

# Statement of Responsibility

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I am responsible, as Comptroller of Customs, for:

- the preparation of the New Zealand Customs Service’s financial statements, and statements of expenses and capital expenditure, and for the judgements expressed in them
- having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting
- ensuring that end-of-year performance information on each appropriation administered by the New Zealand Customs Service is provided in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that information is included in this annual report
- the accuracy of any end-of-year performance information prepared by the New Zealand Customs Service, whether or not that information is included in this annual report.

In my opinion:

- the financial statements fairly reflect the financial position of the New Zealand Customs Service as at 30 June 2020 and its operations for the financial year ended on that date
- the forecast financial statements fairly reflect the forecast financial position of the New Zealand Customs Service as at 30 June 2021 and its operations for the financial year ended on that date.



Christine Stevenson

Comptroller of Customs  
13 November 2020

# Independent Auditor's Report

## To the readers of the New Zealand Customs Service's annual report for the year ended 30 June 2020

The Auditor-General is the auditor of the New Zealand Customs Service (the Department). The Auditor-General has appointed me, Ajay Sharma, using the staff and resources of Audit New Zealand, to carry out, on his behalf, the audit of:

- the financial statements of the Department on pages 76 to 79 and 81 to 100, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2020, the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that includes the statement of accounting policies and other explanatory information;
- the performance information prepared by the Department for the year ended 30 June 2020 on pages 8 to 31 and 54 to 72;
- the statements of expenses and capital expenditure of the Department for the year ended 30 June 2020 on pages 73 and 74; and
- the schedules of non-departmental activities which are managed by the Department on behalf of the Crown on pages 102 to 108 and 80 that comprise:
  - the schedules of assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2020;
  - the schedules of expenses; and revenue for the year ended 30 June 2020;
  - the schedule of trust monies for the year ended 30 June 2020; and
  - the notes to the schedules that includes the statement of accounting policies and other explanatory information.

## Opinion

### Unmodified opinion on the audited information, excluding the performance information

In our opinion:

- the financial statements of the Department on pages 76 to 79 and 81 to 100:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2020; and
    - its financial performance and cash flows for the year ended on that date; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.
- the statements of expenses and capital expenditure of the Department on pages 73 and 74 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.
- the schedules of non-departmental activities which are managed by the Department on behalf of the Crown on pages 102 to 108 and 80 present fairly, in all material respects, in accordance with the Treasury Instructions:
  - the assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2020; and
  - expenses; and revenue for the year ended 30 June 2020; and
  - the schedule of trust monies for the year ended 30 June 2020.

### **Modified opinion on the statement of service performance because the Department was unable to report against measures relating to the results of stakeholder surveys**

In our opinion, except for the matter described in the *Basis for our modified opinion* section of our report:

- the performance information on pages 8 to 31 and 54 to 72:
  - presents fairly, in all material respects, for the year ended 30 June 2020:
    - what has been achieved with the appropriation; and
    - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
  - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 13 November 2020. This is the date at which our modified opinion is expressed.

The basis for our modified opinion is explained below, and we draw attention to the impact of Covid-19 on the Department and the activities it manages on behalf of the Crown. In addition, we outline the responsibilities of the Comptroller and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

### **Basis for our modified opinion**

The level of public trust and confidence and the satisfaction of users of the Department's services are an important part of the performance information of the Department because they are indicative of the quality of the services provided. As explained on pages 15, 20, 25, 29, 56 and 60 of the annual report, three stakeholder surveys could not be completed due to the Covid-19 pandemic. As a result, the Department has been unable to report against seven performance measures related to these surveys this year.

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our modified audit opinion.

### **Emphasis of matter – Impact of Covid-19**

Without further modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Department as set out in note 22 to the financial statements, note 5 to the schedules of non-departmental activities and pages 8 to 10 of the performance information.

### **Responsibilities of the Comptroller for the information to be audited**

The Comptroller is responsible on behalf of the Department for preparing:

- financial statements that present fairly the Department's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand.
- performance information that presents fairly what has been achieved with each appropriation, the expenditure incurred as compared with expenditure expected to be incurred, and that complies with generally accepted accounting practice in New Zealand.
- statements of expenses and capital expenditure of the Department, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.
- schedules of non-departmental activities, in accordance with the Treasury Instructions, that present fairly those activities managed by the Department on behalf of the Crown.

The Comptroller is responsible for such internal control as is determined is necessary to enable the preparation of the information to be audited that is free from material misstatement, whether due to fraud or error.

In preparing the information to be audited, the Comptroller is responsible on behalf of the Department for assessing the Department's ability to continue as a going concern. The Comptroller is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Department, or there is no realistic alternative but to do so.

The Comptroller's responsibilities arise from the Public Finance Act 1989.

### **Responsibilities of the auditor for the information to be audited**

Our objectives are to obtain reasonable assurance about whether the information we audited, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the Department's Statement of Intent 2019-2023, Estimates, Supplementary Estimates and addition to the Supplementary Estimates of Appropriations 2019/20 and the 2019/20 forecast financial figures included in the Department's 2018/19 Annual Report.

We did not evaluate the security and controls over the electronic publication of the information we audited.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Comptroller.
- We evaluate the appropriateness of the reported performance information within the Department's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Comptroller and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Department's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Department to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Comptroller regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

### Other information

The Comptroller is responsible for the other information. The other information comprises the information included on pages 1 to 6, 34 to 47 and 109 to 112, but does not include the information we audited, and our auditor's report thereon.

Our opinion on the information we audited does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the information we audited or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Minister of Customs' report on relevant non-departmental appropriations that is appended to the Department's annual report is not part of the Department's annual report. The Public Finance Act 1989 does not require the information in the Minister's report to be audited and we have performed no procedures over the information in the Minister's report.

### Independence

We are independent of the Department in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit, since 30 June 2020, we have commenced an engagement to review the Department's implementation of the new Financial Management Information System which is compatible with those independence requirements. Other than the audit and this engagement, we have no relationship with or interests in the Department.



Ajay Sharma  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand