarettes (thousands)           | 16,600  | 7,800   | 10,500  | 4,200   | 2,600   |
| cigars (thousands)               | 300     | 200     | 300     | 100     | 100     |

Source: HM Customs and Excise.

Note: Customs also seized goods in breach of Department of Trade and Industry import licensing restrictions; foreign lottery material and counterfeit money; fireworks and explosives; meat and poultry products; articles in breach of trade descriptions and copyright regulations; and strategic goods and antiques subject to export controls.

HM Customs and Excise regularly seize or detain large quantities of pornography, firearms and offensive weapons, endangered species, alcohol, tobacco and other goods.
emphasis on the adequacy of their security arrangements. The Report covers:

(a) seizure and detention and subsequent transfer to a Queen’s warehouse (Part 2);
(b) custody in the Queen’s warehouse (Part 3);
(c) disposal (Part 4).

1.13 The National Audit Office examined the Department’s instructions and guidance to staff and discussed the main risks and measures being taken with their internal audit unit and headquarters policy branches. To see how well the Department’s security procedures were operating in practice, National Audit Office staff visited 11 Queen’s warehouses and four locations where goods are seized or detained (Birmingham airport, Harwich ferry port and two postal depots).

1.14 The National Audit Office assessed the adequacy of the security arrangements by drawing up a checklist of the key security questions which the Department need to address at each stage in the seizure, custody and disposal of goods (Appendix A). The checklist was used, firstly, to assess the adequacy of the Department’s guidance on security and, secondly, to examine how well Departmental staff complied with the guidance.
Part 2: Seizure and detention of goods

2.1 This Part of the Report examines the arrangements for seizing and detaining prohibited and restricted goods and their subsequent transfer to a Queen’s warehouse. It concentrates on security from the point of seizure or detention until the goods arrive at the Queen’s warehouse. For obvious reasons details of the security arrangements are not included in this Report although they were examined by the National Audit Office.

2.2 In 1991, the Department’s internal audit unit carried out two reviews of the procedures for handling seized and detained goods before deposit in the Queen’s warehouse and made a number of recommendations to improve security. The National Audit Office examined the results of these reviews and confirmed and supplemented the findings during their own site visits.

Physical security at the point of seizure

2.3 The Department’s controls and procedures are designed to do two things. First, to ensure that goods do not go astray. Second, to safeguard the chain of evidence, so as to avoid any risk of prejudicing the chances of a successful prosecution. The National Audit Office found that the Department’s laid-down procedures for ensuring the physical protection of goods were satisfactory. These covered such matters as the need for more than one officer to be present when goods were seized and how goods should be wrapped and sealed before being stored. At the locations visited, staff complied with these procedures. There were also regular management checks of security and arrangements for reporting any breaches. No security breaches had in fact been reported.

2.4 An essential element of security is that goods are moved quickly from the point of seizure to secure storage in the Queen’s warehouse. Departmental instructions require that all goods, particularly high risk items such as drugs, firearms and high value goods, are not retained at the point of seizure any longer than necessary. However, within these arrangements, local management are free to set their own deadlines and local instructions tend to vary. The National Audit Office noted that at one location only 48 hours were allowed from the time of seizure to delivery into the Queen’s warehouse; but at another location for the same kinds of goods a month was allowed.

2.5 Nevertheless, the National Audit Office found that, in practice, large drug seizures were generally transferred immediately. For most other items, local instructions were closely followed, with no significant delays. However, there have been long delays, of up to six months, in the time taken to transfer pornography to the Queen’s warehouse.

2.6 Delays in dealing with pornographic material arose because every single item suspected of being obscene — whether videos, films, magazines, books or discs — has to be examined in detail to determine whether the law has been broken. This can take a great deal of time: it is also a stressful and extremely unpleasant task — particularly where child abuse is involved — and staff have to be rested from the work at regular intervals. The National Audit Office concluded that these circumstances often excused the delays incurred, but there was a continuing need to maintain pressure for prompt handling.

Documentary controls at the point of seizure

2.7 When goods are seized or detained, the detecting officer records the quantity and details of the goods on a seizure control record. These forms are numbered sequentially. One copy is retained at the point of seizure and another copy sent to the Queen’s warehouse independently of the goods. The Queen’s warehouse confirms the receipt of the goods on a separate form and this is returned to the point of seizure and matched with the copy of the seizure.
monitoring record kept there. These simple procedures should in principle provide an effective control.

2.8 The National Audit Office examined selected documentary evidence relating to transfers of goods to 11 Queen’s warehouses. For large drug seizures (more than 110 grams of heroin or cocaine, two kilograms of cannabis or 300 doses of LSD), the detailed procedures were being carefully followed. However, for other seizures, there were a number of instances where the controls did not operate adequately:

(a) At three locations, there were delays — ranging from three days to 2½ months — between the time drugs were seized and the time the supporting paperwork was prepared.

(b) At seven locations, some of the paperwork relating to seizures accompanied the goods to the Queen’s warehouse, rather than being sent separately. If the goods were to be stolen the main supporting documentary evidence could then be destroyed.

(c) At one location, the paperwork relating to two seizures of spirits — 29 litres in all — was not forwarded to the Queen’s warehouse until two months after seizure.

(d) At one location, the forwarding of all paperwork to the Queen’s warehouse was delayed by up to two weeks.

2.9 Although no losses occurred in the four cases above, they all represented potential weaknesses in systems of control. Local management have since taken appropriate action to speed up the preparation and distribution of documents and to ensure that goods and paperwork are sent separately.

