











# Performance Information: Report Against Appropriations

For the year ended 30 June 2019

This section of our annual report contains end-of-year performance information for the 2018/19 financial year for the output class appropriations and departmental capital expenditure appropriation contained in *The Estimates of Appropriations 2018/19* for Vote Customs. Collectively, these output classes support the achievement of the priorities and strategic intentions discussed on page 5.

## Summary of output performance measures achieved

Output class			
Clearance and enforcement services related to passengers and crew		Revenue collection	
Clearance and enforcement services related to goods		Policy advice	
Clearance and enforcement services related to craft		International services and ministerial servicing	
Information and intelligence services		Total	

The end-of-year performance information in this section (the "Actual" results for 2018/19) is audited.

The "Budget" figures are those included in *The Estimates of Appropriations 2018/19*. The "Revised Budget" figures are those from *The Supplementary Estimates of Appropriations 2018/19*. This information is unaudited.

If a performance measure was in place in the prior 2017/18 financial year, comparative performance information for 2017/18 has been included. To provide further context for the 2018/19 results, we have also included the standards set for the output performance measures for 2019/20, together with the new output performance measures for 2019/20 (as contained in *The Estimates of Appropriations 2019/20* for Vote Customs). For any new measures for 2019/20, we have not reported results for 2017/18 or 2018/19. This information is unaudited.

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

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

### Revenue and output expenses

2017/18		2018/19		
Actual		Actual	Unaudited Revised Budget	Unaudited Budget
\$000		\$000	\$000	\$000
<b>Revenue</b>				
1,007	Crown	634	634	594
72,670	Other	66,809	69,235	64,919
<b>73,677</b>	<b>Total revenue</b>	<b>67,443</b>	<b>69,869</b>	<b>65,513</b>
<b>64,866</b>	<b>Expenses before remeasurements</b>	<b>71,857</b>	<b>71,982</b>	<b>65,513</b>
<b>8,811</b>	<b>Surplus/(Deficit)</b>	<b>(4,414)</b>	<b>(2,113)</b>	<b>-</b>

## Performance

### Processing of air passengers

Reflecting the continuing growth in traveller volumes, Customs processed a record 7.26 million arriving international air passengers and crew in 2018/19, within the expected range of 7.0–7.5 million.

As discussed on page 21, Customs' processing of the rising air passenger volumes is assisted by increasing use of eGate by passengers. With the increasing number of eligible nationalities, use of eGate is now considered part of business as usual operation and not requiring a performance measure for 2019/20.

### Risk management

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

## Performance measures and standards

Measure	2017/18	2018/19		2019/20
	Actual	Standard	Actual	Standard
<i>Travel intermediate outcome: Travellers are satisfied with the service received during immigration processing</i>				
Minimum percentage of arriving international air passengers satisfied or very satisfied that Customs processes passengers quickly and conveniently (as measured by Customs' stakeholder survey) <sup>38</sup>	78.8%	85%	89.8%	85%
Minimum percentage of arriving international air passengers satisfied or very satisfied that Customs provides a friendly welcome to New Zealand (as measured by Customs stakeholder survey) <sup>38</sup>	86.0%	85%	90.2%	N/A
<i>Travel intermediate outcome: Travellers feel encouraged and assisted to comply</i>				
Minimum percentage of arriving international air passengers that find the information provided by Customs helpful (as measured by Customs' stakeholder survey) <sup>38</sup>	85.5%	85%	88.9%	N/A
Minimum percentage of arriving international air passengers who trust Customs (as measured by Customs' stakeholder survey) <sup>38</sup>	91.9%	85%	94.1%	N/A
<i>Passenger processing output: Legitimate travellers cross the border with minimal intervention</i>				
Minimum percentage of arriving international air passengers and crew who are deemed compliant based on risk assessment and facilitated without further intervention	99.5%	98%	99.5%	98%
Minimum percentage of arriving international air passengers who exit Customs primary processing points within 45 minutes of arrival	95.9%	90%	96.0%	90%
<i>Passenger processing output: Passengers who show risk are subject to further intervention</i>				
Percentage of arriving international air passengers and crew who are selected for further risk assessment at Customs' secondary areas	0.5%	0.6%–1.0%	0.5%	0.6%–1.0%
Percentage of arriving international air passengers and crew who are selected for further risk assessment who were subsequently subject to a full or partial baggage examination	56.4%	45%–55%	57.9%	50%–60%
<i>Passenger processing output: Passengers can complete their transactions with government easily in a digital environment</i>				
Minimum percentage of commercial air passengers using eGate	N/A	55%	58.1%	N/A

### Explanation of variances for standards not achieved

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

In recent years, enhanced risk assessment and better targeting of interventions to risk along with increasing passenger volumes has resulted in lower levels of interaction with compliant passengers. While below the standard, all passengers are subject to a risk assessment process and those identified for further intervention were interacted with in the secondary area.

