



NEW ZEALAND CUSTOMS SERVICE

TE MANA ĀRAI

O AOTEAROA

RĪPOATA Ā-TAU ANNUAL REPORT 2021

Incorporating the Border Executive
Board Annual Report 2021



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01.

TE RĪPOATA Ā-TAU Ā TE MANA ĀRAI O AOTEAROA 2021 NEW ZEALAND CUSTOMS SERVICE ANNUAL REPORT 2021

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This document provides an overview of the New Zealand Customs Service's operations and performance for the 2020/21 financial year.

Presented to the House of Representatives pursuant to section 44 of the Public Finance Act 1989

02.

TE RĪPOATA Ā TE MINITA Ē PĀ ANA KI NGĀ WHAKAMAHINGA PŪTEA O WAHO ATU I NGĀ WHAKAHAERE A TE MANA ĀRAI O AOTEAROA 2020/21 MINISTER'S REPORT IN RELATION TO VOTE CUSTOMS NON-DEPARTMENTAL APPROPRIATIONS 2020/21

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This report provides performance information relating to non-departmental expenditure that sits within Vote Customs.

Presented to the House of Representatives pursuant to section 19B of the Public Finance Act 1989

03.

BORDER EXECUTIVE BOARD ANNUAL REPORT 2021

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The Border Executive Board (BEB) was established under the Public Service Act 2020. The New Zealand Customs Service is the servicing department for the BEB. This document outlines the operations and performance of the BEB for the 2020/21 financial year. The BEB's Annual Report is appended to the New Zealand Customs Service Annual Report for the purposes of publication and presentation to the House.

Presented to the House of Representatives pursuant to section 44 of the Public Finance Act 1989





NEW ZEALAND CUSTOMS SERVICE

TE MANA ĀRAI

O AOTEAROA

01

TE RĪPOATA Ā-TAU Ā TE MANA ĀRAI O AOTEAROA 2021 NEW ZEALAND CUSTOMS SERVICE ANNUAL REPORT 2021

This annual report details our operations in the 12 months to 30 June 2021
and our progress in delivering on our strategic intentions

*This document is presented to the House of Representatives pursuant
to section 44 of the Public Finance Act 1989*



Protecting New Zealand

Making our country safer and more secure by reducing the risks associated with international trade and travel. We focus on preventing risk from reaching and crossing our borders. Risk includes illegal and non-compliant activity at the border and revenue fraud.



Promoting and facilitating trade and travel

Helping New Zealand exports to flow freely into overseas markets and efficiently processing imports arriving into our country. Providing secure border processes that efficiently and effectively process international travellers.



Collecting revenue

Ensuring that duties, levies, GST on imports, and fees owed to the Government continue to be collected. Customs collects around 18% of Government core tax revenue each year.

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Christine Stevenson
Comptroller of Customs

Comptroller's overview

E ngā mana, e ngā reo, e ngā karangatanga maha, tēnā koutou katoa.

The last year has been particularly busy and challenging for Te Mana Ārai o Aotearoa, New Zealand Customs Service. The all-of-government response to COVID-19 has seen Customs take on new roles and responsibilities, while continuing to adapt our systems and processes to support efforts to keep the virus out of New Zealand. Alongside this, we have maintained our existing responsibilities – protecting New Zealand's border, promoting and safely facilitating trade and travel, and collecting Crown revenue. I am proud of what we have achieved, and of our people across the organisation.

I particularly want to acknowledge Customs frontline border staff, who have continued to operate in Alert Level 4 conditions throughout the year to keep themselves, their families and our country safe. It has not been easy, but our staff have shown professionalism, resilience and commitment to their roles.

During the year, Customs took on new responsibilities for implementing the operational aspects of the COVID-19 Maritime Border Order (MBO). This included the rapid establishment of a new operations group, and the recruitment and training of hundreds of new staff. As a result, Customs now has sufficient presence at every port to monitor health and isolation requirements for all international vessels, crew and port workers, and facilitate safe access to medical support if required.

I also took on a new role as chair of the Border Executive Board (BEB). The BEB was established in January 2021 to ensure there is a unified border system that protects New Zealand from current and future risks, including COVID-19. It is the first interdepartmental executive board to be established under the Public Service Act 2020, and its members are jointly accountable to the COVID-19 Response Minister. This is a fast moving and complex space as we contribute to the Reconnecting New Zealanders work programme to safely reopen our border.

Customs has worked hard to ensure the free flow of trade to support New Zealand's economy through streamlining border processes and providing support to businesses financially impacted by the pandemic. In early 2021, we relaunched our Authorised Economic Operator programme – the Secure Exports Scheme (SES), which recognises members as trusted traders here and overseas. SES members experience minimal interactions and delays at the border in countries where Customs has Mutual Recognition Arrangements.

A key highlight of the year was New Zealand's virtual hosting of the Asia Pacific Economic Co-operation (APEC) forum meetings, with Customs chairing the Sub Committee on Customs Procedures. We led the development of the Best Practice Guidelines for APEC Customs Administrations to facilitate the distribution of COVID-19 vaccines and related goods. This was a significant achievement reflecting the great work of many people, and will help build supply chain resilience across APEC member countries.

Detecting and stopping criminal networks operating across borders remains a critical priority for Customs. Our aim is to disrupt the supply of drugs and other illegal goods before they arrive in New Zealand. The partnerships we have developed with agencies around the world allow us to share information and carry out joint investigations to disrupt criminal supply chains. The success of this approach is evident through the ongoing increase in the amount of overseas seizures of illegal drugs intended for New Zealand.

All of these activities have contributed to our work to protect and promote New Zealand across borders. As work continues on the new systems and processes that will be required to gradually reopen our border in 2022, it is clear that the new year will be just as busy. The achievements of our staff over the last twelve months give me great confidence that we are well positioned to meet the opportunities and challenges ahead.

***Ki te kotahi te kakaho, ka whati:
ki te kapuia, e kore e whati.***

***If a reed stands alone, it can be broken:
if it is in a group, it cannot.***

Kia tau ngā manaakitanga ki a koutou katoa,



Christine Stevenson

Comptroller of Customs

Year at a Glance

Protection



Successfully implemented **new protocols** at our international airports and maritime ports to help **mitigate the risk of COVID-19** entering New Zealand

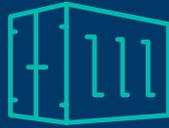


2,591 kilograms and **1,311 litres** of **illicit drugs seized** at our border and offshore



\$2.7 billion of potential social and economic harm prevented by **seizing these drugs at our border and offshore**, up from \$2.6 billion in 2019/20

Trade



22.1 million

import and export transactions processed, up from 19.1 million in 2019/20



Relaunched the **Secure Exports Scheme**, supporting exporters to save time and money



Established a **COVID-19 Economic Recovery Programme** to build the support available for businesses

Travel



Adapted processing of international travellers as part of New Zealand's response to **COVID-19**



Checked pre-departure COVID-19 test documents to **reduce the risk of infected travellers** on international flights



Played a leading role in developing and implementing **quarantine-free travel zones**

Te Pou Tokomanawa – The Foundations

Revenue


\$14.9 billion

revenue collected on behalf of the Crown, down from \$15.1 billion in 2019/20 due to COVID-19's effect on trade



Began development of our **Whāinga Amorangi (transforming leadership)** strategy and action plan

Work with others



Supported the **Border Executive Board** and contributed to the development of its work programme

Over
3,700

interceptions of over **10.9 million cigarettes** and over **2,400 kilograms** in loose **tobacco**



Created three new e-learning modules to build staff capability in **Te Reo and Te Ao Māori**



Chaired the APEC Sub-Committee on Customs Procedures and the Customs Business Dialogue as part of New Zealand's role in hosting APEC 2021



Helped clients affected by COVID-19 set up instalment plans to defer their debt payments. **99.8% of outstanding debt** was **recovered** by June 2021



Increased proportion of **Māori staff**



Developed **Best Practice Guidelines** for the facilitation and distribution of **COVID-19** vaccines across the **APEC** region

What we do

Te Mana Ārai o Aotearoa, the New Zealand Customs Service, is here to protect and promote New Zealand across borders – ko te whakahaumarū me te whakatairanga i a Aotearoa ki ngā rohe.

Our functions

Customs provides essential border services and infrastructure that protect Aotearoa New Zealand and are good for our economy. Our core functions are:

- protecting New Zealand’s border (protection)
 - promoting and facilitating secure and efficient trade to and from New Zealand (trade)
 - facilitating safe and efficient travel to and from New Zealand (travel)
 - collecting Crown revenue (revenue).
- monitoring traders and travellers to ensure they are complying with border requirements, and providing assurance over trade security and the border revenue system
 - participating in the global customs community by helping to develop international policy and engaging with overseas customs and law enforcement bodies
 - providing policy advice to Ministers on border and revenue management issues.

Our services

Every day we are:

- protecting New Zealand from external risks and threats such as illicit drug smuggling, objectionable material, and weapons through interventions, investigations, and enforcement
- promoting and facilitating secure and efficient trade across the border
- facilitating the flow of passengers and craft, while helping to ensure that COVID-19 cannot come into New Zealand undetected
- enforcing relevant law, which includes identifying and seizing prohibited imports and exports
- providing intelligence and risk assessment information to other government agencies
- collecting Crown revenue

Contribution to Government priorities

The Government has three over-arching priorities:

- Keeping New Zealanders safe from COVID-19.
- Accelerating the recovery and rebuild from COVID-19.
- Laying the foundations for the future, including addressing key issues such as climate change, housing affordability, and child poverty.

Customs is a key part of the all-of-government effort to keep New Zealand safe from COVID-19. Our primary focus is on making sure we have effective border management systems and processes in place.

We support New Zealand’s recovery and rebuild from COVID-19 in a number of ways, including helping exporters, and protecting and promoting New Zealand’s trade interests overseas.

Rautaki Mana Ārai – the Customs Strategy

Rautaki Mana Ārai, the Customs Strategy, drives what we do and how we do it. It sets our purpose, values, aspirations, strategic priorities and supporting principles. It supports our planning to deliver on our purpose to protect and promote New Zealand across borders and our aspiration to eliminate border and revenue risk.

We have four key values, chosen by our people, that underpin all that we do at Customs:

- te ara tika – we do what’s right
- kaitiakitanga – we are guardians
- he tāngata – we value people
- pae tawhiti – we look forward.

These values guide us in our day-to-day activities and how we interact with all people.

The Treaty of Waitangi (Te Tiriti o Waitangi) principles of kotahitanga (partnership), kaitiakitanga (protection), and manaakitanga (participation/care for others) are the foundations for what we do – our Pou Tokomanawa. Te Pou Tokomanawa is the central pole of a meeting house, which holds everything up.

Having Te Tiriti o Waitangi principles as the basis of our strategy means we can strengthen partnerships with Māori, protect Māori communities, and contribute to Māori economic development.

Ko te whakahaumarū me te whakatairanga i a Aotearoa ki ngā rohe

We are here to protect and promote New Zealand across borders

Whanonga Pono – Our Values

TE ARA TIKA We do what’s right	KAITIAKITANGA We are guardians	HE TĀNGATA We value people	PAE TAWHITI We look forward
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Te whakakore tūraru rohe me ngā tūraru kohinga tāka

We aspire to eliminate border and revenue risk

We aim to achieve

 WHAKAHAUMARU Protection Prevent risk reaching our borders	 HOKOHOKO Trade New Zealand’s trade flows efficiently across borders	 TĀROI Travel A streamlined experience for travellers across borders	 KOHINGA TĀKA Revenue Collect all due revenue
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Te Pou Tokomanawa – The Foundations

 KOTAHITANGA Partnership	 KAITIAKITANGA Protection	 MANAAKITANGA Participation
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Our working environment

The COVID-19 pandemic continues to have a significant impact on New Zealand and the environment in which we are delivering our services. It continues to disrupt the flow of people and goods, and international supply chains around the world. It also meant challenges for Customs, from the need to quickly implement border restrictions and support businesses to keep critical supplies moving, to its impact on the level of revenue we collect.

We play a key part in the all-of-government effort to keep New Zealand safe from COVID-19, with a primary focus on ensuring we have effective border management systems and processes in place. We provide essential border services that protect New Zealand, support businesses, and are good for our economy.

We have shown that we can quickly respond to the challenges at the border, and advise the Government on the operational and policy matters relating to border restrictions.

Protecting New Zealand from the threat of COVID-19

COVID-19 continued to have a significant effect on our operations in 2020/21, particularly the large reduction in international travellers and increased entry requirements. Customs is protecting New Zealand from COVID-19 at the air and maritime borders. When the rest of New Zealand is at a lower alert level, our border still effectively operates at Alert Level 4. For our people this means the most restrictive control measures continue in their workplaces.

We worked closely with other agencies to develop and implement quarantine-free travel zones so that some international commercial passenger air travel could resume as soon as it was safe to do so.

We manage the COVID-19 risk from crew arriving via the maritime border. This includes being responsible for implementing many of the requirements of the Maritime Border Order. We work with other government agencies to make sure our maritime border is safe from COVID-19.

Supporting New Zealand's businesses and economy

The decline in goods volume, and related revenue, due to COVID-19 was modest. Over the next two years goods volumes and revenue are expected to be close to their pre-COVID-19 levels.

Customs is supporting New Zealand's economy in a number of ways, including by helping exporters and protecting and promoting New Zealand's trade interests overseas.

Our systems are simple, fair, transparent and easy to use. We helped educate traders on their rights and obligations to make it easier for them to comply with border clearance requirements. As a result, over 99% of imports and exports were processed without us needing to assess them for non-compliance.

Providing an agile response in extraordinary times

We are committed to quickly responding to the challenges of COVID-19. We have strong relationships with stakeholders and business across New Zealand and with our partners in government here and overseas. By regularly reviewing our operations and making sure our resources are used most effectively, it means we can respond quickly and effectively to the pandemic and protect our border.

Monitoring other risks

Making sure our border is safe from the other risks and threats such as drug and tobacco smuggling, objectionable material and weapons has continued as normal.

How well did we do

Overall we performed strongly, with progress across our four strategic pillars and our Te Pou Tokomanawa foundations, while taking on new COVID-19 related roles and functions at our international borders.

Strategic measures

This year eight out of 12 of our strategic measures were on-track, three were off-track, and one was not measured. This compares to five on-track, two off-track, and five not measured last year.



What was on-track

- More drug harm was prevented
- New Zealand benefited from international trade arrangements
- Border sector collaboration increased
- Outstanding revenue decreased



What was off-track

- Lower risk profile of travellers resulting in fewer interventions
- The way people travel has changed, requiring more manual processing
- Rates of compliance with revenue obligations fell slightly



What didn't happen

- COVID-19 impacts on our priorities and resourcing meant we didn't do the stakeholder surveys that inform some of our measures
- COVID-19 meant we couldn't measure the effectiveness of our interventions through randomised sampling to check the compliance of air and sea passengers

Output measures

We achieved 100% (26 out of 26) of our output measures this year, compared to 74% (23 out of 31) last year. See pages 97–108 for more details on these output measures.

8/8

ACHIEVED
Goods Clearance and Enforcement

5/5

ACHIEVED
Travellers Clearance and Enforcement

9/9

ACHIEVED
Revenue Collection and Other Services

2/2

ACHIEVED
COVID-19 – Maritime Response

2/2

ACHIEVED
Border System Performance

How we are funded and what we spent

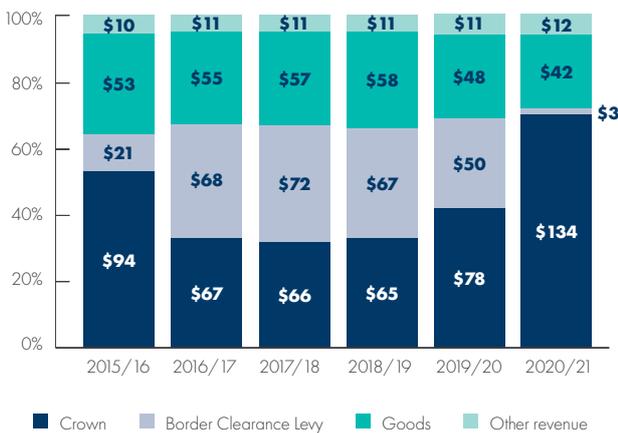
Customs is funded by the Government – Crown revenue – and third party revenue. Third party revenue comes mostly from the Border Clearance Levy, which pays for processing international travellers at the border, and goods clearance fees for clearing imported and exported goods.

Other third party revenue is mostly revenue from other government agencies for the work we do to support their objectives – for example, funding from the Ministry of Foreign Affairs and Trade for work with customs administrations in the Pacific.

In 2020/21, Crown funding increased. The increase was to offset the loss of third party revenue, mainly from the Border Clearance Levy when border restrictions were introduced because of COVID-19.

Figure 1 shows the increase in third party revenue following the introduction on 1 January 2016 of the Border Clearance Levy to recover the costs we incur processing international travellers at the border from those travellers. And the decrease in that revenue in 2019/20 and 2020/21 due to COVID-19.

Figure 1: Customs Revenue source (\$m)



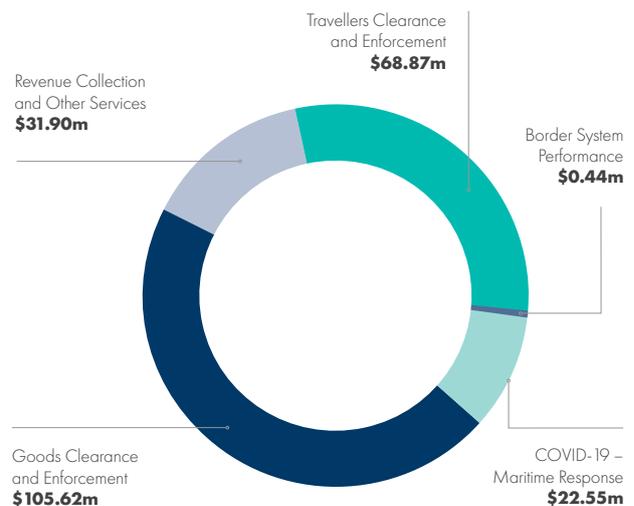
As a result we received additional funding from the Crown through a capital injection of \$57 million in 2020/21 (and \$30 million in 2019/20) to compensate for the reduced revenue from the Border Clearance Levy.

What do we spend

In the past year most of our spending was on activities related to clearing passengers and goods, and managing the associated risk. We spent a total of \$229.37 million in 2020/21.

During 2020/21 two new time-limited appropriations were set up to fund and manage the services required through the Maritime Border Order and to fund servicing the Border Executive Board, an inter-departmental executive board.

Figure 2: Customs expenditure in 2020/21





FRANCOIS FRERES
TONNELLERIE
ERMENI COCOP
FRANCE
TG
MLT
3Y
F405

MANGON PNOT GAS
SAKO PERAKAT
SIMPONGANON



HE WHAKATUTUKI I TE RAUTAKI DELIVERING ON OUR STRATEGY

Rautaki Mana Ārai, our strategy, aims to ensure we are well-placed to protect New Zealand from risk and threats while helping the economy grow. We respond to increasing and changing demands across borders, while building our capability to deliver world-class border management. We continued to deliver on that strategy in 2020/21.

Protection, trade, travel, and revenue are our four strategic priorities – we call these our pillars – and Te Pou Tokomanawa our foundation. These are our focus for planning and reporting. Read on for information on our work in these areas during 2020/21.





WHAKAHAUMARU PROTECTION

Making our country safer and more secure by reducing the risks associated with international trade and travel. We focus our resources on illegal and non-compliant activity at the border and revenue fraud.

Our intention: Prevent risk reaching our borders

We assess for risk all trade and travellers crossing our border. We know that the vast majority of people comply with their customs obligations, so focus on ensuring that compliant trade and travel is cleared with minimal intervention by us, and we interact with any that might or does not. Effective risk management and clear enforcement of the law underpins all the work we do across trade, travel, and revenue.

During 2020/21 a primary aim has been to reduce the risk of COVID-19 entering New Zealand via our border, working as a key part of the all-of-government COVID-19 response. At the same time we maintained our focus on preventing criminals, particularly transnational organised crime groups, from operating across our border. We worked in partnership (kotahitanga) with organisations here and overseas to identify and address risks offshore, disrupt and dismantle international supply chains of illicit goods, and seize those that reached our border.

Summary of our performance

2020/21 progress against our strategic goals

- Impact of our efforts to disrupt criminals operating across our borders
- The public has trust and confidence in Customs

Our key achievements in 2020/21

- Implemented the Maritime Border Order
- Prevented \$2.7 billion in harm to the community by seizing drugs at our border and offshore
- Worked with other agencies to target criminal networks

Performance against our protection measures



Our protection strategic measures provide an indication of how we are tracking against our strategic goals. Our broader work also helps to progress our strategic goals.

Our protection output measures are the last three measures under '01. Goods Clearance and Enforcement' (page 98) and the two measures under '04. COVID-19 – Maritime Response' (page 105).

One measure was off-track as the lower risk profile of travellers in 2020/21 resulted in fewer interventions. We have provided additional information below (pages 20–21).

Measuring progress against our strategic intentions

Our *Statement of Intent 2019–2023* records what we will monitor (the indicators) to measure our success in delivering on our strategic intentions over that four-year period.

Strategic measure: Impact of our efforts to disrupt onshore and offshore criminal networks

Indicators: Total social harm avoided through onshore and offshore drug seizures

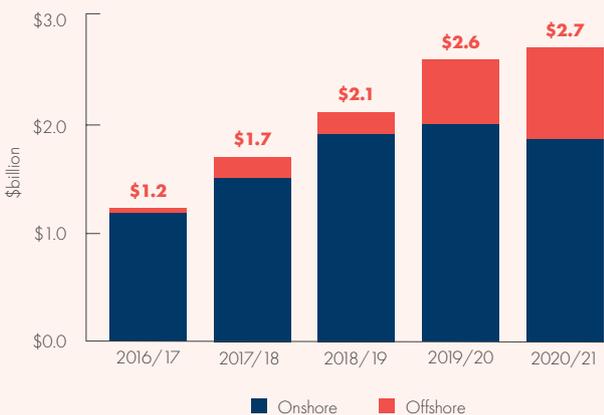
Expected trend: Increase

2020/21 progress: On-track

By preventing illicit drugs from crossing our borders we help to reduce the associated harm caused by these drugs in our communities. This supports healthier, safer, and more connected communities and contributes to the future wellbeing of New Zealand.

We measure harm avoided by our seizures based on the New Zealand Drug Harm Index, which quantifies the economic and social costs of illicit drugs. An increasing proportion of the harm is prevented through offshore seizures, with almost a third of total harm in 2020/21 avoided before it reached our border.

Figure 3: Total harm avoided through drug seizures



Strategic measure: Effectiveness of our border risk management systems and processes

Indicator: Proportion of interventions that yield the intended result

Expected trend: Increase

2020/21 progress: Off-track

Our interventions disrupt criminal activities and target, identify and prevent harmful people and items crossing our borders, while minimising the impact on legitimate trade and travellers. In 2020/21 we made over 8,000 interceptions of prohibited goods at, or before, our border. This includes interceptions at the International Mail Centre. The way we target risk in the mail stream means we cannot include the stream in our intervention result rate in Figure 4.

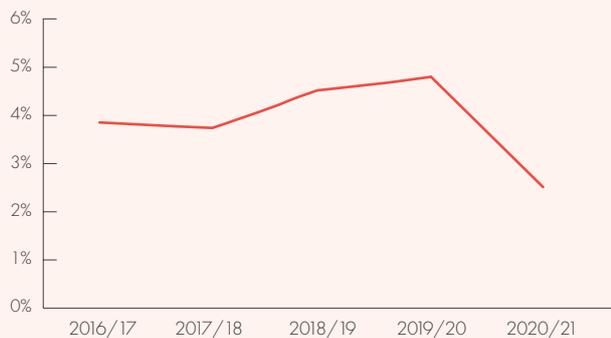
Table 1: Interceptions of prohibited goods in 2020/21

Illicit drugs (3,187 at the border, 387 offshore)	3,574
Weapons	467
Tobacco	3,721
Other prohibited items	393
Total	8,155

The proportion of interventions relating to import entries, electronic consignments, and travellers resulting in the interception of drugs or prohibited goods fell in 2020/21 – to 2.5% (845 interceptions out of 33,449 interventions). We believe this was because of COVID-19 related border closures and its disruption to international travel. The New Zealand border was closed to everyone except New Zealand citizens and residents and a small number of travellers from quarantine-free areas. These people are generally lower risk than other international travellers.

We are always refining and improving our intelligence and data management systems to better understand the effectiveness of our interventions.

Figure 4: Interventions that result in the interception of illicit drugs or prohibited goods



Strategic measure: Public has trust and confidence in Customs' performance of protection role

Indicator: Overall level of public trust and confidence in our performance of protection role

Expected trend: Increase

2020/21 progress: On-track

Our Public Trust and Confidence survey has not been done since 2018/19 (when 52.2% of those surveyed had trust and confidence in Customs' protection role). COVID-19 impacts on priorities and resourcing meant the review of our stakeholder surveys planned for early 2021 was deferred.

Colmar Brunton's 2021 Public Sector Reputation Index survey again showed the New Zealand public has high trust in Customs with us maintaining our top 5 ranking this year. We were ranked fourth in overall reputation (we ranked third in 2020 and ninth in 2019) and fourth in trust (we ranked second in 2020 and fifth in 2019) out of 58 agencies.



Ranked 4th out of 58 agencies
for overall reputation

The year in review

Protecting the maritime border from COVID-19

The Maritime Border Order (MBO) came into effect at 11.59pm on 30 June 2020. The MBO sets out the obligations for marine craft and their crews while visiting New Zealand to mitigate the risk of COVID-19 coming into the country. Customs has responsibility for monitoring and enforcing compliance with the MBO at New Zealand's ports.

Ensuring compliance with the MBO requires a high-assurance, high-presence approach by Customs that far exceeds our pre-COVID arrangements at ports, including at ports where we previously had no operational presence. Having Customs officers at ports is vital to compliance with the MBO.

As a result, we employed approximately 230 new staff and redeployed staff from other areas to form new teams. These teams are based across all maritime ports in New Zealand that process international commercial ships to make sure these ships and their crews comply with MBO requirements. This includes isolation requirements as well as ensuring all those interacting with these isolating ships understand the restrictions, and have appropriate measures in place. We also have staff at Ōpua to monitor people arriving on yachts and other pleasure craft.

Our role includes patrolling port facilities to make sure people working on or around vessels comply with health protocols and MBO requirements, including maintaining hygiene, physical distancing, and personal protective equipment requirements. We also oversee crew transfers and shore leave requirements, coordinating with the Ministry of Health and Managed Isolation and Quarantine staff to ensure safe and effective testing and movement of those seeking to enter New Zealand.

In 2020/21 we monitored nearly 2,300 marine craft in relation to the requirements of the MBO.

Border Protect – people keeping an eye out

In March 2021 we launched a new outreach campaign to encourage industry and local communities to report suspicious activity to Customs and help protect New Zealand. 'Border Protect' currently focuses on

the coastline, ports, marinas, airports, and Customs-controlled Areas like international freight arrival and storage points. It expands our previous Coastwatch programme, which asked people to report unusual activities around the coast.

Border Protect aims to educate people who work or live in these areas about what cross-border criminal activities look like, and encourage them to report through the new confidential 24/7 hotline 0800 WE PROTECT or to someone in their local Customs team. This enables us to build on our intelligence picture, and take action where there is merit in the information provided.

There were 63 calls on the Border Protect hotline between launch day, 26 March 2021, and 30 June 2021. These gave us valuable information leading to seizures of illicit goods – including tobacco, and illicit drugs at our border and offshore.

More illicit drugs are being intercepted before they reach New Zealand

New Zealand is an attractive market for transnational crime groups because of our high prices and demand for illicit drugs. COVID-19 travel restrictions and shipping congestion has had some effect on smuggling activity but these crime groups have been adapting.

Due to the profits to be made through evading the tax payable on tobacco in New Zealand, in the last couple of years we have seen these crime groups also smuggling tobacco into New Zealand (see page 53). Dismantling these supply chains requires a similar approach as we use to intercept illicit drugs.

Our focus on intercepting drugs at the point of export and before they reach our border prevents harm occurring in New Zealand. We do this through our staff located overseas and our relationships with our international partners.

Our staff in overseas locations develop relationships and networks for the exchange of information and intelligence with our international partners. This also supports joint

investigations and operations to disrupt supply chains for illicit drugs and tobacco and dismantle transnational criminal networks.

In 2020/21 we added a Customs counsellor in Kuala Lumpur to strengthen our presence in Southeast Asia.

The increase in the volume of drugs intercepted offshore in recent years shows our strategy has been working.

Through our work with international partners, there were around 390 offshore interceptions of illicit drugs destined for New Zealand in 2020/21. This was mainly methamphetamine, cocaine, and MDMA. This avoided potential harm to the country of just under \$855 million, an increase from the nearly \$582 million in harm avoided through offshore seizures in 2019/20. Most of the interceptions were of drugs coming from the Americas and Africa/the Middle East, as shown in Figure 5. There was a significant increase in the volume coming from Africa/the Middle East in 2020/21 compared to 2019/20. This shows how criminal groups continually adapt in their attempts to smuggle drugs into New Zealand.

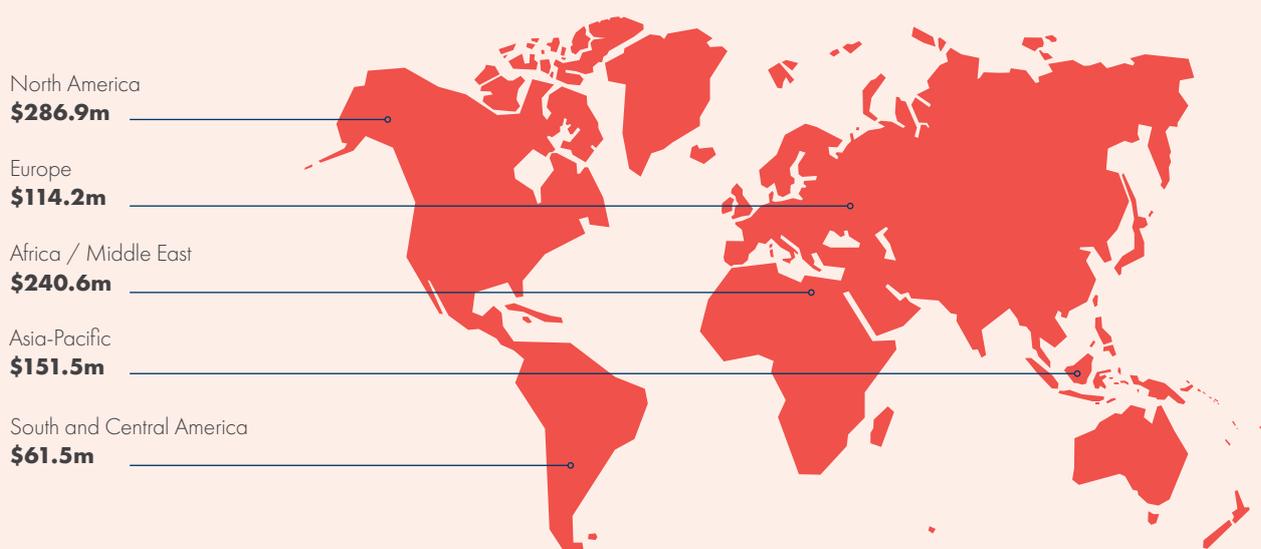
Illicit drugs seized offshore

702.7 kilograms of drugs seized during 2020/21

42.2 litres of drugs seized during 2020/21

Nearly \$855 million in potential harm avoided

Figure 5: Harm to New Zealand avoided by offshore drug interceptions, by area



1,268.5 litres of drugs seized during 2020/21

1,888 kgs of drugs seized during 2020/21

Over \$1.845 billion in potential harm avoided¹

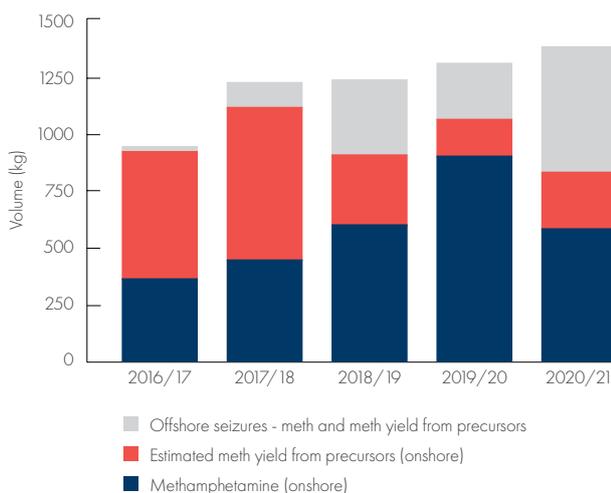
Methamphetamine seizures

In 2020/21 Customs seized 581.9 kilograms and 22.1 litres of methamphetamine at the border. While this is a 35.5% decrease in the powder/crystal weight from the 902.2 kilograms seized in 2019/20, that prior year total included the record seizure of 469 kilograms hidden inside a shipment of electric motors in September 2019.

