



NEW ZEALAND  
**CUSTOMS SERVICE**  
TE MANA ĀRAI O AOTEAROA

# Rīpoata ā-tau Annual Report 2022

Incorporating the Border Executive Board  
Annual Report 2022





## Introduction

This document contains three reports that collectively provide information on the performance of the New Zealand Customs Service, the non-departmental appropriations administered through Vote Customs, and the Border Executive Board.

The Border Executive Board was established in January 2021 as an inter-departmental executive board. The New Zealand Customs Service is the servicing department for the Board and provides administrative, financial, and corporate support. The financial statements and non-financial performance information for the Border Executive Board are included in the New Zealand Customs Service Annual Report.

### **Te rīpoata ā-tau ā Te Mana Arai o Aotearoa New Zealand Customs Service Annual Report 2022**

This report provides an overview of the operations and performance of the New Zealand Customs Service for the 2021/22 financial year, including financial statements and non-financial performance information.

This report is presented to the House of Representatives pursuant to section 44 of the Public Finance Act 1989 and commences on page 1.

### **Te rīpoata ā te Minita ē pā ana ki ngā whakamahinga pūtea o waho atu i ngā whakahaere a Te Mana Arai o Aotearoa Minister's Report in relation to Vote Customs non-departmental appropriations 2021/22**

This report provides performance information relating to non-departmental expenditure within Vote Customs that is administered on behalf of the Minister of Customs. Although it is presented in the same document, it does not form part of the New Zealand Customs Service Annual Report.

This report is presented to the House of Representatives pursuant to section 19B of the Public Finance Act 1989 and commences on page 185.

### **Te rīpoata ā-tau ā Te Kāhui Whakamaru Paenga Tahī Border Executive Board Annual Report 2022**

This report provides an overview of the operation and activities of the Border Executive Board for the 2021/22 financial year. The Board's Annual Report has been appended to the New Zealand Customs Service Annual Report and included in this document for the purposes of presentation to Parliament and publication.

This document is presented to the House of Representatives pursuant to section 44 of the Public Finance Act 1989 and commences on page 189.





NEW ZEALAND  
**CUSTOMS SERVICE**  
TE MANA ĀRAI O AOTEAROA

# Te rīpoata ā-tau ā Te Mana Ārai o Aotearoa New Zealand Customs Service Annual Report 2022

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



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## Our Purpose

Ko te whakahaumaru me te whakatairanga i a Aotearoa ki ngā rohe  
We are here to protect and promote New Zealand across borders

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## Our vision

Te Whakakore tūraru rohe me ngā tūraru kohinga tāka  
We aspire to eliminate border and revenue risk

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## Our principles

The Treaty of Waitangi principles of kotahitanga (partnership),  
kaitiakitanga (protection) and manaakitanga (participation/care for others)  
are the foundations for what we do

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## Our values

**Te Ara Tike**  
**We do what's  
right**

We are fair and  
just and always act  
with respect for the  
law and the rights  
of others

**Kaitiakitanga**  
**We are  
Guardians**

We protect our  
past, our present  
and our future

**He Tāngata**  
**We value people**

We act together to  
create and value  
a multicultural and  
diverse Customs

**Pae Tawhiti**  
**We look  
forward**

We foster  
innovation, agility  
and continuous  
improvement



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# Who we are

Established in 1840, Te Mana Ārai o Aotearoa, the New Zealand Customs Service (Customs), is the oldest government department in New Zealand. We provide essential services to protect New Zealand's border, manage the risks and opportunities associated with the movement of people and goods, and promote New Zealand across borders.

## Our functions

Our primary function when we were established was to gather revenue for the Government, including excise tax and duties relating to alcohol, fuel and tobacco.

Over the past 180 years, our targets and activity have changed – from preventing the importation of opium, risqué books and transistor radios in the past, to our current focus on facilitating the movement of people and goods, while targeting drug smuggling, transnational organised crime activity, objectionable material, fraud, and money laundering.

Today, our core functions are:

- preventing risks and threats reaching or crossing our borders – particularly drugs, illegal weapons and objectionable material (Protection)
- ensuring New Zealand's trade flows efficiently across international borders (Trade)
- facilitating safe and efficient travel to and from New Zealand (Travel)
- collecting revenue on behalf of the Crown (Revenue).

Alongside these functions, we have had specific responsibilities for monitoring and enforcing compliance with the Maritime Border Order at New Zealand's sea ports and the Air Border Order at our international airports to ensure compliance with public health measures in response to COVID-19.

## Our services

Our work includes:

- protecting New Zealand from external threats, such as illicit drug smuggling
- facilitating the flow of legitimate travel and trade across our border
- enforcing relevant law, which includes identifying and seizing prohibited imports and exports
- providing intelligence and risk assessment information to our frontline officers and partner agencies

- monitoring compliance with border requirements, and providing assurance over trade security and the collection of revenue at the border
- providing policy advice to ministers on border and revenue management issues
- participating in the global customs community, helping to develop international policy and engaging operationally with overseas customs and law enforcement bodies
- leading the development and introduction of the New Zealand Traveller Declaration system
- providing administrative and corporate support to the Border Executive Board.

## The people we support

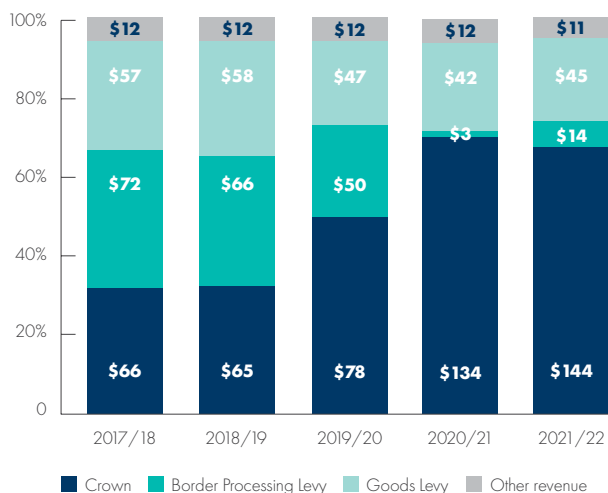
We interact with a broad range of New Zealanders and people from the rest of the world for a range of reasons, and in many different ways:

- we process arriving and departing international passengers across the border
- we support importers and exporters through the facilitation of secure and efficient trade
- we provide advice to commercial partners, brokers and freight forwarders to help with trade and clearance issues
- we work with agencies around the world to support the development of international trade agreements and global customs standards
- we share information and intelligence, and cooperate in operations with partner agencies to target drug and tobacco smuggling, with a particular focus on transnational organised crime groups
- we work to make our communities safer through identifying and stopping drugs and other illicit goods from crossing our border
- we are building our capability to improve engagement with iwi, hapū and Māori communities as part of our work to protect New Zealand's border.

## How we are funded

We deliver our services through funding received from the Crown, and revenue that comes from the fees we charge to cover the costs of screening and processing passengers and goods as they cross the border.

Figure 1: Customs' revenue sources (\$m)



The Border Processing Levy (for passengers and crew) and Goods Clearance Levy payments ensure we are able to deliver high-quality services that effectively manage border risks.

The revenue generated through the Border Processing Levy has been significantly impacted by the low passenger numbers as a result of the COVID-19 border restrictions. Over the last two financial years, the Government has provided additional funding to address this shortfall. The additional funding received during 2021/22 will be repaid over time as the revenue from the Border Processing Levy returns to more usual levels (see page 62 for more information on changes to the Levy).

Further information on our financial performance is set out on pages 134-135.

## Supporting Government priorities

We take a kaitiakitanga (guardianship) approach to our border, reducing social harm to New Zealand communities from illegal and restricted goods and health risks, while ensuring that legitimate trade and travel is facilitated and supported.

This approach aligns closely to the three overarching objectives the Government has set for the country:

- > keep New Zealanders safe from COVID-19
- > accelerate economic growth
- > lay the foundations for a better future.

### Operating within a rapidly changing environment

The COVID-19 pandemic continues to have a significant impact on New Zealand and the environment in which we deliver our services. A priority focus for Customs was on planning, preparing for, and supporting the cross-agency 'Reconnecting New Zealanders to the World' programme. This saw a gradual reopening of the air border during 2021/22, and the full reopening of the air and sea border from 31 July 2022.

During the 2021/22 financial year, we maintained a 24/7 presence at 14 sea ports around the country to ensure vessels and crew complied with the Maritime Border Order and public health measures. This included the development of a Vessel Management Framework to allow freight to be unloaded and loaded, even when there were confirmed or suspected cases of COVID-19 amongst crew members on board.

We also supported international traders to manage the impact of the pandemic and supply chain disruptions through the COVID-19 economic assistance package. Increased credit limits for small-to-medium sized importers allowed businesses to bring in larger quantities of goods and manage cash flow when multiple shipments arrived in quick succession.

During these changes our people have demonstrated a willingness and adaptability to change, ensuring we have been able to continue to deliver essential services even during periods of severe disruption.

The lifting of travel restrictions has enabled us to resume face-to-face interactions with partner agencies around the world. This includes supporting businesses to resolve trade issues, and promoting New Zealand's interests in international forums.

# Our structure

Customs is accountable to and supports the Minister of Customs and the Minister for COVID-19 Response. It is headed by the Comptroller of Customs, Christine Stevenson, and is divided into five business groups.



**Hon Meka Whaitiri**

Minister of Customs

We are accountable to the Minister of Customs for the delivery of our services and day-to-day operations.



**Hon Dr Ayesha Verrall**

Minister for COVID-19 Response

The Minister for COVID-19 Response is responsible for our appropriations relating to the funding for the Border Executive Board secretariat and the development of the New Zealand Traveller Declaration System.



Christine Stevenson  
**Comptroller of Customs**



Bill Perry

**Deputy Comptroller Operations**

- Border Operations
- Maritime
- Revenue and Assurance
- Business Improvement and Innovation
- Intelligence, Investigations and Enforcement
- Strategic Business Development
- COVID response



Jamie Bamford

**Deputy Chief Executive International and Governance**

- International
- Stakeholder Communications
- Risk, Security and Assurance
- Governance



Sharon May

**Deputy Chief Executive Finance, Technology and Infrastructure**

- Corporate Services
- Information Services
- Finance
- New Zealand Traveller Declaration



Richard Bargh

**Deputy Chief Executive Policy, Legal and Strategy**

- Policy
- Legal
- Strategy
- Operational Policies and Procedures
- Information Sharing and Privacy



Nigel Foster

**Acting Deputy Chief Executive People and Capability**

- Human Resources Service Delivery
- Learning and Organisational Development
- Māori Responsiveness
- Employment Relations and Remuneration
- Workforce Strategy and Planning
- Health, Safety and Wellbeing



# Working in partnership across the sector

We work with national and international partners to ensure we have effective border management systems and processes that streamline and facilitate the movement of people and goods, while preventing harm to our communities.

## At the border

We work closely with other border agencies through the Border Executive Board to ensure the efficient flow of goods, passengers and crew at our border, while managing a range of risks and threats relating to health, biosecurity and social harm (such as drugs, weapons and other illicit goods, and the unlawful entry of people).

We also work closely with the New Zealand Police, the Department of Internal Affairs, and other domestic and international law enforcement agencies to target transnational organised crime groups. Together with the Ministry of Foreign Affairs and Trade, we support the negotiation and implementation of Free Trade and other international agreements, and work to resolve trade issues through our international liaison officers.

Our new Iwi Māori Engagement Plan has been designed to support purposeful engagement with iwi, hapū and Māori communities, with a specific focus on building relationships with iwi and hapū connected to our air and sea ports in the coming years.

In addition, we work with a range of companies and organisations across the aviation and maritime sectors; supply chain partners, such as logistics companies, courier and freight services, industry organisations, and customs brokers; and organisations such as the Institute of Environmental Science and Research and Environmental Protection Agency, to protect our border.

Figure 2: Inter-agency collaboration at the border



The Border Executive Board was established in January 2021 to provide effective governance over the end-to-end border processes for people, goods, and craft. It builds on the long history of collaboration between border agencies and aims to provide joint leadership and accountability for the border sector.

The Board is made up of the chief executives of the New Zealand Customs Service, Ministry for Primary Industries, Ministry of Business, Innovation and Employment, Ministry of Health, Ministry of Transport and the Ministry of Foreign Affairs and Trade. The Comptroller of Customs chairs the Board.

The Board reports to the Minister for COVID-19 Response and is accountable for:

- > providing strategic border system improvements
- > addressing gaps or future risks from people, goods and craft

- > ensuring there are no gaps in end-to-end border processes, particularly in relation to the COVID-19 response
- > managing the fiscal pressures the border sector is facing as a result of decreased revenue from cost-recovery activities.

Customs is the servicing agency for the Border Executive Board. We host the secretariat and provide administrative, financial and corporate support. We also lead several workstreams supporting system assurance and improvement outcomes, including the development of the New Zealand Traveller Declaration (see page 49) and the Ahumoni Hoahoa workstream, supporting improved financial planning.

Information on the work of the Border Executive Board is set out in the Board's Annual Report on page 189.

## Partnering internationally

We are part of the global customs community through our overseas posts, and our relationships with overseas customs, border security, and law enforcement agencies.

Figure 3: Customs' international partnerships



### Resolving trade issues and promoting New Zealand

A network of staff posted overseas in nine countries



### Building capacity in the Pacific

A border-management development programme

Asia-Pacific Economic Cooperation Forum



### Supporting global customs policy and standards

World Customs Organization

Border Five group

Oceania Customs Organisation

## Our overseas staff play an important role

We have a network of staff posted overseas, strengthening relationships, exchanging information and intelligence, and providing on-the-ground assistance to businesses facing trade issues. Improving information flows with partner agencies improves our ability to detect, disrupt, investigate, and prosecute transnational organised crime groups.

## Our involvement in Asia–Pacific

We are helping to build capacity in the Pacific by delivering a border management development programme, building capability and improved processes. It is delivered in partnership with the customs administrations in Samoa, Fiji and the Cook Islands.

The Asia-Pacific Economic Cooperation (APEC) is the leading economic and trade forum in the Asia-Pacific region, supporting trade facilitation and best practice policies and guidelines. New Zealand hosted APEC during the 2021 calendar year. As part of New Zealand's hosting responsibilities, we chaired the Sub-Committee on Customs Procedures sessions. We continue to contribute to the ongoing work programme of the Sub-Committee.

## International forums

We work with agencies around the world to support the development of international trade agreements and global customs standards. This includes working with the World Customs Organization, which focuses on enhancing the effectiveness and efficiency of customs administrations; and the Oceania Customs Organisation, which brings together representatives from 23 customs administrations within the Pacific.

We are also a member of the Border Five group, which brings together customs and border protection agencies from New Zealand, Australia, the United Kingdom, the United States, and Canada. New Zealand became the Chair of the Border Five group in December 2021 for a one-year period.

These forums provide an opportunity to support a fair and rules-based approach to international trade, and to use our reputation as a trusted international partner to support the development of global customs standards.



*Comptroller of Customs, Christine Stevenson speaking at 'Kiwi night', an annual New Zealand-hosted gathering of World Customs Organization attendees.*



**Christine Stevenson**  
Comptroller of Customs

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## Comptroller's overview

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

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

In 2021 I noted that the previous year had been particularly busy and challenging for Te Mana Ārai o Aotearoa, New Zealand Customs Service, as we navigated the impact of the COVID-19 pandemic and tight border restrictions. If anything, the 2021/22 year has been even more challenging, and I am very pleased with what we have achieved.

We played a key role in reducing the risk of COVID-19 reaching our communities and the gradual reopening of our border

Our people have put in an immense effort to reduce the risk of COVID-19 crossing our border – standing up new services and processes to help keep New Zealanders safe. This includes processes to screen and confirm that passengers have completed pre-departure tests and provided valid vaccination certificates, ensuring health protocols are followed at our maritime ports, leading the all-of-government response to manage international vessels with confirmed or suspected COVID-19 cases onboard, and the establishment of the New Zealand Traveller Declaration.

We played a key role in the work to reconnect New Zealanders to the world through the gradual reopening of our air border, and reopening the maritime border from 31 July 2022.

As a result we implemented a significant number of operational changes at our international airports, from the development of 'red' and 'green' lanes during periods of quarantine-free travel with specific countries, to new travel documentation requirements for passengers. Further changes occurred with the lifting of managed isolation requirements and the shift to self-testing, and the resumption of international flights into Wellington and Queenstown airports as passenger numbers increased.

Many of these changes occurred in quick succession, requiring our people to remain adaptable and flexible in the face of constant change.

Our partnerships with national and international agencies enabled significant seizures of illicit drugs

Together with the New Zealand Police, we seized the largest single shipments of methamphetamine and cocaine in New Zealand's history at our border in February and March 2022. We have also seen an increase in the number of seizures of smuggled tobacco products, which is the largest source of revenue evasion.

These seizures occurred during a time when our people were already under significant pressure as a result of localised COVID-19 restrictions and operational changes at our ports and airports.

## We supported traders to access new markets and manage supply chain disruptions

A particular highlight of the year was the development of a new Mutual Recognition Arrangement with the United Kingdom (UK) – the first one the UK has entered into since leaving the European Union.

The agreement ensures that traders who are part of our Secure Exports Scheme have streamlined access into the UK, reducing clearance times and costs for businesses, with reciprocal rights for authorised traders exporting goods to New Zealand. The agreement was developed within 12 months and negotiated virtually, reflecting the hard work and dedicated commitment of our people.

We also supported both exporters and importers manage the impact of ongoing supply chain disruptions. This included increased credit limits for small and medium-sized importers, so they are able to make larger and more frequent orders, minimising the impact of shipping delays. The COVID-19 Economic Assistance Package has been extended for a further two years, helping traders manage their cash flow during periods of significant disruption.

## We maintained a dedicated focus on keeping our people safe

Our people, particularly our frontline border officers, work in a range of high-risk environments. We have a strong focus on health and safety, with a multi-layered approach to infection control measures. I am pleased that, prior to the widespread Omicron outbreak, none of our people contracted COVID-19 as a result of exposure at their place of work.

The implementation of the COVID-19 Maritime Border Order meant we substantially increased the number of our people working in or around sea ports. From the beginning, we focused on educating our people on the specific risks they face in a port environment and proactive reporting of near-miss events, helping to manage risk and making sure our people returned safely home each day.

## A strong focus on stewarding New Zealand's resources for the future

This is the first year all core public service agencies are required to report on their greenhouse gas emissions and progress towards gross emissions targets. A significant amount of work has been done to prepare for the new reporting requirements and to begin to reduce our total emissions.

As at July 2022 we were ranked amongst the top eight agencies in terms of our reporting readiness. We have had three years of emissions records audited, allowing us to understand our main emissions sources and key trends. This has provided a strong start to support more detailed planning to meet our long-term targets.

## Partnerships are key to our success

We could not have achieved any of this on our own. Our partnerships with other agencies, partners, stakeholders, and groups across the maritime and aviation sectors nationally and internationally have been critical to our ability to achieve our objectives.

The focus of the Border Executive Board on joint accountability for the sector has further strengthened the connections between New Zealand's border agencies.

As border restrictions around the world have gradually lifted, we have had the opportunity to reconnect face-to-face with our international partners and establish new networks, with a particular focus on targeting transnational organised crime. These networks will be crucial as we look to meet the challenges and opportunities of the future.

## Ehara taku toa i te toa takitahi, engari kē he toa takitini

Success is not the work of an individual, but the work of many

As we head into what promises to be another busy year, I want to acknowledge and thank the 1,500 dedicated Customs people who continue to show great professionalism, commitment and resilience in an ever-changing environment. I am proud of our people and the work they do every day to help protect and promote New Zealand. Through their work we are well positioned to meet the challenges of the year ahead.

## Kia tau ngā manaakitanga ki a koutou katoa.



**Christine Stevenson**

Comptroller of Customs



# Year at a glance >>>

## Protection



Prevented \$3.7 billion in potential harm by seizing drugs offshore or at our border



Maintained a strong focus on ensuring vessels, crew and port staff followed COVID-19 health protocols at the maritime border



Investigated over 1,600 reports of alleged offending by New Zealanders relating to online sexual exploitation material

## Trade



Processed 20.3 million import and 5.2 million export transactions, with most items risk assessed and cleared before they reached New Zealand



Supported 140 Secure Export Scheme partners to gain faster and more efficient access to international markets



Worked with APEC members to develop best practice guidelines and processes for digital trade

## Travel



Introduced new screening processes for arriving passengers to verify COVID-19 pre-departure testing and vaccination certificate requirements



Developed and implemented the first stage of the New Zealand Traveller Declaration system



Worked collaboratively with other agencies to implement the Reconnecting New Zealanders to the World programme, with a staged reopening of the border

## Revenue



Collected \$17.5 billion in revenue on behalf of the Crown, up from \$14.9 billion in 2020/21



Supported almost 500 clients through our COVID-19 economic assistance package since March 2020



Intercepted over 13,200 kilograms of loose tobacco and 5.2 million cigarettes, preventing revenue evasion

## Te Pou Tokomanawa – The Foundations



Developed our Iwi Māori Engagement Plan, establishing guiding principles for engagement with iwi, hapū and Māori communities



Developed a three-year strategy and action plan to lift the competency of our people in te reo Māori



Began work to understand the principles and implications of Māori data sovereignty on the data we manage

## Work with others



Helped lead the cross-government programme targeting transnational organised crime



Supported the negotiation of Free Trade Agreements with the UK and the European Union



Assumed the Chair, for the 2022 calendar year, of the Border Five group of customs and border protection administrations

## How well did we do?

Our performance measurement framework enables us to tell a better story about the work we do and why it is important. It provides an overview of how we measure, track and report our organisational performance against the objectives set out in our Statement of Intent 2021–2025. The framework outlines how the outcomes we want to achieve (our intentions) are supported by the services we provide (our outputs) and our organisational health and culture.

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# Customs Performance Measurement Framework



We are here to

## Protect and promote New Zealand across borders

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



## We support Government priorities

Keep New Zealanders safe from COVID-19 while reconnecting to the world

Accelerate economic growth

Lay foundations for a better future



## Our intentions

We aspire to

### Eliminate border and revenue risk

Te whakakore tūraru rohe me ngā tūraru kohinga tāka



### Whakahaumaru Protection

Prevent risk reaching our borders

Effective border processes reduce the threat of COVID-19 entering the community  
Prevention is our first line of defence  
Prohibited goods are identified and seized at the border or pre-arrival



### Hokohoko Trade

New Zealand's trade flows efficiently across borders

Increased and reliable market access  
Easy to use systems and processes  
Stronger ties with international trading partners



### Tāroi Travel

A streamlined experience for travellers across borders

Our processes are adaptable by design  
An integrated cross-government system is developed to safely support the resumption of travel  
Effective border screening processes reduce risk to New Zealand



### Kohinga tāka Revenue

Collect all due revenue

Our systems and processes are easy to use  
Non-compliance with payment requirements is identified and appropriately addressed  
Our clients know what we collect and why



## Te Pou Tokomanawa – the foundations

He iwi kotahi tātou (we are one people) thorough kotahitanga (partnership), kaitiakitanga (protection), and manaakitanga (participation)

Engagement with Māori communities is a fundamental part of our work to protect New Zealand's borders

Customs staff increase their knowledge and use of te reo Māori me ōna tikanga

Māori staff are supported to achieve their aspirations



## Our services

Goods clearance and enforcement

Travellers clearance and enforcement

Revenue collection and other services

COVID-19 – maritime response

Border system performance

Traveller declaration system development



Helping us get there

## Our organisational health

We have the right people, systems and processes in place

Sourcing and building a capable and agile workforce

Supporting the growth of inspiring leadership

Ensuring the wellbeing and safety of our staff

Effectively managing our risks and investments

Managing financial pressures



## Our culture

Customs is inclusive and diverse, together we protect and promote New Zealand

Every voice is valued and respected

We address biases

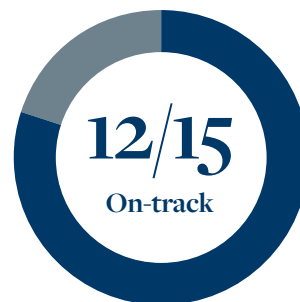
We reflect the community we serve





# Delivering on our strategic objectives and our output performance measures

## Strategic Indicators

Our strategic indicators demonstrate how we have progressed towards our key outcomes under each of our four strategic pillars and Te Pou Tokomanawa as outlined in our *Statement of Intent 2021–2025*. In 2021/22 we had 12 indicators on-track and three off-track. This compares with five on-track, three off-track and one not measured last year.

Our strategic indicators are highlighted in each of the pillar sections throughout this report (see 'Delivering on our strategy' section, page 18)



 <b>Protection</b>	 <b>Trade</b>	 <b>Travel</b>	 <b>Revenue</b>
<ul style="list-style-type: none"> <li>✓ Compliance with the Maritime Border Order increased by 76% from 2020/21</li> </ul>	<ul style="list-style-type: none"> <li>✓ The proportion of Authorised Economic Operator trade continues to increase</li> </ul>	<ul style="list-style-type: none"> <li>✓ Adapted and responded to the changing border environment</li> </ul>	<ul style="list-style-type: none"> <li>✗ 98.0% of revenue collected by the due date, lower than before the pandemic</li> </ul>
<ul style="list-style-type: none"> <li>✓ \$1 billion in potential drug harm avoided through offshore seizures</li> </ul>	<ul style="list-style-type: none"> <li>✓ 69% of customers are satisfied with their Customs experience, up from 65% in 2020/21</li> </ul>	<ul style="list-style-type: none"> <li>✓ 99.2% of passengers were compliant with border health documentation requirements</li> </ul>	<ul style="list-style-type: none"> <li>✗ Compliance rate of traders has decreased from 2020/21</li> </ul>
<ul style="list-style-type: none"> <li>✓ An increased percentage of risk-based interventions found drugs or prohibited goods</li> </ul>	<ul style="list-style-type: none"> <li>✓ Reduced trade blockages and supported exporters with trade-related issues abroad</li> </ul>	<ul style="list-style-type: none"> <li>✓ 6.5% of passenger and crew secondary searches had a positive result</li> </ul>	<ul style="list-style-type: none"> <li>✓ Consulted with industry partners on the return to border processing cost recovery</li> </ul>



## Te Pou Tokomanawa – our foundations

<ul style="list-style-type: none"> <li>✓ Built the foundations for effective Customs Iwi Māori engagement</li> </ul>	<ul style="list-style-type: none"> <li>✓ Increased staff completion of Whāinga Amorangi e-learning</li> </ul>	<ul style="list-style-type: none"> <li>✗ Māori representation and pay gaps are below our targets</li> </ul>
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Key: ✓ On-track ✗ Off-track



## Output measures

Our output measures show how well we have delivered our services. This year we achieved 89% (33 out of 37) of our output measures. This compares with 100% (26 out of 26) last year. The majority of the measures that were not achieved were impacted by COVID-19.

For more detail on these output measures see the 'Our performance' section (pages 110 to 131).



<b>Goods Clearance and Enforcement</b>	<b>Travellers Clearance and Enforcement</b>	<b>Revenue Collection and Other Services</b>	<b>COVID-19 – Maritime Response</b>	<b>Border System Performance</b>	<b>Traveller Declaration System Development</b>
<b>7/9</b> Achieved	<b>8/8</b> Achieved	<b>10/12</b> Achieved	<b>3/3</b> Achieved	<b>3/3</b> Achieved	<b>2/2</b> Achieved



# He whakatutuki i te rautaki Delivering on our strategy







# Rautaki Mana Ārai – the Customs Strategy

Rautaki Mana Ārai, our Customs Strategy, sets the foundation for us to deliver our core services, identify initiatives to drive change, and keep us focused on what we need to do to achieve our vision.

## Rautaki Mana Ārai Customs Strategy

### Ko te whakahaumaru 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

### 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

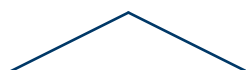


#### KOHINGA TĀKA

Revenue

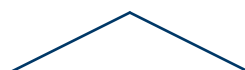
Collect all due revenue

#### Te Pou Tokomanawa – The Foundations



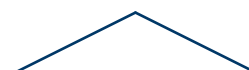
#### KOTAHITANGA

Partnership



#### KAITIAKITANGA

Protection



#### MANAAKITANGA

Participation

Our strategy rests on the Treaty of Waitangi principles of kotahitanga (partnership), kaitiakitanga (protection) and manaakitanga (participation/care for others).

Together, these principles create Te Pou Tokomanawa – the foundations for what we do and how we do it. Te Pou Tokomanawa is the central pole of a meeting house, holding everything together.

Over the last year we have worked to build on these foundations, expand our understanding of what they mean in practice, and to explore how we can bring them to life across our strategic objectives.

### Our values guide our actions

Our values, chosen by our staff, capture what is important to us and how we treat the people we engage with.

## Te ara tika We do what's right

We are fair and just and always act with respect for the law and the rights of others

## Kaitiakitanga We are Guardians

We protect our past, our present and our future

## He tāngata We value people

We act together to create and value a multicultural and diverse Customs

## Pae tawhiti We look forward

We foster innovation, agility and continuous improvement

### Maintaining our focus in times of change

Customs has a diverse range of functions and responsibilities. Our strategy enables us to provide a clear line of sight between our day-to-day activities, the outcomes we aim to achieve, and how we are progressing towards our goals through our Performance Measurement Framework.

Our strategic intentions focus on maintaining and improving delivery of the core functions of our business – protection of New Zealand's borders, collecting revenue, and promoting and facilitating trade and travel in the face of changing demands and expectations.

Our strategy remains our anchor, keeping us focused on what we want to achieve, while ensuring we meet our stewardship responsibilities by identifying future challenges and potential change we need to be prepared for.

Our culture is built on strong principles, solid values, and a recognition of the different strengths staff bring to work each day.





# Whakahaumaru Protection

Making our country safer and more secure  
by managing the risks associated with the  
international movement of goods and people



## Our intention: He ārai atu i ngā kino – Prevent risk reaching our borders

Our kaitiakitanga (guardianship) role is focused on protecting New Zealand's border. We work to reduce social and economic harm to our communities through effective risk management.

Our targeting and screening processes aim to stop illicit drugs and objectionable material from reaching our border in the first place, and to prevent those that do reach our border from entering our communities. We also work with the Ministry of Health and other border partner agencies to reduce the impact of health-related threats, such as COVID-19, through screening of passengers and health-related documentation.

Our strategic objectives are to ensure:

- > effective border processes reduce the threat of COVID-19 entering New Zealand
- > prevention is our first line of defence
- > prohibited goods are identified and seized at the border or pre-arrival.

This section of the Annual Report provides an overview of our work and achievements towards these objectives.

### Key achievements

During the year we have:

- > seen a 76% increase in compliance with COVID-19 health requirements at the maritime border as a result of our education and enforcement work
- > prevented \$3.7 billion in potential harm to the community by seizing drugs offshore or at our border
- > investigated over 1,600 reports of alleged offending by New Zealanders relating to access or distribution of online sexual exploitation material.

### Performance against our Protection measures

Strategic indicators



Our strategic indicators help us to track how we are progressing towards our longer-term outcomes and goals. The key indicator for each strategic objective is discussed in the coloured boxes on the following pages.

Output measures



Our protection output measures sit across five of our appropriations – Goods Clearance and Enforcement, Travellers Clearance and Enforcement, Revenue and Other Services, COVID-19 – Maritime Response, and Border System Performance.

For more details on each appropriation see pages 114–125.

# Our objective: effective border processes reduce the threat of COVID-19 entering New Zealand

Customs continues to play a key role in supporting the response to the COVID-19 pandemic, ensuring that passengers and vessels comply with border restrictions, required travel documentation, and isolation requirements. This saw us significantly increase our presence and work at our maritime ports.

The Maritime Border Order came into effect in July 2020, setting out the requirements vessels and crew need to comply with at New Zealand ports. This included testing and isolation requirements, the use of Personal Protective Equipment (PPE), social distancing, and arrangements for crew transfers. In 2021/22 we continued to monitor compliance with these requirements across 14 ports (see box on the right).

## Supporting international crew with suspected COVID-19 cases

During the year around 2,200 commercial vessels and 150 small craft arrived at ports around the country. A small percentage of these vessels had suspected or confirmed cases of COVID-19 on board.

Our maritime staff worked with health and other border officials to safely and securely manage these cases, facilitating access to testing and hospital-level care when required, and ensuring effective isolation procedures were in place to prevent the spread of COVID-19 into local communities.

As part of this work, a new Vessel Management Framework was developed in partnership with Maritime New Zealand and industry partners to ensure that cargo operations (offloading and loading) can continue, even when COVID-19 cases are suspected or confirmed on board. The framework provides advice and guidance for the shipping industry, crew, Public Health Units and government agencies on managing risks to public health while maintaining the supply chain.

## Preparing for the reopening of the maritime border

As part of the wider 'Reconnecting New Zealanders' work programme, we worked with other agencies to ensure processes were in place for the safe reopening of the maritime border and the return of cruise and foreign recreational vessels from 31 July 2022. This included ensuring processes are in place to screen for traditional risks (such as drug or other smuggling), and managing any ongoing health requirements and checks.

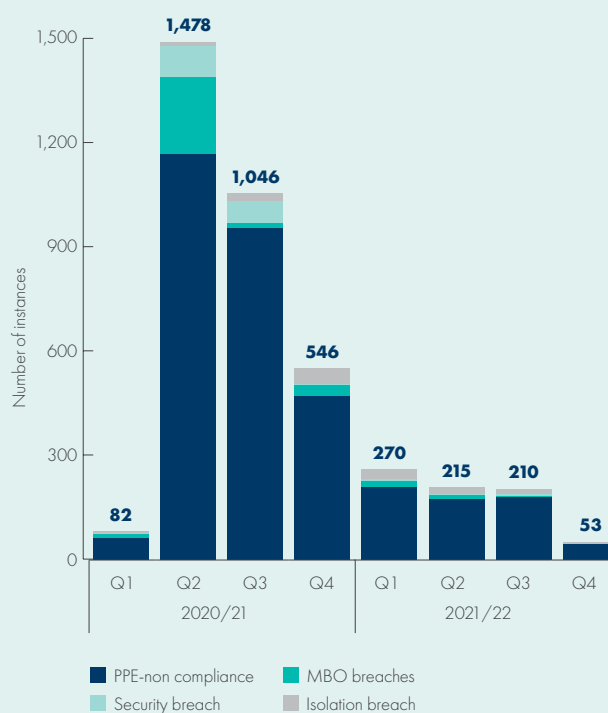
## Indicator: Monitoring compliance with the Maritime Border Order (MBO)

**Expected trend:** increase compliance

**Actual trend:** on-track – compliance increased by 76%.

This year we saw a 76% increase in compliance with health-related requirements at our maritime ports (compared to 2020/21) – reflecting the impact of our education and enforcement efforts.

Figure 4: Maritime Border Order non-compliance identified at international maritime ports



The majority of non-compliance related to crew not using PPE as required (85%). Most instances of non-compliance were managed through education and monitoring activities, with fewer than 1% requiring referral to law enforcement agencies.

Reporting on these measures ceased on 2 May 2022 when changes to the Maritime Border Order removed the need for crew and passengers to isolate, and social distancing and PPE requirements were lifted.

# Our objective: prevention is our first line of defence

We work with partner agencies nationally and internationally to share information and intelligence to identify and seize illicit goods before they reach our shores. This includes a specific focus on targeting transnational organised crime and improving supply chain security for New Zealand's importers and exporters.

## Targeting transnational organised crime

Customs plays a key role in implementing the Government's Transnational Organised Crime (TNOc) Strategy 2020-2025. This is crime that operates across national borders, or crime that is carried out in one country but has strong links to other countries. Currently 19 New Zealand agencies are involved in implementing the strategy.

In 2020 research by the Millennium Project estimated that the annual global turnover of TNOc groups is around US\$3 trillion. New Zealand is an attractive market for TNOc groups due to our high prices and the demand for illicit drugs and tobacco.

Together, New Zealand agencies are focused on ensuring we take a coordinated, proactive approach to target transnational crime, increase awareness of the risks of TNOc groups, and to stop supply of illicit material at its source. The TNOc Strategy is also relevant where the distribution of material relating to the sexual exploitation or abuse of children is carried out by TNOc groups.

Specific initiatives and investigations during 2021/22 included:

- Operation Selena, a joint investigation with the New Zealand Police that resulted in 24 people being arrested for drug smuggling, with millions of dollars of assets seized. Many of those arrested were 'trusted insiders', working in the Ports of Auckland or Auckland Airport and other parts of the supply chain.

- The trialling and procurement of a new joint agency referral system for allegations of offending relating to online sexual exploitation material by New Zealanders.

The number of reports of alleged offending in New Zealand has been growing, with over 12,000 reports in 2021/22 alone. Around 1,600 of these reports were investigated by Customs. The new system allows the allegations to be triaged and managed centrally between Customs, New Zealand Police and the Department of Internal Affairs, resulting in more accurate and timely identification of high-risk offenders and networks.

## Increasing maritime supply chain security

The large-scale movement of goods through sea ports means ports are key targets for the movement of illicit drugs and other prohibited items by TNOc groups. Building on the connections established through our Maritime Border Order teams, a three-month trial during 2021/22 focused on proactive actions staff can take to address known risk areas at ports and increase our ability to quickly respond to incidents.

The information gained through the trial will help inform ongoing work to improve maritime supply chain security.

## Indicator: Increasing the amount of illicit drugs seized before reaching New Zealand

**Expected trend:** increase the amount of potential harm prevented through increased seizures of illicit drugs before they reach New Zealand

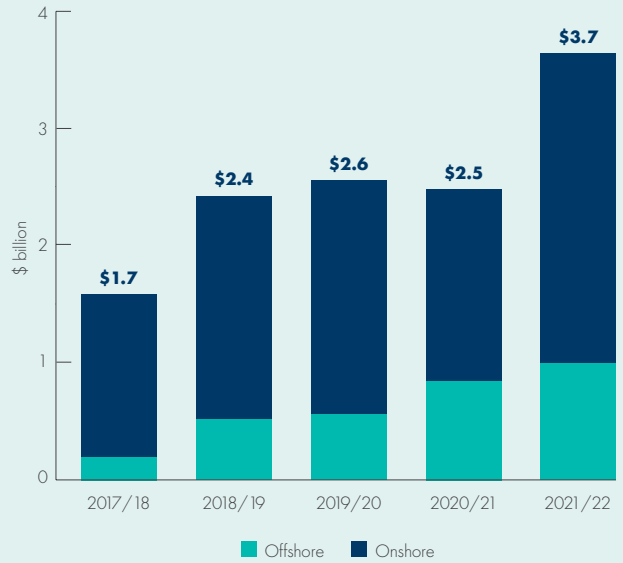
**Actual trend:** on-track – \$1 billion of potential harm resulted from offshore seizures of illicit drugs in 2021/22

By preventing drugs from reaching our communities, we help to avoid harm to individuals and communities.

In 2021/22 we prevented almost \$3.7 billion in potential harm by seizing illicit drugs at or before the border, including \$1 billion from offshore seizures. This is the largest amount of harm from offshore seizures and the highest total harm prevented over the last five years.

Social harm is measured using the New Zealand Drug Harm Index, which creates a monetary value for the economic and social costs of illicit drugs. The index was updated in early 2022 and the new social harm values have been applied to seizures from 1 January 2022 onwards.

Figure 5: Potential harm avoided through illicit drug seizures



Working with partner agencies allows drugs and other illicit goods to be stopped before they reach our borders. During 2021/22, methamphetamine was the most commonly intercepted drug offshore, accounting for 83% of harm prevented offshore this year.

Historically, the majority of drugs destined for New Zealand have originated from North, Central and South America. However, the last few years have seen an increasing number of interceptions made across the Asia-Pacific region, and a small decrease in intercepts from Europe.

Figure 6: Potential harm to New Zealand avoided by offshore illicit drug interceptions, by area





## Improving information sharing with our international partners



*Deputy Ambassador Maartje-ten Brummelaar from the Embassy of the Netherlands and Minister of Customs, Hon Meka Whaitiri at the signing of the CMMA.*

Formalising information sharing agreements with customs organisations across the world is an important part of our work to target and dismantle transnational organised crime groups at their source.

In March 2022, a Mutual Administrative Assistance in Customs Matters Agreement (CMMA) was negotiated with the Kingdom of the Netherlands. The agreement supports information sharing relating to drug trafficking, drug interception trends, and the activities of transnational organised crime groups. It will also support the facilitation of trade between the countries.

In June 2022 we signed the New Zealand-France Declaration of Intent with the French Directorate of Customs and Indirect Taxes. France is a key bilateral partner for New Zealand, not only in Europe, but also with the French Territories in the Pacific.

The agreement supports information sharing relating to transnational organised crime, tobacco smuggling, and trade-based money laundering. It also creates a platform for joint targeting and international operational cooperation.



*New Zealand Comptroller of Customs, Christine Stevenson, and the Director-General of French Customs, Isabelle Braune-Lemaire signing the Declaration of Intent.*

## Recognising the power of collaboration



*Bill Perry presenting a plaque to Melissa Reber to acknowledge her work on the joint-agency investigation.*

In March 2022 the United States Department of Homeland Security presented letters of gratitude to two of our people, Melissa Reber and Hamish Radford, who participated in a long-running international joint-agency drug investigation. The investigation has so far resulted in the seizure of 76 kg of methamphetamine, 3 kg of cocaine, and the arrests of 11 people.

This acknowledgement recognises the value of our relationships with partner agencies targeting transnational organised crime.

## Border Protect – building community partnerships to identify threats at our border

Launched in March 2021, our Border Protect information campaign encourages communities, businesses and individuals to recognise and report potential signs of crime through a confidential, 24/7 hotline: 0800 WE PROTECT.

Border Protect focuses on the coastline, marine ports, airports, freight arrival and storage points and businesses within the supply chain. The campaign aims to educate people who work in these areas and the wider community on what to look out for when dealing with goods, documents and people. It focuses on how to identify suspicious behaviour, why people become involved in smuggling or drug trafficking, the risks and consequences of becoming involved, and how to report any concerns.

We also work to build networks and relationships with companies and individuals working across the supply chain, including courier drivers, customs brokers, call centre staff, and shipping companies, providing easy avenues for people to raise any concerns.

A range of resources has been developed for businesses, including induction and training material, videos, and in-person training programmes. We ran a social media campaign between February and April 2022 to raise awareness of the signs to look out for amongst coastal communities, with a focus on the Bay of Plenty and Northland regions. The campaign was seen 497,000 times and led to 2,300 clicks through to the website.

Information received from the community and business partners provides valuable leads on suspicious activity and can lead to investigations and seizures of illicit goods that help to keep our communities safe.



**Border Protect**  
Auckland • New Zealand  
LOOK • LISTEN • REPORT

**PROTECT  
OUR SUPPLY  
CHAIN FROM  
CRIMINAL  
ACTIVITY.**

For more information visit  
[customs.govt.nz/report](https://customs.govt.nz/report)

NEW ZEALAND  
CUSTOMS SERVICE

Confidential hotline 0800 937 768  
**0800 WE PROTECT**  
[CUSTOMS.GOV.TZ/REPORT](https://CUSTOMS.GOV.TZ/REPORT)

For example:

- > In May 2022 we were alerted to a suspicious shipment coming through the Port of Tauranga by someone who had attended a recent Border Protect presentation. The shipment was examined and resulted in the seizure of a significant amount of methamphetamine.
- > In March 2022 a presentation to an industry partner resulted in a notification of a suspicious shipment that had not been collected from their warehouse. The shipment turned out to contain around 23 litres of the Class B controlled drug GBL.
- > In September 2021 a courier driver, who had attended a Border Protect presentation, contacted Customs after being approached by a person who claimed a package had been addressed incorrectly and tried to have it delivered to a different address. The identification of that package ultimately led to the seizure of 1.7 kg of methamphetamine (see story on page 33).

# Our objective: prohibited goods are identified and seized at the border or pre-arrival

We are continuously improving our screening processes to identify and seize prohibited goods as they cross our border and ensure restricted goods comply with relevant legislation.

## Indicator: Targeted interventions to intercept illicit drugs and prohibited goods

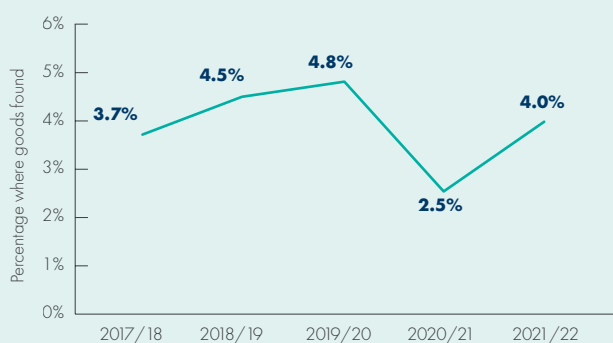
**Expected trend:** increase in result rate of interventions

**Actual trend:** on-track – 4% of risk-based interventions in 2021/22 were successful

The number of successful interventions, where illegal or prohibited items are found as a result of additional screening, increased this year due to improved success rates for imported trade items.

However, the success rate of interventions with arriving passengers remains low. This is largely due to COVID-19 border restrictions that meant the majority of arriving passengers over the last two years have been New Zealand citizens and residents rather than tourists or short-term visitors. Citizens and residents generally have a lower risk of bringing illegal or prohibited goods with them when they enter the country.

**Figure 7: Percentage of interventions that result in the interception of illicit drugs or prohibited goods**



Interceptions count single incidents of prohibited goods being found, irrespective of the volume or amount of goods seized.

In 2021/22 the result rate of 4.0% was 1,343 interceptions out of 33,799 interventions, compared with a result rate of 2.5% in 2020/21 (845 interceptions out of 33,449 interventions).

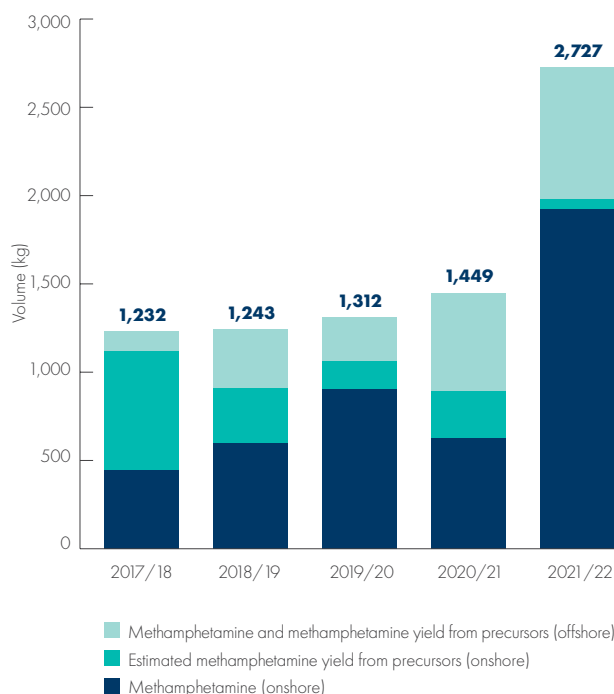
We use data analytics, intelligence, and risk management approaches to target the people, goods and craft that are most likely to be a threat to the border.

Our interventions include screening by border staff, scanning of mail items or goods shipments, as well as physical examination of suspect items.

## Increased seizures of drugs at the border

Methamphetamine is New Zealand's most commonly seized drug (by volume). During 2021/22 we seized 1.9 tonnes of methamphetamine, and 80 kg of methamphetamine precursor drugs (ephedrine and pseudoephedrine) at the border. This compares with 624 kg of methamphetamine and 358 kg of methamphetamine precursor seized the previous year.<sup>1</sup>

**Figure 8: Methamphetamine seizures by Customs and offshore partners**



<sup>1</sup> All of the 2021/22 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 2020/21 totals are different from those reported in the *New Zealand Customs Service Annual Report 2021* as those were provisional figures that have now been finalised.

In February 2022 we participated in Operation Weirton, a joint investigation with New Zealand Police, which led to the largest ever seizure of methamphetamine in a single shipment in New Zealand's history. A total of 613 kg of methamphetamine was located at Auckland International Airport as part of a freight shipment from Malaysia. Each block of drugs was vacuum-packed inside packets of tea. The total consignment had an estimated street value of \$245 million.



*Methamphetamine sized through Operation Weirton.*

After methamphetamine, other commonly seized drugs at our border include cocaine, MDMA, GABA and GBL. Seizures of all four drugs increased in 2021/22.

**Table 1: Other drug seizures at the New Zealand border**

Drug type	At NZ border	
	2020/21	2021/22
Cocaine	13.9kg, 1.5L	808kg
MDMA	181.9kg, 10,042 tablets, 371L	296kg, 9,436 tablets, 0.5L
GABA (class B drug)	41.5kg, 4,447 items, 1.3L	80.2kg, 3,202 items, 1.7L
GBL	1.8kg, 1.157L	25.7kg, 391L

Cocaine, MDMA and GBL are also the most commonly seized drugs offshore.

**Table 2: Other drug seizures made offshore**

Drug type	Offshore	
	2020/21	2021/22
Cocaine	78.3kg, 6L	59kg
MDMA	29.1kg, 6,240 tablets, 2.3L	72.4kg, 1,601 tablets, 7.7L
GBL	30.6L	4.8L

### Record interception of cocaine

Another joint investigation with the New Zealand Police led to the largest ever seizure of cocaine in a single shipment located at the border. The investigation found 715 kg of cocaine in a shipment of bananas from Panama in March 2022. The cocaine had a street value of around \$286 million. The Port of Tauranga is a central hub port for trading vessels from South America and it is possible that the drugs were not destined for the New Zealand market.

Identifying and seizing shipments as they transit through New Zealand is an important way in which we contribute to the international disruption of drug transport routes, and stop drugs reaching other countries' borders.

### Preventing illegal firearms, weapons and other prohibited items from entering our communities

The movement of large amounts of cash across the border is often linked to illegal activities, including drug smuggling. Our detector dog teams are trained to detect narcotics, cash and firearms.

We are also responsible for monitoring the importation of lawful and restricted firearms and firearm parts under approved permits. Where the permit requirements are not met, we seize the item.



During 2021/22 we intercepted:



**130**  
restricted firearms

**1,584**  
firearm parts/ammunition

**440**  
other controlled weapons

(compared with 270 firearms, nearly 3,900 parts or ammunition and over 300 other controlled weapons in 2020/21)



**\$2.1 million**  
in undeclared cash

(compared with \$3.2 million in 2020/21)



In May 2022 we celebrated the graduation of three new Customs detector teams at the Police Dog Training Centre in Trentham. The ceremony also acknowledged the graduation of two dog teams from the New Zealand Police, and one each from the Cook Islands Police and French Polynesia Customs. The joint training programme helped us build stronger ties and connections with Customs partner agencies.

## Targeting child exploitation and objectionable material

We are responsible for the investigation and prosecution of illicit trading of objectionable material across our cyber border, as well as the physical border, and the targeting of child exploitation offenders. We work closely with the Department of Internal Affairs, the New Zealand Police, and international partners.

Our teams had significant successes in 2021/22 including:

- the sentencing of a Hamilton man in July 2021 who had accumulated an extensive collection of some of the worst and most violent child sexual abuse material known to law enforcement internationally
- the sentencing in June 2022 of a former Nelson primary school teacher for importing and possessing objectionable publications
- the arrest of a Warkworth man in June 2022 for exporting explicit child exploitation publications.

We also worked closely with the Department of Internal Affairs on Operation H, an investigation into a global online child exploitation network, which was operating across 130 countries. The investigation saved 146 children across the world from potential harm.

## Using data analytics to help protect our border

Our Joint Border Analytics team is a cross-agency initiative with the Ministry for Primary Industries and Immigration New Zealand. It uses the data analytics capabilities of all three agencies to better inform decisions and management of risks at our border.

This year a key focus was on continuing to support the all-of-government response to COVID-19, including assisting with contact tracing efforts during 2021, and air passenger forecasting to assist with the reopening of the borders during 2022.

To support the broader economic recovery from the pandemic, we have worked to better understand the end-to-end supply chain and the timing of the flow of goods through New Zealand's border. As the number of small packages imported through the mail system continues to increase, we are also working to ensure effective targeting is in place to identify any items that may pose a threat that are sent via mail.



## Our assurance programme helps to ensure we are targeting the right areas

To support our screening processes, we carry out random sampling of goods (via air and sea cargo containers), mail, and random checks on people crossing our border. This sampling, supported by robust statistical modelling, complements and informs our intelligence and risk management, and, together with data analytics, helps us understand any new areas of concern.

Our sampling of arriving air passengers was suspended from March 2020 due to the pandemic. However, every passenger who crossed the border interacted with our staff as part of the COVID-19 health screening.

Compliance rates across our other import streams remain consistent with 2020/21.

**Table 3: Compliance across import streams**

<b>Assurance stream</b>	<b>2020/21</b>	<b>2021/22</b>
Mail	94%	96%
Fast Freight	92%	92%
Air Cargo	90%	93%
Sea Cargo	95%	95%

While we did not find any new threats in 2021/22, we consistently identified non-compliance, mainly relating to errors in documentation. We have increased our education programmes for customs brokers to address common errors, such as using the wrong tariff code or currency and, where required, issued administrative penalties and/or infringement notices.

## The year ahead

New Zealand's border fully reopened from 31 July 2022. As our responsibilities under the Maritime Border Order will significantly reduce during the 2022/23 financial year, we have reduced the number of staff to an appropriate and proportionate number to support ongoing maritime operations. We have also increased the number of staff at our international airports to close to pre-pandemic levels to support the increasing number of passengers.

Our focus for the year ahead includes:

- > targeting transnational organised criminal groups and reducing the flow of drugs and other illicit goods to New Zealand
- > implementing new initiatives targeting criminal activity within the supply chains for the shipment of goods and at our maritime ports
- > continuing to enhance our screening processes to prevent threats reaching or crossing our border.

## Case study:

### Partnering with the community to stop the distribution of illicit drugs



Border Protect is an initiative that aims to educate people on the risks of criminal infiltration in the supply chain and signs of suspicious activity related to the movement of people and goods (see page 28). A key focus of this work involves educating various sectors of the supply chain, such as courier companies and drivers, about what to look for and how to report any concerns.

In September 2021 a courier driver for DHL contacted Customs about a suspicious package. The driver was delivering a package to an address when he was approached by someone on the side of the road who claimed the package had been addressed incorrectly and was actually for his girlfriend who lived in a house a few doors up.



The driver became suspicious and after making some enquiries he decided to retain the package and refer it to Customs for examination.

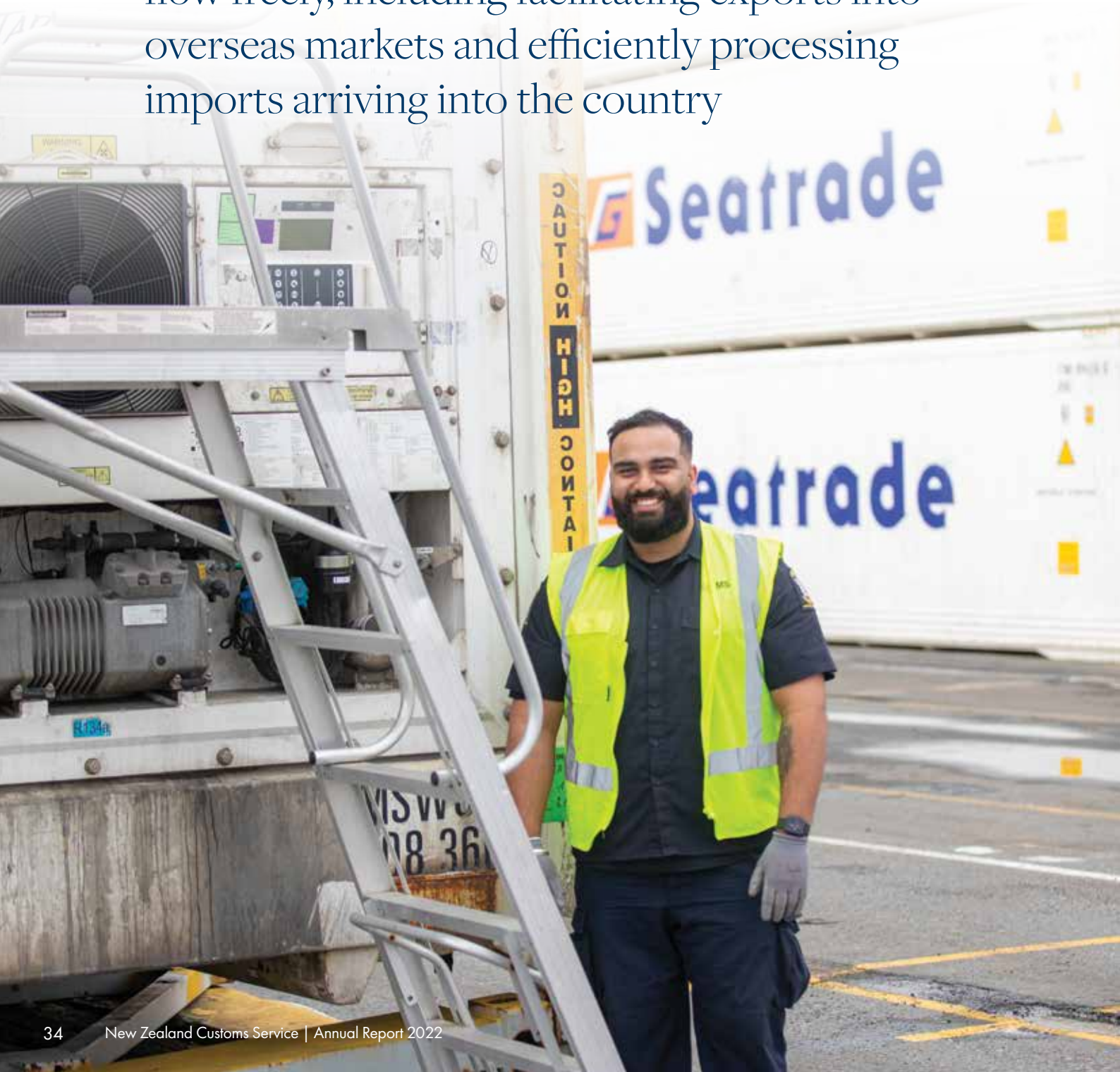
When the package was examined, around 874 grams of methamphetamine was found. Further investigations uncovered a similar package that had recently been imported using a different courier company. We worked with this company to also stop that package being delivered and a similar amount of methamphetamine was found.

Thanks to the driver's proactive work and the support of our supply chain partners, 1.7 kg of methamphetamine was taken off the streets.



# Hokohoko Trade

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



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

We play an important role in facilitating and promoting international trade, while ensuring goods comply with national and international requirements. Our work to streamline systems and processes to make things easier for importers and exporters supports the wider economic recovery from the COVID-19 pandemic. Our participation in international forums enables us to use our reputation as a trusted partner to influence the global customs standards for trade.

Our strategic objectives are focused on supporting legitimate trade through:

- > increased and reliable market access
- > easy-to-use systems and processes
- > stronger ties with international trading partners.

This section of the Annual Report provides an overview of our work and achievements towards these objectives.

### Key achievements

During the year we have:

- > processed 20.3 million import and 5.2 million export transactions (excluding mail items), with most items risk-assessed and cleared before they have reached New Zealand
- > approved 11 new Secure Exports Scheme partners, providing faster and more efficient access to international markets
- > continued to play a key role in international customs organisations, including chairing the APEC Sub-Committee on Customs Procedures in 2021, and the Border Five group from December 2021.

### Performance against our Trade measures

Strategic indicators



Our strategic indicators help us to track how we are progressing towards our longer-term outcomes and goals. The key indicator for each strategic objective is discussed in the coloured boxes on the following pages.

Output measures



Our Trade output measures sit within the Goods Clearance and Enforcement appropriation. For more details on this appropriation see pages 114–115.



# Our objective: increased and reliable market access

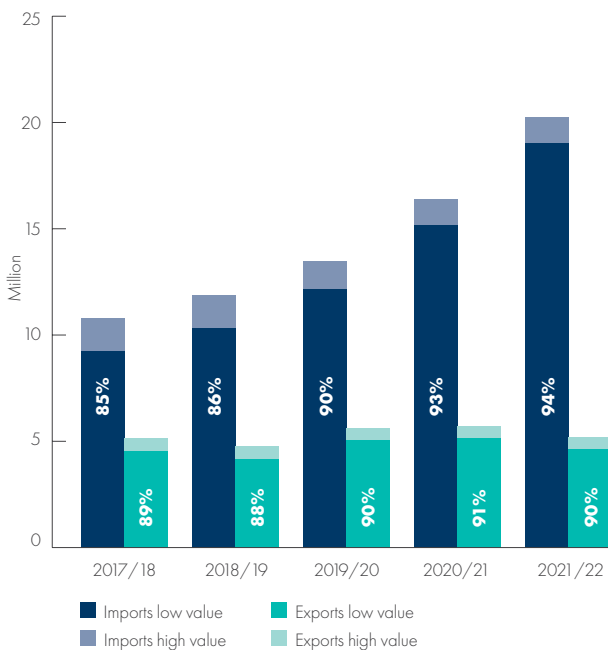
As a small and remote trading nation, facilitating access for goods to international markets and minimising delays at the border for exporters and importers is key to supporting sustained economic growth.

## Maintaining trade volumes

Despite the ongoing impact of global supply chain disruptions, the overall volume of trade continues to grow.

During 2021/22 we processed 20.3 million import transactions, an increase of 23% from 2020/21, and 5.2 million export transactions, a decrease of 9%. The vast majority of goods entering New Zealand are cleared before they arrive into the country, minimising any delays at the border.

Figure 9: Trade transactions, low (less than \$1,000) and high (more than \$1,000) value



We continue to work closely with other agencies to monitor and address supply chain issues. We also work with freight industries to resolve issues before they have a major impact on the movement of goods.

## Saving exporters time and money

Authorised Economic Operator (AEO) programmes have been established internationally to recognise businesses that meet best practice security requirements and data integrity when exporting and importing goods. Businesses that are part of these programmes are considered low-security risks and therefore face fewer compliance checks, receive priority clearance at international borders during times of trade disruptions, and have lower export transaction fees.

The Secure Exports Scheme (SES) is New Zealand's AEO programme. SES partners have access to specialised support to assist with border compliance issues, and have streamlined access into key trading markets. This reduces customs clearance times and costs for businesses – this is particularly important for exporters of perishable goods.

During 2021/22, 11 new SES partners were approved to join the programme across a range of industries, including honey, wine, wool, timber, seed, horticulture, seafood and meat. This brings the number of partners to 140.

During the year we streamlined the audit process to verify the supply chain security levels of SES partners. This resulted in a 34% reduction in documentation and a 78% reduction in the time taken to complete the audits. We also worked to raise awareness of the benefits of the programme to smaller businesses, including Māori businesses looking to expand into international markets.

A new digital platform is under development to guide applicants through the approval process and understand the supply chain security requirements. This is intended to assist small and medium-sized businesses that have less infrastructure to support the requirements of the current process, making compliance easier.



## Indicator: Proportion of trade conducted through Customs' authorised economic partnership programme

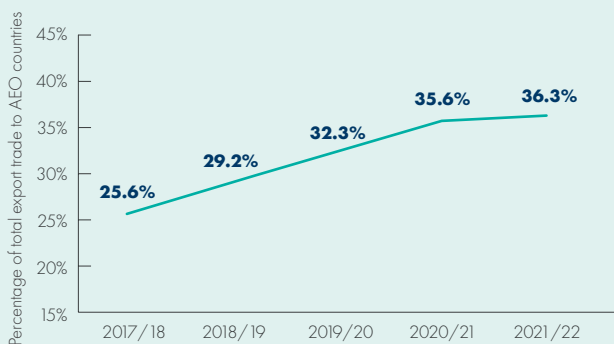
**Expected trend:** increase trade conducted through Customs' authorised programme

**2021/22 trend:** on-track – the proportion of AEO trade continues to increase

New Zealand exporters and importers benefit from the international relationships we have with our key trading partners. Trading agreements, such as Mutual Recognition Agreements and Customs Cooperation Agreements, reduce customs clearance times and costs for businesses.

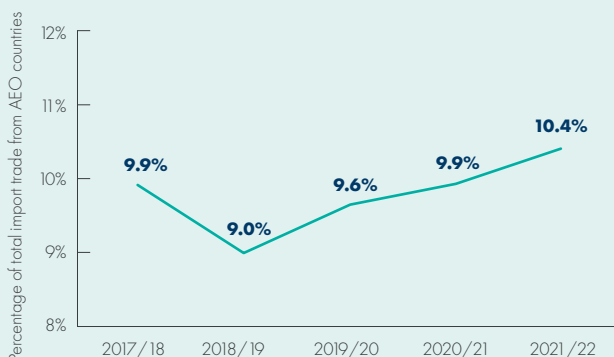
In 2021/22, 23.9% of trade was conducted through Customs' AEO programme, slightly more (0.1%) than 2020/21, while total trade value to AEO countries increased by more than 14%.

Figure 10: Percentage of export trade (\$) covered by SES



The percentage of export trade conducted through the SES increased slightly, by 0.7%, in 2021/22. SES trade accounts for more than a third of total export value.

Figure 11: Percentage of import trade (\$) covered by AEO programme



The percentage of import trade conducted through the AEO scheme continues to increase. During 2021/22, 10.4% of imports, by value, from partnership countries was conducted through our AEO partnership programme, up 0.5% from 2020/21.

## Extending our Mutual Recognition Arrangements

Mutual Recognition Arrangements recognise the participating countries' AEO programmes. As at 30 June 2022 we had Mutual Recognition Arrangements with nine partners:

- > Australia
- > Canada
- > China
- > Japan
- > Singapore
- > The Republic of Korea
- > Taiwan
- > Hong Kong
- > United States

These arrangements cover both air and sea freight (except for Japan, which only covers sea freight), providing quicker clearance for perishable goods and smaller shipments sent by air freight.

A new Arrangement with the UK was signed on 2 July 2022 and will become operational later in 2022. We are also working to complete two new arrangements with Thailand and Malaysia.

## Customs Cooperation Arrangements

In June 2022 we signed a Memorandum of Arrangement with the Netherlands Tax and Customs Administration to share information that will provide additional assurance over the supply chains of approved traders and help facilitate access to the Netherlands for our exporters. This sits alongside the information sharing agreement signed in March 2022 (see page 27).



Christine Stevenson, Comptroller of Customs, and Director General of the Netherlands Tax and Customs Administration, Nanette van Schelven, at the signing of the Memorandum of Arrangement.

# Our objective: easy-to-use systems and processes

To support the rapid and effective clearance of export and import items, we are continuing to invest in modern, reliable platforms that enable the rapid sharing of information with partner agencies and support advanced clearance of low-risk trade.

## Indicator: Customer experience

**Expected trend:** increase customer experience score

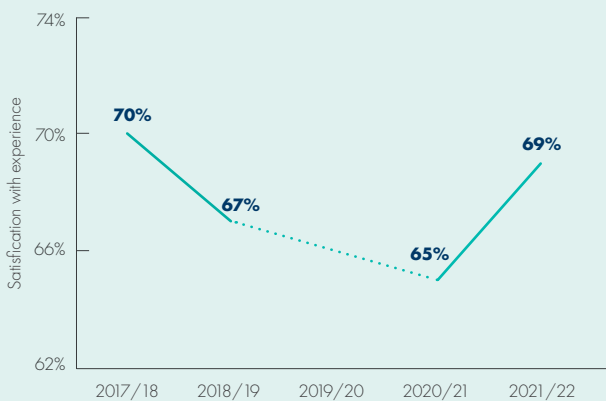
**2021/22 trend:** on-track – our customer experience score increased by 4%

The Better for Business research, run by the Ministry of Business, Innovation and Employment, works across government agencies to help reduce the administrative impact of compliance for businesses engaging with government.

Better for Business asks 2,000 businesses each year\* to rate their interactions and experience when dealing with government agencies. In 2021/22 the survey was run between 16 March and 4 June 2022, with 125 responses related to Customs.

This year we achieved an overall customer experience score of 69%, up from 65% in 2020/21.

Figure 12: Customs Better for Business customer experience score



Our score was driven by businesses indicating they experienced increased service performance and valued the services they receive from us more this year.

\* The survey was not conducted in 2019/20.

## Efficient clearance of trade goods

All items entering and leaving New Zealand are subject to a risk assessment and basic screening process. Items valued over \$1,000 require import or export documentation that allows the item to be risk assessed, and generally cleared for shipment within 30 minutes of the documents being lodged in our system. Most shipments are cleared electronically in under 10 seconds. This approach minimises delays for low-risk items and ensures we can focus our attention on higher-risk items.

We established a Centre of Excellence in 2021 to facilitate the movement of goods deemed to be critical supplies for the COVID-19 response. During 2021/22 this included vaccines and Rapid Antigen Tests, which were able to be expedited into New Zealand. The Centre of Excellence also helped facilitate critical COVID-19 supplies for countries within the Pacific.

## Streamlining our systems and processes through joint electronic verification

Under the upgrade to the New Zealand–China Free Trade Agreement, which came into effect in April 2022, approved exporters will be able to electronically verify the origin of their goods to obtain tariff preference via self-declaration. This will provide an alternative to the requirement for a certificate of origin, reducing costs for exporters.

Goods and services exported between China and New Zealand reached \$20.3 billion in the year ended June 2022.

To support the new arrangement, our Joint Electronic Verification System (JEVS) is being upgraded to allow for faster and more secure electronic submission of trade data. The system will be tested during the second half of 2022, before being rolled out for all approved Secure Exports Scheme partners operating within the China market.

## Facilitating low-risk trade with Australia

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. It builds on work under way in Australia and New Zealand to enhance trade and security through our Authorised Economic Operator programmes (New Zealand's Secure Exports Scheme and Australia's Trusted Trader programme).

Our Mutual Recognition Arrangement with Australia provides a secure environment to co-design and test trade modernisation initiatives, such as the Secure Trade Lane, with trusted industry partners.

During the year officials from both countries developed a strategic roadmap to progress this work over a three-year time frame. Final decisions on its implementation are still to be made.

## Trialling paperless trade

As part of our work with Asia-Pacific Economic Cooperation (APEC) member countries, New Zealand has been leading the work to develop best practice guidelines, processes and frameworks to fully digitise all import/export documentation. This will allow customs agencies to pre-clear and risk-assess incoming shipments before they arrive.

Customs officials from New Zealand, Australia and Singapore have been working together on options to trial minimum data sets to clear imported goods. This includes involvement in a paperless trade trial being run between the New Zealand company, TradeWindow, and a Singapore company. The trial includes the development of a new digital platform. A pilot is expected to be run before the end of 2022.



The number of low-value imports (largely items shipped by individuals for personal use and smaller business consignments) continues to increase with the ease and availability of online shopping.

**We saw a 23% increase in these imports in 2021/22.**

# Our objective: stronger ties with international trading partners

We have a network of staff posted overseas to help to strengthen relationships with key trading partners, support the exchange of information and intelligence, and provide on-the-ground advice and assistance for exporters. Together with our involvement in international customs organisations, we are able to use these relationships to promote New Zealand trade and influence global customs policy and operational practices.

## Reducing trade and tariff barriers

We work alongside the Ministry of Foreign Affairs and Trade and other agencies to develop and implement free trade agreements with other countries and to help resolve customs-related trade issues. This can include work to clear supply chain blockages preventing goods getting to market, as well as trialling and improving trade facilitation measures.

During the year a key focus was on negotiating the Free Trade Agreement with the UK, signed on 1 March 2022. Once the Agreement comes into effect, it is expected to save New Zealand exporters \$37 million per year due to the elimination of tariffs, as well as facilitating additional access to markets within the UK for our traders.

We have also been involved in the negotiation of the European Union-New Zealand Free Trade Agreement, concluded at the end of June 2022. This Agreement is expected to deliver \$1.8 billion in savings for exporters by the time it comes into full effect in 2035.

Progress was also made on negotiating the upgrade to the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) which covers trade between 10 Southeast Asian states, Australia and New Zealand. The upgrade aims to address some of the delays that are impacting New Zealand exporters into the ASEAN region.

## Implementing new agreements

On 1 January 2022 the Regional Comprehensive Economic Partnership came into effect. This agreement is the largest free trade agreement in the world, covering 11 countries. It aims to strengthen trade and supply chains across Southeast Asia and support small and medium businesses.

As part of the implementation process, we have been working with our partner agencies to develop the necessary processes and forms to support the trade agreement, develop operational guidelines, and ensure product-specific rules are in place.

We have also completed initial scoping work in preparation for the launch of the United States-led Indo-Pacific Economic Framework. The Framework aims to develop regional guidelines and standards to facilitate trade, strengthen supply chains, reduce carbon emissions, and level the economic playing field by enhancing good governance. It is expected the Framework will be negotiated during the 2022/23 year.

## Establishing a new Tokyo post

A new Counsellor (Customs) position has been established in Japan and became operational from mid-July 2022. The new Tokyo post will support relationship building, trade facilitation and information sharing with key regional partners. This will increase the number of overseas posts to 10.

## Indicator: Resolution of trade issues for exporters

**Expected trend:** reduce trade blockages and support exporters experiencing trade-related issues abroad

**2021/22 trend:** on-track – exporters supported and issues addressed

Our overseas staff work to build on-the-ground relationships so that they are in a position to effectively and efficiently address customs-related issues when they arise. This year we have:

- Assisted the New Zealand Chamber of Commerce and a prominent New Zealand food and beverage exporter to remove a complex trade blockage in Vietnam. The issue related to authentication of Certification of Origin documents, resulting in the exporter being denied tariff preference and incurring additional port storage costs. Our staff worked closely with Vietnam Customs officials to implement an interim solution, allowing the release of the goods, and then worked to update systems and processes to ensure the issue does not happen again.
- Supported a New Zealand SES partner whose goods were inspected while in transit by an overseas customs agency. The goods had been incorrectly resealed and documented following this inspection, resulting in the goods having a different security seal on arrival. This placed the certification of the container at risk, and had the potential to reduce confidence in the supply chain security of SES partners. Our staff were able to resolve the situation and work with the agency to ensure the correct documentation is provided in the future.
- Engaged with Thai Customs following a tariff classification issue for an export submitted under the AANZFTA preference (a free trade agreement with South-east Asian nations, Australia and New Zealand). We conducted an audit of the exporter and inquired into the New Zealand Chambers of Commerce classification system. Our investigation confirmed that the goods were not entitled to tariff preference. In tandem, the Chambers of Commerce also conducted an internal audit and changed its systems to reflect the correct classification.
- Worked with Customs officials in Myanmar to address inconsistencies in their Certificate of Origin guidelines and the AANZFTA agreement, which meant valid certificates and therefore tariff preferences were being denied. We provided details of our verification processes and were able to resolve the officials' concerns.

## Influencing global customs policy and standards

Our involvement in international organisations provides opportunities to influence the development of international customs policy and best practice.

### Border Five

The Border Five is a strategic partnership between senior officials from the customs and border protection agencies in New Zealand, Australia, the United Kingdom, the United States, and Canada.

It was established in 2007 as a forum to enable collaboration and engagement. Members regularly work together to respond to global issues and crises. The group operates a rotating Chair, with New Zealand taking on this role in December 2021 for a one-year period.

In April 2022 the heads of the Border Five agencies met virtually focusing on addressing criminal infiltration of trade and travel supply chains, reducing or eliminating the supply of goods made wholly or in part by forced labour, and health measures at the border (including the New Zealand Traveller Declaration system, see page 49). The forum also provided direction on strengthening the relationship, engagement and exchange of intelligence, operational information, and solutions across the five countries.

In June 2022 the Border Five heads group met in person for the first time since the COVID-19 pandemic began. The meeting in Brussels focused on working with the World Customs Organization on trade issues relating to the ongoing war in Ukraine. A further meeting is scheduled for late 2022.

### Asia-Pacific Economic Cooperation (APEC) Forum

During 2021 New Zealand hosted the Asia-Pacific Economic Cooperation (APEC) Forum meetings (held virtually). We chaired the Sub-Committee on Customs Procedures sessions, allowing us to encourage trade and economic policies that support openness and connectivity, reduce barriers for exporters and advance New Zealand's Trade for All agenda.

Specific projects included the development of best practice guidelines, that reduced transit times for COVID-19 vaccines and related goods, and a toolkit of innovative trade facilitation measures. The guidelines and toolkit were based on lessons learned from the pandemic, to build resilience for future disruptions.



In late May 2022, we presented at an APEC workshop on our experiences of GST collection, risk management and trade facilitation for low-value imported goods. Our system, alongside Australia's, is considered a leading example for managing risk, maximising compliance, and increasing Crown revenue.

We are continuing to work on projects supporting APEC objectives. These include accelerating the full implementation of the *World Trade Organization Trade Facilitation Agreement* that aims to increase the efficiency of border processes and reduce cost to traders, and work to improve the gender balance among staff of customs administrations around the world.

### *World Customs Organization Policy Commission*

In December 2022 we begin a two-year term on the World Customs Organization Policy Commission. This provides us with a platform to influence the direction of the World Customs Organization, representing 184 countries, in a way that best supports New Zealand's interests.

## The year ahead

During 2022/23 our focus is on more closely aligning our revenue and trade functions, making it easier for traders to comply with regulations and required payments to Customs.

In addition, we will:

- > continue to enhance the Secure Exports Scheme to simplify access for small to medium businesses, while expanding the range of benefits for partners through further Mutual Recognition Arrangements
- > implement the roll out of the Joint Electronic Verification System with China, streamlining self-declared origin data as part of the upgraded Free Trade Agreement
- > continue face-to-face engagement with businesses and industry partners following two years of restricted visits due to the COVID-19 pandemic
- > further enhance the Trade Single Window platform, ensuring a smoother experience for our customers.

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**“ Our trade facilitation system, alongside Australia’s, is considered a leading example for managing risk, maximising compliance, and increasing Crown revenue.”**

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# Tāroi Travel

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



## Our intention: A streamlined experience for travellers across borders

After two years of tight border restrictions, this year saw the gradual reopening of our air border and a significant increase in passenger numbers from February 2022. While the requirements for travel changed during the year, our focus has remained on ensuring we have robust and effective systems to assess all incoming passengers for both health-related and traditional risks, such as undeclared or prohibited goods.

Our strategic objectives are focused on ensuring:

- > our processes are adaptable by design
- > an integrated cross-government system is developed to safely support the resumption of travel
- > effective border screening processes reduce risks to New Zealand.

This section of the Annual Report provides an overview of our work and achievements towards these objectives.

### Key achievements

During the year we have:

- > ensured our operational processes remained flexible as we responded to significant changes to border, passenger, or domestic COVID-19 response settings
- > introduced new screening processes for arriving passengers to ensure they complied with pre-departure testing and vaccination certificate requirements
- > implemented the first stage of the New Zealand Traveller Declaration system.

### Performance against our Travel measures

Strategic indicators



■ On-track ■ Off-track

Our strategic indicators help us to track how we are progressing towards our longer-term outcomes and goals. The key indicator or indicators for each strategic objective are discussed in the coloured boxes on the following pages.

Output measures



■ Achieved ■ Not achieved

Our Travel output measures sit within the Travellers Clearance and Enforcement, Border System Performance and Traveller Declaration System Development appropriations. For more details on these appropriations see pages 116–127.

# Our objective: our processes are adaptable by design

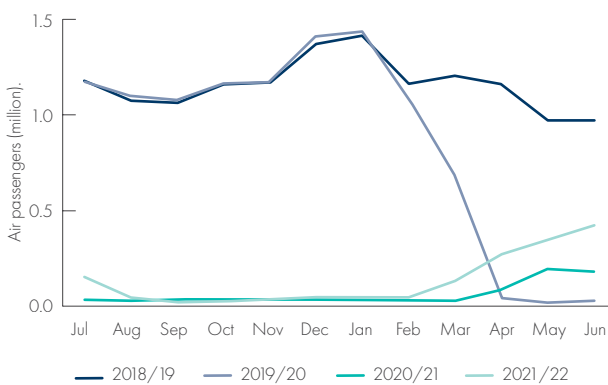
The COVID-19 pandemic has had a major impact on how we travel, the documentation required to travel, and the numbers of people arriving at our international airports and maritime ports. As the Government moved to progressively relax border restrictions during 2021/22, our people remained adaptable and flexible through a period of significant change.

In early March 2020 the Government made the decision to impose tight border restrictions and mandatory managed isolation and quarantine stays for international arrivals as part of the COVID-19 elimination strategy.

Air passenger volumes reduced rapidly to less than 2% of pre-COVID-19 numbers, and cruise ships were banned from entering New Zealand ports. New risk management strategies were put in place for the remaining passengers to address the threat of COVID-19 entering our communities.

During 2021/22 passenger numbers have slowly started to climb – firstly during the Quarantine-free Travel period with Australia, and then through the staged reopening of the border through the Reconnecting New Zealanders to the World programme. By the end of June 2022, monthly passenger numbers had increased to 43% of the June 2019 volumes.

Figure 13: Commercial air passengers (arriving and departing)



## Implementing quarantine-free travel

During 2021 we worked closely with the Ministry of Foreign Affairs and Trade and other agencies to develop a small number of quarantine-free travel arrangements between New Zealand and Australia, and New Zealand and some Pacific nations. The first quarantine-free travel arrangement with Australia began on 17 March 2021 and remained in place until July 2021. At that point, the Government made the decision to halt the arrangement due to rising case numbers in Australia.

Quarantine-free travel arrangements with the Pacific nations were maintained during the year. These arrangements were important for enabling the flow of recognised seasonal workers into New Zealand to support our horticulture industries.

## Reconnecting New Zealanders to the World

In August 2021, the next steps for Reconnecting New Zealanders to the World were announced. This saw a shift from quarantine-free travel with specific countries, to a phased risk-based approach with progressive changes to border settings.

This work began with the *Future Borders* project (August – October 2021) bringing together border agencies and the aviation sector to design a safe, secure and scaleable travel and border process. This project set the foundations for a collaborative approach as agencies worked together to ensure processes and systems were in place to safely manage increased numbers of passengers.

In November 2021 a Verification Services team was established to provide specialist advice and support in relation to the verification of pre-departure tests and vaccination certificates. We recruited an additional 51 staff to support the verification of passengers' pre-departure test as passenger numbers grew.





*After two years of tight border restrictions and mandatory isolation requirements, passenger numbers are starting to increase.*

### *Staged reopening of the air border*

The first stage in the reopening of our air border to larger groups of people commenced on 28 February 2022, when fully vaccinated New Zealand citizens and other eligible passengers arriving from Australia were allowed to isolate at home, rather than in a managed isolation facility. From early March 2022 these passengers could return without needing to self-isolate.

The ability to return without an isolation period was then extended to New Zealanders and other eligible passengers arriving from anywhere in the world. Stage Three allowed Australian citizens and permanent residents, as well as temporary work and student visa holders to enter from 13 April 2022.

The Reconnecting New Zealanders to the World changes led to a steady increase in flights into Auckland and Christchurch airports, and the resumption of international flights into Wellington airport (from 31 March 2022) and Queenstown airport (from 23 May 2022).

### *Managing through change*

Throughout 2021/22 our people have had to implement or respond to a significant number of operational and system changes, many of them within extremely tight timeframes. The continued intensity and speed of change made this a challenging period.

Significant planning went into ensuring that we were ready for the full reopening of the air and maritime border to all passengers from 31 July 2022. This included ensuring our policies and processes were fully updated for the new settings, sufficient staff were in place to support the expected number of passengers (both arriving and departing), and reviewing processes for maritime passengers and cruise ships.

## Indicator case study: adapting processes to reconnect New Zealanders and bring families, passengers, and global communities back together

**Expected trend:** increased adaptability

**Actual trend:** on-track – adapted and responded to significant changes to our operating environment at the border

The fast-paced and evolving nature of the global pandemic, border-health settings, passenger travel requirements, and domestic COVID-19 situation, required our systems and people to adapt quickly to changing requirements.

Throughout 2021/22 we had to adapt our systems and processes in line with major changes to border, travel, or domestic COVID-19 restrictions that impacted the way we deliver our services at the border. Our ability to adapt to these changes, while ensuring a high level of health and traditional border risk compliance was maintained, played a crucial role in the safe reopening of the border.

### Major changes affecting Customs operation at the border

	Number of changes	Key events
Jul-21	● ● ●	Quarantine free travel with Australia suspended
Aug-21	● ● ● ● ● ● ●	New Zealand moves to COVID-19 Alert Level 4
Sep-21	● ●	Self-isolation pilot tested
Oct-21	● ● ●	COVID-19 Protection Framework announced
Nov-21	● ● ● ● ● ● ●	Vaccine requirement and reduction of MIQ isolation period
Dec-21	● ● ● ● ● ● ● ●	Border processing levy changes and enforcement powers
Jan-22	● ● ● ● ● ●	New Zealand moves to RED under the COVID-19 traffic light system
Feb-22	● ● ● ● ● ● ● ● ●	RNZ Stage 1 - QFT for NZ citizens from Australia
Mar-22	● ● ● ● ● ● ● ●	RNZ Stage 2 - QFT for NZ citizens from rest of the world & NZTD launched
Apr-22	● ● ● ● ● ● ●	RNZ Stage 3 - QFT for Australians, students and critical workers
May-22	● ● ●	Maritime border MIQ and isolation requirements removed
June-22	● ●	Pre-departure testing requirements removed

● Domestic ● Travel ● Border

QFT Quarantine-free travel

RNZ Reconnecting New Zealanders to the World

NZTD New Zealand Traveller Declaration

## Our objective: an integrated cross-government system is developed to safely support the resumption of travel

A critical component of the safe resumption of international travel has been the development and implementation of the New Zealand Traveller Declaration. The new platform supports the management of COVID-19 health information and travel requirements, and enables smarter and more efficient clearance processes for arriving passengers – a key element in ensuring we have a fully open, agile and protective border.

### Implementing the New Zealand Traveller Declaration

The New Zealand Traveller Declaration (NZTD) is an online system that allows risk-based health assessments of arriving passengers and works out their eligibility to travel to New Zealand, before they board their planes.

The system was developed to support the management of COVID-19 risks at our border. It allows people travelling to New Zealand by air to upload their vaccination certificates and other required documentation to a secure platform. This information is then assessed, using rules set by the Ministry of Health, to identify their requirements for entering the country. The new system enables the automated authentication of digital vaccination certificates, used in more than 60 countries, in less than one second.

Once approved, all air passengers are issued with a traveller pass that removes the need for a manual documentation check at the border for the majority of passengers. This has significantly reduced processing times at the airport, and the automatic checking of the traveller pass at eGates has made the arrival process quicker and easier.

The NZTD has been designed to rapidly respond to changing health settings and travel requirements. Specific pandemic response requirements, such as the need for passengers to complete pre-departure tests or self-isolate, can be added to or removed from the system as required. This supports passengers to do the right thing in what can be a rapidly changing and often complex environment.



Longer term, NZTD will provide a single point for passengers to complete their travel declarations and remove the need for physical arrival cards.

### *Drawing on the knowledge and skills of people across a variety of agencies*

While we are the lead agency responsible for the development and implementation of the NZTD, we work in partnership with the Ministry of Business, Innovation and Employment (Immigration New Zealand) and the Ministry of Health, and our other border partners. The project reports through to the Border Executive Board (see page 8).

This partnership allowed us to draw on the knowledge and skills of a range of sector partners and ensure the new system was developed within tight timeframes.

## Indicator: Passenger compliance with health documentation

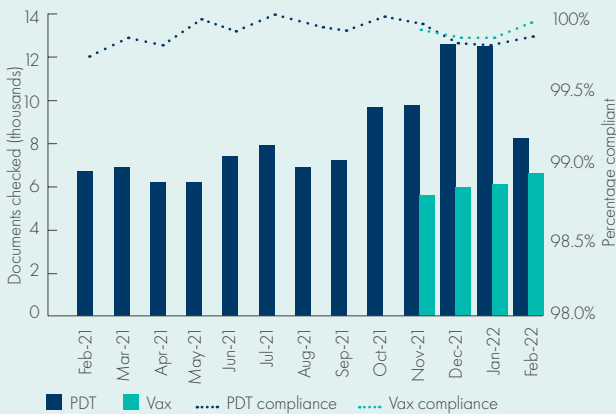
**Expected trend:** ensure high compliance with border health document requirements

**2021/22 trend:** on-track – 99.2% of arriving international passengers were compliant

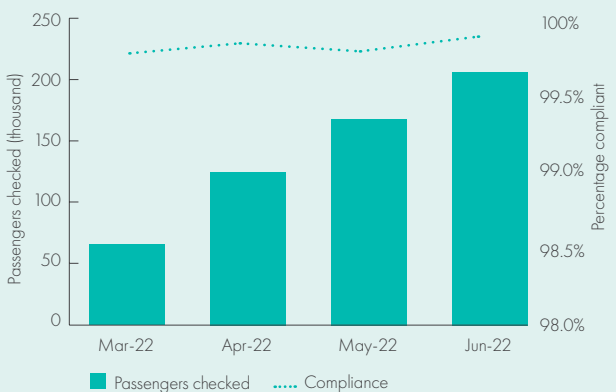
Following changes to COVID-19 border requirements, we began checking arriving passengers' pre-departure test (PDT) documentation from 26 January 2021, and vaccination certificates from 1 November 2021. Until NZTD was implemented in March 2022, the checking of these health documents was conducted manually on arrival by our frontline officers.

With the staged reopening of the border both the number of arriving passengers and required health documentation checks significantly increased. The implementation of NZTD enabled the automated authentication of digital vaccination certificates. A manual verification team was set up to process PDT documentation pre-border. From 1 March 2022 to 30 June 2022 over half a million passengers were checked with 99.8% found to be compliant. The majority of non-compliance related to PDT documentation, the requirement for which ended on 20 June 2022.

**Figure 14: PDT and vaccination certificate (Vax) document checks**



**Figure 15: Passengers checked for health documentation compliance**



## Supporting a staged implementation

NZTD is a complex system, with a range of digital and operational components. It has been designed to be implemented in stages, with a focus on ensuring security, information privacy, and ease of use.

Following four small-scale trials in early 2022, the initial system went live on 25 March 2022. This enabled passengers to complete their online health declarations and upload vaccination certificates and proof of a negative pre-departure test (which was required until 20 June 2022).

The NZTD became compulsory for all air arriving passengers from 11.59pm on 31 March 2022.

During 2022/23 the NZTD system will be enhanced and improved to make it more accessible and user friendly. It will also be expanded to combine the health, customs, biosecurity, and immigration declarations passengers are required to make to enter New Zealand.

These changes will ensure we have smart, efficient border processes that protect the health and wellbeing of New Zealanders, while helping to keep our border open.

**By the end of June 2022, nearly 590,000 passengers had used the new traveller pass.**

Approximately 95.4% of all passengers between 25 March and 30 June 2022 completed the declaration online, with the remaining passengers completing paper forms.

## Building an inclusive and accessible system

We are conscious that online declaration forms can prove challenging for some passengers. Contact centre staff are available 24 hours a day, 7 days a week to help with any issues people may face when completing the declaration. People who do not have access to the internet can also request a paper form when they check in at the airport.

NZTD fact sheets have been translated into 21 different languages, as well as audio, braille, and large print formats.

## Our objective: effective border screening processes reduce risks to New Zealand

Our border screening processes help to ensure that arriving passengers do not bring goods with them that could cause harm to our communities. We aim to streamline our processes to ensure we manage risk, while supporting passengers to move through border controls as efficiently as possible.

### Indicator: result rate of secondary searches of arriving international air passengers and crew

**Expected trend:** maintain a positive result rate of between 6%–10%

**Actual trend:** on-track – 6.5% of secondary searches resulted in a positive result. This is lower than last year but similar to pre-pandemic levels

Individuals selected for further risk assessment are processed at Customs secondary areas where they are further questioned and, if required, further searches take place.

Table 4: Risk assessment of arriving air passengers and crew

	2017/18	2018/19	2019/20	2020/21	2021/22
Arriving passengers and crew (million)	7.0	7.3	5.5	0.4	0.8
Percentage of arriving passengers and crew selected for further risk assessment	0.5%	0.5%	0.5%	1.0%	1.3%
Percentage of individuals who are selected for further risk assessments that undergo a baggage search	56.7%	58.1%	51.0%	29.0%	15.6%
Positive result rate of baggage searches	5.7%	7.0%	8.0%	7.6%	6.5%

Since the onset of the pandemic, increased health screening has meant a higher proportion of passengers have been further risk assessed in Customs secondary areas (1.3% in 2021/22), to check compliance with health-related documents. Baggage searches are not required in such cases, which has meant a smaller proportion of passengers have had baggage searched. However, the positive result rate has remained within our target rate of 6%–10%.

A positive result is defined as any outcome of a secondary search that supports the individual/item being risk profiled. It does not include any interceptions, seizures or arrests that may occur at a later date or location as a result of information gathered from the search.



## Maintaining our screening processes during periods of change

We use a layered, intelligence-led approach to manage risk and target our interventions with passengers.

All passengers to New Zealand are assessed for risk before they arrive; from March 2022 this includes health risks through the New Zealand Traveller Declaration system. On arrival, passengers and their luggage are screened using a range of methods, including detector dogs, questioning by Customs officers, and baggage searches.

We also carry out random checks on passengers through our assurance programme to ensure that our targeting approach is accurate. The passenger assurance sampling was suspended for 2021/22 due to the low number of passengers and the increased interactions passengers had with Customs officers through the COVID-19 documentation screening process. This part of our assurance programme will resume in the 2022/23 year.

### *First seizure of drugs from a passenger since May 2020*

The border restrictions put in place to respond to the pandemic resulted in a significant decline in the number of arriving passengers attempting to smuggle drugs into New Zealand in their luggage or on themselves.

On 10 June 2022 Customs officers arrested a man at Auckland International Airport who had attempted to smuggle two kilograms of methamphetamine in his luggage. This was the first seizure of drugs from a passenger since May 2020.

As the border reopens, we expect to see an increase in the number of international drug syndicates using passengers to smuggle drugs into the country. However, the systems and processes we have in place to identify suspicious activity mean we are well placed to manage this risk.



*Two kilograms of methamphetamine hidden in a passenger's luggage was discovered by Customs officers in June 2022.*

### *Funding screening services*

Our border screening services for passengers and crew are funded through the Border Processing Levy charged for all arriving passengers. The COVID-19 border restrictions have had a significant impact on the revenue generated through the Levy, meaning additional Government funding was required to ensure our services could be maintained. New Levy rates that came into effect on 1 December 2021 should result in a return to a full cost recovery model over the next three years (see page 62).

## The year ahead

During 2022/23 our focus will be on:

- > ensuring our systems and processes continue to work well as we look to efficiently and effectively process an increasing number of passengers, including from cruise ships, following the full reopening of the border from 31 July 2022
- > implementing the next stages of the New Zealand Traveller Declaration in conjunction with the Ministry of Health and the Ministry of Business, Innovation and Employment (Immigration New Zealand)
- > rolling out new passport readers and other enhancements to screening processes.

## Case study:

### COVID-19 Border Response



*From left to right: Morag Ingram, Border Executive Board Secretariat; Craig Chitty, New Zealand Customs Service; Christine Stevenson, Comptroller of Customs; Peter Mersi, Chief Executive Ministry of Transport; Megan Main, Ministry of Business, Immigration and Employment; and Stephen Waugh, New Zealand Customs Service presenting to the judging panel for the 2021 Te Hāpai Hāpori Spirit of Service Awards.*

During 2020 and 2021 a team of 25,000 public servants and private sector employees worked to minimise the threat of COVID-19 crossing our border and spreading through our communities.

The COVID-19 Border Response team included staff from a range of government agencies, including the Civil Aviation Authority, New Zealand Customs Service, New Zealand Defence Force, Maritime New Zealand, Ministry of Business, Innovation and Employment, Ministry of Foreign Affairs and Trade, Ministry of Health, Ministry for Primary Industries and the Ministry of Transport. It also included people in the private sector working at ports, airports and in the transportation sector.

This team worked hard through challenging circumstances to set up an integrated border response, and implemented new policies and processes, across a range of health orders, that kept New Zealanders safe.

In November 2021 the work of this team was recognised through the Public Service Commission's Te Hāpai Hāpori Spirit of Service Awards. The COVID-19 Border Response and the Health sector response to COVID-19 were joint winners of the Better Outcomes Award, celebrating the achievement of ground-breaking outcomes that matter most for the long-term wellbeing of New Zealanders. Both teams also received the Prime Minister's Award.



# Kohinga Tāka Revenue

Providing simple, efficient and transparent systems and processes for the payment of all revenue arising from the import and export of goods





## Our intention: collect all due revenue

We collected around 16% of core Crown tax revenue during the 2021 /22 year, providing funding that supports the wider aims and objectives of the Government. This revenue comes from customs duty, GST on high-value imported goods, excise duty and excise-equivalent duty on alcohol, tobacco and petroleum products. We also collect revenue, fees and levies on behalf of other agencies. Our priority is to make revenue requirements easy to comply with, and hard to avoid.

Our strategic objectives are focused on ensuring:

- > our systems and processes are easy to use
- > non-compliance with payment requirements is identified and appropriately addressed
- > our clients know what we collect and why.

This section of the Annual Report provides an overview of our work and achievements towards these objectives. While two of our strategic indicators are off-track, in part due to the ongoing impact of COVID-19, we are still tracking towards our overall objectives.

### Key achievements

During the year we have:

- > supported importers and exporters to manage the cash flow impacts of COVID-19 and shipping disruptions
- > increased our focus on targeting the large-scale smuggling of tobacco and associated revenue evasion
- > re-set the rates for the Border Processing Levy, which covers the costs of the systems and processes required to process passengers, to enable a return to a full cost recovery model.

### Performance against our Revenue measures

Strategic indicators



Our strategic indicators help us to track how we are progressing towards our longer-term outcomes and goals. The strategic indicators for each objective are discussed in the coloured boxes on the following pages.

Output measures



Our Revenue output measures sit within the Revenue Collection and Other Services appropriation. For more details on this appropriation see pages 118–119.

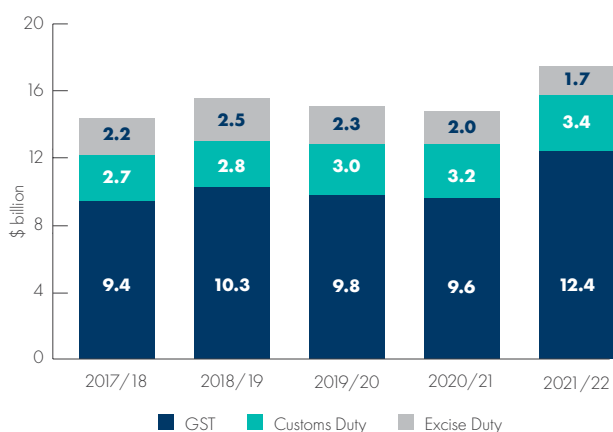
# Our objective: our systems and processes are easy to use

One of the primary functions throughout our long history has been to collect revenue on behalf of the Government on import and export goods crossing our border, and on the manufacture of alcohol, tobacco and fuel products within New Zealand. We support people to voluntarily comply with payment requirements through making self-declaration, payment, and collection processes easy to do and hard to avoid.

## We collected \$17.5 billion of revenue on behalf of the Government in 2021/22

This revenue comes from customs and excise duties on alcohol, tobacco and fuel, and tariff charges; as well as GST on imported products over \$1,000. This funding forms part of the government’s revenue stream and is not retained by Customs.

Figure 16: Main sources of Crown revenue collected by Customs



The total revenue collected during 2021/22 increased by 17% compared to 2020/21, with the largest growth in the amount of GST collected (up 29%) and customs duty payments (up 5%). We also collect a range of fees and levies on behalf of other agencies.

The impact of inflation on price increases, and international import supply chain issues, were key drivers in the amount of revenue collected.

As supply chain disruptions continue, importers are placing larger orders to ensure stock is available, rather than operating a ‘just in time’ model where goods are ordered as required. The cost of goods has also increased in most countries due to inflation and shipping/freight costs, which will also impact the amount of GST collected.

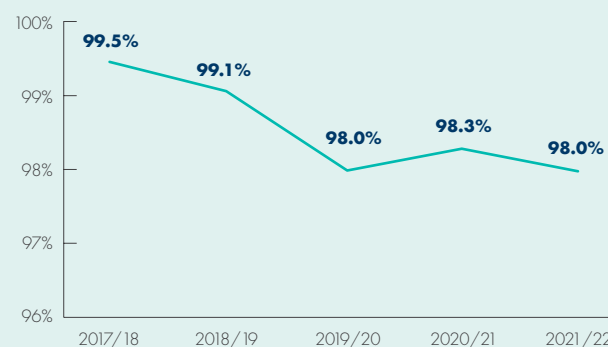
The way in which tobacco duty is collected has also changed. The New Zealand-based manufacturing of tobacco products has reduced over recent years, with the vast majority of tobacco products now imported. The duty on domestically manufactured product is collected as excise duty, which does not incur GST, while imported tobacco products include GST payments. This will impact the amount of GST and customs duty collected during the year.

## Indicator: Revenue collected by the due date

**Expected trend:** increase revenue collected by the due date

**Actual trend:** off-track – 0.3% decrease in revenue collected by the due date

Figure 17: Percentage of revenue collected by due date



There has been a drop in the percentage of revenue collected by the due date since early 2020, largely due to the impact of the COVID-19 pandemic. Many of our clients have experienced financial and cash flow challenges. We have been working to support traders to manage these challenges, and while the proportion of revenue collected by the due date has fallen, our overall recovery of outstanding debt remains high. Debt written off this year represents only 0.04% of the total revenue collected.



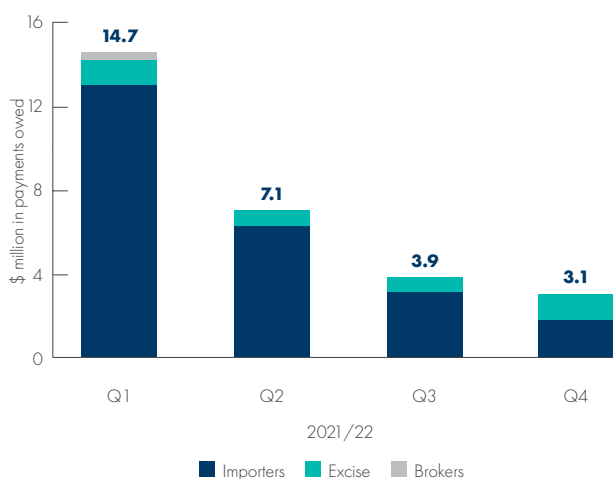
## Supporting importers and exporters through the COVID-19 pandemic

The COVID-19 economic assistance package was put in place to mitigate the financial and cash flow difficulties our clients faced as a result of the pandemic. We work with clients to negotiate instalment plans or deferred payment dates tailored to their specific needs.

Originally operating from March 2020 to March 2022, the economic assistance package was extended for a further two years in recognition of the ongoing impact of the pandemic.

Almost 500 clients have been supported through the economic assistance package since it began, with 98.8% of deferred debt repaid.

Figure 18: 2021/22 COVID-19 payment plans established



During the 2021/22 financial year, requests for assistance peaked in mid-August 2021 (Quarter 1) as a result of the Delta outbreak. Between August 2021 and 30 June 2022, 161 clients had instalment plans established, worth a total of \$29 million.

## Managing the impact of supply chain disruptions

The global supply chain system continues to be impacted by the pandemic and the war in Ukraine. Port congestion, vessel schedule changes and a shortage of containers are causing bottlenecks and increased costs across the supply chains.

Ongoing supply chain disruptions have meant importers are placing larger or more frequent orders. This means they have to pay Customs on a more regular basis to stay within their credits limit or make top-up payments when multiple shipments arrive in quick succession.

To help our clients manage their cash flow through these disruptions, in February 2022 we increased the credit limits for low-risk small to medium importers.

As a result of this change, we have seen a 47% decrease in the number of top-up payments clients were required to make before their goods were released. This has also resulted in a significant decrease in the number of queries relating to payments and account balances, and quicker clearance processes for goods.

We received around 130 positive responses from clients acknowledging the impact of the new credit limits on their businesses.

# Our objective: non-compliance with payment requirements is identified and appropriately addressed

We operate a high trust model for the collection of required revenue and duty payments, recognising that most people accurately declare and pay the required amounts. This is supported by risk-based audits to ensure traders comply with the legislation, and random audits of incoming goods.

## Indicator: Compliance rates of traders

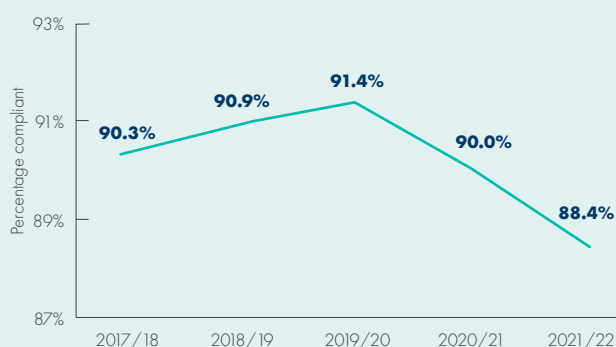
**Expected trend:** increased compliance over time

**Actual trend:** off-track – risk-profiled audit compliance has increased 0.6%, but random audit compliance fell 1.6%

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

### Compliance rate of randomly selected import entries decreased 1.6%

Figure 19: Compliance rate of randomly sampled import entries

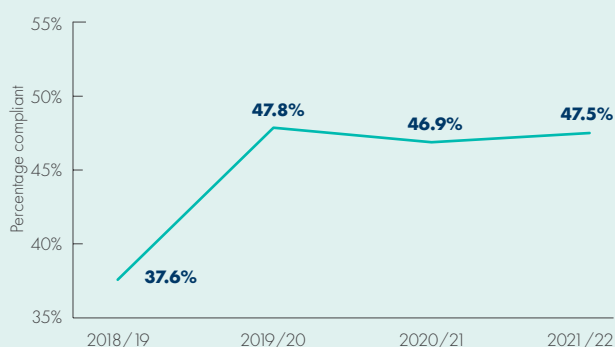


As part of our trade assurance programme, we randomly assess a portion of all import entries (documentation for goods entering the country) submitted to us for processing. This enables us to monitor the level of accuracy of the information provided and gives us assurance of the level of trade and revenue compliance.

In 2021/22 COVID-19 restrictions meant our team had a stronger focus on documentation audits. This resulted in an increased number of errors found. As a consequence, additional administrative penalties were issued and new alert rules created for regularly occurring issues.

### Compliance rate of risk-profiled companies increased 0.6%

Figure 20: Compliance rate of risk-profiled audits



In addition to our random sampling, we also conduct risk-based audits to identify non-compliance and provide education to encourage future voluntary compliance.

As these audits target higher-risk companies and trading activities, we expect to see lower compliance for these audits than our random sampling.

The majority of non-compliance identified is accidental or unintentional. In 2021/22 only 1% of non-compliance was found to be deliberate, down from 2% in 2020/21.

## Monitoring and addressing non-compliance

Where issues are found through our compliance audits, we work with clients to identify the cause of the error, correct the documentation, and make any necessary payments. Where the error was a deliberate attempt to evade required payments, we issue administrative penalties and/or infringement notices.

Through our industry outreach programme we are building stronger relationships with brokers and freight forwarders. Regular meetings ensure that our partners remain up to date on regulatory requirements and common errors can be identified and addressed. This results in fewer errors and a reduction in penalties and other infringement notices.

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In June 2022 we conducted a risk-based audit of a company importing cleaning and hygiene products. The company was found to have not included the royalties they had paid on their goods in the Customs value.

The company was asked to provide further documentation for a post-entry audit. When the company repeatedly failed to respond to requests for these documents, their imports were stopped at the border.

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**Once the documents were provided, an assessment notice for additional duty payments of \$217,000 was issued, including \$40,000 in compensatory interest.**

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## Targeting tobacco smuggling

The largest source of revenue evasion (in revenue collected by Customs) is tobacco smuggling. Organised crime groups are attracted to tobacco smuggling because of the high prices and demand in New Zealand. This often occurs alongside drug smuggling and money laundering activities.

Before 2018 large-scale interceptions of smuggled cigarettes (250,000 or more) were rare, with the majority of illegal imports coming through small but frequent packages in mail or air-freight cargo. More recently, we have seen a shift to large-scale interceptions and more sophisticated concealments in sea cargo imports, similar to those used for illicit drug smuggling.

Tobacco smuggling and revenue evasion adversely impact the Crown's finances and undermine New Zealand's Smoke Free Aotearoa 2025 strategy.

Like the illicit drug trade, it is difficult to accurately estimate the size of the illicit tobacco trade. In the 2021 calendar year, the quantity of illicit tobacco products Customs seized corresponded to a revenue loss of \$13.7 million. However, the illicit market is bigger than this. In an industry-funded study, KPMG estimated that the market share of illicit tobacco was 11.5% in 2019, which, if correct, would correspond to around \$287 million of revenue evasion annually.

Although the illicit market is likely to be smaller than this estimate, it is still substantial. We are working closely with the Ministry of Health to better understand the nature and size of the illegal tobacco problem in New Zealand.

## Dismantling smuggling operations

We work with national and international partners to identify and prosecute the individuals and groups behind the large-scale smuggling of tobacco products.

During the 2021/22 year three prosecutions for large smuggling cases were successfully concluded:

- Operation Whitethorn was our largest tobacco smuggling prosecution to date resulting in jail sentences for an Auckland businessman (in 2020) and his wife (in 2022) for smuggling over 19 million cigarettes, and revenue fraud of more than \$18.7 million. More than \$4.15 million in cash was forfeited through a Criminal Proceeds Recovery Act 2009 case.
- Operation Valhalla saw a 28-year-old Auckland man sentenced in February 2022 for defrauding Customs of tobacco revenue, illegally manufacturing cigarettes and cultivating cannabis. The investigation resulted in the seizure of 271 kg of tobacco and manufacturing equipment.
- The long-running Operation Odin concluded on 1 July 2022 with the sentencing of a 38-year-old Auckland man for revenue fraud and money laundering related to the shipment of 4.2 million cigarettes from Malaysia in 2020. His accomplice was sentenced in May 2022 to six months' home detention for revenue fraud. The combined revenue evaded was nearly \$5 million.



Manufacturing equipment seized during Operation Valhalla.

## Legislative changes to address revenue evasion

In May 2022 the Customs and Excise (Tobacco Products) Amendment Act 2022 created new controls on water-pipe tobacco.

The changes made water-pipe tobacco a prohibited import, requiring importers to obtain a permit to import this type of tobacco, as is required for cigarettes and tobacco leaf. It also changed the way water-pipe tobacco duty is calculated, shifting from an assessment based on the self-declared level of tobacco content in the product to a standard calculation based on the total weight of the product at an assumed tobacco content of 15%.

This change was made in response to concerns that importers were routinely under-declaring the tobacco content to pay less duty. The change is expected to result in an increase in revenue on tobacco in the coming years.

## The nature and content of tobacco seizures is changing

We are seeing an increase in the number of large seizures of tobacco, as well as in the types of tobacco products being seized, such as chewing tobacco and water-pipe tobacco. Loose tobacco (measured in grams) is now making up the majority of our intercepted goods rather than tobacco items (such as cigarettes).

During 2021/22 we intercepted:

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### Over 13,266 kg in loose tobacco

Compared with almost 2,463 kg in 2020/21

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### Almost 5.2 million cigarettes

Compared with 10.9 million in 2020/21

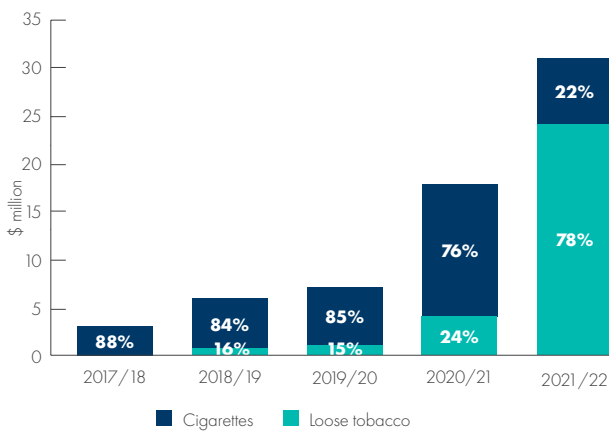
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### 2,823 tobacco products

Compared with 3,720 during 2020/21

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Figure 21: Excise-equivalent revenue foregone from illicit tobacco interceptions



Through Budget 2022 we received an additional \$10.4 million over four years, beginning in July 2022, to target large-scale smugglers and prosecute serious offending through the establishment of a dedicated tobacco investigations team. The work of this team is expected to result in an increase in prosecutions and continued disruption of smuggling networks.

## Targeting financial crime

Our Financial Crime Unit was established in February 2019 to provide specialist capability to target illicit financial transfers and money laundering.

The two main areas of focus are trade-based money laundering and bulk cash smuggling. This includes providing advice and training on money laundering methodologies, cryptocurrency, and other emerging financial movement techniques.

The COVID-19 border restrictions saw a reduction in passenger numbers and interceptions of smuggled cash. This enabled a stronger focus on more strategic outcomes, including contributing to regulatory changes to the Anti-Money Laundering and Countering Financing of Terrorism Act 2009, enhanced identification of anomalies within trade data, and the development of an electronic Border Cash Report that will streamline reporting required under the Act.

During 2021/22 we also carried out investigations into potential trade-based money laundering activities and progressed prosecutions for previous cash smuggling offending.



# Our objective: our clients know what we collect and why

We have a responsibility to ensure that information on what payments are required is clear and easy to access. Our focus is on ensuring we provide transparent, consistent and accurate information, advice and support.

## Return to full cost recovery model for the processing of passengers

Together with the Ministry for Primary Industries (MPI), we screen and assess all arriving international passengers and crew to protect New Zealand from items that have the potential to harm our communities, such as drugs, weapons and objectionable material; health risks; and biosecurity threats (such as items containing plant or animal products that might harm local industries).

The cost of this screening is recovered through the Border Processing Levy, which forms part of the cost of a passenger's airline or cruise ship ticket. The airlines and cruise ship operators then pay the Levy on behalf of their passengers.

The introduction of border restrictions in early 2020 to manage the impact of COVID-19 saw passenger numbers drop by 98%, significantly impacting the amount of Levy revenue Customs received to operate these screening services. The Government topped up funding received by Customs to compensate for the reduced Levy revenue up to 30 June 2021 so we could continue providing screening services for the people who travelled during the year.

The anticipated increase in passenger numbers led to a review and consultation process on Levy rates during June and July 2021. The new rates are designed to enable Customs to fully recover the costs of these services over a three-year period. The consultation process provided an opportunity to improve understanding of the services the Levy funds and outline the proposed changes. The new Levy rates took effect from 1 December 2021.

## Indicator case study: Ensuring full consultation on significant changes

**Expected trend:** *increased awareness of what revenue we collect and why*

**Actual trend:** *on-track – consulted with clients on the return to border clearance cost recovery*

The changes to the Border Processing Levy and the increase in Levy rates came at a time when passenger numbers were estimated to gradually increase as the border restrictions were eased.

We publicly consulted on the Levy changes with a reference group of industry stakeholders that we engage with periodically, as well as other stakeholders across the airline, cruise, and tourism industries through emails, newsletters and information on our website.

The consultation process, in June and July 2021, aimed to ensure that key stakeholders were aware of the importance of the services covered by the Levy, why the Levy is used to recover the cost of those services, the proposed changes to the Levy and the potential impacts on travellers. It also provided an opportunity to ensure we understood the impact increases to the Levy might have on travellers.

Consultation played a key role in ensuring our stakeholders understand what the fees they pay are used for and the role they play in helping to reduce the biosecurity, health and other threats to New Zealand.

## Communicating changes in excise duties and levies

When changes are made to excise duties and levies, we work with our clients and stakeholders to ensure they are aware of the new rates. This includes providing notices in the New Zealand Gazette, information updates through the Customs website, and specific communications to the affected industries.

Most of these changes occur at set times. When changes are made at short notice, we take extra steps to ensure our clients and stakeholders are informed.

### *Reducing fuel duty excise*

On 14 March 2022 the Government announced a reduction in the rate of duties collected on fuel by 25 cents a litre for three months, coming into effect the next day.

We worked closely with the Ministry of Transport and other relevant agencies to implement the changes and ensure clear messaging went out to the fuel industry and the wider public so that the correct payments were made.

We also made sure the necessary legislative changes and supporting implementation requirements were made to support the extension of the reduction until 15 August 2022 and the further extension through to the end of January 2023.

## Supporting the implementation of climate change policies

As the Government moves to reduce greenhouse gas emissions and address the environmental impact of product disposal, new fees and levies will be introduced at the border to discourage the importation of some types of products, and to provide for appropriate end-of-life disposal of imported products. This will have implications for the types of revenue we collect.

Over the coming year this will include changes to levies on synthetic greenhouse gases, and the introduction of a product stewardship fee on tyre imports to address the cost of disposing of used tyres. In the medium term we are likely to see further changes related to pricing carbon emissions, and the creation of additional fee-funded product stewardship schemes. We will work with other agencies to enable these changes to be implemented efficiently and cost-effectively, with minimal disruption at the border.

## The year ahead

We are working to more closely align our revenue and trade functions, making it easier for traders to understand and comply with necessary regulations and required payments.

In addition, during 2022/23 we will focus on:

- > increasing investigations and prosecutions of large-scale tobacco smuggling and revenue evasion
- > introducing a new online enquiry form to streamline our processes and make it easier for clients to work with us
- > introducing new legislation and processes to support the collection of new fees and levies on behalf of other agencies.



# Te Pou Tokomanawa Our Foundations

He iwi kotahi tātou (we are one people)  
through kotahitanga (partnership), kaitiakitanga  
(protection) and manaakitanga (participation)



## Our intention: create strong foundations

Te Pou Tokomanawa is the foundation of what we do and how we do it. We aim to build a strong culture where the principles of kotahitanga, kaitiakitanga and manaakitanga are woven through all our day-to-day activities. We are in the early stages of this journey and there is still work to be done. During the last year our focus has been on building the structures, frameworks and processes necessary to achieve our objectives.

Our strategic objectives are focused on:

- > engagement with Māori communities as a fundamental part of our work to protect New Zealand's border
- > Customs staff increasing their knowledge and use of te reo Māori me ōna tikanga
- > Māori staff are supported to achieve their aspirations.

The strategic objectives of Te Pou Tokomanawa encompass our commitment to building Māori Crown relationship capability across Customs through the broader public service Whāinga Amorangi work programme, and to support the revitalisation of te reo Māori through the Maihi Karauna strategy. This section of the report provides an overview of our work and achievements towards these objectives.

### Key achievements

During the year we have:

- > approved the New Zealand Customs Service Iwi Māori Engagement Plan – establishing our guiding principles for engagement with iwi, hapū and Māori communities
- > worked to develop a detailed te reo Māori strategy and three-year action plan
- > repositioned the Customs Māori Network to more effectively utilise the skills and knowledge of Network members.

### Performance against our Te Pou Tokomanawa measures

#### Strategic Indicators



Our strategic indicators help us to track how we are progressing towards our longer-term outcomes and goals. The key indicator for each strategic objective is discussed in the coloured boxes on the following pages.

#### Accountability Measures

There are no output performance measures for Te Pou Tokomanawa.

However, we have external accountability requirements to report on how we are building the Māori Crown Relations capability of our organisation and people (pages 66–67).

Our work to develop and implement our Whāinga Amorangi and Māori Language plans are part of this capability building and our progress is demonstrated in this section (pages 68–69).

# Our objective: engagement with Māori communities is a fundamental part of our work to protect New Zealand's border

We are committed to building stronger and enduring relationships with iwi, hapū and Māori communities, and increasing the Māori Crown relations capability of our people. This year our focus has been on creating solid foundations for effective engagement.

## Building the foundations for engagement

As the founding document of New Zealand, the Treaty of Waitangi underpins the relationship between the Crown and Māori. We have articulated what this means for Customs through Te Pou Tokomanawa Māori o Te Mana Ārai, the Customs Māori strategy.

At the heart of the strategy are our three commitments, based on the Treaty principles:

- > *Kotahitanga (Partnership)* – we will act reasonably, honourably, and in good faith with Māori and tāngata whenua, in partnership for the mutual benefit of both parties
- > *Kaitiakitanga (Protection)* – we will strengthen our role as a protector of taonga, both in its physical form, and the language and traditions
- > *Manaakitanga (Participation)* – we will enable active and equitable participation by Māori at all levels within Customs, to the benefit of both Māori and New Zealand.

Effective engagement takes time and commitment and needs to be built on solid foundations. Our focus during 2021/22 has been on building the frameworks and strategies that will help our people understand the expectations for when, why, and how to engage effectively with iwi, hapū and Māori communities.

## New Zealand Customs Service Iwi Māori Engagement Plan

The New Zealand Customs Service Iwi Māori Engagement Plan is our foundational framework for engagement.

Approved in March 2022, the Plan outlines our approach to engaging with mana whenua, iwi and hapū, and sets out the guiding principles for Customs' engagement with Māori:

- > Prepare – understand the context, our shared history and relationships
- > Use the right process – talk to the right people at the right time
- > Be effective – ensure people have enough time to engage effectively
- > Transparency – provide all information necessary for effective engagement.

The Engagement Plan draws on the concept of partnership as a foundation for purposeful engagement. It builds on the learnings from the Ōpua Iwi Liaison Officer Pilot in late 2021 (see case study on page 72) and has an initial focus on building relationships with iwi and hapū connected to our air and marine ports (including Te Manukanuka o Hoturoa marae at Auckland Airport).



## Te ao Māori policy framework

To support the development of robust policies, we need to ensure that our policy advice includes Māori perspectives and interests.

During the year our policy teams have been working to build their knowledge and understanding of te ao Māori. This includes the development of a specific te ao Māori policy framework, supporting our people to understand the nature of Māori interest in key policy topics and the implications that may need to be worked through when providing advice. The framework will continue to be revised and enhanced in the coming year.

Plans for our policy teams to complete the 'Wall Walk', an interactive workshop designed to raise awareness of key events in our history and bicultural relations, were delayed due to COVID-19 restrictions. This will now take place early in the 2022/23 year.

### Understanding the principles and implications of Māori data sovereignty

Customs collects and manages a wide range of data, including information provided by travellers entering the country.

Work is under way to define and understand the nature of Māori data held within Customs, and specifically the data that will be captured through the New Zealand Traveller Declaration (see page 49). A series of wānanga were held during 2021/22 on the principles of Māori data sovereignty, the implications for our work, and to identify links with existing privacy frameworks.

This will inform the development of the next stages of the New Zealand Traveller Declaration system.

## Indicator case study: Building a framework for enduring engagement

**Expected trend:** regular engagement with Māori communities on matters of mutual interest relating to Customs' work programme

**Actual trend:** on-track – the foundations for effective engagement have been created

We are at the early stages of our journey towards ensuring that engagement with Māori communities is an integral part of our day-to-day work to protect New Zealand's border.

We deliberately chose a broad strategic objective for our work in this area so that it remains relevant as we grow our capability and develop key relationships. In its first year, our focus has been on building the frameworks, systems and processes we need to achieve our objectives. As we build on our new foundations, we will look to create more specific indicators to help us monitor our progress.

Approved in March 2022, the New Zealand Customs Service Iwi Māori Engagement Plan sets out a five-stage implementation plan, with a focus on different elements of our journey. The Engagement Plan is a living document and provides an overview of where we want to end up. During 2021/22 we progressed through the first two stages of the plan below.

### Engagement with Māori communities

Build and maintain effective relationships with iwi/hapū in key maritime and air border regions

### Building Māori-Crown relations capability

Development of a Māori engagement framework, strategy and implementation plans

### Māori communications strategy

Develop communications and key messages targeted for Māori communities

### Monitoring the impact

Ensuring a tiered system of engagement is in place reflecting rangatira ki te rangatira relationships and day-to-day engagement

### Review and evaluation

Evaluate the impact and outcome of improved relationships with iwi/hapū in key communities

# Our objective: Customs staff increase their knowledge and use of te reo Māori me ōna tikanga

We aim to create a safe learning space where our people feel comfortable and engaged in learning. This includes normalising the use of te reo Māori as part of our everyday work and building the cultural knowledge of our people.

## Implementing Whāinga Amorangi Phase One

Whāinga Amorangi is a cross-government initiative to build and maintain the capability of the public service to engage with Māori and understand Māori perspectives.

It has two key strategies:

- Empowering people through building greater knowledge of New Zealand history, Te Tiriti o Waitangi (Treaty of Waitangi), and te ao Māori, and understanding racial equity and institutional racism
- Increasing te reo Māori skills and knowledge of all our people and normalising its use.

