



Performance Information: Report Against Appropriations

For the year ended 30 June 2020

This section of our annual report contains end-of-year performance information for the 2019/20 financial year for the output class appropriations and departmental capital expenditure appropriation contained in *The Estimates of Appropriations 2019/20* for Vote Customs. Collectively, these output classes support the achievement of the priorities and strategic intentions discussed on page 5.

The end-of-year performance information in this section (the 'Actual' results for 2019/20) is audited.

The 'Budget' figures are those included in *The Estimates of Appropriations 2019/20*. The 'Revised Budget' figures are those from *The Supplementary Estimates of Appropriations 2019/20* and the *Addition to the Supplementary Estimates of Appropriations 2019/20*. This information is unaudited.

If a performance measure was in place in the prior 2018/19 financial year, comparative performance information for 2018/19 has been included. To provide further context for the 2019/20 results, we have also included the standards set for the output performance measures for 2020/21, together with the new output performance measures for 2020/21 (as contained in *The Estimates of Appropriations 2020/21* for Vote Customs). For any new measures for 2020/21, we have not reported results for 2018/19 or 2019/20. This information is unaudited.

Customs was one of the departments directed to consolidate appropriations of less than \$10 million with effect from 1 July 2020. This was part of the work programme directed by Cabinet to modernise the public finance system by simplifying and restructuring appropriations – to provide more strategic oversight of the value of public spending and whether it is helping to achieve the Government's objectives and priorities. The seven departmental output expense appropriations for Vote Customs in place in 2019/20 have been consolidated into three output expense appropriations for 2020/21. The new appropriation structure will support a meaningful and simplified basis for reporting on performance that is connected with our strategic intentions. The output performance measures for 2020/21 were reviewed to cover our activity and performance under each appropriation scope and align with the new appropriation structure.

Effects of COVID-19 on 2019/20 performance information

Results are not available for the three stakeholder survey measures (in the Clearance and enforcement services related to passengers and crew, and Clearance and enforcement services related to goods output classes) as these annual surveys were not conducted in late 2019/20 as planned due to the effect of COVID-19 on the survey populations.

The results for some other measures were affected due to COVID-19, as discussed in the reporting of the 2019/20 result for the relevant measure in the relevant appropriation.

Output Class – Clearance and enforcement services related to passengers and crew

Scope of appropriation: The provision of services relating to passengers and crew crossing the border, including collecting information, clearance of people and their possessions, and protection of New Zealand's interests through interventions, investigations and enforcement.

Revenue and output expenses

2018/19		2019/20		
Actual		Actual	Unaudited Revised Budget	Unaudited Budget
\$000		\$000	\$000	\$000
Revenue				
634	Crown	417	417	747
66,809	Other	50,771	68,096	71,733
67,443	Total revenue	51,188	80,539	78,327
71,857	Expenses excluding remeasurements	77,857	80,539	78,327
(4,414)	Surplus/(Deficit)	(26,669)	(12,026)	(5,847)

Performance

Processing of air passengers

Due to the effect of the COVID-19 pandemic and the associated international border restrictions on traveller volumes, we processed 5.48 million arriving international air passengers and crew in 2019/20, below the expected range of 7.3–7.8 million.

The impact of COVID-19 on traveller volumes in 2019/20, and our activity in relation to travellers is discussed on page 26 and page 8. COVID-19 affected the result for the performance measure relating to processing arriving international air passengers within 45 minutes (due to the closure of the eGates and change in processing, as discussed on page 25).

Risk management

We assess all arriving international air passengers and crew to determine who will be referred for further risk assessment at our secondary areas. As we aim to limit our interaction with legitimate travellers who comply with border requirements, we use intelligence-led risk management to target our interventions.

Performance measures and standards

Measure	2018/19	2019/20		2020/21
	Actual	Standard	Actual	Standard
Minimum percentage of arriving international air passengers satisfied or very satisfied that Customs processes passengers quickly and conveniently (as measured by Customs' stakeholder survey)	89.8%	85%	–	85%
Minimum percentage of arriving international air passengers and crew who are deemed compliant based on risk assessment and facilitated without further intervention	99.5%	98%	99.5%	98%
Minimum percentage of arriving international air passengers who exit Customs primary processing points within 45 minutes of arrival	96.0% ³⁸	90%	94.4%	90%
Percentage of arriving international air passengers and crew who are selected for further risk assessment at Customs' secondary areas	0.5%	0.6%–1.0%	0.5%	0.4%–0.7%
Percentage of arriving international air passengers and crew who are selected for further risk assessment who were subsequently subject to a full or partial baggage examination	57.9%	50%–60%	51.6%	Measure replaced (see below)
Result rate of secondary searches of arriving international air passengers and crew	N/A	N/A	N/A	6.0%–10.0%
Minimum number of random interventions of travellers conducted (under Customs' Assurance programme)	N/A	N/A	N/A	2,000

Explanation of variances for standards not achieved

Arriving international air passengers and crew who are selected for further risk assessment at Customs' secondary areas

In recent years, enhanced risk assessment and better targeting of interventions to risk along with increasing passenger volumes has resulted in lower levels of interaction with compliant passengers. The travel restrictions imposed due to COVID-19 also resulted in a different travelling population whose reasons for travel did not meet traditional risk assessment criteria, leading to a drop in the proportion subject to further interaction with Customs. While below the standard, all passengers are subject to a risk assessment process and those identified for further intervention were interacted with in the secondary area.

Explanation for standards not measured

Arriving international air passengers satisfied or very satisfied that Customs processes passengers quickly and conveniently

Our survey of international air passengers was not conducted in 2019/20. The survey was originally planned to be undertaken in March 2020 based on a sample of passengers arriving in January. This was deferred, however, due to the unfolding COVID-19 situation. We subsequently decided in late May 2020 to cancel the 2020 survey as the original sample was too dated and, due to international travel restrictions, there were insufficient numbers of passengers for a viable new sample.

³⁸This is the result included in the *New Zealand Customs Service Annual Report 2019*. We have identified, however, that this result was those processed in less than or equal to 45 minutes (so less than 46 minutes). The adjusted 2018/19 result based on those processed in under 45 minutes is 95.6%. The 2019/20 result is slightly lower due to the effect of COVID-19, as discussed on page 25).

Output Class – Clearance and enforcement services related to goods

Scope of appropriation: The provision of services relating to goods crossing the border, including clearance of goods, assessment and audit of revenue, trade compliance and supply chain security assurance, and protection of New Zealand's interests through interventions, audits, investigations and enforcement.

Revenue and output expenses

2018/19		2019/20		
Actual		Actual	Unaudited Revised Budget	Unaudited Budget
\$000		\$000	\$000	\$000
Revenue				
21,305	Crown	32,863	32,863	21,893
65,759	Other	55,416	58,673	69,088
87,064	Total revenue	88,279	91,536	90,981
87,089	Expenses excluding remeasurements	87,016	91,536	90,981
(25)	Surplus/(Deficit)	1,263	–	–

Performance

Trade transactions

In 2019/20 we expected to process an estimated 10.5–11.5 million import transactions, 4.5–5.5 million export transactions, and 5,500–6,500 excise returns. We processed 13.52 million import transactions, 5.62 million export transactions, and 6,611 excise returns.

While the numbers of trade transactions processed in 2019/20 increased from 2018/19, this is due to the significant increase in low-volume import and export transactions. COVID-19 had an impact on the number of higher-value transactions due to its effect on the global economy and trade logistics, as discussed on page 21).

Protection through the interception of harm and potential harm

Illicit drugs and other items are not just found in imports of goods but also accompanying passengers and on craft – the measures relating to protection have been located in this output class as the majority of illicit items are found in the goods stream. Our role in the protection of New Zealand is discussed on pages 12–19. That includes information on the volumes of drugs seized by us at the border in 2019/20 (page 16), which led to the results for the measures below relating to the harm avoided through those seizures and the street value of those drugs being considerably above the standards – although affected to some extent by COVID-19 (as discussed on page 17).

Checks on compliance

We undertake risk audit activity to ensure that importers, exporters, and licensed manufacturers of excisable goods are compliant with legislation and that the correct duties and taxes are paid. Scheduled audit activity is based on identified risk priorities.

We also apply a random transaction verification process that looks for non-compliant activity across import entries submitted to Customs (that are not captured in the risk audit programme). These transactional verifications act to check that entered data can be validated through documentation, and this enables us to monitor the compliance level in entries. Any non-compliant activity identified is also moved across to the risk audit programme if appropriate.

Investigations

We commenced 51 investigation cases in 2019/20, below the 100–300 estimate. In recent years, our investigations have become increasingly strategic with a focus on disrupting supply chains and criminal organisations. These cases are usually more complex and require longer investigation times and greater commitment of resources. COVID-19's impact on border activity also had an effect on the number of investigations started.

Performance measures and standards

Measure	2018/19	2019/20		2020/21
	Actual	Standard	Actual	Standard
Trade				
Minimum percentage of importers and exporters satisfied or very satisfied with the overall quality of Customs' service delivery (as measured by Customs' stakeholder survey)	74.4%	85%	–	85%
Minimum percentage of importers and exporters that find it easy to comply with border agencies' requirements when lodging electronic documents or making payments (as measured by Customs' stakeholder survey)	71.0%	85%	–	85%
Minimum percentage of trade transactions other than those referred for compliance checks processed (including assessment against business rules and intelligence alerts) within 30 minutes	98.9%	95%	99.1%	95%
Minimum percentage of import transactions that are deemed compliant based on risk assessment and proceed without further intervention ³⁹	98.8%	95%	99.0%	95%
Minimum percentage of export transactions that are deemed compliant based on risk assessment and proceed without further intervention	99.8%	99%	99.9%	99%
Minimum percentage of a random sample of import entries that are found to be compliant through the transactional verification process	90.9%	90%	91.4%	90%
Minimum number of random interventions of import trade conducted (under Customs' Assurance programme)	N/A	N/A	N/A	6,000
Protection				
Minimum value of harm (NZ\$) avoided through Customs' drug seizures, as measured by indicative data from the New Zealand Drug Harm Index	\$1.795 billion ⁴⁰	\$500 million	\$1.804 billion ⁴¹	Measure replaced (see below)
Minimum value of harm (NZ\$, as measured by the New Zealand Drug Harm Index) avoided through drug seizures, at or before the border, or as a result of seizures by Customs post-border	N/A	N/A	N/A	\$1,000 million
Minimum losses (NZ\$) incurred by importers of illegal goods through seizure of illicit drugs and proceeds of crime	\$535.0 million ⁴¹	\$250 million	\$533.7 million ⁴²	Measure replaced (see below)
Minimum losses (NZ\$) incurred by importers of illegal goods through seizure of illicit drugs, assets, and proceeds of crime	N/A	N/A	N/A	\$400 million
Minimum percentage of investigation cases finalised within 12 months of commencement	70.6%	70%–85%	78.5%	Measure retired
Minimum percentage of serious investigation cases ⁴³ that lead to punitive action ⁴⁴	95.6%	90%	94.9%	Measure replaced (see below)
Minimum percentage of high priority investigations where prosecution is initiated	N/A	N/A	N/A	70%

Explanation for standards not measured

Importers and exporters satisfied or very satisfied with the overall quality of Customs' service delivery

Importers and exporters that find it easy to comply with border agencies' requirements when lodging electronic documents or making payments

Our survey of importers and exporters (planned for late in the financial year) was not conducted in 2019/20. This was to limit the load on businesses in a time of stress due to COVID-19, and as the survey was created for a business-as-usual environment.

³⁹ Further intervention in relation to both import and export transactions means action by Customs to carry out further risk assessment. This may include, but is not limited to, document inspection, screening, or search.

⁴⁰ This is the result reported in the *New Zealand Customs Service Annual Report 2019* based on the provisional totals for drugs seized in that year. As discussed on page 14, the total harm avoided based on the finalised drugs totals for 2018/19 was \$1.909 billion. Each of this total and the \$1.804 billion total for 2019/20 is the harm avoided based on the drugs seized by us at the border (and does not include the harm avoided through offshore drug seizures discussed on page 14 – the amended 2020/21 measure does include that harm).

⁴¹ This result was affected in part by COVID-19 as discussed on page 17.

⁴² The illicit drugs seized by us at the border in 2019/20 had an estimated street value of \$533.10 million, calculated using drug prices sourced from the National Drug Intelligence Bureau (NDIB) Illicit Drug Pricing Report February 2020. The balance of the result is the cash seized by Customs in 2019/20 as a result of investigations, totalling \$0.579 million.

⁴³ A serious investigation case involves, or has the potential to involve, serious community harm. Examples of serious investigation cases include those that involve more than \$250,000 drug harm (as calculated using the New Zealand Drug Harm Index), Class A or B drugs for supply, objectionable material involving child exploitation, or the importation of counterfeit medicines.

