



REVENUE REGULATORY SYSTEM

STEWARDSHIP REVIEW AND MATURITY ASSESSMENT

FEBRUARY 2024

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Introduction

1. In 2022, the Trade and Revenue Systems Governance Group agreed to a programme of stewardship maturity assessments of the trade and revenue regulatory systems of Te Mana Ārai o Aotearoa – New Zealand Customs Service (Customs). The revenue system is the first to be reviewed.
2. Stewardship is one of the [public service principles](#) in The Public Service Act 2020 meaning chief executives are responsible for proactively promoting stewardship of the public service.¹ The Government also expects regulatory agencies to adopt a whole-of-system view and a proactive, collaborative approach to the care of their regulatory systems.²
3. Good stewardship reduces the risk of regulatory failure and helps a regulatory system achieve its desired outcomes. To do this we need to look at systems as assets that need to be well managed to deliver effectively over time.
4. The objectives of the review were to:
 - assess the maturity of stewardship of the revenue system, taking into account the critical challenges faced by the system and its ability to respond to those challenges
 - consider what available information tells us about the performance of the system
 - identify information gaps relating to the performance of the system
 - identify and prioritise opportunities for improvements to stewardship
 - identify examples of best regulatory practice and good stewardship that could usefully be shared across Te Mana Ārai o Aotearoa.
5. These objectives will provide assurance over management of system performance and risks and help system stewards identify areas for improvement. Terms of reference for the review is in **appendix 1**. A high-level description of the revenue regulatory system is in **appendix 2**.

Overview

6. This report presents the first maturity assessment of Customs' revenue regulatory system and is the first Customs stewardship maturity assessment. Overall Customs' revenue system is a mature but evolving regulatory system. Public confidence in Customs is high and revenue stakeholders have good working relationships with Customs.

We do well with what we have

7. Staff understand the objectives for the revenue system and are supported by leaders and other work areas to achieve these objectives. Regulatory design is supported by a robust regulatory impact analysis process. Structured guidance and learning is available to upskill staff as a regulator and in an individual capacity.
8. Staff and leaders are effective in front footing and leading on emerging matters, using data and customer insights and doing well with (sometimes limited) resources and tools. Stakeholders benefit from clear communication from our staff and operational guidance that delivers fair and impartial decision making. Dispute resolution is mature and fair.

¹ Including stewardship of its capability and people, institutional knowledge and information, systems and processes, assets and the legislation their department administers.

² The Treasury (2017). [Government Expectations for Good Regulatory Practice](#).

We could operate more effectively as a system

9. This report presents 11 recommendations for change but also additional ideas and opportunities to move the revenue system to a structured, formal state of maturity through system-wide leadership, initiatives and practices.
10. Some parts of the revenue system operate in silo which can result in duplication and non-alignment. All Customs staff would benefit from visibility of the Trade and Revenue Governance Group and knowledge about operating in a regulatory system and what it means for each person.
11. The system can be slow to adapt to new technology and processes and learning from other customs administrations. There is little visibility of issues raised and what happens to them and why (lessons learnt process). Particularly, there is opportunity for a system-wide approach to Māori-Crown partnerships, planning for change implementation and evaluation and giving our staff the time and support to pursue learning so they can be effective regulators and system leaders.

Our approach

12. The approach taken was a panel-based discussion, point-in-time assessment over July/August 2023 as part of using the regulatory stewardship review tool.³ The panel would therefore like the Trade and Revenue Systems Governance Group to note the following:

Findings are primarily based on the judgement and guidance of panel members and the high-level information made available at weekly discussions. There were no separate interviews or detailed information and data gathering.

Some findings cannot be described as evidence-based because reports, documents, data etc were not always available in their entirety within the review timeframes.

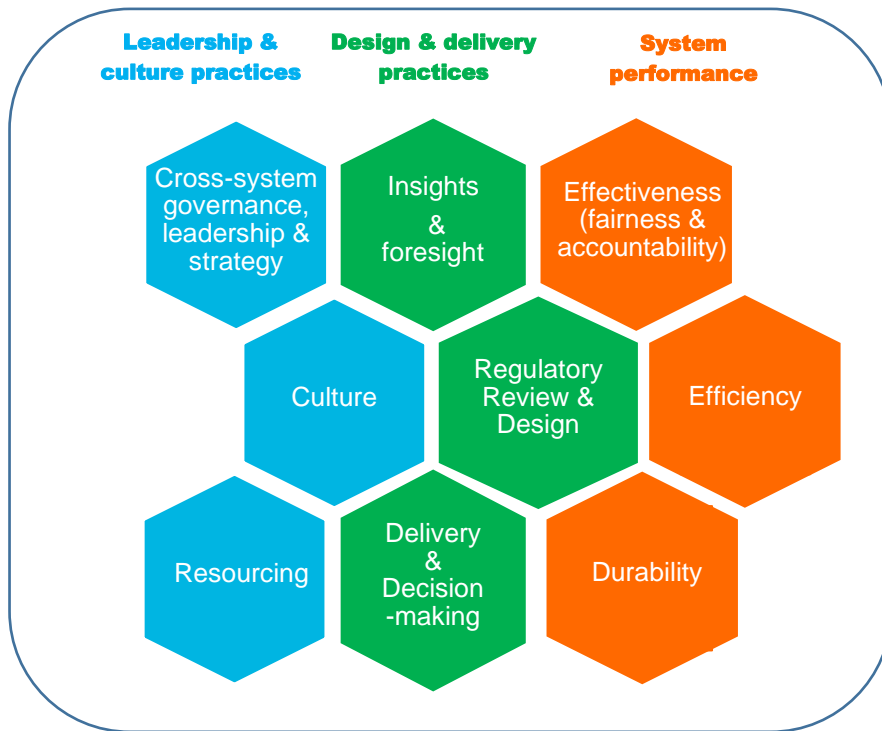
However, our observations and experience do provide some clear recommendations to the Trade and Revenue Systems Governance Group.

13. The panel members and support leads represented Revenue and Assurance (R&A),⁴ Finance and Policy. The panel noted that representation from Border Operations and the Fraud and Prohibition team in Intelligence, Investigations and Enforcement would have benefitted the review.
14. The regulatory stewardship review tool is a performance improvement tool. It assists the panel to understand the current state of a regulatory system, creating a base to identify actions and priorities to move to a desired future state.
15. There are nine components in the tool covering leadership and culture, design and delivery and system performance. See the diagram below.

³ The tool has been developed by the [Ministry of Business, Innovation and Employment](#) for use by regulatory agencies.

⁴ The R&A group consists of Trade Assurance; Valuation, Origin and Classification; Service Delivery; Revenue Management.

Diagram 1: Components of the regulatory stewardship review tool



The tool will not necessarily identify regulatory failure but it will identify whether appropriate arrangements are in place to reduce its likelihood to the extent possible.

It may also identify where a tailored review might be appropriate.

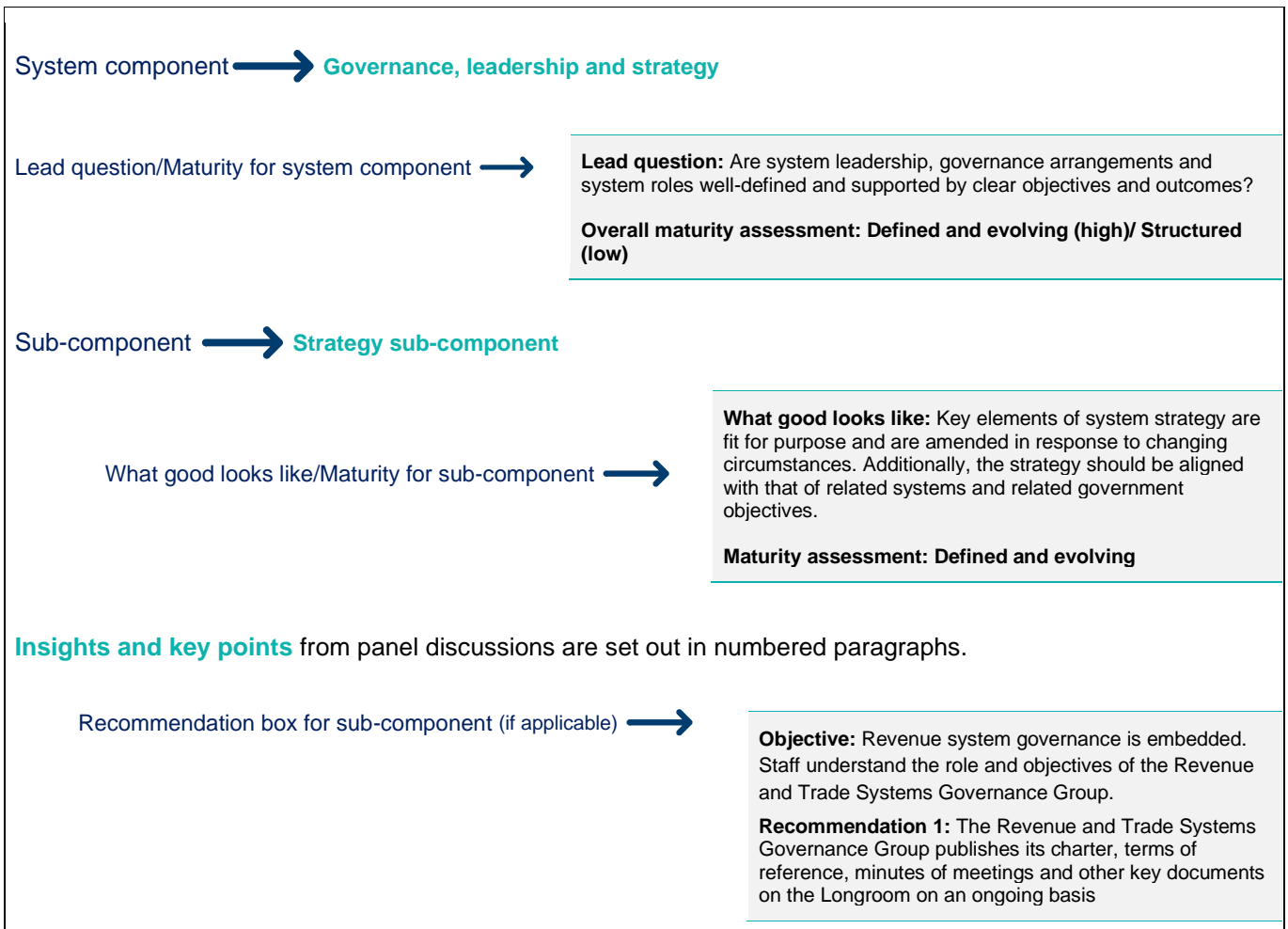
Panel assessments and maturity ratings

16. For each component, the panel worked through:

- lead questions and lines of inquiry
- guidance on what good looks like and how this might be demonstrated (evidence was collected as time and resources allowed)
- what is the current level of system maturity: informal, defined and evolving, structured or optimised?
 - There may also be a sub-ranking: low, mid or high (eg, structured (high)).
 - Split ratings are possible (eg, Structured/ Optimal).