The volume of methamphetamine precursors (ephedrine and pseudoephedrine) seized increased by 53.8%, from 217.0 kilograms in 2019/20 (with an estimated yield of 162.3 kilograms of methamphetamine) to 333.7 kilograms in 2020/21 (with an estimated methamphetamine yield of 249.5 kilograms).

The offshore seizures in 2020/21 included an additional 553.0 kilograms and 0.9 litres of methamphetamine.

Figure 6: Methamphetamine seizures by Customs and offshore partners



Other drug seizures

While methamphetamine is New Zealand's most commonly used drug, significant amounts of other drugs are seized at our border and offshore. This includes growing amounts of GBL (gamma-butyrolactone, often known as liquid fantasy) in the last few years, as shown in Table 2.

New Zealand Police's nationwide testing of wastewater around the country in 2020/21 continued to reflect the drugs seized – methamphetamine was by far the most commonly detected illegal drug, followed by MDMA and cocaine.

Table 2: Other drug seizures

Drug type	2019/20	
	At NZ border	Offshore
Cocaine	21.4kg	56.8kg, 3,000ml
MDMA	515.3kg, 3,710 tablets, 10,380ml	170.8kg, 8,915 tablets
GBL	16.9kg, 418,635ml	34.7kg, 36,500ml

Drug type	2020/21	
	At NZ border	Offshore
Cocaine	11.9kg, 3,500ml	78.3kg, 6,000ml
MDMA	181.9kg, 10,066 tablets, 37,130ml	29.1kg, 6,240 tablets, 2,250ml
GBL	1,104,454ml	30,600ml

¹ All of the 2020/21 drug totals in this report (including precursor totals), and the associated drug harm figures based on those totals, are provisional figures based on our initial weighing and recording of interceptions. These figures may change. The 2019/20 totals are different from those reported in the *New Zealand Customs Service Annual Report 2020* as those were provisional figures that have now been finalised.

We are a key part of efforts to combat transnational organised crime

Customs is one of 15 government agencies involved in tackling transnational organised crime.

We play a key role in the implementation of the Government's *Transnational Organised Crime in New Zealand: Our Strategy 2020–2025*. Under the principle of kotahitanga, we work closely with our partners here (other agencies and the private sector) and overseas. We primarily focus on preventing illicit goods and criminal activity reaching our border and seizing or stopping them if they do.

We do this through our operational efforts as well as providing support through intelligence and policy functions.

As an example, we work closely with New Zealand Police, including the National Organised Crime Group (NOCG), in our fight against illicit drugs. This includes sharing intelligence and targeting criminal networks through joint operations.

We participated in the NOCG-led New Zealand phase of an international operation relating to organised crime's use of encrypted communications that targeted large scale importation and distribution of controlled drugs by organised crime groups. Our support included surveillance operations and targeting encrypted devices at the border being imported for criminal activity.

Other operations with New Zealand Police in 2020/21 included:

- In late 2020, a joint operation by Customs and New Zealand Police relating to the importation and distribution of GBL and eutylone (an ecstasy-like synthetic drug) led to the arrest of four people. Further investigation identified more importations through the mail system by the crime group. More than 20 parcels were intercepted by Customs, resulting in 22 search warrants being executed by Police and Customs in early July 2021 and the arrest of 11 more people.
 - In March 2021, Customs intercepted a package at the International Mail Centre containing up to 1.5 kilograms of liquid cocaine. This led to Police executing a search warrant and finding a significant amount of cash. Two people were arrested.
 - In April 2021, Police and Customs carried out search warrants at 11 locations as part of an operation run by the NOCG. Eight people were arrested, and plans to import hundreds of kilograms of cocaine into New Zealand and Australia from Mexico were disrupted.
-

We are seizing weapons

We aim to protect New Zealanders by preventing illegal firearms and weapons from entering New Zealand. We manage the importation of lawful and restricted firearms and firearm parts under permits issued by New Zealand Police. We seize any firearms or parts that do not meet permit requirements.

During 2020/21, we seized:

250 firearms

Nearly 3,900 firearm parts/ammunition

Over 300 other weapons

Customs is supporting an NOCG operation targeting the illicit obtaining and use of firearms by organised criminal groups. While investigations in 2020/21 showed that most illicit weapons were obtained from domestic markets, international experience suggests the illegal importation of firearms and parts will become a greater border issue as Police strengthen controls here and target local supply chains.

Preventing financial crime

Organised criminal groups use cross-border cash transfers and trade-based money laundering to move the profits of their illegal activity across borders and make them appear legitimate. Our Financial Crime Unit (FCU) uses intelligence and investigations to identify and prosecute cash smuggling and trade-based money laundering.



Cash smuggling

The movement of large amounts of cash is often linked to illegal activities, including drug smuggling. We aim to make sure money being carried across our border is for legitimate purposes.

Our detector dog teams are an invaluable resource in helping to protect New Zealand's borders. At 30 June 2021 we had 17 teams working nationwide. The dogs are trained to detect narcotics and cash, with 13 also trained to detect firearms. They work across a range of environments including international airports, the International Mail Centre, aircraft, and ships.

In 2020/21 our dogs detected the equivalent of NZ\$2.18 million in undeclared money at airports and \$1.05 million that was in premises or vehicles searched under a Customs or Police search warrant.

Trade-based money laundering

In 2020/21, our FCU worked with agencies both here and overseas to progress trade-based money laundering investigations to identify and address potential illicit financial flows across borders. Along with significant communication and information sharing, this has increased our visibility and reputation.

Money laundering charges and seizing assets from offenders

Customs is increasingly laying money laundering charges where this can be proven alongside border offences (such as drug and tobacco smuggling). Also, our referrals to the New Zealand Police Asset Recovery Unit have resulted in assets being seized when these are identified as being from the proceeds of border offending.

Combatting objectionable material

In 2020/21 we continued our work on combatting and reducing objectionable material and online offending, working closely with the Department of Internal Affairs (DIA) and New Zealand Police.

Most trading of child exploitation material happens over our cyber border, with people accessing and uploading images and videos online. Customs plays a crucial role in combatting this type of crime as we are mandated (by legislation) to investigate and prosecute illicit trading across the border, including the cyber border.

Customs, DIA and Police are part of a global network of law enforcement agencies to target offenders, and identify and rescue victims.

Budget 2019 provided Customs with additional funding to boost resourcing and capability to combat child exploitation across our cyber and physical borders. That has enabled us to employ more specialist staff and buy new analytical and forensic tools, meaning we are able to target and investigate a greater volume of objectionable material, and work more effectively with our partner agencies. It also enables us to better respond to the growing threats of peer-to-peer offending, live streaming, and the DarkNet.

In 2020/21 this included adding a further four investigators and analysts. We also trialled new software that would help all three agencies to more effectively prioritise and manage the reports from our international partners about online child sexual exploitation by New Zealanders. The results of the trial will be assessed to determine if we buy the software.

We seized around 18,000 objectionable publications in 2020/21. These publications included material on devices, like laptops or phones, seized at the border or during search warrants, together with those shared by New Zealand-based offenders online.

Arrests in 2020/21 as a result of Customs' investigations and activity included:

- An Oamaru man was charged in November 2020 with exporting, possessing, and distributing child sexual abuse publications – and, for the first time in such a case, participating in an organised crime group. This latter charge came from forensic analysis of his devices that showed he was an administrator for at least two messaging groups where material was traded. Customs also identified communications between this offender and a man in the United States discussing the abuse of a child in the man's care. We provided this information to United States authorities and the man there was arrested and the child safeguarded.
 - In August 2020 a Hastings man was arrested on 21 charges, including for exportation and distribution offences. Much of his offending used encrypted and anonymised communication technology. The investigation resulted in three referrals to overseas partners about offending in their jurisdictions.
 - In November 2020 an 18-year-old Auckland man was arrested and charged with exporting, possessing and distributing child sexual abuse material. Much of the material he shared is considered to be in the worst category of child sexual abuse material and the offending behaviour was extensive.
-

Our sampling programme helps to verify compliance

Our Assurance programme informs and refines our intelligence through the use of randomised sampling across the import streams of cargo, mail, and passengers. It tests that our assumptions relating to compliant incoming goods and traveller populations are correct, and that our risk targeting is focused in the right areas.

To date, our Assurance programme is verifying that compliance levels are reasonably consistent across our import streams. In 2020/21 those were:²

- mail 94%
- fast freight 92%
- sea cargo 95%
- air cargo 90%.

Because of COVID-19 border restrictions in 2020/21 we suspended sampling of air and sea passengers.

While we did not find any new risks in 2020/21, non-compliance continues to be identified through our sampling. For example, we have seen increasing levels of non-compliance in the air cargo stream, with regular discrepancies from freight forwarders responsible for clearing cargo. This has resulted in additional revenue as well as the issuing of administrative penalties and in some cases infringement notices.

We are using data analytics to help protect our border

The Joint Border Analytics (JBA) team (Customs, Ministry for Primary Industries and Immigration New Zealand) continued to support the all-of-government response to COVID-19 through algorithms that provide insights into air passenger and trade behaviours.

The Operational Analytics Platform was launched in 2020/21. It enables Customs officers to access and use data-driven analytics at their desktop. Five flagship tools on the platform help officers to discover new lines of enquiry and non-obvious connections from data that, due to sheer volume, may otherwise go undetected. The applications, developed in-house, focus on Customs intelligence and targeting and also on wider government contact-tracing functions.

In 2020/21, the JBA team developed a seizure dashboard that provides valuable insights to Customs' senior leadership and our people overseas, as well as informing intelligence (including that of the National Drug Intelligence Bureau). This enables faster access to information and a wider understanding of drug seizures at the border.

The year ahead

During 2021/22 Customs will:

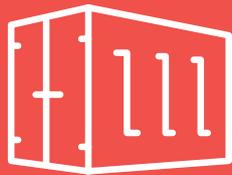
- Continue work to disrupt and dismantle supply chains for illicit drugs and goods, and respond as smuggling methods evolve
- Increase our focus on the targeting of supply chains by organised crime – a growing threat here and overseas
- Continue to lead New Zealand's response to mitigating the risk of transmission of COVID-19 across the maritime border
- Continue developing our Assurance programme to assess levels of compliance and inform targeting

² Due to COVID-19 the data for all streams excludes the period 11–28 August 2020 in Auckland, and for the sea cargo stream excludes the period 1 July–31 December 2020 in Tauranga.



**NEW ZEALAND
PASSENGER
ARRIVAL CARD**

Your information is being collected to administer Customs, Immigration, Biosecurity, Border Security, Health, Wildlife, Police, Fire Enforcement, Justice, Benefits, Social Service, Electoral, and Revenue, and Currency laws. It is required by border agencies to perform their lawful functions. It may be disclosed to other agencies where permitted by law, including for data matching. The information will be used by Statistics New Zealand for statistical purposes.



HOKOKOKO TRADE

Helping New Zealand's legitimate trade to flow freely, including facilitating exports into overseas markets and efficiently processing imports arriving into our country.

Our intention: New Zealand's trade flows efficiently across borders

We play an important role in facilitating and promoting trade, supporting New Zealand businesses and contributing to the COVID-19 economic recovery. This includes facilitating secure and efficient trade, providing essential infrastructure, and ensuring goods comply with domestic and international requirements.

Our focus is on enabling New Zealand's legitimate trade to flow efficiently across borders, through a simple and equitable system that supports high levels of voluntary compliance with requirements and regulations. We work with agencies around the world and support the development of international trade agreements and global customs standards.

Summary of our performance

2020/21 progress against our strategic goals

- There is a high level of voluntary compliance
- Trade facilitation is accessible to all
- Customs is a valued international partner

Our key achievements in 2020/21

- Supported the flow of imports
- Relunched the Secure Exports Scheme
- Chaired the APEC Sub-Committee on Customs Procedures

Performance against our trade measures

Strategic measures



■ On-track

Our trade strategic measures provide an indication of how we are tracking against our strategic goals. Our broader work also helps to progress our strategic goals.

We have provided additional information below (pages 32–33).

Output measures



■ Achieved

Our trade output measures are the first five measures under '01. Goods Clearance and Enforcement' (page 98).

Measuring progress against our strategic intentions

Our *Statement of Intent 2019–2023* records what we will monitor (the indicators) to measure our success in delivering on our strategic intentions over that four-year period.

Strategic measure: Trade compliance across all streams

Indicator: Percentage of trade transactions that are compliant

Expected trend: Increase

2020/21 progress: On-track

There are high levels of voluntary compliance through our simple, fair and transparent systems, which facilitate the unimpeded flow of legitimate trade. We provide education and information to all traders on their rights and obligations to make complying with border clearance requirements quick and easy.

Over 80,000 import clients and almost 17,000 export clients lodged entries in 2020/21. The number of import and export transactions increased 15.6% from 2019/20. Trade compliance remains high. The proportion of import and export transactions processed without further intervention after risk assessment has increased over the last five years and was over 99% for both in 2020/21.

Figure 7: Transactions that do not require further risk assessment



Strategic measure: The effectiveness of existing trade facilitation processes

Indicator: Ease of compliance score

Expected trend: Increase

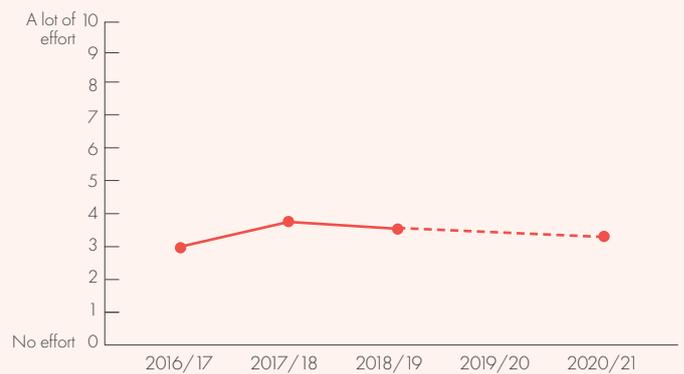
2020/21 progress: On-track

The Better for Business programme (run by the Ministry of Business, Innovation and Employment) works across 10 government agencies, including Customs, to help reduce the administrative impact of compliance and improve the overall experience for businesses interacting with government.

As part of their ongoing research, Better for Business asked 2,000 businesses to rate how much effort was required in their experience with government agencies. 108 responses related to Customs. Our low effort score of 3.3 (out of 10) was a decrease from when the survey was last conducted in June 2019 and was the third lowest score of the agencies included.

This reflects the work we have done to make compliance with our requirements easy (see our client Brave Brewing Co on page 35) and support both small and large businesses through COVID-19 (see page 52).

Figure 8: Effort to deal with Customs



Strategic measure:
The impact of trade promotion on the economy

Indicator: Economic value of trade promotion and facilitation added by Customs

Expected trend: Increase

2020/21 progress: On-track

New Zealand businesses and consumers benefit from the international relationships we have with our key trading partners. Trading arrangements, such as Mutual Recognition Agreements (MRAs) and Customs Cooperation Agreements, reduce customs clearance times and enhance the flow of trade across the border. This reduces the costs for business. These arrangements and other trade facilitation measures have an economic benefit that can be measured through a positive impact on New Zealand’s import and export values, Gross Domestic Product (GDP) and consumer wellbeing.

The New Zealand Institute of Economic Research (NZIER) researches the annual impact of these MRAs for us. NZIER found long-term benefits (7 to 10 years), particularly of time savings through domestic and overseas customs and border clearances, and annual increases in New Zealand’s GDP by US\$350 million and consumer wellbeing by US\$249 million. For the reports go to our website (www.customs.govt.nz/business/export/mutual-recognition-arrangements).

Table 3: NZIER assessment of benefits

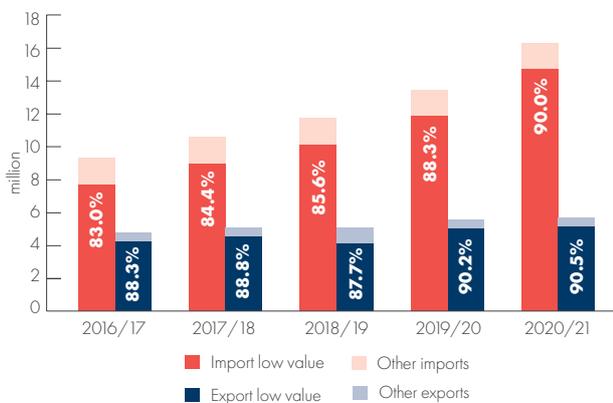
Impact in US\$	2019/20	2020/21
	\$million	\$million
NZ Annual GDP (nominal)	\$310	\$350
Consumer wellbeing	\$200	\$249
Imports	\$110	\$120
Exports	\$20	\$20

The year in review

We processed 16.4 million import and 5.7 million export transactions, an increase of 21.5% for imports and 1.6% for exports compared to 2019/20.

This was driven by an increase in low value imports under \$1,000 (90% of all imports in 2020/21) due to the growing popularity of online shopping. Overall, trade volumes have stayed relatively steady despite the disruption to international supply chains and trade logistics because of COVID-19.

Figure 9. Trade transactions



Supporting New Zealand's economic recovery from COVID-19

Our Economic Recovery Programme was established to address the economic impact of COVID-19 by deepening the trade facilitation and support available for businesses, while also building Customs' capacity to address non-compliance with revenue collection.

It has five key workstreams:

- increasing our help to importers – prioritising and facilitating crucial import supplies and joint initiatives to manage trade congestion
- strengthening our support for exporters – streamlining border processes
- increasing our international collaboration – helping exporters succeed overseas
- targeting non-compliance – investing in our trade tools and supporting digitisation to ensure all revenue is collected

- supporting our duty payers – supporting New Zealand businesses to manage the financial impact of COVID-19.

We are supporting importers

The COVID-19 pandemic has had a significant impact on global supply chains, disrupting freight and transport networks, and creating challenges for market access. During 2020/21, we worked closely with the Ministry of Health, Ministry of Foreign Affairs and Trade and Ministry of Transport to prioritise and facilitate critical import supplies such as medical supplies, Personal Protective Equipment (PPE), COVID-19 vaccines, and raw materials crucial for manufacturing. The critical import supply process makes sure these goods are identified early and given priority clearance as they enter the country.

We have also increased our support and advice to commercial partners, brokers and freight forwarders to help with trade congestion and clearance issues. Where possible, we reprioritised work to make sure any shipments that were held up were cleared as quickly as possible.

We are supporting exporters

The Authorised Economic Operator-Secure Exports Scheme (SES) helps businesses save time and money by securing their supply chain and reducing delays in international trade.

Originally launched in 2004, the SES recognises New Zealand exporters that meet best practice security requirements and data integrity, and the standards of the World Customs Organization. SES members have fewer compliance checks in New Zealand and a wide range of partner countries with whom we have Mutual Recognition Agreements. This results in minimal delays at international borders, border clearance benefits, and reduced fees and costs for both importers and exporters.

During 2020/21 Customs relaunched the programme with a focus on working with stakeholders to make it easier to join the SES and an expanded scope that includes air freight. This has broadened the number of partners eligible for the scheme, with particular benefits for exporters of time-sensitive perishable goods and those sending smaller consignments. We have worked with potential SES members to highlight the benefits of the scheme, particularly for Māori businesses and small-to-medium sized businesses looking to expand their international markets.

As at June 2021, there were **133 SES partners** across 182 sites and 140 transport operators

SES exports made up just under 50% of all NZ export trade in 2020/21

Facilitating low-risk trade

The Secure Trade Lane initiative with Australia aims to streamline border processes and make low-risk trans-Tasman trade more cost-effective for authorised traders. This is a joint initiative with the Australian Border Force.

Customs is part of the team that ran two successful pilots during 2019/20 and 2020/21, identifying how a minimum set of data from trusted traders could be used to pre-clear shipments. The Ministry for Primary Industries was a key partner in facilitating identified shipments. The simplified processes received positive feedback from across the industry. The Trans-Tasman Board will consider a final report on the initiative and determine the next steps during the 2021/22 financial year.

How we helped a brewing company brave a new move



Brave Brewing Co is a husband and wife team who started from their home garage in Hastings in 2014. Their business has been growing and they moved into a second commercial premises in 2020/21, which required licensing as a Customs-controlled area (CCA).

CCAs are secure, controlled areas where Customs monitors activities, including the manufacture, storage or sale of duty-free or excisable items (like alcohol).

Customs has a great working relationship with Brave Brewing and in 2020/21 our officers worked to support their move to their new premises, visiting the site, reviewing their new licence and covering off any requirements at the new facility.

“Brave Brewing Co has been one of our model licensed CCAs in Hawke’s Bay. They have really understood their obligations as licensed manufacturers of excise goods. They always keep us informed of any potential issues and communicate with us really well. Their expansion and growth strategy has been a real success and we are proud to have helped them on their journey.

“We value the work our staff carry out and the relationships we build to assist businesses to succeed. Our local Customs officers have been doing a fantastic job with clients like Brave Brewing Co over the last while and especially through COVID-19. It’s fantastic to see the level of support we can offer businesses of all sizes.” – Customs Napier Port Manager

We are increasing our international collaboration

Customs is focused on maintaining and enhancing our reputation as a trusted international partner facilitating legitimate trade. Our overseas-based staff play a key role in protecting New Zealand by helping prevent risks reaching our border, helping exporters succeed overseas, and contributing to the development of international customs policy and enforcement.

APEC 2021

New Zealand is hosting the Asia-Pacific Economic Cooperation (APEC) 2021 forum meetings. Customs chaired the Sub-Committee on Customs Procedures (SCCP) sessions in February and will also chair the sessions in August. These meetings are being held online, which has created both challenges and opportunities.

The first SCCP meeting in February brought together 180 delegates from the 21 APEC economies, the largest SCCP attendance since 2017. The meeting focused on supply chain security and connectivity, digital trade, and enhancing trade facilitation through COVID-19 recovery. The sessions were an opportunity to learn from the innovative solutions being implemented in response to the current supply chain disruptions and encourage adoption of good practice trade facilitation measures for the future.

In June, Customs also hosted the APEC Customs Business Dialogue, focused on enabling more inclusive participation of micro, small, and medium sized businesses in global trade. This gave attendees an opportunity to hear from exporters and customs representatives on ways to improve the global trading environment by sharing best practice and innovative ideas.

We will continue to host the SCCP and contribute to its ongoing work programme during the second half of 2021. This includes leading work on the development of a new Strategic Plan and Terms of Reference for the SSCP, and progressing projects to support responses to future trade disruptions and guidelines for paperless trade. These projects build on lessons learnt through the pandemic.



A significant achievement during our time chairing the APEC SCCP was the development of *Best Practice Guidelines for APEC Customs Administrations to Facilitate the Distribution of COVID-19 Vaccines and Related Goods*.

Customs led the development of the Guidelines, which were endorsed by both the SCCP and the APEC Committee on Trade and Investment in June 2021. They will help fast-track the delivery of COVID-19 vaccines, streamline border processes, and help build supply chain resilience and connectivity.

The Guidelines were highlighted by the APEC Ministers Responsible for Trade during their June meeting, describing them as an important operational and practical contribution to help facilitate the distribution of COVID-19 vaccines and related goods. Customs will continue to work with SCCP economies on implementing the Guidelines.

Promoting stronger commercial ties with international trading partners

Customs works to reduce trade barriers with our trading partners, supporting the growth of the New Zealand economy. This includes taking part in the negotiation and implementation of Free Trade Agreements and Mutual Recognition Arrangements, and providing on-the-ground support to address specific issues.

During 2020/21 we began implementing two new international agreements:

- Pacific Agreement on Closer Economic Relations Plus (PACER Plus) – supporting streamlined trade and lower tariffs for goods traded between New Zealand, Australia, the Cook Islands, Kiribati, Niue, Solomon Islands and Tonga. PACER Plus also provides technical assistance and capacity building for customs administrations in Pacific partner countries.
- Regional Comprehensive Economic Partnership (RCEP) – this free trade agreement provides consistent application of laws and regulations at international ports, reducing processing times across New Zealand, Australia, China, South Korea, Japan and 10 Southeast Asian countries.

We continue to lead negotiation of the Customs and Trade Facilitation and Rules of Origin chapters of the Free Trade Agreements with the United Kingdom (UK) and the European Union (EU). We are also preparing for the ratification of the New Zealand-China Free Trade Agreement Upgrade. A new Joint Electronic Verification System (JEVS) to streamline the submission of self-declared origin data to China will be piloted during 2021/22.

On-the-ground advice and support

Customs' liaison posts around the world provide advice, support and on-the-ground contacts, particularly for exporters. This includes help in resolving trade blockages, and supporting greater connections with exporters.

Highlights from 2020/21 include:

- Success in resolving two long-standing disputes with Southeast Asian trading partners over issues with Certificates of Origin. These support access to preferential tariff treatment, speeding up clearance processes at borders and lowering costs for exporters. The first issue resulted in a refund of approximately \$3 million to a New Zealand exporter, while the second will result in ongoing duty savings of approximately \$700,000 for the companies involved.

- Our Jakarta post led a team with staff from New Zealand Trade and Enterprise, Ministry of Foreign Affairs and Trade and Ministry for Primary Industries, supporting a New Zealand exporter to establish a presence in a major Southeast Asia trading partner. Customs provided advice on tax and customs processes and put the exporter in touch with key contacts in the region to provide on-the-ground support.
- The nomination of two New Zealand companies to the World Customs Organization's Asia Pacific Private Sector Consultative Group. Private sector engagement with government agencies helps to promote global trade and keep customs processes in line with industry best practice and technological advances.

Easing supply chain disruptions through technology

The COVID-19 pandemic has caused supply chain disruptions and delays around the world. Our Customs counsellor in Jakarta has worked closely with the New Zealand Co-chair of the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) and countries that are part of the agreement to support greater flexibility in the use of scanned certificates of origin and other commercial documents to help ease delays. Officials responded positively to this initiative, which has reduced clearance times at international borders and lowered compliance costs for New Zealand exporters. As part of work on upgrading the AANZFTA, we are looking at amending the Rules of Origin to allow for electronic copies of origin documents to be used on a permanent basis.

The year ahead

During the 2021/22 year our focus will be on:

- Shifting the focus from economic recovery from COVID-19 to supporting trade and economic growth
- Supporting the remaining APEC 2021 meetings, including chairing the SCCP August meeting, finalising the SCCP's Terms of Reference and strategic priorities for the coming years, and progressing Customs-led projects
- Piloting the JEVS Self Service system with China streamlining self-declared origin data as part of the upgraded Free Trade Agreement

Critical supplies need to come in fast



COVID-19 continues to create challenges for exporters and importers as supply chains are disrupted. Throughout 2020/21, Customs helped identify and speed up border clearance of critical supplies.

Using trade data, we contacted all importers, exporters and manufacturers of critical supplies, and set up a new critical supplies centre of excellence where industry,

government and internal stakeholders could seek support to facilitate movement of critical supplies. Our team provided 24-hour support to ensure the goods were not held up and to clear the goods through the border efficiently.

Keeping up with emerging trends in critical supplies is a priority.

The team's initial focus in late 2019/20 was on ensuring the supply of Personal Protective Equipment (PPE), such as masks, gowns and gloves, was cleared quickly; this was then extended to the raw materials used in their manufacture. During 2020/21 our focus has been on critical health supplies, such as the COVID-19 vaccine and test kits and goods used in the day-to-day running of hospitals and health clinics, which have previously been delayed due to supply chain issues.

We have also supported the supply of vaccines to Pacific Island countries and helped foreign countries to ship their vaccines through New Zealand.





TĀROI TRAVEL

Providing secure and efficient border processes that efficiently and effectively process international travellers.

Our intention: A streamlined experience for travellers across borders

We aim to deliver high-quality border management across all modes of travel by providing clear information, delivering integrated and automated services, and working collaboratively with other border sector agencies.

The COVID-19 pandemic has dramatically changed how we all travel. More health requirements, managed isolation, border restrictions and a rapidly changing international environment have meant we needed to coordinate activities across border agencies, adapt and respond to make sure transmission of COVID-19 is mitigated at our borders.

Summary of our performance

2020/21 progress against our strategic goals

- High-quality border management delivered across all modes of travel
- Interventions focus on high risk travellers across all modes of travel
- Collaboration delivers improved services

Our key achievements in 2020/21

- Played a lead role in implementing quarantine-free travel
- Built additional functions and processes to support the health screening and triaging of passengers
- Supported the Border Executive Board work programme

Performance against our travel measures

Strategic measures



Our travel strategic measures provide an indication of how we are tracking against our strategic goals. Our broader work also helps to progress our strategic goals.

One measure was off-track due to COVID-19 changing the way people travel, requiring more manual processing, and one was not measured as COVID-19 meant we couldn't measure the effectiveness of our interventions. We have provided additional information below (pages 42–43).

Output measures



Our traveller output measures are all measures presented under '02. Travellers Clearance and Enforcement' (page 100) and '05. Border System Performance' (page 107).

Measuring progress against our strategic intentions

Our *Statement of Intent 2019–2023* records what we will monitor (the indicators) to measure our success in delivering on our strategic intentions over that four-year period.

Strategic measure: Quality of border management

Indicator: Timeliness of passenger movements through Customs' controls

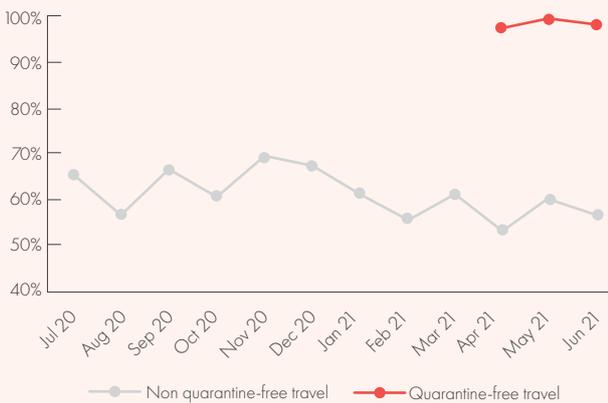
Expected trend: Stay the same

2020/21 progress: Off-track for all passengers, on-track for quarantine-free travel

We are focused on making sure we process international air passengers across the border effectively and efficiently. Before COVID-19 eGates sped up processing for legitimate travellers, while freeing up our people to identify and mitigate risks.

In 2020/21 our main focus has been mitigating health risks to keep New Zealanders safe from COVID-19. COVID-19 related health requirements led us to close eGates to all air travellers in March 2020. Manual processing of passengers added significantly to the average Customs processing times and changed passengers' experience at the border.

Figure 10: Proportion of arriving international air passengers processed within 45 minutes



With the introduction of quarantine-free travel, eGates were reopened. After quarantine-free travel started with Australia in April 2021, a large proportion of arriving passengers used eGates. Processing times for quarantine-free travellers were then similar to processing times before the pandemic. Figure 10 shows non-quarantine free and quarantine-free travellers processed in under 45 minutes in 2020/21 by month.

Indicator: Passenger experience

Expected trend: Increase

2020/21 progress: Not measured

Our international air passenger survey has not been done since 2018/19 when 92.9% of international passengers said they were satisfied with their Customs experience. We decided not to do the survey this year because passenger numbers have reduced and all aspects of international travel have changed, so the results would not be comparable to other years.

Strategic measure: Focus of interventions

Indicator: Intervention rate and intervention effectiveness by level of risk

Expected trend: Not stated as measures are yet to be developed

2020/21 progress: Not measured

We use a layered, intelligence-led approach to manage risk and target our interventions. All travellers to New Zealand are assessed for risk before travel. On arrival, our intelligence is supported by our other tools, including detector dogs, questioning by our Customs officers and baggage searches. These risk management processes continued in 2020/21 despite fewer passengers.

We suspended our randomised sampling of air and sea passengers in 2020/21 because of COVID-19 border restrictions and the reduced numbers of passengers (see page 28). Therefore reporting against these indicators, expected to start in 2020/21, was not possible.

The risk profile of travellers has changed since the pandemic began. Before quarantine free-travel, arriving air passengers were limited to New Zealand citizens and residents who are generally lower risk than other international travellers. In 2020/21 our focus was more on health-related risk, such as checking pre-departure COVID-19 test certificates (see page 46 for details).

Most maritime travellers are crews of fishing, cargo and merchant ships. No cruise ships arrived in 2020/21. All arriving vessels are subject to restrictions under the Maritime Border Order.

**Strategic measure:
Impact of collaborative initiatives**

Indicator: Degree of meaningful collaboration and engagement

Expected trend: Increase

2020/21 progress: On-track

COVID-19 has required New Zealand's border sector to take on new functions and work together to manage the health risks from people crossing our air and sea borders. For the first part of the year Customs chaired an interagency chief executives' forum, the Border Sector Governance Group. In January 2021 this transitioned to an interdepartmental executive board, the Border Executive Board (BEB). The BEB was set up to ensure effective governance of the end-to-end border process including integration of health risk management and strategic border systems improvements.

The BEB is made up of the chief executives of six border-related agencies, including Customs. Customs is the servicing department and provides administrative support (a secretariat) to the BEB (see page 107). The BEB has met almost weekly since it was set up, and has established a forward work programme, with agencies individually or jointly responsible for different work streams.

As at 30 June 2021 Customs was leading or supporting the following work streams:

COVID-19: Safe and Smart Border

As one of the agencies with staff at both the air and maritime border, we have been key to keeping COVID-19 out of New Zealand. We have worked with a range of organisations in the development of policy and legal advice, as well as at the frontline.

- We are responsible for monitoring and enforcing compliance with the **Maritime Border Order** at New Zealand's ports (see page 22)
- **Quarantine-free travel** – we lead an interagency senior officials group that meets regularly to make sure the operational arrangements are in place to support quarantine-free travel (see page 44)
- Checking **pre-departure testing** documentation – we supported implementation and then took the lead in checking pre-departure testing documentation (see page 46)
- We helped implement mitigations to manage travellers from very **high-risk countries**
- **Traveller health declaration system** – we have been leading the technical aspects of New Zealand's travel health pass in preparation for when we reconnect with the world.

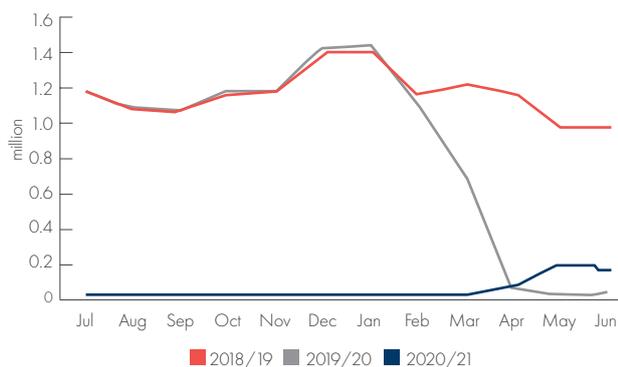
Systems improvements

We have been a primary contributor to the BEB's non-COVID-19 systems improvements work. We lead the Deputy Chief Executives Systems Improvements group and the two work areas of integrated targeting and ahumoni haohoa (financial planning). We contribute to, and often at a working group level co-lead, work on progressing the digital border, infrastructure at airports, and improvements to data sharing and privacy.

The year in review

COVID-19 border restrictions continued to have a significant effect on traveller volumes in 2020/21, although the numbers increased after quarantine-free travel began. We processed only 0.689 million arriving and departing international air passengers in 2020/21, compared to 10.395 million in 2019/20 and 13.950 million in 2018/19 (see Figure 11 below).

Figure 11. Commercial air passengers (arriving and departing)



The number of people arriving and departing by sea was also down significantly due to the restrictions on arriving ships in 2020/21 (including no cruise ships).

57.9% of air passengers during 2020/21 arrived on quarantine-free flights

We played a lead role in getting quarantine-free travel off the ground

Customs had a vital role in making sure quarantine-free travel (QFT) zones could be implemented, working closely with our border agency partners in New Zealand and officials from the Cook Islands, Niue and Australia to negotiate and set up border and health protocols. We also worked with airlines and airports to develop separate processes for 'red' quarantine flights and 'green' QFT flights.

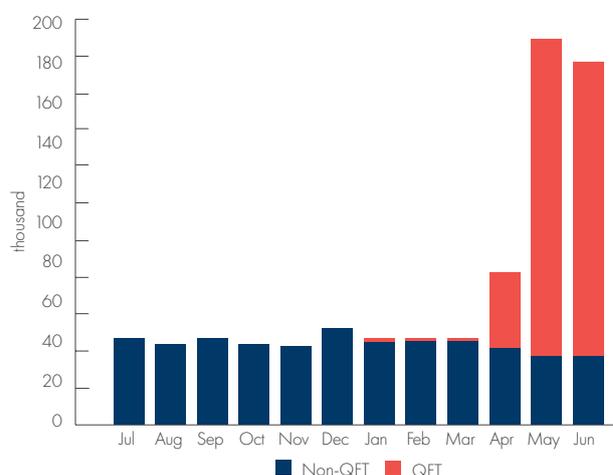
'Red' flights require Customs to manually process all passengers and check pre-departure testing documents. Our staff take each passenger through the health, customs and biosecurity checks, and then to their transport to a Managed Isolation and Quarantine facility.

'Green' flights are processed in separate sections of airports to ensure QFT passengers are isolated from those on red quarantine flights. All airports must meet Ministry of Health guidelines on separation and cleaning standards to reduce public health risks.

Passengers from both red and green flights are referred to Health officers during the arrival process if they need a more detailed health assessment.

QFT allowed us to reopen eGates for eligible green flight passengers. This meant we could add or change health-related questions (developed with the Ministry of Health), to help identify at-risk passengers – particularly when there were pauses in the travel bubbles with Australia.

Figure 12: QFT and non-QFT passengers by month in 2020/21





Rarotonga – Auckland check in for first quarantine-free flight

On Thursday 21 January 2021, Flight NZ941 took off from Rarotonga bound for Auckland in what was a new era of quarantine-free travel.

For the first time since COVID-19 border restrictions were put in place in March 2020, passengers from the Cook Islands could enter New Zealand without spending 14 days in managed isolation and quarantine accommodation. The passengers were welcomed by excited friends and family.

Passengers went through a cordoned-off air gate and baggage carousel and through special lanes into biosecurity processing. Both before and after the flight, these areas were thoroughly cleaned.

Customs' Group Manager Border Operations, Terry Brown, acknowledged Customs officers for their professionalism and commitment in processing our first quarantine-free flight. "Despite the reduction in flights, the airport has still been at times a stressful environment to be in. I am continually impressed by the way our people step up and perform at such a high standard."

Acting Manager Passenger Operations, Craig Rogers, reflected that the flight made the airport and the arrivals hall feel like it used to. "It was great to see families who have had many months apart being able to hug and greet each other like they did before COVID-19."

Two-way quarantine-free flights between the Cook Islands and New Zealand began on 17 May 2021.

The Collaborative Passenger Targeting (CPT) team (Customs and Immigration New Zealand staff) designed and implemented systems to facilitate eligibility checks for quarantine-free travel. The CPT makes sure the Australian Border Force and Cook Islands Immigration know of any ineligible passengers attempting to travel from New Zealand so they can decide on eligibility and deal with the passenger if necessary.

Ensuring fit-for-purpose passenger arrival cards

During 2020/21 Customs led a review of the passenger arrival card to include updated COVID-19 related information. We worked closely with the Ministry for Primary Industries, Immigration New Zealand, Stats NZ, and the Ministry of Health to make sure the data collected supported effective passenger health risk assessments and were legally sound.

COVID-19 pre-departure tests a new norm

Customs checks compliance with the pre-departure testing requirements of the Government, inspecting the documentation of travellers who are required to provide evidence of a negative test before travel to New Zealand and their responses to specific health questions.

Travellers who do not provide the required evidence of the pre-departure test may be issued a warning by Customs or, from 8 February 2021, incur an infringement offence fee of \$300, or a court-imposed fine not exceeding \$1,000.

Between implementation of the first pre-departure testing requirement on 16 January 2021 and 30 June 2021, we issued 50 warnings. A further 15 travellers were issued with infringement offence fees of \$300 for arriving in New Zealand without having a pre-departure test for COVID-19 or their documents not providing acceptable evidence of a negative COVID-19 test.

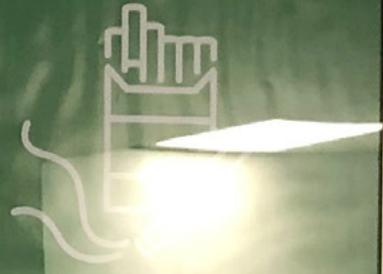
The year ahead

During 2021/22 our focus will be on:

- Continuing work as part of the all-of-government group looking at options and requirements for reconnecting New Zealanders to the world
- Implementing and monitoring processes to support quarantine-free travel zones
- Participating in the development of any additional quarantine-free travel zones and/or other changes to border restrictions



**DECLARE AND PAY
OR DISPOSE**



Over 50 cigarettes or
50g of tobacco
products.

Or you may be fined \$400

NEW ZEALAND
CUSTOMS SERVICE

Protecting
New Zealand's
Border

PUSH

DISPOSE
HERE

**CIGARETTE
& TOBACCO
DISPOSAL**



KOHINGA TĀKA REVENUE

Revenue due to the Crown is accurately assessed
and collected through secure and efficient processes.

Our intention: Collect all due revenue

We contribute to the Government's accounts by collecting around 18% of core Crown tax revenue each year. We do this by way of customs duty (including tariffs) and GST on imports, excise duty on domestically manufactured alcohol, tobacco, and petroleum products, and excise equivalent duty on the same products imported into New Zealand.

Our focus is on collecting all due Crown revenue through high voluntary compliance and addressing all non-compliance. Achieving high voluntary compliance requires making self-declaration, payment and collection easier and appropriately penalising all non-compliance. We aim to provide simple and efficient systems and processes that are transparent, consistent, predictable and accurate.

Summary of our performance

2020/21 progress against our strategic goals

- There is a high level of voluntary compliance
- All non-compliance is addressed
- The public has trust and confidence in the collection of revenue by Customs



Our key achievements in 2020/21

- \$14.9 billion of revenue collected
- Successfully supported businesses to pay 99.8% of outstanding debt deferred because of COVID-19
- 3,721 interceptions of tobacco resulting in seizure of almost 11 million cigarettes and 2,500 kilograms of loose tobacco

Performance against our revenue measures

Strategic measures



Our revenue strategic measures provide an indication of how we are tracking against our strategic goals. Our broader work also helps to progress our strategic goals.

One measure was off-track due to the rates of compliance with revenue obligations falling slightly. We have provided additional information below (pages 50–51).

Output measures



Our revenue output measures are the first two measures presented under '03. Revenue Collection and Other Services' (page 102).

Measuring progress against our strategic intentions

Our *Statement of Intent 2019–2023* records what we will monitor (the indicators) to measure our success in delivering on our strategic intentions over that four-year period.

Strategic measure: Level of voluntary compliance

Indicator: Compliance of audited companies

Expected trend: Increase

2020/21 progress: Off-track

We work to make sure that importers, exporters and licensed manufacturers of excisable goods comply with legislation and pay their duties and tax.

Random sampling of import entries gives us assurance of compliance through the transactional verification process (see page 99). We expect to see high levels of compliance.

Risk audits have the dual purpose of identifying non-compliance and providing education to encourage future voluntary compliance. Because we target higher-risk companies and trading activities we expect to see lower compliance compared to our random sampling.

Figure 13: Compliance rate of randomly sampled import entries

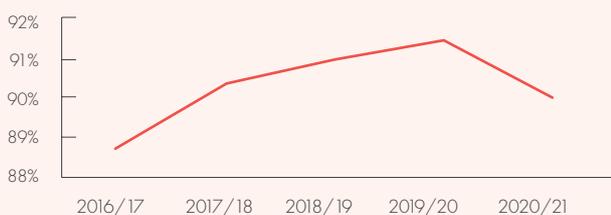


Figure 14: Compliance rate of risk profiled audits



Strategic measure: Identification and consequence of non-compliance

Indicator: Appropriateness of response to non-compliance

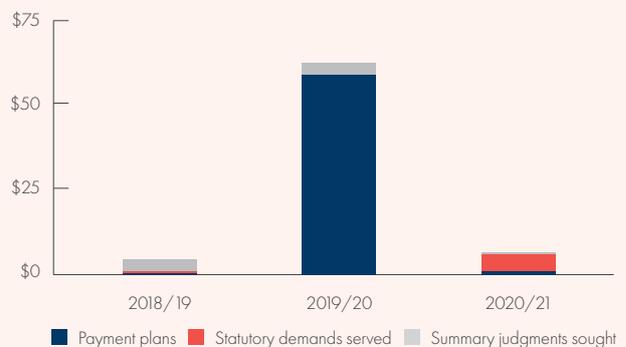
Expected trend: Increase

2020/21 progress: On-track

Most revenue is collected on time (98.3%, see page 102). In the rare cases where revenue is still outstanding after our standard follow-up processes, we work with organisations to agree payment plans or start debt recovery.

There was a large increase in outstanding revenue in 2019/20 because we worked with businesses to agree alternative payment arrangements and defer payments to ease the effects of COVID-19. Outstanding revenue significantly reduced in 2020/21 and is closer to pre-pandemic levels.

Figure 15: Outstanding revenue by response status at financial year-end (\$m)



Strategic indicator:
Level of trust and confidence
in Customs' revenue collection

Indicator: Overall level of trust and confidence in Customs' revenue collection

Expected trend: Not stated as measures yet to be developed

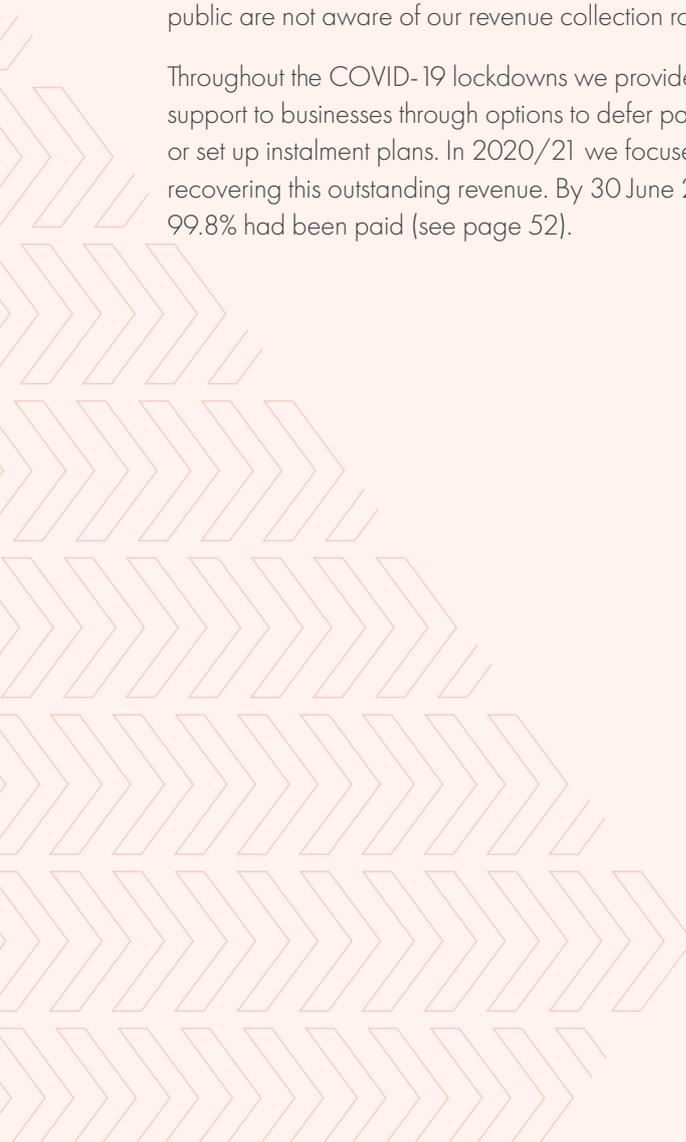
2020/21 progress: On-track

As a core Crown tax revenue collector, it is essential New Zealanders have trust and confidence in us.

Although our Public Trust and Confidence survey has not been done since 2018/19, Colmar Brunton's 2021 Public Sector Reputation Index survey once again showed the New Zealand public has high trust in Customs (see page 21).

In 2018/19, 45% of those surveyed said they had trust and confidence in Customs' revenue collection, with 47% indicating they had 'a lot' or 'a fair amount' of knowledge of our revenue collection role. This suggests many of the public are not aware of our revenue collection role.

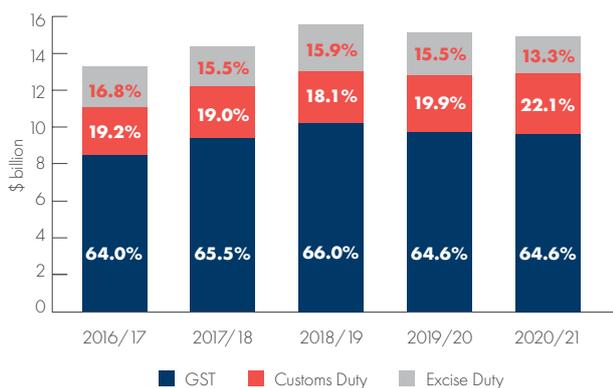
Throughout the COVID-19 lockdowns we provided support to businesses through options to defer payments or set up instalment plans. In 2020/21 we focused on recovering this outstanding revenue. By 30 June 2021, 99.8% had been paid (see page 52).



The year in review

In 2020/21 we collected \$14.9 billion of revenue, a decrease of 1.5% from the \$15.1 billion collected in 2019/20. The decrease was largely due to the impact of the COVID-19 pandemic on trade. Figure 16 shows the breakdown by types of revenue collected – GST, customs duty, and excise duty.

Figure 16. Crown revenue collected by Customs



We also collected \$310.0 million in levies at the border on behalf of other agencies, and \$10.9 million for the Crown through the Synthetic Greenhouse Gas (SGG) levy on imported goods (\$10.83 million) and infringement notices (\$0.03 million).

Our collection of revenue is based on self-assessment of duty liability and voluntary compliance by importers, exporters, and licensed manufacturers of excisable goods as this enables trade to flow without undue delay.

We also carried out intelligence-led, risk-based audits to ensure traders complied with legislation and paid the correct revenue and random checks on data entered by traders. If a trader does not comply, our response ranges from educating the trader to encourage voluntary compliance, to auditing or prosecution.

Supporting businesses affected by COVID-19

We have worked with businesses setting up options for payment. We helped over 350 clients with deferred payment or instalment plans. At the peak in May 2020 total revenue owing to Customs was \$126 million. At the beginning of 2020/21 we were still helping 260 clients with around \$58 million owing. By 30 June 2021 almost all of the outstanding debt had been paid (\$45,000 owing).

Making it easier for people to pay and complete Customs forms

In October 2020 we rolled out our new Financial Management Information System – Ahumoni. The new system lets customs brokers with deferred payment accounts pay on the 20th of the following month, rather than paying twice a month. This helps provide certainty and better cash flow management for brokers and importers. Deferred payment accounts can now be topped up quickly by clients (in around two hours rather than 24 hours).

Ahumoni also allowed us to provide more convenient and faster customer services, so customers could pay by credit card online, through internet banking or by cash at any Westpac, rather than at a Customs counter. We introduced editable forms for regular processes, such as bringing a pet or personal household items into New Zealand, and a new form for people who want to apply for a Customs number.

Investigating fraud and revenue evasion

Customs focuses on identifying and addressing revenue evasion and fraud-related offending. Serious offending to avoid duty usually involves importing tobacco although it can involve other products.

A find by our Assurance team in July 2020 shows the value of random sampling as part of our management of border risk.

The customs broker of an importer had incorrectly declared over \$100,000 of cameras and electrical goods as batteries with a value of under \$200, with no GST payable. This led to an assessment of the GST payable being over \$18,000.

Reducing tobacco smuggling

Tobacco smuggling costs the Crown a substantial amount of money in lost tax revenue (both duty and GST) while also undermining the Government's Smokefree 2025 policy and the improved health outcomes this policy seeks to achieve.

Smuggling of tobacco products, and importation of tobacco leaf, has grown significantly in recent years. New Zealand has one of the world's highest retail prices for tobacco products.

Because of the huge profits to be made, we are seeing both trans-national and local organised crime groups involved in tobacco smuggling operations (sometimes in tandem with illicit drugs) in addition to low-level smuggling of small quantities through the mail system. Preventing large-scale tobacco smuggling by organised crime groups requires the same approach Customs uses to intercept illicit drugs, including working with other government agencies and international partners to disrupt and dismantle distribution and retail chains.

3,721 interceptions during 2020/21

Over 10.9m cigarettes seized

Over 2,463 kg in loose tobacco seized

Stronger regulatory controls were introduced at the border from 1 July 2020 through the Customs and Excise (Tobacco) Amendment Act 2020. Tobacco products, including tobacco leaf and refuse, became prohibited imports unless a business or individual obtained a Customs permit to import the products, and prohibited entirely through international mail.

There is now also a simplified seizure process where Customs no longer has to prove the importation was intended to evade duty before the tobacco can be seized or significant enforcement action taken (such as a prosecution). The ability to seize and destroy illegally-imported tobacco immediately has freed up resources and reduced costs, for example, in the cost of storing seized tobacco for several months before disposal.

The duty and GST that would have been payable on the tobacco seized in 2020/21 was \$18.0 million. The total seized included large shipments in cargo and smaller quantities in mail. For example, in the last week of July 2020, our staff at the International Mail Centre in Auckland made 74 interceptions of nearly 310,000 cigarettes. All were declared as other goods, sent by many different senders to many different recipients.

In 2020/21, Customs settled the last case with fuel companies arising from the 2013 Supreme Court decision confirming our view that excise duty was payable on extra volume added to fuel through blending and including additives at depots after fuel has left the refinery – as this was 'manufacture' of dutiable goods. We have collected almost \$70 million historic revenue for the Crown from these settlements and have made sure the correct revenue will be paid in future.

Collecting duty on low-value goods

Under the Offshore Supplier Registration system (OSR), offshore suppliers collect GST on items supplied to New Zealand consumers valued at or below \$1,000, and then pass the revenue to Inland Revenue.

Under the OSR Customs only collects GST and duty (together with our import entry transaction fee and the Ministry for Primary Industries' biosecurity system entry levy) on consignments over \$1,000 or on alcohol or tobacco.

We continue, however, to assess all consignments entering New Zealand for non-revenue risks, regardless of value or who collects the GST.

The year ahead

During the 2021/22 year our focus will be on continuing:

- Our efforts to combat the illicit trade in tobacco
- To focus on fraud-related offending

Tobacco smugglers caught and charged

In July 2020 a Malaysian man was arrested for defrauding Customs following our then-largest single tobacco seizure shipment at the border – our intelligence and risk profiling identified the shipment, and we found 2.21 million cigarettes hidden in roof extension units.

In August we found two more large shipments of cigarettes hidden in construction materials – one of 2.39 million cigarettes and the other of 2.31 million cigarettes.

Our investigation showed that the three shipments were linked, with potential revenue evasion of \$8.5 million in duty and GST. Following search warrants we arrested another two Malaysian nationals and a Chinese national in September. They were all charged with defrauding the revenue of Customs and for participating in an organised crime group.





TE POU TOKOMANAWA

He iwi kotahi tātou (we are one people) through kotahitanga (partnership), kaitiakitanga (protection), and manaakitanga (participation/care for others).

The Foundations

The Treaty of Waitangi (Te Tiriti o Waitangi), New Zealand’s founding document, underpins the relationship between the Crown and Māori. At Customs the Treaty principles of kotahitanga, kaitiakitanga and manaakitanga provide the foundations for what we do – our Pou Tokomanawa. We have woven these principles through our Rautaki Mana Ārai (Customs Strategy) of which Te Pou Tokomanawa (Māori Strategy) is a part, providing a strong foundation to our Whanonga Pono (Values).

Our Te Pou Tokomanawa Māori o Te Mana Ārai (Customs’ Māori Strategy) was adopted in 2018/19 and promotes our goals to ensure that:

- relationships with Māori are founded on the principles of Te Tiriti o Waitangi
- our workforce is representative of Māori in Aotearoa
- Te Reo Māori me ōna tikanga (the Māori language and customs) is normalised across Customs.

We are focused on strengthening our partnerships with Māori, protecting Māori communities and contributing to economic development for Māori. We work to ensure that our policies and actions reflect the interests of Māori, whether as Customs staff or as our customers.

Summary of our performance

Te Pou Tokomanawa is the foundation upon which our other strategic pillars (protection, trade, travel, and revenue) sit. Ensuring we build strong foundations will enable us to successfully strengthen our partnerships, protect our communities, and support economic development for both Māori and New Zealand.

We are working to build our Te Reo Māori me ōna tikanga capability and increase Māori representation within our organisation. Our 2019–2021 Inclusion and Diversity Strategy has ethnic diversity as one of its two focus areas. This strategy sets clear targets, which we are on-track to reach, for growing Māori representation across our workforce and leadership.

Our Maihi Karauna (Māori Language Revitalisation) strategy, Whāinga Amorangi, and Papa Pounamu action plans (see page 72) lay the foundations for us to build on the progress we have made and signal our intentions for the future. Later in 2021 we intend to publish our Statement of Intent 2021–2025, which will look to reinforce our Te Pou Tokomanawa Māori o Te Mana Ārai as the foundation for our strategic pillars.

The year in review

Strengthening partnerships with Māori

We work with iwi to support Māori and build relationships. An example is the Border Protect initiative (see page 22), which builds on our partnership with Māori coastal communities to help monitor and protect our remote coastlines. The Minister of Customs, Hon Meka Whaitiri, launched Border Protect in March 2021 in Ōpua at an event attended by local kaumatua, iwi, and organisational representatives.

Ōpua is the main port of arrival for small craft into Aotearoa and, under the Maritime Border Order, arriving crew are subject to the same requirements regarding managed isolation and quarantine that apply at airports. Customs has consulted with hapū in the Bay of Islands 'Ngā hapū o te takutai moana ki Te Pewhairangi' and Ngāti Hine on how best to keep these communities safe. The widely agreed plan and Customs' community cooperation play a key role in ensuring that COVID-19 does not enter through this small port.

Our Economic Recovery Programme (see Trade section on page 34) has a dedicated focus on building relationships with Māori business and communicating the opportunities to benefit from international trade. Throughout 2020/21 we:

- Attended hui across the country as part of the Regional Trade Hui Te Tairāwhiti, which raised awareness of our key role in international trade and economic recovery.
- Developed information for the Te Taumata network for prospective exporters looking to develop overseas products and markets.
- Attended the Federation of Māori Authorities' Huihuinga Wāhine Māori Leadership Summit in Auckland to deepen our relationship.
- Built relationships, based on acknowledgement and kotahitanga, with key stakeholders, influencers, and iwi affiliations supporting Māori businesses.

Through this stakeholder engagement, and by working with Te Puni Kōkiri and New Zealand Trade and Enterprise, we have identified potential Māori businesses that could benefit from joining our Secure Exports Scheme (see page 34). By the end of 2020/21, we had identified 38 Māori businesses, including six of New Zealand's top 50 exporters, and 10 had registered their interest in becoming members of the scheme.

Increasing Māori representation at Customs

Our Inclusion and Diversity Strategy 2019–21 (see page 70) has growing ethnic diversity as a focus area. This includes increasing the proportion of Māori staff and leaders by 1% a year from the December 2018 baseline.

As at 30 June 2021 our proportion of Māori staff was 11.6%. While this has increased from 9.9% at 30 June 2020, it is tracking slightly below our goal of 12.6% by December 2021, and is lower than the proportion of Māori in the New Zealand population. Our proportion of Māori leaders is 10.8%, which is tracking towards our December 2021 goal of 11.4%.

We seek to attract and keep diverse staff.

Our recruitment, selection and talent management processes promote inclusion and remove bias from decision-making (see page 72). We have made progress in recruiting more Māori staff into our organisation. Of our new people in 2020/21, 17.6% identified as Māori, with a high proportion of Māori recruited to support the Maritime Border Order in Ōpua. Te Reo is incorporated in our advertising and job promotion tools and we continue to increase our presence in the Māori community. In March 2021 Customs recruiters attended careers expos in Northland to raise awareness of the opportunities available at Customs. The team talked about the roles and careers and gave advice to applicants on how to prepare and show their skills when applying.



Created by Blaine Te Rito, this carving in our Wellington Customhouse follows the traditional layout of a wharenui, and represents a waka that blends traditional Māori themes and Customs functions.

Building our Te Reo Māori me ōna tikanga

The public service has an important role in supporting and normalising Te Reo Māori me ōna tikanga in our workplaces and communities.

Te Arawhiti (the Office of Māori-Crown Relations) has developed the Māori Crown Relations Capability Framework to drive organisational change and strengthen Māori-Crown relations. Customs supports this work and we are currently finalising our Whāinga Amorangi (transforming leadership) strategy and action plan. Our 2021/22 plan focuses on the Māori-Crown relationship competency areas of New Zealand history and Te Tiriti o Waitangi literacy, Te Reo Māori, and understanding racial equity and institutional racism.

We have chosen to embed our Maihi Karauna (Māori Language Revitalisation) strategy within Whāinga Amorangi to enable a more connected approach to

building Te Reo Māori and Te Ao Māori knowledge and understanding of our people. We believe we will have greater success in normalising Te Reo Māori if we help our people also understand Tikanga (customs and practices), the Māori worldview and engagement with Māori. We know to achieve Rautaki Mana Ārai we must create a safe learning environment that encourages our staff to give it a go, practise and get the basics right.

Customs supports those who would like to develop their Te Reo Māori capability beyond a basic level through external programmes. We also support staff with more capability who wish to do advanced Te Reo Māori programmes, such as Rūmaki Reo. Rūmaki Reo is a 34-week, full-immersion oral Māori language course at Te Wānanga Takiura o ngā Kura Kaupapa Māori o Aotearoa. Customs welcomed our second graduate of this course in November 2020.

The year ahead

During 2021 /22 we will:

- Build our Māori business outreach capacity and continue to identify and engage potential Māori exporters that could benefit from joining the Secure Exports Scheme
- Focus on developing and recruiting Māori capability at senior levels across the organisation
- Finalise our Whāinga Amorangi action plan
- Support our staff to upskill across our Māori-Crown relations focus areas, as outlined in Whāinga Amorangi

Staff keen to learn Te Ao and Te Reo Māori

In September 2020 we surveyed our staff to understand where we are on our Te Ao Māori journey. The survey found that our staff were open to learning new perspectives on Te Ao Māori and wanted to build their confidence around the basics of Te Reo Māori and tikanga.

In response, we developed and added three new e-learning modules to our online learning platform, Te Kura (the School) in 2020/21: Engagement with

Māori, Māori worldview, and Equity and Racism (regarding equity and understanding institutional racism).

The development of these modules was a joint partnership between Customs, our Māori Network and kaumatua and, alongside our foundational Te Reo Māori e-learning, will help our staff to build their understanding and capability. Te Kura is open to all staff and included in our new staff induction material.







TE ORA MĒ TE KAHA HEALTH AND CAPABILITY





Ā MĀTOU TĀNGATA OUR PEOPLE

He aha te mea nui o te ao? He tāngata, he tāngata,
he tāngata. What is the most important thing in the
world? It is people, it is people, it is people.

People are fundamental to what we do. We aim to create a work environment where our people have a sense of belonging, feel included and valued, and are empowered to meet the challenges facing us now and into the future. The last 18 months have seen unprecedented events and changes to some of our functions.

Our staff have been on the frontline of New Zealand's response to COVID-19 and have rapidly adapted to the changing demands. These have included border restrictions, new protocols at the air and maritime borders, requirements to check that arriving passengers have had pre-departure COVID-19 tests, and quarantine-free travel. Our frontline officers dealing with 'red' (not quarantine-free) flights and at the maritime border operate under 'Alert Level 4' with infection prevention and control measures, including use of personal protective equipment (PPE), social distancing and regular COVID-19 testing a routine part of their work.

Our staff have remained flexible and willingly responded to the changes. We expect COVID-19 to continue to require changes to our processes over the coming year.

We have good relationships with the unions representing our staff – the Customs Officers Association, the Public Services Association and E tū. We have worked with these unions on a range of issues in 2020/21, including redeployment, COVID-19 testing and vaccination.

Our people are located throughout New Zealand and overseas

Our people are located around New Zealand, with most working in operational areas at maritime ports and international airports. In 2020/21 Customs expanded its maritime presence to two additional ports that receive

international ships (Gisborne and Picton). We also have people posted overseas to support our international trade relations and efforts to disrupt and dismantle supply chains of illicit goods (see page 22).

Figure 17: Staff numbers by location (as at 30 June 2021)



The overseas posts map does not include the four staff in administration roles at posts

Who works at Customs

Our staff numbers grew significantly in 2020/21 because of the new Maritime Border Order (MBO).

Table 4. Our workforce profile

Financial year	Headcount	Full-time equivalents (FTEs)	Average age (years)	Unplanned turnover	Total turnover	Average length of service (years)
2020/21	1,570	1,513.8	45.1	5.1%	10.3%	10.9
2019/20	1,339	1,279.4	45.3	6.2%	8.1%	12.3
2018/19	1,317	1,258.7	44.6	7.2%	9.5%	12.1
2017/18	1,287	1,230.3	44.1	7.3%	8.9%	12.0
2016/17	1,222	1,166.3	44.3	9.0%	12.3%	12.3

All information is at 30 June – except turnover, which is annualised

Our learning and development programmes

Flexible training options are key to meeting the changing demands of COVID-19. We progressed our staff learning and professional development programmes in 2020/21. Our programmes include technical training, leadership development and on-the-job learning.

A blended programme of formal training and on-the-job learning was developed for those working under the MBO. More staff being trained meant a much higher number of learning instances was recorded in our Learning Management System, the *Learning Room* in 2020/21.

As shown in Table 5, classroom training decreased in 2020/21 as virtual eLearning sessions became the norm. Webinar-style sessions delivered on Microsoft Teams also meant that more learning could be offered to larger groups of people.

Table 5. Staff training and development by type

Type of training session	2019/20	2020/21
Blended (includes OTJs)	3,202	5,046
eLearning (includes virtual sessions)	4,206	9,726
Classroom	3,247	2,792
Total	10,655	17,564

Customs' on-the-job learning programme has short assessments (known as OTJs) completed by officers. The number of completed OTJ assessments increased in 2020/21 from 1,768 in 2019/20 to 4,271. This included 2,171 by our new MBO staff, plus assessments linked to staff gaining New Zealand Qualifications Authority (NZQA) Government Regulatory Practice qualifications.

Acknowledgement and recognition of our people

A highlight of the Customs calendar is the formal presentations of the New Zealand Customs Service (NZCS) Medal, clasps to the Medal, and the Long Service Awards.

The NZCS Medal was inaugurated in 2008. It takes 14 years of dedicated service, professional conduct and contribution for a uniformed Customs officer to receive the Medal, with a clasp awarded for every seven years after this.

Our Customs officers and non-uniformed staff may also be awarded Long Service Awards for periods ranging from 10 to 50 years.



In 2021 more than 300 NZCS Medals, medal clasps, Long Service Awards, and certificates were presented to our people, in front of their work colleagues, whānau, and friends. The large number of awards was because the 2020 ceremonies were delayed by COVID-19.

The ceremonies were also a chance to recognise outstanding work by individuals and teams who received Comptroller's Commendations. This includes a Customs Choice Award chosen by our people.

These awards recognise each recipient's contribution to protecting New Zealand's borders.



Exemplary Foreign Partnership Award from United States Homeland Security Investigations

Our Liaison Officer in Los Angeles, Shaun Fujimoto, was presented this award in October 2020 for facilitating case collaboration and intelligence sharing between Customs, New Zealand Police and law enforcement agencies in the United States. His work has resulted in many multi-kilogram seizures of illicit goods in both countries.



Te Hāpai Hāpori Spirit of Service Award 2021 Finalists

These awards celebrate outstanding public sector governance, young leaders, and initiatives that deliver great outcomes motivated by a spirit of service to the community. Our entries were finalists in three categories:

Te Tohu mō nga Hua E Pai Ake Ana, Better Outcomes Award category

The team of 25,000 border workers, including Customs' staff, who have developed and implemented the COVID-19 Border Response.

Te Tohu mō te Kaiārahi Rangatahi o te Tau, Young Leader of the Year Award

April Kwak, who works as a policy analyst in our International team, for her great work on *Best Practice Guidelines for APEC Customs Administrations to Facilitate the Distribution of COVID-19 Vaccines and Related Goods* (see page 36).

Te Tohu mō te Ratonga Whakahirahira, Service Excellence Award

The Ministry of Business, Innovation and Employment's Small Business Collective, which Customs has contributed to, was nominated for lifting the digital capabilities of New Zealand's small businesses as they recover from COVID-19 through innovative learning, engagement and support.

Being inclusive and diverse

Ko tātou te matapuna o te hapori whānui, kei runga i a tātou katoa te mahi ki te whakahaumarū me te whakatairanga i a Aotearoa ki ngā rohe.

We reflect the community we serve, and together protect and promote New Zealand across borders.

We serve an increasingly diverse community and it is important our workforce reflects this so we can better understand and meet our customers' needs, as well as make sure our workplace is one where people with differences and disabilities are valued.

We know we need to grow the diversity of our workforce and leadership and have put initiatives in place to support this.

Customs' Inclusion and Diversity Council routinely refreshes its membership (most recently in early 2021) to make sure it is made up of people with diverse experiences, perspectives and new ideas. Our growing alumni network also provides communication channels, and helps promote inclusiveness and build relationships within their work areas.

Our *Inclusion and Diversity Strategy 2019-21* focuses on gender equity and ethnic diversity. As at 30 June 2021, 52.1% of our people identified as men and 47.9% as women. The proportion of women in our workforce has stayed about the same as last year (47.8% women at 30 June 2020). As at 30 June 2021 the proportion of women leaders was 32.1%, down from 34.1% at 30 June 2020 and below our *Inclusion and Diversity Strategy 2019-2021* target of 36.5% female leaders by the end of 2021.

Our *Gender Pay Gap Action Plan 2018-20* includes a range of strategies to make sure there are equal opportunities in recruitment, promotion, career development and pay processes for our staff. Eliminating the gender pay gap is part of our commitment to making sure equality and inclusivity are a core part of our culture. For a balanced overview of our progress, we monitor both the mean and median gender pay gap. These gaps are trending down, with the median target of 10.6% met and the mean target of 9.7% in sight.

30 June 2021

Mean gender pay gap 10.5%

Down from 12.4% in June 2020

30 June 2021

Median gender pay gap 9.4%

Down from 13.8% in June 2020

Note that the mean can be disproportionately influenced by a few very high or very low salary levels and large numbers of new staff.

Auckland Customs Women's Network mentoring programme

The Network developed and launched a peer mentoring programme in 2021, to match people with a wide range of mentors across Customs. Early signs are that both the people being mentored and the mentors are benefiting from the programme in gaining valuable insights into how each works and any barriers they face to succeeding.

This programme fits well with other initiatives across Customs to make sure women are equally able to take advantage of opportunities to progress and grow.

Our ethnicities

For our progress on our number of Māori people see Te Pou Tokomanawa section on page 56. While there was a slight drop in the proportion of our workforce who identify as Asian and Pacific Peoples from 2020, the proportion is still above that reflected in New Zealand society.

Our *Inclusion and Diversity Strategy 2019–21* has leadership diversity goals for the proportion of Māori, Pacific Peoples and Asian leaders. As at 30 June 2021, 10.8% of our leaders identified as Māori, 5.8% were Pacific Peoples and 5.4% were Asian. We are not on-track to reach our December 2021 goal of 8.2% for both Pacific Peoples and Asian leaders. This will be a key focus for us in 2021/22.

Our commitment to our diverse people

Our Inclusion and Diversity Strategy also identifies areas for further work around sexual orientation, gender identity, disabilities and mental health.

We support the inclusion of disabled people in the public sector through increased employment and commitment to the New Zealand Disability Strategy.

Customs is also committed to the Accessibility Charter. Our website (www.customs.govt.nz) is the main way we communicate information; it has been designed to be accessible to all, with information easy to find, logical, and easy to read and understand (with reference to the New Zealand Government Web Standards and the Web Content Accessibility Guidelines 2.0).

Table 6. Ethnicities at Customs

Ethnicity	2017	2018	2019	2020	2021
New Zealand Māori	9.1%	9.5%	9.8%	9.9%	11.6%
New Zealand European/Pākehā	62.8%	62.6%	62.8%	60.4%	61.2%
Other European	15.3%	14.6%	14.8%	14.5%	14.9%
Pacific peoples	9.3%	10.4%	10.9%	10.7%	9.9%
Asian	14.0%	14.3%	16.0%	16.7%	15.9%
Middle Eastern, Latin American, African	0.9%	1.1%	1.1%	1.0%	1.1%
Other ethnic group	5.8%	5.3%	4.9%	4.8%	4.2%

Each year's information is as at 30 June. Staff are able to self-identify three ethnicities.

Supporting diversity and inclusion across the Public Service

***Kotahi te kōhao o te ngira e kuhuna ait e miro mā, te miro whero, me te miro mangu.*³**

Customs is inclusive and diverse: every voice is valued and respected.

We fulfil our accountabilities under the Public Service Act 2020 to be a good employer. We aim to offer equal opportunities to all, across all aspects of employment. This includes access to jobs, promotions, remuneration, and training and development opportunities.

Our *Inclusion and Diversity Strategy 2019–21* aligns with and supports the expectations in the Papa Pounamu work programme for the Public Service. In 2020/21 we progressed establishing and embedding the five Papa Pounamu priority commitments throughout our organisation.

Building cultural competence

We recognise the benefits of understanding and valuing cultural and social norms and have implemented a range of intercultural training initiatives to build awareness within Customs. Since 1999, the Office of Ethnic Communities intercultural capability training has been part of our operational induction training, with 743 staff having completed the training, including 13 in 2020/21. Fourteen staff also completed the China Capable Master Class this year.

Our work on building our Māori-Crown relations capability is outlined in the Te Pou Tokomanawa section on page 56.

Addressing bias

We are committed to making sure there is no place for bias, of any kind, in our workplace. Our online foundational Unconscious Knowledge and Bias training includes a toolkit to help minimise bias. It is a blended programme (online learning and face-to-face training) that all staff can take part in. Since 2018, 29% of our staff have completed this training, including 31 staff in 2020/21. All staff involved in recruitment panels must complete bias training every year, and bias moments are incorporated into consistency discussions on talent. Since 2014, 70% of our leaders have completed either the foundational or recruitment bias training.

Demonstrating inclusive leadership

We want our leaders to demonstrate inclusive leadership through their everyday actions and foster an environment that encourages others to do the same. An inclusive leadership module has been included in our leadership development programmes since 2018 and performance expectations for all leaders include inclusive leadership and demonstration of the Customs values.

We have 'Quick guides' on our intranet to give our people and leaders ideas for inclusive practices. For example, one guide gives leaders strategies on how to run inclusive meetings.

Building relationships

In March 2021 we ran our Customs Inclusion Survey (built off the Ministry of Social Development's 'Belonging@MSD' survey and Inland Revenue's 'Diversity and Inclusion' survey), which sought feedback on inclusive and diverse working environments, whether it is safe to speak up, flexible working, and support for leaders. The results showed we are moving in the right direction to being an inclusive organisation for all.

³ This whakataurangi or Māori proverb captures the essence of our Customs Inclusion and Diversity vision. Its literal meaning is 'through the eyes of the needle pass the white thread, the black thread, and the red thread.' It originated with Potatau Te Wherowhero, the first Māori King, who, at the birth of the Kingitanga movement, spoke of strength and beauty through both unity and diversity, by alluding to the beauty and the strength of woven fabric.



There was particular support for our flexible working initiative. Most staff were comfortable discussing flexible work options and said they had conversations with their managers and felt the deliverables of Customs, employee and the team were considered during their discussions. This shows that our 'if not, why not?' approach and Flexible Working Policy (developed with our unions and staff networks, and formally introduced in early 2020/21), have had a positive impact.

The survey gave us valuable insights into how to continue to support a safe and respectful workplace where staff feel safe to speak up to inappropriate comments and behaviour. A Safe to Speak Up Programme is planned for late 2021 which will support our Positive and Safe Workplace Model Standards plan.

Employee-led networks

We have five staff networks: Women's, Māori, Pasifika, Rainbow, and Asian (the Asian network is run with the Ministry for Primary Industries), and an emerging Disability network. These networks provide essential support for our staff to be themselves at work, build connections and have their voices heard. Our networks are also involved in giving policy feedback and suggesting initiatives. Customs provides some funding and professional support for these groups and promotes membership through our induction material.

Snapshot of staff networks in 2020/21

Rainbow

Attended the Cross Agency Rainbow Network conference that aims to equip public sector decision-makers with a better understanding of the experiences of the rainbow community, enhance their safety and wellbeing and help drive sustainable actions that meet the needs of the community.

Women's

Supported members with queries around recruitment for the MBO. Ongoing – the women's network and Customs are working to provide training and solutions for equal opportunities for women. Provided free period products in three Auckland sites for staff at work. Now being rolled out nationally.

Pasifika

During COVID-19 lockdowns, the Pasifika Komiti sent weekly emails to the Pasifika network on wellbeing, health, financial and educational services.

Māori

Supported the Customs Secure Exports Scheme outreach to Māori businesses. Provided mihi whakatau and Customs Strategy delivery at our new staff introduction days.

Customs–MPI Asian

Implemented the 'Quietly Powerful' webinar series covering topics such as 'the changing face of leadership' and 'how to be visible when you are uncomfortable with self-promotion'.

Health, safety and wellbeing – at the forefront

Customs is committed to having a workplace and culture that promotes safe work practices and encourages the positive wellbeing of our people. We engage with our staff and management to make sure best practice is followed with health, safety and wellbeing at the forefront, regardless of where our staff are working.

Governance to keep our people safe

Customs has a Health, Safety and Wellbeing (HSW) Governance Committee that meets quarterly to review our health, safety and wellbeing dashboard and engage in deep dive reviews of critical risk management and performance with risk owners. It makes decisions on managing risk to keep our staff, contractors, and visitors safe and well.

Customs HSW Officers lead local forums to address day-to-day health and safety issues and opportunities. Customs fosters and encourages HSW relationships with our major partners at the air and sea border.

We doubled the number of elected HSW officers to 60 in 2020/21 because of the extra work at the maritime border, and have a training programme to lift the skills of those staff.

Managing workplace risks

Customs manages a range of critical risks due to the varied environments where our staff work. COVID-19 also remained an important factor in 2020/21. In 2020/21 we improved relationships with other agencies and ports to have a shared understanding of the risks and controls in these environments, which is safety critical for everyone working there.

Customs follows, and often exceeds, Ministry of Health advice for protecting staff and passengers at airports and maritime ports through our infection control practices, use of personal protective equipment (PPE), distancing requirements, and cleaning. We worked closely with airports to manage the separation of passengers on quarantine-free 'green zone' flights and those on 'red zone' flights, and we (with the Ministry of Health) introduced infection control processes to make sure there was no cross-contamination between the zones.

In 2020/21 we also proactively managed both COVID-19 health and safety risks and other risks at sea ports. The new workforce employed to support the implementation of the Maritime Border Order was trained in PPE use and an approach adopted to minimise contact with ships' crew and port staff whilst fulfilling our responsibilities under the Maritime Border Order. We have also taken action to manage the risks inherent in working on ports, such as operating around heavy plant and machinery and in and around water, and driving on the port precinct.

We continued to carry out business-as-usual wellbeing activity to support Customs staff in 2020/21, such as the Employee Assistance Programme for staff to seek support, internal communications promoting healthy lifestyles, and workstation set-up guidance. We take a holistic approach to wellbeing, fostering early awareness and intervention, including a focus on improving access to self-monitoring and wellbeing engagement tools, such as the KYND and Mentemia mobile apps, and listening to staff suggestions on improving health and wellbeing.

COVID-19 testing and vaccinations

Under COVID-19 Public Health Response Orders, fortnightly testing became mandatory for all Customs staff who work processing international air arrivals, and all staff who board or interact with people from sea craft arriving from overseas. All staff who needed to be tested complied in 2020/21. From 30 April 2021 all staff in these roles were required to be vaccinated.

Customs worked closely with partner border agencies and the Ministry of Health coordinating the vaccine rollout for our border workers. As well as being regularly updated about the rollout, our staff were able to ask questions and get answers. We also engaged with unions and health and safety representatives throughout the process.

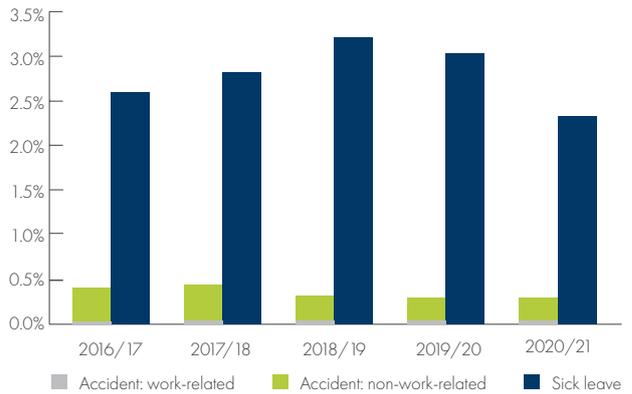
Between 30 April 2021 and 30 June 2021, Customs redeployed 21 staff who were not vaccinated to other roles. Unfortunately, we were not able to find alternative roles for eight fixed-term Maritime Border Order staff and their employment was ended early.

Near misses, hazards, and accidents

We had 154 accidents reported in 2020/21 – a slight increase from the 140 accidents in 2019/20. Most of those accidents were minor.

Customs monitors lost productivity due to accidents (at work and outside work) and sickness. Most productivity lost as a result of accidents is due to non-work accidents – lost productivity from work-related accidents was 0.06% in 2020/21, as shown in Figure 18.

Figure 18: Lost productivity due to accidents and sickness



Of 116 preventive reports (near misses/hazards) in 2020/21, 82 were critical risks. These near misses or hazards show what could injure or seriously harm our people and the reporting provides a mechanism to monitor, adjust, and improve safety culture and actions, and enables preventative strategies to be implemented.

The increase of 25 in 2020/21, from 91 in 2019/20, is because there were lower activity levels during the COVID-19 lockdown in 2019/20, and in 2020/21 we had more staff to implement the Maritime Border Order. We are seeing a stronger culture and acceptance of prevention at Customs as risk review becomes further embedded into processes and facilities and operational orders.



NGĀ TIKANGA WHAKAHAERE GOVERNANCE AND MANAGEMENT

The COVID-19 pandemic has had a significant impact on the environment in which Customs works and will continue to in the coming years. We need to be able to deliver our services in a rapidly changing environment, making sure we are agile and can respond quickly, while improving our systems and processes to support best practice.

Customs Executive Board

The Customs Executive Board (CEB) sets the strategic direction for Customs and ensures the organisation has the skills, resources and focus to deliver its services. CEB comprises the Comptroller of Customs, the Deputy Comptroller, and four deputy chief executives.



Comptroller of Customs

Christine Stevenson was appointed Comptroller of Customs in 2019. She is responsible for leading the New Zealand Customs Service, and is also the chair of the cross-agency Border Executive Board.

Christine was previously the Acting Chief Executive of the Department of Corrections, and is a former Deputy Chief Executive of the Department of Corrections and the Ministries of Justice and Social Development.

Deputy Comptroller Operations

Bill Perry leads the operational arm of Customs, covering intelligence, investigations and enforcement, border operations, revenue, and business improvement processes.

Bill has had a range of roles within Customs, including Northern Ports Manager, Investigations Manager, Investigations and Response Group Manager, and was Acting Comptroller of Customs in 2019.



Deputy Chief Executive International and Governance

Jamie Bamford is responsible for a range of portfolios within Customs including international engagement; risk, assurance and integrity; communications; Ministerial correspondence; and governance. He is also leading the work programme to improve border systems and processes.

Prior to joining Customs, Jamie worked for the New Zealand Intelligence Community and has also worked for the London Metropolitan Police Service in various roles.

Deputy Chief Executive People and Capability

Jacinda Funnell leads the People and Capability group, ensuring Customs has great people with the capability to deliver our strategy. She is responsible for human resources, payroll, learning and development, organisational development, employment relations, workforce planning, kaupapa Māori, and health and safety.

Jacinda has 25 years' experience as a public servant, largely in policy roles, including in Customs and at the Ministries of Defence and Transport.



Deputy Chief Executive Finance, Technology and Infrastructure

Sharon May is responsible for corporate services, finance, information systems, business performance and the enterprise portfolio management office – ensuring that the systems and processes we rely on are robust.

Sharon has more than 20 years' experience in public sector financial management. She has previously held senior roles at Inland Revenue and jointly led initiatives through The Treasury's financial development programme, which seeks to increase strategic financial capabilities across government agencies.

Deputy Chief Executive Policy, Legal and Strategy

Richard Bargh is responsible for ensuring Customs provides high-quality advice on policy and legal matters to the Minister, Comptroller and CEB. He is responsible for regulatory stewardship and the development and oversight of Customs' strategy.

Richard has a long history with Customs, including as the Group Manager Revenue and Assurance. He previously led Customs' COVID-19 Economic Recovery Programme and was executive lead for the Customs Trade Strategy.



Making sure we do the right things in the right way

Our governance system ensures we take collective accountability for key strategic decisions – including strategy, stewardship, organisational priorities and performance.

Four governance committees ensure efficient decision-making:

- **CEB Focus Committee** – makes substantive and strategic decisions about matters impacting Customs now and in the future. Chaired by the Deputy Comptroller Operations. Meets monthly for a half or full day.
- **CEB Investment and Performance Committee** – has oversight and accountability of the allocation and use of resources and the performance of Customs. Chaired by the Deputy Chief Executive Finance, Technology and Infrastructure. Meets monthly.
- **CEB Business Committee** – makes decisions and gives direction to ensure Customs is able to deliver our services effectively. Chaired by the Deputy Chief Executive Policy, Legal and Strategy. Meets monthly.
- **CEB Health, Safety and Wellbeing Committee** – manages risk and keeping our staff, and those we work with, safe and well. Chaired by the Comptroller and supported by Hillary Bennett as an external advisor. Meets quarterly for half a day.

Assurance and Risk Committee – an external view

The Assurance and Risk Committee provides independent advice to the Comptroller and CEB to make sure we have effective risk management strategies and practices. It reviews the integrity of audit functions and performance information and makes sure policies and processes are in place to comply with legislation.

In 2020/21 the Committee consisted of five external members:

- Mark O'Connor (Chair) is an Invercargill Company Director with a background in finance and ports
- Audrey Sonerson is the Deputy Chief Executive (Resources) at the Ministry of Foreign Affairs and Trade, responsible for aligning resources to strategic priorities
- Kelvin Watson is an independent consultant with experience in leading and digitally enabling large-scale operational and service delivery business
- Steve Sutton is Te Puni Kōkiri's inaugural Chief of Staff – Office of the Secretary for Māori Development responsible for the Secretary's office that looks after the overall cultural competency and wellbeing of the organisation
- Karen Jones is the General Manager, Engagement and Partnerships at Waka Kotahi, NZ Transport Agency and has a strong background in central government leadership.

Customs Assurance and Risk Committee report for the year ended 30 June 2021

The Customs Assurance and Risk Committee (ARC) is an independently chaired body offering a strategic advisory function to the Comptroller.

The past year has seen Customs continue to be at the forefront of a rapidly evolving border management expectation and playing a leading role in New Zealand's response to COVID-19. The ARC recognises the continued impact this has had on Customs, particularly in the relation to:

- The erratic demand imposed on the border operations function;
- The financial challenges associated with low traveller numbers, the gradual introduction of travel bubbles and the on again-off again nature of these scenarios; and
- The new maritime protection role across all New Zealand Ports and the speed at which the operation needed to be implemented.

The ARC has observed the continued and significant support Customs has provided to the broader All of Government response. Further it believes the confidence in Customs to deliver on this response is reflected in its role in the newly created Border Executive Board, of which the Comptroller of Customs, Christine Stevenson is Chair.

In August 2020 the ARC said farewell to Rosanne Hawarden, acknowledging her contribution to the Committee. February 2021 saw Karen Jones (General Manager Engagement and Partnerships, Waka Kotahi NZ Transport Agency) and Steven Sutton (Chief of Staff – Office of the Secretary for Māori Development, Te Puni Kōkiri) welcomed to the ARC, and we look forward to their contribution. My thanks are expressed to Audrey Sonerson and Kelvin Watson for their continued contribution.

The annual survey to understand the effectiveness of the ARC was completed mid-2021 by ARC members, Customs Executive and other stakeholders. Themes from this feedback will be used to build on the effectiveness of the ARC – Customs Executive relationship plus guide areas of consideration and focus over the coming year.

The ARC has provided specific advice and guidance throughout the year, albeit mostly via Teams on a range of high priority areas, including:

- Customs functions and responses to COVID-19, including recovery action
- The Maritime Border Order
- Customs lead in the Asia-Pacific Economic Cooperation Forum
- Financial and investment performance and reporting
- Royal Commission of Inquiry into the Terrorist Attacks on Christchurch Mosques
- Customs' role assisting New Zealand importers and exporters
- Customs' strategic risk profile and the Assurance Work Programme
- Audit NZ report recommendations to the Comptroller
- The completion of the second phase of the Whakakotahi strategic change process
- People and Capability related matters, particularly Health, Safety and Wellbeing.

The ARC will continue to support the Customs Executive as it leads Customs efforts in working to enable the New Zealand recovery, and as we continue to move through these challenging times and enter the reconnect phase.



Mark O'Connor

Chair, New Zealand Customs Service
Assurance and Risk Committee

Managing our risks

All Customs' people have a role in managing operational and tactical risks to protect and promote New Zealand at our borders. Our risk-aware culture also allows us to identify opportunities to strengthen our day-to-day activities and identify new initiatives.

We manage risks in a range of different contexts including at strategic, organisational, operational, and project level. This approach enables consistent risk management, and the ability to maintain oversight, of our risk environment.

At an executive level we focus on seven strategic risks, especially those areas impacted by COVID-19:

- **Workforce**

Because the size, structure and nature of our business is changing rapidly impacting the culture of our workforce, we may struggle to meet government expectations and staff wellbeing.

- **Financial sustainability**

If there is not enough funding to deliver future services and manage risks across borders.

- **Effective and efficient border management**

If we are unable to maintain the systems that enable robust border management.

- **Stakeholder management and engagement**

If we are unable to maintain and grow strong strategic stakeholder relationships in a rapidly changing environment.

- **Trust and confidence**

The risks in actions or incidents that influence, in a positive or negative way, the confidence that stakeholders, customers and the public have in Customs.

- **Futures thinking**

No longer having the ability to continue to be a world-class border agency. We may not think and plan strategically and understand what the future might look like for our clients, our business and our people, preventing us from responding effectively and efficiently.

- **Maritime Border Order management**

If we don't prevent community transmission of COVID-19 through the maritime border.

Maintaining financial sustainability

Customs is funded from Crown revenue and revenue from charging fees for some of our services. The Border Clearance Levy, a fee charged to travellers to recover the cost of their border processing, was a major source of revenue for us pre-COVID-19. The significant reduction in travellers since the introduction of restrictions at the border has reduced the revenue earned from this fee (see page 14).

In response we have made cost savings where possible. We met the cost of responding to changing demands, such as checking pre-departure testing compliance and managing separate 'red' and 'green' passenger zones at airports, from within our existing funding levels.

However, we have required additional Crown funding to address cash flow issues from the COVID-19-related reductions in third party revenue. To compensate for the reduced revenue from the Border Clearance Levy, the Crown provided additional funding of \$87 million in 2019/20 and 2020/21. An additional \$40 million has been provided for 2021/22.

In June and July 2021 Customs and the Ministry for Primary Industries consulted the public on the options to return to full cost recovery at the border through changes to the rate of the Border Clearance Levy. Ministers were advised of the results so they could make decisions on the levy rate and the period over which full cost recovery is achieved.

Ensuring our systems and processes remain effective

Transparent to the public, trustworthy by design



Managing information is a core part of our work, from the data we collect and use, to the information we share with our partners. We're working to make sure systems are in place across Customs so that privacy is maintained and information is protected and respected.

During 2020/21 we:

- established an Information Sharing and Privacy team to help grow privacy maturity and capability across Customs
- began work on the privacy aspects of the multi-agency Traveller Health Declaration System – a key part of the Government's Reconnecting New Zealanders strategy.