<sup>38</sup>Our survey captures feedback from a random selection of air passengers (from New Zealand and overseas) arriving in New Zealand. The total sample size of the survey was 3,982 passengers, and we received a total of 862 responses. This survey had a margin of error of 2.95%. Stakeholder surveys help us to improve our service delivery at the border and our customers' experience.

## Output Class – Clearance and enforcement services related to goods

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

### Revenue and output expenses

2017/18		2018/19		
Actual		Actual	Unaudited Revised Budget	Unaudited Budget
\$000		\$000	\$000	\$000
<b>Revenue</b>				
18,909	Crown	21,305	21,305	17,126
64,759	Other	65,759	68,674	68,800
<b>83,668</b>	<b>Total revenue</b>	<b>87,064</b>	<b>89,979</b>	<b>85,926</b>
<b>83,618</b>	<b>Expenses before remeasurements</b>	<b>87,089</b>	<b>89,979</b>	<b>85,926</b>
50	Surplus/(Deficit)	(25)	–	–

## Performance

### Trade transactions

In 2018/19 Customs expected to process an estimated 9.5–10.5 million import transactions, 4.5–5.5 million export transactions, and 3,600–4,200 excise returns. We processed 11.93 million import transactions, 4.79 million export transactions, and 6,060 excise returns.

### Protection through the interception of harm and potential harm

Illicit drugs and other items are not just found in imports of goods but also accompanying passengers and on craft – the measures relating to protection have been located in this output class as the majority of illicit items are found in the goods stream. Customs' role in the protection of New Zealand is discussed on pages 8–16. That includes information on the volumes of drugs seized by Customs at the border in 2018/19 (page 8), which led to the results for the measures below relating to the harm avoided through those seizures and the street value of those drugs being considerably above the standards.

### Checks on compliance

Customs undertakes risk audit activity to ensure that importers, exporters, and licensed manufacturers of excisable goods are compliant with legislation and that the correct duties and taxes are paid. Scheduled audit activity is based on identified risk priorities. We expected to undertake 325–375 audits in 2018/19, and conducted 428.

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

### Investigations

We commenced 221 investigation cases in 2018/19, within the 100–300 estimate. In recent years, Customs' investigations have become increasingly strategic with a focus on disrupting supply chains and criminal organisations. These cases are usually more complex and require longer investigation times and greater commitment of resources.