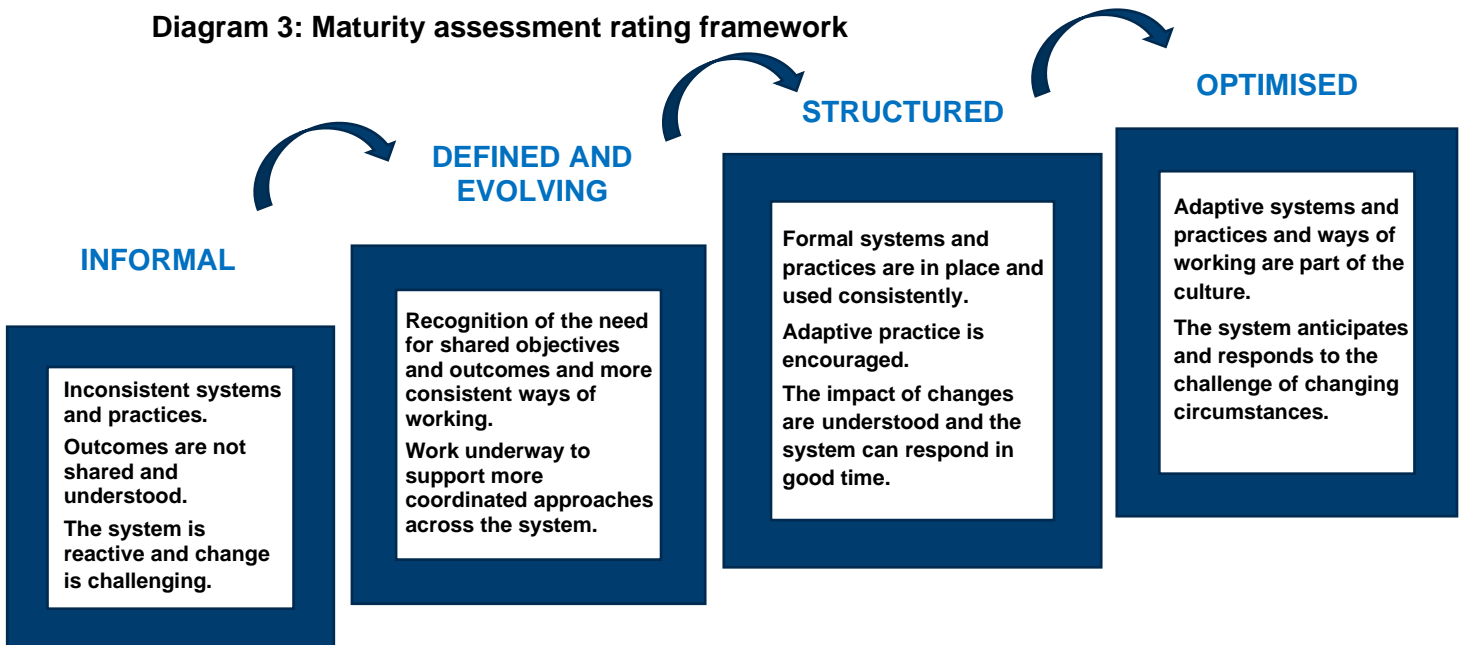
17. Below is a guide as to how the results are set out in this report.

Diagram 2: Headings and boxes in the Findings and recommendations section



18. Below is a guide to the maturity assessment ratings from Informal (lowest maturity) to Optimised (highest maturity).

Diagram 3: Maturity assessment rating framework



Summary of maturity assessments

The table below summarises the overall maturity assessments in the

Summary of recommendations

19. The table below summarises the panel's recommendations.

Table 2: Summary of recommendations

20. Findings and recommendations section.

	Recommendation
1.	The Revenue and Trade Systems Governance Group publicises its role and objectives to staff and regularly makes key documents available.
2.	Discuss the establishment of formal evaluation when implementing new regulatory initiatives.
3.	Promote the consistent understanding and application of processes and procedures, consistent networks and ways of working with other work areas.
4.	Continue promoting a regulatory culture including operating in a revenue regulatory system and what it means for each staff member.
5.	Develop a system approach to Māori-Crown partnership including developing staff capability and a better understanding of working together.
6.	Create a lessons learnt process and repository that is visible to system staff.
7.	Establish a clear succession planning process for all staff and recruitment processes that consider future workforce needs.
8.	Discuss a streamlined business case process with the Enterprise Project Management Office.
9.	Explore a gap analysis of revenue system data and more timely data retrieval.
10.	Promote insights into international experiences etc as normal practice in system design and delivery. Document all insights.
11.	Invest in effective time/ resource planning and ongoing support, make available to staff the feedback and evaluation reports for new projects, tools, systems etc.

Note: Some assessments were assigned a sub-ranking (ie, low, mid or high). The [Governance, leadership and strategy](#) component has both a split and sub-ranking (ie, Defined and evolving (high)/ Structured (low)).

Table 3: Summary of maturity assessments

	Informal	Defined and evolving	Structured	Optimised
How developed are stewardship practices?				
Leadership and culture				
Governance, leadership and strategy		✓ (high)	✓ (low)	
Culture		✓		
Resourcing		✓ (high)		
Design and delivery				
Insights and foresight		✓		
Regulatory review and design		✓ (mid)		
Delivery and decision making		✓		
How developed is the system?				
System performance		✓ (mid)		

Summary of recommendations

21. The table below summarises the panel's recommendations.

Table 2: Summary of recommendations

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15.	Continue promoting a regulatory culture including operating in a revenue regulatory system and what it means for each staff member.
16.	Develop a system approach to Māori-Crown partnership including developing staff capability and a better understanding of working together.
17.	Create a lessons learnt process and repository that is visible to system staff.
18.	Establish a clear succession planning process for all staff and recruitment processes that consider future workforce needs.
19.	Discuss a streamlined business case process with the Enterprise Project Management Office.
20.	Explore a gap analysis of revenue system data and more timely data retrieval.
21.	Promote insights into international experiences etc as normal practice in system design and delivery. Document all insights.
22.	Invest in effective time/ resource planning and ongoing support, make available to staff the feedback and evaluation reports for new projects, tools, systems etc.

FINDINGS AND RECOMMENDATIONS

This section sets out the panel's findings and recommendations across the nine system components: Governance, leadership and strategy,

Culture,

Insights and key points

22. The panel agreed there is plenty of structured guidance for staff to grow their skills and experience, both as a regulator and in an individual capacity (eg, Career Development Board, upskilling opportunities, regulatory practice and management qualifications, Leadership Development Centre).
23. However, there is often not enough resource to allow staff to pursue skill and knowledge improvements (eg, health and safety, legislation). Suggested opportunities to promote and enable high performance include:
 - giving staff time to complete study or training (also discussed under the Workforce planning and skills sub-component)
 - addressing underperformance. There seems to be a lack of examples of what good performance looks like and sometimes reluctance to address underperformance
 - clear explanations from system leaders on the 'why' for new initiatives or directions to get staff buy-in (eg, Ahumoni).

24. Resourcing, Insights and foresight,

[Regulatory review and](#) design,

Insights and key points

25. Overall the panel felt the revenue system is quite mature and fair in dispute resolution.
- There are formal processes for complaints and disputes including administrative reviews of Customs decisions and letters to the Minister of Customs. Customers can also access the Customs Appeal Authority.
 - Administrative reviews of decisions are at no cost. This is quite unique in the international customs environment.
 - The administrative review process operates arms-length as a decision is reviewed by a separate from the work group that made the decision. This does not always happen overseas.
26. Observations and opportunities include:
- the Customs Appeal Authority is expensive. However, some of the cases involve large sums of money and the fee is insignificant for those customers
 - panel members were unsure if:
 - reporting systems for dispute resolution services (eg, administrative reviews) are analysed for potential opportunities
 - Customs assesses its dispute resolution processes against the Government Centre for Dispute Resolution (GCDR) best practice dispute resolution framework. This framework includes best practice principles and standards for dispute resolution services across government.

27. System performance (which combines three components). Each component has sub-components.

Governance, leadership and strategy

Lead question: Are system leadership, governance arrangements and system roles well-defined and supported by clear objectives and outcomes?

Overall maturity assessment for the component: Defined and evolving (high)/ Structured (low)

Strategy sub-component

What good looks like: Key elements of system strategy are fit for purpose and are amended in response to changing circumstances. Additionally, the strategy should be aligned with that of related systems and related government objectives.

Maturity assessment for the sub-component: Defined and evolving

Insights and key points

28. [Rautaki Mana Ārai Customs Strategy 2023-2028](#) includes Customs' vision, purpose and values and four new priority areas (People, Partnerships, Innovation, Technology and Data). These are intended to support Customs' core functions.
29. [Te tautoko i te rere pai o te hokohoko me te kohinga moni](#) - supporting the efficient flow of trade and revenue collection is one of these core functions. Focus areas are:
- encouraging economic growth through facilitated market access and support for New Zealand traders
 - maintaining Customs' active involvement in domestic and international forums and relationships with key partners
 - enabling a high level of voluntary compliance with trade and revenue requirements through simplified and transparent systems and processes.
30. The panel concluded that work area business plans and work programmes generally align with Rautaki Mana Ārai Customs Strategy 2023-2028. This includes promoting the Secure Exports Scheme, working with domestic and international partners to reduce trade barriers, promoting voluntary compliance, identifying and addressing non-compliance with payment requirements, and policy advice to the Government on Crown revenue collection.
31. However panel members were unsure if there is a system-wide understanding of Rautaki Mana Ārai, how it directs operational planning and whether staff can access business plans. System staff may benefit from education about how what we do contributes to Rautaki Mana Ārai and seeing business plans.

System governance sub-component

What good looks like: System governance, leadership arrangements and roles within the system are clear and understood. Arrangements are reviewed periodically for effectiveness and adjustments made.

Maturity assessment for the sub-component: Defined and evolving

Insights and key points

32. Customs has taken a notable step to enhance system governance with the introduction in 2022 of the Revenue and Trade Systems Governance Group to provide strategic oversight of Customs' role in the Crown revenue and trade systems.⁵
33. The panel discussed what 'governance' is and concluded that a role of governance is to seek assurance that the business is operating as it should be without working in the detail of the business. This is consistent with the Revenue and Trade Systems Governance Group's terms of reference (refer to **appendix 3**).
34. There is also best practice governance in terms of:
 - The Customs Executive Board receives regular reporting on Customs' performance metrics including Crown revenue (monthly) and strategic outcomes, performance metrics and priority projects (quarterly)
 - scheduled and ad hoc reviews of how well services or functions are working (eg, five-yearly reviews of Tariff maintenance, three-yearly reviews of the provisional value scheme, current review of Customs' cost recovery settings)
 - Leadership arrangements and roles are made clear through the [Operational delegations manual](#), [operational policies and procedures](#), [operational internal controls](#), fortnightly and monthly reviews of R&A workloads driven by leadership, increased peer reviews of high value revenue collection or refunds, etc.
35. Revenue system governance now needs to be embedded in place:
 - panel members were unsure if staff understand the role of the Revenue and Trade Systems Governance Group.
 - As part of regulatory governance best practice, it is important that the Governance Group is visible and understood by staff.
 - This includes publicising its role, objectives and outcomes and making the revenue charter, terms of reference and other key documents available to all Customs staff
 - it is unclear from the terms of reference if the Governance Group provides the best practice sub-functions or the 'characteristics of good governance' set out in the Ministry of Business, Immigration and Employment's best practice framework for regulatory system governance (refer to **appendix 4**). Governance group papers were not requested by the panel.

Objective: Revenue system governance is embedded. Staff understand the role and objectives of the Revenue and Trade Systems Governance Group.

⁵ Regulatory Charter: Revenue System, March 2022.

Recommendation 1: The Revenue and Trade Systems Governance Group publishes its charter, terms of reference, minutes of meetings and other key documents on the Longroom on an ongoing basis.

Collective understanding of shared objectives sub-component

What good looks like: System objectives and outcomes are clearly articulated with shared ownership from system leaders.

Maturity assessment for the sub-component: Defined and evolving

Insights and key points

36. Customs has a clear articulation and ownership of revenue system objectives and outcomes, including:
 - [Te Waitohu a Te Mana Ārai Statement of Intent 2021-2025](#) as a key accountability document outlines Customs' strategic objectives, primary accountabilities and roles and responsibilities
 - R&A develops annual logic maps as part of the Performance Measurement Framework. The logic maps are discussed with subject matter experts across the business to monitor how R&A is tracking towards strategic outcomes
 - the Prioritisation Tasking Group meets weekly to set investigative and intelligence work in line with Customs' strategic objectives. The group then prioritises and resources the work in a 'work in progress' document to managers.
37. However, some panel members have observed that there is not always a strong appreciation by Customs staff of Customs' revenue collection and its contribution to Government outcomes:
 - revenue collection is sometimes seen as an auxiliary function to other Customs functions
 - understanding can also vary among revenue system staff (eg, Finance, Revenue Policy and Revenue Management strongly appreciate Customs' revenue role and understand how the revenue is spent. Valuation, Origin and Classification (VOC) and Trade Assurance staff have an understanding of what to achieve; the 'how' less so in some instances).
38. Changes in global risk has seen the Customs Investigations Unit now cover fraud, tobacco and financial crime with a new Fraud and Prohibition team. The panel questioned whether Customs has enough forensic accountant expertise. Customs skills is also discussed under the [Workforce planning and skills](#).

Risk management sub-component

What good looks like: System leaders use effective risk management practices to promote a shared understanding of system risks and direct activity where there is the greatest risk of harm.

Maturity assessment for the sub-component: Structured

Insights and key points

39. Overall the panel thought the provision of risk management plans and practices are fairly mature across the revenue system including:
 - work areas have the Customs [risk management guidelines](#) to follow
 - [internal controls](#) across operational areas test and monitor risks on a regular basis
 - legislation, delegations and processes manage risks (eg, securities on temporary imports, enhanced pre-licensing risk assessments, assurance process for all new policies and procedures undertaken before signing off)
 - the Audit Office periodically reviews Customs' processes and practices.
40. However the panel noted that in the time available it could not verify if all work areas have a risk register, risk matrix and a risk management plan.

Monitoring and evaluation sub-component

What good looks like: System oversight is supported with effective monitoring and evaluation activity to assess performance against system objectives and outcomes.

Maturity assessment for the sub-component: Structured

Insights and key points

41. Based on the panel's knowledge and evidence available, the panel concluded that monitoring and reporting is very good:
 - Customs' performance measurement framework integrates our key external and internal performance reporting measures and enables reporting on progress and outputs.
 - Customs reports annually to Parliament and the public via the annual report, quarterly to the Minister of Customs and monthly to the Customs Executive Board.
42. Customs monitors and reports externally on the following output performance measures:
 - revenue collection: amount, percentage collected by due date, debt write off as percentage of total Crown revenue collected
 - identify and address trade and revenue non-compliance: number of risk-based trade compliance audits and compliance rate of these audits,⁶ compliance rates of randomly

⁶ R&A audits higher-risk companies and trading activities to ensure trade and revenue is being correctly declared.

selected import entries;⁷ percentage of fraud, financial crime or tax evasion-related investigations where prosecution is initiated.

43. Multiple work areas monitor performance across the revenue system:

- R&A 120-day plans for bigger projects track progress and highlight what's coming up
- Policy and Finance report monthly on work programmes to their deputy chief executives
- Finance produces quarterly and monthly reporting to the Customs Executive Board and Assurance and Risk Committee which focuses on our output performance measures, an overview of the strategic and operational performance and how we are tracking against our year-end performance targets (see the
-
- [System governance](#) for more information)
- CusMod reporting, administrative penalties data and other information/ data can identify themes (eg, declarants' performance is trending down - what impacts will this have?)

44. But there is room for improvement:

- a known system weakness is in evaluating policy implementation and outcomes to improve system performance. The panel thought some simple tools and processes could be introduced to implement evaluation (starting on a small scale)
- the panel was unsure if there are effective feedback loops on how policies are working. Good governance means feedback loops are built into the system. The panel did note there are good examples of bottom-up feedback loops (eg, SME feedback to system leaders/ Policy/ Legal; periodic set reviews of operational policies and procedures).

Objective: System oversight is supported by monitoring and evaluation activity to assess performance against system objectives and outcomes.

Recommendation 2: System leaders develop simple evaluation methodology practices and tools and incorporate this into project monitoring, review and closure reporting.

Compliance and assurance sub-component

What good looks like: System governance provides oversight to ensure compliance with data collection obligations, operational policies and any other key requirements. Assurance arrangements ensure that the system is delivered as intended and in compliance with relevant legal and ethical requirements.

Maturity assessment for the sub-component: Defined and evolving (high)

Insights and key points

45. Staff have well defined rules and guidance to make and communicate decisions. This ensures decision making is consistent, fair and legally correct (eg, [Knowledge Guides](#), [operational policies and procedures](#), [work area learning](#), [legal advice and guidance](#)).

⁷ Assessment of documentation provided to Customs for processing to provide assurance of a general level of trade and revenue compliance across imports.

46. Assurance arrangements include:

- [internal controls](#) are set for compliance with operational processes
- [assurance process for new policies and procedures](#) before signing off (ensuring documents are reviewed for risk and integrity, compliance with legislation and policy intent etc)
- work areas working closely together ('mahi-tahi') to ensure solutions are deliverable and meet key requirements (eg, Revenue Policy works closely with operational teams, Finance and Legal Services to develop regulatory solutions).

47. The panel noted some shortcomings:

- staff inconsistency in applying processes and procedures across the country or between work areas. Reasons may include staff not locating the right documents (eg, procedures, correct form), relying on their own or colleagues' knowledge instead, outdated guidance, and a lack of training or awareness in processes and legislation
- multiple sources of information (sometimes inconsistent with each other) and a lack of direction on the hierarchy of information (what do I use/trust and when). It can be overwhelming and confusing if staff do not know where the source of truth is
- the deployment model may hinder relationship and knowledge building. Redeployed staff need to reset their knowledge of relevant legislation and processes and reset their relationships with other work areas (eg, policy contacts).
- interactions can sometimes be based on experience or established relationships. There is an opportunity to establish a common understanding or a conduit point
- some staff and leaders do not always know when to dig deep into an issue (eg, discuss/analyse an issue early on with Policy or Legal) or understand what Policy and other work areas do.
 - An example is where staff altered practice to achieve a good outcome for customers seeking a concession but did not address the fact it was not lawful or in line with current policy. The concession has now been updated to align with current practice.

Objective: Staff know how and when to comply with operational policies and guidance and to work with the right people to deliver effective outcomes.

Recommendation 3: The Revenue and Trade Systems Governance Group develops a change programme that drives staff to use endorsed policies, knowledge guides, learning tools, staff networks and other information sources in regulatory delivery.

Culture

Lead question: How well is an effective regulatory culture promoted and maintained?

Overall maturity assessment for the component: Defined and evolving

Culture nature and objectives sub-component

What good looks like: The system has a clearly defined regulatory culture. There is an understanding of who the customer is and the views of a diverse range of stakeholders is sought.

Maturity assessment for the sub-component: Structured (low)

Insights and key points

48. The panel felt that generally the revenue system is promoted as a regulatory system, staff have a good understanding of revenue system objectives and understand who their customers are (internal and external).
49. There are a number of stakeholder groups with a broad membership to ensure a diverse range of views (eg, Border Reference Group includes the Board of Airline Representatives of New Zealand and the Customs Brokers and Freight Forwarders Federation of New Zealand).
50. Stakeholder reference groups are often established as part of large or complex regulatory reviews to test proposals (eg, review of the Customs and Excise Act 1996). The current goods cost recovery review will also set up a stakeholder reference group.
51. Connections and engagements with stakeholders are generally at a system level rather than individualised. The panel thought that generally courageous conversations do take place between stakeholder groups and Customs.
52. Ongoing regular education and system leadership will contribute to embedding a regulatory culture.

Objective: The revenue system has a clearly defined regulatory culture. Staff understand how to work within and across the revenue system to deliver value to the public and stakeholders.

Recommendation 4: The Revenue and Trade Systems Governance Group develops a strategy to ensure staff understand what it means to be part of a regulatory system and how they contribute to a well-functioning revenue system.

Alignment, coordination and connections sub-component

What good looks like: System leaders and system participants work across the system to encourage alignment and coordination, integrate services and deliver value to stakeholders.

Maturity assessment for the sub-component: Defined and evolving

Insights and key points

53. Formal arrangements are in place with external industry, government agencies and international partners to encourage cooperation and to deliver services (eg, memorandum of understanding, regular stakeholder meetings, international B5 forum).
54. As a system, staff do things well in their work areas but not always together as a system:
 - changes can happen in isolation and other work areas do not necessarily know when these have happened or who delivers the final results (The panel noted that monthly R&A staff meetings are no longer held)
 - staff and system leaders sometimes, but not always, question if certain tasks/things are still relevant or if we understand the issue/opportunity
 - relationships across or outside the revenue system to seek assistance can be team-based rather than system-based.
 - a small number of experts tend to be relied on by other staff.

Māori-Crown partnerships sub-component

This is the first assessment that looks at the Māori-Crown partnership. See also under the Māori-Crown partnership_under the

55. Regulatory review and design component.

What good looks like: Māori-Crown partnership obligations are embedded as 'just part of how things are done' and are a fundamental feature of regulatory review, design and delivery.

Maturity assessment for the sub-component: Informal

Insights and key points

56. The panel noted that Customs is committed to progressing its Māori-Crown partnership obligations, including:
- Customs' Te Pou Tokomanawa strategy includes an Iwi Engagement Strategy in its early stages and increasing staff knowledge of te reo Māori and tikanga Māori
 - Policy is developing a Māori-Crown Relationship Capability Plan that includes a framework for identifying Te Tiriti, Treaty of Waitangi implications in policy proposals. Policy and legislative proposals in Cabinet papers must outline Te Tiriti implications
 - Staff have [Te Kura](#) Learning Room modules and have completed some training to understand Māori-Crown partnership (eg, the Wall Walk)
 - A new position has been established in Service Delivery to support Māori business into the Secure Exports Scheme: Senior Customs Officer Grade 2 (Outreach to Māori). However, we need to include work on what we can do to better support Māori beyond the Secure Exports Scheme.
57. Te Arawhiti The Office for Māori Crown Relations created [Whāinga Amorangi](#) to support public service chief executives to meet their Māori-Crown relations responsibilities under the Public Service Act 2020 and to lift the capability of their people to engage with Māori.
58. The panel agreed that Customs does not yet have Māori-Crown partnership obligations embedded as operational practice. We are still on a journey to a partnership approach of working together with Māori:
- system leaders and staff would benefit from greater knowledge, exposure and guidance
 - there is an opportunity to have a system-wide (and Customs-wide) approach to Māori-Crown partnerships across regulatory review, design and delivery.
59. The panel noted there are limitations on sharing information across government on names and contacts for Māori businesses and there can be a siloed approach across government to working with Māori.

Objective: Māori-Crown partnership obligations are embedded as part of regulatory review, design and delivery.

Recommendation 5: The Revenue and Trade Systems Governance Group develops a Māori-Crown partnership plan providing a system-wide approach to recognising and supporting Māori business and individuals and increasing staff capability and knowledge.

Robust discussion and identifying opportunities sub-component

What good looks like: Innovation is encouraged and ideas are welcomed from all system participants. There is scope to build and test solutions to emerging challenges. System participants are empowered to raise issues, challenge methods and ways of operating.

Maturity assessment for the sub-component: Defined and evolving

Insights and key points

60. The panel agreed that staff generally feel safe to raise issues or suggest improvements with people leaders or in team meetings. They may also be encouraged to take on an issue themselves as part of continuous improvement.
61. Stakeholders also have the opportunity to:
 - raise issues and contribute to innovations and solutions through industry meetings or reference groups (eg, monthly forums, workshops as part of the Customs and Excise Act 1996 review)
 - provide feedback (eg, Customs National Contact Centre). This is discussed further under the Insights of system participants and key stakeholder needs sub-component.
62. However, the panel identified:
 - there has been a history of issues raised but not fixed for various reasons (eg, resourcing, prioritisation)
 - there is little visibility of what issues have been raised and what happens to them and why (lessons learnt process)
 - some internal feedback loops are informal or ad hoc (an exception is the email address on each document for feedback on operational policies and procedures)
 - customer experience surveys could provide an opportunity for broader system participants to raise issues and ideas for improvement.

Objective: Staff innovation and ideas are documented and tested for solutions to emerging challenges.

Recommendation 6: Revenue & Assurance creates a lessons learnt repository that can be accessed by all staff and a continuous improvement approach to embed lessons learnt into Customs processes and practice.

Driving and enabling high performance sub-component

What good looks like: System leaders model and promote behaviours that encourage good regulatory outcomes (eg, conflict of interest management, operational flexibility, adapting to change, continuous learning, challenge, speaking up, safety and wellbeing).

Maturity assessment for the sub-component: Defined and evolving (high)/ Structured (low)

Insights and key points

63. The panel agreed there is plenty of structured guidance for staff to grow their skills and experience, both as a regulator and in an individual capacity (eg, Career Development Board, upskilling opportunities, regulatory practice and management qualifications, Leadership Development Centre).
64. However, there is often not enough resource to allow staff to pursue skill and knowledge improvements (eg, health and safety, legislation). Suggested opportunities to promote and enable high performance include:
 - giving staff time to complete study or training (also discussed under the Workforce planning and skills sub-component)
 - addressing underperformance. There seems to be a lack of examples of what good performance looks like and sometimes reluctance to address underperformance
 - clear explanations from system leaders on the 'why' for new initiatives or directions to get staff buy-in (eg, Ahumoni).

Resourcing

Lead question: How well does resourcing ensure the effective functioning of the system?

Overall maturity assessment for the component: Defined and evolving (high)

Funding sub-component

What good looks like: System leaders understand the financial resources, information technology and people capability needed to deliver the system's functions effectively. Funding is sufficient to deliver the required regulatory functions and services. Funding mechanisms support appropriate allocation of resources and activities.

Maturity assessment for the sub-component: Structured

Insights and key points

65. A general view of the panel is that system staff have the ability to make things happen and deliver solutions with the funding given (operating in a 'culture of self-sufficiency').
66. Formal funding mechanisms support the allocation of resources:
 - the Treasury allocates Crown revenue to Customs. The Customs Executive Board approves the allocation of the Customs budget to different work areas. People leaders receive a set annual budget⁸
 - budget holders track spending using the budget monitoring tool in Ahumoni and participate in a 'bottom-up' process to help set up the budget for the following year.
67. Customs' cost recovery framework includes principles (equity, efficiency, justifiability and transparency) to guide new revenue proposals and ensure the levy rates are fair and provide sufficient funding to our services.
 - Based on the current recoverable rate, Customs can recover 60 per cent of the increased operating costs through third party levies/fees revenue
 - However, these cost recovery options cannot be relied on to fund all of our operating cost pressures.
68. Technology has enabled some cost savings (eg, MS Teams meetings v travel costs) as Customs faces significant financial challenges with an expectation to be more efficient each year and self-fund our emerging cost pressures. Technological solutions are an example of having to spend to ultimately save.
69. A panel view was that some work areas receive sufficient funding in the budget allocation while others make do with less.

⁸ Most of the budget is for personnel costs with 15 per cent for travel and accommodation and a small portion for other costs (eg, training, catering).

Resource prioritisation sub-component

What good looks like: Resourcing is prioritised across the system to support effective system functioning.

Maturity assessment for the sub-component: Defined and evolving (high)/ Structured (low)

Insights and key points

70. System leaders allocate the staff budget and prioritise resources across the work programme accordingly (eg, Trade Assurance audits are prioritised against their risk matrix and funded). Resource prioritisation tends to be top down with some feedback loops upwards.
71. The panel noted that a robust and integrated multi-year financial view has been provided to Customs Executive Board each quarter. This view includes an update on our multi-year operating budget and forecast, our latest forecast revenue and fiscal position and the options to manage upcoming fiscal pressures.
72. The visibility and transparency provided through this organisation-wide view helps system leaders understand how our decisions today will affect our organisational sustainability and help with our strategic decision making on resource priorities and trade-offs.
73. The panel was unaware if there is progress monitoring of activities to measure budget spend v expected outcomes, preparing to stop activity if necessary. A current work programme addressing financial sustainability and effectiveness may include this.

Workforce planning and skills sub-component

What good looks like: System leaders support and prioritise workforce professionalisation activities. Workforce capacity and skills should match the demand for regulatory functions and services and planning should provide for this over time.

Maturity assessment for the sub-component: Defined and evolving

Insights and key points

74. R&A has a talent pool of deep knowledge as well as new people from across Customs. System leaders actively identify knowledge gaps and look to upskill staff.
 - Structured guidance and training is available to staff both as a regulator and in their individual capacity (eg, upskilling opportunities, [formal regulatory qualifications](#), [Career Development Board](#), [Leadership Development Centre](#)).
 - There are a range of workforce capability tools available including the [Performance Review and Development process](#), [talent management conversations](#) and Learning Room modules.
 - People and Capability works with R&A on recruiting to fill talent and skills gaps.
75. The panel identified opportunities for improvement in workforce planning and skills:
 - there is often not enough resource to allow staff to pursue strategic learning or upskilling (eg, health and safety, legislation). Staff are not always given the time to complete study or training
 - in many cases, training has devolved to be driven by the staff member (eg, peer

mentoring/coaching can end up being informal or ad hoc rather than formalised)

- succession planning needs to be consistent - things have fallen over when people leave.
- we are missing some IT expertise - when a new system is implemented the experts 'walk away' as they tend to be external contractors. We do not always have what we need from our systems or understand its full capability as a result.

Objective: System leaders support and prioritise workforce learning and succession planning.

Recommendation 7: The Revenue and Trade Systems Governance Group implements a process to prioritise upskilling of staff and succession planning.

System capability requirements sub-component

What good looks like: System leaders use insights and assess current and future resourcing/capability needs periodically to identify gaps or changing/emerging needs. Where needed, existing plans and strategies are adjusted or new plans created.

Maturity assessment for the sub-component: Defined and evolving

Insights and key points

76. Overall Customs staff are conscious of funding and ready to design solutions ourselves. This means we can be innovative, adaptive and responsive using the resources we have on hand (also discussed under the Funding sub-component. On the flip side the panel commented this can mean:
- some ineffective long term solutions rather than doing it once and doing it right
 - sometimes it can be better to spend more to ultimately save
 - moving from identifying resources and capability needed to obtaining these does not always happen.
77. Panel members also questioned whether pulling together a business case to obtain funding or resources is complicated and may discourage staff.
78. Opportunities to consider include:
- Customs could benefit from closer recognition of when we need to look externally for solutions (being mindful of experiences with external IT contractors – see above under the [Workforce planning and skills](#))
 - establishing feedback loops so staff understand why decisions are made to not obtain resources, implement proposals etc.
 - exploring support and guidance that can streamline or upskill staff capability to develop business cases.

Objective: System leaders are assisted in developing business cases to support effective functioning of the revenue system.

Recommendation 8: System leaders develop support, guidance and training for preparation of business cases in partnership with Enterprise Project Management Office.

Insights and foresight

Lead question: How well is information used to inform system improvement strategies, identify emerging risks and opportunities and to anticipate change?

Overall maturity assessment for the component: Defined and evolving

Knowledge and intelligence sub-component

What good looks like: Effective and efficient data stewardship and information sharing practices are promoted and encouraged across the system. Data and information are used to generate insights that can support improvements to system design and delivery.

Maturity assessment for the sub-component: Defined and evolving

Insights and key points

79. The general view of the panel was that the revenue system has a lot of data and information available and it is used to inform insights and decision making.
 - Data and information that is used to support improved system design and delivery includes the activity based costing model, Nexus datasets and reports, and Revenue Management processes that identify risk and the ongoing validity of individual deferred accounts (removing the 'unknowns' for Customs).
 - The [Time Release Study 2023](#) is an internationally recognised measure of the time it takes to complete various border events and procedures from arrival to release to market. By measuring its performance, Customs can identify improvements.
80. The panel also recognised shortcomings and opportunities to support improvements in regulatory design and delivery:
 - a gap analysis (if not done recently) would be valuable - are we getting the data needed to support meeting the objectives of the revenue system? (eg, Personal Import Declarations costings does not get into the detail of who in Customs does which could inform insights and decision making)
 - there can be lengthy delays in getting the data needed. One panel member questioned whether it is always provided in a user friendly form. One panel member commented that *"we can do things quickly if we talk to the right people"* (this points to possible over-reliance on individual relationships rather than a system-wide approach)
 - Revenue Policy has requested data from the Performance Analysis and Reporting team and undertaken the analysis themselves. The Joint Border Analytics team is working with Revenue Policy to provide data that can demonstrate impacts of goods cost recovery fees impacts on stakeholders
 - the JBA team is building a 'self-service dashboard' for trade data, which would overcome time lags in receiving some data. A revenue data self-service dashboard would be worth exploring (to be used by operational, Policy, Finance staff etc)
 - Customs is not always good at managing the data we collect. We need to front foot data maintenance (eg, ensuring customer contact details in Trade Single Window are current)

- a collective understanding of how the information systems used in the revenue system fit together and who owns what (eg, MEG, Trade Single Window, CusMod) assist data and information stewardship.

Objective: Data is used effectively to generate insights that support improved system design and delivery.

Recommendation 9: The Revenue and Trade Systems Governance Group commissions a gap study of revenue system data: its availability and analysis to support decision making and evaluation.

Horizon and environmental scanning sub-component

What good looks like: System leaders carry out horizon and environmental scanning activities to integrate insights on emerging needs, trends, issues and risks.

Maturity assessment for the sub-component: Defined and evolving

Insights and key points

81. Customs uses intelligence information to identify trends and risks. There is also the in-house capability to forecast revenue to inform cost recovery settings (noting this is a legislative requirement). The remittance of the use of money interest (UOMI) in the February 2023 weather events was a proactive example of revenue system staff using data to respond to an emerging and urgent issue.
82. The panel noted that unlike Inland Revenue, Customs does not undertake Crown revenue forecasting. Instead, Customs runs checks against the Treasury's forecasting figures.
83. However, panel members felt that Customs, including the revenue system, is not always advanced in using trends and acting upon them (eg, recognising emerging overseas trends and front footing it domestically). Learning from overseas experiences is also discussed briefly under the [Review and design](#).

Monitoring and evaluation sub-component

What good looks like: Monitoring and evaluation provide insights into system performance and impact. Monitoring and evaluation is applied in a systematic way to specific programmes and major projects.

Maturity assessment for the sub-component: Structured

Insights and key points

84. Customs has a good monitoring and evaluation system for the revenue system. Refer also to the [Monitoring and evaluation](#). The current review of goods cost recovery settings is using trends and data to inform policy recommendations.
85. Work is being undertaken on how the administrative review process is working for private import declarations (PIDs) and the revenue collected. A lessons learnt process has been identified as needed for administrative reviews. Lessons learnt is also discussed briefly under the [Robust discussion and identifying opportunities](#).

86. In general, Customs is always reviewing its performance and reacting - just not always at pace: *"Customs is a big ship and can take a long time to turn"*.

Insights of system participants and key stakeholder needs sub-component

What good looks like: Work is carried out to understand the needs of the public/regulated parties.

Maturity assessment of the sub-component: Structured

Insights and key points

87. Panel members noted that monthly industry sector meetings are held with staff from R&A, Border Operations and ITOC attending (eg, meetings with customs brokers and fast freight operators). These work well in providing an opportunity for industry bodies and Customs to discuss regulation, emerging issues and what is working well.
88. The panel recognised opportunities:
- a lessons learnt process for administrative reviews could provide insight into the views of public and stakeholders (mentioned above under the
 - [Monitoring and evaluation](#))
 - if not already in place, a formal review of themes that emerge from Customs Appeal Authority decisions to understand stakeholder needs and themes. This is discussed further under the Stakeholder involvement in improvements.

Acting on insights sub-component

What good looks like: System leaders use insights to drive understanding of risks and system effectiveness so they can adjust system activity where needed to ensure the delivery of system outcomes.

Maturity assessment for the sub-component: Structured (low)

Insights and key points

89. Customs has structured reporting and intelligence systems which inform decision makers within the regulatory system. Policy and legal frameworks enable insights into risks and potential impacts when making recommendations or giving advice.
90. As noted above under the [Knowledge and intelligence](#), the Time Release Study 2023 on air and sea freight is used to identify areas of improvement.

Regulatory review and design

Lead question: How well do review and design activities take account of change, resourcing, international regulatory approaches and involve the public/affected parties?

Overall maturity assessment for the component: Defined and evolving (Mid)

Review and design sub-component

What good looks like: Regulatory review and design (policy and services) is informed by behavioural insights, people-centred design, evidence and international alignment and norms.

Opportunities for improvement to system design and delivery are identified and prioritised according to urgency and the ability to contribute to system objectives.

Maturity assessment for the sub-component: Defined and evolving

Insights and key points

91. Customs is undertaking several reviews of legislative and policy settings including goods cost recovery settings and the compensatory interest threshold. Policy proposals are based on data and evidence.
92. Customs is modernising its legislation using best practice policy and legal frameworks.
 - A review of the Customs and Excise Regulations 1996 and Customs Rules is underway to ensure the legislation is fit-for-purpose
 - In September 2023, the Tariff (Part II) was amended to clarify some of the conditions relating to concessions 80 and 81 where arriving passengers' baggage and household effects are entered duty free⁹
 - A new Customs and Excise Act came into force in 2018
 - The Customs and Excise Regulations 1996 were amended in 2017 to streamline, modernise and improve assurance over the collection of excise and excise-equivalent duty.
93. The panel identified some shortcomings and opportunities for change:
 - Customs collects data and information to deliver our services but there are opportunities to get more customer insight into how well we are doing (eg, what are their pain points?)
 - there is also space to learn more from international experiences which can save us time and money. The fruit tobacco excise rate change is a good example where a R&A team identified a problem, looked at international experiences, tested and modelled options, and approached Policy to discuss change
 - it can take time for an issue to 'come through' – a proactive person or a team identifies the issue and escalates it. Assigning staff the time and priority to get traction on an issue sometimes restricts progress. Trade Assurance does operate a prioritisation matrix to try and move opportunities forward

⁹ Refer to the Cabinet material on the [Customs website](#).

- system leaders and staff need to be mindful that if a problem is out of our control then we do not always do it well (eg, conditions set by external providers). We tend to do better when it is in our control – there could be learnings that can be applied when problems are out of Customs control
- designing a system that is more structured and adaptable. The system can tend to be single-focussed and reactive (noting that many initiatives have delivered big benefits)
- documenting insights that system leaders and staff consider or act on to inform future review and design - even if these insights are negated or discarded.

Objective: Regulatory review and design (policy and services) is supported by insights into international practices and experiences.

Recommendation 10: System leaders promote gathering insights into international practices and experiences etc as part of system design and delivery. This includes working with Customs liaison officers and documenting all insights.

International regulatory alignment and cooperation sub-component

What good looks like: Alignment with international regulatory approaches or cooperation with international counterparts is considered in the design of new regulation or services. The system is aligned with international norms unless there are specific reasons otherwise.

Maturity assessment for the sub-component: Defined and evolving/ Structured (low)

Insights and key points

94. Customs takes step to ensure policies and delivery align with international regulatory approaches and agreements (eg, World Customs Organization directives, United Nations sanctions on Russia). The panel noted that New Zealand Customs tends to not be a big policy setter in international forums.
95. Generally Customs is mindful that outside international agreements each country has a different approach – the Joint Electronic Verification System (JEVS) is a great example of ensuring consistency and alignment across borders.¹⁰
96. There are always opportunities for improvement in international alignment and cooperation (also noted under the sub-components of [Horizon and environmental scanning](#) and [Review and design](#)). Searching out other similarities and experiences to inform service improvements should be used consistently. A good example is current work underway by R&A examining valuation regimes in other jurisdictions for efficiencies.

Tools for effective delivery sub-component

What good looks like: System design includes the tools needed for effective delivery including, where appropriate, an escalating series of responses that can be activated in a way that is proportionate to the actions and attitudes of regulated parties.

Maturity assessment for the sub-component: Structured (low)

¹⁰ JEVS removed the requirement for China Customs to sight the Certificate of Origin to grant New Zealand exports to China tariff preference under the China-New Zealand free trade agreement. It also allows self-declaration of origin for approved New Zealand exporters.

Insights and key points

97. The panel agreed we generally have the tools we need and access to training. We also generally have the legislation to do our job.
98. The panel questioned if we have too many tools. There may be an opportunity to streamline our tools and look at improving existing tools before creating a new business system or tool.
- Different systems can present information in different ways (eg, version updates of entries in CusMod v TSW).
 - There can be a risk that staff using business systems, repositories and apps are not aware of all relevant information and what, how and when to use.
 - This is also discussed under the [Compliance and assurance sub-component](#) and recommendation 3.
99. The panel noted that the [new Strategic Systems and Service Optimisation Group](#) may tackle some of the issues raised by the panel. This group will have responsibility as business owner for IS solutions and business systems used by Operations and for innovation and improvement of processes and systems to enhance service delivery.

Planning for proposed change implementation sub-component

What good looks like: System leaders ensure that proposed regulatory and service changes take account of the resources (time and funding) to implement the changes effectively. Changes are delivered to a standard that supports the realisation of the benefits required to justify the change or investment.

Maturity assessment for the sub-component: Informal/ Defined and evolving

Insights and key points

100. The panel generally agreed that a more proactive, broader approach to evaluation and project planning could improve on time constraints that staff sometimes face with changes. One suggestion is a succession plan where external contractors/ project groups who created new tools are retained for longer to fix immediate issues and to upskill permanent staff.
101. This would ensure:
- staff have enough time to understand the changes and use the full capabilities (eg, COLIN's potential is not always used by R&A staff. Currently some staff may understand regulation changes better and earlier)
 - feedback loops between staff and system leaders to improve implementation
 - evaluation and review of big projects are done (eg, an evaluation of Workforce Central is underway)
 - evaluation reports are available to all staff.

Objective: Staff understand and are supported to implement service and regulatory changes. Evaluation of changes and investment is transparent to all staff.

Recommendation 11: The Revenue and Trade Systems Governance Group supports system leaders to invest in effective planning and ongoing support and make available to staff the feedback and evaluation reports for change projects.

Robustness of regulatory impact analysis sub-component

What good looks like: Regulatory impact analysis for changes to the system is applied consistently and is robust.

Maturity assessment for the sub-component: Structured

Insights and key points

102. Cabinet's regulatory impact analysis (RIA) requirements expect government agencies to provide robust analysis and advice to Ministers before decisions are taken on regulatory change. The key product is a Regulatory Impact Statement.
103. Customs' Regulatory Impact Statement process is robust:
- an internal regulatory impact analysis (RIA) panel of principal policy analysts apply best practice to decide if a Regulatory Impact Statement meets RIA requirements before it accompanies a Cabinet paper
 - RIA panel members stay connected with best practice and RIA requirements, upskilling policy analysts who draft and consult on the Regulatory Impact Statement
 - the RIA panel encourages policy analysts to engage with the panel early to review/test problem definitions, options and draft regulatory impact statements
 - Customs' regulatory impact statements are published on the [Customs](#) and [Treasury](#) websites (a Cabinet requirement).
104. The panel noted that some panel members have little or no experience or knowledge of developing or inputting to a Regulatory Impact Statement.

Māori-Crown partnership sub-component

105. This is the second assessment that looks at the Māori-Crown partnership. See also under the Māori-Crown partnerships.

What good looks like: Māori-Crown partnership obligations are a fundamental element of regulatory review and design. Key features of system design and delivery meet Treaty Settlement and Māori-Crown partnership obligations.

Maturity assessment for the sub-component: Defined and evolving

Insights and key points

106. There is explicit recognition of Te Tiriti o Waitangi obligations in Customs' secondary legislation: the [Customs Export Prohibition \(Pounamu\) Order 2021](#). Note: All proposals in Cabinet papers must outline Te Tiriti implications.
107. As part of regulatory design, we have [Te Pou Tokomanawa](#) and Te Ao Māori Policy Framework in development. Revenue Policy is also exploring if they can engage with the

Māori business-Ministry of Foreign Affairs and Trade network as part of the goods fees review.

108. However, there is scope for better delivery on our obligations and to be more targeted. As discussed under the Māori-Crown partnerships, Customs is still understanding our Māori-Crown partnership.

Stakeholder involvement in improvements sub-component

What good looks like: There are transparent, inclusive, and collaborative processes for the review and design of regulatory improvements. These involve stakeholders and affected parties and enable cooperation with system/international counterparts.

There are effective measures for obtaining and responding to the views of people affected and responding to various needs.

Maturity assessment for the sub-component: Defined and evolving/ Structured (low)

Insights and key points

109. Outside our Māori-Crown partnership, revenue system staff and leaders do this well.
- R&A conducts monthly stakeholder meetings.
 - Under the review of the Customs and Excise Act 1996, stakeholders received consultation papers and discussed regulatory proposals at workshops with policy and R&A staff.
110. The panel is not aware of any systematic evaluation of themes arising from Customs Appeal Authority (CAA) decisions. This is possibly done on a more ad hoc basis.
111. Stakeholder involvement is further discussed under the sub-components of
- 112.
- 113.
- 114.
115. [Alignment, coordination](#) and connections and [Insights of system participants and key stakeholder needs](#).

Delivery and decision making

Lead question: How well do delivery activities support good regulatory outcomes?

Overall maturity assessment for the component: Structured

Compliance and enforcement sub-component

What good looks like: There is a system-wide compliance strategy and compliance activities are risk based. Compliance activities should be fair and proportionate.

Maturity assessment for the sub-component: Structured

Insights and key points

116. The panel considered multiple evidence that suggests compliance activities are risk based, fair and proportionate.

- Customs' focus on collecting all due Crown revenue is through encouraging high voluntary compliance and addressing all non-compliance. High voluntary compliance requires making self-declaration, payment and collection easier and appropriately penalising all non-compliance.¹¹
- There is a focus on audit and education to ensure compliance is maintained.
- Customs operates a high-trust model with traders and travellers using risk-based activity and audits to identify and address non-compliance.
- decision making and actions are guided by data and advice from Policy and Legal, where appropriate, to ensure these are fair and proportionate.
- The audit programme works collaboratively with business to fix errors identified. Voluntary disclosure of errors has encouraged individuals to declare and correct errors to avoid an administrative penalty. A panel member noted that we can collect more revenue through voluntary disclosure than through the audit process.
- Business decisions are made as to whether to pursue small, low level debt. While these small amounts add up, pursuing larger amounts are effective with our time and resources. Write offs of debt are conducted on good practice accounting standards.
- Rollout of the Dunning tool will assist in collecting all due revenue and minimising debt levels. The tool is an automatic process that provides debtors with a reminder of outstanding monies owed.
- There has been improved outreach and communications around compliance (eg, Customs Release articles, regular stakeholder meetings, targeted letter campaigns). See also below under the [Support for compliance](#) sub-component.
- Customs ranked fourth in trust in the Kantar Public Sector Reputation Index 2023. Customs also ranked fourth in social responsibility and in fairness.

¹¹ Te Mana Ārai o Aotearoa (2022) [Rīpoata Ā-Tau/ Annual report 2021](#), page 49.

117. However customers may benefit from greater sharing of the data and evidence informing our decision making. This promotes transparency and understanding of decisions and may better encourage voluntary compliance.¹²

Support for compliance sub-component

What good looks like: The system develops broader public awareness with a stratified and targeted approach. Regulated parties are aware of their responsibilities and the system supports them to comply.

These activities are proportionate to the risks or harms being managed and informed by data and evidence.

Maturity assessment for the sub-component: Structured

Insights and key points

118. Panel members generally thought support for compliance was an area that we do well.

- As discussed above under the Compliance and enforcement, outreach and support to clients is proportionate to the risks or harms being managed and informed by data and evidence.
- We undertake targeted communications to raise awareness and educate clients about new and existing compliance activities. We are good at front footing and leading on matters we know are coming up (eg, a new free trade agreement or regulation).
 - Two good examples are letter writing campaigns to affected clients and taking advantage of scheduled site and audit visits to raise awareness.
- The infringement notice scheme introduced in April 2019 involved a public and business communication strategy, flyers in e-copy and hard copy, a reasonable lead-in time to implementation and a six-month grace period with warnings and no fee issued.
- The public and customers can navigate the information and support they need via the Customs website, the national Contact Centre and individual work area email addresses.
- System leaders and staff reach out to the top customs brokerage firms to check our engagement practices and outcomes are effective.
- Overseas Customs liaison officers also support business to meet their obligations.

119. The panel discussed opportunities for improvement:

- delivery is not always consistent. A structured approach to follow would be beneficial.
- promotion of best practice design and delivery of outreach in the absence of a Customs team with sole responsibility (eg, the [Change Management Overview](#) course and [change management Longroom page](#) provide best practice guidance and resources).

¹² The last survey on Customs' revenue collection was in 2018/19: 45% of those surveyed said they had trust and confidence in Customs' revenue collection, with 47% indicating they had 'a lot' or 'a fair amount' of knowledge of our revenue collection role. This suggests many of the public are not aware of our revenue collection role (Te Mana Ārai o Aotearoa (2022) [Rīpoata Ā-Tau/ Annual report 2021](#), page 51).

- Information and education can be 'bitsy' as it is up to individual teams to design and undertake outreach
- Stakeholder Communications provides "relationship and engagement advice" as needed. Its events team manages the key internal and external engagements for Customs.
- media exposure for positive revenue stories (eg, growing of businesses and exporters, working with other agencies to combat money scams)
- further insights into what other clients and the public think of the Customs website, the information we provide etc. The feedback we seek seems to be stakeholder-specific. Opportunities for further customer insight is also discussed under sub-components of Insights of system participants and key stakeholder needs and Review and design.

Decision making

What good looks like: There are clear rules for regulatory decision-making and the regulator's purpose and rules are communicated to regulated parties.

Maturity assessment for the sub-component: Optimised

Insights and key points

120. Customs has robust and consistent policies and processes that support decision making within the revenue system:
- the [Delegations Manual](#) and [Financial Delegations](#) policy is clear on roles and responsibilities in decision making
 - staff are guided by legislation, [policies and procedures](#), [Knowledge Guides](#), [key legal advice](#) and the [Decision Making resources](#) on the Learning Room
 - the review and development of policies and procedures includes confirming the roles and responsibilities in decision making.
121. Panel members agreed that staff feel supported to seek guidance from system leaders and from Policy and Legal. This is discussed further under the [Robust discussion and identifying opportunities](#).
122. The administrative review process was introduced under the CEA 2018. Administrative reviews of decisions are free and support fair and impartial decision making. The administrative review is always carried out by a work group separate from the work group that made the decision.
123. As outlined above under the Support for compliance, staff communicate in a variety of methods to regulated parties the reasons for complying and Customs' decisions. Data suggests a high percentage of people issued an infringement notice or administrative penalty pay the amount in full and without dispute.

Continuous improvement sub-component

What good looks like: Compliance activities, policy and service functions are evaluated periodically and continuous improvement is used to support effective business performance.

Insights from regulatory decisions, the outcomes of compliance activity and dispute resolution feed back into service improvements

Maturity assessment for the sub-component: Defined and evolving

Insights and key points

124. Panel members felt that system staff and leaders are good at identifying opportunities and using customer insights:

- there are examples of continuous improvement that have been proactive and front-footing (eg, audit process for the Secure Exports Scheme, lessons learnt from administrative reviews process)
- continuous improvement is part of the role description for a Customs Technical Specialist
- policies and procedures have a review cycle (which uses continuous improvement methodology)
- Business Improvement and Innovation partners with other work groups to deliver better services, with a focus on the customer.

125. The panel also thought:

- continuous improvement is reliant on scarce time and resources
- as a regulatory system, focus tends to be on the doing day-to-day (noting the proactive examples above)
- building continuous improvement into the regulatory system could overcome the varied understanding of continuous improvement (which can affect the effectiveness of the outcome)
- focus on effective implementation and evaluation will avoid a rushed process and insights for future design.

Dispute resolution sub-component

What good looks like: Dispute resolution services reflect best practice standards and are accessible to all. Best practice is set out in standards established by the Government Centre for Dispute Resolution.

Maturity assessment for the sub-component: Structured/ Optimised

Insights and key points

126. Overall the panel felt the revenue system is quite mature and fair in dispute resolution.

- There are formal processes for complaints and disputes including administrative reviews of Customs decisions and letters to the Minister of Customs. Customers can also access the Customs Appeal Authority.
- Administrative reviews of decisions are at no cost. This is quite unique in the international customs environment.
- The administrative review process operates arms-length as a decision is reviewed by a separate from the work group that made the decision. This does not always happen overseas.

127. Observations and opportunities include:

- the Customs Appeal Authority is expensive. However, some of the cases involve large sums of money and the fee is insignificant for those customers
- panel members were unsure if:
 - reporting systems for dispute resolution services (eg, administrative reviews) are analysed for potential opportunities
 - Customs assesses its dispute resolution processes against the [Government Centre for Dispute Resolution](#) (GCDR) best practice dispute resolution framework.¹³ This framework includes best practice principles and standards for dispute resolution services across government.

¹³ GCDR is an agency within the Ministry of Business, Innovation and Improvement.

System performance component

This section reflects on the responses to components 1 to 6 (stewardship practice). It therefore does not include guidance on evidence and what good looks like.

There are **no recommendations** as any opportunities to drive system performance are identified in the earlier components.

Overall maturity assessment for the component: Structured (mid)

Effectiveness sub-component: How well does the system support the desired outcomes?

What good looks like: The system's culture, governance, leadership, design and delivery practices and use of insights/foresights work well together to support the desired system outcomes.

System outcomes are being achieved. There is a high level of public confidence in the regulatory system.

The system:

- supports Māori-Crown partnership obligations. Where Treaty settlements establish specific commitments for a system, these are being met.
- is proportionate, fair and equitable in the way it treats regulated parties. It is transparent. The system enables and supports people from marginalised communities.
- encourages and supports stakeholder feedback and participation in system improvement and regulatory review/design.

Maturity assessment for the sub-component: Structured

Insights and key points

128. Overall, system leaders and staff have a good understanding of Customs' objectives for the revenue system and public confidence in Customs is high. Customs ranked fourth in trust in the [Kantar Public Sector Reputation Index 2023](#). Customs also ranked fourth in social responsibility and in fairness.
129. Revenue system leaders and staff also have good relationships with business. There is a high reliance on our relationship with customs brokers and we work hard to maintain this. The 'big four' accountancy firms (Deloitte, PWC, EY, KPMG) are positive and supportive about the provisional value scheme introduced for importers in 2018.
130. Policy applies best practice frameworks and processes to ensure policies and regulation are rigorous and meet government guidelines. The current goods cost recovery review follows Treasury and Auditor-General guidelines to ensure the review is fair and transparent to stakeholders and the public.
131. We know the system is working well where our monitoring and evaluation processes confirm we are meeting our desired outcomes. R&A projects are evaluated where a team has a stake in it and has the resources to do this. The Assurance team and ITOC processes are checks and verifications after the fact.

132. The panel noted that the Secure Exports Scheme gives an advantage to one group (Secure Export Scheme exporters) over another. The panel was unsure if there has been evaluation to measure the outcomes and costs v benefits.
133. As previously mentioned, there is room for evaluation of the tools we use, particularly new systems when they are implemented. Are we collecting everything correctly? Are our systems (eg, ZenDesk) giving us what we need to deliver effective services? The Dunning tool will enhance the effectiveness of Ahumoni once it is reintroduced.
134. The panel also noted the reliance on external people developing tools and systems, implementation times and sometimes under delivery. There can sometimes be a lack of support when a tool or system is implemented. This is discussed under the sub-components [Workforce planning and skills](#) and Planning for proposed change implementation sub-component.

Efficiency sub-component: How well does the system minimise costs and burdens and maximise benefit?

What good looks like: There is a good understanding of the costs of regulation, where costs are incurred and how they are affected by changes in activity.

Design and delivery practices support system efficiencies. It is easy for people to use/administer/comply with the system.

System governance ensures efficiencies are balanced against effectiveness considerations.

Maturity assessment for the sub-component: Structured

Insights and key points

135. Customs has good information from its activity based costing model covering approximately 1,400 activities to understand its costs and drivers (eg, performance reports for the Border Processing Levy). An external report concluded that Customs' pricing approach is consistent with activity based costing best practices.¹⁴ Resourcing issues means the model is reviewed approximately annually rather than six-monthly.
136. There is high staff integrity around spending and good checks and balances on spending (eg, scrutiny of cost codes by Chief Customs Officer and above, quarterly meetings with financial accountant to monitor spending).
137. However, the panel noted:
- the dedication of staff possibly drives efficiencies. Customs tends to take on new functions and tasks and do more with less
 - sometimes staff and system leaders would benefit from looking at efficiencies first then effectiveness (eg, clients are now required to upload documents to Trade Single Window rather than send to email addresses. Trade Assurance now updates the compensatory interest rate on the work queue to improve officer time)
 - there could be more focus on benefit monitoring and reinvestment decisions (overcoming a lack of visibility). Return on investment is not considered. There is also no formal approach to both financial and non-financial benefits

¹⁴ PricewaterhouseCoopers Consulting New Zealand (2019) [ABC model and pricing model: methodology review and assumptions testing](#), p1.

- there is no information management system. Instead we bring in additional systems like Ferret and Te Kuia to work alongside the G drive etc.
- it can be difficult to track a customer's interaction with Customs when there is no single picture. Staff may have to go to multiple systems to service customers.
- there can sometimes be two different reports for two different areas from two different systems (an observation from a panel member).

Durability sub-component: How well does the system cope with changing circumstances and pressures?

What good looks like: Governance/system leads ensure the system as a whole, and the regulator in particular, have the resources and capabilities to deliver now and in the future. Insights are used to generate foresight and anticipate changing needs, social change, emerging technologies etc.

The system is agile in responding to unforeseen challenges and demands.

The system continued to function well to the COVID-19 pandemic with minimal impacts to the users of the systems.

Maturity assessment for the sub-component: Structured

Insights and key points

138. [Operation Summer](#) is a good example where Customs manages increased activity across many of its work streams over the peak summer period. Insights are used to estimate volumes and required resources. It can impact on the revenue system by releasing R&A staff to the impacted work streams.
139. Staff have the mindset and culture to react effectively to crises, economic shocks and global changes:
- reacting quickly and looking at how to change things. Staff will readily take on manual processes while figuring out automation
 - trying to resolve issues before going external (eg, in-house development of MEG system)
 - helping out other agencies to achieve their objectives
 - system leaders providing the capability to deliver on priorities and big projects.
140. Some recent examples are:
- January 2023 - R&A worked with business and other agencies in response to [carbon dioxide \(CO²\) shortages](#) for alcohol producers
 - February 2023 - R&A staff [supported business affected by Cyclone Gabrielle](#) with duty relief measures
 - Covid-19 response – has been used to drive growth within Customs (eg, Customs has levered off the establishment of fixed-term maritime officer roles to create a permanent capability at the border).
 - in recent years - the revenue system has adapted to the growth of e-commerce and new regulation for GST collection, digitalisation of the Tariff and streamlining the 'gold page'.