Storage before transfer to the Queen’s warehouse

2.10 Queen’s warehouses are seldom located at the dock or airport terminal where goods are seized. So seized and detained goods have often to be stored in temporary lock-ups pending transfer. The Department’s guidance suggests various security measures for these lock-ups. These include registers of goods seized and transferred to lock-ups; arrangements for the handover of all goods and keys; and periodic supervisory and management checks evidenced in writing on the registers.

2.11 In a report in May 1991, the Department’s internal audit unit found a number of discrepancies between what was recorded in registers and what was actually held in lock-ups. They attributed this weakness in control to the absence of evidenced supervisory and management checks. They also noted several exceptions to good practice for ensuring satisfactory standards of security. The Department have since taken action to address all the identified security risks. However, at one location visited by the National Audit Office, all seized and detained goods, including drugs, were held in a temporary store room whilst documents were being prepared. This practice has now ceased.

Transport to the Queen’s warehouse

2.12 Drugs are particularly at risk in transit from the point of seizure to the Queen’s warehouse. Even relatively small quantities of drugs command a high “street” value and may become the target of organised crime. The risk is particularly high where large seizures have been made away from the usual points of entry. Despite the acknowledged risk of criminal attack, the Department have not specified detailed security procedures for transporting drugs.

2.13 In a report in August 1990, the Department’s management services division concluded that the security aspects of transferring drugs needed to be given greater priority. They recommended that guidance should be developed to ensure better security and a legally acceptable standard of safety for the staff involved. The report also recommended that drug seizures should be deposited in the nearest Queen’s warehouse that had adequate incineration facilities. This would avoid drugs having to be transferred a second time, to the place of destruction. The report’s recommendations have been accepted and are being implemented by the Department.

2.14 At some locations, the Department use commercial companies to transport some goods other than drugs. The contracts used do not generally contain any special security provisions, covering, for example,
confidentiality and vetting of contract staff. The Department are currently considering whether it would be feasible to contract out the transport of all seized and detained goods, including drugs. Any contracting out of the transport of drugs would clearly need to be accompanied by provisions requiring stringent security procedures and checks on contractors and their employees, supported by effective monitoring by the Department.

Postal depots for international mail

2.15 Postal depots seize and detain prohibited and restricted goods sent by post. In some ways these depots are similar to Queen’s warehouses in that they are responsible for the safe custody of goods and for the incineration of some items. In other ways they are more akin to lock-ups since drugs and other high risk material are ultimately sent to a Queen’s warehouse for disposal.

2.16 Customs are responsible for the overall security arrangements and for the security of seized goods at postal depots. The Post Office are responsible for the security of detained goods and for general building security. In 1987, the Department’s internal audit unit recommended that all postal depots should be given the same status as the smaller Queen’s warehouses. The Department accepted this recommendation in modified form: postal depots would remain outside the Queen’s warehousing system on the understanding that management checks and controls were analogous with those at Queen’s warehouses. However, the National Audit Office noted that Departmental guidance on security at these depots remains less detailed than that relating to lock-ups or Queen’s warehouses, particularly in such areas as the documentation of seizures and physical security and labelling of seized goods. The Department explained that documentation is less detailed because far less information is available on goods coming in by post than on any other import.

2.17 The National Audit Office visited the two largest postal depots for international mail and compared their procedures with recommended best practice in Queen’s warehouses. Neither depot had undertaken a full independent stocktake since 1989, although a high level of local control is maintained. The depots’ stockholdings were larger than those of some Queen’s warehouses, which are required to carry out independent annual stocktakes. The National Audit Office therefore carried out a stock check at each depot. At one location a number of minor inconsistencies were found between stock records for non-drugs items and the goods actually held. No discrepancies were found at the other location. Notwithstanding the assurance provided by these results, the National Audit Office recommend that independent annual stocktakes should be undertaken at all depots in future. Given the large numbers of small items in stock, this could be done on a sampling basis.
Part 3: Custody of goods in Queen’s warehouses

3.1 This Part of the Report examines the storage of seized or detained goods awaiting disposal. It concentrates on physical security of the stores in the Queen’s warehouse and the supporting controls and checks. Once again, precise details of the security arrangements are not discussed, although they were examined by the National Audit Office.

3.2 Queen’s warehouses vary considerably in size: the smallest is a safe five foot square; the largest occupies several buildings with a total floor space of 29,000 square feet. However, most Queen’s warehouses consist of a secure room or rooms within a Customs building. The rooms are generally of special construction and include a high security area for the storage of drugs. Some Queen’s warehouses have outhouses to store low-risk and bulky goods, such as vehicles and clothing. At all except the largest Queen’s warehouses, staff operating the warehouses have other customs responsibilities.

Security guidelines

3.3 Customs’ guidance on security for their 34 Queen’s warehouses is of two types. A central policy branch issues written guidelines on security and collates information on security matters. The Department’s 21 local collections (equivalent to regional offices) may provide additional guidance to the Queen’s warehouse(s) in their areas. A collection can also modify central guidance to suit specific local needs. The National Audit Office examined the guidance issued and were satisfied that it addressed the main security risks, such as external attack, unauthorised access and internal fraud.

3.4 The Department classify seized and detained goods into three risk categories. Drugs, firearms and extremely valuable items, such as gold bullion and very expensive jewellery, are given the highest priority because of their obvious attraction to organised criminals. Pornography, less valuable jewellery, watches, cameras, offensive weapons and endangered species are considered medium risk. Alcohol, tobacco and cigarettes, clothing and vehicles are considered low risk.