Detect early, respond fast, recover quickly



Cyber threats and denial of service attacks are growing around the world, affecting the ability of organisations to access systems, share information and ensure the integrity of data.

A Cyber Security team was set up in March 2021 to develop a roadmap for enhancing cyber security protections and maintaining a well-managed security system. This team works closely with other agencies and NZ CERT to make sure best practice security management processes are in place.

Our security awareness programme helps staff to be security aware. It educates on phishing threats and malware emails and security best practice, such as account and password protection.

Timely provision of information



Customs is committed to making sure we comply with the purposes, principles and requirements of the Official Information Act (OIA) 1982. Making official information available to the public promotes accountability and supports good government.

During 2020/21 we responded to 626 requests for information under the OIA, with 99.7% provided within legislated timeframes.

We regularly publish responses to OIA requests on our website, as well as a range of information to keep the public informed of our work.

Implementing Ahumoni



In October 2020, we launched Ahumoni – our new financial management information system.

Ahumoni has streamlined our financial processes and improved the way we:

- manage our Crown revenue
- purchase the things we need to support our services
- manage internal budgets and forecasting.

Integrity

Customs' reputation depends on the way we act and use our powers to protect and promote New Zealand across borders. Maintaining public trust and confidence in our service is a key organisational priority and reflected in our value 'We do what is right', which underpins *Rautaki Mana Ārai* (Customs' Strategy).

Our programme to safeguard integrity and prevent corruption is supported by an independently chaired Integrity Assessment Committee. The Committee provides assurance that integrity matters are addressed in a transparent, fair and timely way and that Customs can learn from themes and patterns that emerge.

During 2020/21 we:

- facilitated workshops for staff focused on the importance of 'doing what's right', speaking up about wrongdoing, raising awareness, and generating conversations about integrity
- refined the integrity reporting and response processes and disciplinary policy
- supported the Office of the Auditor-General in the development of their Integrity for Leaders and Governance Framework.

Conduct

Customs employs over 1,500 people. The table below shows the outcomes of investigations concluded in 2020/21 into allegations of unacceptable behaviour by our staff and contractors/consultants.

Upheld	Not upheld	Did not meet misconduct threshold	Left Customs before investigation concluded
11	11	–	1

When misconduct occurs and it is determined that disciplinary measures are necessary, these measures are meant to be corrective rather than punitive. In some cases termination is justified and appropriate.

The table below shows statistics on disciplinary action, sanction or outcome in 2020/21 where the allegation was upheld.

Formal warning	Letter of expectation	Termination (with or without notice)	Resignation	Other
8	4	–	–	2

Three of the formal warnings also included a letter of expectation. The 'Other' incidents regard a seconded employee from another organisation and a situation where there was a one-off breach of process.

Our part in being carbon neutral

In December 2020 the Government established the Carbon Neutral Government programme aimed at accelerating the reduction of emissions within the public sector. The programme is part of the Government's commitment to take urgent action on climate change mitigation and adaptation. It requires agencies to measure and publicly report annually on their emissions (from 2022), and to develop and publish an Emissions Management and Reduction Plan by December 2022.

During 2020/21, Customs began work on a system to track and report on its emissions across the required categories, including electricity and gas use, emissions from vehicles and business travel, water and waste water usage, and landfill/recycling waste. The 2019/20 financial year will provide base-level data from which we will work to reduce our emissions. The first report on our emissions will be provided in the 2022 Annual Report.

We also maintained our focus on environmental sustainability through:

- a commitment to reduce air travel as this is a significant source of emissions
- replacing petrol vehicles with hybrid and electric vehicles through our fleet replacement programme
- an ongoing commitment to energy efficiency in our offices
- waste-to-landfill minimisation.

How we became a case study for the Office of the Auditor-General

The Office of the Auditor-General (OAG) used us as a case study and partner in the development of new integrity policies and guidelines for public service agencies.

As part of the case study, the OAG ran workshops in September and October 2020 with staff from the Customs Executive Board, as well as our management and those working on the frontline, to understand experiences of our integrity practices and the relevance and use of the Customs Integrity Framework. The workshops gave everyone an opportunity to understand integrity situations faced by staff in the public service and fed into the development of best practice guidelines, with relatable examples.

Customs was used as an example of having good integrity practice to public service leaders and Audit and Risk Committee chairs at events organised by Audit New Zealand from March to May 2021 on the importance of ethics and integrity to government and the public sector. Customs and the OAG co-presented at these forums, attended by over 500 of the public service's top decision-makers. The presentation focused on the way in which the whole organisation contributes to and supports integrity and the ongoing development of our Integrity Committee.

Integrity within Customs is regarded as everyone's responsibility and is represented in our value "we do what's right – te ara tika". Partnering with the OAG as the guidelines were developed gave us an opportunity to consider and strengthen our own processes.

Asset portfolios

Customs has an active programme to manage and monitor our assets. This includes regular reviews of our asset management plans and review of priorities for investment.

Our assets are grouped into the following asset portfolios for reporting:

- **Property** – buildings for office accommodation in our main centres
- **Information Communication and Technology (ICT)** – computer hardware and software relied on for facilitating trade and travel, collecting revenue, and managing the associated risks.

Other assets have been excluded from reporting as they are not as critical to the delivery of our core services.

Asset performance

Property asset performance measures

The following measures relate to the Auckland, Wellington, and Christchurch Customhouses.

Table 7: Property asset measure results

Measure	Indicator	2019/20 Target	2019/20 Actual	2020/21 Target	2020/21 Actual
m ² per office person	Utilisation	12m ² –16m ²	14.48m ²	12m ² –16m ²	14.43m ²
Percentage of building services, and other infrastructural services, that provide a safe and comfortable environment for staff	Functionality	100%	100%	100%	100%
Percentage of buildings not earthquake-prone	Condition	100%	100%	100%	100%

Functionality

We aim to provide comfortable, modern and safe workplaces for our people and customers. We assess our buildings against the ‘safe and comfortable’ criteria of: accessibility, location, safety, security and fitness for purpose. In 2020/21 all properties met our performance service standards.

Condition

Each of our three Customhouses are rated above 33% New Building Standard. From 1 July 2021 our Auckland and Wellington buildings will also be monitored against the NABERSNZ energy efficiency rating as part of our work to reduce carbon emissions through the Carbon Neutral Government Programme.

ICT asset performance measures

The following measures relate to our key ICT systems – Joint Border Management System/Trade Single Window (TSW); CusMod border management system; Nexus data warehouse; eGate for passenger processing; Financial Management Information System (FMIS).

The measures and targets have been agreed by our executive and are used in our Asset Management Plans.

Table 8: ICT asset measure results

Measure	Indicator	2019/20 Target	2019/20 Actual	2020/21 Target	2020/21 Actual
Percentage of time systems available	Availability	100%	99.7%	99%	99.9%
Percentage of priority one (P1) incidents resolved within agreed support and maintenance service levels	Functionality	100%	62.5%	100%	75%
Percentage of ICT assets fully supported by vendor	Condition	100%	80%	100%	100%
Percentage of commercial air passengers using eGate	Utilisation	>55%	57.8%	>55%	66.3%
Percentage of trade lodgements processed electronically	Utilisation	97%	98.1%	97%	99.6%
Alerts in border management system	Utilisation	N/A	223,793	N/A	522,203

Availability

In 2020/21 we lowered our systems availability target to 99%. The new standard more accurately reflects the level of service our suppliers are contracted to provide and for which we are funded. We have also updated our calculation to exclude planned outages, which are scheduled for times that have the minimum impact on business operations. Our customers are advised of planned outages in advance to minimise disruption. If planned outages are included, availability was 99.7%.

Utilisation

eGates were not used to process passengers for most of the financial year, see page 42. The commencement of quarantine-free travel enabled the use of eGates for eligible passengers on those flights. The 66.3% utilisation figure refers to the percentage of commercial air passengers using eGates since the beginning of two-way quarantine-free travel with Australia (April 2021). During 2020/21, including the period when eGates were not used, 42.0% of commercial air passengers used eGates.

Explanation for variances from 2020/21 standard

Functionality

Three of four P1 incidents were resolved within agreed support levels. The remaining incident was caused by a complicated technical issue with one of our network devices; the complexity of the issue resulted in a breach of the two-hour service level agreement.



The year ahead

During 2021 /22 we will:

- Revise our four-year Statement of Intent to reflect the changes in our responsibilities and operating environment as a result of COVID-19
- Develop a Carbon Emission Reduction Plan and baseline reporting on carbon emissions
- Continue to review and enhance our systems and processes to meet emerging challenges and strategic risks





79356
261
0.480
7.200
2.220
1.890 LB
3.260 KG
2.310 LB
33.2 CUM.
170 CUFT.

TE RĪPOATA MOTUHAKE Ā TE KAIAROTAKE INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

To the readers of the New Zealand Customs Service's annual report for the year ended 30 June 2021

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 117 to 147, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2021, 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 include the statement of accounting policies and other explanatory information;
- the performance information prepared by the Department for the year ended 30 June 2021 on pages 13, 18 to 54 and 97 to 109;
- the statements of expenses and capital expenditure of the Department for the year ended 30 June 2021 on pages 110 to 113; and
- the schedules of non-departmental activities which are managed by the Department on behalf of the Crown on pages 149 to 157 and 121 that comprise:
 - the schedules of assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2021;
 - the schedules of expenses; and revenue for the year ended 30 June 2021;
 - the schedule of trust monies for the year ended 30 June 2021; and
 - the notes to the schedules that include accounting policies and other explanatory information.

Opinion

In our opinion:

- the financial statements of the Department on pages 117 to 147:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2021; 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 performance information of the Department on pages 13, 18 to 54 and 97 to 109:
 - presents fairly, in all material respects, for the year ended 30 June 2021:
 - 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.
- the statements of expenses and capital expenditure of the Department on pages 110 to 113 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 149 to 157 and 121 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 2021; and
 - expenses; and revenue for the year ended 30 June 2021; and
 - the statement of trust monies for the year ended 30 June 2021.

Our audit was completed on 30 September 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. 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 opinion

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 audit opinion.

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 and Supplementary Estimates of Appropriations 2020/21 and the 2020/21 forecast financial figures included in the Department's 2019/20 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 6 to 12, 14, 55 to 87, 96, 159 to 165 and 170 to 192 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, we completed 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





TE AROMĀTAI I Ā MĀTOU ANO OUR PERFORMANCE



Statement of Responsibility

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 annual report fairly reflects the operations, progress, and organisational health and capability of the New Zealand Customs Service
- the financial statements fairly reflect the financial position of the New Zealand Customs Service as at 30 June 2021 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 2022 and its operations for the financial year ended on that date.



Christine Stevenson

Comptroller of Customs
30 September 2021

Our output measures show how well we performed against the services we deliver

This section reports on our performance against our standards, as included in *The Estimates of Appropriations* and as amended by *The Supplementary Estimates of Appropriations* for the year ending 30 June 2021.

The 2020/21 actual results in this section are audited.

The Budget figures are those included in *The Estimates of Appropriations 2020/21*. The Revised Budget figures are those from *The Supplementary Estimates of Appropriations 2020/21*. This information is unaudited.

We have included comparison of our performance measures against the results for 2019/20 where possible. To provide further context for the 2020/21 results, we have also included our performance standards for 2021/22. This information is unaudited.

Changes to our appropriations for 2020/21

We consolidated our 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.

As a result of this process, the seven departmental output expense appropriations for Vote Customs in 2019/20 were consolidated into three output expense appropriations for 2020/21. They are the *Goods Clearance and Enforcement*, *Travellers Clearance and Enforcement*, and *Revenue Collection and Other Services* appropriations. These three appropriations provide a meaningful and simplified basis for reporting on performance that is connected with Customs' four strategic priority areas of Protection, Trade, Travel, and Revenue. The output performance measures in these three appropriations for 2020/21 were reviewed to make sure they reflect our services within the scope of each appropriation.

In this report the revenue and expenses for the seven output expense appropriations for the year ended 30 June 2020 have been restated under these three appropriations to compare with the costs for the year ended 30 June 2021.

Two new time-limited appropriations were added in *The Supplementary Estimates of Appropriations 2020/21* for Vote Customs with funding currently provided for 2020/21 and 2021/22 under each appropriation:

- The *COVID-19 - Maritime Response* multi-year appropriation as Customs is leading the coordination and implementation of the operational response and application of the Maritime Border Order (see page 22).
- The new *Border System Performance* appropriation as Customs is the servicing department for the Border Executive Board that was established (as an interdepartmental executive board under the Public Service Act) on 11 January 2021.

01. Goods Clearance and Enforcement

This appropriation covers the provision of services relating to goods crossing borders, including trade compliance, and the protection of New Zealand through interventions, investigations, and enforcement.

How we performed

We achieved all eight output performance measures in this appropriation.

Measure	2019/20	2020/21		2021/22
	Actual	Standard	Actual	Standard
Clearance				
Minimum percentage of trade transactions (other than those referred for compliance checks) processed (including assessment against business rules and intelligence alerts) within 30 minutes	99.1%	95%	99.3%	98%
Minimum percentage of import transactions that are deemed compliant based on risk assessment and proceed without further intervention	99.0%	95%	99.1%	98%
Minimum percentage of export transactions that are deemed compliant based on risk assessment and proceed without further intervention	99.9%	99%	99.9%	99%
Minimum percentage of a random sample of import entries that are found to be accurate through the transactional verification process	91.4%	90%	91.0%	90%
Minimum number of random interventions of import trade conducted (under Customs' Assurance programme)	N/A	6,000 ⁴	7,845⁵	6,270
Enforcement				
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	\$1,000 million	\$2,699.9 million	Measure removed
Minimum losses ⁶ (NZ\$) incurred by importers of illegal goods through seizure of illicit drugs, assets, and proceeds of crime	N/A	\$400 million	\$460.0 million	Measure removed
<i>We removed these measures from our output class reporting. These are impact/outcome measures that are better aligned with our strategic performance and our efforts to disrupt criminal organisations and protect all New Zealanders. Harm avoided will continue to be measured through our internal and external reporting.</i>				
Minimum percentage of high priority investigations ⁷ where prosecution is initiated ⁸	N/A	70%	75.0%	Measure replaced
<i>This measure has been split into three new measures (one in each of the Goods, Travellers, and Revenue collection appropriations):</i>				
<ul style="list-style-type: none"> - Minimum percentage of investigations, related to import or export of prohibited or restricted goods, where prosecution is initiated - Minimum percentage of investigations, related to travellers and their possessions, where prosecution is initiated - Minimum percentage of investigations, related to fraud, financial crime and tax evasion, where prosecution is initiated. 				

4 The standard of 6,000 interventions is the minimum sample (across air cargo, fast freight and mail) required for the assurance model to provide a valid representation of the population. Sea cargo sampling will be added to this measure in 2021/22, increasing the standard by 270 interventions.

5 This is the number of import trade transactions selected for further intervention in 2020/21 through the randomised sampling (as discussed on page 28). The examination is carried out when the goods are available for inspection.

6 'Losses' are calculated as the total monetary value of illicit drug seizures (based on street value), assets restraints, and cash seizures.

7 A high priority investigation involves, or has the potential to involve, serious community harm or revenue related offending.

8 'Prosecution initiated' refers to a closed high priority investigation where an offence has been committed, and an offender has been identified and placed before the Courts by Customs or New Zealand Police.

Trade transactions

In 2020/21 we forecast to process an estimated 12.5–13.5 million import transactions, 5.0–6.0 million export transactions, and 6,000–7,000 excise returns. We processed 16.42 million import transactions, 5.70 million export transactions, and 7,172 excise returns. The number of import transactions was above the expected range due to the significant increase in low-value transactions from online shopping.

Checks on compliance

Most trade transactions are deemed compliant based on risk assessment and proceed without further intervention by Customs. Trade interventions include, but are not limited to, document inspection, screening or search.

We apply a random transaction verification process that looks across import entries submitted to Customs. This enables us to monitor the level of accuracy in the information provided. We also conduct random interventions of import trade, under our Assurance programme, to inform and refine our intelligence and targeting (see page 28).

Progress against our strategic intention for Trade – ‘New Zealand’s trade flows efficiently across borders’ is discussed on pages 30–38.

Harm avoided through drug seizures

Illicit drugs and other items are not just found in imports of goods but also accompanying passengers and on craft – the measures relating to enforcement have been located in this output class as most illicit items are found in the goods stream. Progress against our strategic intention for Protection – ‘Prevent risk reaching our borders’ is discussed on pages 18–28. This includes information on the volumes of drugs seized offshore by our overseas partners and by Customs at the border in 2020/21 (pages 22–24), which led to the result for the above measure (harm avoided through seizures) being considerably above the standard.

What it cost

Revenue and output expenses

2019/20		2020/21		
Actual		Actual	Unaudited Revised Budget	Unaudited Budget
\$000		\$000	\$000	\$000
Revenue				
32,863	Crown	74,668	74,668	54,509
55,416	Other	50,385	43,481	48,892
88,279	Total revenue	125,053	118,149	103,401
87,016	Expenses before remeasurements	105,616	116,560	103,401
1,263	Surplus/(Deficit)	19,437	-	-

02. Travellers Clearance and Enforcement

This appropriation covers the provision of services relating to travellers crossing borders and the protection of New Zealand through interventions, investigations, and enforcement.

How we performed

We achieved all five output performance measures in this appropriation.

Measure	2019/20	2020/21		2021/22
	Actual	Standard	Actual	Standard
Air				
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%	99.0%	Measure amended
<i>We amended this measure to "Minimum percentage of arriving international air passengers and crew not requiring intervention after risk assessment". This minor wording change is to better reflect the action taken by Customs and does not change the measure's purpose or measurement methodology.</i>				
Percentage of arriving international air passengers and crew who are selected for further risk assessment at Customs' secondary areas	0.5%	0.4%–0.7%	1.0%	0.4%–0.7%
Result rate of secondary searches of arriving international air passengers and crew ⁹	N/A	6.0%–10.0%	8.2%	6.0%–10.0%
Sea				
Percentage of small marine craft arriving whose master of vessel reported to a customs officer upon first arrival in a New Zealand port	99.8%	100%	100%	Measure replaced
<i>We replaced this measure with "Minimum percentage of arriving small craft subject to Customs secondary interaction". This new measure is to better reflect the secondary interactions undertaken by Customs as a result of an initial risk-based intervention. Secondary interactions are in addition to the initial screening and clearance activities for all arriving small craft.</i>				
Percentage of arriving commercial marine craft assessed as high risk or requiring administrative process that are subject to planned interaction while in a New Zealand port	N/A	100%	100%	100%

Processing of air travellers

Because of COVID-19 and the associated international border restrictions, we only processed 377,591 arriving international air passengers and crew in 2020/21. This was above the expected range of 150,000–250,000 because of the introduction of quarantine-free travel. See the Travel section on page 44 for the impact of COVID-19 on passenger numbers in 2020/21.

⁹ An estimated 50%–60% of travellers selected for further risk assessment are subject to a secondary search. A positive result is any outcome of a secondary search that supports the person/item being risk profiled. This includes, but is not limited to, finding prohibited, restricted or undeclared items; finding information on criminal activities; or referral to another border control agency. The result rate does not include any interceptions, seizures or arrests that occurs at a later date or location as a result of the information gathered from a secondary search.

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. Our interventions include, but are not limited to, further questioning, interview or search.

The process changes due to COVID-19 relating to increased health screening of arriving international air passengers, including checks on compliance with pre-departure testing requirements, meant a higher proportion of passengers were selected for further risk assessment in Customs' secondary areas. This is where our staff would determine if the documents provided met the requirements or whether the traveller was issued a warning or infringement notice (see page 46).

Sea

We use intelligence-based risk assessments to determine the risk level of arriving craft and then to mitigate risk through further interaction.

The master of vessel of each small craft is required to report to a customs officer upon arrival in a New Zealand port – so we can mitigate border risks, and ensure compliance with Customs' legislation, policy, and procedures. Fewer small craft arrived in New Zealand because of COVID-19 border restrictions, with 108 arriving in 2020/21, below the expected range of 150–250.

Planned interaction is required for all craft that are assessed as high risk, are visiting New Zealand for the first time, have incomplete information or need to complete an administrative process (such as immigration or bonding ship stores). All 41 arriving commercial marine craft assessed as high risk or requiring administrative process in 2020/21 were subject to planned interaction while in a New Zealand port – below the usual 400–500 range. To reduce the risk of spread of COVID-19, Customs officers' interactions with craft in 2020/21 did not involve physical interaction or boarding of a vessel unless it was necessary.

Progress against our strategic intention for Travel – 'A streamlined experience for travellers across borders' is discussed on pages 40–46.

What it cost

Revenue and output expenses

2019/20		2020/21		
Actual		Actual	Unaudited Revised Budget	Unaudited Budget
\$000		\$000	\$000	\$000
Revenue				
10,280	Crown	3,197	3,197	1,248
50,835	Other	3,942	(18,471)	76,234
61,115	Total revenue	7,139	(15,274)	77,482
87,247	Expenses before remeasurements	68,866	66,139	84,179
(26,132)	Surplus/(Deficit)	(61,727)	(81,413)	(6,697)

The difference between the Unaudited Budget and Actual revenue is due to the significant drop in third party revenue from the Border Clearance Levy, as discussed on pages 144 and 146.

03. Revenue Collection and Other Services

This appropriation covers the collection of Crown Revenue, the provision of Customs related services to other government agencies and organisations, and the provision of advice and services to support Ministers to discharge their portfolio responsibilities relating to Customs.

How we performed

We achieved all nine output performance measures in this appropriation.

Measure	2019/20	2020/21		2021/22
	Actual	Standard	Actual	Standard
Revenue collection				
Minimum percentage of revenue that is collected by the due date	98.0%	98%	98.3% ¹⁰	98%
Debt write-offs as a maximum percentage of total Crown revenue collected	0.02%	0.06%	0.04%	0.06%
Ministerial servicing				
Assessment of the quality of a sample of the agency's policy advice papers:				
a) Minimum average score of papers	4.1	3.5 out of 5	4.05	3.5 out of 5
b) Minimum score of papers	100% above 3 80% above 4	100% above 3 25% above 4	100% above 3 70% above 4	100% above 3 25% above 4
Satisfaction of the portfolio Minister with the policy advice service	4.1	3.75 out of 5	5	3.75 out of 5
Satisfaction of the portfolio Minister with ministerial servicing	N/A	Meets expectations	Meets and sometimes exceeds expectations	Meets expectations
Minimum percentage of draft replies to ministerial correspondence that are provided within 20 working days or as agreed with the Minister ¹¹	100%	95%	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%
Other services				
Percentage of external alerts processed in accordance with alert instructions	99.96%	100%	100%	100%
Minimum percentage of clients satisfied with the coordination provided by the National Maritime Coordination Centre	N/A	80%	100%	Measure replaced
<i>We replaced this measure with "Minimum percentage of requests accepted by the National Maritime Coordination Centre which are assigned within 31 days". The new measure is a better indicator of how the National Maritime Coordination Centre is performing in its primary service, the coordination of tasking.</i>				

¹⁰ This 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 that is not subject to a deferred payment arrangement agreed with clients affected by COVID-19 (see page 52) – with the percentages of revenue collected by the due date from those 12 monthly calculations averaged to provide the result.

¹¹ A 'working day' as defined in the Official Information Act 1982 – any day of the week other than weekends, public holidays, or the period between 25 December and 15 January the following year.

Revenue collection

We supported traders affected by COVID-19 by offering alternative payment arrangements for Customs duty (see page 52).

We only seek to write off debts, with the approval of the Minister of Customs and the Minister of Finance, after all cost-effective recovery actions have been taken. Debt usually becomes unrecoverable where a business has been liquidated and unpaid Customs duties have not been recovered, it is owed by individuals who have been declared bankrupt or been deported, or where it is uneconomic to pursue a small amount of unpaid duty.

Progress against our strategic intention for Revenue – ‘Collect all due revenue’ is discussed on pages 48–54.

Ministerial servicing

We provided policy advice to the Minister of Customs in 2020/21 on a range of topics, including:

- a Briefing to the Incoming Minister (BIM)
- the funding of Customs, given the effect of COVID-19 on third party funding
- cost recovery by Customs – including the public consultation paper on the review of the Border Clearance Levy rates
- the management of regulated goods at the border
- quarantine-free travel
- Maritime Border Order funding arrangements.

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 the New Zealand Institute of Economic Research (NZIER).

For 2020/21, we surveyed the Minister of Customs, Hon Meka Whaitiri, on her satisfaction for the period of 6 November 2020 to 30 June 2021, when she had portfolio responsibility for Customs.

The external assessment of our policy advice was conducted by NZIER using the Policy Quality Framework. Based on a sample of 20 papers, NZIER gave an average score of 4.05 out of 5, and a median score of 4. The highest score was 5 and the lowest was 3. NZIER commented that Customs continued to provide high-quality service and that it was an achievement to average more than 4 across the whole sample. Customs had no papers scored as ‘poor’ and the median of 4 reflected that more than half of all papers had exceeded the relevant quality standards. NZIER’s report noted that Customs was particularly strong in setting up context for papers, providing a strategic view, and in assessing options. The review also helpfully highlighted areas for us to focus on to further refine and enhance the quality of our advice.

The services and support we give to the Minister of Customs also includes preparing draft replies to ministerial correspondence and draft responses to parliamentary questions. In 2020/21 we provided 23 draft replies to ministerial correspondence, below the expected 40–70 range. We provided 510 draft responses to written parliamentary questions to the Minister, many of which related to COVID-19; this was significantly above the expected range of 50–80.

Other services

External alerts

External 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 process the alert in accordance with the alert instructions (for example, notify the other agency if the person or goods arrive at the border). We managed 435,961 of these alerts created by other agencies in 2020/21. These alerts were created by Inland Revenue (87.3%), Ministry of Business, Innovation and Employment (Immigration New Zealand) (10.8%), the Ministry of Justice (1.4%), New Zealand Police (0.5%), and other agencies (0.04%).

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 all-of-government approach to maritime tasking and maritime domain awareness. Although the NMCC is operated independently by staff from a number of agencies, it is directly responsible to Customs.

In relation to its coordination of the tasking of available maritime patrol assets, each task requester and service provider is asked to rate their satisfaction with the service provided by NMCC for each tasking.

What it cost

Revenue and output expenses

2019/20		2020/21		
Actual		Actual	Unaudited Revised Budget	Unaudited Budget
\$000		\$000	\$000	\$000
Revenue				
35,353	Crown	32,932	32,932	30,043
2,920	Other	2,549	8,802	9,452
38,273	Total revenue	35,481	41,734	39,495
37,324	Expenses before remeasurements	31,904	41,734	39,495
949	Surplus/(Deficit)	3,577	-	-

04. COVID-19 - Maritime Response

This is a multi-year appropriation, which commenced on 1 September 2020, to cover the provision of services relating to mitigating the risk of transmission of COVID-19 across the maritime border.

How we performed

We achieved our two output performance measures in this appropriation.

Measure	2019/20	2020/21		2021/22
	Actual	Standard	Actual	Standard
Percentage of international maritime ports where Customs maintains a presence to deter non-compliance with the Maritime Border Order ¹²	N/A	100%	100%	100%
Instances of non-compliance (including PPE usage and social distancing) identified by Customs staff present at international maritime ports ¹²	N/A	1,000–2,000	3,152	Measure replaced

We replaced this measure with "Percentage of identified non-compliance instances at maritime ports that are met with an appropriate response by Customs". The new measure provides assurance that Customs responds appropriately to identified non-compliance with the requirements of the Maritime Border Order.

The COVID-19 Public Health Response (Maritime Border) Order came into effect at 11.59pm on 30 June 2020, imposing restrictions on the entry of vessels into New Zealand and the isolation and movement of crews and passengers from those vessels at all ports and marinas – to mitigate the risk of transmission of COVID-19 across New Zealand's maritime border. That Order was replaced on 6 September by the COVID-19 Public Health Response (Maritime Border) Order (No 2) 2020.

Customs is responsible for leading the coordination and implementation of the operational response and application of the Maritime Border Order (MBO) (see page 22). Throughout 2020/21 we maintained a presence at each of the 17 maritime ports that were subject to international vessel movements, when vessels subject to the MBO were in port. Our presence at these ports was maintained through a mixture of digital surveillance, maritime and shore patrols, and coordination of third party resources.

Our staff conduct monitoring and surveillance activities to deter non-compliance and enforce compliance with the MBO. Most non-compliance with the MBO in 2020/21 was breaches of personal protective equipment (PPE) usage and physical distancing requirements however isolation and security breaches and other activity in violation of the MBO is also captured in this measure.

Our progress against our strategic intention for Protection – 'Prevent risk reaching our borders' is discussed on pages 18–28, and our activity under the MBO on page 22.

¹² In the first two months of 2020/21 we redeployed and recruited staff, and set up systems and processes relating to implementation and enforcement of the MBO. The appropriation commenced on 1 September 2020 from which point reporting against these two measures began. The results reported are for the period 1 September 2020 to 30 June 2021.

What it cost

Revenue and output expenses

2019/20		2020/21		
Actual		Actual	Unaudited Revised Budget	Unaudited Budget
\$000		\$000	\$000	\$000
Revenue				
-	Crown	22,550	21,887	-
-	Other	-	270	-
-	Total revenue	22,550	22,157	-
-	Expenses before remeasurements	22,550	22,157	-
-	Surplus/(Deficit)	-	-	-

05. Border System Performance

This appropriation is for Customs as the servicing department of the Border Executive Board, which is responsible for providing policy and investment advice and the design and coordination of joint initiatives relating to the border system as a whole.

How we performed

We achieved our two output performance measures in this appropriation.

Measure	2019/20		2020/21		2021/22	
	Actual	Standard	Actual	Standard	Actual	Standard
The Border Executive Board has a risk and assurance framework for the end-to-end border process with respect to COVID-19	N/A	Achieved	Achieved		Achieved	
Satisfaction of the Minister for COVID-19 Response with the provision of coordination, information and advice	N/A	Meets expectations	Meets and sometimes exceeds expectations		Meets expectations	

In December 2020 Cabinet agreed to establish the Border Executive Board (BEB), an inter-departmental executive board under the Public Service Act 2020; the Order in Council came into force on 11 January 2021. Customs is the servicing department for the BEB, and hosts a secretariat to support the BEB, funded through this appropriation.

The members of the BEB are the chief executives of Customs, the Ministry for Primary Industries, the Ministry of Business, Innovation and Employment, the Ministry of Transport, the Ministry of Foreign Affairs and Trade, and the Ministry of Health.

The overall objective of the BEB is the effective governance of the end-to-end border system that protects New Zealand from current, specifically COVID-19, and future risks associated with incoming and outgoing people, goods, and craft. The BEB is directing and driving performance of a safe, smarter, and more coherent border that will integrate health risk management and strategic border systems improvements.

The secretariat developed a risk and assurance framework for COVID-19 that can be applied to the border system, agreed to by the BEB in June 2021. This will be built on as part of an ongoing improvement process.

The BEB obtained the Minister for COVID-19 Response's feedback on his satisfaction with the provision of coordination, information and advice provided by the secretariat supporting the BEB for the period from 11 January to 30 June 2021. This included developing a work programme to clarify the priorities of the BEB, supporting BEB meetings, progressing reviews of COVID-19 border measures, and coordinating advice to the Minister on quarantine-free travel.