## Performance measures and standards

Measure	2017/18	2018/19		2019/20
	Actual	Standard	Actual	Standard
<b>Trade</b>				
<i>Trade intermediate outcome: Importers and exporters are satisfied with the quality of service delivery</i>				
Minimum percentage of importers and exporters satisfied or very satisfied with the overall quality of Customs' service delivery (as measured by Customs' stakeholder survey) <sup>39</sup>	77.5%	85%	74.4%	85%
<i>Trade intermediate outcome: Importers and exporters feel encouraged and assisted to comply</i>				
Minimum percentage of importers and exporters that find it easy to comply with border agencies' requirements when lodging electronic documents or making payments (as measured by Customs' stakeholder survey) <sup>39</sup>	65.9%	85%	71.0%	85%
Maximum percentage of X-ray inspections undertaken on Secure Exports Scheme (SES) containers <sup>40</sup>	0.02%	0.05%	0.003%	N/A
Minimum percentage of X-ray inspections undertaken on non-SES containers <sup>40</sup>	0.5%	0.5%	0.6%	N/A
<i>Goods processing output: Legitimate goods cross the border with minimal intervention</i>				
Minimum percentage of trade transactions other than those referred for compliance checks processed (including assessment against business rules and intelligence alerts) within 30 minutes	99.8%	95%	98.9%	95%
Minimum percentage of import transactions that are deemed compliant based on risk assessment and proceed without further intervention <sup>41</sup>	98.8%	95%	98.8%	95%
Minimum percentage of export transactions that are deemed compliant based on risk assessment and proceed without further intervention	99.8%	99%	99.8%	99%
<i>Goods processing output: Traders' compliance is monitored</i>				
Minimum percentage of a random sample of import entries that are found to be compliant through the transactional verification process	90.3%	90%	90.9%	90%
Percentage of scheduled audit activities conducted	N/A	100%	100%	N/A
<b>Protection</b>				
<i>Protection intermediate outcome: The New Zealand public is protected through the interception of harm and potential harm</i>				
Minimum value of harm (NZ\$) avoided through Customs' drug seizures, as measured by indicative data from the New Zealand Drug Harm Index	\$1.336 billion <sup>42</sup>	\$500 million	\$1.795 billion	\$500 million
Minimum losses (NZ\$) incurred by importers of illegal goods through seizure of illicit drugs and proceeds of crime	\$345.4 million <sup>42</sup>	\$250 million	\$535.0 million <sup>43</sup>	\$250 million
<i>Protection intermediate outcome: The New Zealand public is confident that Customs protects New Zealand through the interception of harm and potential harm</i>				
Minimum percentage of public confident that Customs protects New Zealand from external threats	51.5%	50%	43.2% <sup>44</sup>	N/A
<i>Goods processing output: Goods that show risk are subject to further intervention</i>				
Minimum percentage of total mail items that result in an enforcement consequence following risk assessment	0.04%	0.03%	0.04%	N/A
<i>Investigations output: Goods that show risk are subject to further intervention</i>				
Minimum percentage of investigation cases finalised within 12 months of commencement	64.2%	70%–85%	70.6%	70%–85%
Minimum percentage of serious investigation cases <sup>45</sup> that lead to punitive action <sup>46</sup>	92.7%	90%	95.6%	90%



## Explanation of variances for standards not achieved

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

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

These results reflect that business customers are reporting it takes more effort to deal with Customs and this is especially true for small and medium-sized enterprises (SMEs). We have commenced work on a series of initiatives to make it easier for all businesses, and SMEs in particular, to work with Customs.

Percentage of public confident that Customs protects New Zealand from external threats

The results of this survey in part reflect how Customs has been described in the media, and there were a number of high-profile stories that involved Customs in 2018/19. In addition, one of the survey questions relates to confidence in our ability to stop drugs entering the country. The availability of illegal drugs in New Zealand was the most common reason given by respondents to the question asking whether they had confidence in Customs stopping illegal drugs coming into or leaving New Zealand.

<sup>39</sup>Our survey of importers and exporters captures feedback from (randomly selected) individuals importing or exporting personal effects, or purchasing goods over the internet, and high-volume importers and exporters (including brokers). We sent out approximately 15,000 invitations to participate in the survey – including multiple invitations to an entity where a number of different email addresses were recorded against that entity. Of these, about 4,000 were invalid addresses or bounced back due to security restrictions on the account. We received 1,783 complete responses, of which 1,200 were from respondents who identified themselves as commercial clients (vs private importers and exporters, i.e. individuals purchasing goods through online shopping etc). The results relate to the feedback from those commercial clients (as these measures relate to the trade part of Customs' strategy). The survey had a margin of error of 2.12% (calculated at 95% confidence level).

<sup>40</sup>These measures indicate reduced intervention with export shipments where Customs can assure New Zealand's trade partners that the goods are secure. Exporters who are members of Customs' trusted trader programme, the Secure Exports Scheme, can provide that assurance through their security processes, thereby reducing the need for inspecting their goods. These measures relate to full container loads.

<sup>41</sup>Further intervention in relation to both import and export transactions means action by Customs to carry out further risk assessment. This may include, but is not limited to, document inspection, screening, or search.

<sup>42</sup>This is the result reported in the *New Zealand Customs Service Annual Report 2018* based on the provisional totals for drugs seized in that year. As discussed on page 15, the total harm avoided based on the finalised drugs totals for 2017/18 was \$1.490 billion. Each of this total and the \$1.795 billion total for 2018/19 is the harm avoided based on drugs seized by Customs at the border (and does not include the harm avoided through offshore drug seizures discussed on page 15).

<sup>43</sup>The illicit drugs seized by Customs at the border in 2018/19 had an estimated street value of \$534.3 million, calculated using drug prices sourced from National Drug Intelligence Bureau (NDIB) Illicit Drug Pricing Report November 2018. The balance of the result is the cash seized by Customs in 2018/19 as a result of investigations totalling \$0.699 million.