⁴⁴ The action resulting from a closed or completed serious investigation case where an offence has been committed and an offender has been identified and the result includes but is not limited to: offender is placed before the Courts by Customs or NZ Police; seizure of goods; a formal warning of the offender; issue of an infringement notice under section 400 of the Customs and Excise Act 2018; or an administrative penalty.

Output Class – Clearance and enforcement services related to craft

Scope of appropriation: The provision of services relating to craft arriving in and departing from New Zealand, including clearance of craft, and protection of New Zealand's interests through interventions, audits, investigations and enforcement.

Revenue and output expenses

2018/19		2019/20		
Actual		Actual	Unaudited Revised Budget	Unaudited Budget
\$000		\$000	\$000	\$000
Revenue				
8,870	Crown	9,863	9,863	9,895
66	Other	64	91	90
8,936	Total revenue	9,927	9,954	9,985
8,799	Expenses excluding remeasurements	9,390	9,954	9,985
137	Surplus/(Deficit)	537	-	-

Performance

We use intelligence-based risk assessments to determine the risk level of arriving craft and then to mitigate risk through further interaction with craft as well as the people/crew associated with those craft.

The master of vessel of each small craft is required to report to a customs officer upon arrival in a New Zealand port – so that we can mitigate border risks, and ensure compliance with Customs legislation, policy, and procedures. There were 641 arriving small marine craft in 2019/20 (within the expected range of 600–700).

Arriving commercial craft will be boarded if there is an identified need – such as craft showing a high risk or visiting New Zealand for the first time. All 470 arriving commercial marine craft showing high risk or requiring administrative process (within the 400–500 forecast) were boarded in 2019/20. A proportion of the commercial craft with a lower risk rating is also subject to secondary interaction – this encourages and maintains high levels of voluntary compliance, and acts as a check on our risk assessments (while the information collected feeds into future assessments).

Due to COVID-19 a ban was implemented on the entry of cruise ships into New Zealand's territorial waters from 11.59pm on 14 March 2020. We were responsible for making decisions about yachts and other vessels seeking to enter New Zealand under the border restrictions in place in 2019/20.

Performance measures and standards

Measure	2018/19	2019/20		2020/21
	Actual	Standard	Actual	Standard
Percentage of small marine craft arriving whose master of vessel reported to a customs officer upon first arrival in a New Zealand port	N/A	100%	99.8%	100%
Percentage of arriving commercial marine craft (including cruise ships) showing high risk or requiring administrative process that are boarded while in a New Zealand port	100%	100%	100%	100%
Minimum percentage of all arriving commercial marine craft that are not assessed as high risk that will be subject to Customs secondary interaction	7.2%	5%	7.7%	5%

Explanation of variances for standards not achieved

Small marine craft arriving whose master of vessel reported to a customs officer upon first arrival in a New Zealand port

One small craft arrived unannounced in January 2020; the Harbour Master noted its arrival and directed it to the relevant pier for processing. Customs conducted a rummage of the vessel and issued a warning to the skipper.

Output Class – Information and intelligence services

Scope of appropriation: The provision of information, intelligence and risk assessment services to external clients, and the operation of the National Maritime Coordination Centre.

Revenue and output expenses

2018/19		2019/20		
Actual		Actual	Unaudited Revised Budget	Unaudited Budget
\$000		\$000	\$000	\$000
Revenue				
12,379	Crown	13,334	13,334	14,900
883	Other	880	753	752
13,262	Total revenue	14,214	14,087	15,652
13,070	Expenses excluding remeasurements	12,683	14,087	15,652
192	Surplus/(Deficit)	1,531	–	–

Performance

Alerts managed for other agencies

Agencies provide us with information about people or goods that are of interest to them. Our border management system electronically screens data for matches, enabling us to notify (alert) the other agency if the person or goods arrive at the border. We managed 122,633 of these alerts created by other agencies in 2019/20. These alerts were created by Inland Revenue (48.4% of the total), MBIE (37.8%), the Ministry of Justice (10.5%), NZ Police (3.1%) and other agencies (0.2%).

National Maritime Coordination Centre (NMCC)

The NMCC supports the effective and efficient use of New Zealand's maritime patrol and surveillance assets for civilian purposes through a coordinated whole-of-government approach to maritime tasking and maritime domain awareness. Although the NMCC is operationally independent (and staffed by both civilian and military personnel from a number of agencies), it is hosted by and directly responsible to Customs.