The BEB Annual Report for 2020/21 has information on the operations, progress, and organisational health and capability of the BEB. Customs' contribution to the work programme of the BEB is discussed on page 43.

What it cost

Revenue and output expenses

2019/20		2020/21		
Actual		Actual	Unaudited Revised Budget	Unaudited Budget
\$000		\$000	\$000	\$000
Revenue				
-	Crown	750	750	-
-	Other	-	-	-
-	Total revenue	750	750	-
-	Expenses before remeasurements	435	750	-
-	Surplus/(Deficit)	315	-	-

Our Capital Expenditure

This appropriation covers 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.

How we performed

Measure	2019/20	2020/21		2021/22
	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

What it cost

Statement of Budgeted and Actual Capital Expenditure

2019/20		2020/21		
Actual		Actual	Unaudited Revised Budget	Unaudited Budget
\$000		\$000	\$000	\$000
6,188	Property, plant and equipment	8,560	9,539	9,539
14,208	Intangibles	10,411	17,664	17,664
-	Other	-	-	-
20,396	Total Appropriation	18,971	27,203	27,203

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 2021.

Statement of Budgeted and Actual Expenses and Capital Expenditure Incurred Against Appropriations

For the year ended 30 June 2021

Annual and permanent appropriations for Vote Customs

2019/20		2020/21			
Expenditure excluding remeasurements [†] \$000		Total expenditure \$000	Remeasurements ^{**} \$000	Expenditure excluding remeasurements \$000	Approved Appropriation 2021 ^{***} \$000
Departmental output expenses					
87,016	Goods Clearance and Enforcement	105,616	(170)	105,786	114,907
87,247	Travellers Clearance and Enforcement	68,866	(111)	68,977	69,445
37,324	Revenue Collection and Other Services	31,904	(52)	31,956	40,081
–	Border System Performance	435	–	435	750
211,587	Total departmental output expenses	206,821	(333)	207,154	225,183
Departmental capital expenditure					
20,396	New Zealand Customs Service – capital expenditure PLA ^{****}	18,973	–	18,973	27,203
Non-departmental other expenses					
14,176	Change in Doubtful Debt Provision	12,841	–	12,841	24,000
64	World Customs Organization	67	–	67	80
14,240	Total non-departmental other expenses	12,908	–	12,908	24,080
246,223	Total annual and permanent appropriations	238,702	(333)	239,035	276,466

* The seven existing appropriations for Vote Customs were consolidated into three appropriations for 2020/21 (see page 97). The 2019/20 actuals results have been restated for comparison.

** Remeasurements are the movement brought about by the change in the discount rate applied to non-current employee entitlements (see Note 12, page 137).

*** These are the appropriations from *The Supplementary Estimates of Appropriations 2020/21*, adjusted for transfers under section 26A of the Public Finance Act (see page 112).

**** Permanent Legislative Authority under section 24(1) of the Public Finance Act.

Multi-year appropriation for COVID-19 – Maritime Response

This is a multi-year appropriation to cover the provision of services relating to mitigating the risk of transmission of COVID-19 across the maritime border. The appropriation started on 1 September 2020 and expires on 30 June 2022.

2019/20	2020/21
\$000	\$000
COVID-19 – Maritime Response	
- Original appropriation	44,020
- Cumulative adjustments	-
- Total adjusted approved appropriation	44,020
- Cumulative actual expenditure as at 1 July 2020	-
- 2020/21 financial year actual expenditure	22,550
- Cumulative Actual expenditure as at 30 June 2021	22,550
- Appropriation remaining as at 30 June 2021	21,470

The 2020/21 performance information for each departmental appropriation administered by the New Zealand Customs Service has been reported in the *Our Performance* section of this annual report.

The 2020/21 performance information for each non-departmental appropriation has been reported by the Minister of Customs in a report appended to this annual report.

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

For the year ended 30 June 2021

In the 2020/21 financial year, the New Zealand Customs Service did not incur any:

- expenses or capital expenditure in excess of appropriation (2019/20 financial year: nil)
- expenses or capital expenditure without appropriation or other authority, or outside the scope or period of the appropriation (2019/20 financial year: nil).

Appropriation transfers under section 26A of the Public Finance Act

The introduction of quarantine-free travel zones required staff to be redeployed to the airports, which created pressure on the Travellers Clearance and Enforcement appropriation. A section 26A transfer between appropriations was approved to reflect the shift in resources.

Final approved appropriation totals include adjustments made in the Supplementary Estimates and the following transfers under section 26A of the Public Finance Act.

	Supplementary Estimates 2021 \$000	Section 26A transfers 2021 \$000	Approved appropriation 2021 \$000
Departmental output expenses			
Goods Clearance and Enforcement	116,560	(1,653)	114,907
Revenue Collection and Other Services	41,734	(1,653)	40,081
Travellers Clearance and Enforcement	66,139	3,306	69,445

Statement of Departmental Capital Injections

For the year ended 30 June 2021

2019/20		2020/21
Actual \$000		Actual \$000
Vote Customs		
35,345	New Zealand Customs Service – net capital injection	58,267

Capital injections for 2020/21 include \$57 million received from the Government to cover a decrease in third party revenue due to COVID-19 and the traveller restrictions at the border from March 2020.

Statement of Departmental Capital Injections without, or in excess of, Authority

For the year ended 30 June 2021

In the 2020/21 financial year, the New Zealand Customs Service did not receive any capital injections without, or in excess of, authority (2019/20: \$139,000).





NGĀ WHAKAHAERE PŪTEA FINANCIAL STATEMENTS





**NGĀ
WHAKAHAERE
PŪTEA**
FINANCIAL
STATEMENTS

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2021

2019/20		2020/21			2021/22	
Actual		Unaudited Budget	Unaudited Supps	Actual	Unaudited Forecast	
\$000	Note	\$000	\$000	\$000	\$000	
<i>Revenue</i>						
78,496	Crown	2	125,500	133,434	134,097	112,901
109,171	Other revenue	2	57,808	34,082	56,876	76,285
187,667	Total revenue		183,308	167,516	190,973	189,186
<i>Expenses</i>						
126,465	Personnel costs	3	158,193	153,782	141,775	159,591
57,452	Operating costs	4	71,698	61,874	58,309	61,874
19,119	Depreciation and amortisation expense	5	21,054	21,054	20,211	21,054
8,830	Capital charge	6	8,830	10,630	9,076	14,345
211,866	Total expenses		259,775	247,340	229,371	256,864
(24,199)	Total comprehensive revenue and expense		(76,467)	(79,824)	(38,398)	(67,678)

Statement of Change in Equity

For the year ended 30 June 2021

2019/20		2020/21			2021/22	
Actual		Unaudited Budget	Unaudited Supps	Actual	Unaudited Forecast	
\$000	Note	\$000	\$000	\$000	\$000	
152,476	Taxpayers' funds as at 1 July	162,011	161,689	161,689	140,132	
(24,199)	Total comprehensive revenue and expense for the year	(76,467)	(79,824)	(38,398)	(67,678)	
-	Capital withdrawals	-	-	(530)	-	
35,345	Capital injections	78,786	58,267	58,797	40,300	
(1,933)	Provision for return of surplus	11	-	(20,710)	-	
161,689	Taxpayers' funds as at 30 June	164,330	140,132	160,848	112,754	

Explanations of major variances against budget are provided in note 24.

The accompanying accounting policies and notes form part of these financial statements

Statement of Financial Position

As at 30 June 2021

2019/20		2020/21			2021/22	
Actual		Unaudited Budget	Unaudited Supps	Actual	Unaudited Forecast	
\$000	Note	\$000	\$000	\$000	\$000	
<i>Current assets</i>						
37,824	Cash and cash equivalents	54,656	7,776	63,043	3,079	
4,685	Prepayments	5,702	5,702	3,205	5,702	
31,724	Debtors and receivables	17,190	39,872	27,956	17,190	
74,233	Total current assets	77,548	53,350	94,204	25,971	
<i>Non-current assets</i>						
30,429	Property, plant and equipment	31,728	31,728	33,917	31,728	
89,667	Intangible assets	94,793	94,793	84,863	94,793	
42	Receivables and advances	42	42	25	42	
120,138	Total non-current assets	126,563	126,563	118,805	126,563	
194,371	Total assets	204,111	179,913	213,009	152,534	
<i>Current liabilities</i>						
13,163	Creditors and payables	16,352	16,352	14,634	16,351	
13,376	Employee entitlements	7,154	11,255	12,960	11,255	
1,933	Provision for repayment of surplus to the Crown	7,974	7,974	20,710	7,974	
–	Other short term liabilities	208	208	–	208	
28,472	Total current liabilities	31,688	35,789	48,304	35,788	
<i>Non-current liabilities</i>						
3,960	Employee entitlements	7,843	3,742	3,607	3,742	
250	Other long term provisions	250	250	250	250	
4,210	Total non-current liabilities	8,093	3,992	3,857	3,992	
32,682	Total liabilities	39,781	39,781	52,161	39,780	
161,689	Net assets	164,330	140,132	160,848	112,754	
<i>Equity</i>						
182,130	Crown capital and retained earnings	248,747	140,132	160,848	112,754	
(20,441)	Memorandum accounts (net position)	(84,417)	–	–	–	
161,689	Total equity as at 30 June	164,330	140,132	160,848	112,754	

Explanations of major variances against budget are provided in note 24.

The accompanying accounting policies and notes form part of these financial statements

Statement of Cash Flows

For the year ended 30 June 2021

2019/20		2020/21			2021/22	
Actual		Unaudited Budget	Unaudited Supps	Actual	Unaudited Forecast	
\$000	Note	\$000	\$000	\$000	\$000	
Cash flows from operating activities						
<i>Cash was provided from:</i>						
86,784	Crown	156,826	142,119	135,983	135,584	
119,463	Other revenue	57,808	23,791	58,851	76,285	
<i>Cash was applied to:</i>						
(124,127)	Personnel	(180,912)	(149,668)	(142,545)	(159,881)	
(59,971)	Operating	(66,152)	(59,066)	(55,599)	(61,585)	
640	Goods and Services Tax (net)	-	(640)	166	-	
(8,830)	Capital charge	(8,830)	(10,630)	(9,076)	(14,345)	
13,959	Net cash flow from operating activities	(41,260)	(54,094)	(12,220)	(23,942)	
	20					
Cash flows from investing activities						
<i>Cash was provided from:</i>						
161	Sale of fixed assets	-	-	7	-	
<i>Cash was disbursed to:</i>						
(6,188)	Purchase of fixed assets	(535)	(535)	(8,560)	-	
(14,594)	Purchase of intangible assets	(20,159)	(26,946)	(10,342)	(21,055)	
(20,621)	Net cash flow from investing activities	(20,694)	(27,481)	(18,895)	(21,055)	
Cash flows from financing activities						
<i>Cash was provided from:</i>						
32,697	Capital injections received	78,786	58,797	58,797	40,300	
<i>Cash was disbursed to:</i>						
-	Capital withdrawal	-	(530)	(530)	-	
(7,973)	Repayment of surplus	-	-	(1,933)	-	
24,724	Net cash flow from financing activities	78,786	58,267	56,334	40,300	
18,062	Net increase/(decrease) in cash	16,832	(23,308)	25,219	(4,697)	
19,762	Cash at the beginning of the year	37,824	37,824	37,824	7,776	
37,824	Cash at the end of the year	54,656	7,776	63,043	3,079	

Explanations of major variances against budget are provided in note 24.

The accompanying accounting policies and notes form part of these financial statements

Statement of Commitments

As at 30 June 2021

2019/20		2020/21
Actual		Actual
\$000		\$000
	<i>Non-cancellable operating lease commitments</i>	
14,022	Not later than one year	15,490
24,485	Later than one year and not later than five years	17,283
281	Later than five years	–
38,788	Total non-cancellable operating commitments	32,773
38,788	Total commitments	32,773

Capital commitments

The New Zealand Customs Service has no capital commitments as at 30 June 2021 (2019/20: Nil).

Non-cancellable operating lease commitments

The New Zealand Customs Service has long-term leases on its premises throughout the country and overseas. Annual lease payments on the three largest leases, located in Auckland, Wellington, and Christchurch, are reviewed every three years. Other leases are subject to a range of review periods.

The amounts disclosed above as future commitments are based on the current rental rates.

The New Zealand Customs Service has no future non-cancellable sublease of premises receipts due over the next 10 financial years as at 30 June 2021 (30 June 2020: nil).

The New Zealand Customs Service also has several non-cancellable software licence and support agreements for which it is bound to pay for the length of the agreement or a cancellation fee.

The accompanying accounting policies and notes form part of these financial statements

Statement of Departmental Contingent Liabilities and Assets

As at 30 June 2021

Contingent liabilities and contingent assets are recorded when the contingency is probable and can be reasonably estimated.

Contingent liabilities are disclosed if it is probable that they will occur. Contingent assets are disclosed if it is probable that the benefits will be realised.

The New Zealand Customs Service has no quantifiable or unquantifiable contingent assets as at 30 June 2021 (30 June 2020: nil). The New Zealand Customs Service has no unquantifiable contingent liabilities as at 30 June 2021 (30 June 2020:nil).

The New Zealand Customs Service has quantifiable contingent liabilities of \$30,000 relating to employment disputes as at 30 June 2021 (30 June 2020: nil).

Schedule of Trust Monies

For the year ended 30 June 2021

Account	As at	Contribution	Distribution	As at
	1/07/2020			30/06/2021
	\$000	\$000	\$000	\$000
Health Promotion Agency Trust	765	4,485	5,250	–
Heavy Engineering Research Association Trust	111	468	578	–
Customs Regional Deposit/Bonds Trust No.1, No.2 & No.3	56,295	8,665	39,535	25,425
New Zealand Customs Service Multiple Deposit Scheme Release Trust	240	40,433	40,532	141
New Zealand Customs Service Multiple Deposit Scheme Suspense Trust	10	9,417	9,177	249
Total	57,421			25,815

The funds held in the Health Promotion Agency and Heavy Engineering Research Association accounts represent funds collected and held on their behalf and transferred to these entities on a monthly basis.

The Health Promotion Agency Trust and Heavy Engineering Research Association Trust accounts have been closed due to a change in the process for transferring the money collected on their behalf.

The accompanying accounting policies and notes form part of these financial statements

Notes to the Financial Statements

For the year ended 30 June 2021

Note 1: Statement of accounting policies

Reporting entity

The New Zealand Customs Service is a government department as defined by section 5 of the Public Service Act 2020 and is domiciled and operates in New Zealand. The relevant legislation governing the New Zealand Customs Service's operations includes the Public Finance Act 1989, the Public Service Act 2020 and the Customs and Excise Act 2018 and related regulations.

The New Zealand Customs Service is a wholly owned entity by the Crown whose primary objective is to facilitate the movement of people, goods, and craft across the border and protect New Zealand's border and revenue. The New Zealand Customs Service does not operate to make a financial return. Accordingly, the New Zealand Customs Service is a Public Benefit Entity (PBE) under the External Reporting Board standards framework.

In addition, the New Zealand Customs Service has reported on Crown activities in the non-departmental statements and schedules on pages 148 to 157 and trust monies which it administers on page 121.

Reporting period

The reporting period for these financial statements is for the year ended 30 June 2021. The forecast financial statements are for the year ending 30 June 2022. The financial statements were authorised by the Comptroller of Customs on 30 September 2021.

Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies set out below and in the notes to the financial statements have been applied consistently to all periods presented in these financial statements.

These financial statements have been prepared on an historical cost basis, unless otherwise stated. The accrual basis of accounting has been used.

Statement of compliance

The financial statements of the New Zealand Customs Service have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practices (NZ GAAP), and Treasury Instructions.

These financial statements have been prepared in accordance with Tier 1 PBE accounting standards, and comply with PBE International Public Sector Accounting Standards (IPSAS).

Functional and presentation currency

These financial statements are presented in New Zealand dollars rounded to the nearest thousand dollars (\$000), other than the key management personnel disclosure in Note 18 and the additional assurance engagement with Audit NZ in Note 4. These disclosures are rounded to the nearest dollar. The functional currency of the New Zealand Customs Service is New Zealand dollars.

Accounting standards issued and not yet effective and not early adopted

Accounting standards and amendments, issued but not yet effective, that have not been adopted early are:

PBE IPSAS 2 Statement of Cash Flows

An amendment to PBE IPSAS 2 *Statement of Cash Flows* requires departments to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The New Zealand Customs Service has not adopted the amendment early.

PBE IPSAS 41 Financial Instruments

The External Reporting Board issued PBE IPSAS 41 *Financial Instruments* in March 2019. This standard supersedes PBE IFRS 9 *Financial Instruments*, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. The New Zealand Customs Service does not intend to adopt PBE FRS 41 early. When this standard is adopted the New Zealand Customs Service does not expect any significant changes as the requirements are similar to those contained in PBE IFRS 9.

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2022. The New Zealand Customs Service has not yet determined how application of PBE FRS 48 will affect its statement of performance and does not intend to adopt PBE FRS 48 early.

Critical accounting estimates and assumptions

In preparing these forecast financial statements, the New Zealand Customs Service has made estimates and assumptions concerning the future. These estimates and assumptions may differ from subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are in respect of:

- Assessing the impairment of Debtors and receivables – see Note 7
- Assessing the useful lives of software – see Note 9
- Measuring long service leave entitlements and retirement gratuities – see Note 12.

Accounting policies

Significant accounting policies are included in the notes to which they relate.

Significant accounting policies that do not relate to a specific note and which materially affect the measurement of financial results, the financial position and output statements section are outlined below.

Foreign currency transactions

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the financial results.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held on call with banks.

The New Zealand Customs Service is only permitted to spend its cash and cash equivalents within the scope and limits of its appropriations.

Goods and Services Tax

All items in the financial statements, including appropriation and output statements, are stated exclusive of Goods and Services Tax (GST), except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, Inland Revenue is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to, or received from, Inland Revenue, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

Government departments are exempt from income tax as public authorities. Accordingly, no charge for income tax has been provided for.

Budget figures

The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

The budget figures are not subject to audit.

The 2020/21 'Budget' figures were those published in the 2019/20 annual report and the Government's *Pre-election Economic and Fiscal Update 2020*. The 2020/21 'Supps' figures are those published in *The Supplementary Estimates of Appropriations 2020/21*, adjusted for transfers between output expenses made under section 26A of the Public Finance Act.

Forecast figures

The forecast figures for 2021/22 are those included in *The Estimates of Appropriations* for the Government of New Zealand for the year ending 30 June 2022, which are consistent with the best estimate financial forecast information submitted to the Treasury for the Budget Economic and Fiscal Update for the year ending 2021/22.

The forecast figures in the financial statements have been prepared in accordance with the requirements of the Public Finance Act 1989 to communicate forecast financial information for accountability purposes. They are compliant with PBE Financial Reporting Standard 42 *Prospective Financial Statements*.

The forecasts have been compiled on the basis of existing government policies and ministerial expectations at the time the statements were finalised and reflect all Government decisions up to 30 April 2021. Subsequent funding decisions have been made since 30 April 2021 that have increased the level of funding for the New Zealand Customs Service in 2021/22, but these updates are not reflected in the forecast figures. The decisions relate to the New Zealand Customs Service's role under the Maritime Border Order and the Government's Reconnecting New Zealanders work programme. These updates and any further updates made to the forecast financial statements for the year ending 30 June 2022 will not be published.

Significant assumptions used in preparing the forecast financial information

The main assumptions are as follows:

- the New Zealand Customs Service’s activities will remain substantially the same as for the previous year, apart from those activities that were introduced in 2020/21 that will continue for the 2021/22 financial year
- operating costs are based on historical trends, adjusted for the anticipated impact of COVID-19
- no allowances have been made for general cost and/or inflationary pressures, and
- the actual year-end information for 2020/21 is used as the opening position for the 2021/22 forecasts.

Variation to forecast

The actual financial results for the forecast period ending 30 June 2022 are likely to vary from the forecast information presented. Factors that may lead to a material difference include:

- changes due to initiatives approved by Cabinet
- technical adjustments to the budget including transfers between financial years
- the timing of expenditure relating to significant programmes and projects.

Cost allocations

The New Zealand Customs Service has determined the cost of outputs using an Activity Based Costing methodology.

The Activity Based Costing is a two-step costing methodology based on the premise that activities consume resources, and services consume activities. Multiple drivers are used having regard to the materiality and nature of the costs, and operational systems inform those causal drivers that assign activity costs to services.

Corporate services are analysed and the cost of each service assigned to those who consume them in the first stage of this costing.

Business Sustaining activity costs are assigned across services in proportion to their cost.

The methodology adopted complies with Treasury Guidelines and provides a logical and equitable view of the true cost of each service.

Changes in accounting policies

There have been no changes in accounting policies since 30 June 2020.

Comparatives

When presentation or classification of items in the financial statements are amended or accounting policies are changed, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

The presentation of some information has changed from the previous period with prior period balances re-classified to be comparable with current year figures.

Note 2: Revenue

The New Zealand Customs Service derives revenue through the provision of outputs to the Crown, and services to third parties. Such revenue is recognised when earned and is reported in the financial period to which it relates.

The specific accounting policies for major revenue items are explained below.

Revenue from the Crown

Revenue from the Crown is treated as a non-exchange transaction and is measured based on the New Zealand Customs Service's funding entitlement for the reporting period. The funding entitlement is established by Parliament when it passes the Appropriation Acts for the financial year. The amount of revenue recognised takes into account any amendments to appropriations approved in the Appropriation (Supplementary Estimates) Act for the year and certain other unconditional funding adjustments formally approved prior to balance date.

This treatment is based on the view that there are no use or return conditions attached to the funding from the Crown. However, the New Zealand Customs Service can incur expenses only within the scope and limits of its appropriations.

The fair value of Revenue Crown is considered equivalent to the funding entitlement.

Other Revenue

Revenue from the application and processing fees is measured at the fair value of consideration received. Revenue from the supply of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from the supply of services is recognised at balance date on a straight-line basis over the specified period for the services unless an alternative method better represents the stage of completion of the transaction.

Statutory levies

Revenue from statutory levies is recognised when the obligation to pay the levy is incurred. Although there are restrictions on how levy funding may be spent, including the requirement to manage deficits and surpluses by means of a memorandum account, there are no conditions attached to the levies that give rise to obligations to return levies to levy payers.

2019/20		2020/21	
Actual		Unaudited Budget	Actual
\$000		\$000	\$000
49,748	Border Clearance Levy	2,999	2,951
47,361	Goods clearance fees	42,990	42,297
2,948	Cost recoveries	2,615	2,573
8,886	Sale of goods and services	9,199	9,051
228	Compliance	4	4
109,171	Total other revenue	57,808	56,876

Note 3: Personnel costs

Personnel costs are recognised as an expense in the period to which they relate. Employer contributions to defined contribution plans include contributions to the State Sector Retirement Savings Scheme, KiwiSaver, and the Government Superannuation Fund.

2019/20		2020/21	
Actual		Unaudited Budget	Actual
\$000		\$000	\$000
116,548	Salaries and wages	148,338	129,911
3,935	Employer contributions to defined contribution plans	3,972	4,346
5,982	Other personnel expenses	6,190	7,518
126,465	Total personnel costs	158,500	141,775

Note 4: Operating costs

Operating costs are recognised as an expense in the period to which they relate.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

2019/20		2020/21	
Actual		Unaudited Budget	Actual
\$000		\$000	\$000
12,414	Facilities management	15,821	12,986
10,695	Computer equipment costs	13,969	11,466
8,699	Operating lease rentals	10,585	8,689
3,594	Travel and accommodation	4,315	3,542
5,087	Occupancy costs (excluding rentals)	6,008	4,932
4,826	Consultants and professional fees	6,588	5,408
3,084	Repairs and maintenance	2,366	1,942
3,321	Communication costs	2,849	2,339
1,042	Insurance	1,570	1,289
261	Fees paid to Audit NZ for the financial statement audit*	320	263
(51)	Net (gain)/loss on sale of fixed assets	26	21
-	Net foreign exchange losses	15	12
584	Expected credit loss on financial assets (refer note 7)	223	183
3,896	Other operating costs	6,736	5,237
57,452	Total operating costs	71,391	58,309

* In addition to the audit fee, \$30,211 was paid to Audit NZ for an assurance engagement over the project management of the New Zealand Customs Service's Financial Management Information System capital project.

Note 5: Depreciation and amortisation

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than work in progress. The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. For further details refer to the policy on property, plant and equipment in note 8 and intangible assets in note 9.

2019/20		2020/21	
Actual		Unaudited Budget	Actual
\$000		\$000	\$000
<i>Depreciation</i>			
1,454	Leasehold improvements	1,517	1,560
137	Office equipment	127	130
4,720	Other equipment and plant	4,608	4,545
86	Furniture and fittings	152	149
1,666	Computer equipment	1,687	1,714
598	Motor vehicles	728	773
233	Launch and watercraft	264	269
8,894	Total depreciation	9,004	9,140
<i>Amortisation</i>			
10,225	Intangible assets – computer software	12,050	11,071
19,119	Total depreciation and amortisation cost	21,054	20,211

Note 6: Capital charge

The New Zealand Customs Service pays a capital charge to the Crown on its equity (adjusted for memorandum accounts and donated assets) as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2021 was 5.0% (1 July 2019 to 30 June 2020: 6.0%).

Note 7: Debtors and receivables

Debtors and other receivables are initially measured at the amount due, and assessed annually for impairment.

Short-term receivables are recorded at the amount due, less an allowance for credit losses. The New Zealand Customs Service applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Comprehensive Revenue and Expense.

2019/20		2020/21
Actual \$000		Actual \$000
3,460	Debtor – Goods Cost Recovery	2,038
2,388	Receivables	1,743
1,357	Debtor – Border Clearance Levy	1,724
7,205	Gross trade receivable	5,505
(810)	Less: allowance for credit losses	(993)
6,395	Net trade debtors (exchange transactions)	4,512
25,329	Debtor – Crown (non-exchange transactions)	23,444
31,724	Total receivables	27,956

Overdue receivables that are renegotiated are reclassified as current (i.e. not past due). The allowance for credit losses is determined as follows:

30 June 2021	Receivables days past due				
	Current	31–60 days	61–90 days	>90 days	Total
Expected credit loss rate	8%	78%	87%	65%	
Gross carrying amount (\$000)	4,575	126	130	674	5,505
Lifetime expected credit loss (\$000)	346	98	113	436	993
30 June 2020	Receivables days past due				
	Current	31–60 days	61–90 days	>90 days	Total
Expected credit loss rate	0%	0%	11%	98%	
Gross carrying amount (\$000)	4,401	112	2,103	589	7,205
Lifetime expected credit loss (\$000)	–	–	235	575	810

Note 8: Property, plant and equipment

The New Zealand Customs Service's property, plant and equipment includes leasehold improvements, furniture and office equipment, plant and equipment, computer hardware, motor vehicles, launches and watercraft.

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses.

All property, plant and equipment costing individually \$2,700 or more, or as a group of assets more than \$15,000, are capitalised.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the New Zealand Customs Service and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or a nominal cost, it is recognised at fair value as at the date of acquisition.

Work in progress is recognised at cost less impairment and is not depreciated.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses are recognised on a net basis in the Statement of Comprehensive Revenue and Expense.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits or service potential associated with the item will flow to the New Zealand Customs Service and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than work in progress, at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The useful lives of major classes of assets have been estimated as follows:

Furniture and office equipment	4 to 5 years
Plant and equipment	5 to 15 years
Computer hardware	4 to 5 years
Motor vehicles	5 years
Launch and watercraft	5 to 25 years
Leasehold improvements	5 to 24 years

The launch is being depreciated at various rates according to the life expectancy of the various components.

The cost of leasehold improvements is depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

The residual value and useful life of an asset is reviewed, and adjusted if appropriate, at the end of each financial year.

Impairment

Property, plant and equipment, and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is depreciated replacement cost for an asset where the service potential of the asset is not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining service potential.

The reversal of an impairment loss is recognised in the Statement of Comprehensive Revenue and Expense.

	Leasehold Improvements	Office Equipment
	\$000	\$000
Cost		
Balance at 1 July 2019	21,108	1,863
Additions	42	–
Transfers	–	(164)
Disposals	–	–
Work in progress movement	(99)	–
Balance at 30 June 2020	21,051	1,698
Balance of work in progress	–	–
Balance at 1 July 2020	21,051	1,698
Additions	552	79
Transfers	–	–
Disposals	(4,791)	(1,018)
Work in progress movement	195	127
Balance at 30 June 2021	17,007	886
Balance of work in progress	195	127
Accumulated depreciation and impairment losses		
Balance at 1 July 2019	14,799	1,375
Depreciation expenses	1,454	137
Disposals	–	–
Impairment	–	–
Balance at 30 June 2020	16,253	1,512
Balance at 1 July 2020	16,253	1,512
Depreciation expenses	1,560	130
Disposals	(4,792)	(857)
Balance at 30 June 2021	13,021	785
Carrying amount		
At 1 July 2019	6,309	489
At 30 June 2020	4,798	186
At 30 June 2021	3,986	101

	Other Equipment \$000	Furniture and Fittings \$000	Computer Equipment \$000	Motor Vehicles \$000	Launches/ Watercraft \$000	Total \$000
	45,939	3,953	16,025	4,914	4,481	98,283
	5,791	11	1,306	1,185	359	8,693
	506	(341)	-	-	-	-
	-	-	-	(599)	-	(599)
	(2,240)	16	(631)	457	(7)	(2,505)
	49,996	3,639	16,700	5,957	4,833	103,874
	944	18	(48)	610	-	1,524
	49,996	3,639	16,700	5,957	4,833	103,874
	5,002	112	1,191	956	628	8,520
	-	-	-	-	-	-
	(747)	(3,163)	(138)	(209)	-	(10,066)
	2,531	(18)	1,077	(208)	440	4,144
	56,782	570	18,830	6,496	5,901	106,472
	3,475	-	1,029	402	440	5,668
	30,085	3,553	12,484	2,295	437	65,028
	4,720	86	1,666	597	233	8,894
	-	-	-	(477)	-	(477)
	-	-	-	-	-	-
	34,805	3,639	14,150	2,416	670	73,445
	34,805	3,639	14,150	2,416	670	73,445
	4,545	149	1,714	773	269	9,140
	(625)	(3,369)	(111)	(241)	(35)	(10,030)
	38,725	419	15,753	2,948	904	72,555
	15,854	399	3,541	2,619	4,044	33,255
	15,191	-	2,550	3,541	4,163	30,429
	18,057	151	3,077	3,548	4,997	33,917

Note 9: Intangible assets

Software acquisition and development

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are expensed when incurred. Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development, employee costs, and an appropriate portion of relevant overheads.

Staff training costs are expensed when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life.

The amortisation charge for each period is recognised in the Statement of Comprehensive Revenue and Expense.

The useful lives of intangible assets have been estimated as follows:

- Computer software 5 to 15 years

Intangible assets are tested annually for impairment.

Intangible assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation.