<sup>44</sup>The result is an average of the survey's results that Customs protects against: people coming into or leaving New Zealand illegally (45.1%); and illicit drugs (40.7%), people with criminal or terrorist intent (39.2%), protected New Zealand objects (cultural and heritage items) (38.9%), and restricted or prohibited goods (which include weapons, indecent materials, and protected plants and animals) (52.1%) entering or leaving New Zealand.

<sup>45</sup>A serious investigation case involves, or has the potential to involve, serious community harm. Examples of serious investigation cases include those that involve more than \$250,000 drug harm (as calculated using the New Zealand Drug Harm Index), Class A or B drugs for supply, objectionable material involving child exploitation, or the importation of counterfeit medicines.

<sup>46</sup>The action resulting from a closed or completed serious investigation case where an offence has been committed and an offender has been identified and the result includes but is not limited to: offender is placed before the Courts by Customs or NZ Police; seizure of goods; a formal warning of the offender; an administrative penalty; imposition of a section 223 Customs and Excise Act 1996 penalty (a fine or other penalty) for the period from 1 July 2018 to 30 September 2018, and issue of an infringement notice under section 400 of the Customs and Excise Act 2018 for the period from 1 October 2018 to 30 June 2019.



## Output Class – Clearance and enforcement services related to craft

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

### Revenue and output expenses

2017/18		2018/19		
Actual		Actual	Unaudited Revised Budget	Unaudited Budget
\$000		\$000	\$000	\$000
<b>Revenue</b>				
8,890	Crown	8,870	8,870	10,421
65	Other	66	109	109
<b>8,955</b>	<b>Total revenue</b>	<b>8,936</b>	<b>8,979</b>	<b>10,530</b>
<b>8,926</b>	<b>Expenses before remeasurements</b>	<b>8,799</b>	<b>8,979</b>	<b>10,530</b>
<b>29</b>	<b>Surplus/(Deficit)</b>	<b>137</b>	<b>–</b>	<b>–</b>

### Performance

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

All small craft are to be boarded while arriving commercial craft will be boarded if there is an identified need – such as craft showing a high risk or visiting New Zealand for the first time. This helps to effectively mitigate border risks, and ensure compliance with Customs legislation, policy, and procedures. We boarded all 619 (within the expected range of 600–700) arriving small marine craft in 2018/19.

All 528 arriving commercial marine craft showing high risk or requiring administrative process (slightly above the 400–500 forecast) were boarded. A proportion of the commercial craft with a lower risk rating is also subject to secondary interaction – this encourages and maintains high levels of voluntary compliance, and acts as a check on Customs' risk assessments (while the information collected feeds into future assessments).

## Performance measures and standards

Measure	2017/18	2018/19		2019/20
	Actual	Standard	Actual	Standard
<i>Craft output: Craft operators are encouraged to assist and comply</i>				
Percentage of small marine craft arriving that are boarded as soon as practicable after arrival in a New Zealand port	99.8%	100%	100%	Measure replaced (see below)
Percentage of small marine craft arriving whose master of vessel reported to a customs officer upon first arrival in a New Zealand port	N/A	N/A	N/A	100%
Percentage of arriving commercial marine craft (including cruise ships) showing high risk or requiring administrative process that are boarded while in a New Zealand port	100%	100%	100%	100%
<i>Craft output: Craft operators' compliance is monitored</i>				
Minimum percentage of all arriving commercial marine craft that are not assessed as high risk that will be subject to Customs secondary interaction	7.9%	5%	7.2%	5%

## Output Class – Information and intelligence services

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

### Revenue and output expenses

2017/18		2018/19		
Actual		Actual	Unaudited Revised Budget	Unaudited Budget
\$000		\$000	\$000	\$000
<b>Revenue</b>				
13,277	Crown	12,379	12,379	14,450
882	Other	883	852	852
<b>14,159</b>	<b>Total revenue</b>	<b>13,262</b>	<b>13,231</b>	<b>15,302</b>
<b>13,689</b>	<b>Expenses before remeasurements</b>	<b>13,070</b>	<b>13,231</b>	<b>15,302</b>
<b>470</b>	<b>Surplus/(Deficit)</b>	<b>192</b>	<b>–</b>	<b>–</b>

## Performance

### Services for other agencies

In 2018/19 we disseminated 898 intelligence and risk products, above the expected 500–600. These relate to craft, individuals, groups, events, and commodities that could present a risk that falls under the jurisdiction of other agencies. The products are developed with a focus on tactical, operational, and strategic intelligence, and provide knowledge to improve decision-making and risk management.

