



NEW ZEALAND
CUSTOMS SERVICE
TE MANA ĀRAI O AOTEAROA

Rīpoata ā-tau **Annual Report** 2023

Incorporating the Border Executive Board Annual Report 2023





Introduction

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

The Border Executive Board is an inter-departmental executive board established to help coordinate the management of New Zealand's border. The New Zealand Customs Service is the servicing department for the Board and provides administrative, financial, and corporate support. The financial statements and non-financial performance information for the Border Executive Board are included in the New Zealand Customs Service Annual Report.

Te rīpoata ā-tau ā Te Mana Ārai o Aotearoa 2023 New Zealand Customs Service Annual Report 2023

This report provides an overview of the operations and performance of the New Zealand Customs Service for the 2022/23 financial year, including financial statements and non-financial performance information.

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

Te rīpoata ā te minita ē pā ana ki ngā whakamahinga pūtea o waho atu i ngā whakahaere a Te Mana Ārai o Aotearoa 2022/23 Minister's report in relation to Vote Customs non-departmental appropriations 2022/23

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

This report is presented to the House of Representatives pursuant to section 19B of the Public Finance Act 1989 and commences on page 183.

Te rīpoata ā-tau ā Te Kāhui Whakamaru Paenga Tahī Border Executive Board Annual Report 2022/23

This report provides an overview of the operation and activities of the Border Executive Board for the 2022/23 financial year. The Board's Annual Report has been appended to the New Zealand Customs Service Annual Report and is included in this document for the purposes of presentation to Parliament and for publication.

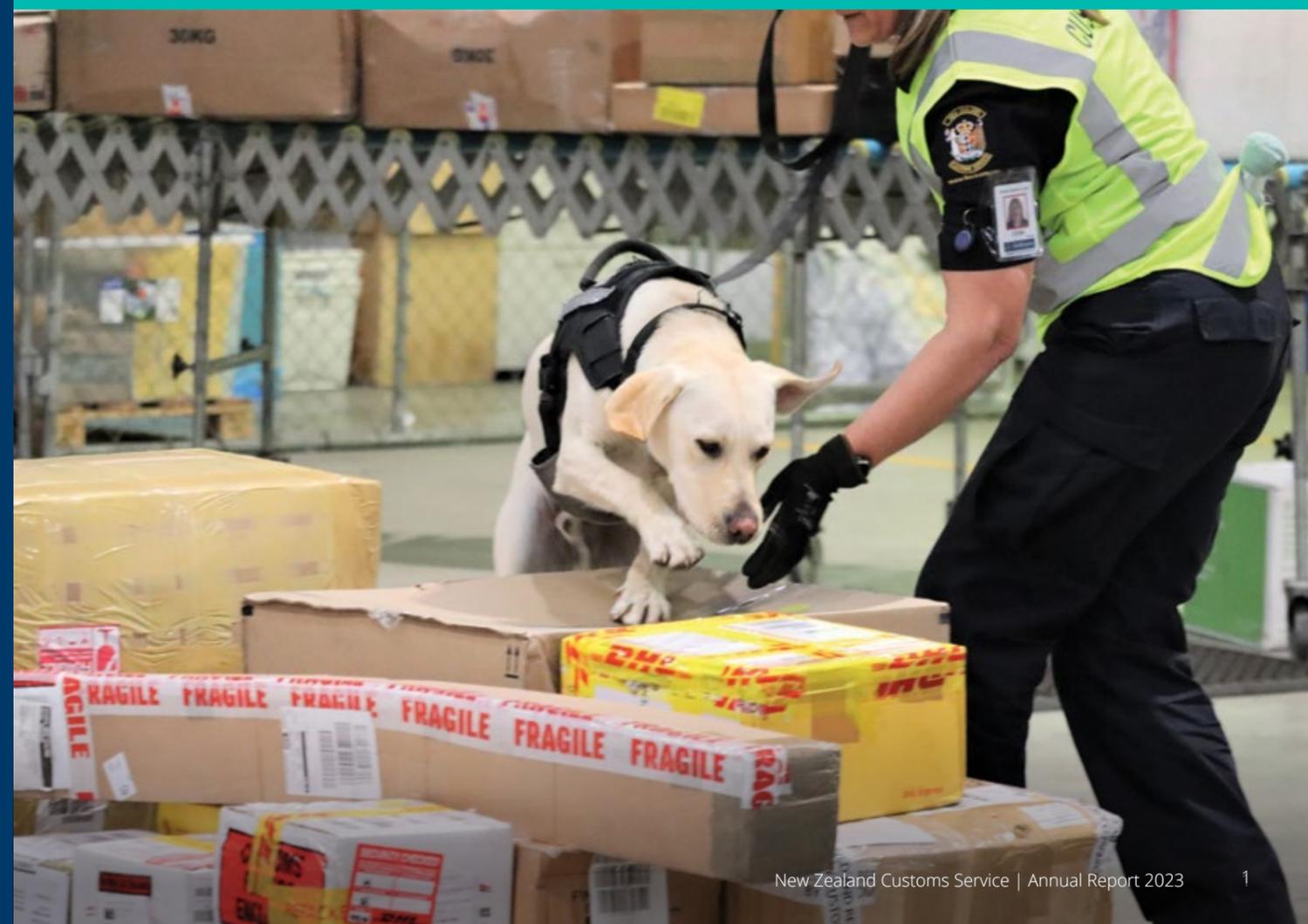
This report is presented to the House of Representatives pursuant to section 44 of the Public Finance Act 1989 and commences on page 187.



NEW ZEALAND
CUSTOMS SERVICE
TE MANA ĀRAI O AOTEAROA

Te rīpoata ā-tau ā Te Mana Ārai o Aotearoa **New Zealand Customs Service Annual Report 2023**

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





Contents

Our Purpose

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

Our Vision

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

Our Principles

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

Our Values

Te Ara Tika We do what's right

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

Kaitiakitanga We are guardians

We protect our past,
our present, and our
future

He Tāngata We value people

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

Pae Tawhiti We look forward

We foster
innovation, agility,
and continuous
improvement

Who we are and what we do 4

Who we are	4
Partnering across the sector	6
Our structure	8
Comptroller's overview	10
Year at a glance	12
Our strategy and operating environment	14
How well did we do?	16

Delivering on our strategy 20

Protection	22
Trade and Revenue	36
Travel	50
Te Pou Tokomanawa	60

Organisational health and capability 68

Our people	70
Governance and management	84

Independent auditor's report 100

Our performance 106

Statement of Responsibility	108
How we measure and track our performance	110

Our finances 132

Financial overview	134
Financial statements	136
Non-departmental statements and schedules	164

Information required by statute 174

Index 180

Who we are

Established in 1840, Te Mana Ārai o Aotearoa, the New Zealand Customs Service (Customs), is the oldest government department in New Zealand. We provide essential services that protect New Zealand's border, support the efficient movement of people and goods as they move across our border, promote New Zealand's interests in international forums, and provide policy advice on border-related issues.

Our functions

Throughout our long history, we have been responsible for the collection of revenue on behalf of the Government, including customs duties, and excise taxes relating to alcohol, fuel, and tobacco. Today we collect around 17% of total government tax revenue.

Threats to our border have changed. Our historical focus on preventing the importation of opium and risqué books, has shifted to targeting transnational organised crime groups, the electronic distribution of objectionable material, fraud and money laundering, and specific health threats such as COVID-19.

Our core functions are grouped around four areas:

- > **Whakahaumarū | Protection** – managing the risks and threats associated with the international movement of people and goods
- > **Hokohoko me te pūtea | Trade and Revenue** – supporting the efficient flow of trade and revenue collection
- > **Tāroi | Travel** – providing secure border processes that effectively and efficiently process international travellers
- > **Te Pou Tokomanawa | Central Pou** – creating the foundations for effective and targeted engagement with iwi, hapū, and Māori communities in priority areas.

Our services

We are responsible for:

- > targeting the activities of transnational organised criminal groups in partnership with national and international agencies
- > expediting the flow of goods across our border and collecting tax revenue on behalf of government
- > facilitating the flow of passengers and craft
- > providing policy advice to government ministers and other agencies on border and revenue issues

- > providing intelligence and risk assessment information to inform border activities
- > actively participating in the global customs community, helping to develop international policy and best practice
- > engaging operationally with international customs and law enforcement agencies
- > leading the development and introduction of the New Zealand Traveller Declaration system
- > providing administrative and corporate support to the Border Executive Board.

The people we support

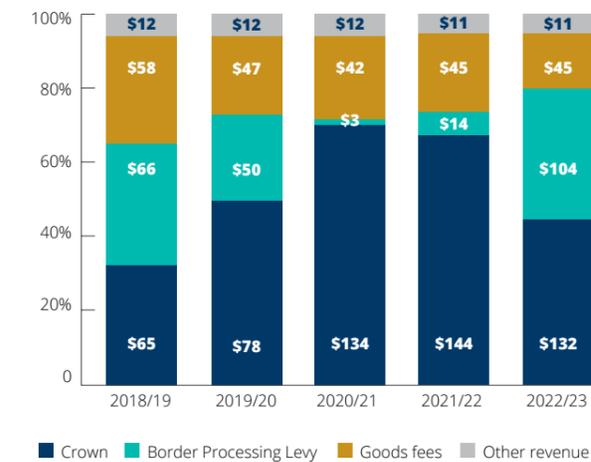
We interact with a broad range of New Zealanders and people from the rest of the world in many ways:

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

How we are funded

Approximately 40% of the funding we receive to deliver our services comes from Crown funding. The remainder of our revenue comes from the fees we charge to cover the costs of screening and processing passengers (Border Processing Levy) and goods (Goods Fees) as they cross the border.

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



During the COVID-19 pandemic, the revenue generated through the Border Processing Levy was significantly less because of low passenger numbers due to border restrictions. During 2020/21 and 2021/22, the Government provided additional funding to make sure we could continue to deliver our services. More information on our financial performance is set out on pages 132–173.

Supporting Government priorities

We aim to reduce harm to New Zealand communities and our economy from the impact of transnational organised crime. We support improved market access and trade facilitation for exporters and importers, we make travel as easy as possible, and we collect revenue that supports the delivery of government services.

These objectives align with the priorities the Government has set for the country during 2022/23:

- > supporting New Zealand families and businesses through difficult economic conditions
- > investing in the public services we all rely on
- > accelerating the economic recovery
- > laying foundations for the future.

We are delivering on Budget initiatives

Over the last three years, we have received funding to put in place new Government initiatives, including:

- > the monitoring and enforcement of the Maritime Border Order during 2020-2022 (see pages 34–35) *Budget 2020 initiative: Maritime Border Order*
- > the implementation of the digital New Zealand Traveller Declaration for arriving passengers (see pages 52–53) *Cabinet decision 2021: Traveller Health Declaration System*
- > funding to target tobacco smuggling (see page 31) *Budget 2022 initiative: Addressing Tobacco Smuggling*
- > combatting the threat from transnational organised crime groups in New Zealand's maritime supply chain (see page 25) *Budget 2023 initiative: Transfer of Capital Funding to Address Transnational Organised Crime in Maritime Supply Chains.*

Partnering across the sector

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

We work closely with other agencies to achieve our objectives

We work closely with border agencies and customs and law enforcement agencies in New Zealand and around the world to manage potential threats and risks. This includes targeting transnational organised crime groups, resolving trade issues, and supporting the negotiation and implementation of free trade and other international agreements (see figure 2).