Our 2020 te ao Māori staff survey demonstrated that while our current capability in these areas was low, the willingness and interest of our people to learn and develop knowledge and new skills in this area is high.

Our Whāinga Amorangi Plan paints a picture of the capability we want to build, and provides a roadmap of the changes we expect to see in the coming years. The plan was endorsed by Te Arawhiti, the Office for Māori Crown Relations, in December 2021.

To set our people up for success we aim to create safe learning spaces where our people feel comfortable and engaged. We want our people to understand why building this capability is important for them, and how it will enable Customs to better engage with, and serve, our stakeholders and the community.

## Indicator: Staff completion of Whāinga Amorangi e-learning modules

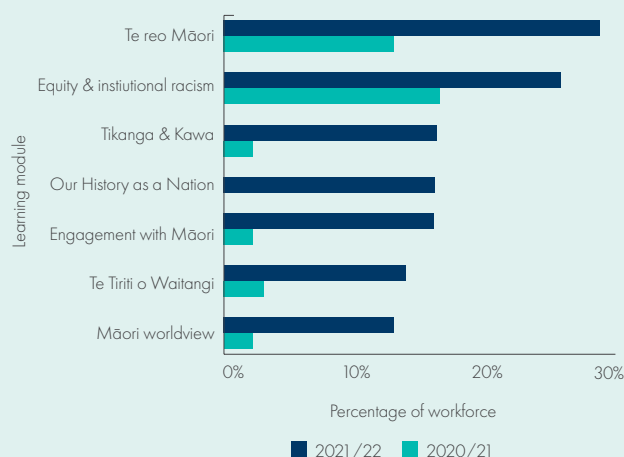
**Expected trend:** more staff have completed this learning

**Actual trend:** increased completion across all learning modules

Our Whāinga Amorangi Plan aims to support staff to move through different levels of competency from unfamiliar to comfortable, confident and then capable. In the first stage of the plan, our focus is on promoting and supporting our people to complete a series of foundational e-learning modules that are aligned to the knowledge areas outlined in the Māori Crown Relations Capability Framework developed by Te Arawhiti.

This will create a standard base level of knowledge and understanding across our organisation and support further learning over time. In 2021/22 we saw significant increases in the percentage of staff who have completed these learning modules.

Figure 22: Percentage of workforce who have completed our Whāinga Amorangi learning modules (as at 30 June)





## Te reo Māori Strategy and Action Plan

As part of our commitments under the Maihi Karauna strategy to revitalise te reo Māori and normalise its use, we engaged an experienced Māori language planner to develop a three-year te reo Māori strategy and action plan.

The strategy will set clear goals and milestones to increase our te reo Māori capability. It will also identify creative ways to support all our people to see, learn and use te reo Māori as part of their everyday work. It will be progressively rolled out through the 2022/23 financial year.

## *Celebrating Te Wiki o te Reo Māori*

Te Wiki o te Reo Māori provides an opportunity to build the knowledge and confidence of staff in te reo Māori.

In September 2021 our Te Wiki o te Reo Māori focus was on showcasing the learning journey of senior managers and staff – why they decided to take up the challenge of learning te reo Māori, what they are most passionate about in their journey, and the things that helped them learn.

# Our objective: Māori staff are supported to achieve their aspirations

Te Pou Tokomanawa has both an outward focus, improving our engagement with iwi, hapū and Māori communities, and an inward focus, to identify and support the aspirations of Māori staff within Customs.

## Indicator: Addressing pay and representation gaps

**Expected trend:** increased Māori representation and elimination of our Māori pay gap over time

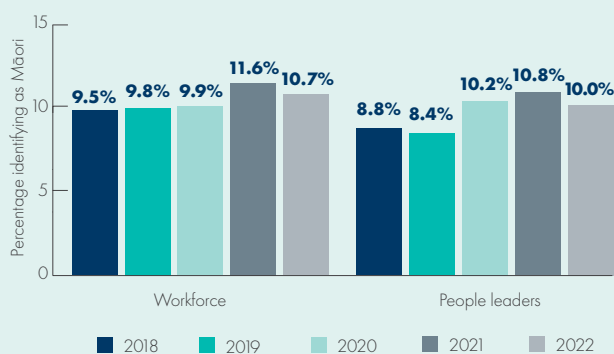
**Actual trend:** off-track – our Māori pay gap is reducing but Māori representation is below our 31 December 2022 goals

Our Inclusion and Diversity Strategy (see page 81) has a strong focus on growing the diversity of our workforce.

### Increasing Māori representation

Our overall aim is to increase the proportion of Māori representation across all levels of our organisation. Our goals are to increase the proportion of Māori staff to 12.6%, and Māori leaders to 11.4% by 31 December 2022. We are not on-track to reach these goals by the end of this year, partly due to the reduction of our Maritime Border Order workforce, which had proportionally higher levels of Māori representation. We remain committed to making our organisation an inclusive and attractive place for all (see page 80–83).

Figure 23: Māori representation over time (as at 30 June)

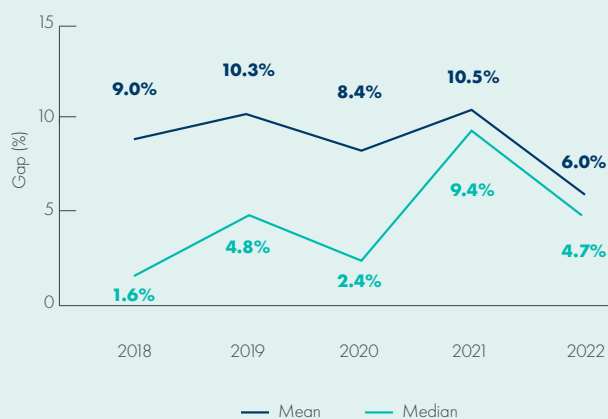


### Addressing our Māori pay gap

We are also focused on eliminating pay gaps for Māori and other staff over time, with an initial focus on reducing all existing organisational pay gaps by 2% by mid-2024.

At 6.0% in June 2022, our mean (average) pay gap for Māori staff is 3% lower than what it was at 31 December 2018 (our base year) and below the public service average of 8.3% (as at June 2021). Our median Māori pay gap was 4.7%, higher than it was in 2018 but down 4.7% from June last year. There is still work to do to reduce these gaps.

Figure 24: Māori pay gaps over time (as at 30 June)



## Supporting Māori staff to achieve their aspirations

We want to see all our people learn, grow and thrive in their careers. During 2021/22 our focus has been on how we can reposition the Customs Māori Network to better utilise the skills and knowledge of its members, and our kaumātua, across the organisation.

An internal Te Ao Māori Advisory Group, Te Pūtahitanga o Te Mana Ārai, will be established early in the 2022/23 year. Te Pūtahitanga will provide te ao Māori advice, support and guidance to staff as we build our engagement with iwi, hapū and Māori communities.

Work is also under way to engage with Māori staff across the organisation to understand their aspirations and identify any potential challenges that exist to achieving them.

## Customs Māori Network – reconnecting kanohi ki te kanohi

After two years of largely virtual meetings as a result of COVID-19 restrictions, the Māori Network was able to meet face-to-face in the latter half of the financial year. This provided an important opportunity for members to reconnect and refocus on what they want to achieve.

A key highlight was the celebration of Matariki in June 2022. A series of staff events were held around the country to raise awareness of Matariki and the three concepts: Matariki Hunga Nui (remembering those we have lost), Matariki Ahunga Nui (celebrating and reconnecting over kai) and Matariki Manako Nui (coming together to focus on hopes and plans for the year ahead). This included a Teams Live event with astronomer Dr Pauline Harrison.

## The year ahead

During 2022/23 we will:

- > continue the implementation of our Whāinga Amorangi Plan, supported by the establishment of Te Pūtahitanga and tikanga Māori advisors
- > implement our new te reo Māori Action Plan, and build a strong partnership with Te Taura Whiri i te reo Māori (the Māori Language Commission) to enhance our work in this area
- > support all our people to improve their understanding of how Te Tiriti o Waitangi applies in their specific roles
- > continue work to embed the principles of kotahitanga, kaitiakitanga, and manaakitanga in our day-to-day activities.



## Case study

### Strengthening our relationships in Ōpua



Ōpua has been the designated port of arrival for all small craft entering New Zealand since the beginning of the COVID-19 pandemic.

At the start of the pandemic Māori leaders in Ōpua were consulted on the safety measures implemented by Customs to help prevent and manage COVID-19 at the port, and were involved in the blessing of the new facility that hosted the Managed Isolation and Quarantine team.

However, in September 2021 the Delta variant entered the community and Te Taitokerau Iwi leaders raised concerns, ahead of the small craft arrival season (September to January), about the increased health risks Māori in the North faced due to low vaccination rates and the high risk of contracting the virus. Traditional forms of communication weren't working and the Government, including Customs, was being criticised on their lack of communication and proper cultural engagement with affected Māori communities.

In response Customs pulled together an Ōpua management group to support the planning, implementation and monitoring of communication

with Māori in Te Pēwhairangi (Bay of Islands) and established a fixed-term Kaitiaki Māori role to help bridge the communication gap. We were fortunate to have a current employee, Taane Thomas, who is linked through whakapapa to Ōpua, speaks fluent te reo Māori, is knowledgeable in tikanga Māori and confident in the kawa of the marae and informal settings such as hui, to take on this role.

Taane used his knowledge and experience to effectively engage and build relationships with tangata whenua across Te Taitokerau, share information on Customs' COVID-19 procedures and increase awareness of Customs' border protection role. This work also contributed to the development of our new engagement frameworks, such as our Iwi Māori Engagement Plan and te ao Māori Policy Framework (see page 66–67), helping set the foundations for effective engagement.

Our engagement in Ōpua provides a good example of how Te Tiriti o Waitangi principles of kaitiakitanga, kotahitanga and manaakitanga can work in practice to achieve better outcomes for our communities.

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**“Te Pūtahitanga will provide te ao Māori advice, support and guidance to staff as we build our engagement with iwi, hapū and Māori communities.”**

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*Celebrating the opening of Matariki at Te Mānukanuka o Hoturoa Marae.*



**Te ora  
mē te kaha  
Health and  
capability**







# Ā mātou tāngata Our people

He waka eke noa – we are all in this together –  
no exceptions

We rise together, work together and keep  
going together





# Our people

We have more than 1,500 staff located around New Zealand. Most of our people work in operational areas at international airports and maritime ports. We also have people posted overseas to support international trade relations and work to target transnational criminal activity.

Staff numbers by location (as at 30 June 2022)



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

# Building an adaptable workforce

Our 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 as our roles and responsibilities evolve.

## Workforce changes

Although our headcount and full-time equivalent numbers look the same as the 2021/22 financial year, this is not actually the case. We have had a period of significant increase, followed by a planned decrease as shown in Figure 25.

We had an initial increase in our workforce in 2020/21 as a result of our expanded responsibilities under the Maritime Border Order (see page 24).

During September and October 2021 we recruited 51 permanent staff to support the verification of vaccination certificates and pre-departure tests required under the Air Border Order.

Regular cohorts of new frontline operational staff were recruited during the year to cover expected attrition rates and fill capacity gaps. This maintained and increased our operations workforce.

From January 2022 it became clear that changes to the Maritime Border Order would see a reduction in our required 24/7 presence at marine ports as the border reopened.

As staff resigned from fixed-term roles in the Maritime Group from February 2022, they were not replaced through a planned de-escalation process. This has led to a gradual reduction in overall numbers and offset the growth in our operational and frontline teams.

Our corporate groups have also had higher-than-average unplanned turnover during the year. However, these staff have been replaced, meaning our overall corporate workforce numbers have remained stable.

## Our workforce profile

Figure 25: Changes in our workforce profile during the 2021/22 financial year

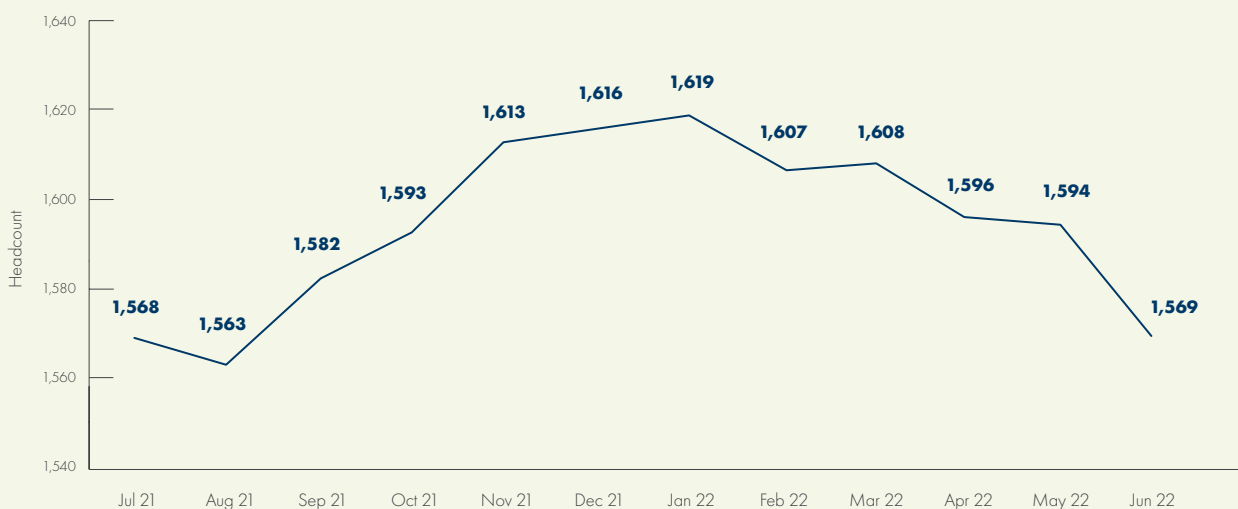


Table 5: Workforce profile as at 30 June each year

Financial Year	2017/18	2018/19	2019/20	2020/21	2021/22
Headcount	1,290	1,317	1,336	1,571	1,569
Full-time equivalents (FTEs)	1,234.8	1,259.3	1,278.4	1,514.8	1,515.3
Average age (years)	44.0	44.7	45.3	45.1	45.2
Unplanned turnover	7.4%	7.2%	6.2%	5.1%	10.8%
Total turnover	8.5%	9.1%	7.8%	9.6%	18.5%
Average length of service (years)	11.9	12.1	12.3	10.9	10.9

## Supporting staff to learn and grow

Our staff need to continue to learn, develop and upskill to meet the changing nature of our work and ensure they are well prepared for their future aspirations. We provide the infrastructure to build these skills and support continuous growth through our easy-to-use online learning platform – The Learning Room, our foundational induction process, and leadership development programmes.

In 2021/22 we employed 211 new operational staff (approximately 13% of our current workforce). To support these new staff, we increased the number of training sessions across all types of learning as set out in the table below. Our induction programme, Te Whakamata, follows up initial classroom training with self-paced e-learning and learning on the job (OTJ assessments).

Our regular classroom training for core operational skills resumed in person, after being moved online due to COVID-19, with 337 staff completing Officer Safety and Tactics training during 2021/22. We continued to offer our virtual training sessions on key leadership and personal development topics (323 staff attended these this year), along with resuming face-to-face workshops where possible for our full leadership programmes.

Table 6: Training sessions conducted

Type of training session	2019/20	2020/21	2021/22
Blended (includes OTJs)	3,202	5,046	7,326
e-learning (includes virtual sessions)	4,206	9,726	14,474
Classroom sessions	3,247	2,792	3,652
<b>Total</b>	<b>10,655</b>	<b>17,564</b>	<b>25,452</b>

## Celebrating dedicated service

The New Zealand Customs Service Medal was introduced in 2008. It recognises the commitment of frontline officers who play a vital role in keeping our border safe.

It takes 14 years of dedicated service and professional conduct for a Customs officer to receive the Medal, with a clasp awarded for every seven years of service after that.

In the 2021/22 year 34 medals were awarded, with a further 60 staff receiving clasps. Two staff received their fifth clasps – honouring 49 years of service.

Long Service Awards were received by 72 staff for service ranging from 10 to 50 years.



# Reflecting the community we serve

We strive to create an organisation that reflects and responds to the communities we serve, and where staff feel safe, included and valued. A diverse workforce leads to better decision-making, enhanced problem-solving and better outcomes for all New Zealanders.

Kotahi te kōhao o te ngira e kuhuna ai te miro mā, te miro whero, me te miro mangu

Through the eyes of the needle pass the white thread, the red thread, and the black thread

This whakatauki captures the essence of our inclusion and diversity vision. 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 using the metaphor of the beauty and strength of woven fabric.

## Being inclusive and diverse

Our role is to protect and promote the interests of all New Zealand across borders. We serve a diverse community and it is important that our workforce reflects this.

We know we need to grow the diversity of our workforce and leadership so we can better understand and meet the needs of our clients and customers, encourage diversity of thought in our workplace and create an environment where our staff feel safe, included and valued.

We have an active Inclusion and Diversity Council. This Council routinely refreshes its membership, most recently in early 2022, to ensure we capture the diverse experiences, perspectives and ideas of our people. Our growing alumni network also helps to communicate and support Council initiatives, build engagement in their work areas, and promote inclusiveness across the organisation.

Our Inclusion and Diversity Strategy 2019–21<sup>2</sup> and Pay Gap Action Plan 2021/22<sup>3</sup> are embedded in our policies and ways of working and focus on equality for all our people.

Table 7: Demographic profile of our workforce as at 30 June

Gender	2018	2019	2020	2021	2022
Male	52.2%	51.9%	52.3%	52.1%	52.9%
Female	47.8%	48.1%	47.7%	47.9%	47.0%
Prefer not to say					0.1%
Ethnicity	2018	2019	2020	2021	2022
European	77.2%	77.6%	74.9%	76.1%	69.9%
Asian	14.3%	16.0%	16.7%	15.9%	16.7%
Māori	9.5%	9.8%	9.9%	11.6%	10.7%
Pacific Peoples	10.4%	10.9%	10.7%	9.9%	10.1%
MELAA (Middle Eastern/Latin American/African)	1.1%	1.1%	1.0%	1.1%	1.3%
Other	5.3%	4.9%	4.8%	4.2%	4.2%

Staff are able to self-identify three ethnicities and all three are included in the June 2022 figures.

<sup>2</sup> [www.customs.govt.nz/globalassets/documents/corporate-documents/inclusion-and-diversity-strategy-2019---2021.pdf](http://www.customs.govt.nz/globalassets/documents/corporate-documents/inclusion-and-diversity-strategy-2019---2021.pdf)

<sup>3</sup> [www.customs.govt.nz/contentassets/400d1a6f5baa4b039d89d641cc0f39a5/pay-gap-action-plan-for-customs-2021-22.pdf](http://www.customs.govt.nz/contentassets/400d1a6f5baa4b039d89d641cc0f39a5/pay-gap-action-plan-for-customs-2021-22.pdf)

### Our inclusion and diversity strategy

We are currently developing our *Inclusion and Diversity Strategy 2023-2026*, which is expected to be launched early in 2023. In the meantime we continue to progress the initiatives outlined in our 2019-2021 strategy and have extended our gender equity and ethnic diversity goals by a year to December 2022.

There has been a slight decrease in the proportion of women in our workforce, with 52.9% of our people identifying as men, 47.0% as women and 0.1% who preferred not to say, as at 30 June 2022.

Our percentage of women leaders (those who have people reporting to them) has increased to 34.3%, the highest since December 2019, but remains below our goal of 36.5% female leaders by the end of 2022. Nine of our 26 (34.6%) Tier 1–3 leaders are female.

### Ethnicity goals

As at 30 June 2022, 10.7% of our workforce identified as Māori, a slight decrease from June 2021 and below our 31 December 2022 goal of 11.6%. For more information on how we are working to increase Māori representation in our organisation see page 70. The proportion of our workforce identifying as Asian (16.7%) and Pacific Peoples (10.1%) have both increased this year and remain above the proportion of these groups in the general population.

Our Inclusion and Diversity Strategy has leadership diversity goals to increase the proportion of Pacific Peoples and Asian leaders to 8.2%, and Māori leaders to 11.4%. As at 30 June 2022 we are not on-track to reach these goals by December 2022, with 6.6% of leaders identifying as Pacific Peoples, 5% as Asian and 10% as Māori. Within our Tier 1–3 leaders, 23 (88.5%) identify as European, three (11.5%) identify as Māori and one each as Asian or other ethnicity.

We belong to the Increasing Ethnic Diversity Working Group, which consists of agencies that operate in the security and intelligence sector, and aims to strengthen ethnic diversity in the collective National Security Workforce. In 2021/22 the working group submitted a proposal to the Security Intelligence Board for a proposed collective approach to increasing ethnic diversity in these agencies to ensure we better reflect the communities we serve and enhance our intelligence outcomes.

### Supporting the Ethnic Communities Graduate Programme

Established as part of the Government's response to the Royal Commission of Inquiry into the Christchurch Mosque Attacks, the Graduate Programme aims to provide a pathway into the public service for skilled graduates from ethnic communities, while increasing cultural competency across government agencies.

We have welcomed five graduates into our organisation during 2021/22 for an 18-month secondment. The Ministry for Ethnic Communities provides support and mentoring to all programme participants during their secondments. This includes a structured induction programme, access to wellbeing and resilience seminars, regular meetings with other graduates and courses in tikanga Māori, te reo and Te Tiriti o Waitangi.



*In July 2021, Customs welcomed the first of its graduates – Shisla MacLeod and Rachel Liao. Left-Right: Kym Amiatu, Jacinda Funnell, Shisla MacLeod, Minister for Diversity, Inclusion and Ethnic Communities (Hon Priyanca Radhakrishnan), Rachel Liao, Debbie Kay (Rachel's host manager), Susan Stoton, David Negri (Shisla's host manager).*



## Disability

We are establishing a Disability Network that will enhance our ability to provide effective support for our disabled people. We support the inclusion of disabled people in the public sector through our commitment to the New Zealand Disability Strategy. Our report from the Public Service Commission's Census 2021 told us that 5.5% of our workforce identified as a person with a disability.

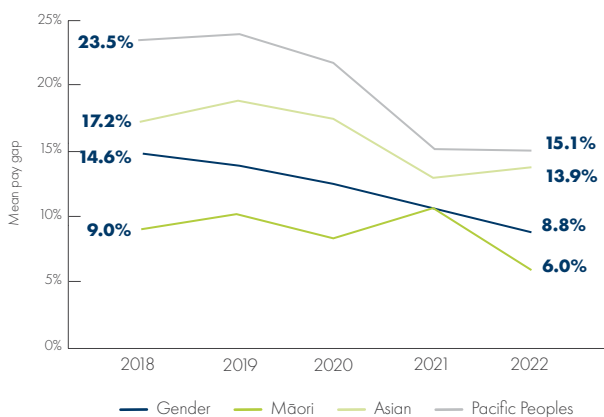
We are also committed to the Accessibility Charter and ensuring our communication and correspondence with the public is accessible to everyone. Our website ([www.customs.govt.nz](http://www.customs.govt.nz)) is our main communication and information source and has been designed to be informative, logical and user-friendly (in line with New Zealand Government Web Standards and the Web Content Accessibility Guidelines 2.0).

## Closing our pay gaps

We aim to ensure that everyone in our organisation has equal opportunities to develop and earn throughout their employment lifecycles.

In 2021/22 we progressed the initiatives outlined in our Pay Gaps Action Plan 2021/2022. These initiatives are aligned with the Kia Toipoto commitments of the public service. As part of this work we extended our analysis of pay gap data to include total remuneration, and better understand the drivers of pay gaps for Māori and ethnic groups.

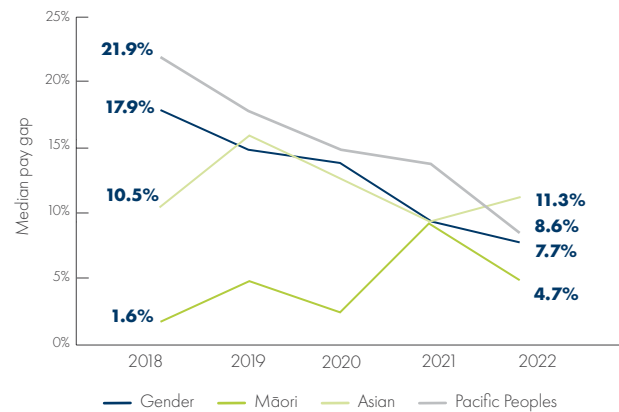
Figure 26: Mean pay gap trends over time (as at 30 June)



We report on both our mean (average) and median (middle) pay gaps. Median pay better reflects the pay a typical employee receives, while mean pay reflects employees with very low or high pay. Mean pay gaps reflect the fact that women and ethnic groups are over-represented in lower and under-represented in higher paid roles.

Since 2018, our baseline year for reporting, our mean pay gap across all four groups we measure has been trending down and is similar to, or below, the public service averages. As at 30 June 2022 our mean pay gaps had decreased to 8.8% for gender, 6.0% for Māori, 15.1% for Pacific Peoples and 13.9% for Asian.

Figure 27: Median pay gap trends over time (as at 30 June)



The trends in our median pay gaps have been more mixed, with median pay gaps decreasing for gender (to 7.7%) and Pacific Peoples (8.6%), and increasing for Asian (to 11.3%) and Māori (4.7%) staff since 2018.

The movements, both positive and negative, in our pay gaps over the 2021/22 year have been influenced by changes in the numbers of diverse staff who were recruited from around the country to support the expansion of our workforce under the Maritime Border Order (see Building an adaptable workforce section). The majority of these positions are in lower pay bands.

## Supporting diversity and inclusion across the public service

We are committed to achieving better outcomes for all our people and support the expectations outlined in the Papa Pounamu work programme for the public service. In 2021/22 we progressed work towards each of the five Papa Pounamu priority commitments:

### *Cultural competence*

We recognise the benefits of understanding and valuing cultural and social norms, and how developing our organisation's cultural competency will enable us to better support the needs of our staff and all New Zealanders. Our work on building our Māori Crown relations capability is outlined in Te Pou Tokomanawa section on pages 66–67.

The Office of Ethnic Communities intercultural capability training has been part of our operational training since 1999; to date 753 staff have completed the course, including 196 in 2021/22. This training prepares our staff for the different cultural situations and perspectives they may experience while interacting with the public and arriving international visitors.

In 2021/22 we also had two staff complete the China Capable Master Class, an interactive course focusing on New Zealand-China relationships. This means 27 current staff have now completed this course.

### *Addressing bias*

We are committed to making sure there is no place for bias, of any kind, in our workplace. Our foundational Unconscious Knowledge and Bias training increases awareness and identification of biases, and includes a toolkit to help minimise them. 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 48 staff in 2021/22.

All staff involved in recruitment panels must complete training to recognise bias every year. Since 2014, 79% of our leaders have completed either the foundational or recruitment bias training programmes.

### *Inclusive leadership*

We expect our leaders to value diversity and foster inclusivity in their workplaces and teams.

An inclusive leadership module has been part of our leadership development programmes since 2018, with 10 leaders completing a new e-learning module released in June 2022. Performance expectations, for all leaders, also includes practising inclusive leadership and demonstrating Customs' values.

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We have 'Quick Guides' easily available on our intranet to support our people and leaders to embed inclusive practices into their everyday actions and relationships. These include ideas on how to run inclusive meetings, how to recognise and mitigate bias, and building positive working relationships.

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### *Building relationships*

Our 2021 Public Service Census results were positive, with the majority of staff agreeing that Customs supports and actively promotes an inclusive workplace, as well as indicating they have access to the learning and development they need to do their job well.

From September to October 2021 we conducted the 'Our People' survey, which sought feedback from our staff on how well Customs is doing as an employer. Overall improvement was seen across most areas compared with the 2018 survey results.

Work-life balance was the only area in which results had reduced, with the majority of respondents indicating that this was due to increased workload. This has been impacted by the increased demands and challenges our staff have faced over the last few years while supporting New Zealand's COVID-19 response.

### *Employee-led networks*

We have five staff networks: Women's, Māori, Pasifika, Rainbow, the joint Customs/Ministry for Primary Industries Asian network, and an emerging Tāngata Whaikaha (people with disabilities) network. Our networks support our staff to celebrate their diversity, build connections, and have their voices heard.

## Our staff networks:



### > Māori Network

The Māori network 2022 hui ā tinana (in person hui) was held in May at Auckland Airport's Te Manukanuka o Hoturoa Marae, the first time the Network had been able to gather in person for over a year. The wider network whānau also gathered at the marae to celebrate Matariki through karakia, waiata, karanga, haka, whānau wānanga and sharing of kai.



### > Women's Network

A key highlight of the year was the celebration of International Women's Day (8 March). A series of virtual panel events were held with internal and guest speakers across the country. The speakers shared their own personal stories and experiences and answered questions on the topic of 'equality today for a sustainable tomorrow'.



### > Pasifika Network

Two members of the Network attended Leadership New Zealand's Tu Mau Mana Moana programme, supporting senior Pasifika public servants to apply Pacific cultural approaches to public sector issues. A further member was also accepted onto the Public Service Pacific mentoring programme, starting July 2022, which supports the growth of aspiring Pasifika leaders through pairing them with public sector mentors.



### > Rainbow Network

The Network has tripled in size since its relaunch on 1 September 2021 with a virtual Q&A featuring Olympic Gold Medallist Emma Twigg. More than 300 new lanyards based on the Progress Pride Flag have been distributed to staff across Customs. Wearing the lanyard demonstrates to colleagues, clients and stakeholders that the wearer, and Customs, is an inclusive supporter of Rainbow staff and the Rainbow Network.



### > Asian Network

The Asian Network collaborated with the Pasifika network to support staff to attend Megumi Miki's Quietly Powerful Online leadership course that started in May 2022. The Network also initiated research into inclusive leadership to support our understanding and knowledge of inclusive leadership.

### > Tāngata Whaikaha Network

Work is under way to establish the Tāngata Whaikaha network. Current members are also representatives in the All-of-Government Disability Network.

## Supporting effective workplace engagement

We work constructively and collaboratively with the unions that represent our people – the Customs Officers Association, the Public Services Association and E tū. Approximately 63% of our people are union members.

Our relationship is focused on transparency, early engagement, no surprises, decisions made on data, and a collaborative problem-solving model. This framework has supported effective engagement with the unions on our Gender and Ethnic Pay Gaps Action Plan and development programmes.

A new three-year multi-union collective agreement was negotiated during 2021/22. All staff who are not part of one of the three unions have been moved to new Individual Employment Agreements, ensuring we have consistent terms and conditions across the workforce. The agreements provide industrial stability, and a strong platform for us to continue to deliver our services.

We aim to offer equal opportunities to all, across all aspects of recruitment, training, and development, and in promotion and remuneration opportunities.

Our intent is to ensure there is a clear connection between our people processes and employment provisions and the Government's key priorities for employment relations. We fulfil our accountabilities under the Public Service Act 2020 to be a good employer and ensure the public service remains a great place to work.

### *Flexible Work Policy*

Through our October 2021 survey, staff noted that the implementation and availability of flexible working arrangements has helped support them to manage home and work priorities since the policy's introduction in July 2020.

A review of the policy during 2021/22 found that it was working effectively and was well supported by staff. While we have some limitations due to the 24/7 work patterns and delivery requirements of some roles, in April 2022 the Customs Executive Board agreed that the policy should continue to be supported and applied through a flexible-by-default approach.

# Ensuring the wellbeing and safety of our staff

We are committed to ensuring our workplace and culture promotes safe work practices and supports the holistic wellbeing of our people. Our wellbeing and safety strategy is designed to make health, safety and wellbeing an integral part of how we think, act, review, and provide assurance over our day-to-day practices.

## Implementing our new strategic framework

Our new framework for wellbeing and safety was developed through a co-design process with senior staff, Health Safety and Wellbeing and union representatives, as well as our inclusion and diversity networks. Our values are at the heart of the framework.

It is based around three pillars:

- Protect – are we minimising harm at work?
- Build – are we building an organisational and team culture that embeds health, safety and wellbeing?
- Support – are we supporting personal holistic health?

Both international and New Zealand-based research was used to inform our approaches to improve the management of our critical risks and the increasing need to respond to the holistic wellbeing of our people through the different stages of life.

The strategy is a live, iterative document that ensures all our people can contribute to its use and evaluation. It allows us to capture the information necessary to manage our key risks and reporting requirements.

## Building the skills of our staff

We have 60 elected Health, Safety and Wellbeing representatives spread across our workplaces. The representatives meet regularly through virtual and in-person sessions, with a focus on risk management, consultation in risk assessments and other wellbeing initiatives.

A training programme is in place to ensure our representatives are well prepared to identify and respond to potential risks and hazards, including those related to the pandemic.

We have also maintained fortnightly strategic forums with our union officials to ensure that any concerns are identified and addressed.

## Supporting our staff in high-risk environments

Our people work in a range of high-risk environments, particularly at our maritime ports. To manage this risk we developed a comprehensive induction and competency programme specifically focused on risks in and around ports. The programme focuses on predictive behaviours and early warning signs to manage the more common risks.

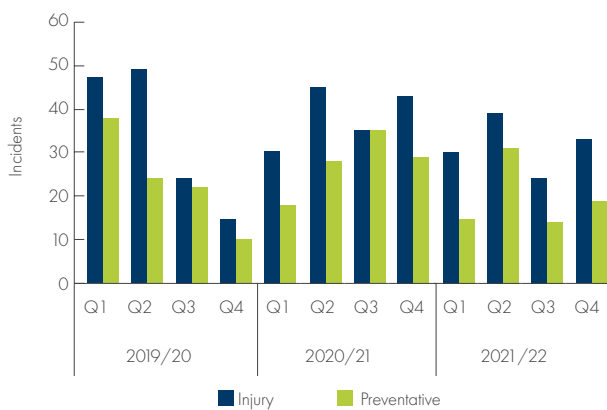
Although we had a spike in incidents and near misses as the new Maritime Border Order workforce was established, we see a continued trend of fewer incidents of critical risks, and increased reporting of near-miss events. The increased reporting is an important part of our proactive, preventative work to minimise risks and hazards.



Supporting staff in the port environment to identify potential hazards and risks.



**Figure 28: Injury and reporting of incidents and near-miss events**



We had 117 accidents reported in 2021/22, lower than the 154 accidents reported in 2020/21. Most of these accidents did not relate to critical risks.

### COVID-19 testing and vaccination

Under the COVID-19 Public Health Response Orders, fortnightly testing was mandatory for all Tier 1 Customs staff working at the border (both at international airports and maritime ports) for most of the year. This requirement ceased on 30 June 2022.

Following consultation with our staff, we introduced a mandatory vaccination policy in late December 2021. As at the end of April 2022, 99.1% of all staff were double-vaccinated. The vaccination policy was revised from 9 May 2022, again with consultation.

At the time of review, Tier 1 workers remained subject to the Vaccinations Order. The revised policy requires these workers to remain up-to-date vaccinated should the Vaccinations Order be revoked. For all other individuals not covered by the Vaccinations Order (including employees and contractors with organisational clearances as at the date of this policy), a COVID-19 vaccination will not be necessary to be able to enter Customs sites. All new staff are required to be up-to-date vaccinated as part of their employment requirements.

Contractors without organisational clearance and visitors accessing Customs sites will not be required to verify vaccination status. Instead, on each visit, they must declare their health status (feeling well, no COVID-19 symptoms, no positive household close contacts).

During the period of mandatory testing for border workers, none of our people contracted COVID-19 as a result of exposure to the virus at their workplace.

Customs continues to encourage and support all staff members to be up-to-date vaccinated and we continue to implement a broad range of infection-prevention controls including mask use, physical distancing and personal hygiene routines.

### Building resilience and personal wellbeing

We have implemented a pastoral support programme to provide wrap-around support for staff as they move through different phases of their careers and personal lives.

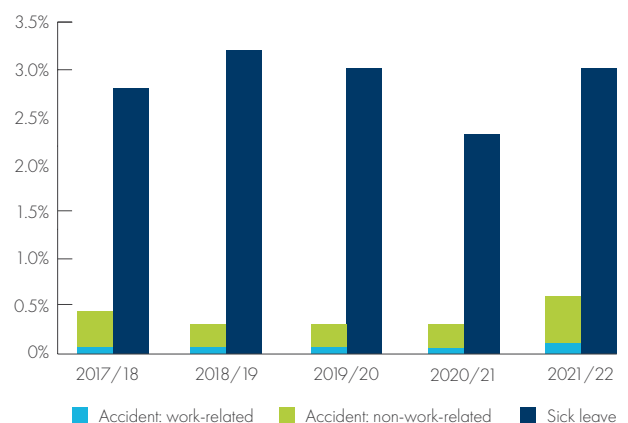
This year the programme has focused on the development of external webinars providing mental health and wellbeing resources and advice, working with clinicians on primary preventative health care, health checks and seminars on healthy eating and self-care, and encouraging our people to reach out for help when they need it as they juggle work and home commitments.

### Lost productivity

We monitor 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 0.11% in 2021/22. This is slightly up on the 0.06% in 2020/21.

Not surprisingly, sick leave also increased during the year as Omicron and, more recently, other influenza viruses spread rapidly across the country.

**Figure 29: Lost productivity due to accidents and sickness**





# Ngā tikanga whakahaere Governance and management

Ensuring we have the right people, systems and processes in place to operate effectively as an organisation and deliver on our strategy



# Customs Executive Board

The Customs Executive Board sets the strategic direction for Customs and ensures we have the skills, resources and focus to deliver our services and plan for the future.



Customs Executive Board members as of 30 June 2022: from left to right: Jamie Bamford, Sharon May, Nigel Foster, Christine Stevenson, Richard Bargh, Bill Perry.

## **Jamie Bamford** – Deputy Chief Executive International and Governance

Prior to joining Customs in 2015 as Group Manager Intelligence, Investigations and Enforcement, Jamie worked for the New Zealand Intelligence Community and the London Metropolitan Police Service in various roles.

## **Sharon May** – Deputy Chief Executive Finance, Technology and Infrastructure

Sharon joined Customs in 2019 and has more than 20 years' experience in public sector financial management and corporate planning and reporting.

## **Nigel Foster** – Acting Deputy Chief Executive People and Capability

Nigel joined Customs in 2018 and has over 25 years' experience in Human Resources leadership roles in both the private and public sectors in the United Kingdom, the Middle East and New Zealand.

## **Christine Stevenson** – Comptroller of Customs

Christine was appointed Comptroller of Customs in 2019. She is responsible for leading the New Zealand Customs Service and also chairs the inter-agency Border Executive Board. She was previously the Acting Chief Executive of the Department of Corrections and is a former Deputy Chief Executive at the Ministries of Justice and Social Development.

## **Richard Bargh** – Deputy Chief Executive Policy, Legal and Strategy

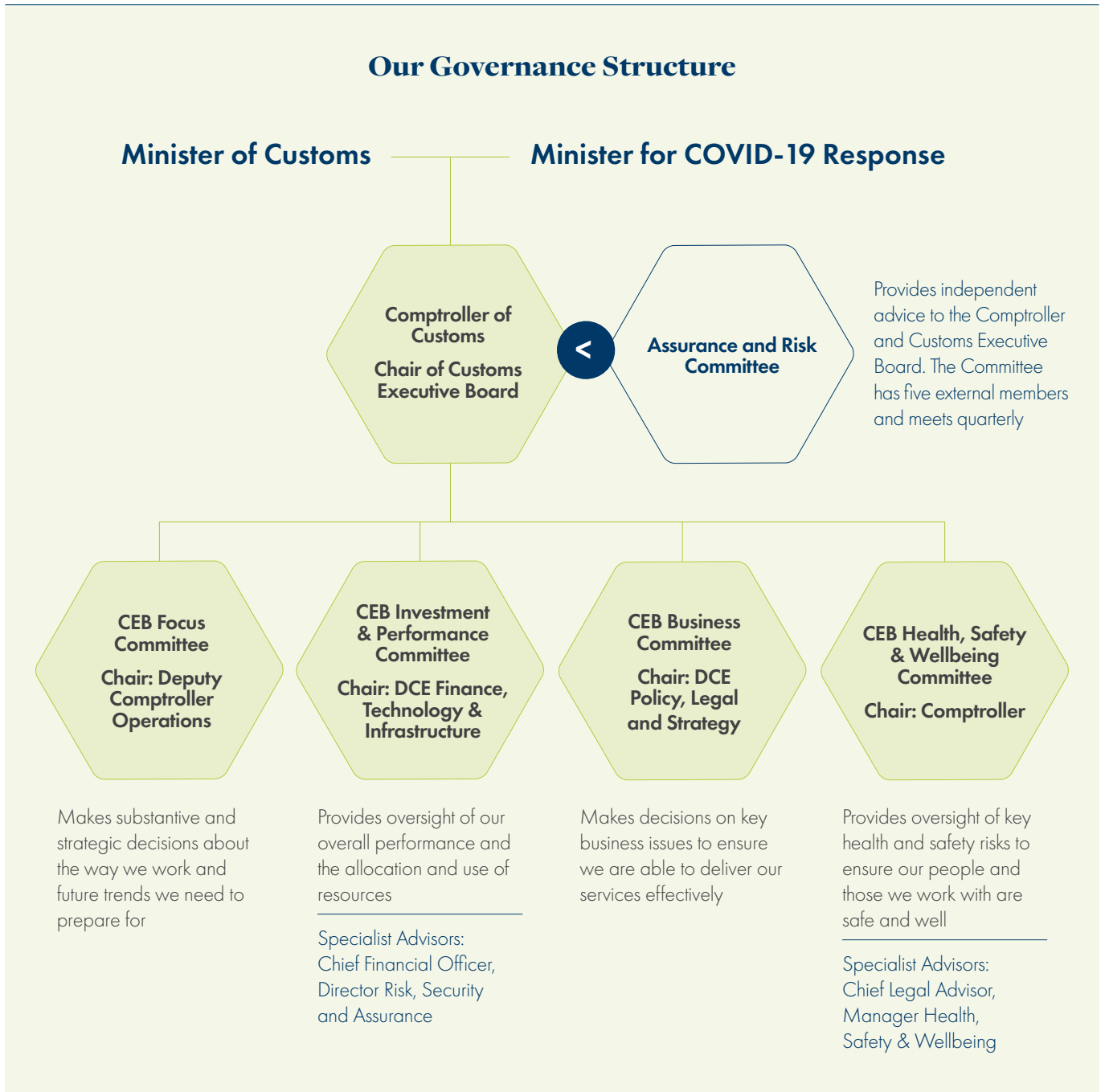
Richard joined Customs in 2005 and has over 25 years' experience in policy, project management and operations in the public sector.