Agencies provide Customs with information about people or goods that are of interest to them. Our border management system electronically screens data for matches, enabling Customs to notify the other agency if the person or goods arrive at the border. We managed 76,438 of these alerts created by other agencies in 2018/19, within the forecast of 75,000–80,000. These alerts were created by MBIE (59.7% of the total), the Ministry of Justice (29.4%), NZ Police (5.7%), Inland Revenue (4.6%), and other agencies (0.6%). MBIE is the largest proportion due to Immigration NZ alerts created on behalf of the Department of Corrections.

### National Maritime Coordination Centre (NMCC)

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

## Performance measures and standards

Measure	2017/18	2018/19		2019/20
	Actual	Standard	Actual	Standard
<i>Protection intermediate outcome: Users of information and intelligence products are satisfied with the service delivered</i>				
Minimum percentage of external clients who are satisfied with intelligence and risk products disseminated by Customs	60%	80%	87.5% <sup>47</sup>	Measure replaced (see below)
Minimum percentage of external clients who are satisfied with Customs' management of alerts created by their agency	100%	80%	100% <sup>48</sup>	
Percentage of external alerts processed in accordance with alert instructions	N/A	N/A	N/A	100%
Minimum percentage of requesting agencies and assets providers satisfied with National Maritime Coordination Centre's coordination of tasking	75%	80%	85.7% <sup>49</sup>	80%
<i>Information and intelligence services output: Surveillance resources are allocated to areas of highest risk</i>				
Minimum percentage of accepted agency requests successfully completed	77.9%	80%	80.8%	80%

<sup>47</sup>We sought feedback from eight external clients and received responses from seven. The survey responses were all obtained either in person or over the phone.

<sup>48</sup>We sought feedback (by inviting agencies to complete an online survey) from five agencies for which we managed alerts and received responses from two of those agencies.

<sup>49</sup>We sought feedback from eight agencies and received responses from seven of those agencies. The survey responses were all obtained either in person or over the phone.

## Output Class – Revenue collection

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

### Revenue and output expenses

2017/18		2018/19		
Actual		Actual	Unaudited Revised Budget	Unaudited Budget
\$000		\$000	\$000	\$000
<b>Revenue</b>				
9,697	Crown	9,682	9,682	9,447
613	Other	667	638	638
<b>10,310</b>	<b>Total revenue</b>	<b>10,349</b>	<b>10,320</b>	<b>10,085</b>
<b>10,121</b>	<b>Expenses before remeasurements</b>	<b>10,016</b>	<b>10,320</b>	<b>10,085</b>
<b>189</b>	<b>Surplus/(Deficit)</b>	<b>333</b>	<b>–</b>	<b>–</b>

### Performance

A net total of \$50.98 million in additional revenue owing was identified, significantly exceeding the target of a minimum of \$15 million. This additional revenue is identified through undertaking verifications of data entered by importers, exporters, and licensed manufacturers of excisable goods; voluntary disclosures by traders; and audit activity. There is a high degree of variability in the total collected year-to-year as it is frequently affected by a small number of high-value collections.

Customs' contribution to the Revenue outcome is discussed on pages 24–27.

## Performance measures and standards

Measure	2017/18	2018/19		2019/20
	Actual	Standard	Actual	Standard
<i>Revenue intermediate outcome: Revenue clients are encouraged and assisted to comply</i>				
Minimum percentage of revenue that is collected electronically <sup>50</sup>	99.4%	95%	99.5%	95%
Minimum number of clients that meet credit criteria and have access to the deferred payment scheme	9,257	9,000	9,485 <sup>51</sup>	N/A
<i>Revenue output: Due revenue is collected</i>				
Minimum percentage of revenue that is collected by the due date	99.5%	98%	99.1% <sup>52</sup>	98%
<i>Revenue output: Revenue clients' compliance is monitored</i>				
Debt write-offs as a maximum percentage of total Crown revenue collected	0.057%	0.06%	0.007%	0.06%
Minimum additional revenue (NZ\$) owed that is identified through the trade compliance programme	\$44.56 million	\$15 million	\$50.98 million	\$15 million

<sup>50</sup>The significant majority of clients pay electronically through methods such as direct debit and internet banking. The balance pay manually by cheque or cash (payments by those methods represented only 0.5% of the total revenue collected in 2018/19).