Our overseas staff work to strengthen relationships, exchange information and intelligence, and provide on-the-ground help to businesses facing trade-related issues.

We are part of international forums supporting the development of global customs standards and international trade agreements, including:

- the *Border Five* group of customs and border protection agencies from New Zealand, Australia, Canada, the United States, and the United Kingdom
- the *World Customs Organization*, representing 185 customs administrations around the world
- the *Oceania Customs Organisation*, supporting best practice border security and trade across the South Pacific
- the *Asia-Pacific Economic Cooperation (APEC) Forum*, supporting trade facilitation and best practice.

Collective accountability for the border

The Border Executive Board was established in January 2021 to provide joint governance and accountability across the wider border sector.

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

The Border Executive Board has five main accountabilities:

- providing strategic border system improvements
- ensuring there are no gaps in the end-to-end processes at our border and that the border system is ready to respond to significant events
- addressing risks from people, goods, and craft arriving and departing the border
- ensuring the border system is financially sustainable
- providing leadership to facilitate business and a positive user experience with the border system.

Customs is the servicing department for the Border Executive Board. We host the Secretariat and provide administrative, financial, and corporate support. We also lead several workstreams supporting system assurance and improvement outcomes, including the development of the digital New Zealand Traveller Declaration (see pages 52–53) and the Ahumoni Hoahoa financial planning workstream (see page 96).

Information on the work of the Border Executive Board is set out in the Board's Annual Report, attached to this document (see pages 187–216).

Figure 2: Inter-agency collaboration at New Zealand's border



We also work with a range of companies and organisations across the aviation and maritime sectors to protect New Zealand from social harm and support our economy. This includes working with supply chain partners, such as logistics

companies, courier and freight services, industry organisations, customs brokers, and organisations like the Institute of Environmental Science and Research and the Environmental Protection Authority.

Our structure

Customs is accountable to and supports the Minister of Customs. Customs is headed by the Comptroller and Chief Executive, Christine Stevenson, and is structured into five business groups.

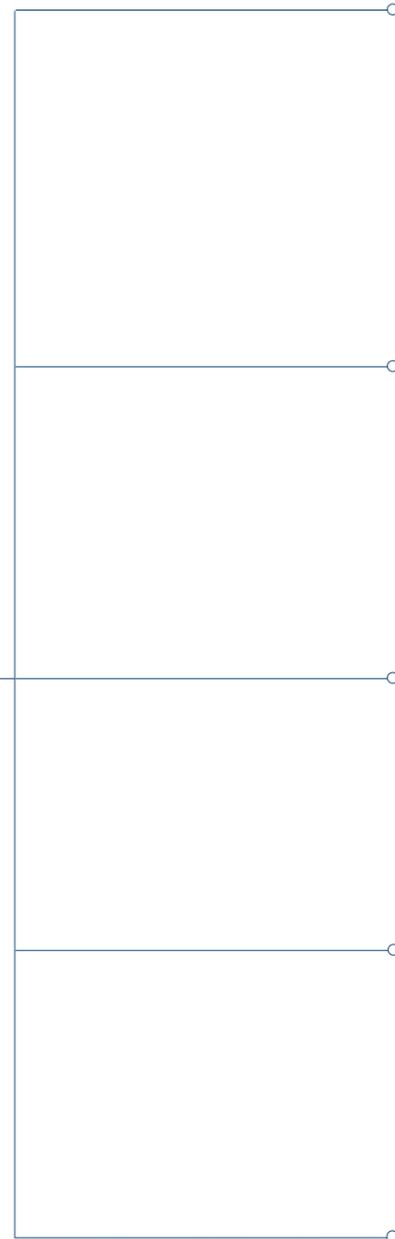


Hon Jo Luxton
Minister of Customs and
Minister Responsible for the
Border Executive Board

We are accountable to
the Minister of Customs
for the delivery of our
services and the development
and implementation of
Government policy.



Christine Stevenson
Comptroller of Customs



Bill Perry
Deputy Comptroller
Operations

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



Jamie Bamford
Deputy Chief Executive
International and
Governance

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

Deputy Chief Executive
Finance and Infrastructure

- > Finance
- > Corporate Services



Sharon May
Deputy Chief Executive
Technology and Senior
Responsible Owner NZTD

- > Information Services
- > New Zealand Traveller Declaration (NZTD)



Richard Bargh
Deputy Chief Executive
Policy, Legal and Strategy

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



Nigel Foster
Acting Deputy Chief
Executive
People and Capability

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



Christine Stevenson
Comptroller of Customs

Comptroller's overview

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

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

This year, many of our challenges have been closer to home. The floods in Auckland, Northland, and Coromandel in late January 2023, and Cyclone Gabrielle in the Hawkes Bay and Gisborne regions in February 2023, had a significant impact on our people and those we work with. This included damage to the homes of some of our staff, and to our operational areas at Auckland International Airport and parts of the Auckland Customhouse building.

Despite the personal impact of these events, our people demonstrated their resilience and commitment, with many working long hours to ensure we were able to maintain services, support travellers impacted by the disruptions, and provide assistance to businesses as they recover from the long-term impact of the flooding.

We have seen a sustained increase in large-scale drug smuggling

We are regularly seizing substantial volumes of both methamphetamine and cocaine at our border.

New Zealand remains an attractive drug market for international organised crime groups, due to our high prices and demand. This has a flow-on effect on domestic organised crime and gang activity.

The skill and expertise of our people and partners allow us to detect and ultimately disrupt the harm these groups cause to our communities.

We established a permanent Maritime Group in January 2023, bringing together teams operating on ports and on the water. The Maritime Group has a focus on addressing the threat transnational organised crime groups pose to the security of our maritime supply chains. Together with our Border Protect programme and new tobacco smuggling team, the Maritime Group will support our efforts to identify and seize drugs, illicit tobacco, and other prohibited goods being transported to or through New Zealand by sea.

Welcoming back international travellers

During 2022/23, we processed over 10 million passengers, a significant increase from the 1.5 million passengers processed in 2021/22, and around 70% of pre-COVID-19 volumes. In August 2022, we welcomed the first cruise ship to enter New Zealand for two years, following the reopening of the maritime border.

We also supported the planning and preparation for the FIFA Women's World Cup, held during July and August 2023. As part of this, we processed 1,528 team delegates, officials, and players as they arrived in New Zealand, along with 128 shipments of equipment.

New international agreements made it easier for traders to access key markets

In May 2023, we signed a new Mutual Recognition Arrangement with the Customs Department of Thailand. Mutual Recognition Arrangements allow traders who are part of our Secure Exports Scheme to have streamlined access into markets, reducing clearance times and costs for businesses. Air freight was also added to our agreement with Japan, providing quicker clearance for perishable goods and smaller shipments into a key market.

We process trade goods quickly

In September 2022, we completed a Time Release Study looking at how efficiently goods are cleared as they enter and leave New Zealand. The study found 91.5% of sea cargo and 67% of air cargo is cleared before arrival into New Zealand, most within a few seconds. This result reflects the hard work of Customs staff in risk assessing and processing trade goods.

We continue to work with exporters and importers to ensure correct duties are paid on trade goods. During 2022/23, we collected \$18.6 billion in revenue on behalf of the Government. This is the largest amount of revenue we have ever collected for the Crown.

Preparing for the implementation of the New Zealand Traveller Declaration (NZTD)

The new digital declaration for people arriving in New Zealand will be one of the most significant changes in many years to the way we manage risk at the border.

It has been a large and extremely complex programme of work, involving multiple government agencies, the introduction of new technology, changes to legislation, and new operational processes. I acknowledge the hard work and dedication of all those involved in the programme, and the enthusiasm of frontline officers in learning and then implementing the new technology.

The NZTD is being rolled out in phases, with travellers arriving at Wellington, Queenstown, and Christchurch international airports able to complete their declarations online from July 2023. Passengers arriving into Auckland International Airport will be able to use the NZTD from late August 2023.

Maintaining a strong focus on stewardship

We take our stewardship role seriously and have increased our efforts to improve stewardship of our regulatory systems and how we manage our resources and assets. This, along with our work with the Border Executive Board on the wider border system, supports us to take a longer-term, system-wide view of the challenges and issues we face.

Positioning Customs for the future

During the year we refreshed our strategy, Rautaki Mana Ārai. Launched in July 2023, the strategy identifies four new strategic priority areas that will help shape Customs over the next five years – People, Partnerships, Innovation, and Technology and Data. Investing in these areas will make sure we can continue to deliver high quality services across our core functions of Protection, Trade and Revenue, and Travel.

***Nanaiore ki te aka
We move forward with purpose,
vision, and a duty of care***

As an organisation, we are committed to making sure our work environments support our people to remain safe and well, with a particular focus on those who work in high-risk environments.

As we look ahead to what will undoubtedly be another busy year, I know we are well positioned to meet the challenges the year will bring. I acknowledge with gratitude the professionalism, dedication, and resilience of the New Zealand Customs Service team.

**Kia tau ngā manaakitanga
ki a koutou katoa**

Christine Stevenson
Comptroller of Customs

Year at a glance >>>

Protection



Prevented \$6.2 billion in potential social harm by seizing drugs offshore or at our border



Refocused our Maritime Group from pandemic response to strengthening our presence at maritime ports and improving maritime supply chain security



Investigated 1,468 reports of alleged offending by New Zealanders relating to online sexual exploitation material

Trade and Revenue



Processed over 19.7 million import transactions, with most goods risk assessed and cleared before they reach New Zealand



Continued our involvement in the development of global customs policy and standards through international forums



Collected \$18.6 billion in revenue on behalf of the Crown, up from \$17.5 billion in 2021/22

Travel



Processed over 10 million passengers, travelling by air and sea, at the New Zealand border – a 555% increase in passenger volumes from 2021/22



Supported the introduction of the Customs and Excise (Arrival Information) Amendment Act 2022 providing clearer arrival information obligations to support effective border management



Developed and tested the digital New Zealand Traveller Declaration

Te Pou Tokomanawa



Continued to build our Māori Crown relations capability through developing relationships with iwi/hapū in areas with key airports and maritime ports



Made sure Māori perspectives and interests were identified in the development of the New Zealand Traveller Declaration system



Introduced new te reo classes for our staff, combining language learning with a greater awareness of te ao Māori and tikanga

Our strategy and operating environment

Rautaki Mana Ārai, our strategy, outlines the core functions of our business that will help us achieve our purpose. It sets the foundation for the delivery of our core services and keeps us focused on what we need to do to be ready for the future.

Rautaki Mana Ārai Customs Strategy

Tō Mātou Aronga – Our Purpose

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

We are here to protect and promote New Zealand across borders

Tō Mātou Kitenga – Our Vision

Te whakakore tūraru rohe me ngā tūraru kohinga tāka

We aspire to eliminate border and revenue risk

Whanonga Pono – Our Values

<p>Te Ara Tika We do what's right</p>	<p>Kaitiakitanga We are guardians</p>	<p>He Tāngata We value people</p>	<p>Pae Tawhiti We look forward</p>
--	--	--	---

Through our functional areas we aim to

 <p>Whakahaumarū Protection Prevent risk reaching our borders</p>	 <p>Hokohoko me te pūtea Trade and Revenue Support the efficient flow of trade and revenue collection</p>	 <p>Tāroi Travel Provide a streamlined experience for travellers across borders</p>	 <p>Te Pou Tokomanawa Our central pou Create the foundations for effective engagement with Māori communities</p>
---	---	---	--

Our strategy is the foundation for the delivery of our core services

The strategy guides our actions and core values. It draws on the principles of kotahitanga (partnership), kaitiakitanga (protection), and manaakitanga (participation/care for others). Together these form Te Pou Tokomanawa.

Te Pou Tokomanawa is the central pou or pole of a meeting house, holding everything together. Through Te Pou Tokomanawa, we are focused on building our Crown Māori relationship capability, building stronger connections with iwi, hapū, and Māori communities, and increasing te reo Māori skills of our staff.

Our principles are supported by four values selected by our people. Our values capture what is important to us and how we treat the people we engage with.

Reflecting our changing operating environment

The COVID-19 pandemic created an unprecedented period of change in how we work, travel, and manage the impact of supply chain disruptions.

While many of these impacts have reduced, there are other trends and changes that will impact

how we deliver our services. This includes the rise of transnational organised crime groups and increasingly sophisticated attempts to smuggle illicit goods across our physical and cyber borders. It also includes climate change and more extreme weather events, advancements in technology, and demographic and society changes.

During 2022/23 we refreshed our strategy, Rautaki Mana Ārai, identifying those areas we need to focus on to make sure we are well positioned for future challenges while keeping a strong focus on delivering high quality services.

The refreshed strategy, which focuses on the next five years (2023–2028), was launched in July 2023. It includes four new strategic priorities set out below.

As the refreshed strategy is implemented over the next five years, detailed plans and a reporting framework for each strategic priority area are being developed. Focusing on these areas will help us to deliver on our core functions, the things we do every day to protect our border, facilitate the movement of people and goods across borders, and collect revenue supporting broader Government objectives. Reporting on the progress of our new strategy will start in our 2024 Annual Report.



People

Customs has an adaptable, representative workforce that can respond to a dynamic environment, and career paths that support growth and high performance; we promote and maintain a culture of wellbeing, and we keep our people safe.



Partnerships

We are deliberate, focused, meaningful, have partnerships that provide significant benefit to New Zealand while we contribute strongly for the benefit of our partners, and recognise the wider global benefit from those partnerships.



Innovation

We foster a culture of innovation, adapting to the challenges of changing environments, generating new ideas to strengthen border and risk management.



Technology and data

We will refine and strengthen our data and information capability, how we use information, leverage relevant new sources and fully utilise existing technology capabilities to benefit both users and customers.

How well did we do?

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



Customs Performance Measurement Framework



We are here to
Protect and promote New Zealand across borders



We support Government priorities

Supporting New Zealand families and businesses through difficult economic conditions

Investing in the public services we all rely on

Accelerating the economic recovery

Laying foundations for the future



Our intention is to
Eliminate border and revenue risk



Whakahaumaru Protection

Prevention is our first line of defence
Prohibited goods are identified and seized
Effective border processes reduce the threat of COVID-19 entering New Zealand (see pages 22-35)



Hokohoko me te pūtea Trade and Revenue

Increased and reliable market access
Easy to use systems and processes
Ensuring non-compliance is identified and appropriately addressed (see pages 36-49)



Tāroi Travel

The development of an integrated cross-government system to safely support international travel
Ensuring our processes are adaptable by design
Reducing risks to New Zealand through effective border screening (see pages 50-59)



Te Pou Tokomanawa Our central pou

Engagement with Māori communities is a fundamental part of our work at the border
Customs staff increase their knowledge and use of te reo Māori
Māori staff are supported to achieve their aspirations (see pages 60-67)



Our services include

Goods Clearance and Enforcement (see pages 112–113)

Travellers Clearance and Enforcement (see pages 114–115)

Revenue Collection and Other Services (see pages 116–119)

COVID-19 - Maritime Response (until September 2022) (see pages 120–121)

Border System Performance (see pages 122–123)

Traveller Declaration System Development (see pages 124–125)



Our organisational health

Ensuring we have the right people, systems, and processes in place

Sourcing and building a capable and agile workforce (see pages 73–74)

Supporting the growth of inspiring leadership (see page 74)

Ensuring the wellbeing and safety of our staff (see pages 81–83)

Effectively managing our risks and investments (see pages 91–99)

Managing financial pressures (see page 96)



Our culture

Customs is inclusive and diverse, together we protect and promote New Zealand (see pages 76-80)

Progressing towards our strategic objectives

Our strategic indicators demonstrate how we have progressed towards the key objectives for each of our functional areas as outlined in our *Statement of Intent 2021–2025*.

In 2022/23 we had 11 indicators on-track and two off-track. This compares with 12 on-track and three off-track in 2021/22.

During 2022/23 we merged our Trade and our Revenue functional areas for reporting purposes due to the significant overlap between them. This reduced the number of strategic indicators we report on from 15 to 13.

Progress towards our strategic objectives is set out in the *Delivering on our strategy* section (see page 20).



Whakahaumarū Protection	Hokohoko me te pūtea Trade and Revenue	Tāroi Travel	Te Pou Tokomanawa Our central pou
<ul style="list-style-type: none"> ✓ \$6.2 billion worth of potential social harm was avoided through offshore and onshore illicit drug seizures ✓ An increased percentage of risk-based interventions found drugs or prohibited goods ✓ Surge capacity was maintained to respond to COVID-19 or other health-related threats at the maritime border 	<ul style="list-style-type: none"> ✓ The proportion of Authorised Economic Operator trade continues to increase ✓ The percentage of clients who are satisfied with their Customs experience is trending upwards ✗ Compliance rate of traders has reduced from 2021/22 	<ul style="list-style-type: none"> ✓ The multi-agency New Zealand Traveller Declaration system was developed and trialled ✓ Our systems and processes adapted to support the full reopening of the New Zealand border ✓ 10.5% of secondary searches of passenger and crew resulted in a successful result 	<ul style="list-style-type: none"> ✓ A structured plan is in place to ensure regular engagement with iwi and hapū ✓ Increased staff completion of Whāinga Amorangi e-learning modules ✗ The level of Māori representation across our organisation is below our goals ✓ Our Māori pay gap continues to reduce

Key: ✓ On-track ✗ Off-track

Achieving our output performance measures

Our output measures show how well we have delivered our services. They measure progress against the standards in the Estimates of Appropriations and Supplementary Estimates of Appropriations for the year ending 30 June 2023.

In 2022/23 we achieved 71% (25 out of 35) of our output measures. This compares with 89% (33 out of 37) last year.

A range of factors influenced this, including the need to manage resources as traveller numbers rapidly increased, ongoing supply chain issues, the impact of tobacco smuggling on revenue debt, and the decision to take a phased approach to the implementation of the digital New Zealand Traveller Declaration.

Our output measures are grouped by financial appropriation. More detail is in the *Our Performance* section (see pages 106–130).



Goods Clearance and Enforcement	Travellers Clearance and Enforcement	Revenue Collection and Other Services	COVID-19 – Maritime Response	Border System Performance	Traveller Declaration System Development
8/9 Achieved	5/8 Achieved	8/12 Achieved	1/1 Achieved	3/3 Achieved	0/2* Achieved

* The New Zealand Traveller Declaration system was designed and tested during 2022/23 and began a phased go-live from July 2023.

Monitoring our organisational health

For progress against the organisational health objectives and goals set out in our *Statement of Intent 2021–2025* see the *Health and capability* section on page 68.

Managing our finances

Our total operating expenditure was \$257.5 million for 2022/23, which was \$2.3 million higher than in 2021/22, but \$21.5 million lower than authorised (appropriated) expenditure.

For more details about our financial performance, see the foreword to the financial statements on pages 134–135.



He whakatutuki
i te rautaki
**Delivering
on our
strategy**





Whakahaumarū Protection



Photo credit: Photo courtesy of the New Zealand Defence Force.

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

New Zealand is increasingly targeted by transnational organised crime groups that are responsible for the large-scale importations of illicit drugs through our supply chains.

This has a flow on effect of greater domestic organised crime and gang activity in New Zealand. We work with international and national partners to help disrupt and dismantle these groups, identify and seize illicit goods before they arrive in New Zealand, and to improve the security of New Zealand's supply chains.

Our strategic objectives make sure:

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

During 2022/23 we increased our focus on combatting the activities of transnational organised crime groups and the impact they are having on supply chains, particularly maritime supply chains. This includes raising awareness of the risk from trusted insiders who hold key roles at ports and airports and can bypass security measures to facilitate the smuggling of illegal drugs and other goods.

In February 2023, a joint operation with the New Zealand Police and New Zealand Defence Force seized more than three tonnes of cocaine. This is the largest ever drug seizure by New Zealand authorities.

Key achievements

During the year we have:

- > prevented \$6.2 billion in potential social harm to the community by seizing drugs offshore or at our border
- > investigated 1,468 reports of alleged offending by New Zealanders relating to access or distribution of online child sexual exploitation material
- > refocused the Maritime Group to strengthen our presence at maritime ports and improve maritime supply chain security.

Performance against our Protection measures

Strategic indicators



■ On-track ■ Off-track

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

Output measures



■ Achieved ■ Not achieved

Our Protection output measures sit across five of our appropriations – Goods Clearance and Enforcement, Travellers Clearance and Enforcement, Revenue and Other Services, COVID-19 - Maritime Response, and Border System Performance. For more details on each appropriation, see pages 106–130.

Our objective: Prevention is our first line of defence

Transnational organised crime (TNOc) groups are a growing threat to New Zealand through increasingly sophisticated attempts to smuggle illegal or prohibited goods into New Zealand. We work with international and national partners to identify and seize illicit goods before they arrive in New Zealand and to improve the security of our supply chains.

Disrupting and dismantling transnational organised crime groups

We play a key role in implementing the Government's Transnational Organised Crime Strategy 2020-2025. The strategy aims to strengthen coordination and operational activity to prevent, detect, and dismantle TNOc activity.

We work closely with the 19 New Zealand agencies that contribute to the TNOc Strategy, alongside representatives from private industry and international partners. This includes work to raise awareness of the threat of TNOc activity to our communities and economy, sharing best practice in detecting and preventing this crime, and emerging trends as TNOc groups look to diversify. We also work to build strong networks amongst international border and law enforcement agencies.

Through the TNOc strategy, we also work collaboratively with Resilience to Organised Crime in Communities (ROCC) agencies to give effect to the 'Border to Backyard' protection for New Zealand and New Zealanders. This programme aims to combat organised crime by combining social and economic intervention with targeted enforcement action.

Raising awareness of the threat of trusted insiders through Border Protect

Local and international criminal groups aim to have their people at key points in the supply chain, or to compromise people already in those roles, to try to bypass customs and border controls to facilitate the smuggling of drugs, weapons, and other prohibited goods.

Known as trusted insiders due to their access to key systems and processes, these people are a significant threat to our reputation as a secure trading partner, and to our communities.

Our Border Protect campaign was launched in March 2021 to raise awareness and provide a way for people to report signs of potential crime around our coastlines, and in freight arrival and storage points, as well as other businesses in the supply chain like courier companies. Anyone who interacts with documents and people or is involved in the clearance, processing, or delivery of goods may be able to identify suspicious shipments or unusual activity.

We work closely with supply chain industries to raise awareness of the impact of trusted insiders, the signs to look for and how to report concerns through the Border Protect 0800 number. In December 2022 we added a confidential online form on our website, making it easier for the public to report suspicious activity. This contributed to an increased number of reports being received this year.

In October 2022, we launched a new video animation to educate staff of businesses in the supply chain on the threat of criminal infiltration. The video explains why people might become vulnerable for recruitment by a criminal group, the signs to look for, and the consequences of becoming involved.

The video was well received by industry partners, with many businesses including the video in induction training and for people accessing their sites.

Proactive engagement sees results

As a result of our work through Border Protect, we received more than 150 referrals during 2022/23 relating to suspicious shipments or packages and containers with seal issues. This information resulted in the seizure of packages containing methamphetamine, MDMA, GBL, and tobacco, as well as prohibited goods such as knuckle dusters and methamphetamine pipes. We also arrested two airport baggage handlers at Auckland International Airport in November 2022 who tried to smuggle 4.6kg of methamphetamine into New Zealand.

The importance of collaboration

Formalising information sharing agreements with international partners is an important part of our work targeting TNOc groups and preventing harm from reaching New Zealand's border.

In May 2023, we signed a Memorandum of Cooperation with the United States Department of Homeland Security Investigations. The agreement will strengthen our existing partnership, increase collaboration on operational activity, and enhance the sharing of intelligence information.



New Zealand Customs Service Deputy Chief Executive International and Governance, Jamie Bamford (left) and Assistant Director Homeland Security Investigations, Patrick McElwain (right) signing the Memorandum of Cooperation.

Combating TNOc activity in the maritime supply chain

TNOc groups are increasingly smuggling larger quantities of drugs (particularly methamphetamine and cocaine) and other prohibited goods on ships and in freight containers using maritime supply chains.

The threat from trusted insiders in our maritime ports and wider supply chains puts our reputation as a low-risk trading partner at risk, as well as increasing the social harm from the drugs and other items that avoid detection.

Through Budget 2023, the Government invested \$20 million over the next two years to establish a greater Customs presence at maritime ports. This will increase the identification and management of vulnerable points within the maritime supply chain, and support national and international efforts to disrupt and dismantle TNOc groups.

Progress Indicator: Increasing the amount of potential harm avoided through illicit drug seizures (onshore and offshore)

Expected Trend: increase the amount of potential harm prevented through illicit drug seizures

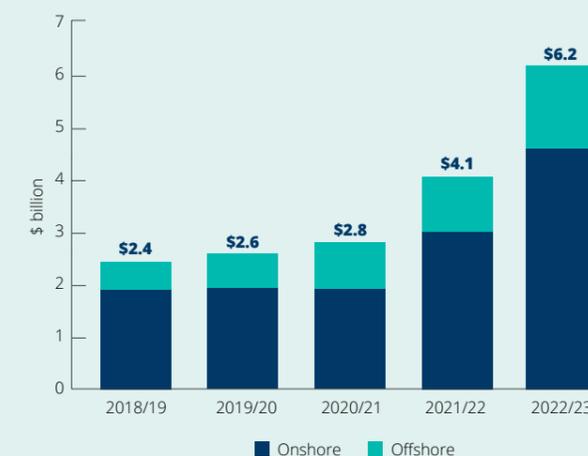
Actual Trend: on-track – potential harm avoided has increased 52% from 2021/22

By stopping illicit drugs at, or before, the border we protect New Zealand and prevent harm to individuals and communities.

In 2022/23, we prevented \$6.2 billion in potential harm from the seizure of illicit drugs, a 52% increase from 2021/22. This was driven by record onshore seizures, preventing \$4.6 billion in harm.

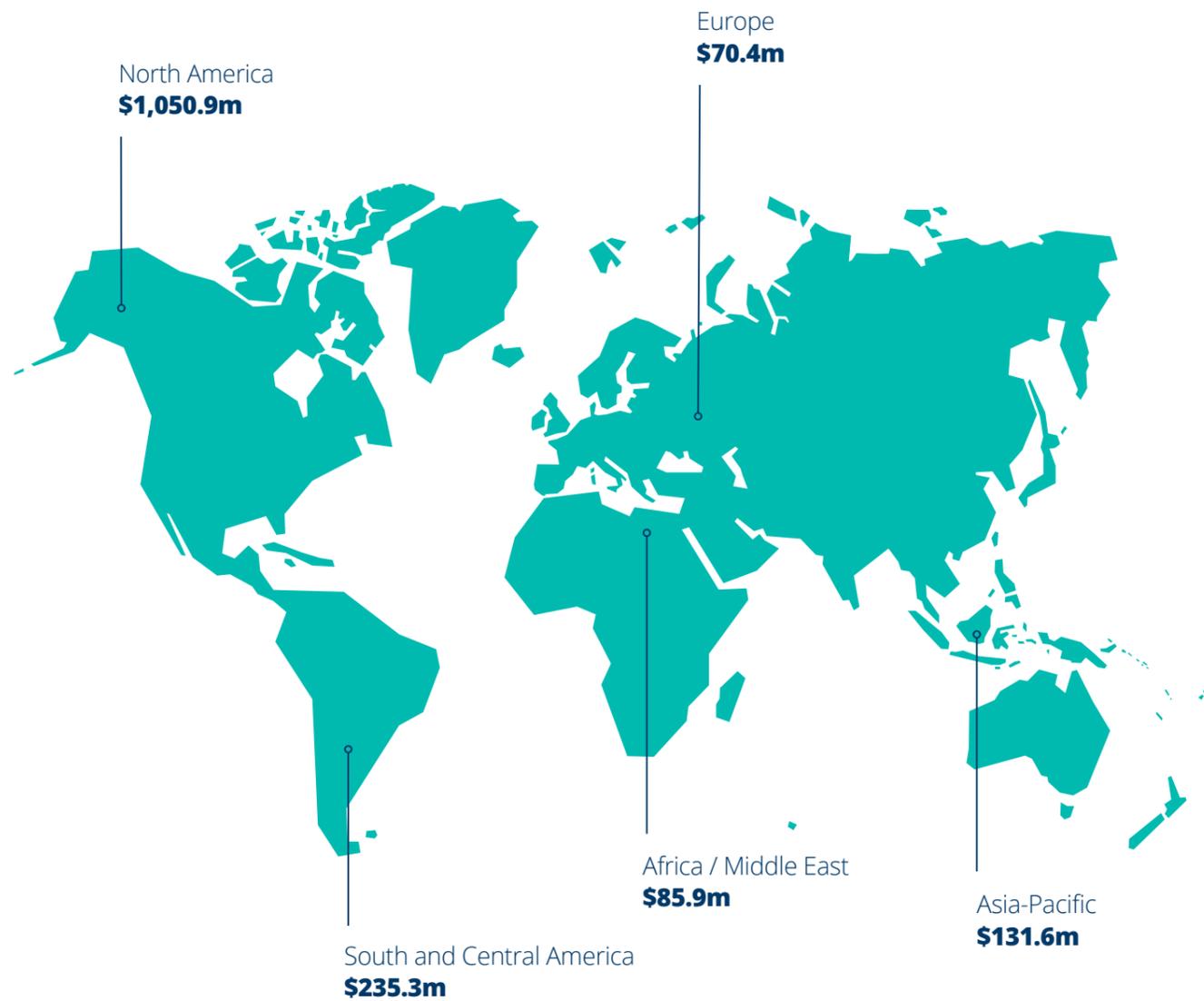
Our work with international partners also saw an increase in the volumes of illicit drugs destined for, or transiting through, New Zealand that are seized offshore. This year \$1.6 billion in harm was prevented from interceptions made offshore, an increase of 48% from 2021/22.

Figure 3: Potential harm avoided through illicit drug seizures (onshore and offshore)



Social harm is measured using the New Zealand Drug Harm Index, which gives a monetary value to the economic and social costs of illicit drugs. The 2022/23 drug totals and associated harm values in this report are provisional figures based on our initial weighing and recording of interceptions. The previous year figures are different from those reported in the *New Zealand Customs Service Annual Report 2022* as the associated provisional drug totals have now been finalised.

Figure 4: Potential harm to New Zealand avoided by offshore illicit drug interceptions by area



We work with partner agencies around the world to disrupt the flow of drugs and other illicit goods to New Zealand. In recent years we have focused on strengthening our relationships in the United States and wider Americas.

This has had a significant impact, with 82% of potential offshore harm avoided during 2022/23 originating from the Americas, compared with 46% in 2021/22.

Case study

Information from a supply chain partner helps identify shipments of methamphetamine

Border Protect is an initiative that aims to educate people and businesses involved in the supply chain (the shipping and delivery of goods) on the risks of criminal infiltration and signs of suspicious activity. By raising awareness of the risks and providing advice on how to report concerns, our supply chain partners become another set of eyes and ears in the fight against the smuggling of drugs and other illicit goods (see page 24).

Trusted insiders are a threat to the security of our supply chain and our reputation as a low-risk, secure trading partner. Trusted insiders are corrupt employees who can bypass or avoid systems used to identify and inspect suspicious goods and packages.

In July 2022, a report of suspicious activity from an industry partner led to a three-month investigation into trusted insiders working for a fast freight company that has a Customs Controlled Area (where goods that have not yet been cleared are held).

The investigation identified three people who had access to goods in a secure area and removed packages containing hidden drugs before they were processed.

The three people were linked to 5.9kg of methamphetamine in two packages in New Zealand and another 6.1kg of methamphetamine seized by our partner agencies in the United States due to information gained during the investigation. All three were arrested and charged under the Misuse of Drugs Act 1975 and the Customs and Excise Act 2018.

Trusted insiders are a significant threat, but with the help of industry partners they can be identified and prosecuted.



Methamphetamine seized as part of the investigation.



Our objective: Prohibited goods are identified and seized

We use intelligence, data analytics, and risk management to target the people, goods, and craft most likely to be a threat to New Zealand's border. This includes screening by border staff, scanning of mail items and goods shipments, physical examination of suspect items, as well as joint operations with partner agencies.

Progress Indicator: Percentage of interventions that result in the interception of illicit drugs or prohibited goods

Expected Trend: increase in result rate of interventions

Actual Trend: on-track – 5% of risk-based interventions in 2022/23 were successful

The result rate of our interventions this year was 5%, up from 4% in 2021/22.

For this indicator a successful intervention is limited to where illegal, restricted, or prohibited items are found as a result of additional risk-based screening of trade or travellers crossing our border. Interventions count single incidents where illicit drugs or prohibited goods are identified, regardless of the amount or type of goods found.

In 2022/23 there was an increase in the result rate across both our trade and traveller risk-based interventions.

Figure 5: Percentage of investigations that result in the interception of illicit drugs or prohibited goods



In 2022/23, 1,914 interceptions from 38,654 interventions returned a positive find (5% result rate), compared to 1,343 interceptions from 33,799 interventions in 2021/22 (4% result rate).

Increased seizures of drugs at the border

New Zealand is an attractive drug market for international organised crime groups because of the high prices and demand, particularly for methamphetamine.

During 2022/23 we have seen significant increases in the volume and value of intercepts across our most commonly seized illicit drugs and the largest ever single seizures of both cocaine and methamphetamine.

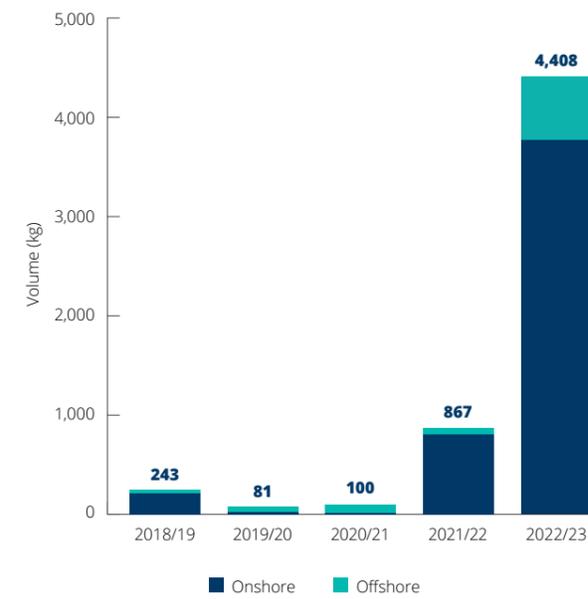
We work closely with national and international partners, sharing information and combining resources to investigate smuggling operations and seize illicit drugs both at our border and before they arrive.

Record intercept of cocaine

In recent years, methamphetamine has been the most often seized drug by volume. However, for the 2022/23 year, cocaine seizures made up 40% of all illicit drugs seized at our border or offshore.

This is largely due to significant seizures, such as the record 3.348 tonnes of cocaine found floating in the Pacific Ocean in February 2023 through Operation Hydros (see page 29), 265kg intercepted in the United States in March 2023, and nearly 180kg concealed in a seven-tonne boiler unit imported from Ecuador in October 2022.

Figure 6: Cocaine seizures by Customs and offshore partners¹



Collaboration was key in the most significant seizure of illicit drugs in New Zealand's history

Operation Hydros was a multi-agency operation with New Zealand Customs, New Zealand Police, and the New Zealand Defence Force teaming up with international partners to investigate and recover 81 bales (3.348 tonnes) of cocaine found floating in the middle of the Pacific Ocean.

Given the volume of cocaine seized, it is likely it was not intended for the New Zealand market. Identifying and seizing shipments as they transit through New Zealand is an important way we contribute to the international disruption of drug transport routes.



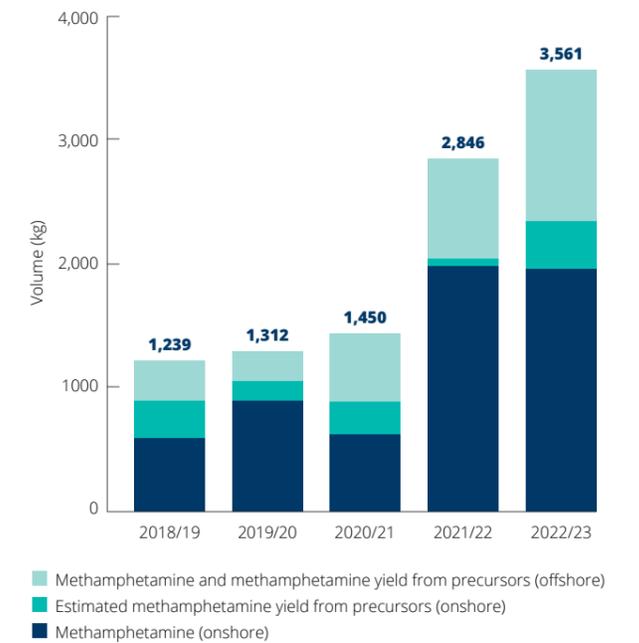
HMNZS Manawanui collecting the cocaine seized through Operation Hydros.

Methamphetamine seizures are increasing in volume and value

As with cocaine, we are seeing larger seizures of methamphetamine at our border and by overseas partners in shipments destined for, or passing through, New Zealand.

During 2022/23, nearly 3.6 tonnes of methamphetamine (including potential meth yield precursor drugs like ephedrine and pseudoephedrine) was seized, compared with 2.8 tonnes in 2021/22.

Figure 7: Methamphetamine seizures by Customs and offshore partners



In January 2023, a joint operation with border agencies and police in Canada and Australia resulted in New Zealand Customs officials seizing 713kg of methamphetamine in a shipment of maple syrup from Canada. This was the largest ever single seizure of methamphetamine in New Zealand, 100kg more than the record 613kg seized in February 2022. This seizure prevented around \$790 million worth of social harm to our communities.

¹ All of the 2022/23 drug totals in this report (including precursor totals) and the associated drug harm figures based on those totals, are provisional figures based on our initial weighting and recording of interceptions. These figures may change. Previous year totals are different from those reported in the *New Zealand Customs Service Annual Report 2022* as those were provisional figures that have now been finalised.

The investigations led to the arrest of six New Zealanders and additional seizures of around three tonnes of liquid methamphetamine in Australia (equivalent to around 880kg of crystal or powdered methamphetamine) and 200kg in Canada.

The success of this operation shows the importance of the strong relationships we have with our international partners.



713kg of methamphetamine was found concealed in bottles of maple syrup from Canada in January 2023.

Other key methamphetamine seizures during 2022/23 include:

- 220kg hidden in an electromagnet imported from Mexico in November 2022
- 121kg hidden in a shipment of rubber mats that was identified in June 2023 during a joint operation with the New Zealand Police into an Auckland organised crime group
- 84kg hidden in a shipment of paper and bubble wrap from South Africa in March 2023.

Table 1: Other commonly seized drugs

Drug type	At the NZ border	
	2021/22 (confirmed)	2022/23 (preliminary)
	303kg	491kg
MDMA	9,440 tablets 0.5 litres	20,335 tablets 17.2 litres
GABA (class B drug)	106kg 3,442 items 1.1 litres	14.6kg 2,256 items 2 litres
GBL	69.7kg 458.8 litres	42.9kg 1,930 litres

Drug type	Offshore	
	2021/22 (confirmed)	2022/23 (preliminary)
	72.4kg	192kg
MDMA	1,601 tablets 7.7 litres	280 tablets
GBL	4.8 litres	15 litres

Monitoring wastewater testing

The National Wastewater Testing Programme tests for consumption of illicit drugs around the country. This gives valuable intelligence about what drugs are being used and in what quantity.

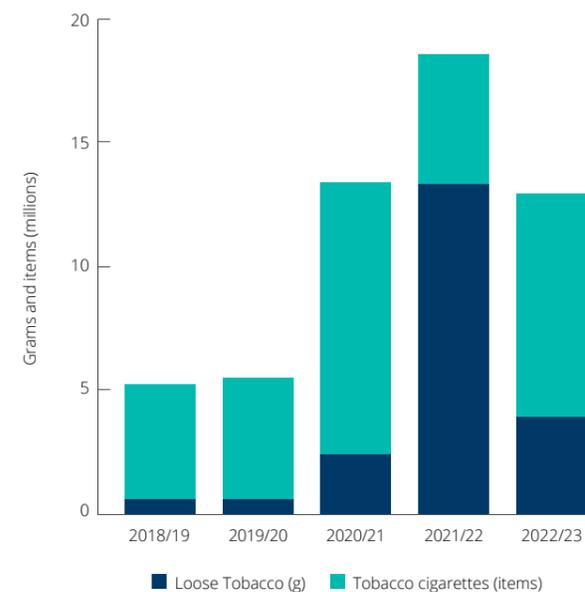
Wastewater drug testing and Customs border seizures are relatively consistent. They confirm that out of the drugs tested for, methamphetamine is the most consumed drug in New Zealand, followed by MDMA. Despite the record seizures of cocaine this year, the rate of cocaine use in New Zealand continues to be much lower than for other drugs commonly seized.

Tobacco smuggling on the increase

New Zealand has some of the world's highest retail prices for tobacco products, making tobacco smuggling lucrative for organised crime groups.

We have seen a significant increase in tobacco smuggling in recent years, with a shift to larger smuggling operations similar to those used for illicit drugs.

Figure 8: Tobacco seizures by Customs



Note this calculation is based on one cigarette weighing approximately one gram.

Through Budget 2022, we received funding to improve our capacity to investigate and prosecute organised tobacco smuggling groups, enhance relationships with international partners, and counter revenue evasion.

The increased focus on tobacco smuggling has seen promising results:

- In November 2022, an Auckland businessman was charged over the smuggling of loose tobacco leaf in shipments of frozen foodstuffs. The investigation resulted in the seizure of tobacco products worth approximately \$1.8 million
- In April 2023, we received information about a retail outlet in Manukau suspected to be selling illicit tobacco. Approximately 6,000 illicit cigarettes and nearly \$25,000 in cash was identified. Some of the cigarettes had been re-labelled with printed New Zealand health warnings to disguise their origin

- In June 2023, three people were arrested for smuggling nearly 500,000 cigarettes into New Zealand in two shipments, avoiding approximately \$675,000 in tobacco taxes. This was a sophisticated crime, using false import documents with the names of legitimate companies and then diverting the shipments to other locations.

Further information on prosecutions for revenue evasion linked to tobacco smuggling is set out on page 47.

Detecting undeclared cash

The movement of large amounts of cash across the border is often linked to illegal activities, such as drug smuggling and money laundering, and is a key focus area for our financial crime unit.

During 2022/23 we identified:



\$8.7 million

in undeclared cash (compared with \$2.1 million in 2021/22).

Smuggling cash, gold, and gems across borders is one method organised crime groups use to launder funds. Between April and June 2023, we took part in a World Customs Organization initiative targeting bulk cash and precious metal smuggling across the Asia-Pacific region. As a result, we identified more than \$1.2 million in undeclared cash and 5kg of gold.

A separate intercept in August 2022 found five 50-gram gold bars concealed within religious books that were destined for the United States.

Targeting child exploitation and objectionable material

We are responsible for the investigation and prosecution of illicit trading of objectionable material across our cyber and physical borders. The sexual exploitation of children, particularly online, is a growing issue globally. Combatting this crime is a priority for Customs. We work closely with New Zealand Police and the Department of Internal Affairs, as well as international partners, to identify and prosecute offenders.

During 2022/23 we investigated 1,468 reports of alleged offending by New Zealanders relating to access or distribution of sexual exploitation material.

In May 2023, our child exploitation investigators arrested a Te Awamutu man following an investigation into the alleged export and distribution of child sexual abuse material across a number of social media platforms. The investigation identified an at-risk young girl in the United States and our team were able to make an international victim referral, which resulted in United States officials intervening to make sure she was safe.

In 2022, information from law enforcement partners in the United States led to the arrest of an Auckland man on charges of exporting, distributing, and possessing child sexual abuse material.

Other investigations resulted in the arrest of two registered child sex offenders for continued online offending.

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

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

During 2022/23 we intercepted:



164
restricted firearms

1,527
firearm parts/ammunition

343
other controlled weapons.

(Compared with 130 firearms, 1,584 parts or ammunition and 440 other controlled weapons in 2021/22.)

Celebrating 50 years of Detector Dog teams

In March 1974, the first Customs Detector Dog teams were introduced, with a focus on screening vessels for illicit drugs, particularly cannabis.

Over the last 50 years, the Detector Dog Unit has grown, with 20 dog teams across the country providing screening services at international airports, mail centres, and maritime ports (including searching small craft, cruise ships, and merchant vessels). Our dogs are now trained to detect a range of illicit drugs, cash, and firearms, helping to protect our communities from harm.



Our first detector dog teams – Custom Officer Geoffrey Wellborne, with Jess, and Customs Officer Bill Treliving, with Prince.

Making sure we target the right areas

All goods and passengers crossing the border go through a screening and clearance process. This may be followed by more examinations or questioning if required.

To make sure our screening processes are targeting the right areas, we randomly sample goods (arriving by both air and sea cargo containers) and people crossing our border. This sampling, supported by robust statistical modelling and intelligence and risk management, helps identify and understand any new areas of concern.

Random sampling of arriving air passengers was suspended in March 2020 because every passenger crossing the border during the pandemic interacted with border officials as part of the health screening processes. It restarted in October 2022.

Table 2: Compliance across import streams

Assurance stream	2021/22	2022/23
Mail	96.0%	96.0%
Fast Freight	92.0%	93.7%
Air Cargo	93.0%	91.5%
Sea Cargo	95.0%	90.3%
Passengers	-	99.6%

Detecting the cross-border movement of illicit drugs

During November and December 2022 we took part in Operation Tin Can, a multi-national World Customs Organization operation targeting the smuggling of cocaine via the maritime supply chain. The operation also aimed to identify any trusted insiders (people with access to systems and secure areas who can bypass security processes) who may be facilitating drug consignments.

The joint operation was successful, providing valuable intelligence about the methodologies, routes, and ports used for drug smuggling. It also allowed agencies to test proactive information sharing and assessment in real-time, as well as build stronger relationships with shipping lines and industry partners.

Our ability to share information and take part in joint operations is an essential part of our ongoing efforts to detect and dismantle transnational organised crime groups and improve the security of our maritime supply chain.

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

The Maritime Border Order came into effect from 1 July 2020 as part of the response to the COVID-19 pandemic. Customs was responsible for ensuring all vessels and crew arriving at New Zealand ports met relevant health requirements until the Order was lifted in September 2022. As the focus of the COVID-19 response shifted, we maintained capacity to respond to new or emerging health risks in the maritime environment and expanded our focus to improving readiness to respond to major events.

Progress Indicator: Maintain capacity to respond to COVID-19 or other health-related threats at the maritime border

Expected Trend: maintain capacity to respond to monitoring or health obligations for vessels and crew arriving at New Zealand ports

Actual Trend: achieved – capacity was maintained until the formal end of the Maritime Border Order workforce on 30 June 2023

The Maritime Border Order 2020 set out the requirements arriving vessels and crew needed to comply with at New Zealand ports during the pandemic. This included testing and isolation requirements, the use of Personal Protective Equipment (PPE), arrangements for crew transfers and management, and care for identified cases onboard visiting vessels.

Customs' Maritime Border Order workforce was set up to support these new requirements, with approximately 230 fixed-term staff employed to make sure we could maintain a 24/7 presence at 14 ports across New Zealand.

In May 2022, changes to the Maritime Border Order removed the need for crew and passengers to isolate, and social distancing and PPE requirements were lifted. This meant our presence was no longer needed at all ports 24/7.

With the reopening of the maritime border to all vessels at 11.59pm on 31 July 2022, a process began to make sure that an appropriate and proportionate number of staff were in place at maritime ports. This included making sure sufficient capacity (57 full-time equivalent staff across eight ports) remained to respond should border restrictions be needed for new or emerging health threats. Page 134 provides more detail about changes in funding as a result of this process.

The Maritime Border Order was lifted in September 2022 and contracts with the last group of fixed-term staff ended on 30 June 2023.

New focus for the Maritime Group

The increased presence of Customs officers at our major ports during the COVID-19 response had a number of benefits. These included building stronger relationships with port authorities, staff and businesses, and increased identification of potential threats to the supply chain by transnational organised criminal (TNOC) groups.

As a result, a permanent Maritime Group was established in January 2023, bringing together a number of our teams operating within the port environment and on the water. The key focus areas for the Maritime Group include:

- keeping a visible presence at ports and strengthening relationships with key stakeholders
- developing industry awareness of the threats from TNOC groups in the maritime environment
- addressing the threat of trusted insiders to the supply chain
- conducting 'rummages' or searches of maritime vessels
- conducting offshore and onshore patrols and joint operations with the New Zealand Police and Royal New Zealand Navy.

The Maritime Group will also be responsible for implementing the Budget 2023 Maritime supply chain security initiative, targeting criminal activity and threats to our supply chains (see page 25).

Increasing our capability to respond to significant events

The National Security and Emergency Management Unit was established in July 2022 to enhance our internal readiness to respond to major incidents or national emergencies.

The unit has three key focus areas:

- contributing to policy and governance arrangements for the national security system, such as the development of the National Security Strategy and input into the National Security Intelligence Priorities
- increasing readiness and response functions within Customs and participating in whole-of-government scenarios that test responses to adverse or catastrophic events
- supporting arrangements for large events hosted in New Zealand.

During 2022/23, this included supporting planning for the Women's Rugby World Cup in September 2022 and the FIFA Women's World Cup in July/August 2023. Significant logistics planning was required to make sure teams and guests had a smooth experience at the border and critical gear arrived as scheduled.

» The year ahead

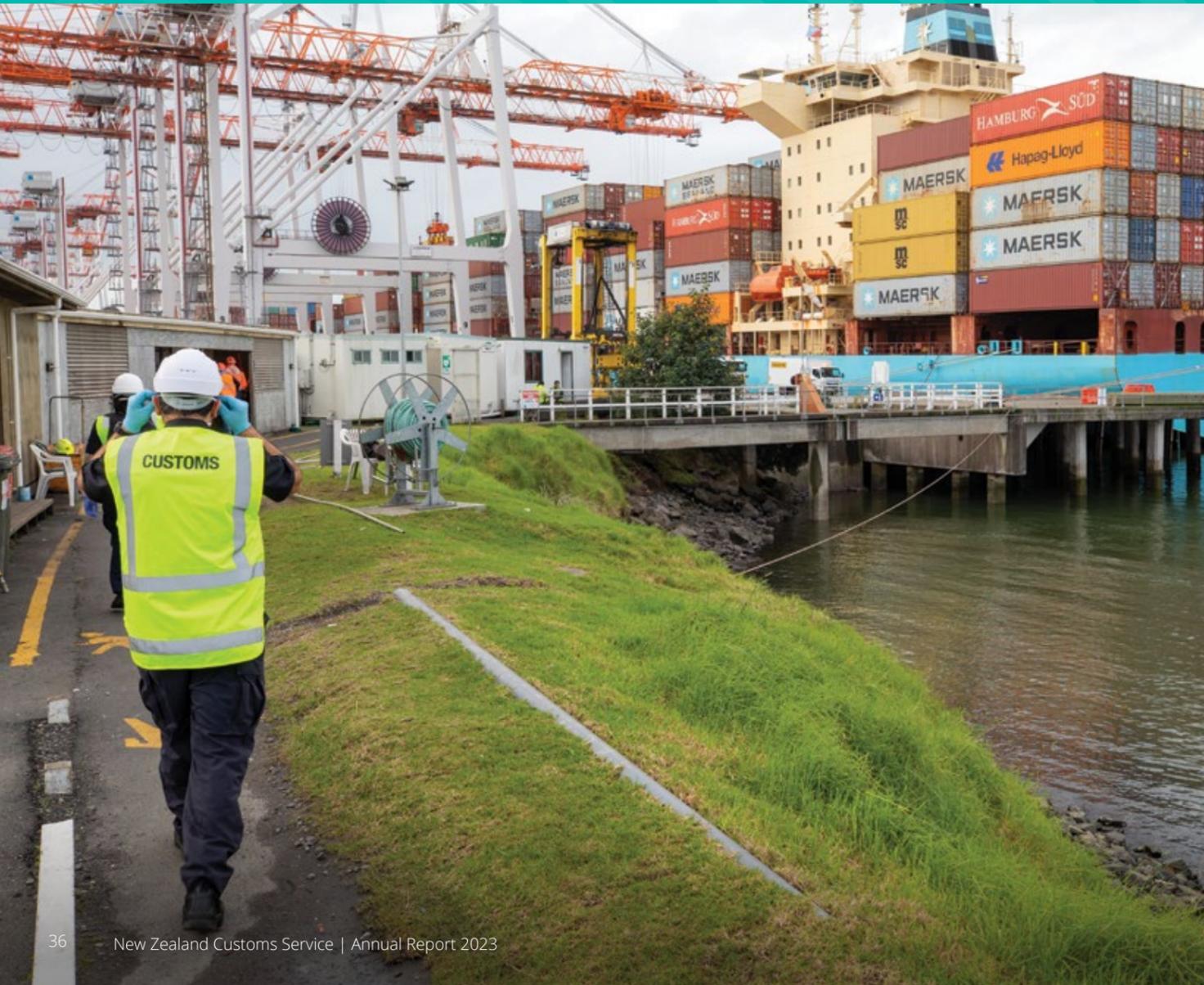
Transnational organised crime groups are becoming more sophisticated in their attempts to make profits from smuggling drugs, tobacco, and other goods into New Zealand. This has a significant impact on our communities, businesses, and our reputation as a safe and secure trading partner.

During 2023/24 we will:

- implement the new maritime supply chain security initiative
- continue to work with our New Zealand and international partners to disrupt and dismantle transnational organised crime groups
- maintain our efforts to identify and seize drugs and other illicit goods, reducing the social harm caused to our communities.



Hokohoko me te pūtea Trade and Revenue



Our intention: Supporting the efficient flow of trade and revenue collection

We play an important role in facilitating and promoting international trade, while making sure goods meet national and international requirements, including the payment of duties and taxes. Our reputation as a trusted trading partner, and active involvement in international forums, helps us to advocate for fair conditions for New Zealand traders.

Our strategic objectives are focused on supporting legitimate trade through:

- > increased and reliable market access
- > easy to use systems and processes
- > ensuring non-compliance is identified and appropriately addressed.

During 2022/23 our focus was on helping traders impacted by supply chain disruptions and extreme weather events. We also signed new Mutual Recognition Arrangements with the United Kingdom and Thailand, chaired the Border Five Heads group for the 2022 calendar year, and started a two-year term on the World Customs Organization Policy Commission.

Our Time Release Study in September 2022 found that we facilitate the movement of goods efficiently and effectively across our border, with 91.5% of sea cargo and 67% of air cargo imports cleared before arrival into New Zealand. Most compliant trade cargo is cleared electronically within five minutes.

Key achievements

During the year we:

- > processed 19.7 million import and 4.4 million export transactions (excluding mail items)
- > collected \$18.6 billion in Crown revenue on behalf of the Government
- > influenced global customs policy and standards through our involvement in international forums.

Performance against our Trade and Revenue measures

Strategic indicators



■ On-track ■ Off-track

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

Output measures



■ Achieved ■ Not achieved

Our Trade and Revenue output measures sit within the Goods Clearance and Enforcement and Revenue and Other Services appropriations. For more details on each appropriation, see pages 106–130.

Our objective: Increased and reliable market access

New Zealand is reliant on trade, and our geographical location can make this challenging. Building strong relationships with trade partners ensures they have confidence in our systems and processes, reducing barriers to trade and supporting sustained economic growth.

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

Expected Trend: increase trade conducted through Customs' Authorised Economic Operator (AEO) programme

Actual Trend: on-track – almost one quarter of trade from partnership countries was under our AEO, up 0.7% from 2021/22

New Zealand traders benefit from the international trading agreements, such as Mutual Recognition Agreements and Customs Cooperation Agreements, which reduce customs clearance times and costs for businesses offshore and in New Zealand.

Figure 9: Percentage of export trade (\$) covered by the AEO Secure Exports Scheme (SES)



The percentage of export trade through the SES programme this year increased by 1.5% and is more than a third of total export trade value from partnership countries.

Figure 10: Percentage of import trade (\$) covered by the AEO programme



The percentage of import trade through the AEO scheme continues to increase. In 2022/23, 12.3% of imports, by value, from partnership countries was conducted through the programme. This is an increase of 1.9% from 2021/22.

Overall trade volumes have decreased from last year

During 2022/23 we processed 19.7 million import transactions, a decrease of 3% from 2021/22. We also processed 4.4 million export transactions, a decrease of 15%. This largely reflects changes in the nature of trade, with larger but fewer transactions.