141. Cost recovery legislation gives us the agility and durability to recover costs from users of our services. It currently provides for approximately two-thirds of our costs. For the application of cost recovery to new activities or services it is important to consider cost recovery implications for cost recovery early-on in the process.

142. Panel observations and opportunities identified were:

- while we deliver on the bigger items, smaller items can sometimes fall away when deprioritised
- technology innovation tends to be slow. Security considerations may be a good reason for this
- using insights and foresights could drive durability of the revenue system.

Appendix 1: Terms of reference

Revenue Regulatory System

June 2023

Objectives

The objectives of the review of the revenue regulatory system are to:

- › provide an assessment of the maturity of stewardship of the system, taking into account the critical challenges faced by the system and its ability to respond to those challenges
- › consider what available information tells us about the performance of the system
- › identify information gaps relating to the performance of the system
- › identify and prioritise opportunities for improvements to stewardship
- › identify examples of best regulatory practice and good stewardship that could usefully be shared across Te Mana Ārai o Aotearoa – New Zealand Customs Service (Customs).

These objectives will provide assurance as to the adequacy of the arrangements to manage system performance and risks and help system stewards identify areas for follow up.

Background

Stewardship is one of the [public service principles](#) in **The Public Service Act 2020**. Chief executives are responsible for proactively promoting stewardship of the public service, including stewardship of its capability and people, institutional knowledge and information, systems and processes, assets, and the legislation their department administers.

In addition:

- › [The Government Expectations for Good Regulatory Practice 2017](#) set out expectations for regulatory stewardship and regulatory system design
- › One of the [Rautaki Mana Ārai](#) (Customs' organisational strategy) areas of collective focus is to eliminate revenue risks.

In 2022, the Trade and Revenue Systems Governance Group (the Governance Group) agreed to a programme of stewardship maturity assessments of the Customs' Trade and Revenue regulatory systems. The revenue system will be the first to undergo a review.

There have been no other high level reviews of the revenue system in recent years.

The stewardship maturity review will take into account the following questions/concerns regarding the system:

- › How system objectives relating to the revenue obligations of Customs are being resourced, managed and achieved?
- › Whether the system is sustainable?
- › Whether the system is providing value for money?
- › Whether governance arrangements for the system need to be revised to better achieve the system objectives, facilitate monitoring of service delivery and policy implementation performance and address potential underperformance early?
- › What can we draw from good regulatory practice to support engagement with stakeholders and regulated parties (including engagement on proposed improvements following the assessment)?

Additional questions and improvement opportunities may be identified during the inception phase of the assessment.

Scope

The regulatory system provides the legal infrastructure to promote Customs' active management of the revenue system and assist the relevant teams within Customs to identify and address risks and opportunities related to revenue in a timely and appropriate manner.

This review will focus on Customs revenue system established by the following legislation, regulations:

- [Customs and Excise Act 2018](#)
- [Customs and Excise Regulations 1996](#)
- [Customs Rules](#) and other secondary legislation.

The relative attention given to the sub-systems established by primary, secondary or tertiary legislation will be agreed during the conduct of the review.

The review will cover the full range of regulatory practices and services delivered by Customs that relate to the revenue system. Where regulatory practices and services are delivered by other bodies, the scope will be confined to Customs' activities to ensure alignment with system outcomes.

Approach

The approach is a panel-based assessment drawing principally on the knowledge of panel members, other key system informants, and limited review of key documents. Panel members may also request additional information and analysis based on readily available information.

The assessment will be conducted as a partnership between the Revenue and Assurance Group and the Policy and Strategy Group.

The framework for the assessment will be the Ministry of Business, Innovation and Employment (MBIE) stewardship maturity assessment tool. However, this will not preclude the raising of issues outside of that framework.

The conduct of the assessment will be:

- 1) An initiation meeting(s) to cover matters such as:
 - the purpose and intent of the assessment (setting the tone and culture for the assessment as one of openness, learning and partnership)
 - a walk-through of the tool with an opportunity to ask questions
 - an initial briefing on the system
 - a high level discussion about the wider context of the assessment.
- 2) Development or updating of a high level description of the system that sets out the key features and identifies critical issues. This will be used to:
 - ensure panel members have a sufficient understanding of the system, its key features and critical issues to provide context for the subsequent meetings and to assess the priority of any recommendations
 - provide the basis for a context section in the report.
- 3) A series of panel meetings to discuss each system component in the tool (using the lead questions, lines of inquiry, and by conducting additional research where necessary), consider the maturity level for each component and identify opportunities for strengthening. The use of

the tool will reflect the principal concerns of the system. Additional informants may be invited to panel meetings as required.

- 4) Report writing and finalisation. Where appropriate elements of the report may be drafted during the earlier phases. The Business Owner will be provided opportunity to review and comment on the final draft report.

Scope limitations

The assessment is not intended to be a review of revenue policy, but it may identify areas where future work would be desirable.

The assessment will not test compliance with operational policy but will consider whether related assurance arrangements are appropriate.

The assessment is not intended to collect source information on system outcomes but will consider available performance information. It may identify information, which is not currently being collected, but would be desirable to collect.

The assessment is one in a planned series of reviews of Customs' regulatory systems. The overall resourcing and timing of the review takes into account the need to provide coverage of the systems in a reasonable period of time. In some circumstances, the assessment may propose subsequent work where more detailed analysis than is practical within the timeframes is appropriate.

Deliverables

The findings and recommendations will be set out in a report to the review sponsors. The report will include a summary of the assessment and, where appropriate, recommendations. The recommendations will focus on the approach to addressing issues and concerns identified, including the high level capabilities required. A strategic, prioritised approach will be taken in order to provide system leaders the basis for implementation. The development of detailed solutions to issues and concerns identified will be beyond the scope of the review but will potentially be the subject of support by the Governance Group.

After it is approved by the Governance Group, a copy of the final report will be provided to the Customs Executive Board (CEB).

The Revenue and Assurance Group and the Policy and Strategy Group will provide the Governance Group with subsequent updates on progress with key recommendations.

Timing

The substantive panel discussions for the review will commence in June 2023 and we expect to deliver the Final Report by September 2023.

Staffing

Panel facilitator:	Jamie Thompson, Principal Policy Analyst, Trade Policy
Panel member:	Alexandra Jackson, Manager, Regulatory Review
Panel member:	Alice Yan, Senior Advisor, Strategic Finance and Planning
Panel member:	Sharon Scheffers, Senior Advisor, Revenue Policy
Panel member:	Christine Hunt, Acting Manager, Revenue Management
Support leads:	Mallory Swan, Supervising Customs Officer Imports; Greg Coop, Chief Customs Officer Valuation, Origin and Classification

Lead author: Frances Scott, Principal Policy Analyst, Operational Policies and Procedures

The support lead will be responsible for collating and circulating documents relevant to answering questions, identifying key informants to attend particular meetings, arranging meetings, and arranging any supporting analysis. They will attend panel meetings.

The lead author will attend panel meetings and prepare a summary of findings after each panel meeting.

Revenue system staff may be invited to contribute elements of the report.

Sponsors

The Joint Sponsors for this review are:

- Kathryn MacIver, Group Manager, Policy and Strategy
- Craig Chitty, Group Manager, Revenue and Assurance

The Joint Sponsors will aim to make decisions by consensus unless otherwise agreed.

The Business Owner is the Trade and Revenue Systems Governance Group.

The Business Owner will be provided opportunity to review and comment on the final draft report. The Joint Sponsors will be responsible for signing off the final report.

Confidentiality

The robustness of the stewardship maturity assessment process relies on system review participants discussing and debating and accepting or rejecting ideas and tentative conclusions in a free and frank manner.

The panel lead will be responsible for explaining to panel members the extent to which information from meetings is subject to the Official Information Act 1982, including that there will be some circumstances in which it is justifiable to withhold information.

The panel lead will also explain that information may be 'discoverable' through Court proceedings. The panel will consider the extent to which review related information may be shared.

Kathryn MacIver
Group Manager, Policy and Strategy

Craig Chitty
Group Manager, Revenue and Assurance

Appendix 2: Customs revenue system

Introduction

This paper provides a high-level description of the revenue regulatory system for the Customs stewardship maturity assessment: Revenue Regulatory System (2023).

Purpose and objectives of the revenue system

The revenue regulatory system provides the legal infrastructure for the collection of duty and excise in New Zealand. The Government expects Customs to secure the collection, over time, of the highest net revenue that is practicable within the law.

There are two main objectives of the revenue system:

1. Make compliance easy to do but hard to avoid by ensuring both industry and the public are aware of their obligations and providing the tools to enable anyone required to pay Crown revenue to confidently self-assess revenue and return that revenue to Customs.
2. Provide Government with a high level of assurance over Customs revenue collection, but with a light touch that ensures it is not hindering trade.

Brief context

The Crown collects revenue through various government agencies who directly interact with the commercial and private sectors/individuals that may be required to pay Crown revenue. All these agencies operate with the Crown's revenue system.

This system encompasses all the legislation, regulations, processes and information laid out by the Government and used by those agencies to not only collect revenue, but also to encourage compliant behaviours in all that may be required to pay Crown revenue.

Crown revenue refers to the various ways in which the Government derives the funds with which to govern New Zealand (eg, Crown revenue may be derived from such things as taxes, levies and import tariffs).

Given the amount of revenue collected and the various sources from which it will be derived, there are a number of practical reasons why the revenue system should be regulated:

- to define and set the responsibilities of the various agencies used to collect Crown revenue
- provide each with the necessary powers and tools to collect that revenue
- ensure the collection of Crown revenue is efficient, simple to do and timely
- ensure the revenue system is fair and equitable and does not allow one group or industry to gain an unfair advantage over another.

In its role as revenue collector Customs interacts with a very wide and diverse client base. While ensuring compliance, Customs is also expected to facilitate, where possible, trade across the border as well as domestically via the excise regime.

While there are a number of agencies responsible for carrying out different regulatory responsibilities that relate to the border, this assessment will only focus on Customs' role within the revenue system.

Customs collects revenue in various ways

Customs contributes to the Government's accounts by collecting around 18 percent of core Crown tax revenue each year. It does this through:

- border interactions with craft, goods and people in its role as the lead border agency
- its mandate to administer the domestic excise regime.

Customs also collects revenue on behalf of a number of other government agencies.

How the revenue system operates

Legal framework

Customs enforces a number of pieces of legislation and international conventions across the border and via the excise regime. While Customs has a number of powers conferred to it by these various pieces of legislation, not all impose revenue that Customs is required to collect. The revenue system functions under one key piece of legislation, the Customs and Excise Act 2018.

Customs has been granted a number of legislative powers including a strong enforcement component through which it can pursue outstanding revenue through penalties, investigation and prosecution, as well as managing and writing off unpaid debt. Customs powers also extend to refunding or remitting that revenue in certain circumstances.

Policy development and monitoring

The Policy and Strategy Group within Customs is responsible for the maintenance, review and amendment of the Customs and Excise Act 2018, Customs and Excise Regulations 1996 and Customs Rules.

The Customs and Excise Act 1996 was reviewed in 2018. Over the years, the 1996 Act had been amended so many times in response to developments in trade, travel, security and technology that it became outdated and out of step with modern business practices. Many of the terms and language used in the legislation also needed to be modernised.

The Customs and Excise Regulations 1996 have not been reviewed in their entirety for many years and the Regulatory Review team has recently been set up to ensure our regulations are fit for purpose.

Customs is responsible for all policies relating to the revenue system aside from policies relating to GST and levies. The policy settings for GST and levies is the responsibility of other agencies. However, Customs is responsible for operationalising these and undertake as necessary process reviews for the levies that are collected on behalf of other agencies.