<sup>51</sup>This is an average of the 12 monthly totals. As at 30 June 2019, the total number of clients was 9,514.

<sup>52</sup>This result is based on monthly calculations of the total amount paid to Customs for the month less any revenue payable that has been owing for more than 30 days at the end of that month – with the percentages of revenue collected by the due date from those 12 monthly calculations averaged to provide the result (of 99.1% for 2018/19).

## Output Class – Policy advice

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

### Revenue and output expenses

2017/18		2018/19		
Actual		Actual	Unaudited Revised Budget	Unaudited Budget
\$000		\$000	\$000	\$000
<b>Revenue</b>				
5,186	Crown	3,867	3,867	5,349
32	Other	33	35	35
<b>5,218</b>	<b>Total revenue</b>	<b>3,900</b>	<b>3,902</b>	<b>5,384</b>
<b>4,919</b>	<b>Expenses before remeasurements</b>	<b>3,700</b>	<b>3,902</b>	<b>5,384</b>
<b>299</b>	<b>Surplus/(Deficit)</b>	<b>200</b>	<b>–</b>	<b>–</b>

### Performance

Customs provided policy advice to the Minister of Customs in 2018/19 on a range of topics related to border management, including:

- methods of collecting GST on imported low-value goods and implications for the *de minimis* threshold
- the response to drugs and transnational organised crime, including the development of the Maritime Powers Extension Bill and supporting progress of the legislation through the House
- the regulation of goods crossing the border, including the review and renewal of existing import and export controls and the consideration of new border controls proposed by other agencies
- a review of Customs' goods clearance cost recovery approach.

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

NZIER awarded Customs a median score of 7.5 for the quality of policy papers submitted to Ministers in 2018/19, based on a review of a sample of 20 papers (this equates to a result of 75% for the median technical quality assessment score measure). 95% of our papers scored a 7 or above (with 7 reflecting that quality standards were met) while 45% of papers scored 8 or above. NZIER ranks agencies according to their mean score. In 2017/18 Customs had the highest mean of agencies surveyed, with a score of 7.7. Whilst this dropped to 7.65 for 2018/19, NZIER noted that it was an impressive performance, mentioning that few other agencies had maintained top scores from one year to the next.



## Performance measures and standards

Measure	2017/18	2018/19		2019/20
	Actual	Standard	Actual	Standard
<i>Policy advice intermediate outcome: Minister's satisfaction with policy advice</i>				
Minister's satisfaction with policy advice, as measured by the common satisfaction survey (minimum percentage score)	77.5%	75% <sup>53</sup>	75% <sup>54</sup>	Measure replaced (see below)
Satisfaction of the portfolio Minister with the policy advice service	N/A	N/A	N/A	TBC <sup>55</sup>
<i>Policy advice output: Quality of policy papers</i>				
Median technical quality assessment score (percentage) for a sample of policy papers as assessed by NZIER with a robustness of at least 75%	75%	75%	75%	Measure replaced (see below)
Assessment of the quality of a sample of the agency's policy advice papers	N/A	N/A	N/A	TBC <sup>55</sup>
<i>Policy advice: cost-effectiveness</i>				
Maximum total cost (NZ\$) of professional staff per hour of producing outputs	\$108.3	\$120	\$108.8	\$120

<sup>53</sup> A score of 70% corresponds to "meets expectations".

<sup>54</sup> This result is from the survey completed by the then Minister of Customs (Minister Kris Faafoi) for and in the period for which he was Minister in 2018/19 – 20 September 2018 to 27 June 2019.

<sup>55</sup> The Standard for each of these measures (based on the revised Ministerial Policy Satisfaction Survey and refreshed Policy Quality Framework, issued in June 2019 by the Department of Prime Minister and Cabinet) will be included in the Vote Customs 2019/20 Supplementary Estimates of Appropriations.