Performance measures and standards

Measure	2018/19	2019/20		2020/21
	Actual	Standard	Actual	Standard
Percentage of external alerts processed in accordance with alert instructions	N/A	100%	99.96%	100%
Minimum percentage of requesting agencies and assets providers satisfied with National Maritime Coordination Centre's coordination of tasking	85.7%	80%	66.7% ⁴⁵	80%
Minimum percentage of agency requests accepted by the National Maritime Coordination Centre that are successfully completed	80.8%	80%	73.1%	Measure retired

Explanation of variances for standards not achieved

External alerts processed in accordance with alert instructions

One alert (of a total of 2,514) was not processed correctly (the instruction relating to the agency wanting to speak to the traveller). The missed alert was followed up post-border and reported to the relevant agency.

Requesting agencies and assets providers satisfied with National Maritime Coordination Centre's coordination of tasking

This result is affected by the small number of respondents. Of the six respondents, one was very satisfied, three were satisfied, and two (including one new NMCC stakeholder) were 'neither satisfied nor dissatisfied'; no respondents were dissatisfied.

Agency requests accepted by the National Maritime Coordination Centre that are successfully completed

The NMCC allocates available assets to fulfil accepted requests based on prioritisation and the suitability of the assets for particular requests. If subsequently the asset becomes unavailable for a planned patrol due to other priorities or circumstances (such as serviceability or weather), an accepted request might not be completed. In the later part of the year, this included COVID-19 resulting in operational deployment constraints (under relevant Alert Levels), and requiring assets to be reprioritised, as well as the number of requests being higher than the number of assets available for tasking during that period.

⁴⁵We sought feedback from 11 agencies (by inviting agencies to complete an online survey) on the survey of the NMCC and received responses from seven of those agencies – although only six on the question providing the result for this measure.

Output Class – Revenue collection

Scope of appropriation: The provision of services relating to receipt and processing of revenues owing to the Crown and other agencies, revenue assurance, credit and debt management.

Revenue and output expenses

2018/19		2019/20		
Actual		Actual	Unaudited Revised Budget	Unaudited Budget
\$000		\$000	\$000	\$000
Revenue				
9,682	Crown	10,006	10,006	9,646
667	Other	605	727	727
10,349	Total revenue	10,611	10,733	10,373
10,016	Expenses excluding remeasurements	10,341	10,733	10,373
333	Surplus/(Deficit)	270	–	–

Performance

A net total of \$46.20 million in additional revenue owing was identified, significantly exceeding the target of a minimum of \$15 million. This additional revenue is identified through undertaking verifications of data entered by importers, exporters, and licensed manufacturers of excisable goods; voluntary disclosures by traders; and audit activity. There is a high degree of variability in the total collected year-to-year as it is frequently affected by a small number of high-value collections.

We supported traders adversely affected by COVID-19 by agreeing alternative payment arrangements for duty payable to Customs (as discussed further on page 22). We only seek to write off debts after all cost-effective recovery actions have been taken. The debts written off are principally where a business has been liquidated and unpaid Customs duties have not been recovered, or where it is uneconomic to pursue a small amount of unpaid duty. Despite the assistance we provided, the impact of COVID-19 on the economy is likely to have an effect on traders, and the resulting debt able to be recovered, in 2020/21.

Our contribution to the Revenue outcome is discussed on pages 28–31.

Performance measures and standards

Measure	2018/19	2019/20		2020/21
	Actual	Standard	Actual	Standard
Minimum percentage of revenue that is collected electronically ⁴⁶	99.5%	95%	99.9%	Measure retired
Minimum percentage of revenue that is collected by the due date	99.1%	98%	98.0% ⁴⁷	98%
Debt write-offs as a maximum percentage of total Crown revenue collected	0.007%	0.06%	0.02%	0.06%
Minimum additional revenue (NZ\$) owed that is identified through the trade compliance programme	\$50.98 million	\$15 million	\$46.20 million	Measure retired

⁴⁶The significant majority of clients pay electronically through methods such as direct debit and internet banking. The balance pay manually by cheque or cash (payments by those methods represented only 0.1% of the total revenue collected in 2019/20). Given it is now standard practice for revenue to be collected electronically this measure is not in place from 2020/21.

⁴⁷This result is based on monthly calculations of the total amount paid to Customs for the month less any revenue payable that has been owing for more than 30 days at the end of that month – with the percentages of revenue collected by the due date from those 12 monthly calculations averaged to provide the result (of 98.0% for 2019/20). The result for 2019/20 is lower than that for 2018/19 due to COVID-19 – as discussed on page 22, we reached arrangements with some clients for instalment plans and/or to defer payments.