Publicity

3.5 The Department discourage publicity about the location or contents of Queen’s warehouses. This is to help protect the warehouses and their staff and families from attack. Local management of the Queen’s warehouses visited considered this low-key approach to be central to maintaining security and in the interests of the staff.

3.6 Nevertheless, to deter would-be smugglers and improve morale amongst preventive staff, the Department’s Investigation Division has on a number of occasions invited the press and television to witness large drug seizures. Publicity has included photographs inside Queen’s warehouses and at the places where drugs are destroyed. For example, in 1991, national publicity was given to the destruction of a cocaine seizure valued at over £100 million (Case D — see Part 4). In 1999, an investigation team which had discovered a large haul of cannabis invited press and television to the Queen’s warehouse where it was to be stored.

3.7 Publicity exercises such as these had caused disquiet at some of the Queen’s warehouses visited. Local management expressed some concern that, if the location and contents of Queen’s warehouses become more widely known, staff and property could be more open to attack. In both the above examples, the media had been invited against the wishes of Queen’s warehouse staff. And in the second example, the investigation team had not told the Queen’s warehouse that they would be inviting press and television to witness the arrival of the cannabis haul.
3.8 Clearly there may be conflicting objectives here. An appropriate balance between the benefits of disclosure and the risks of a higher profile needs to be considered and preserved in the circumstances of individual cases; and this is a matter for continuing care by the Department, consulting the various parties involved.

Physical security: drugs and other high risk items

3.9 Physical security over high risk items at the 11 Queen's warehouses visited was good. Local management place a strong emphasis on physical security, particularly of drugs, and local staff generally complied with the security guidelines for high risk goods. However, the National Audit Office noted a few instances where the guidelines were not followed:

(a) In two locations, drugs were held in a strong room with only a combination lock on the door (the guidelines suggest that two keys, held by different officers, should be needed to open the strong room). This practice is still continuing.

(b) At one location, the place where seized drugs were unloaded was visible from areas accessible to the general public. The Department have yet to resolve this problem.

(c) At one location, cannabis with a "street" value of £19 million was being stored in the main, less secure, part of the Queen's warehouse because the strong room was full. Storage of large cannabis seizures has been a continuing problem at this location since the strong room has the capacity for only about £5 million worth of the drug (for example, see also Case A). The Department's internal audit unit found a similar problem at another Queen's warehouse in January 1991.

(d) One Queen's warehouse did not follow the guidance on construction and siting (the Department are planning to relocate this Queen's warehouse in a more secure part of the customs building).

Nevertheless, the National Audit Office concluded that these were isolated instances and did not indicate any significant or systematic weaknesses in Queen's warehouse security procedures.

Physical security: medium and low risk items

3.10 The National Audit Office were also generally satisfied with the arrangements for the physical security of medium- and low-risk items but noted the following instances where the guidelines were not followed:

(a) At four of the 11 Queen's warehouses visited, medium-risk goods, including pornography, cameras, flick knives and knuckle dusters, were stored on open shelves instead of being locked away;

(b) At one location, low-risk goods were stacked on the floor (the guidelines recommend that low-risk items should be kept on secure shelves to minimise the chance of accidental damage).

Access to the Queen's warehouses themselves is, of course, restricted.

3.11 The Department seize or detain a whole variety of medium- and low-risk goods, some of which present peculiar or novel storage problems. Case B illustrates the difficulty the Department have in storing some of the more unusual items seized.

Procedural and documentary controls

3.12 Ideally, the staff responsible for receiving goods into the warehouse should not also be responsible for removing goods. However,

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**Case A: Operation Diver**

In October 1989, customs officers seized 17 tonnes of cannabis resin from a cargo vessel intercepted within British territorial waters. The drugs had a "street" value of nearly £40 million.

The haul was so large that most of it could not be stored in the strong room of the Queen's warehouse and had to be kept in a less secure area. To speed up destruction, a large privately-owned incinerator was used, as it would have taken several months to destroy the drugs using the Queen's warehouse incinerator alone.

To minimise the extra security risks, armed police were present throughout the destruction at the privately-owned incinerator.

This case illustrates the storage and disposal problems caused by very large seizures of drugs.
Case B: Ivory tusks from the 19th century shipwreck SS Benin

In July and August 1990, a company imported 86 African ivory tusks valued at £250,000 which had been recovered from the 19th century shipwreck SS Benin. The Department of the Environment refused an import licence on conservation grounds and the tusks were seized by customs officers in January 1991.

Since then, the company have been seeking to get the Department of the Environment's decision reversed. As the ivory has to be kept moist to preserve it, the tusks are being stored in a specially purchased children's paddling pool until the issue is settled.

This case illustrates the difficulty the Department have in storing some of the more unusual items seized.

since the operation of most Queen's warehouses involves only one or two staff, such a separation of duties is impractical. Instead, the Department's guidelines recommend that a higher ranking officer should witness the acquisition and removal of goods and that no-one should have sole access to the strong room where drugs and other high risk goods are held. In the National Audit Office's view, these arrangements, properly followed, provide an adequate alternative to a full separation of duties. At the Queen's warehouses visited checks confirmed that they were operating satisfactorily.

3.13 The copy document recording each seizure or detention of goods sent to the Queen's warehouse is used by the officer in charge to verify that the entire seizure has been received. This document then forms the prime stock record at the Queen's warehouse. The National Audit Office examined the documentary controls at each Queen's warehouse visited and found that they operated effectively and in accordance with the Department's guidance. The National Audit Office also checked a sample of stock items to the prime stock records and vice versa to verify that the stock records were complete. No discrepancies were found.