Figure 11: Trade transactions for low (less than \$1,000) and high (more than \$1,000) value goods



Saving exporters time and money

Authorised Economic Operator (AEO) programmes recognise businesses that meet best practice World Customs Organization security requirements in their supply chains when exporting and importing goods. Businesses that are part of these programmes are considered low-security risks, enabling fast-track processing and fewer compliance checks at international borders. This provides reliable and timely access to key markets.

The Secure Exports Scheme (SES) is New Zealand's AEO programme. During 2022/23, 10 new SES partners were approved to join the scheme from a range of industries, including timber, wine, wool, and electronics, as well as exporters of bark, seeds, and beauty products. As at 30 June 2023, we had 142 partners in the scheme.

During 2022/23, we worked to increase the number and type of businesses who could apply to be an SES partner. This includes transport operators and secure load sites within the supply chain that could previously only be part of the programme in partnership with an existing export business. We also launched a new digital application process through Business Connect to make it easier for businesses to apply. Business Connect is a cross-agency digital platform, managed by the Ministry of Business, Innovation and Employment, giving businesses access to a range of government services through a single site.

The new platform fully went live in August 2023. It provides a simplified and streamlined process, making it faster and more convenient for businesses. These changes have been designed to improve the accessibility of the scheme, especially for small-to-medium sized businesses.

New outreach service for Māori businesses

A new position will be set up early in the 2023/24 financial year to increase support to Māori businesses, especially small-to-medium sized importers and exporters. The new role will provide tailored advice and support, including promoting the benefits of being an SES partner.

Supporting reliable and timely access to key markets

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

During 2022/23, new Mutual Recognition Arrangements (MRAs) were signed with the United Kingdom (in July 2022) and Thailand (in May 2023), making it easier for members of our AEO SES to access fast-track processing into these markets. For importers, these agreements make it easier to clear low-risk goods coming into New Zealand, which also frees up our resources to target high-risk goods.



Christine Stevenson, Comptroller and Chief Executive of Customs, and Patchara Anuntasilpa, Director-General of Customs Department Thailand, sign the Mutual Recognition Arrangement in Perth, May 2023.

As at 30 June 2023, we have MRAs with 11 trade partners:

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

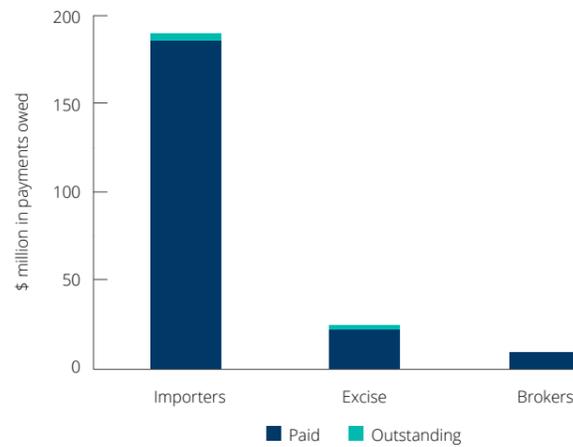
In June 2023, the MRA with Japan was extended to cover air freight as well as sea freight, providing quicker clearance for perishable goods and smaller shipments sent by air. Japan was previously the only MRA trade partner that did not include air freight in the trade arrangement.

Supporting traders through adverse events

We actively work to support clients impacted by supply chain issues, adverse weather events, or other challenges. This can include deferred payment plans, which allow clients to pay off their core debt over time, helping to address cash flow challenges.

The COVID-19 economic assistance package was set up in March 2020 to help clients impacted by the pandemic and its ongoing effects. In total, 538 clients have been supported since the package started, with 98.7% of deferred debt repaid by 30 June 2023.

Figure 12: COVID-19 economic assistance (deferred debt March 2020-June 2023)



During the year, we worked with businesses, particularly wineries and breweries, impacted by adverse weather events such as Cyclones Hale and Gabrielle in January/February 2023, and clients impacted by the carbon dioxide shortage following the temporary closure of the Kapuni liquid carbon dioxide plant.

In May 2023, Cabinet declared Cyclone Gabrielle an emergency event under the Customs and Excise Act 2018. This allowed us to waive interest and penalties on delayed payments and provide duty remissions on goods that had been damaged. We also set up debt payment plans and moved some clients onto six-monthly or annual payments rather than monthly.

A small team remains in place as a single point of contact for these clients as it is expected that the full impact of the flooding will not be felt for some time.

Resolving trade issues faced by exporters

Our overseas network of staff work to strengthen relationships with partner agencies, share information and intelligence, and provide on-the-ground help to businesses with customs-related issues.

This can include resolving issues with the clearance of goods, identifying and helping address non-tariff barriers, and helping with the implementation and interpretation of Free Trade Agreements.

In March 2023, our Los Angeles Liaison Officer was contacted by the Ministry for Primary Industries with an issue involving a commercial shipment of frozen fish. The shipment had been held up by United States border officials over concerns with the documentation. Our Liaison Officer was able to use his contacts to provide the relevant information and the shipment was cleared and released within four hours of Customs being alerted.

Similarly in June 2023, a shipment of dairy produce was held by border officials in China due to issues with the Certificate of Origin document. A Certificate of Origin confirms the goods have been wholly produced or manufactured within New Zealand and is required for reduced tariffs under the Free Trade Agreement. Our Customs Counsellor (Beijing) was able to work with the exporter and China Customs to resolve the issue, with the goods released within a few hours.

In both cases, delays in clearing the goods would have had a significant impact on both the exporter and importer. The relationships formed by our overseas staff help us to solve these types of issues quickly.

We work to influence global customs policy and standards

Our involvement in international forums provides opportunities to influence the development of international customs strategy, policy, and best practice. It allows us to work collaboratively on addressing global or regional threats, and provides a platform to advocate for fair conditions for New Zealand traders. Taking part makes sure we are visible and can promote New Zealand's interests.

Border Five

The Border Five group, which brings together customs and border protection agencies from New Zealand, Australia, the United Kingdom, the United States, and Canada, is one of our most significant international relationships.

The Border Five was set up in 2007 as a forum to enable collaboration and information sharing across agencies, with a focus on business risks, operational threats and strategic engagement. It provides a multi-lateral forum to learn from each other and discuss and coordinate, where appropriate, shared positions on World Customs Organization initiatives.

During the 2022 calendar year, New Zealand chaired the Border Five Heads group, hosting three meetings, including the first in-person forum following the COVID-19 pandemic.

World Customs Organization Policy Commission

The World Customs Organization (WCO) is the global standard-setting body for customs matters across trade, travel, protection, and revenue. New Zealand has been a WCO member since 1963. Together, the 185 customs administrations represented on the WCO manage more than 98% of world trade.

In December 2022, we started a two-year term on the WCO Policy Commission. The Policy Commission provides a platform to influence international policy and customs processes within the WCO.

Our engagement makes sure our voice is heard, and our interests are considered during negotiations on international standards and frameworks.

During our term we are focused on promoting data sharing as a key enabler of border protection and security, championing gender and equality outcomes, and understanding and influencing the direction of international policy on the issue of 'Green Customs'. We also work closely with other members on issues relating to trade facilitation and border protection.

This is an opportunity for us to contribute to one of the most important governance bodies in the WCO.



WCO Policy Commission meeting in Bahrain, December 2022.

Oceania Customs Organisation

We are also a member of the Oceania Customs Organisation, which brings together representatives from 23 customs administrations within the Pacific. It is focused on supporting the implementation of international standards and best practice to improve border security and trade across the region.

New Zealand is a permanent member of the Steering Committee, which allows us to support the rotating Chair and provide governance assistance to the organisation.

Asia-Pacific Economic Cooperation (APEC) Forum

APEC is the leading economic and trade forum in the Asia-Pacific region, supporting trade facilitation and best practice policies and guidelines across the 21 members.

During 2022, APEC funded us to lead a project to address gender disparities within customs organisations around the world. The project report has generated significant interest, with gender equality becoming a standing agenda item for the Sub Committee on Customs Procedures, and recommendations for the development of an action plan for gender equality. Several other international forums are seeking to drive similar actions across their members.

We will continue to support this work through our international forums.

Building capability across customs administrations in the Pacific

The Pacific Capability Building programme is a partnership between Customs and the Ministry of Foreign Affairs and Trade that supports Pacific Island customs administrations to improve trade facilitation and revenue collection processes and practices.

In March 2023, the third phase of this work began with a focus on projects that will improve trade and revenue systems, border management, and leadership development practices. The five-year programme includes training and support regarding risk management, post clearance audits of imported goods, and the correct classification of goods by customs officials and importers to improve the collection of revenue.

Our objective: Easy to use systems and processes

We are focused on enabling a high level of voluntary compliance with trade and revenue requirements by making it easy to comply and hard to avoid. This includes a focus on simplified and transparent systems and efficient processes for clearing goods at the border.

Progress Indicator: Customer experience

Expected Trend: increase customer experience score as measured by Better for Business research

Actual Trend: on-track – while the customer experience score decreased slightly in 2022/23, the five-year trend maintains an increase

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

An annual survey of around 2,000 businesses rates the interactions and experiences of businesses when interacting with government agencies. In 2022/23 the survey was run between April and June 2023, with 203 responses related to Customs.

This year, our overall customer experience score dropped slightly from 69% in 2021/22 to 68% in 2022/23. However, the five-year trend shows an increase and the improvement from 2020/21 has been maintained.

Figure 13: Customs' Better for Business overall customer experience score



Note the survey was not run in 2019/20.

Our customer satisfaction rating remained the same as in 2021/22 at 69%, and clients reported that it took less effort to engage with Customs than in previous years. We continue to look for ways to improve our services for our clients.

We process trade goods quickly

Over the past year, global supply chain challenges have eased. However, inflation and higher prices for materials and goods are now causing disruption. Some companies are closing distribution centres and reviewing supply routes, creating additional delays and challenges for importers and exporters.

We have a range of systems and processes in place that make sure most goods crossing the border are cleared for shipment within 30 minutes of documentation arriving, with most compliant trade cleared electronically within five minutes.

During September 2022, we ran a Time Release Study to find out how efficiently goods are processed at the border. The study measured the time taken for goods to pass through different stages, starting from when the goods first arrive in the country or are ready for export, through to their clearance or release.

Over a week, a total of 12,112 import entries and 5,267 export entries were assessed.

The 2022 Time Release Study found:

91.5%

of goods imported by sea were cleared before arrival into New Zealand

91.3%

of full container loads of goods for export by sea were cleared 48 hours before departure

67%

of air cargo was cleared before arrival into New Zealand

99.1%

of air cargo was cleared before departing New Zealand.

Note these times relate to goods with correct documentation.

The lower percentage of air cargo cleared before arrival reflects the much shorter time traders or their brokers have to provide their documentation to Customs once the goods leave an international airport. The study found air cargo was generally released within 8.5 hours of arrival.

More information on the 2022 Time Release Study can be found on our website².

A second Time Release Study is planned for September 2023, and we intend to run it every two years after that. This will help us to track our effectiveness over time and identify improvements that could help to reduce trade delays.

Finding mistakes early supports faster clearance of goods

Clients can often face delays in the clearance of payments and release of goods where they have used incorrect banking details in payment documentation.

In May 2023, we introduced a new app that allows mistakes in payment documents to be identified much earlier in the process so they can be reviewed and corrected before being processed. The new app has meant faster allocation of payments, reducing delays in the release of goods.