Output Class – Policy advice

Scope of appropriation: The provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters.

Revenue and output expenses

2018/19		2019/20		
Actual		Actual	Unaudited Revised Budget	Unaudited Budget
\$000		\$000	\$000	\$000
Revenue				
3,867	Crown	3,758	3,758	5,357
33	Other	20	27	27
3,900	Total revenue	3,778	3,785	5,384
3,700	Expenses excluding remeasurements	3,479	3,785	5,384
200	Surplus/(Deficit)	299	-	-

Performance

We provided policy advice to the Minister of Customs in 2019/20 on a range of topics related to border management, including:

- new fees for the clearance of goods crossing the border, resulting from the review of Customs' goods clearance cost recovery approach
- options for strengthening tobacco controls at the border, including enhanced regulatory and legislative controls, and enhanced Customs controls at the border (resulting in the Customs and Excise (Tobacco) Amendment Act 2020)
- implementation of the Government's decisions in relation to imported low-value goods, including the new Offshore Supplier Registration System
- the implications of, and actions taken by us in response to, the COVID-19 pandemic.

To monitor the quality of our policy advice, in addition to our internal quality assurance, we seek an assessment of the Minister of Customs' satisfaction and obtain an external review of our policy papers by NZIER (the New Zealand Institute of Economic Research).

For 2019/20, we surveyed⁴⁸ the Minister of Customs twice on her satisfaction (rather than once at year-end, as in previous years), in relation to each of the first six months and second six months of the financial year.

The external assessment of our policy advice was conducted by NZIER using the Policy Quality Framework.⁴⁹ NZIER awarded an average score of 4.1 out of 5, based on a sample of 20 papers, and a median score of 4. The high score was 5 and the low score was 3. Because this is the first time that the new Policy Quality Framework has been used, it is difficult to make comparisons with previous years' results. Nonetheless NZIER commented that this result was very impressive and continued the high quality results from Customs in recent years. It was pointed out that our median of 4 signals that more than half of all papers exceed the requirements and, more significantly, 100% of papers met requirements – scoring 3 or above (i.e. there were no poor papers). The review noted that Customs was particularly strong in introducing the reader to new areas and having clear purpose statements, and had used policy frameworks effectively and provided comprehensive information packs, including the innovative use of diagrams.

⁴⁸Using the Ministerial Policy Satisfaction Survey developed by The Policy Project (run by the Department of the Prime Minister and Cabinet), and introduced from 2019/20, for Ministers to use to provide feedback to government agencies.

⁴⁹Developed by The Policy Project and introduced from 2019/20.

Performance measures and standards

Measure	2018/19	2019/20		2020/21
	Actual	Standard	Actual	Standard
Assessment of the quality of a sample of the agency's policy advice papers:				
a) Minimum average score of papers	N/A	3.5 out of 5	4.1	3.5 out of 5
b) Minimum score of papers		100% above 3 25% above 4	100% above 3 80% above 4	100% above 3 25% above 4
Satisfaction of the portfolio Minister with the policy advice service	N/A	3.75 out of 5	4.1	3.75 out of 5
Maximum total cost (NZ\$) of professional staff per hour of producing outputs	\$108.8	\$120	\$98.7	Measure retired

Output Class – International services and ministerial servicing

Scope of appropriation: The provision of international services, obligations, and assistance, and the provision of services to Ministers to enable them to discharge their portfolio (other than policy-decision making) responsibilities.

Revenue and output expenses

2018/19		2019/20		
Actual		Actual	Unaudited Revised Budget	Unaudited Budget
\$000		\$000	\$000	\$000
Revenue				
8,701	Crown	8,255	8,255	8,268
1,645	Other	1,415	3,028	1,991
10,346	Total revenue	9,670	11,283	10,259
10,164	Expenses excluding remeasurements	10,821	11,283	10,259
182	Surplus/(Deficit)	(1,151)	–	–

Performance

International services

We operate in a complex, dynamic international environment with multiple participants. We leverage international engagement to advance our goals and to influence the development of international standards and customs procedures to further New Zealand's trade and security interests. Our international relationships are both bilateral and multilateral. Our engagement activity is prioritised towards countries and regions that have the greatest influence on New Zealand's trade, security, and border settings.