3.14 However, at one location, prime stock records were accessible to all persons entering the Queen's warehouse, legitimately or otherwise. There was therefore a risk that records could be tampered with or removed to disguise thefts. The National Audit Office recommend that prime stock records should be kept in locked cupboards away from the stock.

Management and other independent checks

3.15 Departmental guidance requires an independent stocktake at all Queen's warehouses each year. Every item in store must be checked to the primary stock record and vice versa by an officer from a different branch. Local management may authorise the write-off of minor losses where there is no evidence of negligence on the part of any member of staff. Such write-offs must be reported to headquarters. The National Audit Office noted that one of the 11 Queen's warehouses visited had not carried out a stocktake in 1991. Stocktakes had been carried out at the other 10 warehouses and had revealed no serious discrepancies.

3.16 An independent security review is also required at all Queen's warehouses each year. Its purpose is to highlight any weaknesses in the security arrangements, identify security breaches and recommend improvements. Security reviews were carried out in 1991 in all 11 Queen's warehouses visited by the National Audit Office. No significant weaknesses had been found but a number of useful improvements to security were introduced at various locations.

3.17 Departmental guidance recommends that local management should also carry out random security checks on stocks and procedures from time to time. The National Audit Office found that effective management checks of this kind were being carried out at all 11 locations visited.

Breaches of security

3.18 Although not a specific requirement, Queen's warehouses generally report break-ins, attempted break-ins, losses and other security breaches to the Department's central policy branch. The branch's records list the following main security breaches over the last decade:

(a) 1983 An organised group of criminals cut the main telephone cables, thus disabling the main alarm, and broke into a Queen's warehouse by smashing through
the front door. They ran off when they triggered a second alarm in the area where goods were stored and nothing was stolen.

(b) 1983 Criminals broke into the same Queen’s warehouse by drilling an 18-inch-diameter hole through a side wall. They were also scared off when they triggered an alarm and nothing was stolen.

(c) 1983 Sixteen crates of pottery which had once contained drugs were stolen from a Queen’s warehouse, probably while it was legitimately open for other purposes.

(d) 1986 Out of a seizure of 1,987 grammes of a heroin and barbiturate compound, 47 grammes could not be accounted for. The bag containing the drugs had not been sealed properly.

(e) 1987 A tractor unit worth £2,000 was stolen from an outhouse of a Queen’s warehouse.

(f) 1988 An intruder tried to prise open a window of a Queen’s warehouse but fled when the alarm went off. Nothing was stolen.

(g) 1988 The alarm system of a Queen’s warehouse was disabled but it was not established if the Queen’s warehouse was the target. Nearby commercial warehouses were also affected and one was broken into. Nothing was stolen from the Queen’s warehouse.

(h) 1988 Out of a large seizure of cannabis resin, an amount with a “street” value of £28,000 could not be accounted for. The loss may have been due to evaporation of the drug’s water content.

(i) 1988 A diamond ring, worth £10,730, went missing after being received into a Queen’s warehouse. It was never found and has been written-off as lost.

(j) 1989 Intruders gained access to garages containing cars, one was broken into and its radio stolen.

(k) 1991 Clothing was pilfered from a commercial warehouse acting as an agent of a Queen’s warehouse.

3.19 The National Audit Office examined the Department’s records of the above incidents and followed up the circumstances at each location visited. This confirmed that these were isolated examples, none of which indicated significant or systematic weaknesses in security over drugs or other high-risk goods. The National Audit Office also noted that the Department had taken adequate steps, where necessary, to learn the lessons and tighten their procedures. Nevertheless, the incidents demonstrate the need for continued vigilance and the safeguards required to deter the determined criminal if the Department are to maintain their success in preventing any serious security breach.
Part 4: Disposal of seized and detained goods

4.1 Seized goods become the property of the Crown one month after seizure providing no claim is made against their forfeiture. Unless they are court exhibits, HM Customs and Excise may then dispose of them as they see fit. Detained goods may generally be disposed after three months unless the owner has satisfied the conditions for their release, for example, by obtaining an import licence. This Part of the Report examines the Department's arrangements for the disposal of seized and detained goods.

4.2 Items which are exhibited in court cannot be disposed without leave of the court, generally not until after the trial and any appeal. Court proceedings can sometimes take a very long time and the Department may have valuable items in stock for several years (for example, Case C).

Methods of disposal

4.3 Prohibited goods, such as drugs, pornography and most offensive weapons, are destroyed. Other items, such as alcohol, jewellery and vehicles, are sold if it is cost-effective to do so. Occasionally some items — for example, vehicles or boats used in smuggling — may be used for training or other official purposes. But, if these means of disposal are inappropriate, ineffective or expensive, these goods may also be destroyed.

4.4 Details of goods to be destroyed must be entered on a register and the destruction authorised by a senior officer. All destructions must be witnessed and certified by at least two officers. These security procedures were being followed in the Queen's warehouses visited by the National Audit Office.

Drugs

4.5 For large drug seizures (more than 110 grams of heroin or cocaine, two kilograms of cannabis or 300 doses of LSD), it is Departmental policy to destroy the bulk before trial and retain only samples and wrappings as evidence. This approach is generally acceptable to the courts in England, Wales and Northern Ireland. Early destruction of the bulk of any drugs seizure is common practice in many other countries and was endorsed in 1988 by the United Nations convention against illicit traffic in narcotic drugs and psychotropic substances. In Scotland, however, the Procurator Fiscal — who is the prosecuting authority — will not accept the destruction of seized drugs until court proceedings are concluded.