Influencing other organisations' policy design is therefore an important consideration. Recent examples of this include the Ministry for the Environment's product stewardship regime for tyres and the Ministry of Health's Smoke Free Aotearoa 2025.

As stewards of the regulatory system, Customs has a responsibility to continuously monitor and evaluate their performance and policies that contribute to the system, to ensure it is functioning well.

Dispute resolution services

Customs conducts internal administrative reviews. In practice this means that Customs will review a decision relating to certain revenue aspects – duty (import, excise, excise-equivalent duties), administrative penalties, compensatory interest and late penalties.

Customers have the right to appeal decisions made by Customs within 20 working days of receiving the decision or direction.

The Customs Appeal Authority (CAA) is an independent judicial body administered by the Ministry of Justice that hears appeals against the decisions, assessments, rulings, determinations, or directions of the Chief Executive of Customs.

The CAA consists of one person appointed by the Governor-General on the recommendation of the Minister of Customs and the Minister of Justice.

The CAA is a relatively formal tribunal with a high application fee of \$410. Members of the public are able to present their own case or have a lawyer or advocate present it for them.

Appeals before the CAA are in the nature of a rehearing. This means that the CAA can re-examine all or part of the evidence, as if it were being presented for the first time. It can confirm, reverse or amend a decision in accordance with the Customs and Excise Act 2018.

Compliance and enforcement

Customs uses a number of risk assessment strategies (eg, pre-import risk screening and post entry audit programmes) to target only those goods/people identified as presenting a risk to Crown revenue. This allows all but the small percentage of goods with identified risk to move freely across the border and into the domestic market with minimal Customs intervention.

Customs undertakes cargo inspections to provide assurance over revenue risk and may carry out enforcement activities against insolvent clients (eg, liquidation, receivership, company windup).

Customs also has powers to issue administrative penalties and infringement notices for those that break the law or for non-compliant activity. The infringement notice scheme replaced the old petty offences regime (which ceased on 1 October 2018) because they allow a proportionate response to minor offending and are more cost and time effective to administer.

Customs has a number of teams involved in ensuring compliance in the revenue system:

- Customs Investigation Unit leads the response in revenue fraud matters with support from others in the organisation
- Revenue Management team chase and look to secure outstanding debt
- Assurance team conducts random statistical sampling to ensure compliance and reports non-compliance.
- Trade Assurance team conducts planned and reactive revenue audits.

Regulated parties and stakeholder engagement

The primary regulated parties under the revenue system are international arriving and departing passengers (air and sea), importers, exporters, excise manufacturers, customs brokers and Customs-controlled areas.

Customs holds a range of meetings and outreach programmes to build and maintain relationships with stakeholders, consultancy firms and industry representatives.

These meetings can provide advice, seek feedback, consult on matters and promote correct processes (eg, in the revenue system the Customs Controlled Area team engages with industry to increase detection of offending and deter criminal activity within the supply chain).

Pressure points and improvement opportunities in the system

To be discussed at the system description meeting.

Appendix 3: Revenue and Trade Systems Governance Group terms of reference

Purpose

The purpose of the Revenue and Trade Systems Governance Group is to provide strategic oversight of Custom's role in the Crown Revenue System and the Trade System, as set out in the Custom's Revenue Charter and Trade Charter.

Scope

This governance group covers the Customs-delivered functions of the Crown revenue regulatory system and trade regulatory system, specifically:

- system strategy and policy
- operational policy and standard setting
- service delivery including advice, education and information
- compliance and enforcement
- dispute resolution (not including oversight of the Customs Appeal Authority but will include relevant relationship management and interactions with the Authority)
- monitoring and evaluation.

Membership

- GM Policy and Strategy
- GM Revenue and Assurance
- Director International
- GM Business Improvement and Innovation
- GM Covid Response

The Secretariat and relevant managers or staff will attend the Governance Group meetings as observers.

Secretariat

The Secretariat will be comprised of a nominated member from Policy and Strategy and Revenue and Assurance. The Secretariat will be responsible for working with the managers to identify topics for discussion and monitor progress on the work programme.

Roles and responsibilities

The Revenue and Trade Systems Governance Group will maintain strategic oversight across the following functions:

- Specify system outcomes and priorities
- Set system design and strategy
- Ensure sustainable funding
- Ensure capability
- Monitor system performance
- Manage system risk and assurance

- Manage critical issues.

The Governance Group roles and responsibilities are outlined below.

Governance Group Role	Responsibilities
Chair	<p>Approve the agenda for the meeting.</p> <p>Chair the meeting, including:</p> <ul style="list-style-type: none"> ➤ ensure all members have right to express their views and opinions in a safe and trusting environment ➤ in the event a decision is required from the Governance Group, the Chair will work to ensure agreed positions are reached wherever possible. Decision-making will be by consensus only. <p>Give preliminary approval of the draft minutes, prior to circulation among Governance Group members for endorsement.</p>
Member	<p>Members will first and foremost take a system-wide and organisational lens to their Governance Group role. They will also bring their wider functional knowledge and practical and pragmatic perspectives to the role, in the best interests of the regulatory system.</p> <p>Members are expected to have read meeting materials in advance of the meeting.</p>
Observers	<p>Relevant managers from the system functions will attend Governance group meetings and participate in discussion of relevant agenda items.</p>
Secretariat	<p>The Secretariat will work with the Chair to develop the agenda for the meeting, based on input from the system managers.</p> <p>The Secretariat will seek pre-reads and meeting papers from relevant managers for agenda items.</p> <p>The Secretariat will attend all Governance Group meetings and take minutes.</p> <p>The Secretariat will follow up on actions in accordance with the agreed due dates.</p>
Administrator	<p>The Administrator will:</p> <ul style="list-style-type: none"> ➤ ensure meeting rooms, teleconference, or video conference units are booked ➤ consolidate and distribute meeting documentation (agenda, pre-reads, minutes) ➤ circulate draft minutes to the Chair within five days of the Governance Group meeting.

Values

The Governance Group members will act in accordance with Customs' values:

Te Ara Tika (We Do What's Right)

- › We have expert knowledge and exercise our judgement wisely.
- › We are open, honest and transparent in all our work with no surprises.
- › We act with integrity and make ethical decisions.
- › We make timely, fair, and quality decisions considering the opinions and perspective of others.
- › We make things happen.

Kaitiakitanga (We are Guardians)

- › We protect our past, present and future.
- › We are resilient and adaptable to opportunities and challenges presented by change.
- › We accept challenges, drive actions and deliver results.
- › We take responsibility for our own performance and monitoring and improving Customs.
- › We act with courage to achieve the best possible outcomes.

He Tangata (We Value People)

- › We empower our people to contribute and give them the freedom and responsibility to make decisions.
- › We act together to create and value a multicultural and diverse Customs.
- › We have an environment of mutual trust.
- › We work with our people's strengths, give them confidence, tools, and learning opportunities to do the right job.

Pae Tawhiti (We Look Forward)

- › We work collaboratively with all our partners and stakeholders to add value and reduce risks.
- › We learn from our mistakes.
- › We create clarity out of ambiguity.
- › We are enthusiastic and seek to inspire others.
- › We foster innovation, agility and continuous improvement.
- › We build strong relationships.

Operation

Frequency of meetings

The Revenue and Trade Systems Governance Group will meet six-weekly for the first three months. At that time, the Governance Group will review the frequency of meetings.

The Governance Group may be asked to meet on an ad hoc basis outside of the agreed meeting rhythm.

Decision making

Any decisions will be made by consensus.

Chair

The chair role will rotate between members on a six-monthly basis.

Quorum and delegates

Quorum will be a majority of Governance Group members (half the committee members plus one).

Where a permanent member is unable to attend, they may nominate someone to attend on their behalf.

Meeting minutes

The scribe is responsible for taking minutes (including a record of agreed actions) during the meeting and ensuring these are distributed.

The Chair must review minutes prior to circulation for endorsement by the Governance Group at the following meeting.

Meeting materials

Meeting materials (including agenda and pre-reads/meeting papers) will be distributed to the Governance Group members three working days prior to the Governance Group meeting. Materials will be collated and circulated by the scribe.

Late agenda items can only be added at the discretion of the Chair.

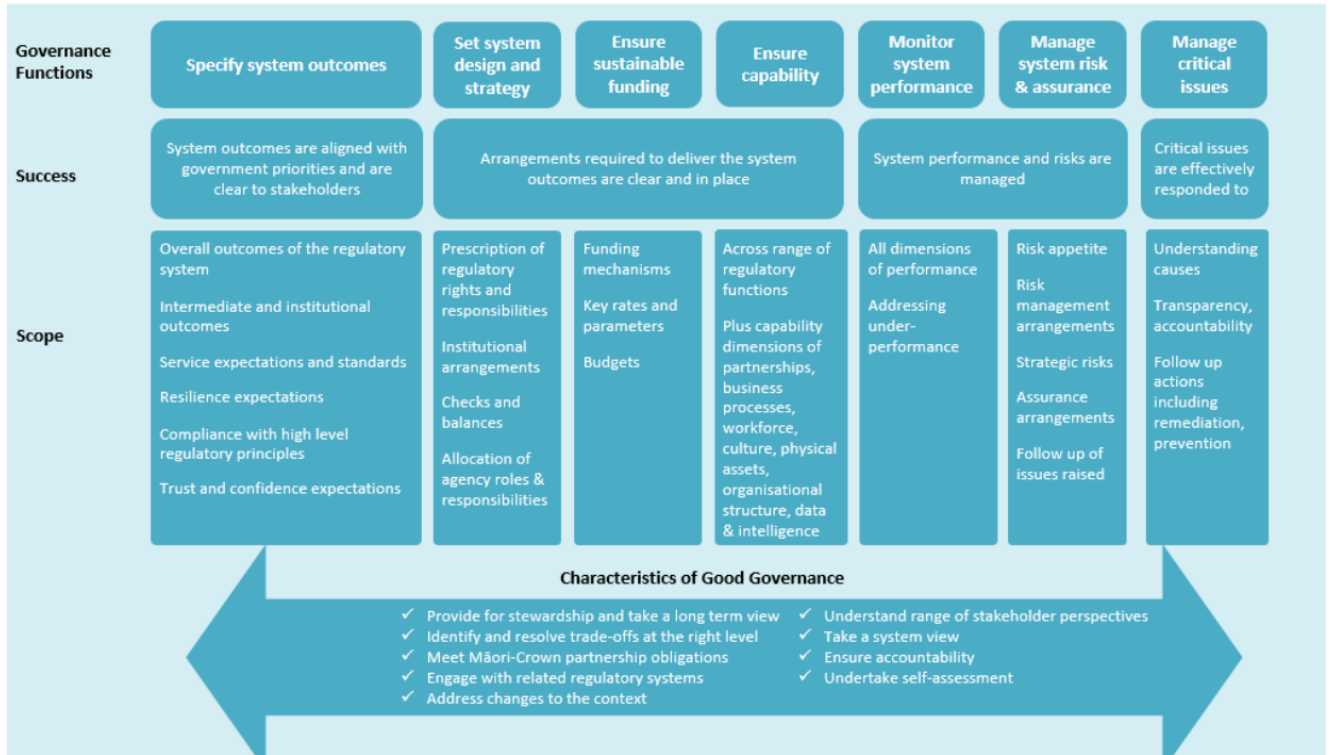
Members will be expected to have read the papers in advance of the meeting.

Review of terms of reference

The Governance Group will review these terms of reference after six months from the first Governance Group meeting, and then at least once a year after that. This should include reviewing whether the Group should continue to have a combined meeting of Trade and Revenue governance.

Appendix 4: Regulatory system governance functions

The governance body within an agency should have regard to each of the following functions. What this means in practice varies according to the agency. The characteristics of good governance should be taken into account across the range of functions.



Source: Ministry of Business, Immigration and Employment (2021) [What regulatory governance is and why it's important: principles and guidance.](#)