We work with other agencies to shape the international environment in which New Zealand businesses engage and to support the movement of legitimate goods across borders, including through increased trade access and reduced non-tariff barriers. A key contribution in this area relates to FTAs (as discussed on page 24).

Customs plays an active role in ensuring the representation of New Zealand's interests in international customs policy and trade.

We participate in a number of key international fora and groupings to advance our objectives, including:

- World Customs Organization (WCO) – Customs is one of the Asia/Pacific Region's representatives on the WCO Policy Commission, which sets the policy direction for the WCO. In view of COVID-19 risks associated with passengers on cruise ships, Customs commenced work with Japan in 2019/20 to develop a global standard in partnership with the International Maritime Organisation industry and members.
- Border Five (B5) – Being a member of the B5 enables us to extend our reach, knowledge, and expertise, and to move forward on key issues facing New Zealand individually and as a bloc.
- Oceania Customs Organisation – Customs is a key member of this Pacific organisation, and is on the finance steering group. We contribute expertise and advice on a regular basis, particularly in relation to information sharing, border management practices, and the implementation of the Pacific Agreement on Closer Economic Relations (PACER Plus).

Customs also runs a full bilateral programme. In 2019/20 this included negotiating and entering into a new Customs Cooperation Agreement (CCA) with the United Kingdom, and upgrading the CCA with Australia (as discussed on page 23).

We have a network of counsellors located in offshore posts who support our work programme overseas and help to build better relationships and trust with our overseas partners. These posts provide additional policy and operational capability that supports our trade, security, and enforcement objectives. This includes gathering, sharing, and using information and intelligence to enable targeted disruption, with offshore partners willing to act on our behalf to prevent harm reaching New Zealand's borders (as discussed on page 13). COVID-19 had an impact on our overseas posts. Following a risk assessment by us, our counsellors (and their families) located in Asia returned to New Zealand at the beginning of the pandemic – although continuing their work with our international partners. Our counsellors located in the United States, Australia, Brussels, and London remained offshore, continuing their international liaison role for Customs while also providing consular assistance and support to New Zealand's Head of Mission. Based on updated assessments, our counsellors in Hong Kong, China, and Bangkok returned to their posts in June and July 2020.

Customs is delivering a five-year border-management development programme for the Pacific, funded by the Ministry of Foreign Affairs and Trade through a Partnership Arrangement that supports customs administrations in the Pacific to build capacity and develop effective border management. This enhances the Pacific region's ability to detect and disrupt organised crime, while allowing legitimate trade and travel.

Ministerial servicing

The services and support that we provide to the Minister of Customs include preparing draft replies to ministerial correspondence and draft responses to parliamentary questions. Volumes are demand-driven. In 2019/20 we provided 61 draft replies to ministerial correspondence, within the expected 40–70 range. We provided 227 draft responses to written parliamentary questions to the Minister, significantly above the expected range of 50–80.

Performance measures and standards

Measure	2018/19	2019/20		2020/21
	Actual	Standard	Actual	Standard
Minister's satisfaction with advice and support in relation to international services and ministerial servicing	Meets and sometimes exceeds expectations	Meets expectations	Exceeds expectations	Measure replaced (see below)
Satisfaction of the portfolio Minister with ministerial servicing	N/A	N/A	N/A	Meets expectations
Minimum percentage of draft replies to ministerial correspondence that are provided within 20 working days or as agreed with the Minister	98.2%	90%	100%	95%
Percentage of draft responses to parliamentary questions that are provided to the Minister's office so that answers can meet the timeframe set in Parliamentary Standing Orders	100%	100%	100%	100%

Departmental Capital Expenditure

Scope of appropriation: This appropriation is limited to the purchase or development of assets by and for the use of the New Zealand Customs Service, as authorised by section 24(1) of the Public Finance Act 1989.

Statement of Budgeted and Actual Capital Expenditure

2018/19		2019/20		
Actual		Actual	Unaudited Revised Budget	Unaudited Budget
\$000		\$000	\$000	\$000
10,200	Property, plant and equipment	6,188	10,379	9,056
8,788	Intangibles	14,208	21,622	3,599
-	Other	-	-	-
18,988	Total appropriation	20,396	32,001	12,655

The increase in the Unaudited Revised Budget (the Supplementary Estimates of Appropriations for 2019/20) was due to the anticipated timing and level of capital expenditure for projects in 2019/20. Actual expenditure being below the Unaudited Revised Budget was the result of delays in the capital programme; due to COVID-19, some projects were granted extensions.