4.6 The legal practice in Scotland can cause severe security problems when large drug seizures are involved. For example, in January 1991 at Kingussie, the Department made their largest ever cocaine seizure — with a “street” value of over £100 million (see Case D). The Department were aware that organised criminals were tracking the movement of the drugs and the transport, custody and disposal of the haul had to be accompanied by massive security. As an exceptional concession, a special High Court hearing accepted the Department's case for early destruction of the drugs but this still did not take place until seven months after they were seized.

Case C: Operation Whitehall

In December 1989, the Department's investigation division seized six chests of antique jewellery, precious metals, coins and medals, worth in excess of £2 million, from two firms of jewellers. Two people were subsequently charged with evading value added tax of £450,000 on sales of stolen goods.

Since then, the goods have been stored in the Queen's warehouse. They cannot be sold until court proceedings have been completed.

This case illustrates how long valuable items may be in storage whilst court proceedings are continuing.
HM CUSTOMS AND EXCISE: CUSTODY AND DISPOSAL OF SEIZED AND DETAINED GOODS

Case D: Operation Klondyke

In January 1991, customs officers seized half a tonne of cocaine at Kingussie in Scotland. The drugs had an estimated "street" value of over £100 million.

The Department's policy in England, Wales and Northern Ireland, agreed with the courts, is to destroy the bulk of seized drugs before trial and rely on samples as evidence in court. However, in Scotland, where the Procurator Fiscal is the prosecuting authority, the courts require the bulk of the drugs to be kept.

The Department were concerned about the serious security risks of keeping drugs of such value for any length of time, including the danger to the staff of the Queen's warehouse where the cocaine was being stored. They therefore pressed the Procurator Fiscal to allow the destruction of the bulk of the drugs prior to trial. As an exceptional concession, a special High Court hearing accepted the Department's case for early destruction of the drugs.

In August 1991, some seven months after being seized, the drugs were duly destroyed by customs officers. The destruction was accompanied by a massive security operation by the police.

This case illustrates the security problems caused by the Scottish courts' requirement that seized drugs are kept until after court proceedings have been completed.

4.7 Drugs are always destroyed by incineration. However, only 12 of the 34 Queen's warehouses in the United Kingdom have their own incinerators and in some cases these are too small to deal with large quantities of drugs. There are no in-house incinerators at all in Scotland or in England north of Hull. The lack of adequate facilities in these areas was originally raised by the Department's management services division in June 1987 who concluded that there was a clear need for more destruction facilities in certain areas given the considerable risks in moving drugs for incineration, sometimes for long distances. There is, however, no programme for installing more incinerators.

4.8 Even where there are incineration facilities there are pollution problems to be overcome. The Environmental Protection Act 1990 introduced more stringent controls over incinerators, with statutory provisions to cover burning, emissions and residual waste. The Act's requirements are staged, starting with a registration scheme by 31 October 1991. Although the Department's incinerators will have to be registered, the details will not appear on the public copy of the register for security reasons. However, they must meet all the other requirements of the Act and operations will be monitored by local authority inspectors. The Department estimate that a new incinerator which meets the latest environmental criteria would cost between £50,000 and £70,000.

4.9 The Department are currently awaiting reports on their incinerators following inspections by Department of the Environment officials. They suspect that, at present, few if any of their 12 incinerators fully meet the requirements of the Environmental Protection Act 1990. However, they are confident they can comply with the provisions of the Act within the statutory timetable. Those Queen's warehouses without their own incinerators generally use a hospital, local authority, Ministry of Defence or private incinerator. Such incinerators must be registered under the Act but will not need to specify that they destroy drugs.

4.10 A number of recent internal reviews have emphasised that the transfer of drugs to and from Queen's warehouses presents significant security risks. These risks are increased when off-site incinerators are used. A report in August 1990 (paragraph 2.13) recommended that large drug seizures should be deposited in the nearest Queen's warehouse with in-house incineration facilities capable of coping with the quantities involved. However, even on-site incinerators are not always big enough to cope with large drug seizures (for example, Case A).

4.11 Although customs staff attend incinerations at non-departmental sites, the security risks are greatly increased during the movement and destruction of the drugs. Not only are operational staff and the drugs more vulnerable to direct attack but there may be difficulties in ensuring that the drugs have been fully destroyed. If destruction is incomplete it is possible that usable drugs could be recovered from the ashes. For example, following the incineration of drugs at a hospital site in July 1990, a gang of youths arrived during the night and, after threatening hospital staff, sifted through skips containing ashes from the incinerator. Subsequently customs officers confirmed that the ashes were indeed from the drugs destruction, although they found no active substances amongst the residue. Although
this was an isolated incident, it demonstrates the risks of using outside incinerators.

4.12 At the Queen’s warehouses visited by the National Audit Office, burning of drugs generally took place between one and four times a month. To ensure complete destruction incinerators must be heated to a very high temperature (at least 1,300 degrees Celsius). The high temperatures generated present particular problems, both for internal and external incinerators. In three separate incidents in the last two years, the destruction of large quantities of cocaine and cannabis has damaged incinerators. A newly-installed incinerator at one Queen’s warehouse has been out of action since September 1991 following a drugs destruction which melted the back of the incinerator. The fire brigade were called, adding an additional security risk because drugs were still present at the time. In the other two incidents, operators were affected by fumes (for example, Case E). In another case, an on-site incinerator was forced to shut down because of the air pollution it was causing. This incinerator has now been replaced.