## Output Class – International services and ministerial servicing

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

### Revenue and output expenses

2017/18		2018/19		
Actual		Actual	Unaudited Revised Budget	Unaudited Budget
\$000		\$000	\$000	\$000
<b>Revenue</b>				
8,753	Crown	8,701	8,701	8,502
1,180	Other	1,645	1,991	1,991
<b>9,933</b>	<b>Total revenue</b>	<b>10,346</b>	<b>10,692</b>	<b>10,493</b>
<b>9,798</b>	<b>Expenses before remeasurements</b>	<b>10,164</b>	<b>10,692</b>	<b>10,493</b>
<b>135</b>	<b>Surplus/(Deficit)</b>	<b>182</b>	<b>-</b>	<b>-</b>

## Performance

### International services

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

We work with other agencies to shape the international environment in which New Zealand businesses engage and to support the movement of legitimate goods across borders, including through increased trade access and reduced non-tariff barriers. A key contribution by Customs in this area relates to FTAs (as discussed on page 17).

Customs plays an active role in ensuring the representation of New Zealand's interests in international customs policy and trade. We participate in a number of key international fora and groupings to advance our objectives, including:

- World Customs Organization (WCO) – Customs is one of the Asia/Pacific Region's representatives on the WCO Policy Commission, which sets the policy direction for the WCO. In 2018/19 Customs chaired a working group to ascertain members' experiences with border risks related to cruise ships. That work has now been picked up by Japan with New Zealand supporting them in the development of an issues paper for the Policy Commission. Customs is Co-Chair of the Universal Postal Union/WCO Contact Committee, which is looking at the harmonisation of clearance and pre-clearance systems in the postal stream. We are also Co-Chair of the Small Island Economies Working Group looking at developing WCO tools and instruments more relevant to the Small Island Economies (for example those in the Pacific).
- Border Five (B5) – Being a member of the B5 enables us to extend our reach, knowledge, and expertise, and to move forward on key issues facing New Zealand individually and as a bloc.
- Oceania Customs Organisation – Customs is a key member of this Pacific organisation, and is on the finance steering group. We contribute expertise and advice on a regular basis, particularly in relation to information sharing, border management practices, and the implementation of the Pacific Agreement on Closer Economic Relations (PACER Plus).

Customs also runs a full bilateral programme. In June 2019, Customs signed Mutual Recognition Arrangements with Canada and Singapore (as discussed on page 17).

Customs has a network of liaison officers located in offshore posts who support our work programme overseas and help to build better relationships and trust with our overseas partners. These posts provide additional policy and operational capability that supports our trade, security, and enforcement objectives. This includes gathering, sharing, and using information and intelligence to enable targeted disruption, with offshore partners willing to act on our behalf to prevent harm reaching New Zealand's borders (as discussed on page 10).

Customs is delivering a five-year border-management development programme for the Pacific, funded (NZ\$4.5 million) by the Ministry of Foreign Affairs and Trade through a Partnership Arrangement, that supports customs administrations in the Pacific to build capacity and develop effective border management. This enhances the Pacific region's ability to detect and disrupt organised crime, while allowing legitimate trade and travel. The programme is delivered in partnership with the Samoa, Fiji, and Cook Islands customs administrations.

### **Ministerial servicing**

The services and support that Customs provides to the Minister of Customs include preparing draft replies to ministerial correspondence and draft responses to parliamentary questions. Volumes are demand-driven. In 2018/19 we provided 56 draft replies to ministerial correspondence, within the expected 40–70 range. We provided 59 draft responses to written parliamentary questions to the Minister, within the expected range of 50–80.

## Performance measures and standards

Measure	2017/18	2018/19		2019/20
	Actual	Standard	Actual	Standard
<i>International services and ministerial servicing intermediate outcome: Minister's satisfaction</i>				
Minister's satisfaction with advice and support in relation to international services and ministerial servicing	Meets and sometimes exceeds expectations	Meets expectations	Meets and sometimes exceeds expectations <sup>54</sup>	Meets expectations
<i>International services and ministerial servicing output: Delivery of draft responses and replies</i>				
Minimum percentage of draft replies to ministerial correspondence that are provided within 20 working days or as agreed with the Minister	90.9%	90%	98.2%	90%
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%

<sup>54</sup>This result is from the survey completed by the then Minister of Customs (Minister Kris Faafoi) for and in the period for which he was Minister in 2018/19 – 20 September 2018 to 27 June 2019.