Performance measures and standards

Measure	2018/19	2019/20		2020/21
	Actual	Standard	Actual	Standard
Expenditure is in accordance with the department's intention to renew and replace computer equipment and software, furniture and fittings, leasehold improvements, motor vehicles and office equipment and plant	Achieved	Achieved	Achieved	Achieved

APPROPRIATION STATEMENTS

The following statements report information about the expenses and capital expenditure incurred against each appropriation administered by the New Zealand Customs Service for the year ended 30 June 2020.

Statement of Expenses and Capital Expenditure Incurred Against Appropriations

For the year ended 30 June 2020

Annual and permanent appropriations for Vote Customs

2018/19		2019/20			
Expenditure excluding remeasurements		Total expenditure	Remeasurements ¹	Expenditure excluding remeasurements	Approved Appropriation 2020 ²
\$000		\$000	\$000	\$000	\$000
<i>Departmental output expenses</i>					
71,857	Clearance and enforcement services related to passengers and crew	77,971	114	77,857	80,539
87,089	Clearance and enforcement services related to goods	87,122	106	87,016	91,536
8,799	Clearance and enforcement services related to craft	9,401	11	9,390	9,954
13,070	Information and intelligence services	12,697	14	12,683	14,087
10,016	Revenue collection	10,358	17	10,341	10,733
3,700	Policy advice	3,485	6	3,479	3,785
10,164	International services and ministerial servicing	10,832	11	10,821	11,283
204,695	Total departmental output expenses	211,866	279	211,587	221,917
<i>Departmental capital expenditure</i>					
18,988	New Zealand Customs Service – capital expenditure PLA ³	20,396	–	20,396	32,001
<i>Non-departmental other expenses</i>					
5,687	Change in doubtful debt provision	14,176	–	14,176	24,000
–	Provision of ACC-equivalent cover for New Zealand employees working overseas PLA ³	–	–	–	5
67	World Customs Organization	64	–	64	80
5,754	Total non-departmental other expenses	14,240	–	14,240	24,085
229,437	Total annual and permanent appropriations	246,502	279	246,223	278,003

¹ Remeasurements are the movement brought about by the change in the discount rate applied to non-current employee entitlements (see Note 12, page 93)

² These are the appropriations from the *Addition to the Supplementary Estimates of Appropriations 2019/20*

³ Permanent Legislative Authority under the Public Finance Act (section 24(1) for the capital expenditure appropriation and section 65ZG for the ACC-equivalent cover appropriation)

The 2019/20 end-of-year performance information for each departmental appropriation is reported in this annual report.

The 2019/20 end-of-year performance information for the non-departmental appropriations is in a report by the Minister of Customs appended to this annual report except for the ACC-equivalent cover for New Zealand employees working overseas PLA appropriation, which is exempt under section 15D(2)(b)(iii) of the Public Finance Act from the requirement to provide end-of-year performance information.

Statement of Expenses and Capital Expenditure Incurred Without, or in Excess of, Appropriation or Other Authority

For the year ended 30 June 2020

In the 2019/20 financial year, the New Zealand Customs Service did not incur any:

- expenses or capital expenditure in excess of appropriation (2018/19 financial year: nil)
- expenses or capital expenditure without appropriation or other authority, or outside the scope or period of the appropriation (2018/19 financial year: nil).

Statement of Departmental Capital Injections

For the year ended 30 June 2020

2018/19		2019/20
Actual \$000		Actual \$000
	Vote Customs	
	– New Zealand Customs Service – capital injection	35,345

The 2019/20 total includes the \$30 million capital injection received from the Government to cover the expected shortfall in revenue due to the decrease in third party funding resulting from COVID-19 (as discussed on page 41).

Statement of Departmental Capital Injections Without, or in Excess of, Authority

For the year ended 30 June 2020

2018/19		2019/20
Actual \$000		Actual \$000
	Vote Customs	
	– New Zealand Customs Service – capital injection without authority	139

The New Zealand Customs Service recognised \$2,742,000 of the capital injection for the Drug Smuggling Networks: Strategic Disruption programme in July 2019 after the date at which the authority for it lapsed (30 June 2019). As the 2019/20 authority for a capital injection totalled \$2,603,000, the New Zealand Customs Service therefore incurred a capital injection in excess of authority in 2019/20 of \$139,000. The necessary authority for this departmental capital injection was reinstated, in November 2019.