4.13 The National Audit Office noted that local managers are not required to report accidents or damage occurring during the incineration of drugs. And there has been no guidance issued to staff warning of the dangers of overloading incinerators when burning drugs. Given the acknowledged risks, and previous incidents, there is a clear need to tighten up procedures.

Pornography

4.14 Over the last five years, Customs have seized an average of some 30,000 pornographic items each year. It is possible to destroy small quantities of literature by shredding, but videotapes, films and large amounts of paper must normally be destroyed by burning. However, videotapes give off toxic fumes when burnt and the Department are seeking other ways of destroying them.

Firearms and offensive weapons

4.15 Offensive weapons such as flick knives, butterfly knives and ninja stars are destroyed by incineration, or by rendering them useless. Firearms are passed to the local police.

Endangered species

4.16 In 1990–91, the Department seized 1,200 live animals and birds, 1,100 plants and 2,400 articles derived from endangered species, such as elephant tusks, stuffed animals and birds, and goods made from ivory or reptile skins. Live animals must spend six months and birds 35 days in quarantine in premises approved by the Ministry of Agriculture, Fisheries and Food. Most are then given to zoos or specialist keepers.1 Seized plants are passed to the Royal Botanic Gardens, Kew, for quarantine and propagation. Customs seek, as a first step, to give articles derived from endangered species to museums and other approved institutions. But they are finding it increasingly difficult to find homes for these items and most of them end up being destroyed.

Alcohol and tobacco

4.17 The scope for cost-effective sales of wines and spirits is limited because of the amount of duty and value added tax on alcoholic drinks and the relatively small mark-up at many commercial retail outlets. There are some sales (see paragraphs 4.29 to 4.32) but

Case E: The “Sun Tempest”

In April 1990, cocaine with a “street” value of over £40 million was seized from the cargo ship “Sun Tempest”. As the Queen’s warehouse did not have its own incinerator, the drugs were destroyed at a local health authority site. During the destruction, the temperature reached such a high level that the incinerator’s lining was damaged, noxious fumes were emitted, and the operator was taken sick.

This case illustrates some of the difficulties caused by the high temperatures generated when drugs are burnt.

1 In March 1992, about 50 geckos and other lizards seized by Customs because they were imported without a licence were handed over to the Royal Botanic Gardens, Kew. Nocturnal hunters of the species Acanthosaura ARMQ, Tarentola Mauritanica and Tropiccalotes, they will be used to control cockroaches in the glasshouses, as an alternative to pesticides.
most alcoholic drink is simply poured down the drain. Restrictions under the Public Health Acts mean that all discharges must be heavily diluted with water. It is rarely cost-effective for the Department to try to sell tobacco, cigarettes and cigars, mainly because they quickly become stale. Most of this material is burnt.

**Mechanical lighters**

4.18 These are at first sight an unlikely problem, but in practice they cause significant difficulties. Mechanical lighters are liable to excise duty of 50 pence per lighter and value-added tax at 17.5 per cent. These often form by far the greater part of the selling price of cheaper plastic lighters. For this reason, smuggling is rife and contraband lighters sell on the black market for considerably less than in legitimate retail outlets. As a result of their continuing successes against these smugglers, the Department now possess large numbers of mechanical lighters. For example, in May 1991, one Queen's warehouse had 380,000 lighters in stock, another 120,000 and another 100,000.

4.19 Seizures on this scale cause considerable storage problems, not only because of the space the lighters occupy but also because of the fire hazards they present. But disposal is becoming increasingly difficult. The lighters cannot be sold in the European Community unless the price covers the duty and tax due; but at that price no-one wants to buy them. The Department used to bury the lighters or dump them at sea, but these methods are no longer permitted. The lighters give off poisonous fumes when burnt and are liable to explode at high temperatures. Crushing or dismantling is equally hazardous because of the inflammable contents.

4.20 Queen’s warehouses have been encouraged to find alternative means of disposal. Some lighters have been given to local fire brigades for use in training exercises. In August 1991, one Queen’s warehouse sold nearly 290,000 lighters for £8,500 to a customer who has exported them outside the European Community.

**Vehicles and vessels**

4.21 Cars, lorries, boats and aircraft may be seized because they have been used for smuggling or because they contravene United Kingdom or European Community regulations. Storage and disposal of vehicles are particular problems at some ferry ports. For example, one location currently has over 80 vehicles in stock, some of which have been there for five years. Since vehicles take up a lot of space, they are often stored outdoors, but with consequential deterioration and lower resale value. Nevertheless, considerable efforts are made by customs staff to keep vehicles operational, including starting cars on a regular basis and carrying out basic maintenance.

4.22 The main method of disposal is by sale, either in working order or for scrap. If vehicles or vessels cannot be sold, they may be appropriated for official use. Some are used for training purposes, for example, in demonstrating how and where drugs can be concealed; and others are used in surveillance operations. Some are disposed of in more unusual, but useful, ways; for example, in 1990, the Department gave a ship seized in a smuggling operation to the Royal Navy for target practice in NATO exercises (see Case F).

**Case F: “A salty end for the Salton Sea”**

In September 1988, customs officers seized over 10 tonnes of cannabis resin from a thorough search of the cargo vessel, the “Salton Sea”. However, the officers suspected that heroin or cocaine of enormous value might have been concealed so deeply within the structure of the ship that it could be discovered only by literally cutting the ship into pieces—a prohibitively costly exercise.