## **Bill Perry** – Deputy Comptroller Operations

Bill joined Customs in 1976 and leads the operational arm of Customs. He has held a range of roles within Customs, including Northern Ports Manager, Investigations Manager, and Investigations and Response Group Manager.

# Ensuring we do the right things, in the right way

Our governance structure has been designed to support collective accountability for key strategic decisions, ensure stewardship of our people and resources, and monitoring of organisational priorities and performance. This collective structure is reinforced by independent advice through the Assurance and Risk Committee.



## Collective decision-making

Our four governance committees each have a specific areas of focus. All members of the Customs Executive Board (CEB) sit on each committee, supported by specialist advisors where appropriate.

The Executive Director of the Border Executive Board Secretariat attends the governance portion of CEB meetings to ensure alignment between work programmes.

All the committees meet monthly, with the exception of the Health, Safety and Wellbeing Committee, which meets quarterly.

## Independent advice through the Assurance and Risk Committee

The Committee reviews the integrity of our audit and risk management functions and performance information, and makes sure policies and processes are in place to comply with legislation. It has five external members and meets quarterly:

- Mark O'Connor (Chair) is an Invercargill Company Director with a background in the New Zealand port sector and in finance organisations
- Audrey Sonerson is the Deputy Chief Executive (Resources) at the Ministry of Foreign Affairs and Trade, responsible for aligning resources to strategic priorities
- Steven Sutton is Deputy Secretary Critical Projects and Governance at Te Puni Kōkiri with experience working across government in New Zealand and overseas
- Kylee Potae is an Advisory Partner for BDO Gisborne and has a strong presence in the Māori business sector and organisational governance
- Karen Jones is the General Manager Engagement and Partnerships at Waka Kotahi (New Zealand Transport Agency), with a strong background in organisational development, health and safety, and customer engagement.

In August 2022 we farewelled Mark O'Connor after five years of service on the Committee.

## Providing internal assurance over our systems and processes

In addition to the external oversight of the Assurance and Risk Committee, our Internal Audit team carries out a range of assurance activities to ensure our systems and processes are operating as intended. This includes a mix of planned reviews and those related to issues that have occurred during the year, as well as risk-based assurance and compliance reviews.

A significant focus for the 2021/22 year was working alongside an external consultant to provide assurance to the Border Executive Board on the COVID-19 response. This covered advice and assurance on a range of activities, including border worker testing and vaccination, and maritime border measures.

Findings from assurance and audit work are discussed with relevant business managers and with the Assurance and Risk Committee. This enables key themes to be identified to support ongoing system improvement.

## Addressing past breaches of the Holidays Act 2003

In October 2016 Customs was audited as part of the Ministry of Business, Innovation and Employment Labour Inspectorate's review of compliance with the new Holidays Act. Breaches regarding holiday pay and record keeping were identified. We had two enforceable undertakings to address the breaches and calculate payment arrears.

A substantial amount of work has gone into addressing these issues and to ensure our policies and procedures comply with the legislation. In February 2022 the Labour Inspectorate confirmed it was satisfied with the steps we had taken and formally closed the file.

## Improving our focus on regulatory stewardship

During the year we began work to more clearly map our regulatory stewardship responsibilities and improve awareness of these across the organisation.

Regulatory stewardship is about taking a whole-of-system approach, looking at who the key players in a specific industry or sector are, their roles and responsibilities, and how government monitors, educates and enforces the rules to ensure that laws and regulations are implemented as intended.

The first step in this process was to map out all the key agencies and stakeholders involved in the collection of revenue on behalf of the Government. We developed a regulatory charter for the revenue system, identifying the various agency responsibilities. Our next step is to conduct a maturity assessment for the revenue system, with the support of a panel of internal and external assessors.

We also partnered with G-Reg, the Government Regulatory Practice Initiative, to tailor an Introduction to Regulatory Stewardship session specific to Customs. Over 120 of our people attended the initial session, and provided positive feedback on how it had improved their understanding of the importance of regulatory stewardship.



# Customs Assurance and Risk Committee Report for the year ended 30 June 2022

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 consistently evolving border management expectation and playing a leading role in New Zealand's response to COVID-19. The ARC recognises this has continued to be a dominating feature on the Customs landscape, particularly in relation to:

- > the fluctuating demands of the border operations functions including the maritime protection role
- > the financial challenges associated with low traveller numbers, the various travel settings and the on-again off-again nature of these scenarios
- > the New Zealand Traveller Declaration (NZTD) and pre-departure testing requirements and the speed at which these have needed to be implemented.

The ARC has observed the continued and significant support Customs has provided to the broader all-of-government response. Further, the ARC believes Customs' roles, both as the host agency of the Border Executive Board and lead of the NZTD work programme, reflect the Government confidence in Customs to deliver, which has been evident over the COVID-19 era.

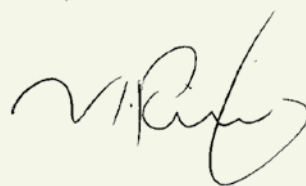
In September 2021 the ARC said farewell to Dr Kelvin Watson, and recognised his contribution to the Committee. May 2022 saw Kylee Potae (an independent member who is a Director at BDO, Gisborne) welcomed to the ARC, and we look forward to her professional input plus accessing her iwi linkages. My thanks are expressed to Audrey Sonerson, Karen Jones and Steven Sutton for their continued valuable contribution.

This will be my final message as Chair as I stand down from the ARC in August after nearly five years. I have thoroughly enjoyed working with Customs over that period and thank the organisation for the opportunity. Even though I was engaged in the port sector for a lengthy period and had exposure to some of Customs' services, it was not until my involvement with the ARC that I was able to fully appreciate the importance and breadth of Customs' functions. I have also observed the professionalism and pride that exists within Customs' workforce.

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
- > Customs' international and Asia-Pacific Economic Cooperation Forum roles assisting New Zealand traders
- > a focus on Customs' Protection role, including the changing face of illicit goods and international support in the changing environment
- > financial and investment performance and reporting
- > a focus on the Travel pillar, including Customs' part in the Reconnecting New Zealanders programme
- > Customs' strategic risk profile and the Assurance, Security and Integrity work programmes
- > Audit NZ report recommendations to the Comptroller
- > people and capability related matters, particularly Health, Safety and Wellbeing.

The ARC will continue to support the Customs Executive Board as they continue to move through these challenging times, and as Customs plays its part in working to enable the New Zealand recovery and reconnect phases.



**Mark O'Connor**

Chair,  
New Zealand Customs Assurance and Risk Committee

30 June 2022

# Maintaining public trust and confidence

Our reputation depends on the way we act, and the way in which we use our legislative powers through risk targeting, investigations, and enforcement activity.

Managing and maintaining public trust and confidence in our services is a key organisational priority and is reflected in our value *Te ara tika – we do what’s right*.

## Building a strong integrity culture

Our integrity framework is focused on educating our people on the importance of integrity, and building a strong culture where people are empowered to do the right thing. Where concerns are raised, we act with discretion, care and professionalism, to ensure staff and managers have ongoing confidence in our system.

This work is supported by an Integrity Committee chaired by an external representative. The Committee provides an oversight and governance function that ensures integrity matters are addressed in a transparent, fair and timely way and that we learn from the themes and patterns that emerge.

During 2021 /22 our focus was on:

- facilitating workshops on good security behaviours, promoting integrity and speaking up about wrongdoing, reporting of security and integrity incidents, and generating conversations about expected behaviours
- implementing an online register for recording offers of gifts and hospitality
- reviewing our policies to ensure they are aligned with the Public Service Commission’s Standards of Integrity and Conduct
- refreshing and reframing the Declaration of Interest Policy (formerly Conflict of Interest Policy) in a positive way that encourages staff to declare and have conversations with their managers on actual, potential or perceived conflicts
- revising the Protected Disclosures – Speaking Up Policy in line with new legislation that came into effect on 1 July 2022.

The 2022 Kantar Public Sector Reputation Index ranked Customs third-highest out of 58 public sector organisations in its trust category, and sixth equal in overall reputation (trust, social responsibility, leadership and fairness). This compares with a fourth place ranking in trust and fourth in overall reputation in 2021.



## Setting clear standards for behaviour

We take alleged breaches of integrity very seriously and do not tolerate any acts of corruption. Customs has a Disciplinary Policy, and procedures for addressing unacceptable behaviour where integrity concerns relate to an individual.

Our Code of Conduct sets out the expected standards of behaviour, reflecting the four guiding principles in the Public Service Commissioner’s Standards of Integrity and Conduct: *fair, impartial, responsible, and trustworthy*. The Code applies to all our staff and people we contract as contractors and consultants.

## Conduct investigations

The following table shows the outcomes of the investigations concluded in 2021/22 into allegations of unacceptable behaviour by our staff and contractors/consultants engaged by Customs. In the context of a workforce of over 1,500 employees, these numbers are not statistically significant.

Table 8: 2021/22 conduct investigations

<b>Investigation outcomes</b>	<b>Number of investigations</b>
Upheld	6
Not upheld	5
Did not meet threshold for misconduct	1
Person left Customs before investigation was complete	1

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

The following table provides statistics on disciplinary action or sanctions in 2021/22 for the upheld investigations:

Table 9: 2021/22 upheld conduct investigations

<b>Action taken</b>	<b>Number of upheld investigations</b>
Formal warning	3
Letter of expectation	2
Termination (with or without notice)	–
Resignation	1

# Effectively managing our risks

Everyone has a role in managing operational and strategic risks that impact our ability to achieve our objectives. Recognising opportunities to strengthen our day-to-day activities is a key part of maintaining a risk-aware culture.

## Risk Management Framework

Our Risk Management Framework supports our people to identify and manage risk in a structured way, across all our business processes and operational practices. This includes identifying things that may stop us achieving our objectives, as well as new opportunities.

The Framework ensures that risks are identified, assessed, and mitigated at strategic, organisational, and operational levels. This consistent risk management approach allows us to maintain oversight of our entire risk environment.

At the executive level we focus on the management of six strategic risks, which have all been impacted by COVID-19:



- > **Workforce | Ngā Kaimahi**  
Rapid changes to the size, structure, and nature of our business may affect our workforce culture, staff wellbeing, the delivery of our strategy, and our ability to meet government expectations.



- > **Stakeholders and Partnerships | Kaiwhaiwāhi me te Whakahoahoa**  
We may be unable to gain support from, or provide reciprocal support to, our partners and stakeholders to achieve our strategic objectives.



- > **Financial Sustainability | Te Pūmautanga Pūtea**  
Our funding levels may be insufficient to support current and future services to enable our business and manage risks across borders.



- > **Trust and Confidence | Whakawhirinaki me te Māia**  
Our ability to provide our services will be affected if the public, stakeholders, and government lose their trust and confidence in us.



- > **Border Management | Te Whakahere Paenga**  
We may be unable to maintain the systems that enable robust border management.



- > **Shaping Our Future | Whakaaro Anamata**  
We need to understand what the future might look like for our clients, our operations, and our people to continue as a world-class border agency.

## Maintaining business continuity

COVID-19 and other emergency management events in recent years have demonstrated the importance of having well-developed business continuity plans. These plans ensure that we are ready to respond to a range of situations, including maintaining the delivery of our services with reduced numbers of staff.

In early 2022, as the Omicron wave began to spread through the community, we established regular reporting to identify areas where teams would be significantly affected. This allowed us to move staff to cover areas as required, which meant we were able to provide critical functions with little to no impact on our clients and stakeholders.

## Responding to increased cyber security threats

During 2021/22 we established a Security Operations Centre (SOC) that operates 24 hours a day, 7 days a week. The SOC is able to detect and respond to cyber security threats and anomalies in near real-time, enhancing our ability to detect threats early, respond quickly and recover fast.

New capability was added to our systems to detect emerging vulnerabilities in our software and services. This proved critical in our response to world-wide critical software vulnerabilities identified during the year, such as Log4J and SpringShell. The new capability ensured we could quickly detect and remediate the vulnerabilities across our systems.

We work closely with the Government Communications Security Bureau and the Government Chief Digital Officer to assess potential threats and make sure our security controls and safeguards are sufficient.

Education and awareness campaigns are run throughout the year, encouraging our people to be vigilant about their security, including the threats posed by phishing and malware emails.

New learning modules are also being developed in conjunction with the Security Intelligence Service Protective Security teams to enable better information sharing across government agencies. This is in response to the Royal Commission of Inquiry into the Christchurch Mosque terror attacks. The learning modules will clarify the New Zealand Government data classification scheme, how and when to classify government information, and how to handle and protect government information to manage threats. The modules will be rolled out early in the 2022/23 year.

## Creating a safe and secure environment

Customs is required to annually self-assess against the Protective Security Requirements set by the Government. The assessment provides assurance that we have an appropriate focus across all our security platforms to meet our maturity settings.

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This year Customs successfully rated 'meets' in all 20 of the mandatory Protective Security Requirements, with the results moderated by an external party for added assurance.

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Recognising changes in our environment is key to ensuring a security-aware culture. This includes ensuring systems and processes are in place to manage the growing risk of insider threats, and reminding people of the importance of personal safety and digital awareness, as international travel resumes.

Our people are required to complete two compulsory security e-learning modules covering security matters across personnel, physical, and information domains.

Workshops for new staff establish clear expectations and reaffirm the 'safe to speak up' and 'see something, say something' messages – providing an avenue for reporting security incidents in a safe environment.



In addition, Officer Safety and Tactics training is provided to staff who regularly work in environments where de-escalation strategies and techniques may be required to maintain personal safety and minimise the risk of injury.

During the protests at Parliament in February and March 2022, we put additional security measures in place around our Wellington office. We also provided staff with messages about how to stay aware when moving around areas where protesters were gathered.

### **Strengthening our systems and tools to ensure privacy is maintained**

Managing information is a core part of our work – from the data we collect and use, to the information we share with our national and international partners. This includes making sure systems are in place across Customs so that privacy is maintained and information is managed and used respectfully.

We worked to ensure privacy principles were embedded in the New Zealand Traveller Declaration system (see page 49) and began work to better understand Māori rights and interests in the data Customs collects and uses. This included a specific focus on the information people provide through their arrival cards as they enter New Zealand.

To support our people to integrate privacy principles into their day-to-day tasks, we developed new tools to make it easier to complete privacy impact assessments and provided new guidance on the most common privacy issues our people face. A new information sharing register has been developed, supporting appropriate management of our information sharing agreements.

### **Enhancing the management of our information**

In 2022 we established a dedicated Information Management team to drive improvements in how our information is stored and managed.

A new information management strategy and policy has been developed, and work is under way on a new disposal authority specific to Customs. We are also developing a consistent framework for the electronic storage of our documents as part of our review of information management practice across the organisation.

An audit by Archives New Zealand in 2021 found that we were primarily at either the ‘Beginning’ or ‘Progressing’ stages of development in relation to the requirements of the Public Records Act 2005. However, it noted that the work programme we are implementing directly addressed the key risks it identified.

#### *Timely provision of information*

We are committed to making sure we comply with the principles and requirements of the Official Information Act 1982 (OIA). Ensuring official information is available to the public in timely ways promotes accountability and supports good governance.

During 2021/22 we responded to 818 requests for information under the OIA, with 99.7% provided within legislated timelines. We regularly publish responses to OIA requests and other information about our work on our website.

# Ensuring the long-term stewardship of New Zealand’s resources – Carbon Neutral Government Programme

In December 2020 the Government established the Carbon Neutral Government Programme to accelerate 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 report on their emissions, including gross emissions-reduction targets.

We have worked with Toitū Envirocare to measure our greenhouse gas (GHG) emissions and to develop a Reduction Plan.

We chose the 2019/20 financial year as our base year. The data for that year and for the 2020/21 and 2021/22 financial years has been certified by Toitū against the international standards set out in ISO 14064-1:2018.

An operational control consolidation approach was used to calculate our overall emissions. This means that we account for all GHG emissions and removal of waste products from facilities over which we have operational or financial control. This includes emissions generated from our activities at international airports and maritime ports. This approach aligns to guidance on measuring emissions developed by the Ministry for the Environment.

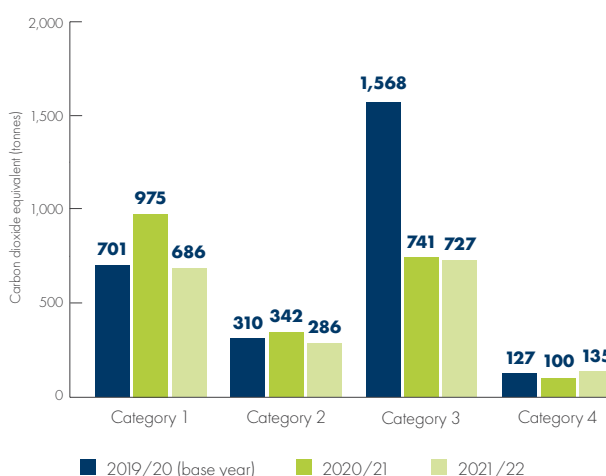
## Total annual emissions and their source

In 2021/22, we emitted 1,834 tCO<sub>2</sub>-e (tonnes of carbon dioxide equivalent), a 32% reduction on our base year (2,706 tCO<sub>2</sub>-e). Most of our emissions came from fleet vehicles, air travel, and electricity for our office spaces.

Freight emissions were excluded from our emissions inventory as the impact on the total was minimal, and collating data related to these emissions would take a disproportionate amount of time.

This data relates to our New Zealand locations and operations only.

Figure 30: Total emissions by category (measured in tonnes of carbon dioxide equivalent)



## Categories as established through international standards

Category 1: Direct emissions – emissions generated through fuel, LPG and natural gas distributed commercially and refrigerant gas

Category 2: Indirect emissions from imported energy – electricity consumption

Category 3: Indirect emissions from transportation – including air travel, accommodation, rental cars and taxis

Category 4: Indirect emissions from products used by the organisation – emissions generated through the disposal of waste products

Table 10: Total break down of GHG emissions by emission sources for 2021/22

Sources	tCO <sub>2</sub> -e	Percentage
Transport fuel	673.69	36.74%
Travel	662.81	36.14%
Imported electricity	286.24	15.61%
Travel – Accommodation	58.43	3.19%
Waste	49.56	2.70%
Purchased fuel and energy	42.88	2.34%
Transmission of energy losses (T&D)	27.81	1.52%
Purchased goods and services	10.77	0.59%
Leakage of refrigerants	8.35	0.46%
Working from home	5.83	0.32%
Diesel generator	3.84	0.21%
Water and Wastewater	3.37	0.18%

## Reduction targets

We have set the following emissions-reduction targets to ensure we meet the Carbon Neutral Government Programme's objective to limit the global average temperature increase to 1.5 degrees Celsius above pre-industrial levels:

### By 2025:

Reduce gross emissions (across all categories) to no more than 2,137 tCO<sub>2</sub>-e, or a 21% reduction in total gross emissions compared to our base year.

### By 2030:

Reduce gross emissions (across all categories) to no more than 1,569 tCO<sub>2</sub>-e, or a 42% reduction in total gross emissions compared to our base year.

## Reduction projects

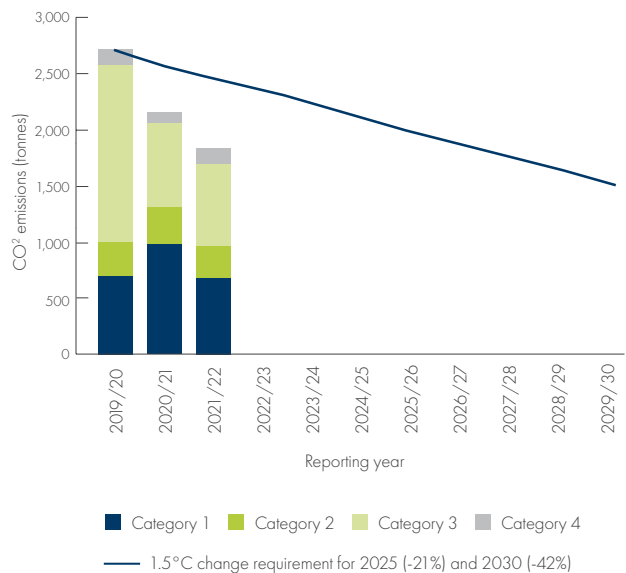
To achieve our reduction targets, we have identified specific projects to reduce our emissions-generating activity. These include:

- 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; currently 35% of our permanent fleet is electric or hybrid/plug-in hybrid electrical (PHEV)
- an ongoing commitment to energy efficiency in our offices
- waste-to-landfill minimisation.

As part of our commitment to ongoing improvement, our plans for the 2022/23 financial year include the following projects to improve data quality:

- capturing rental car data: work with rental car provider to obtain kilometres (km) driven
- work with our taxi providers to provide km travelled per transaction.

Figure 31: Reduction targets for absolute GHG emissions (all categories)



## Effective management of our assets

We manage around \$106 million worth of non-current assets, ranging from x-ray scanners and drug testing equipment, to marine patrol vessels and information management systems. While our asset portfolio is relatively small, there is a significant risk to our ability to deliver our services if these assets fail.



### Investment management and planning

Our critical equipment, property, and data management systems are managed through a 10-year Long-term Investment Plan to ensure they remain fit for purpose, with maintenance, upgrades and replacements planned and budgeted for.

Asset Management Plans are in place to manage the assets that are critical to the delivery of our services. These plans are updated at least annually.

Annual investment plans support the prioritisation of investment funding to time-critical projects and those that are ready to be delivered in each financial year. These plans are monitored monthly to review progress and, if necessary, reprioritise projects to meet emerging operational needs.

### Asset portfolios

Our assets are grouped into two portfolios for reporting purposes:

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

Information on these assets, including the measures and targets agreed by our Executive Board and used in our Asset Management Plans, are set out on the following pages. Other assets have been excluded from reporting as they are not as critical to the delivery of our core services.

# Asset performance – Property portfolio

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

Table 11: Property asset measure results

Measure	Indicator	2020/21 Target	2020/21 Actual	2021/22 Target	2021/22 Actual
m <sup>2</sup> per office person	Utilisation	12m <sup>2</sup> –16m <sup>2</sup>	14.43m <sup>2</sup>	12m <sup>2</sup> –16m <sup>2</sup>	<b>13.5m<sup>2</sup></b>
Percentage of building services and other infrastructural services that provide a safe and comfortable environment for staff	Functionality	100%	100%	100%	<b>100%</b>
<p>We aim to provide comfortable, modern, and safe workplaces for our people and customers. We assess our buildings against the 'safe and comfortable' criteria, which includes accessibility, location, safety, security and fitness for purpose. In 2021/22 all properties met our performance service standards.</p>					
Percentage of buildings not earthquake-prone	Condition	100%	100%	100%	<b>100%</b>
Percentage of buildings that meet the minimum required NABERSNZ energy efficiency rating	Condition	New measure		100%	<b>50%</b>

From 1 July 2021 our Auckland and Wellington Customhouses have been monitored against the NABERSNZ energy efficiency rating as part of our work to reduce carbon emissions through the Carbon Neutral Government Programme. Since both buildings are over 2,000m<sup>2</sup> they are required to achieve a minimum of a 4 out of 6 stars rating (as set by the Government Property Group). As at 30 June 2022 our Wellington building had a provisional assessment of 4 stars while our Auckland building was rated at 2.5 stars. The landlord of our Auckland building is scheduled to begin work to increase the building to a 4-star rating in 2022/23.



# Asset performance – Information Communications and Technology portfolio

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).

Table 12: ICT asset measure results

Measure	Indicator	2020/21 Target	2020/21 Actual	2021/22 Target	2021/22 Actual
Percentage of time systems are available	Availability	99.0%	99.9%	99.0%	<b>99.95%</b>
<p><i>This measure excludes planned outages. Our customers are advised in advance of planned outages, which are scheduled at times to minimise disruption to business operations. If planned outages are included, availability was 99.67%.</i></p>					
Percentage of priority one incidents resolved within agreed support and maintenance service levels	Functionality	100%	75%	100%	<b>100%</b>
Percentage of ICT assets fully supported by vendor	Condition	100%	100%	100%	<b>100%</b>
Percentage of commercial air passengers using eGate	Utilisation	>55.0%	66.3%	>55.0%	<b>59.1%</b>
<p><i>Due to increased health-related passenger screening and documentation compliance checking, eGates were only available at specific times, for some groups of passengers, during the 2021/22 year. The 59.1% utilisation figure refers to the percentage of commercial air passengers using eGates since the reopening of the New Zealand air border (1 March 2022). Including the periods when manual screening of health documents was required, 50.3% of commercial air passengers used eGates, in 2021/22.</i></p>					
Percentage of trade lodgements processed electronically	Utilisation	97.0%	99.6%	97.0%	<b>99.7%</b>
Alerts in border management system	Utilisation	N/A	522,203	N/A	<b>252,852</b>

## The year ahead

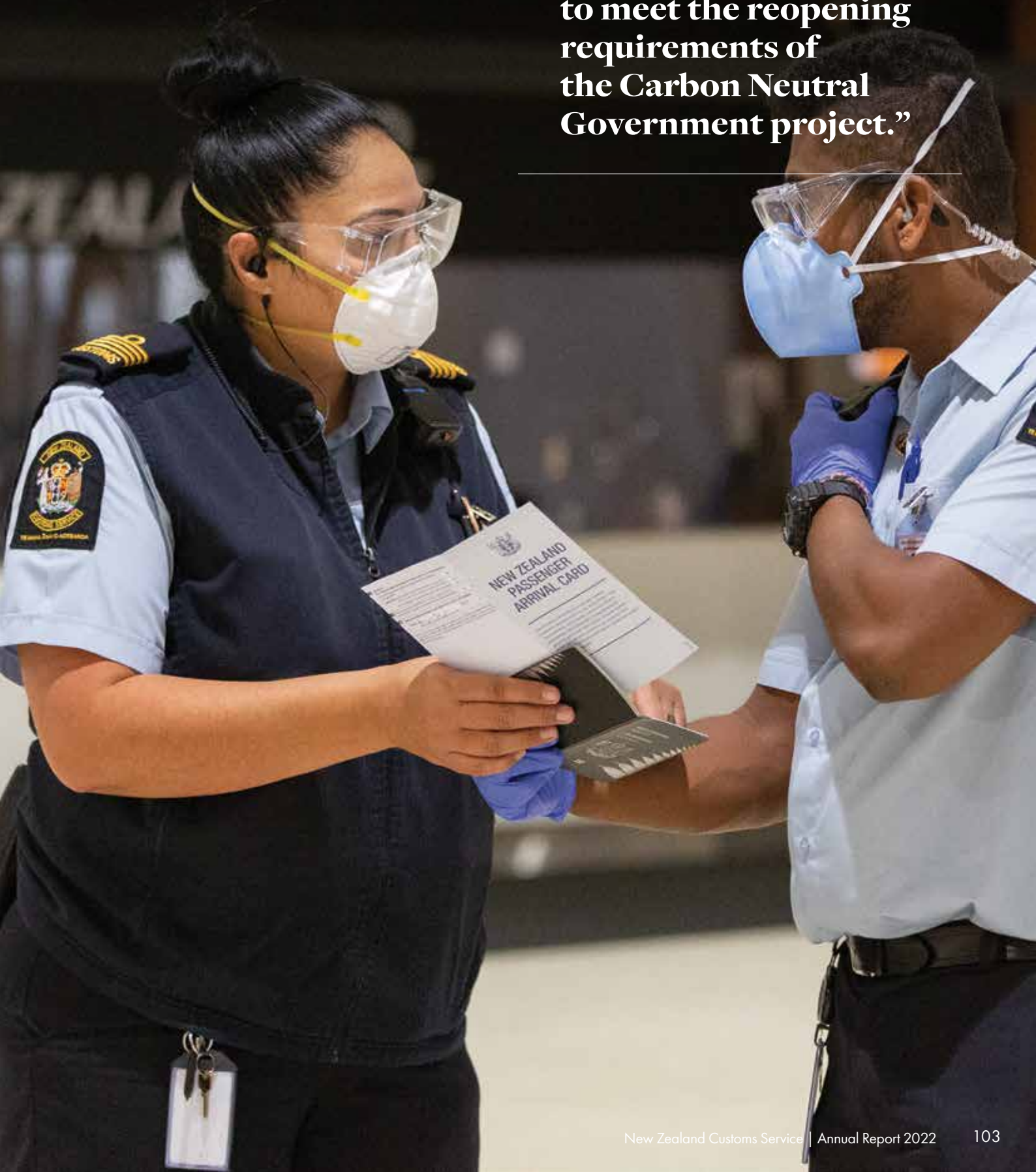
During 2022/23 we will:

- identify and recruit staff with the skills and capabilities we need to address new and emerging challenges and opportunities
- confirm our long-term Emissions Reduction Action Plan
- enhance our focus on our regulatory stewardship responsibilities.

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**“As at July 2022 we were ranked among the top eight agencies in terms of our readiness to meet the reopening requirements of the Carbon Neutral Government project.”**

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# 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 2022

The Auditor-General is the auditor of the New Zealand Customs Service (the Department). The Auditor-General has appointed me, Stephen Lucy, 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 136 to 165, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and assets as at 30 June 2022, 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 accounting policies and other explanatory information;
- the performance information prepared by the Department for the year ended 30 June 2022 on pages 14 to 63 and 113 to 128;
- the statements of expenses and capital expenditure of the Department for the year ended 30 June 2022 on pages 129 to 131; and
- the schedules of non-departmental activities which are managed by the Department on behalf of the Crown on pages 166 to 175 and 141 that comprise:
  - the schedules of assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2022;
  - the schedules of expenses; and revenue for the year ended 30 June 2022;
  - the schedule of trust monies for the year ended 30 June 2022; 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 136 to 165:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2022; 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 Standards.
- the performance information of the Department on pages 14 to 63 and 113 to 128:
  - presents fairly, in all material respects, for the year ended 30 June 2022:
    - 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 129 to 131 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 166 to 175 and 141 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 2022; and
  - expenses; and revenue for the year ended 30 June 2022; and
  - the schedule of trust monies for the year ended 30 June 2022.

Our audit was completed on 30 September 2022. 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; and
- > 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 2021-2025, Estimates and Supplementary Estimates of Appropriations 2021/22 and the 2021/22 forecast financial figures included in the Department's 2020/21 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 2 to 13, 64 to 103, 112, 134 to 135, 176 to 183 and 189 to 215, 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.

Other than in our capacity as auditor, we have no relationship with, or interests in, the Department.



### S B Lucy

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 represents 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 2022 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 2022

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

This section reports on our performance against our output measures and standards, as included in *The Estimates of Appropriations* and as amended by *The Supplementary Estimates of Appropriations* for the year ending 30 June 2022. Full details are available on the Treasury's website.<sup>4</sup>

We have six appropriations for the services we provide to the Government, our clients and the public:

1. Goods Clearance and Enforcement
2. Travellers Clearance and Enforcement
3. Revenue Collection and Other Services
4. COVID-19 – Maritime Response
5. Border System Performance
6. Traveller Declaration System Development – a new multi-year appropriation (added through the *The Supplementary Estimates of Appropriations 2021/22* for Vote Customs) as Customs is leading the development and implementation of the New Zealand Traveller Declaration.

The 2021/22 Actual results in this section are audited.

The Budget figures are those included in *The Estimates of Appropriations 2021/22*. The Revised Budget figures are those from *The Supplementary Estimates of Appropriations 2021/22*. This information is unaudited.

Our output measures and standards are reviewed annually to ensure they remain fit for purpose and accurately reflect the services we deliver. We have included comparison of our performance measures against the results for 2020/21 where possible. To provide further context for the 2021/22 results, we have also included our performance standards for measures remaining in place for 2022/23. This information is unaudited.

We explain where our standards have not been met and/or where measures have been significantly amended for 2022/23. We have also shown which appropriations contribute to our outcomes of Protection, Trade, Travel and Revenue.

## Software as a Service appropriation for 2021/22

As part of *The Supplementary Estimates of Appropriations 2021/22*, \$7.661 million of Vote Customs capital expenditure was reclassified as operating expenditure (departmental other expenses). A change in the accounting treatment for costs associated with the implementation of Software as a Service arrangements (see Note 1 to the Financial Statements, page 146) required the establishment of a new, single-year, *Software as a Service intangible asset derecognition (write-off)* appropriation for 2021/22 only to record the derecognition (write-off) of the previously-capitalised intangible assets. Performance for this appropriation was to be assessed through the performance information for the departmental output expense appropriations.

<sup>4</sup> [www.treasury.govt.nz/publications/estimates/vote-customs-external-sector-estimates-2021-22](http://www.treasury.govt.nz/publications/estimates/vote-customs-external-sector-estimates-2021-22) and [www.treasury.govt.nz/publications/supplementary-estimates/vote-customs-supplementary-estimates-appropriations-2021-22](http://www.treasury.govt.nz/publications/supplementary-estimates/vote-customs-supplementary-estimates-appropriations-2021-22).

# 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

2020/21 Actual	Measure	2021/22		2022/23 Standard
		Standard	Actual	
<b>Service provision and trade promotion</b>				
99.3%	Minimum percentage of trade transactions (other than those referred for compliance checks) processed (including assessment against business rules and intelligence alerts) within 30 minutes	98%	<b>99.5%</b>	98%
New measure	Minimum number of new companies that have formally entered Customs' Authorised Economic Operator (Secure Exports Scheme) programme	12	<b>11</b>	12
<p>This measure was added in 2021/22 to capture our work to support more companies to join our Secure Exports Scheme given the significant trade facilitation benefits to exporters and wider benefit to the New Zealand economy, as discussed on page 36.</p> <p><b>Not achieved</b> – A 12th company was scheduled to join in June 2022 however COVID-19 illnesses within their organisation meant their validation visit (the final step of the formal joining process) had to be rescheduled to July 2022.</p>				
<b>Clearance, compliance and risk management</b>				
99.1%	Minimum percentage of import transactions not requiring intervention after risk assessment	98%	<b>99.3%</b>	98%
99.9%	Minimum percentage of export transactions not requiring intervention after risk assessment	99%	<b>99.9%</b>	99%
New measures	Number of import mail items subject to risk-based physical examination	8,000–12,000	<b>8,703</b>	8,000–12,000
	Minimum result rate of physically examined mail items	30%	<b>52.2%</b>	30%
<p>We aim to effectively target non-compliant trade while facilitating compliant trade. The majority of mail is facilitated across the border with limited Customs interaction (trade interactions include document inspection, screening or search). These two new measures provides an indication of the number of mail items that require our intervention, after risk assessment, and the result rate of these interventions.</p>				

2020/21 Actual	Measure	2021/22		2022/23 Standard
		Standard	Actual	
New measure	Number of import trade entries that are subject to risk-based physical examination	20,000–30,000	<b>19,761</b>	20,000–30,000
	As the majority of import trade is facilitated across the border with limited Customs interaction, this new measure provides an indication of the number of import trade entries that require our intervention after initial risk assessment.			
	<b>Not achieved</b> – The number of goods referred for examination varies from month to month and is dependent on our trade targeting rules and trade volumes. This means there are periods where the number of referrals are more than can be physically opened and inspected by staff. In such circumstances a triaging process, using x-ray and detector dog screening, is used to obtain additional risk assessment information to help further select the items to be physically examined. This results in lower numbers of physical examinations being conducted during these high volume periods.			
7,845	Minimum number of import transactions selected for random intervention (under Customs' Assurance programme)	6,270	<b>8,144</b>	6,750
	We conduct random interventions of import trade, under our Assurance programme, to inform and refine our intelligence and targeting (see page 32). The 2022/23 standard has been increased to reflect the expansion of sea cargo sampling.			

### Investigations and enforcement

New measure	Minimum percentage of investigations, related to import or export of prohibited or restricted goods, where prosecution is initiated	75%	<b>88.2%</b>	75%
	In 2021/22 our investigations performance measure was split into three measures across Customs' three core output class appropriations. As a result, there is an investigations measure relating to trade in this appropriation, one relating to travel in the Travellers Clearance and Enforcement appropriation, and one relating to revenue in the Revenue Collection and Other Services appropriation.			
	Investigations by our Customs Investigations Unit include investigations relating to the import or export of prohibited or restricted goods. There were 17 such cases in 2021/22 and prosecution was initiated (an offender was identified and placed before the Courts by Customs or another agency) in 15 of them.			

## What it cost

### Revenue and output expenses

2020/21		2021/22		
		Unaudited Budget	Unaudited Revised Budget	Actual
Actual				
\$000		\$0000	\$000	\$000
<b>Revenue</b>				
74,668	Crown	54,414	46,889	46,890
50,385	Other	58,035	66,674	52,392
<b>125,053</b>	<b>Total revenue</b>	<b>112,449</b>	<b>113,563</b>	<b>99,282</b>
<b>105,616</b>	<b>Expenses before remeasurements</b>	<b>103,679</b>	<b>108,897</b>	<b>104,801</b>
<b>19,437</b>	<b>Surplus/(Deficit)</b>	<b>8,770</b>	<b>4,666</b>	<b>(5,519)</b>

## 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

2020/21 Actual	Measure	2021/22		2022/23 Standard
		Standard	Actual	
<b>Sea</b>				
100%	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	100%	<b>100%</b>	100%
	<p>We use intelligence-based risk assessments to determine the risk level of all arriving craft. Planned interaction is required and undertaken for all craft that are identified 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).</p> <p>The majority of low risk vessels where staff undertake secondary interactions are cruise ships. However, due to COVID-19 restrictions, no cruise ships arrived in 2020/21 or 2021/22. On 31 July, the New Zealand maritime border re-opened and routine interaction with low risk arriving marine craft resumed. For this reason we have returned our low risk marine craft measure, relating to the percent of craft interacted with, for reporting in 2022/23.</p>			
New measure	Minimum percentage of arriving small craft subject to Customs secondary interaction	30%	<b>41.1%</b>	30%
	<p>This measure was added in 2021/22 as a replacement for our previous small craft interaction measure as it better reflects the range of secondary interactions undertaken by Customs. Secondary interactions are undertaken based on our risk assessment and are in addition to Customs' initial screening and clearance activities.</p>			
<b>Air</b>				
99.0%	Minimum percentage of arriving international air passengers and crew not requiring intervention after risk assessment	98%	<b>98.7%</b>	98%
1.0%	Percentage of arriving international air passengers and crew who are selected for further risk assessment at Customs' secondary areas	0.4%–0.7%	<b>1.3%</b>	0.4%–0.7%
	<p>Process changes due to COVID-19 relating to increased health screening, managed isolation and quarantine referrals and traveller declaration completion meant a higher proportion of passengers were referred for further risk assessment in Customs' secondary areas. In these areas our staff would determine if documents provided met requirements or whether the passenger was issued a warning or infringement notice.</p>			



2020/21 Actual	Measure	2021/22		2022/23 Standard
		Standard	Actual	
8.2%	Result rate of secondary searches of arriving international air passengers and crew	6.0%–10.0%	<b>6.5%</b>	6.0%–10.0%
	<p>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 occur at a later date or location as a result of the information gathered from a secondary search.</p> <p>Random sampling of passengers was suspended in 2020 due to the lower number of arriving international passengers as a result of border restrictions and the increased COVID-19 transmission risk associated with interaction. Our random sampling interventions output measure, relating to the number of random interventions, has been reinstated for 2022/23 as the reopening of New Zealand's border to international passengers will enable us to restart our assurance programme.</p>			

### Investigations and enforcement

New measure	Minimum percentage of investigations, related to travellers and their possessions, where prosecution is initiated	75%	<b>100%</b>	75%
	<p>In 2021/22 our investigations performance measure was split into three measures across Customs' three core output class appropriations, including this appropriation. Investigations by our Customs Investigations Unit include investigations relating to travellers and their possessions. Low passenger volumes, due to COVID-19 border restrictions throughout 2021/22, meant there was only one such case in 2021/22 and prosecution was initiated (an offender was identified and placed before the Courts by Customs or another agency) in this case.</p>			
New measure	Percentage of pre-departure test documentation assessed for arriving international air travellers who are subject to pre-departure testing	85%	<b>98.5%</b>	Measure removed
New measure	Minimum percentage of arriving international air travellers who are compliant with pre-departure testing requirements	95%	<b>99.8%</b>	95%
	<p>As part of the Government's response to COVID-19, Customs' border protection role expanded to the screening and assessment of arriving travellers' health documentation. Both pre-departure testing (PDT) measures above were added through <i>The Supplementary Estimates of Appropriations 2021/22</i>.</p> <p>All arriving aircrew complete an arrival declaration, which contains PDT and other border health requirements, which Customs checks to ensure compliance. While Customs continued to do this during the 2021/22 year, from 15 March 2022 the transition to the passenger digital travel health declaration meant that records of these crew checks stopped being manually recorded. For this reason applicable crew from 15 March 2022 have been counted as 'not-assessed' with respect to calculation for this measure result.</p> <p>The PDT requirement for arriving travellers was removed from 21 June 2022, so these measures reflect the period for which the PDT requirement was in place for 2021/22. All arriving passengers PDT documentation was assessed in 2021/22. Removal or replacement of these PDT measures will be considered as part of <i>The Supplementary Estimates of Appropriations 2022/23</i> process depending on whether there were, or are any, PDT requirements for arriving travellers for 2022/23.</p>			

## What it cost

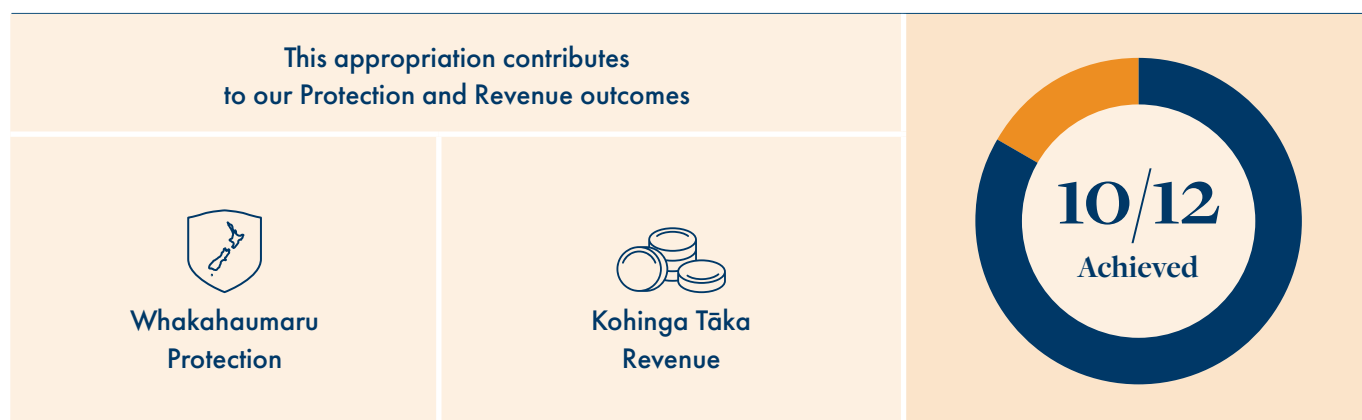
### Revenue and output expenses

2020/21		2021/22		
Actual		Unaudited Budget	Unaudited Revised Budget	Actual
\$000		\$000	\$000	\$000
<b>Revenue</b>				
3,197	Crown	5,638	8,602	8,602
3,942	Other	8,148	4,928	14,112
<b>7,139</b>	<b>Total revenue</b>	<b>13,786</b>	<b>13,530</b>	<b>22,714</b>
<b>68,866</b>	<b>Expenses before remeasurements</b>	<b>90,234</b>	<b>89,301</b>	<b>83,312</b>
<b>(61,727)</b>	<b>Surplus/(Deficit)</b>	<b>(76,448)</b>	<b>(75,771)</b>	<b>(60,598)</b>

The difference between the Unaudited Budget/Unaudited Revised Budget and Actual revenue is due to a higher-than-expected volume of travellers (from the staged reopening of the air border, as discussed on page 47) resulting in increased third party revenue.

## 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

2020/21 Actual	Measure	2021/22		2022/23 Standard
		Standard	Actual	
<b>Revenue collection</b>				
98.3%	Minimum percentage of revenue that is collected by the due date  This measure 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 the month (that is not subject to deferred payment arrangements agreed with clients affected by COVID-19 (see page 57)). The percentage of revenue collected by the due date from those 12 monthly calculations is averaged to provide the year-end result.	98%	<b>98.0%</b>	98%
0.04%	Debt write-offs as a maximum percentage of total Crown revenue collected.	0.06%	<b>0.04%</b>	0.06%
<b>Clearance, compliance and risk management</b>				
New measure	Minimum number of risk-based trade compliance audit activities undertaken  This measure was added in 2021/22 to measure Customs' actions to undertake risk-based compliance checks of trade. These risk-based audits serve the dual purpose of identifying non-compliance and providing education to encourage future voluntary compliance. The risk audit programme is developed using a combination of industry intelligence, assessed risk, trade volume, and voluntary disclosures.	200–300	<b>272</b>	200–300
91.0%	Minimum percentage of a random sample of import entries that are found to be accurate through the transactional verification process  <b>Not achieved</b> – COVID-19 restrictions during the course of 2021/22 resulted in fewer on-site audits being conducted. This meant that staff had a stronger focus on document audit, which resulted in an increase in errors found in randomly-sampled import entries. As a result of the errors identified, the number of administrative penalties issued increased and new alert rules have been created. Customs continues to educate brokers and declarants to support and encourage compliance.	90%	<b>88.7%</b>	90%
New measure	Minimum percentage of investigations, related to fraud, financial crime or tax evasion, where prosecution is initiated  In 2021/22 our investigations performance measure was split into three measures across Customs' three core output class appropriations, including this appropriation. Investigations by our Customs Investigations Unit include efforts to identify fraud, financial crime or tax evasion. There were 3 such cases in 2021/22 and prosecution was initiated (an offender was identified and placed before the Courts by Customs or another agency) in all of them.	75%	<b>100%</b>	75%

2020/21 Actual	Measure	2021/22		2022/23 Standard
		Standard	Actual	
4.05	Assessment of the quality of a sample of the agency's policy advice papers:			
	a) Minimum average score of papers	3.5 out of 5	<b>4.03</b>	3.5 out of 5
100% above 3	b) Minimum score of papers	100% above 3	<b>100% above 3</b>	100% above 3
70% above 4		25% above 4	<b>60% above 4</b>	25% above 4
5	Satisfaction of the portfolio Minister with the policy advice service	3.75 out of 5	<b>4.98</b>	3.75 out of 5

### Ministerial servicing

Meets and sometimes exceeds expectations	Satisfaction of the portfolio Minister with ministerial servicing	Meets expectations	<b>Meets and sometimes exceeds expectations</b>	Meets expectations
100%	Minimum percentage of draft replies to ministerial correspondence that are provided within 20 working days or as agreed with the Minister	95%	<b>96.4%</b>	95%
100%	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%	<b>100%</b>	100%

### Other services

100%	Percentage of external alerts processed in accordance with alert instructions	100%	<b>99.4%</b>	100%
	<p><b>Not achieved</b> – Four alerts were not processed in accordance with alert instructions. All four instances occurred in March 2022 and were for a temporary alert for the Ministry of Health which referred passengers, who had not completed or had non-compliant Traveller Declarations, to Customs secondary areas to complete their documentation. Due to the high levels of document non-compliance in March it was agreed with the Ministry of Health that this temporary alert would be applied to a small proportion of non-compliant passengers.</p> <p>The missed alerts did not carry the same consequences as other external alerts processed by Customs. No enforcement consequences were associated with the alert and the passengers' pre-departure test and vaccination status (where applicable) were checked in the primary line. Passenger information was still available in the event it was required for contact tracing or post-border health intervention.</p>			
New measure	Minimum percentage of requests accepted by the National Maritime Coordination Centre which are assigned within 31 days	80%	<b>99.3%</b>	80%
	<p>The National Maritime Coordination Centre (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 allocation of maritime resources and surveillance capabilities. Although the NMCC is operated independently by staff from a number of agencies, it is directly responsible to Customs.</p> <p>The NMCC's primary service is the coordination of tasking requests to commission collective maritime resources and assets. This measure indicates how long a requestor can expect a tasking request application to take to be processed by the NMCC.</p>			

We supported traders affected by COVID-19 by offering alternative payment arrangements for Customs duty and GST and extending credit limits (see page 57).

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.

## Policy advice

For 2021/22, we surveyed the Minister of Customs, Hon Meka Whaitiri, twice on her satisfaction, for the first six months and second six months of the financial year. We provided policy advice to the Minister of Customs in 2021/22 on a range of topics, including:

- a wide variety of reports on COVID-19
- returning to cost recovery for border processing services
- Budget 2022 initiatives
- Reconnecting New Zealanders to the World
- the ongoing development of the New Zealand Traveller Declaration
- Maritime Border Order operation
- Smokefree Aotearoa 2025 action plan, tobacco products indexation and making flavoured tobacco a prohibited import to prevent tax evasion.

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).

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 4.03 out of 5, and a median score of 4. The highest score was 5 and the lowest

was 3.5. NZIER noted that our papers were easy to read at pace, even when they dealt with complex technical matters, and were impressed with the way that implementation matters were integrated into policy advice. Customs had no papers scored as 'poor' and the median of 4 reflected that more than half of all papers had exceeded the relevant policy standards. NZIER recognised Customs' hard work in maintaining year-on-year high levels of quality, particularly as it has been such a disruptive year and there has been considerable additional demand on Customs policy and operational resources during 2021/22.

## Ministerial servicing

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 2021/22 we provided 55 draft replies to ministerial correspondence. We provided 939 draft responses to written parliamentary questions to the Minister.

We surveyed the Minister of Customs on her satisfaction with our ministerial servicing in 2021/22 twice, for each of the first and second six month periods.

## 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 135,498 of these alerts created by other agencies in 2021/22. These alerts were created by Inland Revenue (63.5%), Ministry of Business, Innovation and Employment (Immigration New Zealand) (32.2%), the Ministry of Justice (2.6%), New Zealand Police (1.5%), and other agencies (0.2%).

## What it cost

Revenue and output expenses

2020/21		2021/22		
Actual		Unaudited Budget	Unaudited Revised Budget	Actual
\$000		\$000	\$000	\$000
<b>Revenue</b>				
32,932	Crown	29,486	38,604	38,604
2,549	Other	10,102	1,256	3,029
<b>35,481</b>	<b>Total revenue</b>	<b>39,588</b>	<b>39,860</b>	<b>41,633</b>
<b>31,904</b>	<b>Expenses before remeasurements</b>	<b>39,588</b>	<b>39,860</b>	<b>33,236</b>
<b>3,577</b>	<b>Surplus/(Deficit)</b>	<b>-</b>	<b>-</b>	<b>8,397</b>



## 04. 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.



### How we performed

2020/21 Actual	Measure	2021/22		2022/23 Standard
		Standard	Actual	
100%	Percentage of international maritime ports where Customs maintains a presence to deter non-compliance with the Maritime Border Order	100%	<b>100%</b>	100%
3,152	Maximum number of instances of non-compliance (including PPE usage and social distancing) identified by Customs staff present at international maritime ports	1,200	<b>748</b>	1,000
New measure	Percentage of non-compliance instances observed at the maritime border where Customs takes action to enforce compliance	100%	<b>100%</b>	100%
	This measure was added in 2021/22 to provide assurance that Customs takes action to enforce compliance when non-compliance is identified			

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 (with the support of other agencies) led the coordination and implementation of the operational response to and application of the Maritime Border Order (MBO) (see page 24).

Throughout 2021/22 we maintained a presence at each of the 14 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 conducted monitoring and surveillance activities to deter non-compliance and enforce compliance with the MBO. Most non-compliance with the MBO in 2021/22 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.

From 2 May 2022 the isolation requirements were removed from the MBO. Isolation requirements were the basis for much of the MBO compliance activities that we were undertaking across ports. As a result, Customs' 24/7 physical presence at ports is no longer required. This allows us to reduce our physical presence to an appropriate and proportionate level for each port. We need to retain sufficient staff to meet the ongoing requirements that are in place due to the maritime border fully reopening, including the arrival of foreign vessels (including cruise ships), from 31 July 2022 and to maintain a sustainable and enduring maritime presence. Customs is working with other agencies to identify the size and scope of this work.

The three performance measures for 2021/22 were retained for 2022/23 in *The Estimates of Appropriations 2022/23* (with only a decrease in the standard for the measure relating to the number of instances of non-compliance identified – to reflect that the number should continue to decrease as crews and port staff were educated and became more familiar with MBO requirements). However these will be amended or replaced, as relevant, through *The Supplementary Estimates of Appropriations 2022/23* to reflect changes in the MBO and the activity required by Customs at the maritime border.

## What it cost

### Revenue and output expenses

2020/21		2021/22		
Actual		Unaudited Budget	Unaudited Revised Budget	Actual
\$000		\$000	\$000	\$000
<b>Revenue</b>				
22,550	Crown	21,863	31,470	23,336
–	Other	–	–	–
<b>22,550</b>	<b>Total revenue</b>	<b>21,863</b>	<b>31,470</b>	<b>23,336</b>
<b>22,550</b>	<b>Expenses before remeasurements</b>	<b>21,863</b>	<b>31,470</b>	<b>23,336</b>
–	<b>Surplus/(Deficit)</b>	–	–	–

## 05. Border System Performance

This appropriation is to support 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.

The multi-agency work of the Border Executive Board contributes to Customs' Protection and Trade outcomes.



### How we performed

2020/21 Actual	Measure	2021/22		2022/23 Standard
		Standard	Actual	
New measure	The Border Executive Board work programme has initiatives that respond to risk and drive border system improvement  This measure was added in 2021/22 to reflect that the focus of the Border Executive Board is to manage both immediate and longer-term border matters. It is intended that this is an enduring measure to ensure initiatives are evaluated at least annually.	Achieved	<b>Achieved</b>	Achieved
New measure	The Border Executive Board has applied the risk and assurance framework for the end-to-end border process with respect to COVID-19  The initial focus on COVID-19 was appropriate for the environment under which the Border Executive Board was established. The secretariat developed a risk and assurance framework for the end-to-end border process with respect to COVID-19 that could be applied to the border system, agreed to by the BEB in June 2021. This was applied throughout 2021/22.  The focus has now moved to the broader management of border risk and system improvement. The application of the risk and assurance framework will inform the development of areas of shared interest and work programme initiatives that manage both immediate and long-term border matters.	Achieved	<b>Achieved</b>	Measure replaced
Meets and sometimes exceeds expectations	Satisfaction of the Minister for COVID-19 Response with the provision of coordination, information and advice	Meets expectations	<b>Exceeds expectations</b>	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 current 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 Chair for 2021/22 was the Comptroller of Customs.

The overall objective of the BEB is the collective leadership and accountability for New Zealand's border to protect New Zealand from current 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 Minister for COVID-19 Response is the Minister responsible for this appropriation.

The Hon Chris Hipkins was the Minister for COVID-19 Response for nearly all of the 2021/22 financial year (up to a Cabinet reshuffle on 14 June 2022).

The BEB surveyed Hon Chris Hipkins for his satisfaction with the provision of coordination, information and advice, provided through the appropriation.

Due to the Cabinet reshuffle, a response was only available for the July to December 2021 period.

The BEB Annual Report for 2021/22, attached to Customs' Annual Report and incorporated from page 189, includes information on the operations, progress, and organisational health and capability of the BEB.

## What it cost


### Revenue and output expenses

2020/21		2021/22		
Actual		Unaudited Budget	Unaudited Revised Budget	Actual
\$000		\$0000	\$000	\$000
<b>Revenue</b>				
750	Crown	1,500	1,450	1,450
-	Other	-	-	-
<b>750</b>	<b>Total revenue</b>	<b>1,500</b>	<b>1,450</b>	<b>1,450</b>
<b>435</b>	<b>Expenses before remeasurements</b>	<b>1,500</b>	<b>1,450</b>	<b>1,212</b>
<b>315</b>	<b>Surplus/(Deficit)</b>	<b>-</b>	<b>-</b>	<b>238</b>


## 06. Traveller Declaration System Development

This is a multi-year appropriation, which commenced on 1 September 2021, to cover the delivery of the New Zealand Traveller Declaration System, a digital system to allow all passengers to make digital declarations, enable individual risk assessment by relevant agencies prior to travel, and ensure border risk is managed appropriately to protect all New Zealanders.

**This appropriation contributes to our Travel outcome.**



**Tāroi  
Travel**



### How we performed

2020/21 Actual	Measure	2021/22		2022/23 Standard
		Standard	Actual	
New measure	Conduct a minimum of two pilots, with samples of arriving air travellers, to test the New Zealand Traveller Declaration system (tranche 1) usability and operation	Achieved	<b>Achieved</b>	Measure replaced
New measure	Implement an initial technology solution to enable digital processing of arriving air travellers' health documentation – New Zealand Traveller Declaration tranche 1 only	Achieved	<b>Achieved</b>	Measure replaced
<p>In 2021/22, two performance measures relating to the key outputs of tranche 1 (piloting and delivery of the initial technology solution) were measured. For 2022/23 these have been replaced by performance measures relating to the key outputs of tranches 2 and 3.</p>				

As the lead agency, Customs worked in 2021/22 with the Ministry of Business, Innovation and Employment (Immigration New Zealand), the Ministry of Health, and other agencies on the development of the New Zealand Traveller Declaration.

The New Zealand Traveller Declaration system was a critical component of the reopening of New Zealand's air border in 2021/22 under the Government's Reconnecting New Zealanders to the World framework.

Following successful pilots with samples of travellers, the first tranche of the New Zealand Traveller Declaration was launched, and made compulsory for all arriving air travellers, from 31 March 2022.

The system provides an electronic platform for the collection of information from all individual travellers prior to their departure to New Zealand, including COVID-19

vaccination status and travel history. This information is assessed, using rules set by the Ministry of Health, to determine their public health risk to New Zealand and identify their requirements for entering the country.

While it was initially developed to verify documentation in relation to a traveller's COVID-19 vaccination and pre-departure test status, the New Zealand Traveller Declaration system will endure beyond the pandemic, be used to manage risks beyond COVID-19, and contribute towards the modernisation and streamlining of border processing services. The system will eventually be extended to manage all travel-related declarations through combining health declaration information with the current passenger arrival card, which travellers must already complete at the border, further simplifying their journey.



## What it cost

Revenue and output expenses

2020/21	2021/22		
Actual	Unaudited Budget	Unaudited Revised Budget	Actual
\$000	\$000	\$000	\$000
<b>Revenue</b>			
- Crown	-	16,800	9,852
- Other	-	-	-
- <b>Total revenue</b>	-	<b>16,800</b>	<b>9,852</b>
- <b>Expenses before remeasurements</b>	-	<b>16,800</b>	<b>9,852</b>
- <b>Surplus/(Deficit)</b>	-	-	-

# Our capital expenditure

This appropriation covers the purchase or development of assets by and for the use of Customs, as authorised by section 24(1) of the Public Finance Act 1989.

## How we performed

2020/21 Actual	Measure	2021/22		2022/23 Standard
		Standard	Actual	
Achieved	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	<b>Achieved</b>	Achieved

## What it cost

Budget and actual capital expenditure

2020/21		2021/22		
Actual		Unaudited Budget	Unaudited Revised Budget	Actual
\$000		\$000	\$000	\$000
<b>Revenue</b>				
8,560	Property, plant and equipment	9,004	9,004	8,961
10,411	Intangibles	12,050	12,050	6,923
–	Other	–	104	–
<b>18,971</b>	<b>Total Appropriation</b>	<b>21,054</b>	<b>21,158</b>	<b>15,884</b>
–	<b>Surplus/(Deficit)</b>	–	–	–

# Appropriation statements

The following statements report information about the expenses and capital expenditure incurred against each appropriation administered by Customs for the year ended 30 June 2022.

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

For the year ended 30 June 2022

Annual and permanent appropriations for Vote Customs

2020/21		2021/22			
Expenditure excluding remeasurements \$000		Total expenditure \$000	Remeasurements <sup>1</sup> \$000	Expenditure excluding remeasurements \$000	Approved Appropriation 2022 <sup>2</sup> \$000
<b>Departmental output expenses</b>					
105,786	Goods Clearance and Enforcement	104,527	(274)	104,801	108,897
68,977	Travellers Clearance and Enforcement	83,094	(218)	83,312	89,301
31,956	Revenue Collection and Other Services	33,149	(87)	33,236	39,860
435	Border System Performance	1,212	–	1,212	1,450
<b>207,154</b>	<b>Total departmental output expenses</b>	<b>221,982</b>	<b>(579)</b>	<b>222,561</b>	<b>239,508</b>
<b>Departmental other expenses</b>					
–	Software as a Service intangible asset derecognition (write-off)	7,661	–	7,661	7,661
<b>Departmental capital expenditure</b>					
<b>18,973</b>	New Zealand Customs Service – capital expenditure PLA <sup>3</sup>	<b>15,884</b>	–	<b>15,884</b>	<b>21,158</b>
<b>Non-departmental other expenses</b>					
12,841	Change in Doubtful Debt Provision	4,390	–	4,390	16,000
67	World Customs Organization	66	–	66	80
<b>12,908</b>	<b>Total non-departmental other expenses</b>	<b>4,456</b>	–	<b>4,456</b>	<b>16,080</b>
<b>239,035</b>	<b>Total annual and permanent appropriations</b>	<b>249,983</b>	<b>(579)</b>	<b>250,562</b>	<b>284,407</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 156)

<sup>2</sup> These are the appropriations from *The Supplementary Estimates of Appropriations 2021/22*

<sup>3</sup> Permanent Legislative Authority under section 24(1) of the Public Finance Act

## Multi-year appropriations

### Appropriation name: 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 2023.

2020/21		2021/22
\$000		\$000
<b>COVID-19 - Maritime Response</b>		
44,020	Original appropriation	44,020
-	Cumulative adjustments	41,550
<b>44,020</b>	<b>Total adjusted approved appropriation</b>	<b>85,570</b>
-	Cumulative actual expenditure as at 1 July	22,550
22,550	Current year actual expenditure	23,336
<b>22,550</b>	<b>Cumulative Actual expenditure as at 30 June</b>	<b>45,886</b>
21,470	Appropriation remaining as at 30 June	<b>39,684</b>

### Appropriation name: Traveller Declaration System Development

This is a multi-year appropriation to cover the provision of services relating to the development of policies, procedures and systems to assess travellers for risk, including health risk, when crossing the New Zealand border. The appropriation started on 1 September 2021 and expires on 30 June 2025.

2020/21		2021/22
\$000		\$000
<b>Traveller Declaration System Development</b>		
-	Original appropriation	42,300
-	Cumulative adjustments	-
<b>-</b>	<b>Total adjusted approved appropriation</b>	<b>42,300</b>
-	Current year actual expenditure	9,852
<b>-</b>	<b>Cumulative Actual expenditure as at 30 June</b>	<b>9,852</b>
-	Appropriation remaining as at 30 June	<b>32,448</b>

The 2021/22 performance information for each departmental appropriation administered by Customs has been reported in the *Our Performance* section of this annual report.

The 2021/22 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 2022

In the 2021/22 financial year, Customs did not incur any:

- > expenses or capital expenditure in excess of appropriation (2020/21 financial year: nil)
- > expenses or capital expenditure without appropriation or other authority, or outside the scope or period of the appropriation (2020/21 financial year: nil).

## Statement of Departmental Capital Injections

For the year ended 30 June 2022

2020/21		2021/22
\$000		\$000
<b>Vote Customs</b>		
58,267	New Zealand Customs Service – net capital injection	85,304

Capital injections for 2021/22 include \$75 million received from the Government to cover a decrease in third party revenue due to COVID-19 and traveller restrictions at the border, and \$9.9 million for the development and implementation of the New Zealand Traveller Declaration system.

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

For the year ended 30 June 2022

In the 2021/22 financial year, Customs did not receive any capital injections without, or in excess of, authority (2020/21: nil).





# Ā mātou pūtea Our finances





# Financial overview

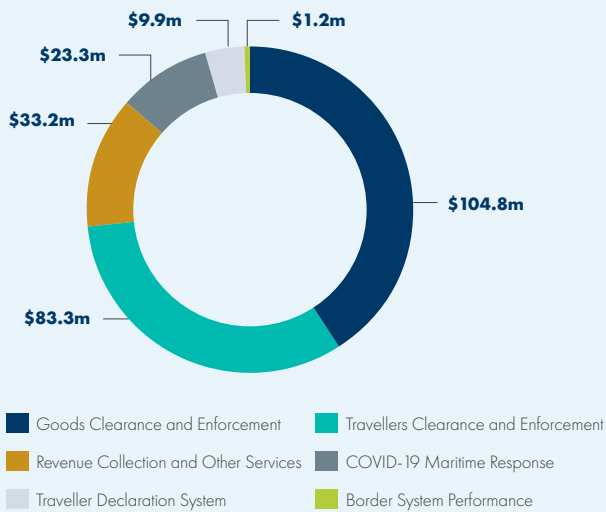
## Operating expenditure

Total operating expenditure was \$255 million for 2021/22, which is \$21.5 million higher than 2020/21, but \$32.7 million lower than authorised (appropriated) expenditure.

The increased operating expenditure is largely due to Customs taking on new responsibilities from the Government during the year in relation to the development of the New Zealand Traveller Declaration system and verification of passenger documentation (such as COVID-19 pre-departure tests and vaccination certificates).

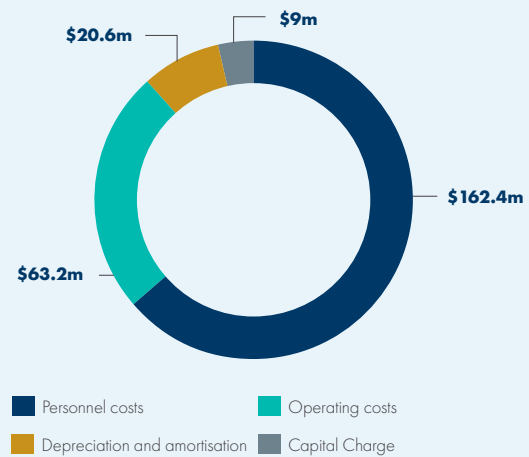
Our expenditure against appropriated funds was lower than expected largely due to the timing of expenses through our multi-year appropriations (MYA). Unspent funding from these appropriations will be carried forward into the 2022/23 year or returned to the Crown.

Figure 32: 2021/22 expenditure by appropriation



The bulk of our expenditure is in appropriations that cover the screening, clearance and processing of passengers and goods across the border. Regular forecasts of passenger and goods volumes are prepared for the Border Executive Board by the relevant agencies and are used to help support our financial planning. We continue to make cost savings where we can and prioritise our resources to ensure we can deliver our services within budget.

Figure 33: Departmental expenditure by major expense category



Almost 64% of our \$255 million spend related to personnel. The majority of our workforce is deployed across a wide range of frontline roles.

The prudent management of staffing and operational resourcing levels also impacted on our overall expenditure for the year. As the Government's response to the COVID-19 pandemic has changed, we have tightly managed the allocation of staff and other resources to ensure that we respond in a suitable manner. This has included the active management of vacancy levels and the redeployment of staff wherever possible. This led to personnel and other expenditure savings.

We anticipate that operating expenditure will be lower in 2022/23 as our responsibilities, and therefore staffing levels, in relation to the COVID-19 Maritime Border Order reduce.

## Operating revenue

Our operating revenue was impacted in 2021/22 by the significant decrease in revenue generated through the Border Processing Levy over the last two years (see page 62).

It is anticipated that the Border Processing Levy revenue will increase significantly as passenger volumes recover following the full re-opening of the border from 31 July 2022. This will reduce our reliance on additional Crown funding for passenger processing services.

## Capital expenditure

Our capital expenditure decreased by 16% during 2021/22 as several planned projects were deferred to enable staff resources to be allocated to the development and implementation of the New Zealand Traveller Declaration. Resource shortages and supply chain disruptions also impacted some planned projects.

## What has changed since last year

During the 2021/22 financial year, the International Financial Reporting Interpretations Committee (IFRIC) and the New Zealand Treasury provided guidance on the treatment of Software as a Service (SaaS) implementation costs. SaaS is an alternative to developing and owning your own software. Instead, you purchase access to software that is hosted and maintained by the provider on the cloud.

In the past, different approaches have been used for how agencies expensed configuration or customisation costs in relation to SaaS arrangements. Some agencies capitalised this expenditure while others expensed the costs as and when they were incurred.

In response to the new guidance, Customs revised how we treated expenditure incurred in relation to the implementation of our Oracle-based Enterprise Resource Planning (ERP) System. A prior year adjustment was made to expense \$4.7 million of expenditure that was previously capitalised. This led to the restatement of some prior year numbers in our financial statements. Refer to the *Changes in Accounting Policies* section of *Note 1: Statement of Accounting Policies* for more detail about this adjustment.



**Greg Hanlen**

Chief Financial Officer





# Ngā whakahaere pūtea Financial statements





## Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2022

2020/21		2021/22			2022/23
Actual		Unaudited Budget	Unaudited Supps	Actual	Unaudited Forecast
\$000	Note	\$000	\$000	\$000	\$000
Revenue					
134,097	Crown	2	112,901	143,815	128,733
56,876	Other revenue	2	76,285	72,858	69,533
<b>190,973</b>	<b>Total revenue</b>		<b>189,186</b>	<b>216,673</b>	<b>198,266</b>
Expenses					
141,775	Personnel costs	3	159,591	194,760	162,395
63,030	Operating costs	4	61,874	61,874	63,160
19,844	Depreciation and amortisation expense	5	21,054	21,054	20,615
9,076	Capital charge	6	14,345	10,090	9,000
<b>233,725</b>	<b>Total expenses</b>		<b>256,864</b>	<b>287,778</b>	<b>255,170</b>
<b>(42,752)</b>	<b>Total comprehensive revenue and expense</b>		<b>(67,678)</b>	<b>(71,105)</b>	<b>(54,310)</b>

## Statement of Change in Equity

For the year ended 30 June 2022

2020/21		2021/22			2022/23
Actual		Unaudited Budget	Unaudited Supps	Actual	Unaudited Forecast
\$000	Note	\$000	\$000	\$000	\$000
<b>158,382</b>	<b>Taxpayers' funds as at 1 July</b>	<b>140,132</b>	<b>160,848</b>	<b>153,187</b>	<b>185,386</b>
(42,752)	Total comprehensive revenue and expense for the year	(67,678)	(71,105)	(56,904)	(54,310)
(530)	Capital withdrawals	-	(3,100)	(3,100)	-
58,797	Capital injections	40,300	106,404	88,404	59,049
-	Other Movement (SaaS Adjustment)	-	(7,661)	-	-
(20,710)	Provision for return of surplus	11	-	(8,240)	-
<b>153,187</b>	<b>Taxpayers' funds as at 30 June</b>	<b>112,754</b>	<b>185,386</b>	<b>173,347</b>	<b>190,125</b>

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 2022

2020/21		2021/22			2022/23	
Actual		Unaudited Budget	Unaudited Supps	Actual	Unaudited Forecast	
\$000	Note	\$000	\$000	\$000	\$000	
<i>Current assets</i>						
63,043	Cash and cash equivalents	3,079	31,547	63,373	132,867	
3,205	Prepayments	5,702	5,702	4,415	5,702	
27,956	Debtors and receivables	17,190	71,271	49,467	17,639	
<b>94,204</b>	<b>Total current assets</b>	<b>25,971</b>	<b>108,520</b>	<b>117,255</b>	<b>156,208</b>	
<i>Non-current assets</i>						
33,917	Property, plant and equipment	31,728	33,916	34,549	33,916	
77,202	Intangible assets	94,793	82,690	71,791	82,691	
25	Receivables and advances	42	42	33	42	
<b>111,144</b>	<b>Total non-current assets</b>	<b>126,563</b>	<b>116,648</b>	<b>106,373</b>	<b>116,649</b>	
<b>205,348</b>	<b>Total assets</b>	<b>152,534</b>	<b>225,168</b>	<b>223,628</b>	<b>272,857</b>	
<i>Current liabilities</i>						
14,634	Creditors and payables	16,351	24,327	21,353	67,277	
12,960	Employee entitlements	11,255	11,255	14,952	11,255	
20,710	Provision for repayment of surplus to the Crown	7,974	-	8,240	-	
-	Other short term liabilities	208	208	-	208	
<b>48,304</b>	<b>Total current liabilities</b>	<b>35,788</b>	<b>35,790</b>	<b>44,545</b>	<b>78,740</b>	
<i>Non-current liabilities</i>						
3,607	Employee entitlements	3,742	3,742	3,152	3,742	
250	Other long term provisions	250	250	2,584	250	
<b>3,857</b>	<b>Total non-current liabilities</b>	<b>3,992</b>	<b>3,992</b>	<b>5,736</b>	<b>3,992</b>	
<b>52,161</b>	<b>Total liabilities</b>	<b>39,780</b>	<b>39,782</b>	<b>50,281</b>	<b>82,732</b>	
<b>153,187</b>	<b>Net assets</b>	<b>112,754</b>	<b>185,386</b>	<b>173,347</b>	<b>190,125</b>	
<i>Equity</i>						
153,187	Crown capital and retained earnings	112,754	185,386	236,919	190,125	
-	Memorandum accounts (net position)	-	-	(63,572)	-	
<b>153,187</b>	<b>Total equity as at 30 June</b>	<b>112,754</b>	<b>185,386</b>	<b>173,347</b>	<b>190,125</b>	

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 2022

2020/21		2021/22			2022/23
Actual		Unaudited Budget	Unaudited Supps	Actual	Unaudited Forecast
\$000	Note	\$000	\$000	\$000	\$000
<b>Cash flows from operating activities</b>					
Cash was provided from:					
135,983	Crown	135,584	85,906	115,440	185,313
58,851	Other revenue	76,285	78,558	61,155	138,372
Cash was applied to:					
(142,545)	Personnel	(159,881)	(196,049)	(161,620)	(189,612)
(60,320)	Operating	(61,585)	(53,613)	(52,286)	(61,587)
166	Goods and Services Tax (net)	-	-	(2,230)	1
(9,076)	Capital charge	(14,345)	(10,090)	(9,000)	(9,162)
<b>(16,941)</b>	<b>Net cash flow from operating activities</b>	<b>(23,942)</b>	<b>(95,289)</b>	<b>(48,541)</b>	<b>63,325</b>
<b>Cash flows from investing activities</b>					
Cash was provided from:					
7	Sale of fixed assets	-	-	112	-
Cash was disbursed to:					
(8,560)	Purchase of fixed assets	-	-	(8,178)	-
(5,621)	Purchase of intangible assets	(21,055)	(18,802)	(7,658)	(21,054)
<b>(14,174)</b>	<b>Net cash flow from investing activities</b>	<b>(21,055)</b>	<b>(18,802)</b>	<b>(15,724)</b>	<b>(21,054)</b>
<b>Cash flows from financing activities</b>					
Cash was provided from:					
58,797	Capital injections received	40,300	106,404	88,404	59,049
Cash was disbursed to:					
(530)	Capital withdrawal	-	(3,100)	(3,100)	-
(1,933)	Repayment of surplus	-	(20,709)	(20,709)	-
<b>56,334</b>	<b>Net cash flow from financing activities</b>	<b>40,300</b>	<b>82,595</b>	<b>64,595</b>	<b>59,049</b>
<b>25,219</b>	<b>Net increase/(decrease) in cash</b>	<b>(4,697)</b>	<b>(31,496)</b>	<b>330</b>	<b>101,320</b>
<b>37,824</b>	<b>Cash at the beginning of the year</b>	<b>7,776</b>	<b>63,043</b>	<b>63,043</b>	<b>31,547</b>
<b>63,043</b>	<b>Cash at the end of the year</b>	<b>3,079</b>	<b>31,547</b>	<b>63,373</b>	<b>132,867</b>

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 2022

2020/21		2021/22
Actual \$000		Actual \$000
<i>Non-cancellable operating lease commitments</i>		
15,490	Not later than one year	13,632
17,283	Later than one year and not later than five years	16,299
–	Later than five years	–
<b>32,773</b>	<b>Total non-cancellable operating commitments</b>	<b>29,931</b>
<b>32,773</b>	<b>Total commitments</b>	<b>29,931</b>

### Capital commitments

Customs has no capital commitments as at 30 June 2022 (30 June 2021: nil).

### Non-cancellable operating lease commitments

Customs 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.

Customs has no future non-cancellable sublease-of-premises-receipts due over the next 10 financial years as at 30 June 2022 (30 June 2021: nil).

Customs 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 2022

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.

Customs has no quantifiable or unquantifiable contingent assets as at 30 June 2022 (30 June 2021: nil).

Customs has no unquantifiable contingent liabilities as at 30 June 2022 (30 June 2021: nil).

Customs has quantifiable contingent liabilities of \$155,808 relating to employment disputes as at 30 June 2022 (30 June 2021: \$30,000).

## Schedule of Trust Monies

For the year ended 30 June 2022

Account	As at			As at
	01/07/2021	Contribution	Distribution	30/06/2022
	\$000	\$000	\$000	\$000
Customs Regional Deposit/Bonds Trust No.1, No.2 & No.3	25,425	3,320	7,624	21,121
New Zealand Customs Service Multiple Deposit Scheme Release Trust	141	8,062	8,112	91
New Zealand Customs Service Multiple Deposit Scheme Suspense Trust	249	3,654	3,851	52
<b>Total</b>	<b>25,815</b>	<b>15,036</b>	<b>19,587</b>	<b>21,264</b>

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





# Ngā whakahaere pūtea Notes to the financial statements

*For the year ended 30 June 2022*



## Note 1: Statement of accounting policies

### Reporting entity

The New Zealand Customs Service (Customs) 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 Customs' operations includes the Public Finance Act 1989, the Public Service Act 2020 and the Customs and Excise Act 2018 and related regulations.

Customs 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. Customs does not operate to make a financial return. Accordingly, Customs is a Public Benefit Entity (PBE) under the External Reporting Board standards framework.

In addition, Customs has reported on Crown activities in the non-departmental statements and schedules on pages 167–169 and trust monies which it administers on page 141.

### Reporting period

The reporting period for these financial statements is for the year ended 30 June 2022. The forecast financial statements are for the year ending 30 June 2023. The financial statements were authorised by the Comptroller of Customs on 30 September 2022.

### 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 Customs 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 Customs is New Zealand dollars.

### Accounting standards issued and adopted in 2021/22

#### *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 the year ending 30 June 2023 with earlier adoption permitted. Customs has determined that no changes were required to comply with this amendment.

### 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 41 Financial Instruments*

PBE IPSAS 41 *Financial Instruments* replaces PBE IFRS 9 *Financial Instruments*, and is effective for the year ending 30 June 2023, with earlier adoption permitted. Customs does not intend to adopt PBE FRS 41 early. When this standard is adopted Customs 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 the year ending 30 June 2023, with earlier adoption permitted. Customs has determined the main impact of the new standard is that additional information will need to be disclosed on those judgements that have the most significant effect on the selection, measurement, aggregation, and presentation of service performance information.

## Critical accounting estimates and assumptions

In preparing these forecast financial statements, Customs 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.

Customs 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 2021/22 'Budget' figures were those published in the 2020/21 annual report and the Government's *The Estimates of Appropriations for the New Zealand Government* for the year ended 30 June 2022. The 2021/22 'Supps' figures are those published in *The Supplementary Estimates of Appropriations 2021/22*.

## Forecast figures

The forecast figures for 2022/23 are those included in *The Estimates of Appropriations* for the Government of New Zealand for the year ending 30 June 2023, 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 2022/23.

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 2022. A decision to transfer a portion of the capital injection originally assigned for the development of the New Zealand Traveller Declaration system in 2021/22 to 2022/23 has been made since 30 April 2022. This will increase the level of funding for Customs in 2022/23, but this is not reflected in the forecast figures. This update 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:

- > Customs' activities will remain substantially the same as for the previous year, apart from changes in how risks are managed at the maritime border.
- > 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 2021/22 is used as the opening position for the 2022/23 forecasts.

## Variation to forecast

The actual financial results for the forecast period ending 30 June 2023 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

Customs 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

### Software as a Service (SaaS) arrangements

The accounting treatment of SaaS arrangements is not explicitly defined in New Zealand International Financial Reporting Standards (NZ IFRS) or Public Benefit Entity (PBE) standards. In April 2021 the International Financial Reporting Interpretations Committee (IFRIC), released a decision which provides authoritative guidance on how configuration or customisation costs in relation to SaaS arrangements are to be treated.

The IFRIC concluded that SaaS arrangements are service contracts providing the customer with the rights to access the SaaS provider's application software over the contract period. Costs incurred to configure or customise software in a cloud computing arrangement can be recognised as intangible assets only if the activities create an intangible asset that the entity controls and the intangible asset meets the recognition criteria.

The impact on the financial statements is:

	<b>Reported 30 June 2021 \$000</b>	<b>Adjustment \$000</b>	<b>Restated 30 June 2021 \$000</b>
<b>Statement of Comprehensive Revenue and Expense</b>			
Operating costs	58,309	4,721	63,030
Depreciation and amortisation expense	20,211	(367)	19,844
<b>Statement of Change in Equity</b>			
Taxpayers' funds as at 1 July 2020	161,689	(3,307)	158,382
Total comprehensive revenue and expense for the year 2020/21	(38,398)	(4,354)	(42,752)
Taxpayers' funds as at 30 June 2021	160,848	(7,661)	153,187
<b>Statement of Financial Position</b>			
Intangible assets	84,863	(7,661)	77,202
Crown capital and retained earnings	160,848	(7,661)	153,187
<b>Statement of Cash Flows</b>			
Operating expenses	(55,599)	(4,721)	(60,320)
Purchase of intangible assets	(10,342)	4,721	(5,621)

The appropriation to authorise the net impact of \$7,661 million was approved as a Departmental Other Expenses Appropriation in 2021/22 (see Statement of Budgeted and Actual Expenses and Capital Expenditure Incurred Against Appropriations on page 129).

Costs that do not result in intangible assets are expensed as incurred unless they represent payment for future services to be received. In which case a prepayment is initially recognised and then expensed as those subsequent services are received.

In response to this guidance, SaaS configuration and customisation costs are no longer capitalised as an intangible asset under Crown Accounting Policies. This has impacted on the treatment of the configuration and customisation costs incurred by Customs when implementing a new Financial Management Information System. An intangible asset created following the implementation of this new system no longer meets the criteria for capitalisation and has been expensed. Customs has applied this change in accounting policy retrospectively, and has restated comparative balances. Related depreciation costs have also been restated.

## 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

Customs 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 Customs' 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, Customs 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.