	Acquired Software \$000	Internally Generated Software \$000	Total \$000
Cost			
Balance at 1 July 2019	27,722	119,741	147,463
Additions	552	6,150	6,702
Disposals	(15)	-	(15)
Work in progress movement	542	7,322	7,865
Balance at 30 June 2020	28,802	133,213	162,015
Balance of work in progress	4,684	10,636	15,320
Balance at 1 July 2020	28,802	133,213	162,015
Additions	-	16,007	16,007
Disposals	-	-	-
Work in progress movement	(4,411)	(5,330)	(9,741)
Balance at 30 June 2021	24,391	143,890	168,281
Balance of work in progress	273	5,306	5,579
Accumulated amortisation and impairment losses			
Balance at 1 July 2019	14,302	47,823	62,125
Amortisation expenses	1,816	8,409	10,225
Disposals	(2)	-	(2)
Balance at 30 June 2020	16,116	56,232	72,348
Balance at 1 July 2020	16,116	56,232	72,348
Amortisation expenses	1,605	9,465	11,070
Disposals	-	-	-
Balance at 30 June 2021	17,721	65,697	83,418
Carrying amount			
At 1 July 2019	13,420	71,918	85,338
At 30 June 2020	12,686	76,981	89,667
At 30 June 2021	6,670	78,193	84,863

There are no restrictions over the title of the New Zealand Customs Service's intangible assets, nor are any intangible assets pledged as security for liabilities.

Note 10: Creditors and payables

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and other payables approximates their fair value.

2019/20		2020/21
Actual \$000		Actual \$000
	<i>Payables under exchange transactions</i>	
5,730	Trade creditors	3,518
4,872	Accrued expenses	9,045
1,470	MPI – Border Clearance Levy	815
12,072	Total payables under exchange transactions	13,378
	<i>Payables under non-exchange transactions</i>	
1,091	GST payable	1,256
1,091	Total payables under non-exchange transactions	1,256
13,163	Total creditors and payables	14,634

Note 11: Return of operating surplus

A surplus is required to be paid to the Crown by 31 October each year.

2019/20		2020/21
Actual \$000		Actual \$000
(24,199)	Net surplus/(deficit)	(38,398)
26,132	Add (surpluses)/deficits of memorandum accounts	59,108
1,933	Total return of operating surplus	20,710

Note 12: Employee entitlements

Current employee entitlements

Employee entitlements that the New Zealand Customs Service expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

The New Zealand Customs Service recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the New Zealand Customs Service anticipates it will be used by staff to cover those future absences.

Non-current employee entitlements

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- the present value of the estimated future cash flows. A weighted average discount rate of 1.99% (2019/20: 1.02%) and a salary inflation rate of 2.50% (2019/20: 2.50%) were used. The discount rates are the risk free discount rates published by the Treasury as at 28 June 2021. The inflation rate is based on the expected long-term increase in remuneration for employees as supplied by the Treasury.

Retirement and long service leave

Obligations for contributions to the State Sector Retirement Savings Scheme, KiwiSaver, and the Government Superannuation Fund are accounted for as defined contribution schemes and are recognised as an expense in the Statement of Comprehensive Revenue and Expense as incurred.

2019/20		2020/21
Actual \$000		Actual \$000
	<i>Current liabilities</i>	
3,888	Personnel accruals	2,223
8,370	Annual leave	9,619
1,118	Retirement and long service leave	1,118
13,376	Total current portion	12,960
	<i>Non-current liabilities</i>	
3,960	Retirement and long service leave	3,607
3,960	Total non-current portion	3,607
17,336	Total employee entitlements	16,567

Note 13: Other short term liabilities

The New Zealand Customs Service has no other short term liabilities as at 30 June 2021 (30 June 2020: nil).

Note 14: Other long term provisions

The New Zealand Customs Service recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

2019/20		2020/21
Actual \$000		Actual \$000
250	Lease make good provision	250
250	Total other long term provisions	250

Movement for provisions are as follows:

2019/20		2020/21
Actual \$000		Actual \$000
250	Lease make good provision as at 1 July	250
-	Additional provisions made	-
250	Lease make good provision at 30 June	250

In respect of a number of its leased premises, the New Zealand Customs Service is required at the expiry of the lease term to make good any damage caused to the premises and to remove any fixtures or fittings installed by the New Zealand Customs Service. In many cases the New Zealand Customs Service has the option to renew these leases, which impacts on the timing of expected cash outflows to make good the premises.

Note 15: Equity

Equity is the Crown's investment in the New Zealand Customs Service and is measured as the difference between total assets and total liabilities.

2019/20		2020/21
Actual \$000		Actual \$000
	<i>Crown Capital and retained earnings</i>	
146,785	Balance as at 1 July	182,130
(24,199)	Surplus/(deficit)	(38,398)
26,132	Transfer of memorandum account net (surplus)/deficit for the year	(20,441)
(1,933)	Return of operating surplus to the Crown	(20,710)
35,345	Capital (withdrawal)/injection	58,267
182,130	Balance as at 30 June	160,848
	<i>Memorandum accounts</i>	
5,691	Balance as at 1 July	(20,441)
(26,132)	Net memorandum account net surplus/(deficit) for the year	20,441
(20,441)	Balance as at 30 June	-
161,689	Total equity as at 30 June	160,848

Note 16: Financial instruments

The New Zealand Customs Service's activities expose it to a variety of financial instrument risks, including market risk, credit risk, and liquidity risk. The New Zealand Customs Service has policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency risk arises from future overseas posts operations, which is denominated in a foreign currency. In 2020/21 the New Zealand Customs Service had ten overseas posts and operated two foreign currency bank accounts. The New Zealand Customs Service is exposed to currency risk arising from various currency exposures, primarily with respect to the US dollar and Thai Baht.

The New Zealand Customs Service's foreign exchange management policy requires it to manage currency risk arising from future transactions and recognised liabilities by entering into foreign exchange forward contracts to reduce its foreign currency risk exposure. This policy has been approved by the Treasury and is in accordance with the requirements of Treasury Guidelines for the Management of Crown and Departmental Foreign-Exchange Exposure.

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate, or the cash flows from a financial instrument will fluctuate, due to changes in market interest rates.

The New Zealand Customs Service has no interest-bearing financial instruments, so has no exposure to interest rate risk.

Credit risk

Credit risk is the risk that a third party will default on its obligation causing the New Zealand Customs Service to incur a loss.

In the normal course of its business, credit risk arises from debtors and deposits with banks.

The New Zealand Customs Service is only permitted to deposit funds with Westpac and operate foreign currency accounts for overseas posts expenses, with registered overseas banks, and enter into foreign exchange forward contracts with the New Zealand Debt Management Office. These entities have high credit ratings. For other financial instruments, the New Zealand Customs Service does not have significant concentrations of credit risk.

The New Zealand Customs Service's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents and net debtors (note 7). There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

Liquidity risk

Liquidity risk is the risk that the New Zealand Customs Service will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, the New Zealand Customs Service closely monitors its forecast cash requirements with expected cash drawdowns from the New Zealand Debt Management Office. The New Zealand Customs Service maintains a target level of available cash to meet liquidity requirements.

The table on the next page analyses the New Zealand Customs Service's financial liabilities that will be settled based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 6 months \$000	Between 6 months and 1 year \$000	Between 1 and 5 years \$000	Over 5 years \$000
2019/20				
Creditors and other payables (note 10)	13,163	-	-	-
Total	13,163	-	-	-
2020/21				
Creditors and other payables (note 10)	14,914	-	-	-
Total	14,914	-	-	-

Note 17: Categories of financial instruments

Financial liabilities

Financial liabilities are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method. Financial liabilities entered into with duration less than twelve months are recognised at their nominal value. Amortisation and, in the case of monetary items, foreign exchange gains and losses, are recognised in the Statement of Comprehensive Revenue and Expense as is any gain or loss when the liability is derecognised. There have been no financial liabilities designated as hedge items, therefore, no hedge accounting applied.

2019/20		2020/21
Actual \$000		Actual \$000
	<i>Financial assets measured at amortised cost</i>	
37,824	Cash and cash equivalents	63,043
31,724	Debtors and other receivables	27,956
69,548	Total financial assets measured at amortised cost	90,999
	<i>Financial liabilities measured at amortised cost</i>	
13,163	Creditors and other payables	14,634
13,163	Total financial liabilities measured at amortised cost	14,634

Note 18: Related party transactions and key management personnel

The New Zealand Customs Service is a wholly owned entity of the Crown.

Related parties

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the New Zealand Customs Service would have adopted in dealing with the party at arm's length in the same circumstances. The Government reporting entity comprises a large number of commonly controlled entities, which includes the New Zealand Customs Service. These entities, and their key management personnel, transact among themselves on a regular basis, for example, for the registration of vehicles. These transactions are conducted at arm's length. Any transactions not conducted at arm's length will be disclosed in the financial statements.

Remuneration to key management personnel

The remuneration of key management personnel during the year was as follows:

2019/20		2020/21
Actual		Actual
Leadership Team, including the Comptroller		
\$1,737,375	Salaries and other short-term employee benefits	\$1,819,770
6.0	Full-time equivalent staff	6.0

The key management personnel disclosure for the New Zealand Customs Service consists of the members of the Customs Executive Board (discussed on page 77). It excludes the remuneration of the Minister of Customs and the Minister for COVID-19 Response. The Ministers' remuneration and other benefits are set by the Remuneration Authority and are paid under Permanent Legislative Authority, and not paid by the New Zealand Customs Service.

If close family members of key management personnel are employed by the New Zealand Customs Service, the terms and conditions of those arrangements are no more favourable than would be adopted if there were no relationship to key management personnel.

Note 19: Capital management

The New Zealand Customs Service's capital is its equity, which comprises taxpayers' funds and the memorandum account.

Equity is represented by net assets. The New Zealand Customs Service's equity is largely managed as a by-product of managing income, expenses, assets, liabilities, and compliance with the Government Budget processes, Treasury Instructions, and the Public Finance Act 1989.

The objective of managing the New Zealand Customs Service's equity is to ensure that it effectively achieves its goals and objectives and remains a going concern.

Note 20: Reconciliation of net surplus/deficit to net cash flow from operating activities for the year ended 30 June 2021

2019/20		2020/21
Actual \$000		Actual \$000
(24,199)	Net operating surplus/(deficit)	(38,398)
19,119	Depreciation and amortisation expense	20,211
19,119	Total non-cash items	20,211
	<i>Working capital movements</i>	
16,583	(Increase)/decrease in debtors and receivables	3,769
1,017	(Increase)/decrease in prepayments	1,480
(849)	Increase/(decrease) in creditors and payables	1,471
2,121	Increase/(decrease) in employee entitlements	(416)
–	Increase/(decrease) in other short term liabilities	(17)
18,872	Working capital movements – net	6,287
	<i>Movements in non-current liabilities</i>	
–	Provision for premises make good	–
218	Increase/(decrease) in employee entitlements	(353)
218	Movements in non-current liabilities	(353)
–	(Increase)/decrease in investing activity items	12
(51)	Net (gain)/loss on sale of fixed assets/impairment	21
(51)	Total investing activity items	33
13,959	Net cash from operating activities	(12,220)

Note 21: Memorandum Account

This account summarises financial information relating to the accumulated surplus or deficit incurred in the provision of traveller clearance services operating on a full recovery basis from third parties through the Border Clearance Levy.

2019/20		2020/21
Actual \$000		Actual \$000
5,691	Opening balance 1 July	(20,441)
50,483	Revenue – Border Clearance Levy	2,951
(76,615)	Expenses	(64,767)
–	Accumulated Capital injections applied	79,550
–	Retained surplus	2,707
(20,441)	Closing balance of memorandum account	–

The memorandum account allows for the fact that revenue and expenses may not necessarily equate in any given financial year, with balances expected to trend to zero over a reasonable period of time (three to five years).

The account enables the New Zealand Customs Service to take a long-term perspective to fee setting and cost recovery.

Transactions are included as part of the New Zealand Customs Service's operating income and expenses and the resulting surplus/(deficit). However, these transactions are excluded from the calculation of the New Zealand Customs Service's return of operating surplus. The cumulative balance of the surplus/(deficit) of the Memorandum Account is recognised as a component of equity (refer note 15).

From January 2020, the COVID-19 global pandemic disrupted travel and trade around the world and led to worldwide border restrictions. International traveller volumes reduced to extremely low levels from March 2020. The resulting reduction in Border Clearance Levy revenue turned the accumulated surplus in the memorandum account to a deficit. The New Zealand Customs Service received capital injections from Government to replace lost revenue and manage cash flow. Cabinet subsequently approved using capital and \$2.707 million of the 2020/21 surplus to reset the memorandum account to zero.

The Government decided to carry over the New Zealand Customs Service's border clearance levy rates effective from 1 July 2018 into the next levy period beginning on 1 July 2021.

Note 22: Border Executive Board

In December 2020, Cabinet agreed to establish an interdepartmental executive board with accountability for ensuring there are no gaps in the end-to-end border processes. The Border Executive Board was established to integrate health risk management and strategic border system improvement. Operating funding of \$0.75 million in 2020/21 and \$1.5 million in 2021/22 was approved for the new Border System Performance appropriation.

The New Zealand Customs Service administers the Border System Performance appropriation under Vote Customs and the revenue, expenditure, assets and liabilities relating to the Border Executive Board are included in the consolidated financial statements.

Border Executive Board financial information:

2019/20	2020/21
Actual \$000	Actual \$000
- Revenue from the Crown	750
Expenditure	
- Personnel	112
- Contractors and consultants	297
- Other Operating costs	26
- Total Border Executive Board support expenditure	435
- Assets (Receivables)	390
Liabilities	
- Accrued expenses	75
- Provision for repayment of surplus	315
- Total liabilities	390

Note 23: Effects of COVID-19 on the financial results

Two new appropriations related to COVID-19 were approved

COVID-19 – Maritime Response

The New Zealand Customs Service has accepted responsibility for significant new functions under the COVID-19 Public Health Response (Maritime Border Order). Cabinet agreed to establish a new multi-year appropriation from 1 September 2020 to 30 June 2022 to mitigate the risk of transmission of COVID-19 across the maritime border with operating funding of \$44 million.

Border System Performance

See Note 22 above.

People Movement

As a result of the COVID-19 pandemic, the New Zealand Customs Service had a number of initiatives redeploying staff in response to the reduction in passenger volumes. These initiatives were:

- Economic Recovery response to COVID-19 (involving a redeployment of 34 staff)
- Maritime Border Order which imposed strict restrictions on the entry of vessels into New Zealand and the movement and isolation of all crew and passengers on those vessels at all ports and marinas. This involved interim redeployment of staff while recruitment was being undertaken. Existing staff filled 90 positions and 228 new staff were recruited
- Changing the activities performed by the 28 staff at Queenstown Airport to those associated with Service Delivery
- Other secondary airports such as Dunedin and Wellington redeployed staff to other activities.

Government and stakeholder funding (fees and levies)

Before the COVID-19 pandemic, the New Zealand Customs Service received approximately 60% of total departmental revenue from third parties. This was largely through the Border Clearance Levy, which recovers the cost of processing international travellers across the border, and fees for clearing imported and exported goods across the border. COVID-19 has significantly reduced this third party revenue due to the reduced volumes of international travellers and, to a lesser extent, goods crossing the border.

The New Zealand Customs Service received a \$57 million capital injection from the Government to manage the shortfall in third party revenue in the 2020/21 financial year (plus a \$1 million capital injection to support the implementation of the Maritime Border Order).

Memorandum account

The memorandum account was reduced to the \$2.707 million pre-COVID balance by applying \$79.348 million of the COVID-19 capital injections received over the last two years. The remaining memorandum account balance was reduced to zero by retaining \$2.707 million of the surplus.

Operating expenses

As a result of COVID-19 the New Zealand Customs Service incurred additional operating expenditure in certain areas, including staff redeployment costs, information technology equipment, personal protection equipment and hygiene supplies. However, operating costs were closely managed through the delay of non-essential recruitment, the redeploying of staff across the organisation, and through the reprioritisation of investment projects.

Note 24: Explanations for major variances from 2020/21 Budget

Statement of Comprehensive Revenue and Expense

Revenue Crown was higher than budget due to new appropriations in response to the COVID-19 global pandemic.

Overall expenditure was lower than budgeted, which reflected reduced operating costs due to COVID-19. The major reductions were in personnel costs due to delayed recruitment, reduced travel, and reduced expenditure on contractors and professional services.

There was a review of information technology services and how they were delivered, resulting in a significant drop in expenditure.

Depreciation expenditure was lower than budget due to slowing investment projects within the capital programme, some of which were impacted with delays caused by COVID-19.

Statement of Change in Equity

The deficit for the year was less than budget due to expenditure restraint that resulted in less need to draw down capital and a return of surplus to the Crown.

Statement of Financial Position

The increase in cash and cash equivalents and receivables (largely Debtor Crown) is due to expenditure restraint.

Property, plant and equipment and Intangible assets have decreased compared to budget due to delays in the capital programme.

The Border Clearance Levy memorandum account has been reset to zero by reducing retained earnings.

Statement of Cash Flows

The overall cash balance is above budget for the reasons noted below:

Operating expenses are lower than budget as costs were reduced in the year in response to COVID-19.

Overall Investment activities are lower than budget due to delays in the capital programme, with a shift in the mix between internally generated software and purchased fixed assets.

Financing activities are below budget due to less need to draw down cash because of lower expenditure levels due to spending restraint.

Note 25: Events after the balance date

There have been no significant events after the balance date.



NGĀ PITOPITO KŌRERO MĒ NGĀ HŌTAKA A TE HUNGA O-WAHO ATU I TE TARI NON-DEPARTMENTAL STATEMENTS AND SCHEDULES

The following non-departmental statements and schedules record the revenue, expenditure, assets, liabilities, commitments, contingent liabilities and contingent assets that the New Zealand Customs Service manages on behalf of the Crown.

Summary of Schedules and Statements

For the year ended 30 June 2021

2019/20		2020/21			2021/22
Actual		Unaudited Budget	Unaudited Supps	Actual	Unaudited Forecast
\$000		\$000	\$000	\$000	\$000
15,115,940	Revenue	15,626,811	14,620,752	14,890,997	15,837,852
14,240	Expenditure	24,080	24,080	12,907	8,080
2,091,211	Assets	2,249,072	2,093,211	2,670,347	2,171,211
19,014	Liabilities	19,014	19,014	10,076	19,014

Explanations of significant variances against budget are provided in note 6.

Schedule of Non-Departmental Revenue

For the year ended 30 June 2021

2019/20		2020/21			2021/22
Actual		Unaudited Budget	Unaudited Supps	Actual	Unaudited Forecast
\$000		\$000	\$000	\$000	\$000
Revenue					
<i>Indirect taxation</i>					
1,064,090	Customs and excise duty on alcohol	1,088,000	1,232,000	1,249,269	1,275,000
2,167,609	Customs and excise duty on tobacco products	2,165,000	1,468,000	1,637,362	1,463,000
1,944,622	Customs and excise duty on refined motor spirit	2,137,000	2,212,000	2,212,391	2,309,000
163,672	Customs duty on other imported goods	170,000	145,000	169,402	161,000
9,767,880	Goods and Services Tax	10,058,000	9,555,000	9,611,526	10,621,000
15,107,873	Total indirect taxation	15,618,000	14,612,000	14,879,950	15,829,000
<i>Indirect non-taxation</i>					
64	World Customs Organization	80	80	67	80
391	Sale of seized goods	80	80	120	80
7,420	SGG Levy	8,442	8,442	10,831	8,442
192	Infringement Notice	209	150	29	250
8,067	Total indirect non-taxation	8,811	8,752	11,047	8,852
15,115,940	Total revenue	15,626,811	14,620,752	14,890,997	15,837,852

The accompanying accounting policies and notes form part of these financial statements

Schedule of Non-Departmental Expenditure

For the year ended 30 June 2021

2019/20		2020/21			2021/22
Actual		Unaudited Budget	Unaudited Supps	Actual	Unaudited Forecast
\$000	Note	\$000	\$000	\$000	\$000
<i>Expenditure</i>					
64	World Customs Organization	80	80	67	80
14,176	Expected credit loss on financial assets	24,000	24,000	12,840	8,000
14,240	Total expenditure	24,080	24,080	12,907	8,080

Schedule of Non-Departmental Assets

As at 30 June 2021

2019/20		2020/21			2021/22
Actual		Unaudited Budget	Unaudited Supps	Actual	Unaudited Forecast
\$000	Note	\$000	\$000	\$000	\$000
<i>Current assets</i>					
983,776	Cash and cash equivalents	1,109,657	983,776	1,396,000	983,776
1,107,435	Debtors and other receivables	1,139,415	1,109,435	1,274,347	1,187,435
2,091,211	Total assets	2,249,072	2,093,211	2,670,347	2,171,211

Schedule of Non-Departmental Liabilities

As at 30 June 2021

2019/20		2020/21			2021/22
Actual		Unaudited Budget	Unaudited Supps	Actual	Unaudited Forecast
\$000	Note	\$000	\$000	\$000	\$000
<i>Current liabilities</i>					
17,045	Payables and provisions	19,014	19,014	3,780	19,014
1,969	Creditor – departmental	–	–	6,296	–
19,014	Total liabilities	19,014	19,014	10,076	19,014

The accompanying accounting policies and notes form part of these financial statements

Statement of Non-Departmental Contingent Liabilities and Assets

As at 30 June 2021

2019/20		2020/21
Actual		Actual
\$000		\$000
	<i>Contingent liabilities</i>	
5,885	Legal proceedings and disputes	5,869
5,885	Total contingent liabilities	5,869
	<i>Contingent assets</i>	
1,418	Legal proceedings	132
1,418	Total contingent assets	132

Contingent liabilities

Legal proceedings and disputes represent the disputed assessments of revenue amounts in relation to the performance of the New Zealand Customs Service's statutory role and associated estimated legal costs. The New Zealand Customs Service is currently defending these assessments of revenue.

Contingent assets

Crown contingent assets are seizures that have been appealed and held in trust. If the appeal is unsuccessful the amount will be forfeited to the Crown.

Statement of Non-Departmental Commitments

As at 30 June 2021

The New Zealand Customs Service has no Crown Commitments as at 30 June 2021 (30 June 2020: nil).

The accompanying accounting policies and notes form part of these financial statements

Notes to the Non-Departmental Statements and Schedules

For the year ended 30 June 2021

Note 1: Statement of accounting policies

Reporting entity

These non-departmental schedules and statements present financial information on public funds managed by the New Zealand Customs Service on behalf of the Crown.

These non-departmental balances are consolidated into the Financial Statements of the Government. For a full understanding of the Crown's financial position, results of operations and cash flows for the year, refer to the Financial Statements of the New Zealand Government for the year ended 30 June 2021.

Basis of preparation

The non-departmental schedules and statements have been prepared in accordance with the Government's accounting policies as set out in the Financial Statements of the Government, and in accordance with Treasury Instructions and Circulars.

Measurement and recognition rules applied in the preparation of these non-departmental schedules and statements are consistent with New Zealand generally accepted accounting practice for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Revenue

The New Zealand Customs Service collects revenue on behalf of the Crown.

The Crown provides many services and benefits that do not give rise to revenue. Further, payment of tax does not, in itself, entitle a taxpayer to an equivalent value of services or benefits, because there is no direct relationship between paying tax and receiving Crown services and transfers. Accordingly it is classified as non-exchange revenue.

Tax revenue is recognised when a taxable event has occurred and the tax revenue can be reliably measured. The taxable event is defined as follows:

Tax type	Taxable activity
Goods and services tax	The importation of taxable goods and services during the taxation period
Excise tax	An inland tax on the sale, or production for sale, of specific goods
Excise equivalent tax	An importation tax of the equivalent to the inland tax on the sale, or production for sale, of specific goods
Customs duty	A customs duty is a tariff or tax on the importation (usually) or exportation (unusually) of goods

The New Zealand tax system is predicated on self-assessment where taxpayers are expected to understand the tax laws and comply with them. This has an impact on the completeness of tax revenues when taxpayers fail to comply with tax laws, for example, if they do not declare the correct value of goods liable for taxation. The New Zealand Customs Service has implemented systems and controls in order to detect and correct situations where taxpayers are not complying. These systems and controls include performing audits of taxpayer records where determined necessary by the New Zealand Customs Service. Such procedures cannot identify all sources of non-compliance with tax laws. The New Zealand Customs Service is unable to estimate the amount of unreported tax.

Debtors and other receivables

Debtors and other receivables are sovereign receivables and are initially measured at face value as the fair value is not materially different from the face value. Debtors and receivables are subsequently tested for impairment at year-end.

Impairment of a receivable is established when there is objective evidence that the New Zealand Customs Service will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debt is impaired. The impairment is calculated based on a review of specific overdue receivables and a collective assessment. The collective impairment provision is based on an analysis of past collection history and debt write-offs. The amount of the impairment is the difference between the asset's carrying amount and the estimated future cash flows.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the schedule of non-departmental expenses. When a debt is uncollectable, it is written off against the allowance account for debtors. Overdue receivables that are renegotiated are reclassified as current (i.e. not past due).

Contingent liabilities and assets

Contingent liabilities and assets are recorded at the point at which the contingency is probable and can be reasonably estimated. Contingent liabilities are disclosed if it is probable that they will occur. Contingent assets are disclosed if it is probable that the benefits will be realised.

Changes in accounting policies

There have been no changes in accounting policies since the date of the last audited financial statements.

Budget figures

The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements. The budget figures are not subject to audit.

The 2020/21 'Budget' figures were those published in the 2019/20 annual report and *The Estimates of Appropriations* for the Government of New Zealand for the year ending 30 June 2021. The 2020/21 'Supps' figures are those published in *The Supplementary Estimates of Appropriations 2020/21*.

Forecast figures

The presentation of forecast financial information is a statutory requirement of the Public Finance Amendment Act 2013. The aim of this is to increase transparency by providing next year's forecast for comparison.

The 2022 forecast figures for the year ending 30 June 2022 are consistent with the best estimate financial forecast information available based on the 2021 Budget Economic and Fiscal Update.

Note 2: Debtors and other receivables

2019/20		2020/21
Actual		Actual
\$000		\$000
940,269	Crown receivables	1,044,159
(22,326)	Less allowance for credit losses	(35,169)
917,943	Net Crown receivables (non-exchange transactions)	1,008,990
189,492	Accrued revenue	265,357
1,107,435	Total debtors and other receivables	1,274,347
	<i>Represented by:</i>	
1,107,435	Receivables from non-exchange transactions	1,274,347

The allowance for credit losses is determined as follows:

30 June 2021	Receivables days past due				
	Current	31-60 days	61-90 days	>90 days	Total
Expected credit loss rate	0%	9%	100%	100%	
Gross carrying amount (\$000)	1,008,817	730	6,476	28,136	1,044,159
Lifetime expected credit loss (\$000)	490	67	6,476	28,136	35,169
30 June 2020	Receivables days past due				
	Current	31-60 days	61-90 days	>90 days	Total
Expected credit loss rate	1%	0%	4%	97%	
Gross carrying amount (\$000)	856,552	42,989	24,795	15,933	940,269
Lifetime expected credit loss (\$000)	5,677	204	951	15,494	22,326

In the latter part of 2019/20, the New Zealand Customs Service worked with businesses to cushion the immediate impact of COVID-19 by providing support and relief in meeting their obligations to pay duty and GST. The Non-Departmental Other Expenses Appropriation: Change in Doubtful Debt Provision was increased from \$8 million to \$24 million in 2020/21 to reflect the economic impact from COVID-19 on businesses who may be unable to pay their debts.

Many businesses used the relief packages to recover from the initial impact and subsequently repaid the vast majority of the instalment repayment debt. The Change in Doubtful Debt Provision will revert back to \$8 million in 2021/22 in the expectation that businesses will have adjusted to operating in the new environment.

Note 3: Creditors and other payables

2019/20		2020/21
Actual		Actual
\$000		\$000
17,045	Payables and accruals	9,907
1,946	Import Entry Transaction Fees payable	105
23	Other creditors – Departmental	64
19,014	Total creditors and other payables	10,076

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and other payables approximates their fair value.

Note 4: Financial instruments

The carrying amounts of financial assets and financial liabilities in each of the PBE IFRS 9 categories are as follows:

2019/20		2020/21
Actual		Actual
\$000		\$000
Financial assets measured at amortised cost		
983,776	Cash and cash equivalents	1,396,000
1,107,435	Debtors and other receivables	1,274,347
2,091,211	Total financial assets measured at amortised cost	2,670,347
Financial liabilities measured at amortised cost		
19,014	Creditors and other payables	10,076
19,014	Total financial liabilities measured at amortised cost	10,076

Credit risk

Credit risk is the risk that a third party will default on its obligation, causing a loss to be incurred.

In determining the recoverability of debtors, the New Zealand Customs Service uses information about significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debt is impaired.

Under the Customs and Excise Act 2018, the New Zealand Customs Service has broad powers to ensure that people meet their obligations. Part 3 of the Act sets out the powers of the chief executive to recover unpaid amounts.

Receivables are widely dispersed over a number of customers and as a result the Crown does not have any material individual concentrations of credit risk.

Funds must be deposited with Westpac, a registered bank (Standard and Poor's credit rating of AA-).

Maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, and net debtors.

There is collateral held as security against some of these financial instruments in the form of bank guarantees and deposits held in trust. Bank guarantees must be from an appropriate New Zealand-based bank or finance company and agree to cover every deferred payment up to a set maximum.

The New Zealand Customs Service operates a deferred payment scheme, which allows deferral of Customs charges by up to seven weeks and a month's transactions to be settled by a single payment the following month. A bank or equivalent guarantee may be required for overseas registered companies, trusts, insolvent companies, or a person with a history of bankruptcy. If payment is not received on time, the New Zealand Customs Service can take remedial action, including withdrawal from the scheme, late payment penalties, or using the security provided to pay the debt.

Note 5: Effects of COVID-19 on collection of Crown revenue

The New Zealand Customs Service contributes to the Government's accounts by collecting around 18% of core Crown tax revenue each year by way of customs duty, excise duty, and GST (as discussed on page 49).

Revenue collection was affected by the COVID-19 pandemic in the latter half of 2019/20. Lower trade volumes in early to mid-2021 resulted in a slight decline in the Crown revenue collected in 2020/21. Customs has been working proactively with businesses to help mitigate the business impacts of the pandemic, using the

mechanisms available to provide support and relief to businesses experiencing cash flow challenges. This is being balanced against obligations to collect all revenue due, and includes proactively managing debt.

To reflect the likely increase in doubtful debt during 2020/21, the New Zealand Customs Service received an increased appropriation of \$16 million from the Government for the provision of doubtful debts through the relevant non-departmental other expenses appropriation.

Note 6: Major budget variations

Schedules and statements:
non-departmental

Non-Departmental revenue

Crown revenue changes are driven by economic conditions and changes in consumer behaviour. Demand for tobacco products reduced during the year due to a shift to non-combustible smoking alternatives (vaping), higher levels of smoking cessation, and a lack of international travellers to New Zealand. This, combined with COVID-19 disruptions to international supply chains, has affected revenue collection.

Non-Departmental expenditure

The impact of COVID-19 on businesses and their ability to settle amounts due for the payment of duty and GST was not as severe as allowed for in the budget. This was, in part, due to the steps the New Zealand Customs Service took to assist businesses with deferral and management of debt.





NGĀ PĪTOPITO KŌRERO MĒ HORAHIĀ I RARO I TE TURE INFORMATION REQUIRED BY STATUTE

For period from 1 July 2020 to 30 June 2021

Customs and Excise Act 2018

Section 438 – electronic devices searched

Type of search	Number of devices searched
Initial search under section 228(2)(a)	103
Full search under section 228(2)(b)	31

Section 439 – initiatives to reduce compliance costs for businesses with strong record of compliance

Initiatives or other steps taken during 2020/21 to reduce the costs of complying with this Act for businesses that have a strong record of compliance with this Act/for 'trusted' traders are:

- Progressing development of a Secure Trade Lane with Australia (discussed further in the 'Trade' section of this Annual Report on page 35)
- Relaunching the Secure Exports Scheme to attract more members (discussed further in the 'Trade' section of this Annual Report on page 34)
- Actions taken to assist traders adversely affected by COVID-19 (discussed further in the 'Revenue' section of this Annual Report on page 52)
- Ahumoni, Customs' new Financial Management Information System introduced in October 2020, made changes that benefit traders – customs brokers with deferred payment accounts now pay once on the 20th of the following month (the change from twice a month provides a positive cash flow benefit to brokers and importers); and the topping up of deferred payment accounts by clients became more or less in real time (vs 24 hours as previously).