The ship would normally have been disposed of in the normal way by private tender to the highest bidder. However, the Department were alarmed at the possibility of the drugs being regained by the original smuggling organisation. They therefore gave the vessel to the Royal Navy as target practice for the annual NATO exercise. This provided a safe means of disposing of the drugs and a useful saving to the defence budget since the Navy did not then need to use a de-commissioned frigate of high scrap value as their target.

3 Courtesy of HM Customs and Excise staff magazine “Portcullis”.

This case illustrates one of the many novel methods of disposal used by the Department.
Prisoners’ property

4.23 Some Queen’s warehouses are experiencing problems with the storage and disposal of prisoners’ property. When a smuggler is arrested, his personal belongings, often a suitcase and clothing, are taken from him at the point of seizure and held in the Queen’s warehouse, pending trial and possible imprisonment. The police do not generally have room to store prisoners’ property; and the Department find it difficult to determine where prisoners are held so that their property can be sent to them there.

4.24 Property of this kind can occupy a considerable part of the limited storage space available, and for long periods; and at two locations some items have been held for five years or more. The Department are currently discussing with the Home Office possible ways to overcome these problems.

Sales

4.25 The Department’s policy is to sell goods only if the proceeds are likely to exceed the costs of sale. Otherwise the goods are destroyed. Departmental instructions make clear that the costs of sale should include the cost of additional storage pending the sale, administrative and staff costs, professional fees incurred, and the costs of transferring goods to the sale location.

4.26 Goods are normally offered for sale by tender, auction or direct approach to suitable traders. The method used varies between locations and depends on the type of goods, quantities involved and potential outlets. Customs and Excise staff are not permitted to buy the goods either directly or through a nominee. Furthermore, staff may not purchase goods bought from Customs by traders or offered for sale at auction on behalf of the Department.

4.27 Over the last five years, the total receipts from sales by Queen’s warehouses (excluding excise duties and value added tax) have been:

<table>
<thead>
<tr>
<th>Financial year</th>
<th>Receipts (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986–67</td>
<td>3.8</td>
</tr>
<tr>
<td>1987–88</td>
<td>2.9</td>
</tr>
<tr>
<td>1988–89</td>
<td>4.7</td>
</tr>
<tr>
<td>1989–90</td>
<td>4.1</td>
</tr>
<tr>
<td>1990–91</td>
<td>4.0</td>
</tr>
</tbody>
</table>

Sales of wines and spirits

4.28 Under Government Accounting rules, all costs incurred in selling goods are borne by the Department but all receipts must be surrendered directly to the Exchequer. Net accounting — deducting costs from receipts before surrender — is not allowed. The National Audit Office found that in some locations these rules were deterring staff from maximising receipts. Local offices were operating to tight budgets and there was little incentive to incur extra costs in arranging sales when the revenue generated was simply surrendered and neither the local office nor Customs as a whole gained any benefit.

4.29 The Department’s policy is that wines and spirits should not be sold unless the receipts are likely to exceed not only the costs of sale but also the excise duty and value added tax due. Otherwise, the Exchequer would lose duty and tax revenue from the sales displaced from normal trade channels.

4.30 In 1985, a report by the Department’s management services division concluded that liquor sales were generally not cost-effective and should be discontinued, except for bulk sales at the two largest Queen’s warehouses. A follow-up report in 1989 concluded that such disposals could never be as cost-effective as destruction at the earliest possible time, unless there were sufficient quantities available to hold bulk sales at least annually.

4.31 Most Queen’s warehouses that sell wines and spirits maintain lists of previous buyers and members of the public who have expressed an interest. Those on the lists are notified of impending sales and must bid or tender if they wish to buy. All Queen’s warehouses establish reserve prices to cover excise duty and value-added tax and most also add a sum — ranging between 20 pence and £2 per item — to cover handling and administration. However, there is generally no attempt to calculate the full costs of sales. Although specific direct costs such as advertising and printing of catalogues are taken into account when setting the handling charge, there is little attempt to establish the likely staffing, storage and indirect costs involved.
4.32 The Department do not at present have any central management information as to whether sales of wines and spirits are cost-effective. However, from 1992, each Queen’s warehouse will be required to submit an annual return to headquarters showing total disposals, gross proceeds of sale and the approximate costs of sale.

Sales of other goods

4.33 Other goods eligible for sale by Queen’s warehouses include vehicles, television and radio equipment, jewellery, watches, cameras, clothing and textiles. Sales of vehicles generate the most revenue, raising nearly £1.3 million, excluding value added tax, in 1990-91. The Department’s policy is that the sale price covers both the costs of sale and any customs duties or value added tax. Their objective remains to maximise the receipts from these sales.

4.34 The traditional method of holding sales is by public tender at the Queen’s warehouse and this accounts for most of the business. Where considered more practicable and cost-effective, the warehouse may dispose of goods at a commercial auction or through specialist brokers. For specialist goods and goods to be sold for scrap, a dealer may be approached directly. In July 1991, Ministers decided that the Department should review whether the use of auctioneers should be extended to all sales of general goods.

4.35 The use of commercial auctioneers to sell goods seized by HM Customs and Excise and other official bodies has generated considerable interest from members of the public and within Parliament. It has been suggested that sales are not given adequate publicity and that, in individual cases, goods may be disposed of for very low sums. The Department are considering how they can give greater publicity to auctions to improve public awareness and attendance.