## Departmental Capital Expenditure

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

### Statement of Budgeted and Actual Capital Expenditure

2017/18		2018/19		
Actual		Actual	Unaudited Revised Budget	Unaudited Budget
\$000		\$000	\$000	\$000
9,103	Property, plant and equipment	10,200	12,095	7,440
6,617	Intangibles	8,788	19,776	11,900
-	Other	-	-	-
<b>15,720</b>	<b>Total Appropriation</b>	<b>18,988</b>	<b>31,871</b>	<b>19,340</b>

The increase in the Unaudited Revised Budget (the Supplementary Estimates of Appropriations for 2018/19) was principally due to the anticipated timing and level of capital expenditure for projects in 2018/19. Actual expenditure being below the Unaudited Revised Budget was the result of delays in the capital programme.

### Performance measures and standards

Measure	2017/18	2018/19		2019/20
	Actual	Standard	Actual	Standard
Expenditure is in accordance with the department's intention to renew and replace computer equipment and software, furniture and fittings, leasehold improvements, motor vehicles and office equipment and plant	Achieved	Achieved	Achieved	Achieved

## APPROPRIATION STATEMENTS

The following statements report information about the expenses and capital expenditure incurred against each appropriation administered by the New Zealand Customs Service for the year ended 30 June 2019.

### Statement of Expenses and Capital Expenditure Incurred Against Appropriations

For the year ended 30 June 2019

#### Annual and permanent appropriations for Vote Customs

2017/18		2018/19			
Expenditure after remeasurements \$000		Expenditure after remeasurements \$000	Remeasurements <sup>1</sup> \$000	Expenditure before remeasurements \$000	Approved Appropriation 2019 <sup>2</sup> \$000
<i>Departmental output expenses</i>					
64,875	Clearance and enforcement services related to passengers and crew	71,977	120	71,857	71,982
83,627	Clearance and enforcement services related to goods	87,199	111	87,089	89,979
8,927	Clearance and enforcement services related to craft	8,811	12	8,799	8,979
13,691	Information and intelligence services	13,085	15	13,070	13,231
10,123	Revenue collection	10,034	18	10,016	10,320
4,920	Policy advice	3,706	6	3,700	3,902
9,799	International services and ministerial servicing	10,176	12	10,164	10,692
<b>195,962</b>	<b>Total departmental output expenses</b>	<b>204,988</b>	<b>293</b>	<b>204,695</b>	<b>209,085</b>
<i>Departmental capital expenditure</i>					
<b>15,720</b>	<b>New Zealand Customs Service – capital expenditure PLA<sup>3</sup></b>	<b>18,988</b>	<b>–</b>	<b>18,988</b>	<b>31,871</b>
<i>Non-departmental other expenses</i>					
2,385	Change in doubtful debt provision	5,687	–	5,687	8,000
–	Provision of ACC-equivalent cover for New Zealand employees working overseas PLA <sup>3</sup>	–	–	–	5
60	World Customs Organization	67	–	67	80
<b>2,445</b>	<b>Total non-departmental other expenses</b>	<b>5,754</b>	<b>–</b>	<b>5,754</b>	<b>8,085</b>
<b>214,127</b>	<b>Total annual and permanent appropriations</b>	<b>229,730</b>	<b>293</b>	<b>229,437</b>	<b>249,041</b>

<sup>1</sup> Remeasurements are the movement brought about by the change in the discount rate applied to non-current employee entitlements (see Note 12, page 85)

<sup>2</sup> These are the appropriations from *The Supplementary Estimates of Appropriations 2018/19*

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

The 2018/19 end-of-year performance information for each departmental appropriation is reported in this annual report.

The 2018/19 end-of-year performance information for the non-departmental appropriations is in a report by the Minister of Customs appended to this annual report except for the ACC-equivalent cover for New Zealand employees working overseas PLA appropriation, which is exempt under section 15D(2)(b)(iii) of the Public Finance Act from the requirement to provide end-of-year performance information.

In the 2018/19 financial year, the New Zealand Customs Service did not incur any:

- expenses or capital expenditure in excess of appropriation (2017/18 financial year: nil)
- expenses or capital expenditure without appropriation or other authority, or outside the scope or period of the appropriation (2017/18 financial year: nil).

## Statement of Departmental Capital Injections

For the year ended 30 June 2019

2017/18		2018/19
Actual \$000		Actual \$000
	<b>Vote Customs</b>	
	– New Zealand Customs Service – capital injection	–

The New Zealand Customs Service has not received any capital injections during the year without, or in excess of, authority (2017/18 financial year: nil).