Customs continued to deliver programmes and services that provide lower costs for businesses that meet qualifying criteria under the Customs and Excise Act 2018, and which are recognised internationally as services to trusted traders. These include:

- The provisional values scheme for qualifying importers (section 102)
- The deferred payments scheme for qualifying duty payers (section 123)
- The Secure Exports Scheme (section 281) – and we continue to encourage uptake by traders
- Remission of compensatory interest and late payment penalties (Customs and Excise Regulations).

Search and Surveillance Act 2012

Section 171(a)-(d) – use of warrantless powers

Number of occasions on which entry or search powers were exercised without a warrant	145
Number of occasions on which warrantless surveillance powers were exercised that involved the use of a surveillance device	Nil
Number of persons charged in criminal proceedings where the collection of evidential material relevant to those proceedings was significantly assisted by the exercise of a warrantless search or surveillance power	3

Section 171(e) – matters set out in section 172 in relation to surveillance device warrants

Number of applications for surveillance device warrants		7
Number of applications for surveillance device warrants granted		7
Number of applications for surveillance device warrants refused		0
Number of surveillance device warrants granted that authorised the use of:	tracking devices only	0
	visual surveillance devices only	1
	interception devices only	0
	tracking devices and visual surveillance devices	6
Number of surveillance device warrants granted that authorised entry into private premises		Nil
Number of interception devices used (authorised by a surveillance device warrant) for:	≤24 hours	N/A
	>24 hours but ≤3 days	N/A
	>3 days but ≤7 days	N/A
	>7 days but ≤21 days	N/A
	>21 days but ≤60 days	N/A
Number of tracking devices used (authorised by a surveillance device warrant) for:	≤24 hours	0
	>24 hours but ≤3 days	13
	>3 days but ≤7 days	5
	>7 days but ≤21 days	1
	>21 days but ≤60 days	5
	>60 days (based on multiple warrants)	22
Number of visual surveillance devices used (authorised by a surveillance device warrant) for:	≤24 hours	0
	>24 hours but ≤3 days	4
	>3 days but ≤7 days	0
	>7 days but ≤21 days	0
	>21 days but ≤60 days	1
	>60 days (based on multiple warrants)	8
Number of persons charged in criminal proceedings where the collection of evidential material relevant to those proceedings was significantly assisted by carrying out activities under the authority of a surveillance device warrant		2
Number of reported breaches by a Judge to the chief executive (under section 61 or 62) of any of the conditions of the issue of a surveillance device warrant		Nil
Number of reports by a Judge to the chief executive (under section 61 or 62) about the use of a surveillance device not authorised under section 48 (warrantless emergency and urgency powers)		Nil

Some of the surveillance devices deployed by the New Zealand Customs Service in 2020/21 were authorised by surveillance device warrants obtained by New Zealand Police – as part of joint operations.

Section 171(e) – matters set out in section 172 in relation to declaratory orders

Number of applications for declaratory orders	Nil
Number of applications for declaratory orders granted	N/A
Number of applications for declaratory orders refused	N/A
Number of persons charged in criminal proceedings where the collection of evidential material relevant to those proceedings was significantly assisted by carrying out activities covered by a declaratory order made	N/A

Misuse of Drugs Act 1975 (Misuse of Drugs Amendment Act 1978)

Section 13M – detention warrants and searches

Number of applications for detention warrants made under section 13E	Nil
Number of applications for renewal of detention warrants made under section 13I	Nil
Number of applications under sections 13E and 13I granted	N/A
Number of applications under sections 13E and 13I refused	N/A
Average duration of detention warrants (including renewals) granted	N/A
Number of prosecutions instituted in which has been adduced evidence obtained directly during the detention of any person pursuant to detention warrants	Nil
Number of rub-down searches and strip searches under section 13EA	Nil

Privacy Act 2020

Section 167 – accessing information to verify the identity of a person

Customs accessed information held by another agency to verify the identity of a person	Number of times
Department of Corrections	49
Department of Internal Affairs	Nil
Ministry of Business, Innovation and Employment (Immigration New Zealand)	Nil
Ministry of Health and District Health Boards	Nil
New Zealand Transport Agency	Nil
Registrar-General	Nil

In each instance where Customs accessed data held by the Department of Corrections (Corrections) it related to an alert created by Corrections (Customs' border management system electronically screens passenger information for matches, enabling Customs to notify Corrections if a person subject to an alert arrives at the border). Customs submitted a phone and email request to Corrections for offender images and supporting details to verify the identity of the person attempting to depart New Zealand – Corrections supplied an email response with an attached photograph.

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02

**TE RĪPOATA Ā
TE MINITA Ē
PĀ ANA KI NGĀ
WHAKAMAHINGA
PŪTEA O WAHO ATU
I NGĀ WHAKAHAERE
A TE MANA ĀRAI O
AOTEAROA 2020/21
MINISTER'S REPORT
IN RELATION TO
VOTE CUSTOMS
NON-DEPARTMENTAL
APPROPRIATIONS
2020/21**

This document is presented to the House of Representatives pursuant to section 19B of the Public Finance Act 1989

Report of Minister of Customs on performance information for Vote Customs non-departmental appropriations for the financial year ended 30 June 2021

The Minister of Customs is required under section 19B of the Public Finance Act 1989 to report the end-of-year performance information for the following non-departmental other expenses appropriations for Vote Customs for 2020/21:

- Change in Doubtful Debt Provision
- World Customs Organization.

This performance information is not subject to audit.

The 'Budget' figures are those included in *The Estimates of Appropriations 2020/21* for Vote Customs. The 'Revised Budget' figures are those from *The Supplementary Estimates of Appropriations 2020/21*.

Although presented in the same document, this report does not form part of the New Zealand Customs Service Annual Report 2021. It has been appended to the annual report of the New Zealand Customs Service for the purpose of tabling in the House of Representatives and publication.

Change in Doubtful Debt Provision

Scope of appropriation: Provisioning of doubtful debts on Customs Crown revenue.

This appropriation is to achieve provisioning for doubtful debts on the revenue collected by the New Zealand Customs Service on behalf of the Crown.

Statement of Budgeted and Actual Expenses Against Appropriation

2019/20		2020/21		
Actual		Actual	Revised Budget	Budget
\$000		\$000	\$000	\$000
14,176	Expenses	12,841	24,000	8,000
14,176	Total Expenses	12,841	24,000	8,000

This appropriation increased by \$16 million in *The Supplementary Estimates of Appropriations 2020/21* due to the impacts relating to COVID-19 on businesses and their ability to settle amounts due (to the New Zealand Customs Service) for the payment of duty and GST – requiring an increase in provisioning for doubtful debt.

Performance measures and standards

Measure	2019/20	2020/21	
	Actual	Standard	Actual
Debt write-offs as a maximum percentage of total Crown revenue collected	0.02%	0.06%	0.04%

World Customs Organization

Scope of appropriation: New Zealand's contribution to the operating budget of the WCO.

This appropriation is used to meet New Zealand's commitment as a member of the World Customs Organization (WCO) to contribute to the annual running costs of the WCO.

Statement of Budgeted and Actual Expenses Against Appropriation

2019/20		2020/21		
Actual		Actual	Revised Budget	Budget
\$000		\$000	\$000	\$000
64	Expenses	67	80	80
64	Total Expenses	67	80	80

Performance measures and standards

Measure	2019/20	2020/21	
	Actual	Standard	Actual
New Zealand's contribution to the operating budget of the WCO paid by the due date	Achieved	Achieved	Achieved





BORDER EXECUTIVE BOARD

03

**BORDER
EXECUTIVE BOARD
ANNUAL REPORT
2020/21**

For the period 11 January 2021 to 30 June 2021

Presented to the House of Representatives pursuant to section 44 of the Public Finance Act 1989

PERFORMANCE AND ACCOUNTABILITY FOR NEW ZEALAND'S BORDER



NEW ZEALAND
CUSTOMS SERVICE
TE MANA ĀRAI O AOTEAROA



NEW ZEALAND
FOREIGN AFFAIRS & TRADE
Manatū Aorere



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

Ministry for Primary Industries
Manatū Ahu Matua



MANATŪ HAUORA



TE MANATŪ WAKA
MINISTRY OF TRANSPORT

Border Executive Board Annual Report

For the period 11 January 2021 to 30 June 2021

The Border Executive Board has a waiver from the Minister of Finance, under section 45AB of the Public Finance Act 1989, from the requirement to include financial statements in this annual report.

Financial information about the Border Executive Board's assets, liabilities, expenditure and revenue can be found in the New Zealand Customs Service Annual Report, as the servicing department.

The Border System Performance appropriation, which supports the Border Executive Board, is administered by the New Zealand Customs Service. As the administrator, performance information for the appropriation is reported in the New Zealand Customs Service Annual Report.

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Border Executive Board's overview

The Border Executive Board came into being in January 2021. Since then we have worked at significant pace establishing our work programme, setting up new initiatives, and responding to the demands on the border from COVID-19 to keep New Zealanders safe and to support the economy.

Our formal joint accountability and leadership gives greater strength across our six agencies as we continue to build positive and collaborative ways of working. Clear and agreed priorities are making it easier for people to do their jobs and ensure there are no gaps at the border.

Our first six months have been dominated by COVID-19 and the necessity to change our border responses constantly in order to manage the impacts of COVID-19. The people in our agencies, and those we work with across the public and private sector, have shown great commitment to the pandemic response in their work at the border. This has been a fundamental part of New Zealand's successful implementation of a COVID-19 elimination strategy.

Our 25,000 strong workforce was recognised as a finalist in the Public Service Commission's Spirit of Service Awards 2021.

These awards celebrate outstanding public service motivated by a spirit of service to the community.

Our border staff were prioritised for early vaccinations and taking an Educate, Expect, Support approach with our people, we achieved very high rates of vaccination of front line staff. These same people continue to be COVID-19 tested every seven or 14 days.

We have helped to keep New Zealand safe from COVID-19 and we have supported the economy through strong joint delivery.

We have started work on initiatives that will make a difference to New Zealand's border into the future, beyond COVID-19.

We know the year ahead is likely to involve more changes to the border as COVID-19 evolves and as we implement the systems and settings to enable Reconnecting New Zealanders to occur in 2022.

We are looking forward to implementing our exciting work programme as we continue to provide a strong, safe, smart and reliable border for New Zealand.

Ngā mihi



Christine Stevenson

Chair
Comptroller of Customs



Ray Smith

Director-General
for Primary Industries



Carolyn Tremain

Secretary for Business,
Innovation and Employment
and Chief Executive



Chris Seed

Secretary of Foreign Affairs
and Trade



Dr Ashley Bloomfield

Director-General of Health



Peter Mersi

Chief Executive for
Ministry of Transport

**KŌ WAI
MĀTOU, HE
AHA HOKI Ā
MĀTOU MAHI
WHO WE ARE
AND WHAT
WE DO**

A new way to deal with complex issues

The Border Executive Board officially started on 11 January 2021 and was the first interdepartmental executive board under the Public Service Act 2020.

An interdepartmental executive board is new way to deal with complex issues that cannot be solved by one single public service agency. It brings together agency chief executives to work collectively with joint accountability, on a particular subject; in this case New Zealand's border.

The members of the Border Executive Board are the chief executives of the following agencies:

- Manatū Ahu Matua – Ministry for Primary Industries
- Hikina Whakatutuki – Ministry of Business, Innovation and Employment

- Manatū Aorere – Ministry of Foreign Affairs and Trade
- Manatū Hauora – Ministry of Health
- Te Manatū Waka – Ministry of Transport
- Te Mana Ārai o Aotearoa – New Zealand Customs Service.

The responsible Minister is the Minister for COVID-19 Response. The Chair is the Comptroller of Customs.

A small secretariat team supports the Board and is funded through the Vote Customs Border System Performance appropriation.

Border Executive Board	Purpose of any interdepartmental board	Support member departments to undertake priority work in a subject matter area
		Align and coordinate strategic policy, planning and budgeting
		Support cross-departmental initiatives in a subject matter area
	Remit of Board and Members of the Board	New Zealand Customs Service Ministry of Health Ministry of Business, Innovation and Employment Ministry for Primary Industries Ministry of Transport Ministry of Foreign Affairs and Trade
	Joint responsibility to Minister and Cabinet	Performance and accountability for New Zealand's border
	Work programme pillars	<p style="text-align: center;">Stewardship</p> <p style="text-align: center;">COVID-19: Safe and Smart Border</p> <p style="text-align: center;">Systems Improvements</p>

Support to the Border Executive Board	Secretariat team	Established by Cabinet to have a small group of people support the work of the Border Executive Board
	New Zealand Customs Service	Servicing Department – named in the Public Service Act 2020 to provide administrative support Vote Administrator – administers Border System Performance appropriation via Vote Customs Chair – Comptroller of Customs, appointed by the Public Services Commissioner
	Agencies of the six chief executive members	The six agencies inform, collaborate and implement the Border Executive Board work programme

Building on a strong history of collaboration

Border agencies have a long history of working together and this has enabled our modern border system.

The Border Sector Governance Group was established in 2007 by border chief executives¹ who saw the value of collaborating on technological projects, process changes, and data sharing agreements.

The mandate of the Group was updated in June 2020, in response to COVID-19, to strengthen governance across the border system. This included extending membership to include the Ministries of Health, and Foreign Affairs and Trade.

While the informal collaboration model supported a joined up border, it relied on a lead agency for an initiative and it was difficult at times to retain the input and support of partner agencies for system benefits realised elsewhere.

Continuing to provide a safe and smart border system requires strong commitments to joint working and assurance that there are no gaps in the management of new and emerging risks; such as COVID-19.

Establishing an interdepartmental executive board, under the Public Service Act 2020, responds to the new environment by giving joint accountability to the six chief executives responsible for border functions.

Agency	Border functions
 <p>NEW ZEALAND CUSTOMS SERVICE TE MANA ARAI O AOTEAROA</p>	<p>Protect and promote New Zealand across borders</p> <ul style="list-style-type: none"> • Passenger, goods and craft clearance • Revenue collection at the border • Disruption to organised crime (especially drugs)
 <p>MINISTRY OF HEALTH MANATŪ HAUORA</p>	<p>Lead and shape New Zealand's health and disability system to deliver a healthy and independent future for all New Zealanders</p> <ul style="list-style-type: none"> • Screen passenger and crew health • Issue pratique • Respond to ill travellers • Ship sanitation certification
 <p>MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT HIKINA WHAKATUTUKI</p>	<p>Helping grow New Zealand for all to improve the wellbeing of New Zealanders</p> <ul style="list-style-type: none"> • Verify right to enter New Zealand • Disruption of people smuggling • Deliver managed isolation and quarantine
 <p>NEW ZEALAND FOREIGN AFFAIRS & TRADE Manatū Aotere</p>	<p>Acting in the world to build a safer, more prosperous and more sustainable future for New Zealanders</p> <ul style="list-style-type: none"> • Quarantine free travel • Consular communications • Support for border exemptions, and maritime and air border settings
 <p>Ministry for Primary Industries Manatū Ahu Matua</p>	<p>Helping to seize export opportunities for our primary industries, improve sector productivity, ensure the food we produce is safe, increase sustainable resource use, and protect New Zealand from biological risk</p> <ul style="list-style-type: none"> • Screen goods and craft for pests • Screen passengers
 <p>TE MANATŪ WAKA MINISTRY OF TRANSPORT</p>	<p>Enabling New Zealanders to flourish</p> <ul style="list-style-type: none"> • Screen passenger and cargo exits via Aviation Security Service • Registration of air services • Set standards for port security via Maritime New Zealand

¹ The Border Sector Governance Group was the New Zealand Customs Service, Ministry for Primary Industries, Ministry of Business, Innovation and Employment, and Ministry of Transport.

Having joint accountabilities

The Border Executive Board has four accountabilities.

- **Strategic border system improvements**, including developing a Border Sector Strategy, monitoring performance and user experiences across the system, advising on investment decisions for the border system, and delivering joint initiatives to build a safer and smarter border.
- Ensuring any gaps or **future risks** from people, goods and craft at the border will be addressed, where the risks are not already being managed by an existing agency or another government process.

- Ensuring there are **no gaps** in end-to-end border processes, integrating health risk management, particularly for a robust COVID-19 response while preparing to reopen the borders.
- Managing the significant and pressing **fiscal challenges** the border sector is facing as a result of decreased revenues from cost-recovery activities because of the COVID-19 pandemic.

Chief executives are accountable for their agency's contribution to the Border Executive Board work programme. They also retain their usual responsibilities for agency performance and accountability to individual portfolio ministers.

Three pillars to the work programme

The Border Executive Board established a work programme based on three pillars.

- **COVID-19: Safe and Smart Border** – co-ordination and facilitation to ensure delivery of the border sector's contribution to the COVID-19 response.
- **Stewardship** – strategy and governance to support the performance of the border system now and into the future.

- **Systems improvements** – coordination and facilitation to deliver key initiatives to support a safe and smart border now and into the future.

The work programme, as at 30 June 2021, is shown to the right.

BORDER EXECUTIVE BOARD			
DCE GROUP – COVID-19	DCE GROUP – STEWARDSHIP & SYSTEMS IMPROVEMENTS		
COVID-19: SAFE AND SMART BORDER	STEWARDSHIP	SYSTEMS IMPROVEMENTS	
BORDER ORDERS <ul style="list-style-type: none"> Air Border Order <ul style="list-style-type: none"> Travellers from Very High Risk Countries [BEB & MoH] Pre-departure testing [NZCS & MoH] Exceptions & exemptions [MoH] Maritime Border Order [NZCS] 	GOVERNANCE	DATA & PRIVACY [NZCS & MBIE] <ul style="list-style-type: none"> Policy & legislative settings for border information sharing Information sharing for priority projects Future mechanisms to support information sharing 	
	STRATEGIC DIRECTION <ul style="list-style-type: none"> Border strategy [BEB] 		
RECONNECTING – SAFE AND SMART BORDER <ul style="list-style-type: none"> Quarantine free travel <ul style="list-style-type: none"> Air [NZCS] Maritime [MoH] Travel health pass [NZCS & MoT] <ul style="list-style-type: none"> Nau Mai Rā [MoH] Reconnecting New Zealanders [DPMC] Elimination strategy [MoH] 	RISK AND ASSURANCE <ul style="list-style-type: none"> Risk and assurance frameworks [BEB] Border system performance measures [BEB] 	DIGITAL BORDER [MPI, MBIE & NZCS] <ul style="list-style-type: none"> Digital declaration (links to Travel Health Pass) Technology and algorithms (RTT x-ray) Smart exit gate 	
BORDER WORKFORCE <ul style="list-style-type: none"> Testing [MoH] Vaccination [MoH] 	COVID-19	RISK AND ASSURANCE <ul style="list-style-type: none"> Review of air border measures [BEB] Review of maritime border measures [BEB] Review of border worker testing [BEB] Rapid reviews [BEB] 	INTEGRATED TARGETING [NZCS & MBIE] <ul style="list-style-type: none"> ITOC governance structure ITOC as a joint border asset Targeting service to support 24/7 operations Investigate viability of joint venture model
MIQ <ul style="list-style-type: none"> Cohorting arrangements [MBIE] Future workforce sourcing strategy [MBIE] Medium-term approach to MIQ facilities [MBIE] 	COVID-19	AHUMONI HOAHOA (FINANCE) <ul style="list-style-type: none"> New requirements for safe & smart border (COVID-19) [NZCS] Financial sustainability (short term) [NZCS] Cost recovery of border charges (longer term) [MPI] Collective investments [NZCS] 	HEALTH AT THE BORDER [MoH] <ul style="list-style-type: none"> Integrating health intelligence and risk assessment Establish a regular function of health at the border Ability to escalate health measures Integration with Maritime NZ
	SYSTEM IMPROVEMENTS		INFRASTRUCTURE AT AIRPORTS <ul style="list-style-type: none"> Enforceable Regulatory Undertaking [MoT] Auckland Airport Expansion [NZCS & MoT]



E KAUNEKE PĒHEA ANA NGĀ MAHI OUR PROGRESS

Our progress

The first six months has involved establishing the Border Executive Board and providing substantial co-ordination and advice to support the COVID-19 response at the border.

The border agencies have worked together, and in partnership with industry, to progress the work programme.

Together, this has recognised and prevented gaps occurring at the border, provided leadership where there was no clear owner, and ensured activity and advice had a border system view.

The Border Executive Board actions have kept the border system connected, while individual agencies continue with their day-to-day border and non-border functions.

The Border Executive Board agencies came together to deal with complex issues, often in a fast-paced, high demand environment.

He waka eke noa
We're all in this together

Stewardship

The chief executives of the Border Executive Board met most weeks since January 2021. This reflected the dynamic and challenging nature of the impacts of COVID-19.

Establishing a work programme clarified priorities and enabled progress to be monitored. This also enabled border agencies to be clear about their particular contribution and to be able to prioritise their border and non-border work. The Border Executive Board will regularly review and update the work programme so it evolves to support our joint accountabilities.

During the year the Border Executive Board sought assurance that the border sector was operating as it should. External assurance was carried out on significant matters as needed. Assurance activity included:

- implementing the recommendations from the October 2020 report on COVID-19 Review of Border Measures – Air
- progressing the COVID-19 Review of Border Measures – Maritime
- completing tranche 1 (Managed Isolation and Quarantine) of the COVID-19 Rapid Review of Border Worker Testing
- completing a rapid review of quarantine-free travel implementation with Australia to support continuous improvement, particularly around pauses
- regular reporting from Managed Isolation and Quarantine's own assurance.

COVID-19: Safe and smart border

The border sector is a key contributor to the COVID-19 response and to the Government's programme Reconnecting New Zealanders, led by the Department of the Prime Minister and Cabinet.

A significant amount of time, both as a Board and as individual agency chief executives, has gone into the response to COVID-19 to keep New Zealanders safe and to maintain critical supply chains.

The Border Executive Board responded to continual change in border settings as COVID-19 evolved. With individual agencies providing specific advice and operational activity, the Border Executive Board ensured agencies were connected, had a border system view, and there were no gaps.

The annual reports of the six border agencies highlight how COVID-19 has influenced their work.





Leading the border sector to open up travel opportunities

Two-way quarantine-free travel between New Zealand and the Cook Islands commenced on 17 May 2021. Travel from the Cook Islands to New Zealand had been in place from 21 January 2021.

The Border Executive Board provided sector leadership and governance for multiple government and non-government agencies to prepare and implement travel arrangements.

The Ministry of Foreign Affairs and Trade led the negotiation arrangements with the Ministry of Health and other border agencies providing assurance of safety, process and systems.

The Border Executive Board regularly checked arrangements, resolved matters and supported continual learning and refinement of processes.

The first two-way quarantine-free flight to Rarotonga departed Auckland with 297 passengers. Between 17 May 2021 and 30 June 2021, over 5,500 passengers have travelled between New Zealand and the Cook Islands, enjoying quarantine-free travel due to the combined effort of border agencies.



COVID-19 vaccine:
Protecting Aotearoa

Protecting border workers to protect New Zealanders and the economy

In February 2021, the border sector began a vaccination programme for border workers doing activity that put them at higher risk of contracting and transmitting COVID-19.

The Border Executive Board established a cross agency co-ordination group, embedded within the Ministry of Health and led by the Ministry of Business, Innovation and Employment, to maximise uptake of vaccination. Communications with staff were designed to educate and explain vaccination, clarify expectations, and provide support.

The Border Executive Board asked their own staff about vaccination to find out what was working and what concerns people had including around employment options.

The members shared the findings to keep agencies connected, staff supported, and the goal of border workers being vaccinated on track.

Vaccinating border workers was new and agencies came together to resolve challenges. Issues included collecting and sharing information, accuracy of data, information about a new vaccine, and re-deployment options for those unable or unwilling to be vaccinated.

From 30 April 2021, the COVID-19 Public Health Response (Vaccinations) Order 2021 made it mandatory for all core government agency staff and Managed Isolation and Quarantine workers to be vaccinated.

In June 2021, the Vaccinations Order was amended to encompass all workers at the border.

As part of the Border Executive Board's assurance role, an independent review of border worker testing for Managed Isolation and Quarantine workers was completed. A review of other border workers testing has started.

Systems improvements

The work programme established six initiatives to drive a safe and smart border now and beyond COVID-19. The scope of each initiative was approved and regular reporting is being established to support progress.

Collective leadership and a system approach has helped to prioritise work and resources within and across individual agencies.

Programme management of Systems Improvements was implemented due to the complexity and significance of the initiatives. This approach enabled establishment of good governance, clarity of scope, and clear leadership for each initiative.

Programme management also reduces duplication and makes it easier to manage multiple dependencies (of which there are many).

Data sharing and privacy 

Sponsor: Immigration New Zealand

Provide advice on policy and legal settings for border sector data sharing and privacy functions to enable an effective border.

Digital border 

Sponsor: Ministry for Primary Industries

Implement a border management approach that minimises risk to New Zealand, through reduced biosecurity, commodity and passenger risk and provides a seamless and efficient entry for no risk passengers and their luggage; enabling the right focus on non-compliance and potential risk.

Integrated targeting 

Sponsor: New Zealand Customs Service

Enhance the border targeting and risk identification capabilities of the Integrated Targeting and Operations Centre (ITOC), improve border agency participation, drive more coherent agency responses at the border, and investigate the potential of a joint venture model.

Health at the border 

Sponsor: Ministry of Health

Establish an ongoing health presence at the border enabling sustained and sustainable management of health security at international points of entry and exit.

Infrastructure at airports 

Sponsor: Ministry of Transport

Provide line of sight to airports on border agencies' space requirements to deliver government outcomes at the air border. Establish Enforceable Regulatory Undertakings to support these requirements and airport master planning.

Ahumoni hoahoa 

Sponsor: New Zealand Customs Service

Investigate joint investment and procurement mechanisms that can drive and enable border system innovation.

The year ahead

COVID-19 is expected to dominate the focus of the Border Executive Board in the coming year as it continues to evolve and require changes to border settings for policy, people, and processes. We will continue to support re-opening the border through the Reconnecting New Zealanders programme.

The Systems Improvements initiatives underpin an effective and joined up border system and these will continue to be progressed.

Work will also continue on financial sustainability. This will address funding the Traveller Health Declaration System and bring agency views into a border sector outlook to identify opportunities for investment collaboration, efficiencies, and funding.

The health and safety of border sector workers will continue to be a priority so they can continue to keep New Zealanders safe and maintain their own wellbeing.



A MĀTOU WHAKAHAERE HOW WE WORK

The chief executives met frequently

The Border Executive Board chief executives met as required to progress the work programme and manage risk and opportunities.

From 11 January 2021 to 30 June 2021, the Board met 19 times with a focus on COVID-19 related activity.

The meetings are the main way to ensure joint accountability. Meeting in person was encouraged to support effective leadership and build the culture of a new board.

Meeting 19 times in the past six months shows the demands on the border sector's response to COVID-19.

Chair

The Comptroller of Customs is the Chair. The Chair has responsibility for leading the Border Executive Board, ensuring the chief executives met at the required frequency with appropriate content.

The Chair also supports work outside of board meetings. This included being the first point of contact for border system matters, representing the border with Ministers and stakeholders, and administering day-to-day activities with the Interim Executive Director.

The Border Executive Board's terms of reference and operating protocols are published on the New Zealand Customs Service website www.customs.govt.nz.

Support from a dedicated Secretariat Team

The Border Executive Board is supported by a small secretariat team that enables governance of the border system and achievement of accountabilities.

The secretariat is funded by the Border System Performance appropriation as part of Vote Customs.

The secretariat coordinates and facilitates activity and advice, managing issues and opportunities, risk and assurance activity, advice to the Board and Ministers, and providing support for Board meetings. This activity ensured the right people have been involved at the right time, risks have been identified and escalated where appropriate, and that activity has had clear next steps to enable progress.

Secretariat staff are employees of, or are seconded to, the New Zealand Customs Service. As at 30 June 2021, the secretariat had five staff. These were from the Department of the Prime Minister and Cabinet, the Ministry of Business Innovation and Employment, and groups within the New Zealand Customs Service.

The secretariat was led by an Interim Executive Director, with the permanent appointee joining on 12 July 2021. One of the priorities in the coming year is to work with the Executive Director to confirm the secretariat team and ongoing funding.

Oversight groups informed and enabled the work programme

A range of oversight groups exist that inform and enable progress of activity at an initiative, COVID-19, border, and all-of-government level.

The Border Executive Board established two Deputy Chief Executive (DCE) groups to inform and support delivery of the work programme. The groups were:

- DCE COVID-19 – members from the six border agencies that met weekly
- DCE Stewardship and Systems Improvements – members from the six border agencies plus the operational transport Crown entities Civil Aviation Authority (Aviation Security Service function) and Maritime New Zealand that met monthly.

New Zealand Customs Service is the servicing department

The New Zealand Customs Service provided administrative and corporate support to the Border Executive Board as the servicing department.

Customs also administered the appropriation Border System Performance as the Vote Administrator. These arrangements reduce the administrative burden on the Border Executive Board and the small secretariat team.

Connected to the public and private sector

To be successful, the Border Executive Board has to be connected to, and work with, a range of public and private sector organisations. Over the past six months, it has worked to understand the implications of decisions to maintain the performance of the border system.

An example was the introduction of quarantine-free travel. This involved working closely with the aviation sector to understand the implications of travel requirements, ensuring regular and timely updates, and understanding their travel route capacity.

Public service agencies have a strong working relationship. During COVID-19, agencies have worked together to ensure an all-of-government approach with the Border Executive Board working closely with the Department of the Prime Minister and Cabinet.

Six agencies working together

The agencies of the six chief executive members worked together to provide resources to inform, collaborate, and deliver the Border Executive Board work programme.

Further details about the progress and achievements of each agency can be found in their annual reports.



STATEMENT OF RESPONSIBILITY

In our opinion, as the members of the Border Executive Board, this annual report fairly reflects the operations, progress, and organisational health and capability of the Border Executive Board.

Signed: 30 September 2021



Christine Stevenson

Chair
Comptroller of Customs

**Te Mana Ārai o Aotearoa
New Zealand Customs
Service**



Ray Smith

Director-General
**Manatū Ahu Matua
Ministry for Primary
Industries**



Carolyn Tremain

Secretary for Business,
Innovation and Employment
and Chief Executive

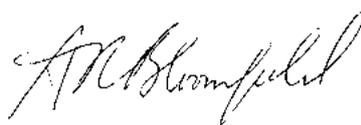
**Hīkina Whakatutuki
Ministry of Business,
Innovation and Employment**



Chris Seed

Chief Executive

**Manatū Aorere
Ministry of Foreign
Affairs and Trade**



Dr Ashley Bloomfield

Director-General of Health

**Manatū Hauora
Ministry of Health**



Peter Mersi

Chief Executive

**Te Manatū Waka
Ministry of Transport**



BORDER EXECUTIVE BOARD

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New Zealand Government