4.36 The National Audit Office noted that, as with sales of wines and spirits, there is little management information either locally or centrally as to the cost effectiveness of sales of general goods or whether Queen’s warehouses are maximising receipts from such sales. The National Audit Office visited eight locations which sold general goods and only two of these kept detailed records of sales. At none of the locations was there any real attempt to establish the costs of sale. The Department have since instructed all Queen’s warehouses to keep such records.

Current developments

4.37 The Department already selectively contract out some Queen’s warehousing functions, for example, auctions, valuations, vehicle and vessel storage, transport of certain goods, incineration and security management. They are now considering the scope for full contracting out of the following:

- the transport of all seized and detained goods;
- the storage and disposal of seized vehicles;
- the use of auctioneers and brokers to sell goods.

Market testing of these three areas is underway and the results are expected in the spring of 1992. However, the Department have dismissed the idea of a general contracting out of all Queen’s warehousing operations because of the security risks.

4.38 The Department are also considering how to rationalise the functions of Queen’s warehouses so as to improve the efficiency and cost-effectiveness of sales. They have established one Queen’s warehouse as a regional sales centre, responsible for all sales in South East England. Another Queen’s warehouse is currently being trialled as a regional sales centre for the South West. A decision on the number and location of other regional sales centres has been postponed, pending the outcome of market testing of other Queen’s warehousing functions and the completion of the Single European Market in 1993. The effectiveness of initiatives being trialled to reduce the volume of excise goods taken into custody (paragraph 1.9) will also impact upon the requirement for further regional sales centres.
Appendix A
Checklist of key questions on security

The checklist was used to assess:

(i) whether Departmental guidance on security satisfactorily addressed each of the key security questions; or, if not, whether there were adequate alternative arrangements;

(ii) whether appropriate procedures to address the key security questions were operating in practice.

At the point of seizure

1 Are seizures and detentions properly witnessed and promptly recorded?
2 Are goods adequately sealed and labelled?
3 Are all goods seized and detained and supporting documentation moved promptly from the point of seizure to secure storage?
4 Where lock-ups are used for temporary storage, are they secure and alarmed?
5 Are goods transferred to lock-ups properly recorded?
6 Is access to lock-ups restricted to authorised personnel?
7 Are goods held in lock-ups promptly transferred to a Queen’s warehouse?
8 Are regular stockchecks of lock-ups undertaken?
9 Are goods and supporting documentation transferred separately?
10 Are there adequate arrangements to prevent goods being lost or stolen in transit?
11 Where private contractors are used to transport goods are there adequate contract provisions on security and are they monitored by the Department?

At the Queen’s warehouse

12 Are all goods received properly witnessed and promptly recorded and are seals checked?
13 Are all goods received checked against supporting documentation?
14 Is the Queen’s warehouse suitably constructed, secure and alarmed?
15 Is the Queen’s warehouse sited to avoid public access or visibility?
16 Are there precautions to prevent an attack on the Queen’s warehouse or its staff?
17 Are there appropriate secure areas within the Queen’s warehouse to store the highest-risk goods and are such goods stored in these areas?
18 Do measures exist to prevent unauthorised access to the Queen’s warehouse and secure areas within it?
19 Are stock records maintained and safeguarded?
20 Are regular independent stocktakes undertaken?

21 Are their proper procedures for noting losses and authorising writes-off?

**On disposal**

22 Are goods disposed of at the earliest possible opportunity?

23 Do procedures exist to prevent premature disposal?

24 Are disposals properly authorised, witnessed and recorded?

25 Are there procedures to ensure that all items authorised for destruction are in fact destroyed?

26 Are there adequate local facilities for destruction?

27 Are there arrangements to prevent HM Customs and Excise staff from obtaining goods?

**General**

28 Is there a satisfactory separation of duties?

29 Is there adequate supervision of staff?

30 Do management carry out checks to ensure that procedures are complied with?

31 Are regular independent security reviews undertaken?

32 Are there arrangements for reporting breaches of security and taking appropriate countermeasures?
Reports by the Comptroller and Auditor General
Session 1991–92

The Comptroller and Auditor General has to date, in Session 1991–92, presented to the House of Commons the following reports under Section 9 of the National Audit Act, 1983:

Upkeep of Historic Buildings on the Civil Estate ............... HC 37
Classification of Defence Research and Development
 Helicopter Maintenance .................................. HC 105
 Ministry of Defence: Planning for Lifecycle Costs ............... HC 156
 Department of Transport: Ship Safety .......................... HC 174
 Department for National Savings ............................... HC 186
 Ministry of Defence: Management and Control of Army Training
 Land .................................................. HC 187
 Cervical and Breast Screening in England ......................... HC 218
 The Vehicle Inspectorate: Progress as the First Executive Agency . HC 236
 Financial Control over Payments by the Ministry of Defence .......................... HC 249
 Department of the Environment: Sale of the Water Authorities
 in England and Wales .................................. HC 250
 Local Pay Additions ...................................... HC 256
 Reducing Crime in London: A study of the partnership and other
 methods used by Five Metropolitan Police Divisions .......... HC 259
 Lord Chancellor’s Department: Probate—Service to the Public .... HC 270
 Planning and Management of the Functions of Her Majesty’s
 Inspectorate of Schools in Scotland .......................... HC 290
 HM Customs and Excise: Custody and Disposal of Seized and
 Detained Goods ........................................ HC 355
 HM Customs and Excise: Custody and Disposal of Seized and
 Detained Goods ........................................ HC 356