2020/21		2021/22	
Actual		Unaudited Budget	Actual
\$000		\$000	\$000
2,951	Border Processing Levy	15,333	13,976
42,297	Goods clearance fees	48,939	44,607
2,573	Cost recoveries	1,820	1,659
9,051	Sale of goods and services	10,191	9,289
4	Compliance	2	2
<b>56,876</b>	<b>Total other revenue</b>	<b>76,285</b>	<b>69,533</b>

### 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.

2020/21			2021/22
Actual		Unaudited Budget	Actual
\$000		\$000	\$000
129,911	Salaries and wages	149,429	142,364
4,346	Employer contributions to defined contribution plans	3,972	4,757
7,518	Other personnel expenses	6,190	15,274
<b>141,775</b>	<b>Total personnel costs</b>	<b>159,591</b>	<b>162,395</b>

### Note 4: Operating costs

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

2020/21			2021/22
Actual		Unaudited Budget	Actual
\$000		\$000	\$000
12,986	Facilities management	14,373	14,670
11,466	Computer equipment costs	8,843	9,027
8,689	Operating lease rentals	8,954	9,140
3,542	Travel and accommodation	2,431	2,482
4,932	Occupancy costs (excluding rentals)	6,787	6,928
5,408	Consultants and professional fees	6,592	6,729
1,942	Repairs and maintenance	2,796	2,854
2,339	Communication costs	2,365	2,414
1,289	Insurance	1,289	1,316
263	Fees paid to Audit NZ for the financial statement audit	279	285
21	Net (gain)/loss on sale of fixed assets	(110)	(112)
12	Net foreign exchange losses	2	2
183	Expected credit loss on financial assets (refer note 7)	603	616
9,958	Other operating costs	6,670	6,809
<b>63,030</b>	<b>Total operating costs</b>	<b>61,874</b>	<b>63,160</b>

### 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.

## 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.

<b>2020/21</b>		<b>2021/22</b>
<b>Actual</b>		<b>Actual</b>
<b>\$000</b>	<b>Unaudited Budget \$000</b>	<b>\$000</b>
<i>Depreciation</i>		
1,560 Leasehold improvements	1,243	1,042
130 Office equipment	128	107
4,545 Other equipment and plant	4,479	3,754
149 Furniture and fittings	129	108
1,714 Computer equipment	1,766	1,480
773 Motor vehicles	821	688
269 Launch and watercraft	438	367
<b>9,140 Total depreciation</b>	<b>9,004</b>	<b>7,546</b>
<i>Amortisation</i>		
10,704 Intangible assets – computer software	12,050	13,069
<b>19,844 Total depreciation and amortisation cost</b>	<b>21,054</b>	<b>20,615</b>

## Note 6: Capital charge

Customs 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 2022 was 5.0% (1 July 2020 to 30 June 2021: 5.0%).

## 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. Customs 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.

<b>2020/21</b>	<b>2021/22</b>
<b>Actual \$000</b>	<b>Actual \$000</b>
2,038 Debtor – Goods Cost Recovery	2,183
1,743 Receivables	2,956
1,724 Debtor – Border Processing Levy	9,068
<b>5,505 Gross trade receivable</b>	<b>14,207</b>
(993) Less: allowance for credit losses	(1,477)
<b>4,512 Net trade debtors (exchange transactions)</b>	<b>12,730</b>
23,444 Debtor – Crown (non-exchange transactions)	36,737
<b>27,956 Total receivables</b>	<b>49,467</b>

Overdue receivables that are renegotiated are reclassified as current (i.e. not past due).

The allowance for credit losses is determined as follows:

	<b>Receivables days past due</b>				<b>Total</b>
	<b>Current</b>	<b>31–60 days</b>	<b>61–90 days</b>	<b>&gt;90 days</b>	
Expected credit loss rate	0%	0%	100%	83%	
Gross carrying amount (\$000)	12,353	150	326	1,378	14,207
Lifetime expected credit loss (\$000)	–	–	326	1,151	1,477

	<b>Receivables days past due</b>				<b>Total</b>
	<b>Current</b>	<b>31–60 days</b>	<b>61–90 days</b>	<b>&gt;90 days</b>	
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

## Note 8: Property, plant and equipment

Customs' 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 Customs 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 Customs 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.



	<b>Leasehold Improvements \$000</b>	<b>Office Equipment \$000</b>
<b>Cost</b>		
Balance at 1 July 2020	21,051	1,698
Additions	552	79
Transfers	–	–
Disposals	(4,791)	(1,018)
Work in progress movement	195	127
<b>Balance at 30 June 2021</b>	<b>17,007</b>	<b>886</b>
Balance of work in progress	195	127
Balance at 1 July 2021	17,007	886
Additions	195	5
Transfers	–	–
Disposals	–	–
Work in progress movement	8	163
<b>Balance at 30 June 2022</b>	<b>17,210</b>	<b>1,054</b>
Balance of work in progress	203	290
<b>Accumulated depreciation and impairment losses</b>		
<b>Balance at 1 July 2020</b>	16,253	1,512
Depreciation expenses	1,560	130
Disposals	(4,792)	(857)
Impairment	–	–
<b>Balance at 30 June 2021</b>	<b>13,021</b>	<b>785</b>
Balance at 1 July 2021	13,021	785
Depreciation expenses	1,042	107
Disposals	–	–
<b>Balance at 30 June 2022</b>	<b>14,063</b>	<b>892</b>
<b>Carrying amount</b>		
<b>At 1 July 2020</b>	4,798	186
<b>At 30 June 2021</b>	<b>3,986</b>	<b>101</b>
<b>At 30 June 2022</b>	<b>3,147</b>	<b>162</b>

Other Equipment \$000	Furniture and Fittings \$000	Computer Equipment \$000	Motor Vehicles \$000	Launches/ Watercraft \$000	Total \$000
<b>49,996</b>	<b>3,639</b>	<b>16,700</b>	<b>5,957</b>	<b>4,833</b>	<b>103,874</b>
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
<b>56,782</b>	<b>570</b>	<b>18,830</b>	<b>6,496</b>	<b>5,901</b>	<b>106,472</b>
3,475	-	1,029	402	440	5,668
<b>56,782</b>	<b>570</b>	<b>18,830</b>	<b>6,496</b>	<b>5,901</b>	<b>106,472</b>
1,485	150	912	539	443	3,729
-	-	-	-	-	-
(25)	-	-	(176)	(88)	(289)
3,022	-	1,726	19	(440)	4,498
<b>61,264</b>	<b>720</b>	<b>21,468</b>	<b>6,878</b>	<b>5,816</b>	<b>114,410</b>
6,497	-	2,755	421	-	10,166
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)
-	-	-	-	-	-
<b>38,725</b>	<b>419</b>	<b>15,753</b>	<b>2,948</b>	<b>904</b>	<b>72,555</b>
<b>38,725</b>	<b>419</b>	<b>15,753</b>	<b>2,948</b>	<b>904</b>	<b>72,555</b>
3,754	108	1,480	688	367	7,546
(11)	-	-	(141)	(88)	(240)
<b>42,468</b>	<b>527</b>	<b>17,233</b>	<b>3,495</b>	<b>1,183</b>	<b>79,861</b>
15,191	-	2,550	3,541	4,163	30,429
<b>18,057</b>	<b>151</b>	<b>3,077</b>	<b>3,548</b>	<b>4,997</b>	<b>33,917</b>
<b>18,796</b>	<b>193</b>	<b>4,235</b>	<b>3,383</b>	<b>4,633</b>	<b>34,549</b>

## 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.

	<b>Acquired Software \$000</b>	<b>Internally Generated Software \$000</b>	<b>Total \$000</b>
<b>Cost</b>			
Balance at 1 July 2020	28,802	132,881	161,683
Additions	–	11,286	11,286
Disposals	–	–	–
Work in progress movement	(4,411)	(8,327)	(12,738)
<b>Balance at 30 June 2021</b>	<b>24,391</b>	<b>135,840</b>	<b>160,231</b>
Balance of work in progress	273	2,309	2,582
Balance at 1 July 2021	24,391	135,840	160,231
Additions	1,229	7,019	8,248
Disposals	–	–	–
Work in progress movement	(273)	(316)	(589)
<b>Balance at 30 June 2022</b>	<b>25,347</b>	<b>142,543</b>	<b>167,890</b>
Balance of work in progress	–	1,993	1,993
<b>Accumulated amortisation and impairment losses</b>			
Balance at 1 July 2020	16,116	56,210	72,326
Amortisation expenses	1,605	9,098	10,703
Disposals	–	–	–
<b>Balance at 30 June 2021</b>	<b>17,721</b>	<b>65,308</b>	<b>83,030</b>
Balance at 1 July 2021	17,721	65,308	83,030
Amortisation expenses	1,973	9,016	10,989
Impairment	–	2,080	2,080
Disposals	–	–	–
<b>Balance at 30 June 2022</b>	<b>19,695</b>	<b>76,405</b>	<b>96,099</b>
<b>Carrying amount</b>			
<b>At 1 July 2020</b>	<b>12,686</b>	<b>76,671</b>	<b>89,356</b>
<b>At 30 June 2021</b>	<b>6,670</b>	<b>70,532</b>	<b>77,201</b>
<b>At 30 June 2022</b>	<b>5,653</b>	<b>66,139</b>	<b>71,791</b>

## 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.

Due to the accounting policy changes to the SaaS arrangements mentioned on page 146, the total retrospective adjustment to the total value of the intangible assets as at 30 June 2021 was a reduction of \$7.661 million.

## 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.

2020/21	2021/22
Actual \$000	Actual \$000
<i>Payables under exchange transactions</i>	
3,518 Trade creditors	6,006
9,045 Accrued expenses	12,395
815 MPI – Border Clearance Levy	3,925
<b>13,378 Total payables under exchange transactions</b>	<b>22,326</b>
<i>Payables under non-exchange transactions</i>	
1,256 GST payable	(973)
<b>1,256 Total payables under non-exchange transactions</b>	<b>(973)</b>
<b>14,634 Total creditors and payables</b>	<b>21,353</b>

## Note 11: Return of operating surplus

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

2020/21	2021/22
Actual \$000	Actual \$000
(42,752) Net surplus/(deficit)	(56,904)
59,108 Add (surpluses)/deficits of memorandum accounts	65,144
4,354 SaaS adjustment	–
<b>20,710 Total return of operating surplus</b>	<b>8,240</b>

## Note 12: Employee entitlements

### Current employee entitlements

Employee entitlements that Customs 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.

Customs 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 Customs 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 3.95% (2020/21: 1.99%) and a salary inflation rate of 2.50% (2020/21: 2.50%) were used. The discount rates are the risk free discount rates published by the Treasury as at 30 June 2022. 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.

<b>2020/21</b>	<b>2021/22</b>
<b>Actual \$000</b>	<b>Actual \$000</b>
<i>Current liabilities</i>	
2,223 Personnel accruals	2,616
9,619 Annual leave	11,135
1,118 Retirement and long service leave	1,201
<b>12,960 Total current portion</b>	<b>14,952</b>
<i>Non-current liabilities</i>	
3,607 Retirement and long service leave	3,152
<b>3,607 Total non-current portion</b>	<b>3,152</b>
<b>16,567 Total employee entitlements</b>	<b>18,104</b>



## Note 13: Other short term liabilities

Customs has no other short term liabilities as at 30 June 2022 (30 June 2021 : nil).

## Note 14: Other long term provisions

Customs 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.

<b>2020/21</b>	<b>2021/22</b>
<b>Actual \$000</b>	<b>Actual \$000</b>
250 Lease make good provision	2,584
<b>250 Total other long term provisions</b>	<b>2,584</b>

Movement for provisions are as follows:

<b>2020/21</b>	<b>2021/22</b>
<b>Actual \$000</b>	<b>Actual \$000</b>
250 Lease make good provision as at 1 July	250
- Additional provisions made	2,334
<b>250 Lease make good provision at 30 June</b>	<b>2,584</b>

In respect of a number of its leased premises, Customs 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 Customs. In many cases Customs 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 Customs and is measured as the difference between total assets and total liabilities.

2020/21		2021/22
Actual \$000		Actual \$000
<i>Crown Capital and retained earnings</i>		
158,382	Balance as at 1 July	153,187
(42,752)	Surplus/(deficit)	(56,904)
-	Transfer of memorandum account net (surplus)/deficit for the year	63,572
(20,710)	Return of operating surplus to the Crown	(8,240)
58,267	Capital (withdrawal)/injection	85,304
<b>153,187</b>	<b>Balance as at 30 June</b>	<b>236,919</b>
<i>Memorandum accounts</i>		
(20,441)	Balance as at 1 July	-
20,441	Net memorandum account net surplus/(deficit) for the year	(63,572)
-	<b>Balance as at 30 June</b>	<b>(63,572)</b>
<b>153,187</b>	<b>Total equity as at 30 June</b>	<b>173,347</b>

## Note 16: Financial instruments

Customs' activities expose it to a variety of financial instrument risks, including market risk, credit risk, and liquidity risk. Customs 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 2021/22 Customs had nine overseas posts and operated two foreign currency bank accounts. Customs is exposed to currency risk arising from various currency exposures, primarily with respect to the US dollar and Thai Baht.

Customs' 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.

Customs 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 Customs to incur a loss.

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

Customs 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, Customs does not have significant concentrations of credit risk.

Customs' 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 Customs will encounter difficulty raising liquid funds to meet commitments as they fall due.

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

The table below analyses Customs' 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.

	<b>Less than 6 months \$000</b>	<b>Between 6 months and 1 year \$000</b>	<b>Between 1 and 5 years \$000</b>	<b>Over 5 years \$000</b>
<b>2020/21</b>				
Creditors and other payables (note 10)	14,634	-	-	-
<b>Total</b>	<b>14,634</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2021/22</b>				
Creditors and other payables (note 10)	21,353	-	-	-
<b>Total</b>	<b>21,353</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 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.

2020/21		2021/22
Actual \$000		Actual \$000
	<i>Financial assets measured at amortised cost</i>	
63,043	Cash and cash equivalents	63,373
27,956	Debtors and other receivables	49,467
<b>90,999</b>	<b>Total financial assets measured at amortised cost</b>	<b>112,840</b>
	<i>Financial liabilities measured at amortised cost</i>	
14,634	Creditors and other payables	21,353
<b>14,634</b>	<b>Total financial liabilities measured at amortised cost</b>	<b>21,353</b>

## Note 18: Related party transactions and key management personnel

Customs 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 Customs 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 Customs. 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:

2020/21		2021/22
Actual		Actual
<b>Leadership Team, including the Comptroller</b>		
\$1,819,770	Salaries and other short-term employee benefits	\$1,896,935
6.0	Full-time equivalent staff	6.0

The key management personnel disclosure for Customs consists of the members of the Customs Executive Board (discussed on page 89). 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 Customs.

If close family members of key management personnel are employed by Customs, 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

Customs' capital is its equity, which comprises taxpayers' funds and the memorandum account.

Equity is represented by net assets. Customs' 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 Customs' 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 2022

2020/21	2021/22
Actual \$000	Actual \$000
<b>(42,752)</b>	<b>(56,904)</b>
<b>Net operating surplus/(deficit)</b>	
19,844 Depreciation and amortisation expense	20,615
<b>19,844</b>	<b>20,615</b>
<b>Total non-cash items</b>	
<i>Working capital movements</i>	
3,769 (Increase)/decrease in debtors and receivables	(21,509)
1,480 (Increase)/decrease in prepayments	(1,210)
1,471 Increase/(decrease) in creditors and payables	6,719
(416) Increase/(decrease) in employee entitlements	1,992
(17) Increase/(decrease) in other short term liabilities	57
<b>6,287</b>	<b>(13,951)</b>
<b>Working capital movements – net</b>	
<i>Movements in non-current liabilities</i>	
– Provision for premises make good	2,334
(353) Increase/(decrease) in employee entitlements	(455)
<b>(353)</b>	<b>1,879</b>
<b>Movements in non-current liabilities</b>	
12 (Increase)/decrease in investing activity items	(68)
21 Net (gain)/loss on sale of fixed assets/impairment	(112)
<b>33</b>	<b>(180)</b>
<b>Total investing activity items</b>	
<b>(16,941)</b>	<b>(48,541)</b>
<b>Net cash from operating activities</b>	

## Note 21: Memorandum Accounts

These accounts summarise financial information relating to the accumulated surplus or deficit incurred in the provision of clearance services operating on a full recovery basis from third parties through the **Border Processing Levy** and **Goods Clearance Fees**.

## Border Processing Levy

2020/21		2021/22
Actual \$000		Actual \$000
(20,441)	Opening balance 1 July	-
2,951	Revenue – Border Processing Levy	14,112
(64,767)	Expenses	(76,668)
79,550	Accumulated Capital injections applied	1,571
2,707	Retained surplus	-
<b>- Closing balance of memorandum account</b>		<b>(60,985)</b>

## Goods Clearance Fees

2020/21		2021/22
Actual \$000		Actual \$000
-	Opening balance 1 July	-
-	Revenue – Goods Clearance Levy	40,951
-	Expenses	(43,539)
-	Accumulated Capital injections applied	-
-	Retained surplus	-
<b>- Closing balance of memorandum account</b>		<b>(2,588)</b>

A 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 accounts enable Customs to take a long-term perspective to fee setting and cost recovery.

Transactions are included as part of Customs' operating income and expenses and the resulting surplus/(deficit). However, these transactions are excluded from the calculation of Customs' 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 Processing Levy revenue turned the accumulated surplus in the memorandum account to a significant deficit. Customs received capital injections from Government to replace lost revenue and manage cash flow. Cabinet subsequently

approved using the capital injections and \$2.707 million of the 2020/21 surplus to reset the memorandum account to zero from 1 July 2021.

In 2021/22 an additional \$1.571 m of the capital injections received was used to reinstate the cruise portion of the memorandum account's pre-Covid-19 surplus. A further capital injection was received in 2021/22 to address revenue shortfalls. This capital injection will be repaid to the Crown over the three year levy period.

Customs increased the Border Processing Levy rates effective 1 December 2021 to recover the forecast costs over the three-year period until the next scheduled rate review.

The pattern of both traveller and trade flows over the border continue to fluctuate and will be subject to the Government's COVID-19 settings. Customs will continue to monitor the memorandum accounts and evaluate the need to change the rates to fully recover the costs over the period until the next review.

## 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.

Customs 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
<b>750</b>	<b>1,450</b>
<b>Revenue from the Crown</b>	
<b>Expenditure</b>	
112	529
Personnel	
297	625
Contractors and consultants	
26	58
Other Operating costs	
<b>435</b>	<b>1,212</b>
<b>Total Border Executive Board support expenditure</b>	
<b>390</b>	<b>329</b>
<b>Assets (Receivables)</b>	
<b>Liabilities</b>	
75	91
Accrued expenses	
315	238
Provision for repayment of surplus	
<b>390</b>	<b>329</b>
<b>Total liabilities</b>	

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

### Government and stakeholder funding (fees and levies)

Before the COVID-19 pandemic, Customs received approximately 60% of total departmental revenue from third parties. This was largely through the Border Processing 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.

Customs received a \$75 million capital injection from the Government to manage the shortfall in third party revenue in the 2021/22 financial year (plus a \$9.9 million capital injection to support the development and implementation of the New Zealand Traveller Declaration System).

### Memorandum account

The memorandum account was reduced to zero as at 1 July 2021, largely by applying COVID-19 capital injections received over the previous two years. The Border Processing Levy memorandum account balance was a deficit of \$61.0 million as at 30 June 2022, which was higher than forecast due to delays in fully reopening the border. The cash flow impact was managed by drawing down a capital injection from COVID-19 contingency funds.

### Operating expenses

As a result of COVID-19 Customs 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 2021 /22 Budget

### Statement of Comprehensive Revenue and Expense

Crown revenue was higher than budget due to increases in appropriations for the development of the New Zealand Traveller Declaration system and checking of COVID-19 pre-departure test documentation as part of the Government's response to the COVID-19 pandemic.

Overall expenditure was lower than budget due mainly to higher than anticipated vacancy levels, leading to lower personnel costs. In addition to this, COVID-19 lockdowns led to lower travel and operating costs.

### Statement of Change in Equity

Taxpayers' funds as at 30 June 2022 was higher than budget due to a lower than anticipated operating deficit and the receipt of additional capital injections during the year.

The lower than anticipated operating deficit is the result of higher than expected Crown revenue funding levels and lower than expected expenditure (refer above). Additional capital injections were received for the development of the New Zealand Traveller Declaration system and to offset the increase in the memorandum account deficit due to diminished Border Processing Levy revenue levels.

### Statement of Financial Position

The increase in cash and cash equivalents is largely due to a combination of a higher than expected level of revenue and lower than expected expenditure levels. This has also led to a higher debtors and receivables balance, which is largely made up of a debtor Crown balance.

Property, plant and equipment and intangible assets balances are lower than expected due to delays in the capital investment programme and the expensing of SaaS costs that were formally recorded as an intangible asset.

Long term provisions have increased due to the reassessment of make good provisions in relation to our lease contracts.

### Statement of Cash Flows

The overall cash balance was higher than anticipated due to a combination of a higher than expected revenue level and lower than expected expenditure levels. Higher levels of revenue led to higher cash flows from financing activities, while lower than expected expenditure levels lead to lower cash flows from financing activities.

Cash flows from investing activities are lower than budget due to delays in the capital investment programme.

## 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 Customs manages on behalf of the Crown.*



## Summary of Schedules and Statements

For the year ended 30 June 2022

2020/21		2021/22			2022/23
Actual		Unaudited Budget	Unaudited Supps	Actual	Unaudited Forecast
\$000		\$000	\$000	\$000	\$000
14,890,997	Revenue	15,837,852	17,098,260	17,511,887	17,973,210
12,907	Expenditure	8,080	16,080	4,456	16,080
2,670,347	Assets	2,171,211	2,673,347	2,987,325	2,849,347
10,076	Liabilities	19,014	10,076	19,890	10,076

Explanations of major variances against budget are provided in note 6.

## Schedule of Non-Departmental Revenue

For the year ended 30 June 2022

2020/21		2021/22			2022/23
Actual		Unaudited Budget	Unaudited Supps	Actual	Unaudited Forecast
\$000		\$000	\$000	\$000	\$000
<b>Revenue</b>					
<i>Indirect taxation</i>					
1,249,269	Customs and excise duty on alcohol	1,275,000	1,288,000	1,241,051	1,400,000
1,637,362	Customs and excise duty on tobacco products	1,463,000	1,619,000	1,866,062	1,705,000
2,212,391	Customs and excise duty on refined motor spirit	2,309,000	1,791,000	1,809,368	1,957,000
169,402	Customs duty on other imported goods	161,000	195,000	178,261	203,000
9,611,526	Goods and Services Tax	10,621,000	12,194,000	12,403,116	12,697,000
<b>14,879,950</b>	<b>Total indirect taxation</b>	<b>15,829,000</b>	<b>17,087,000</b>	<b>17,497,858</b>	<b>17,962,000</b>
<i>Indirect non-taxation</i>					
67	World Customs Organization	80	80	66	80
120	Sale of seized goods	80	-	162	80
10,831	SGG Levy	8,442	11,000	12,852	11,000
29	Infringement Notice	250	100	949	50
<b>11,047</b>	<b>Total indirect non-taxation</b>	<b>8,852</b>	<b>11,180</b>	<b>14,029</b>	<b>11,210</b>
<b>14,890,997</b>	<b>Total revenue</b>	<b>15,837,852</b>	<b>17,098,180</b>	<b>17,511,887</b>	<b>17,973,210</b>

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



## Schedule of Non-Departmental Expenditure

For the year ended 30 June 2022

2020/21		2021/22			2022/23
Actual		Unaudited Budget	Unaudited Supps	Actual	Unaudited Forecast
\$000	Note	\$000	\$000	\$000	\$000
<i>Expenditure</i>					
67	World Customs Organization	80	80	66	80
12,840	Expected credit loss on financial assets	8,000	16,000	4,390	16,000
<b>12,907</b>	<b>Total expenditure</b>	<b>8,080</b>	<b>16,080</b>	<b>4,456</b>	<b>16,080</b>

## Schedule of Non-Departmental Assets

As at 30 June 2022

2020/21		2021/22			2022/23
Actual		Unaudited Budget	Unaudited Supps	Actual	Unaudited Forecast
\$000	Note	\$000	\$000	\$000	\$000
<i>Current assets</i>					
1,396,000	Cash and cash equivalents	983,776	1,396,000	1,371,886	1,396,000
1,274,347	Debtors and other receivables	1,187,435	1,277,347	1,615,439	1,453,347
<b>2,670,347</b>	<b>Total assets</b>	<b>2,171,211</b>	<b>2,673,347</b>	<b>2,987,325</b>	<b>2,849,347</b>

## Schedule of Non-Departmental Liabilities

As at 30 June 2022

2020/21		2021/22			2022/23
Actual		Unaudited Budget	Unaudited Supps	Actual	Unaudited Forecast
\$000	Note	\$000	\$000	\$000	\$000
<i>Current liabilities</i>					
3,780	Payables and provisions	19,014	3,780	13,481	3,780
6,296	Creditor – departmental	–	6,296	6,409	6,296
<b>10,076</b>	<b>Total liabilities</b>	<b>19,014</b>	<b>10,076</b>	<b>19,890</b>	<b>10,076</b>

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

# Statement of Non-Departmental Contingent Liabilities and Assets

As at 30 June 2022

2020/21	2021/22
Actual \$000	Actual \$000
<i>Contingent liabilities</i>	
5,869 Legal proceedings and disputes	5,324
<b>5,869 Total contingent liabilities</b>	<b>5,324</b>
<i>Contingent assets</i>	
132 Legal proceedings	142
<b>132 Total contingent assets</b>	<b>142</b>

## Contingent liabilities

Legal proceedings and disputes represent the disputed assessments of revenue amounts in relation to the performance of Customs' statutory role and associated estimated legal costs. Customs 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.

## Schedule of Non-Departmental Commitments

As at 30 June 2022

Customs has no Crown Commitments as at 30 June 2022 (30 June 2021: nil).

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



# Ngā pitopito kōrero mē ngā hōtaka a te hunga o-waho atu i te tari Notes to the non-departmental statements and schedules

*For the year ended 30 June 2022*



## Note 1: Statement of accounting policies

### Reporting entity

These non-departmental schedules and statements present financial information on public funds managed by Customs 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 2022.

### 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

Customs 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. Customs 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 Customs. Such procedures cannot identify all sources of non-compliance with tax laws. Customs 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 Customs 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 2021/22 'Budget' figures were those published in the 2020/21 annual report and *The Estimates of Appropriations* for the Government of New Zealand for the year ending 30 June 2022. The 2021/22 'Supps' figures are those published in *The Supplementary Estimates of Appropriations 2021/22*.

## 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 forecast figures for the year ending 30 June 2023 are consistent with the best estimate financial forecast information available based on the 2022 Budget Economic and Fiscal Update.

## Note 2: Debtors and other receivables

2020/21	2021/22
Actual \$000	Actual \$000
1,044,159 Crown receivables	1,459,977
(35,169) Less allowance for credit losses	(26,068)
<b>1,008,990</b> Net Crown receivables (non-exchange transactions)	<b>1,433,909</b>
265,357 Accrued revenue	181,530
<b>1,274,347</b> <i>Total debtors and other receivables</i>	<b>1,615,439</b>
<i>Represented by:</i>	
<b>1,274,347</b> Receivables from non-exchange transactions	<b>1,615,439</b>

The allowance for credit losses is determined as follows:

	Receivables days past due				Total
	Current	31–60 days	61–90 days	>90 days	
Expected credit loss rate	0%	9%	100%	100%	
Gross carrying amount (\$000)	1,437,558	193	865	21,361	<b>1,459,977</b>
Lifetime expected credit loss (\$000)	3,825	17	865	21,361	<b>26,068</b>

	Receivables days past due				Total
	Current	31–60 days	61–90 days	>90 days	
Expected credit loss rate	0%	9%	100%	100%	
Gross carrying amount (\$000)	1,008,817	730	6,476	28,136	<b>1,044,159</b>
Lifetime expected credit loss (\$000)	490	67	6,476	28,136	<b>35,169</b>

In 2021/22 Customs worked with businesses to cushion the 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 \$16 million in 2021/22 to reflect the continuing economic impact from COVID-19 on businesses who may be unable to pay their debts.

Many businesses used the relief packages to continue to operate and subsequently repaid the instalment repayment debt.



## Note 3: Creditors and other payables

2020/21	2021/22
Actual \$000	Actual \$000
9,907 Payables and accruals	19,767
105 Import Entry Transaction Fees payable	120
64 Other creditors – Departmental	3
<b>10,076 Total creditors and other payables</b>	<b>19,890</b>

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:

2020/21	2021/22
Actual \$000	Actual \$000
<b>Financial assets measured at amortised cost</b>	
1,396,000 Cash and cash equivalents	1,371,886
1,274,347 Debtors and other receivables	1,615,439
<b>2,670,347 Total financial assets measured at amortised cost</b>	<b>2,987,325</b>
<b>Financial liabilities measured at amortised cost</b>	
10,076 Creditors and other payables	19,890
<b>10,076 Total financial liabilities measured at amortised cost</b>	<b>19,890</b>

### 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, Customs 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, Customs 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.

Customs 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, Customs 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

Customs contributed to the Government's accounts by collecting around 16% of core Crown tax revenue in 2021/22 by way of customs duty, excise duty, and GST (as discussed on page 56).

The volume of goods crossing the border in 2020/21 was affected by the COVID-19 pandemic. As supply chain disruptions have reduced and as trading resumes, the volume of goods recovered more quickly than forecasted resulting in more Crown revenue earned and collected in 2021/22 than budgeted.

To reflect the expected increase in doubtful debt during 2021/22, Customs received an increased appropriation of \$8 million from the Government for the provision of doubtful debts through the relevant non-departmental other expenses appropriation.

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, along with other factors, resulted in the movement in doubtful debts remaining well below the budgeted level.

## 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. The recovery from the restrictions in response to COVID-19 that disrupted international supply chains was more rapid than anticipated which affected the revenue collected.

#### 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 significant as allowed for in the budget. This was, in part, due to the steps Customs took to assist businesses with deferral and management of debt.



# Ngā pitopito kōrero mē horahia i raro i te ture Information required by statute

*For period from 1 July 2021 to 30 June 2022*





# Customs and Excise Act 2018

## Section 438 – electronic devices searched

Type of search	Number of devices searched
Initial search under section 228(2)(a)	83
Full search under section 228(2)(b)	23

## Section 439 – initiatives to reduce compliance costs for businesses with strong record of compliance

Initiatives or other steps taken by Customs during 2021/22 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:

- > Continuing our efforts to have more exporters join our Authorised Economic Operator programme, the Secure Exports Scheme (discussed further in the 'Trade' section of this Annual Report on page 36).
- > Progressing work on a Secure Trade Lane with Australia (discussed further in the 'Trade' section of this Annual Report on page 39).
- > Actions taken to assist traders adversely affected by COVID-19 – by agreeing alternative payment plans for GST and duty, and increasing the credit limits for low-risk small to medium importers (discussed further in the 'Revenue' section of this Annual Report on page 57).

- > Simplifying the process required for the temporary importation of multiple shipments, by creating a more streamlined process for traders. We are working with industry in 2022/23 through an outreach programme to implement these changes.

Customs also 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)
- > 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	473*
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	1

\*The majority of this total relates to warrantless searches under section 237 of the Customs and Excise Act 2018 (power to inspect goods no longer subject to the control of Customs if suspect goods are goods in respect of which an offence has been committed or that are forfeited goods) of imported packages containing COVID-19 Rapid Antigen Tests (RATs). RATs not authorised (by the Director-General of Health), or not imported by an authorised person, were subject to seizure by Customs and forfeiture to the Crown.

## Section 171(e) – matters set out in section 172 in relation to surveillance device warrants

Number of applications for surveillance device warrants		6
Number of applications for surveillance device warrants granted		6
Number of applications for surveillance device warrants refused		0
Number of surveillance device warrants granted that authorised the use of:	tracking devices only	1
	visual surveillance devices only	0
	interception devices only	0
	tracking devices and visual surveillance devices	5
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	3
	>24 hours but ≤3 days	7
	>3 days but ≤7 days	13
	>7 days but ≤21 days	0
	>21 days but ≤60 days	25
	>60 days (based on multiple warrants)	29
Number of visual surveillance devices used (authorised by a surveillance device warrant) for:	≤24 hours	0
	>24 hours but ≤3 days	1
	>3 days but ≤7 days	3
	>7 days but ≤21 days	0
	>21 days but ≤60 days	0
	>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		1
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 2021/22 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	77
Department of Internal Affairs	Nil
Ministry of Business, Innovation and Employment (Immigration)	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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**Te rīpoata ā te Minita  
ē pā ana ki ngā whakamahinga  
pūtea o waho atu i ngā  
whakahaere a Te mana  
Ārai o Aotearoa  
Minister's Report in  
relation to Vote Customs  
Non-Departmental  
Appropriations  
2021/22**

*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 2022

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 the 2021/22 financial year:

- > 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 2021/22* for Vote Customs. The 'Revised Budget' figures are those from *The Supplementary Estimates of Appropriations 2021/22*.

Although presented in the same document, this report does not form part of the *New Zealand Customs Service Annual Report 2022*. 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.

### Budgeted and Actual Expenses Against Appropriation

2020/21		2021/22		
Actual		Actual	Revised Budget	Budget
\$000		\$000	\$000	\$000
12,841	Expenses	4,390	16,000	8,000
<b>12,841</b>	<b>Total Expenses</b>	<b>4,390</b>	<b>16,000</b>	<b>8,000</b>

This appropriation increased by \$8 million in *The Supplementary Estimates of Appropriations 2021/22* due to the disruptions caused by COVID-19 on businesses and their expected ability to pay any duties or GST owed (to the New Zealand Customs Service). The 2021/22 Actual reflects the steps taken by the New Zealand Customs Service to assist importers and the less-than-expected impact of COVID-19 on businesses.

### What we achieved

2020/21		2021/22	
Actual	Performance measure	Standard	Actual
0.04%	Debt write-offs as a maximum percentage of total Crown revenue collected	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.

### Budgeted and Actual Expenses Against Appropriation

2020/21		2021/22		
Actual		Actual	Revised Budget	Budget
\$000		\$000	\$000	\$000
67	Expenses	66	80	80
<b>67</b>	<b>Total Expenses</b>	<b>66</b>	<b>80</b>	<b>80</b>

### What we achieved

2020/21		2021/22	
Actual	Performance measure	Standard	Actual
Achieved	New Zealand's contribution to the operating budget of the WCO paid by the due date	Achieved	Achieved





# Te Kāhui Whakamaru Paenga Tahī Border Executive Board Annual Report 2021/22

*For the period 1 July 2021 to 30 June 2022*

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



# Collective leadership and accountability for New Zealand's border

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Border Executive Board  
Te Kāhui Whakamaru Paenga Tahī



NEW ZEALAND  
**CUSTOMS SERVICE**  
TE MANA ĀRAI O AOTEAROA



**MINISTRY OF BUSINESS,  
INNOVATION & EMPLOYMENT**  
HĪKINA WHAKATUTUKI



Ministry for Primary Industries  
Manatū Ahu Matua



**NEW ZEALAND  
FOREIGN AFFAIRS & TRADE**  
Manatū Aorere



**TE MANATŪ WAKA**  
MINISTRY OF TRANSPORT

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## Border Executive Board Annual Report For the period 1 July 2021 to 30 June 2022

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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# A message from the Board

Over the past year, as a governance board, we provided strong leadership to ensure the border operated in a coherent and joined-up way, carrying out our responsibilities to support the Government's COVID-19 response.

The constantly changing nature of COVID-19 required agility from the border agencies to create new processes and to adapt as the health requirements changed. We kept closely connected to ensure the border agencies operated responsibly and effectively together.

Supporting our people was a priority throughout the year. We aligned health and safety practices where border agencies worked alongside one another in air and maritime ports. Like other essential workers, we also managed our services in lock-downs. We are proud of our people's diligence in meeting the mandatory border worker testing and vaccination requirements. We achieved high compliance in both, protecting our people, those we partnered with, and those we serve at the air and sea border.

The dominance of COVID-19 required an adjustment to the expectations of what joint initiatives our agencies could progress. We chose to slow the progress of some general border improvements and focus on those that were needed immediately to support the Government's Reconnecting New Zealanders programme and reopening the air and maritime borders.

It was a significant achievement for the border agencies, working with our partner agencies and the aviation and maritime sector, to reopen the air border in a phased approach from February 2022 and the maritime border to foreign flagged vessels and cruise ships from 31 July 2022. Border agencies welcomed the first cruise ship into Auckland on 12 August 2022 to celebrate the reopening and we continue preparations for our first summer peak for air and maritime travellers since the border closed in March 2020.

In March 2022, we farewelled Peter Mersi as Secretary for Transport and Bryn Gandy joined in an acting capacity. Dr Ashley Bloomfield resigned as Director-General of Health from July 2022 and we welcomed Dr Diana Sarfati as acting Director-General. Ashley and Peter made an immense contribution to the border while also providing collegial support over a busy year.

Becoming an interdepartmental executive board has formalised the opportunity for collaboration and is enabling regular consideration of where our resources are best placed to make a difference to New Zealand's border.

The 2022/23 year is likely to be very different for the border agencies and therefore the Border Executive Board. With the management of COVID-19 becoming part of how agencies do business, we will focus on finalising the strategy for the border sector and identifying and implementing the joint initiatives that will make New Zealand's border smarter and safer. We remain vigilant and ready to respond to risk and opportunities at the border.

Ngā mihi

# The governance board as at 30 June 2022



A handwritten signature in black ink, appearing to read 'C Stevenson'.

**Christine Stevenson**

Chair  
Comptroller of Customs



A handwritten signature in black ink, appearing to read 'Ray Smith'.

**Ray Smith**

Director-General  
of Primary Industries



A handwritten signature in black ink, appearing to read 'Carolyn Tremain'.

**Carolyn Tremain**

Secretary for Business,  
Innovation & Employment  
and Chief Executive



A handwritten signature in black ink, appearing to read 'Chris Seed'.

**Chris Seed**

Secretary of Foreign Affairs  
and Trade



A handwritten signature in black ink, appearing to read 'Ashley Bloomfield'.

**Dr Ashley Bloomfield**

Director-General of Health



A handwritten signature in black ink, appearing to read 'Bryn Gandy'.

**Bryn Gandy**

Acting Chief Executive  
Ministry of Transport



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# Who we are and what we do

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# An enduring joint approach to a safe and smart border

The Border Executive Board started on 11 January 2021 and was the first interdepartmental executive board established under the Public Service Act 2020.

An interdepartmental executive board brings together agency chief executives to work collectively and with joint accountability to address matters that need to be worked on by more than one agency; in this case the New Zealand border.

## The border is important because it is both New Zealand’s gateway to the world and our protection from the world.

The border is important to New Zealand’s wellbeing and economic success. Effective border management is critical as it controls the movement of people, goods, and craft in and out of New Zealand. It is where New Zealand connects with the world through trade,

travel, and tourism, while protecting New Zealand’s economy, biodiversity and its people. The border is not only a physical border, such as airport arrival and departure points. There are on-shore and off-shore components, such as pre-departure checks and post-entry quarantine.

Border agencies have worked together over many years in recognition that they all contribute to the safe and effective operation of New Zealand’s border. The Border Sector Governance Group operated from 2007–2020 to improve operations at the border. Membership consisted of: New Zealand Customs Service, the Ministry for Primary Industries, Te Manatū Waka Ministry of Transport, and the Ministry of Business, Innovation and Employment. In response to COVID-19, the membership was expanded to include Manatū Hauora Ministry of Health and the Ministry of Foreign Affairs and Trade; and the Border Executive Board was created.

## Border Functions

<p><b>New Zealand Customs Service</b> Te Mana Ārai o Aotearoa</p>	<ul style="list-style-type: none"> <li>• Passenger, goods, and craft clearance</li> <li>• Revenue collection at the border</li> <li>• Disruption to organised crime (especially drugs)</li> </ul>	<p><b>Ministry for Primary Industries</b> Manatū Ahu Matua</p>	<ul style="list-style-type: none"> <li>• Risk-informed screening of goods and craft for biosecurity protection</li> <li>• Screening all passengers for biosecurity protection</li> </ul>
<p><b>Ministry of Business, Innovation &amp; Employment</b> Hikina Whakatutuki</p>	<ul style="list-style-type: none"> <li>• Verify right to enter New Zealand</li> <li>• Disruption of people smuggling and trafficking</li> <li>• Quarantine capability</li> </ul>	<p><b>New Zealand Foreign Affairs &amp; Trade</b> Manatū Aorere</p>	<ul style="list-style-type: none"> <li>• Consular communications</li> <li>• Support for border settings</li> <li>• Trade facilitation</li> </ul>
<p><b>Ministry of Health</b> Manatū Hauora</p>	<ul style="list-style-type: none"> <li>• Surveillance of, and response to, health risks at the border</li> <li>• Health clearance for arriving craft</li> <li>• Operationalisation of the International Health Regulations 2005</li> </ul>	<p><b>Ministry of Transport</b> Te Manatū Waka</p>	<ul style="list-style-type: none"> <li>• Policy advice, Crown entity governance, system leadership and stewardship including:                             <ul style="list-style-type: none"> <li>- AvSec air security, passenger and baggage screening</li> <li>- CAA aviation safety</li> <li>- Maritime New Zealand regulatory activity</li> </ul> </li> </ul>

## Joint responsibility for the border is important as the activity of individual agencies is interconnected with a shared goal of a seamless service for travellers, traders, and partner organisations.

In 2020, the joint agency approach was formalised with the implementation of the Public Service Act 2020 that created the interdepartmental executive board model. Creating formal joint accountability across the six border agencies occurred because of:

- > the complexity of border issues
- > the impact that activities, decisions and operations by one agency has on other agencies and people that interact at the border
- > the need for strong ownership of the end-to-end border process, particularly for COVID-19
- > the value a dedicated forum would bring by taking a system approach to ensure an enduring safe and smart border
- > the significance of the border to New Zealand.

Cabinet set four areas of joint accountability when the Border Executive Board was created. These reflected the significance of COVID-19 to the border and the importance of a strong risk management approach with deliberate system improvements. The areas of accountability are being reviewed as part of developing the Border Sector Strategy and the shift in how COVID-19 is managed.

The responsible Minister is the Minister for COVID-19 Response, Hon Dr Ayesha Verrall



**Hon Dr Ayesha Verrall**  
Minister for COVID-19 Response

## Operating Framework 2021/22

<b>PURPOSE</b>	<b>ACCOUNTABILITY</b>	<b>WORK PROGRAMME</b>
<p><b>LEGISLATED PURPOSE OF AN INTERDEPARTMENTAL EXECUTIVE BOARD</b></p> <ul style="list-style-type: none"> <li>• Support member departments to undertake priority work in a subject matter area</li> <li>• Align and coordinate strategic policy, planning and budgeting</li> <li>• Support cross-departmental initiatives in a subject matter area</li> </ul>	<p><b>AREAS OF FOCUS SET BY CABINET</b></p> <ul style="list-style-type: none"> <li>• Collective leadership and accountability for New Zealand's border</li> <li>• Strategic border system improvements</li> <li>• Addressing gaps or future risks from people, goods and craft</li> <li>• No gaps in the end-to-end border processes with a focus on COVID-19 response</li> <li>• Managing fiscal impact of decrease in third party revenue from COVID-19</li> </ul>	<p><b>SET BY THE GOVERNANCE BOARD</b></p> <ul style="list-style-type: none"> <li>• <i>Stewardship</i> - strategy and governance to support the performance of the border system now and into the future</li> <li>• <i>COVID-19</i> - coordination and facilitation to ensure delivery of the border sector's contribution to the COVID-19 response</li> <li>• <i>Systems Improvements</i> - coordination and facilitation to deliver key initiatives to support a safe and smart border now and into the future</li> </ul>
<b>REMIT</b>	<b>CHAIR</b>	<b>GOVERNANCE BOARD</b>
<p><b>LEGISLATED AGENCY MEMBERS</b></p> <ul style="list-style-type: none"> <li>• New Zealand Customs Service</li> <li>• Ministry for Primary Industries</li> <li>• Ministry of Business, Innovation and Employment</li> <li>• Ministry of Foreign Affairs and Trade</li> <li>• Ministry of Health</li> <li>• Ministry of Transport</li> </ul>	<p><b>APPOINTED BY PUBLIC SERVICE COMMISSIONER</b></p> <ul style="list-style-type: none"> <li>• Comptroller of Customs</li> </ul>	<p><b>MEMBERS SET BY PUBLIC SERVICE COMMISSIONER</b></p> <p>The chief executives from:</p> <ul style="list-style-type: none"> <li>• New Zealand Customs Service</li> <li>• Ministry for Primary Industries</li> <li>• Ministry of Business, Innovation and Employment</li> <li>• Ministry of Foreign Affairs and Trade</li> <li>• Ministry of Health</li> <li>• Ministry of Transport</li> </ul>



NEW ZEALAND  
**CUSTOMS SERVICE**  
Te Manatū Ahu Matua



NEW ZEALAND  
**FOREIGN AFFAIRS & TRADE**  
Manatū Aorere



**MINISTRY OF BUSINESS,  
INNOVATION & EMPLOYMENT**  
HĪKINA WHAKATUTUKI



**MANATŪ HAUORA**  
MINISTRY OF HEALTH



Ministry for Primary Industries  
Manatū Ahu Matua



**TE MANATŪ WAKA**  
MINISTRY OF TRANSPORT



# A clear direction for the border

## Progress was made on the areas of accountability

The Board provided clear direction when a joint response was required to progress the four areas of accountability set by Cabinet:

- > **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 arriving 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 the end-to-end border processes to integrate health risk management, particularly for a robust COVID-19 response, while preparing to reopen the borders
- > managing the significant and pressing **fiscal challenges** that the sector is facing as a result of decreased revenues from cost-recovery activities through the COVID-19 pandemic.

## A clear work programme of joint initiatives was set

The work programme for 2021/22 continued the initial three pillar approach that reflected the significance of COVID-19 and improving the border:

- > *stewardship* – strategy and governance to support the performance of the border system now and into the future
- > *COVID-19* – coordination and facilitation to ensure delivery of the border sector’s contribution to the COVID-19 response
- > *systems improvements* – coordination and facilitation to ensure delivery of key initiatives to support a safe and smart border now and into the future.

## Chief executives led and delivered work through their agencies

The work programme was delivered through the border agencies, led by their respective chief executives, and in partnership with other government agencies and aviation and maritime sector stakeholders.

Chief executives retain individual accountability for their own agencies’ performance and contribution to the Border Executive Board work programme.

The chief executives also retain their usual responsibilities for the performance of their own agencies and accountability to individual ministers.

### Agency abbreviations:

<b>BEB</b>	Border Executive Board	<b>MoT</b>	Te Manatū Waka Ministry of Transport
<b>NZCS</b>	New Zealand Customs Service	<b>MBIE</b>	Ministry of Business, Innovation and Employment
<b>MFAT</b>	Ministry of Foreign Affairs and Trade	<b>MPI</b>	Ministry for Primary Industries
<b>MoH</b>	Manatū Hauora Ministry of Health	<b>MNZ</b>	Maritime New Zealand



# A work programme of joint activity

Border Executive Board		
DCE COVID-19 Group	DCE Systems Improvements and Stewardship Group	
COVID-19	STEWARDSHIP	SYSTEMS IMPROVEMENTS
 <b>Reconnecting New Zealanders</b> <ul style="list-style-type: none"> <li>&gt; Border implementation [NZCS]</li> <li>&gt; New Zealand Traveller Declaration [NZCS]</li> <li>&gt; Pacific Extension [MFAT]</li> </ul>	 <b>Governance</b> <ul style="list-style-type: none"> <li>&gt; Board governance [BEB]</li> <li>&gt; Monitoring performance of the border system and Border Executive Board [BEB]</li> <li>&gt; Providing accountability to Parliament and the public [BEB]</li> </ul>	 <b>Data and privacy</b> [NZCS, MBIE] <ul style="list-style-type: none"> <li>&gt; Policy and legislative settings for border information sharing</li> <li>&gt; Future mechanisms to support information sharing</li> <li>&gt; Information sharing for priority projects</li> </ul>
 <b>Managed isolation and quarantine (MIQ)</b> <ul style="list-style-type: none"> <li>&gt; Short-term capacity [MBIE]</li> <li>&gt; Future of MIQ [MBIE]</li> </ul>	 <b>Strategic direction</b> <ul style="list-style-type: none"> <li>&gt; Border strategy [BEB]</li> <li>&gt; Border system workforce [BEB]</li> <li>&gt; Communications and engagement [BEB]</li> </ul>	 <b>Digital border</b> [MPI, MBIE, NZCS] <ul style="list-style-type: none"> <li>&gt; Digital declaration platform (NZTD)</li> <li>&gt; Technology and algorithms for RTT x-ray scanners</li> </ul>
 <b>Maritime border</b> <ul style="list-style-type: none"> <li>&gt; Commercial – cargo and fishing [NZCS]</li> <li>&gt; Passengers – cruise and recreational [MNZ]</li> <li>&gt; Workforce wellbeing [MNZ]</li> <li>&gt; Strategy [BEB]</li> <li>&gt; Regulatory framework [NZCS]</li> </ul>	 <b>Risk and assurance</b> <ul style="list-style-type: none"> <li>&gt; Risk and assurance frameworks [BEB]</li> <li>&gt; Annual assurance programme [BEB]</li> </ul>	 <b>Integrated border operations and targeting</b> [NZCS, MBIE, MPI] <ul style="list-style-type: none"> <li>&gt; Enhanced integrated targeting and operations center (ITOC), governance structure and information sharing</li> <li>&gt; Targeting service to support 24/7 operations</li> <li>&gt; Enhance integrated targeting and operations center's border operational coordination role</li> <li>&gt; Investigation of viability of a joint venture model</li> </ul>
 <b>Border workforce</b> <ul style="list-style-type: none"> <li>&gt; Border worker testing [MoH]</li> <li>&gt; Border worker vaccination boosters [MoH]</li> </ul>	 <b>Ahumoni hoahoa (finance)</b> [NZCS] <ul style="list-style-type: none"> <li>&gt; Sustainability of the Border Executive Board</li> <li>&gt; Financial sustainability for the border sector</li> <li>&gt; Collective investments</li> <li>&gt; Cost recovery of border charges</li> </ul>	 <b>Health at the border</b> [MoH] <ul style="list-style-type: none"> <li>&gt; Integrating health intelligence and risk assessment</li> <li>&gt; Regular function of health at the border</li> <li>&gt; Established ability to escalate health measures</li> <li>&gt; Integration with maritime</li> </ul>
 <b>Assurance</b> <ul style="list-style-type: none"> <li>&gt; Aviation and maritime border [BEB]</li> <li>&gt; Managed isolation and quarantine [MBIE]</li> <li>&gt; Border workforce [BEB, MoH]</li> </ul>		
 <b>Responding to significant issues</b> <ul style="list-style-type: none"> <li>&gt; Leadership of emerging issues [All]</li> </ul>		 <b>Infrastructure at airports</b> [MoT, NZCS] <ul style="list-style-type: none"> <li>&gt; Agency guidance for the development of Auckland International Airport</li> <li>&gt; Enforceable Regulatory Undertakings / Regulatory airport spatial undertaking</li> </ul>

Responding to emerging issues | System coordination and leadership | Coordination of joint initiatives (BEB)





As at January 2022. [core agency]

# Our progress



# A summary of the year

The Border Executive Board delivered its work programme and accountability.

Lead the border	Lead and coordinate border response to COVID-19	Improve the border	Performance measures <sup>1</sup>
 <p>Chief executives met regularly and provided collective leadership. Stewardship work programme progressed</p>	 <p>Led and coordinated border sector's contribution to COVID-19 response in relation to the:</p> <ul style="list-style-type: none"> <li>&gt; air border</li> <li>&gt; maritime border</li> <li>&gt; border workforce</li> <li>&gt; assurance programme</li> </ul>	 <p>Slower progress with resources prioritised to Reconnecting New Zealand and the New Zealand Traveller Declaration</p>	 <p>3/3 Achieved</p> <ul style="list-style-type: none"> <li>&gt; Ministerial satisfaction</li> <li>&gt; Work programme responds to risk and drives improvement</li> <li>&gt; Applied risk and assurance framework</li> </ul>

**It has been a year of close collaboration with agencies and the maritime and aviation sector highlighting that the sum of the border system is greater than its individual organisations.**

The Board kept the border system connected, provided leadership where there was otherwise no clear, single owner, and ensured activity and advice to Government had a border system view. The dedicated secretariat function provided consistent coordination of activity to support the Board and make it easy for border agencies to connect and deliver the work programme.

The year was very busy for the border agencies as the COVID-19 response adapted to the emergence of the Omicron variant. This changed border processes and, like other businesses, impacted the workforce. Staff worked in bubbles to maintain services, were compliant with mandatory testing and vaccination requirements, and quickly implemented new border activity and processes.

The successful year was due to the strong commitment agencies have to New Zealand's border and the relationships with industry.













A shared purpose enabled challenging issues and situations to be worked through constructively. Processes were developed without certainty and were often re-worked to reflect the unpredictable environment. The Board reprioritised the work programme to keep momentum where it mattered most and progress longer-term activity where practical.

The joint accountability of the Border Executive Board enabled agencies to be clear about their contribution to the border and prioritise their border and non-border work. The ongoing challenge for the Border Executive Board will be that border activities carry different weighting and emphasis across the member agencies. This is addressed by the commitment of chief executives to meet regularly and contribute to the success of the border as a system.

While the progress for the year is shown under the work programme pillars, the contribution of the activity crosses over. These interdependencies are challenging but demonstrate the value of a joined-up approach to border investment and activity.

<sup>1</sup> Performance measure information is reported in the New Zealand Customs Service Annual Report as the administrator of the Border System Performance appropriation.

# Highlights for 2021/22

 <p>Air border reopened with evolving health requirements. Completed the Reconnecting New Zealanders programme, with last step 31 July 2022.</p>	 <p>New Zealand Traveller Declaration successfully launched providing the platform for a digital risk management tool and a digital arrival card in the future.</p>	 <p>COVID-19 vaccine: <b>Protecting Aotearoa</b></p> <p>Public and private sector border workers vaccinated and tested against COVID-19 to protect themselves, travellers and the New Zealanders.</p>
 <p>Responded to continual change from COVID-19 variants that changed air and maritime border processes.</p>	 <p>Maritime pathway for foreign flagged recreational vessels and cruise ships reopened from 31 July 2022.</p>	 <p>Health and safety of border workers supported by aligning practices where multiple border agencies worked alongside one another, supporting surveillance programmes, updating vaccination policies, bubbles, and mixed working models.</p>
 <p>Supply chain maintained with COVID-19 practices and the exemptions process for border workers.</p>	 <p>Health became part of border practices, implemented health border surveillance, and joined the Integrated Targeting and Operations Centre.</p>	 <p>Stronger risk management with increased agency participation at the Integrated Targeting and Operations Centre.</p>
 <p>Opened quarantine-free travel to New Zealand from October 2021 by working with COVID-19-free Pacific jurisdictions Samoa, Tonga, Tokelau and Vanuatu.</p>	 <p>MIQ adapted to frequent changes including length of stay, supporting positive community cases, border arrivals, and finally decommissioning.</p>	 <p>Commitment by chief executives to meet nearly weekly including over the summer holiday period to ensure the border was integrated and met the changing needs of responding to COVID-19.</p>

The annual reports for the six border agencies outline their achievements for the year.



# Stewardship

## Lead the border

Summary of key activity



### Governance

- > Board governance meetings
- > Working arrangements, roles and responsibilities
- > Monitoring performance of the Border Executive Board
- > Accountability to Parliament and the public



### Strategic Direction

- > Border sector strategy



### Risk and Assurance

- > Report back to Cabinet on first year progress
- > Independent assurance of COVID-19 processes and practice
- > Agency assurance of COVID-19 processes and practice



### Ahumoni Hoahoa (Finance)

- > Club funding for the Border System Performance appropriation from 2022/23
- > Supported the New Zealand Traveller Declaration
- > Commenced new levy rate for passengers to move to full cost recovery of border services

*This activity is part of the Systems Improvements work programme and is shown here as it contributes to stewardship.*

The Board met its stewardship responsibilities, meeting regularly during the year to match the momentum of activity requiring collective leadership and joint accountability.

The Board had a busy stewardship role due to the impact of the COVID-19 variants on border settings and the workforce alongside embedding how it operated during its first full financial year.

## Strong foundations for the Board

The working arrangements were confirmed, outlining the responsibilities of the Board members, the Chair, the secretariat team, the six border agencies and

the New Zealand Customs Service as the servicing department and employer of the secretariat team.

The working arrangements are essential to a strong foundation. They enable the Board to operate in a pragmatic, efficient and effective manner while retaining the intent of being an interdepartmental executive board. This reflects how the joint accountabilities and wider responsibilities similar to a department make it different to a traditional governance board. The revised terms of reference and operating protocols were published at [www.customs.govt.nz/about-us/border-executive-board/](http://www.customs.govt.nz/about-us/border-executive-board/).

The financial sustainability of border agencies was progressed. The Border System Performance appropriation is club funded by border agencies from 1 July 2022.

From 1 December 2021 a new rate was set for the Border Processing Levy, which is used to cover the cost of screening passengers and goods as they cross the border. The new rate means that the New Zealand Customs Service and the Ministry for Primary Industries aim to return to a full cost recovery model for these services over the next three years.

## Leadership to prioritise COVID-19 response

The work programme was updated during the year to reflect the change in COVID-19 activity. While all activity is important for a safe and smart border, the Board prioritised effort to the COVID-19 response. Work began on developing the Border Sector Strategy with workshops with the Board and agency deputy chief executives. The strategy will be completed during 2022/23.

## Assurance to get a different perspective

The Board reported to Cabinet on its first year of progress with its: *Collective Responsibility for an Integrated Border System and COVID-19 Border Defences Report Back*. This showed the Border Executive Board has been working at significant pace since its establishment. Progress was demonstrated in the report on accountability and system-level improvements. The Cabinet paper is available at [www.customs.govt.nz](http://www.customs.govt.nz).

Assurance was carried out to ensure the border was operating as it should, there is continuous learning and development, and effective activity continues.

External assurance reviews focused on ensuring COVID-19 responsibilities were implemented correctly and effectively. The findings were positive, with no surprises on the recommendations; many of which were actioned quickly. The reviews are available at [www.customs.govt.nz](http://www.customs.govt.nz).

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## Review of COVID-19 Border Measures – Maritime

Confidence that measures were being applied effectively and to identify any improvements.

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## Review of COVID-19 Border Measures – Aviation

Confidence that measures were appropriately managed, minimising the spread of COVID-19.

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## Rapid Review of Border Worker Testing (MIQ)

Confidence that border workers at managed isolation and quarantine facilities were compliant in a period of heightened risk due to potential infection rates.

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## Review of Border Worker Testing and Vaccination (Maritime and Aviation)

Confidence that border workers were compliant with requirements and risks of infection and transmission were minimised.

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The Board also received assurance from agencies. The reviews of maritime incidents found COVID-19 did not cross the border as a result of practices. Practical improvements had been implemented.

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### Review of Maritime COVID-19 border incidents July – September 2021 [NZCS and MoH]

Identified improvements to practice to minimise the risk of COVID-19 transmission, while maintaining supply chains.

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### August 2021 Rio De La Plata mariner case [NZCS and MoH]

Understand the challenges experienced and identify improvements.

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### Managed Isolation and Quarantine [MBIE]

Awareness of risks to ensure border activity and support to travellers was coordinated and aligned.

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### Quarantine-free travel with Australia [All]

Support continuous improvement, particularly around pauses. Informed future reopening activity.

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## Case study: assurance adding value – Vessel Management Framework

The Vessel Management Framework for Vessels Liable to Quarantine came from the Review of Maritime COVID-19 Border Incidents.

Led by the New Zealand Customs Service and Maritime New Zealand, it was a significant achievement of collaboration with port operators, government officials and public health units (PHUs).

The Framework manages the public health risks posed by vessels liable to, or placed in, quarantine due to COVID-19 in a consistent and collaborative manner, and with the authorisation of public health officials. It also supports the continuity of New Zealand's supply chain.

Nationwide uptake and implementation of the Framework can reduce the demand on resources within the PHUs as they support managing community transmission of COVID-19.

It can be used and adopted at any port with minimal input from government and is an enduring tool to manage COVID-19 or future pandemics of a similar nature.

The Framework has been adapted to support the return of cruise ships in 2022.

## Looking to the future

The Board completed its first self-evaluation in December 2021 reflecting on how it had operated since establishment and what its future intentions should be.

The evaluation showed how attention had been given to present matters, driven by COVID-19. It also showed the desire of the Board to maintain a longer-term view and make deliberate changes to improve the border system. The shift to more attention on improvements and developing the Border Sector Strategy has started.

## Lead and coordinate border response

Summary of key activity



### RECONNECTING NEW ZEALANDERS

- > Border implementation / border sprint [NZCS]
- > New Zealand Traveller Declaration [NZCS]
- > Pacific Extension [MFAT]
- > Quarantine Free Travel [MFAT, NZCS]
- > Air Border Order [MoH]
- > Very high-risk countries [All]



### MANAGED ISOLATION AND QUARANTINE [MBIE]

- > Short-term capacity
- > Reintroducing Australia and other groups into MIQ in response to COVID-19 Delta and Omicron variants
- > Future of MIQ and quarantine capability
- > Isolation and Quarantine Order



### MARITIME BORDER

- > Maritime Border Order amendments [NZCS, MoH]
- > Operational readiness [MoT, MNZ]
- > Communications [BEB]
- > New Zealand Traveller Declaration for maritime [NZCS]



### BORDER WORKFORCE

- > Border worker testing [MoH]
- > Border worker vaccination [MoH, BEB]
- > Border worker booster vaccination [MoH]
- > Supply chain exemptions [MoT]
- > Aligned health and safety practices [All]
- > Workforce bubbles [All]



### ASSURANCE

- > Aviation and maritime border [BEB]
- > Managed isolation and quarantine [MBIE]
- > Border workforce testing and vaccination [BEB, MoH]
- > Review of Maritime COVID-19 incidents [NZCS, MoH]



### RESPONDING TO SIGNIFICANT ISSUES [All]

- > Leadership of emerging issues
- > Omicron response
- > Multi-agency coordination
- > Advice to Ministers and Cabinet to provide a border view

[Core agency]

The Border Executive Board led coordination of the border's contribution to the COVID-19 response.

The Government introduced several layers of border restrictions to prevent COVID-19 from entering the community. These included closing the border to non-citizens and non-residents, pre-departure testing, vaccination requirements for incoming travellers and border workers, mandatory quarantine in a government-managed isolation facility, and post-arrival testing.

## Leadership to keep pace with change

COVID-19 continued to dominate the border's activity through 2021/22. The Omicron variant resulted in a delay to reopening the air border and generated numerous changes to border requirements and processes as the health controls were frequently reviewed and adapted. Throughout this period the Board was involved in ensuring border agencies, and industry partners, worked together and issues were resolved to ensure operational readiness. This required different operational responses for air and maritime travellers.

Manatū Hauora Ministry of Health connected the health response with traditional border responsibilities. This connection was strengthened at the governance level with the Director-General of Health meeting regularly with other border chief executives. The connection was also stronger operationally with health officials present at airports to support travellers and working with maritime ports to enable commercial shipping to continue.

The Board offered support to the Ministry of Business, Innovation and Employment to deliver managed isolation and quarantine (MIQ) facilities by ensuring coherence with border settings and processes. MIQ was a new and challenging system to operate and for travellers to experience. Like the air border processes, MIQ also went through continual change to meet the evolving nature of COVID-19 variants and the Government's COVID-19 response.

## Case study: leading high compliance to mandatory vaccination

The Board provided leadership by taking ownership of ensuring the border sector continued to achieve high compliance rates with mandatory border worker vaccination.

The Border Executive Board Secretariat facilitated implementation of the COVID-19 Public Health Response (Vaccinations) Amendment Order 2021 that required privately employed workers to have a second COVID-19 vaccination by 4 November 2022. It also established the exemptions process to maintain the supply chain with the Ministry of Transport.

High compliance rates were able to be achieved by collectively targeting the meeting of vaccination requirements and collaborating with the Ministry of Health, Ministry of Transport and PCBU's\*. The work involved over 280 PCBU's managing over 12,300 border workers.

There were no unvaccinated workers with recorded attendance at a border site on the Border Worker Testing Register.

This successful experience with border workers was shared with other sectors who moved to mandated vaccination.

\*A PCBU is a person conducting a business or undertaking.

## Reopening the air border

Ahead of the Government's Reconnecting New Zealanders programme, border agencies worked with COVID-19-free Pacific jurisdictions Samoa, Tonga, Tokelau and Vanuatu to open quarantine-free travel (QFT) to New Zealand from October 2021. QFT supported seasonal workers, generating economic benefits for New Zealand and partners.

QFT travel with Australia changed as a consequence of the Delta variant. Australia was returned to the MIQ model due to the Omicron variant.

The Board led activity to support travellers, as much as possible, affected by the pause and subsequent suspension of QFT with Australia. The very high-risk countries model saw intense coordination by agencies to bring together frequent health assessments and changes to immigration and border processing.

Border agencies worked with industry to design new airport processes to reduce the risk of COVID-19 infection.

### Case study: working with industry

The Future Borders Sprint project ran from 16 August to 8 October 2021. It was an eight-week collaboration between the aviation sector and government agencies to identify ways to safely reopen air travel. Over 50 people contributed.

The project was co-sponsored by the Chief Executive of Auckland International Airport Limited and the Chair of the Border Executive Board, and chief executives of:

- > New Zealand Customs Service
- > Ministry of Business, Innovation and Employment
- > Wellington International Airport Limited
- > Christchurch International Airport Limited
- > Air New Zealand.

While the planning in 2021 was unable to be implemented because of the Omicron variant, the work informed the successful reopening of the border in 2022 and the relationships helped with coordination through constantly changing health settings.

The Reconnecting New Zealanders programme was operationalised with the phased reopening of the air border from 11.59pm, 27 February 2022. Step 5, the final step, was completed at 11.59pm on 31 July 2022. Successful implementation of all five steps was a significant achievement, with the Board monitoring progress. The frequent changes to the border settings generated significant workload for agencies to deliver in compressed timeframes.

The New Zealand Traveller Declaration (NZTD) went live on 25 March 2022 to initially support the health response to COVID-19 and to provide the platform for a digital tool to support managing border risks. Since implementation, the NZTD has been updated to add and remove travel requirements in response to Government directives to support the COVID-19 response.

### Maritime pathway fully reopened

The Board monitored risk that may impact the supply chain, particularly around workforce capacity due to workers having COVID-19 or needing to isolate. Te Manatū Waka Ministry of Transport worked with the aviation and maritime sector.

Assurance activity provided insight into what was working well and areas for improvement. The changes were able to be implemented.

The Maritime Border Programme was established to keep supply chains open, reopen the pathway to foreign flagged vessels and cruise ships, and to transition from response to a new and enduring approach. The Programme was led by the Border Executive Board secretariat team to coordinate agencies, with Te Manatū Waka Ministry of Transport ensuring operational readiness to reopen the pathway from 31 July 2022.

### COVID-19 as part of what we do

The Border Executive Board is focused on ensuring the border system is ready for a new COVID-19 variant of concern and the next health event.

# Systems improvements

## Improve the border

Summary of key activity



### DATA AND PRIVACY

[MBIE]

- > Workstream resource redirected to support New Zealand Traveller Declaration
- > Supported integrated targetting and operations centre (ITOC) data sharing discovery phase
- > Mapping and investigation of cross-government data sharing concerns



### DIGITAL BORDER

[MPI, NZCS]

- > Workstream resources redirected to support New Zealand Traveller Declaration
- > Trialling 3D scanners and biosecurity algorithm being developed for improved risk management and passenger experience



### INTEGRATED BORDER OPERATIONS AND TARGETING

[MPI, NZCS, MBIE]

- > New governance model
- > Increased agency representation at ITOC, both operational and senior official level
- > Identifying priority data sharing roadblocks
- > Work plan for new Steering Committee under development



### HEALTH AT THE BORDER

[MoH]

- > Guidance on health measures at the border
- > Trial health presence in ITOC
- > Health presence at airports for COVID-19 response
- > Improved coordination with maritime
- > Recommendations from review of maritime COVID-19 incidents



### INFRASTRUCTURE AT AIRPORTS

[MoT, NZCS]

- > Coordination and representation of cross-agency requirements at New Zealand international airports
- > Ongoing input into Auckland International Airport redevelopment plans (Project Paheko)
- > Engagement with tier one airports to align agency requirements with capital investment planning

[Core agency]

The Board progressed the six Systems Improvements initiatives to improve the border (Ahumoni Hoahoa is shown under Stewardship).

The focus on COVID-19 has enabled aspects of the Border Executive Board work programme to be prioritised for faster delivery. It has also presented significant challenges due to competing demands on resources across a constrained workforce.

During the year the Board made a deliberate choice to focus on the New Zealand Traveller Declaration and Reconnecting New Zealanders. This slowed the pace of Data and Privacy, Health at the Border, Digital Border, and Ahumoni Hoahoa.

The Systems Improvements initiatives are being reinvigorated as border settings stabilise and COVID-19 activity is concluded or moved to being managed as part of how agencies operate.

### Case study: Consistent access to reliable data

In February 2022 the Border Forecasting Network was created to provide a consistent source of forecasting and modelling of passenger, craft, and cargo volumes. This information is used by agencies to contribute to the design of policy and operational planning.

Intelligence, analytical, and forecasting capabilities are drawn from MoT, NZCS, MBIE, MFAT, MPI, MoH, Department of Prime Minister and Cabinet and Joint Border Analytics.

The Network produces six-monthly modelling to inform performance and planning activities of border and transport agencies. A fortnightly dashboard of weekly actuals and forecasts was circulated to agencies to support their COVID-19 response.

The Secretariat team coordinates requests for information. This reduces the administrative burden and rework on agencies and provides those requesting information with a consistent access point for reliable information.

## Data sharing and privacy

Sponsor: Ministry of Business, Innovation and Employment

Investigate and provide recommendations to improve the ability for border sector data to be used to enable an effective border

## Integrated operations and border targeting

Sponsor: New Zealand Customs Service

Provide an integrated watch, warn and respond capability by increasing agency participation and integration at the Integrated Targeting and Operations Centre

## Infrastructure at airports

Sponsor: Te Manatū Waka – Ministry of Transport

Shape the enhancement of airport infrastructure and legislation by representing border sector agencies

## Digital border

Sponsor: Ministry for Primary Industries

Reduce risk to New Zealand and provide a seamless entry for passengers at the border through the development and implementation of a digital arrival declaration and deployment of new x-ray technologies and software

## Health at the border

Sponsor: Manatū Hauora Ministry of Health

Establish a sustainable and enduring health presence at the border to protect from health risks

## Ahumoni Hoahoa

Sponsor: New Zealand Customs Service

Support the financial sustainability of the border sector



## Case study: Stronger risk management through greater agency participation

Located within the Auckland Customhouse, the Integrated Targeting and Operations Centre (ITOC) is a multi-agency border sector headquarters. It brings together agencies and data to provide national coordination of operational border activities relating to people, goods, and craft. As at 30 June 2022, six agencies had staff located with ITOC<sup>2</sup>. ITOC has committed to stronger risk management through greater agency participation making good progress over the year including:

- > *new governance* – shifted from one lead agency to a multi-agency steering group to strengthen buy-in from all members and embed a ‘sector mission’ culture and behaviours
- > *enhancing culture* – added a dedicated position to lead culture of collaboration across participating agencies to embed a shared sector mission and drive day-to-day integration beyond sharing an office space
- > *adding health presence* – Manatū Hauora Ministry of Health is trialling a health liaison role within ITOC to scope capability and capacity requirements for ongoing participation. Participation has included work on emerging health risks, the National Border Solution, establishment of a vaccination database, and the Maritime Health Notification Process
- > *increasing agency representation within ITOC* – Civil Aviation Authority (Aviation Security function) joined, Immigration New Zealand has increased its staff numbers, and MPI are trialling an Operational Coordination role
- > *moving to a 24/7 roster* – greater agency and staff participation has increased the number of border officers able to work a 24/7 roster
- > *fostering joint activity* – Op Toro, a joint agency operation led by MPI and supported by Customs and MBIE, to pilot identification of passengers arriving at the New Zealand border from Indonesia in response to the active foot and mouth disease outbreak. Op Kahu, an MBIE-led investigation into a container of interest, supported by Customs and MPI, leading to prototype a border sector multi-agency risk profile for new airline sectors.

<sup>2</sup> Agencies within ITOC as at 30 June 2022: New Zealand Customs Service; Ministry for Primary Industries; Immigration New Zealand; New Zealand Police; Manatū Hauora Ministry of Health; Aviation Security Service.

# The Year Ahead

## Delivering key activity

COVID-19 is expected to become part of how the border does business, with the lessons from the experience over the last two years applied to readiness for a new variant of concern or another health event.

As the workforce capacity in agencies is freed up from COVID-19 (demands of the response or sickness), the momentum of border improvements will increase.

The key areas of focus will be:

- > finalising the **Border Sector Strategy** including revising the four areas of accountability set by Cabinet
- > implementing processes to support the **return of cruise ships**, with the season starting in October 2022
- > ensuring border agencies are ready and joined up in relation to **COVID-19 variant preparedness**, including continuing surveillance for variants of concern and the post-winter strategy for COVID-19 as it relates to border settings
- > supporting the development of the **future health border strategic approach** and working with the Manatū Hauora Ministry of Health, Te Aka Whai Ora Māori Health Authority and Te Whatu Ora Health New Zealand in the new institutional arrangements for the health sector
- > meeting the **increase in demand of air travel** ensuring effective border processes are in place and supporting positive passenger travel experiences
- > progressing the digital border activity that includes **the next phase of the New Zealand Traveller Declaration** that will deliver a digital arrival card
- > maintaining oversight of the **financial sustainability** of border activity, with particular attention to the third-party revenue collected, informed by border scenarios of traveller and cargo demand.

## Managing challenges

Challenges remain for how the border agencies work together and maximise the interdepartmental executive board operating model. These include:

- > managing competing priorities of non-border work within the six member agencies
- > the ability to create and absorb new initiatives due to the capacity of border agencies workforces, funding and work programmes. This is particularly challenging where funding is fee or levy based
- > collaborating across agencies with different systems and legislation which may limit moving information and people quickly and seamlessly
- > maximising joint accountability and collaboration within the Public Finance Act 1989 and the Public Sector Act 2020.

## Stronger together

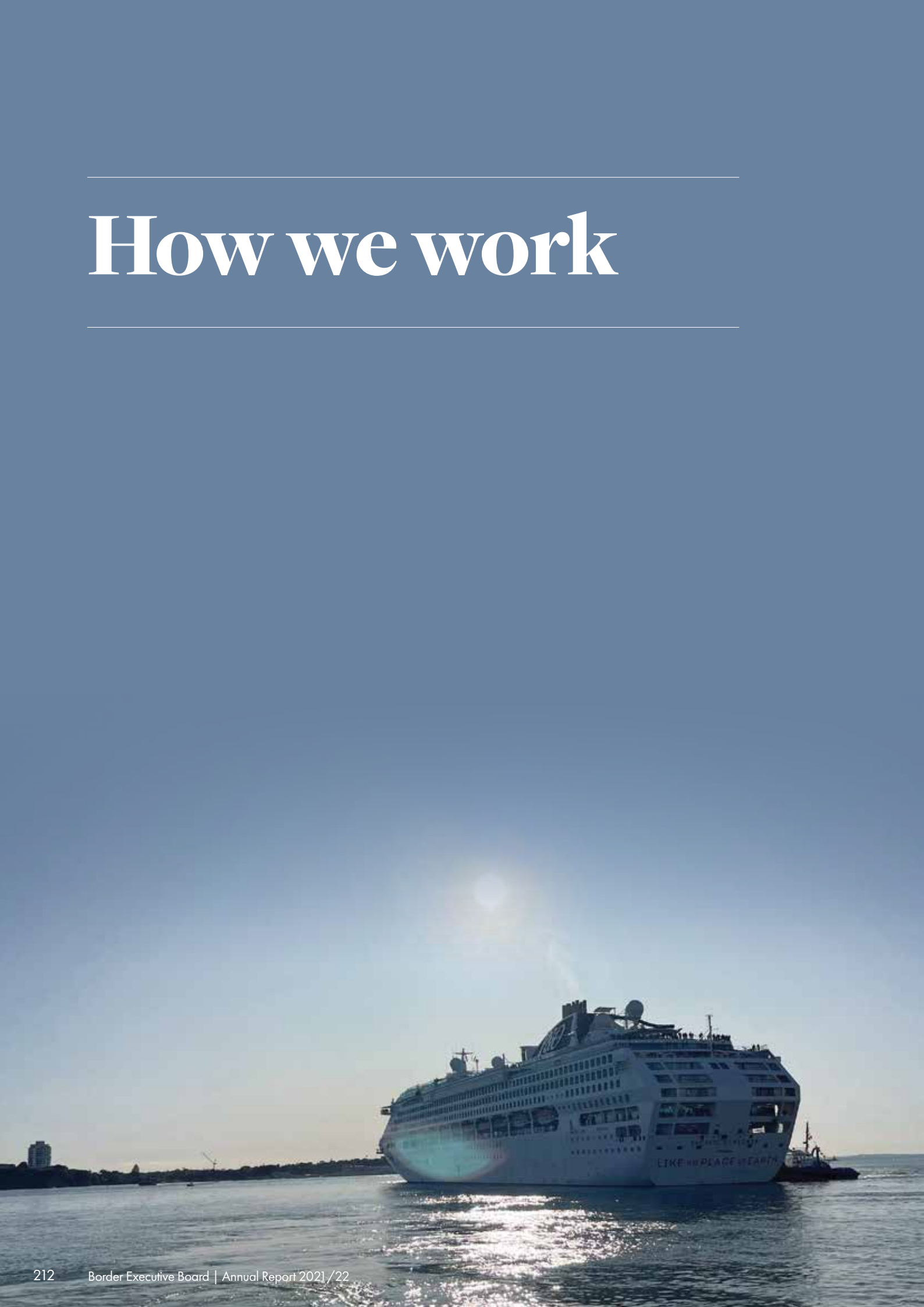
The success of the Border Executive Board and its contribution to the border will be to continue:

- > being deliberate about where joint agency collaboration adds value
- > staying connected as chief executives in times of non-urgency
- > seeking awareness and alignment of individual border agency investment, policy and processes
- > sharing what is working and areas of risk to keep the border system connected and cohesive
- > working in partnership with public and private sector organisations to respond to risk and drive border improvements.

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# How we work

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# Support the Border Executive Board



## Secretariat team

A small group of people support the work of the Border Executive Board



NEW ZEALAND  
**CUSTOMS SERVICE**  
TE MANA ĀRAI O AOTEAROA



## 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 Service Commissioner



## Agencies of the six chief executive members

The six agencies inform, collaborate and implement the Border Executive Board work programme

## A commitment to effective governance

The Border Executive Board chief executives met as required to progress the work programme and manage risk and opportunities.

The Board met 36 times during 2021/22. As the border settings stabilised, the Board has been able to reduce its meeting frequency in 2022, after weekly meetings during 2021. Meetings were held over the summer holiday period to ensure the air border was ready for reopening with appropriate health controls and that travellers were supported with the changes to managed isolation and quarantine.

Meetings scheduled in advance for the year provided the framework for chief executives to easily meet and ensure cohesion between agencies and border activities.

Meetings were moved online at times reflecting COVID-19 restrictions, bubbles and safe working practices.

The Board acknowledged and thanked Peter Mersi and Dr Ashley Bloomfield for their contribution and membership during the year.

- Peter Mersi as Secretary for Transport moved to the Department of the Prime Minister and Cabinet to support COVID-19 and then to Inland Revenue as Commissioner.
- Dr Ashley Bloomfield resigned as Director-General of Health.

## Chair

The Comptroller of Customs is the Chair of the Border Executive Board. The Chair is responsible for leading the Board and ensuring the chief executives meet at the required frequency and they are supported with appropriate information.

The Chair also supported 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 Executive Director of the secretariat team.

The Border Executive Board's terms of reference and operating protocols are published on the New Zealand Customs Service website [www.customs.govt.nz](http://www.customs.govt.nz).

## The secretariat team supports the Board and border agencies

The Border Executive Board is supported by a small secretariat team that provides a foundation for the Board to operate.

The secretariat is funded by the Border System Performance appropriation as part of Vote Customs. From 1 July 2022, the appropriation is funded by contributions from the six border agencies.

## Adding value to the Board and agencies

The secretariat team provided governance and reporting support to the Board, responded to emerging issues, provided system coordination and leadership, and coordinated joint initiatives to support agencies. Examples of activity included:

- taking the lead when there was no clear owner to enable agencies to use their strengths, e.g. the Maritime Border Programme and vaccination of border workers
- providing the opportunity for agencies to easily work together by coordinating groups and sharing information, e.g. very high-risk countries mitigations in response to COVID-19
- sharing with new interdepartmental boards how the Border Executive Board was established and how it operates to maintain the intent of the model.

## Employment arrangements

Secretariat staff are considered employees of, or are seconded to, the New Zealand Customs Service. As at 30 June 2022 the secretariat had six staff. These included secondments from the Ministry of Business, Innovation and Employment, the New Zealand Police and the Ministry for Primary Industries.

The secretariat is led by Fiona McKissock, the Executive Director, who joined on 12 July 2021.

## Oversight groups inform and enable the work programme

Delivery of the Border Executive Board work programme and advice to the Board is supported by a range of oversight groups.

The two Border Executive Board deputy chief executive (DCE) groups met in 2021/22 as follows:

- 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.

The frequency of the DCE COVID-19 Group has decreased to fortnightly as the level of border changes due to COVID-19 has reduced. The frequency of the DCE Stewardship and Systems Improvements has increased to fortnightly as the momentum shifts to border improvements.

It is anticipated that the DCE COVID-19 Group will cease as COVID-19 becomes part of how we do business and significant work is completed, such as the Reconnecting New Zealanders and the Maritime Border Programme.

# 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 2022



Christine Stevenson  
 Chair  
 Comptroller of Customs  
**Te Mana Ārai o Aotearoa**  
**New Zealand Customs Service**



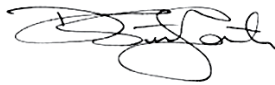
Ray Smith  
 Director-General  
**Manatū Ahu Matua**  
**Ministry for Primary Industries**



Carolyn Tremain  
 Secretary for Business,  
 Innovation and Employment  
**Hikina Whakatutuki**  
**Ministry of Business,  
 Innovation and Employment**



Chris Seed  
 Chief Executive  
**Manatū Aorere**  
**Ministry of Foreign Affairs  
 and Trade**



Dr Diana Sarfati  
 Director-General of Health  
**Manatū Hauora**  
**Ministry of Health**



Bryn Gandy  
 Chief Executive  
**Te Manatū Waka**  
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ISSN 1174-3654 (Print)

ISSN 1177-6455 (Online)

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