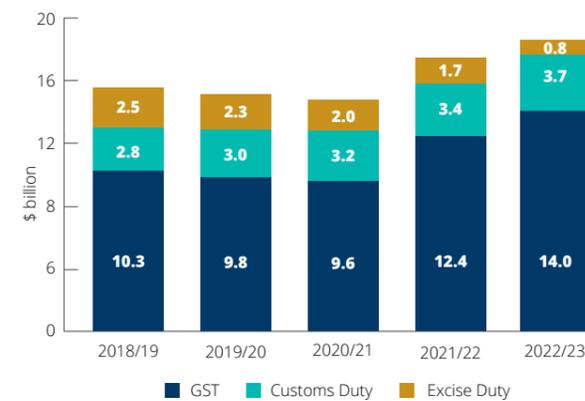
Our objective: Non-compliance is identified and appropriately addressed

One of the main functions throughout our long history has been to collect revenue on behalf of the Government on import and export goods crossing our border and on the manufacture of alcohol, tobacco, and fuel products within New Zealand. We run a high trust model, supported by risk-based and random audits of goods, and penalties for non-compliance.

We collected \$18.6 billion in revenue on behalf of the Government in 2022/23

This revenue comes from customs and excise duties on alcohol, tobacco, and fuel products, tariff charges, and GST on imported products over \$1,000. This funding is part of the Government's revenue and is not used by Customs.

Figure 14: Main sources of Crown revenue collected by Customs



The total revenue collected during 2022/23 increased by 6% compared to 2021/22, with the largest growth in the amount of GST collected on goods due to the impact of inflation on the cost of goods being shipped to New Zealand.

We also collect fees and levies on behalf of other agencies.

Supporting clients to do the right thing

We require information about all goods imported to, or exported from, New Zealand. This information is used to risk assess and process goods for clearance, and make sure correct duty payments have been calculated.

Supply chain disruptions over the last few years have driven a change in import patterns, with many importers making larger but fewer orders, making sure they hold enough stock in New Zealand to meet demand. These orders can be more complex, leading to more mistakes by clients in documentation and resulting delays in releasing goods.

As a result, we have increased our focus on industry outreach and education programmes, providing advice on customs requirements and the common mistakes we see. Where deliberate errors or continued mistakes are identified, we have a range of administrative penalties and sanctions that can be applied, including prosecution for deliberate misdeclarations.

During 2023/24, a new declarant performance programme will be implemented, focused on those people and organisations that regularly provide the documentation for imported goods (declarants). The programme aims to improve the accuracy of the information and to support clients to improve their quality assurance processes and systems to avoid mistakes and reduce the risk of penalties.

² <https://www.customs.govt.nz/globalassets/documents/misc/time-release-report-final.pdf>

Progress Indicator: Compliance rates of traders

Expected Trend: increased compliance over time

Actual Trend: off-track – both risk-profiled audit compliance (1%) and random audit compliance (3%) decreased

We randomly assess a proportion of all import entries (documentation for goods entering the country) submitted to us for processing. This helps us monitor the accuracy of the trade information on these documents, which is essential for quickly clearing compliant goods and for the reporting of trade statistics.

Figure 15: Compliance rate of randomly sampled import entries



Over the last few years, we identified more non-compliance due to inaccurate documentation for imported goods. Traditional mistakes on the value and classification of goods have reduced this year but there has been an increase in mistakes on the description of goods, shipping and statistical information.

Work is underway with brokers and clients to understand these issues and to tailor education programmes to address the most common mistakes.

Encouraging clients to make voluntary disclosures

We also work with clients and industry partners to encourage voluntary disclosures where mistakes in entries, clearance documentation, or under-reporting of the value of goods have been identified by them (before Customs notifying that an audit is to occur).

In addition to our random sampling, we also do risk-based audits to identify and address non-compliance. This audit programme also provides opportunities to educate traders and encourage future voluntary compliance and disclosures.

Figure 16: Compliance rate of risk-profiled audits



As these audits target higher-risk companies and trading activities, we expect lower compliance compared with our random sampling.

The majority of non-compliance is accidental or unintentional. In 2022/23, less than 15% of non-compliance was considered to be due to negligence and less than 1% was found to be deliberate.

By proactively alerting us to the mistake, clients can avoid administrative penalties on omissions or mistakes made and, if undeclared revenue is identified by the client, any compensatory interest applicable is generally applied at a reduced rate than if issues are identified by us through an audit. Clients are also less likely to be subject to enforcement actions and we will work with them to set up payment plans if needed.

During the 2022/23 financial year, almost \$97 million in extra revenue payments were identified through voluntary disclosures or payments through the Provisional Values Scheme (which allows clients to adjust their payments where costs such as royalties were not known at the time of import). Voluntary disclosures made up approximately 81% of revenue identified during audit or assurance work during the year. Another \$23 million in revenue payments required to be made by traders were identified through our assurance and audit reviews.

Intervening early to reduce debt

In June 2023 we began rolling out a new system to alert clients if they miss a payment (generally related to excise, duty, or GST payments). These alerts replace the manual system where clients were not contacted until payments were at least 60 days overdue. By intervening early, clients are reminded of their obligations and payment dates, reducing their debt levels. The system is being rolled out during the 2023 calendar year and is expected to be fully implemented by December 2023.

Ensuring clients pay the correct duties on imported goods

In March 2023, a Customs officer found a potential discrepancy in the documentation provided for a shipment of imported goods. The documentation showed a significant deduction in the value of the goods had been calculated by the company based on a contractual agreement with their supplier.

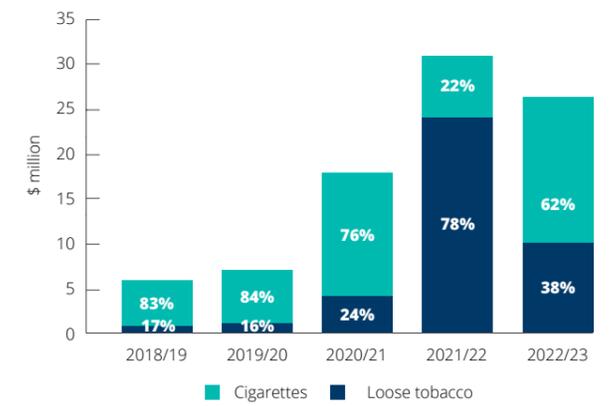
After consultation with the company and advice from our specialist units, it was confirmed that the deductions the company was making were not appropriate. A similar deduction was found for an earlier shipment, meaning the goods had been undervalued by more than \$42.3 million. The company paid an extra \$11.4 million in duties on these goods and updated their processes for the future.

Tobacco smuggling is the largest source of revenue evasion for goods subject to duty or excise payments

Organised crime groups are attracted to tobacco smuggling because of the high prices and demand in New Zealand. Tobacco smuggling often happens alongside the smuggling of illicit drugs and prohibited items, as well as money laundering activities.

We have seen a sustained rise in the amount of tobacco and tobacco products smuggled into New Zealand to avoid import duty payments (also known as excise-equivalent duties).

Figure 17: Excise-equivalent revenue foregone from illicit tobacco interceptions



We work with national and international partners to identify and prosecute the people and groups behind deliberate revenue evasion. Where it is not possible to recover debts or duty payments, we can work with the New Zealand Police Asset Recovery Unit to help offset the debt to the Crown.

In 2021, two people were convicted of revenue evasion for smuggling more than one million cigarettes into New Zealand, receiving non-custodial sentences. Through the investigation, we found that the pair used a legitimate food importing business to systematically import undeclared cigarettes and had profited significantly as a result. We subsequently worked with the Police Asset Recovery Unit to recover the unpaid revenue under the Criminal Proceeds (Recovery) Act 2009. In February 2023, the Police Asset Recovery Unit reached an agreement with the two people to pay \$900,000 to the Crown.

Illicit tobacco smuggling is not a victimless crime. It takes money out of our communities, putting it into the pockets of criminals or organised crime groups, and results in poorer health outcomes. By working collaboratively, we can target the people involved and help reduce the harm to our communities.

Making sure our clients understand what we collect and why

As well as the revenue we collect on behalf of the Crown, approximately 60% of our operating funding comes from fees and levies we collect to cover the costs of screening and processing passengers and goods as they cross the border. These fees are collected through the Border Processing Levy (for passengers) and goods and cargo fees (for processing import and export goods).

A performance report is prepared each year for the Border Processing Levy to provide transparency and accountability over what we collect and how it is used. A new annual performance report on Goods and Cargo Fees was introduced this year to provide similar transparency over goods fees. These reports are produced jointly by Customs and Biosecurity New Zealand (Ministry for Primary Industries).

The reports set out the legislation that authorises the collection of the fees and levies, what services the fees cover, volumes of passengers and goods, and the revenue collected through the fees and the costs of delivering the services. The reports also describe the work programmes both agencies have in place to make sure we mitigate border risks while providing a streamlined process for travellers and goods crossing the border.

Both reports covering the year to 30 June 2022 were published on our website in February 2023³.

Public consultation on changes to fees

During March and April 2023, we ran a public consultation process on options for increases to the goods fees charged by Customs. The amount of revenue provided through goods fees is not enough to cover the current costs of the services provided (see page 161), and an interim inflation-based increase was suggested as an option while a more comprehensive review of the fees framework occurs.

Through the consultation process we met with industry associations, included an item in *Customs Release*, Customs' weekly newsletter, and published a consultation document that set out the current fee arrangements and what they cover. We sought feedback on the options for increases to fees, and this informed the final proposal. Following Cabinet decisions, the first of two adjustments to the goods fees will take effect in October 2023.

» The year ahead

International trade happens in a complex and often changing environment. Our focus is on advancing international trade market access and continually improving processes for legitimate traders to import and export goods.

During 2023/24 we will:

- work with businesses and industry partners to improve the accuracy of trade documentation
- continue to streamline processes and promote the Secure Exports Scheme, especially for smaller businesses, and work to understand the business requirements and trade challenges of small-to-medium sized Māori exporters
- support businesses to manage cash flow and supply chain challenges due to adverse events.



³ You can read the performance reports on our website: Border Processing Levy at <https://www.customs.govt.nz/globalassets/documents/border-sector-documents/border-processing-levy-performance-report-2022.pdf>; and the Goods and Cargos Fees report at <https://www.customs.govt.nz/globalassets/documents/border-sector-documents/goods-and-cargo-fees-performance-report-2021-22.pdf>.



Tāroi Travel



Our intention: Providing secure border processes that effectively and efficiently process international travellers

The last border restrictions related to the management of the COVID-19 pandemic were lifted at the end of September 2022. While passenger numbers are still below pre-pandemic levels, the 2022/23 year saw a significant increase in traveller numbers, as well as the return of cruise ships and small craft at ports around the country. Our focus is on making travel easier, more efficient, and more secure.

Our strategic objectives are focused on:

- > the development of an integrated cross-government system to safely support international travel
- > ensuring our processes are adaptable by design
- > reducing risks to New Zealand through effective border screening processes.

During 2022/23 our focus was on the development and trialling of the New Zealand Traveller Declaration, a digital version of the paper arrival card. We also managed staff numbers at airports as the number of passengers increased during the year and began passenger processing services for cruise ships again.

Key achievements

During the year we have:

- > developed and tested the cross-agency New Zealand Traveller Declaration system
- > processed over 10 million passengers, travelling by air and sea, at the New Zealand border – a 555% increase in passenger volumes from 2021/22
- > supported the introduction of the Customs and Excise (Arrival Information) Amendment Act 2022, providing clearer arrival information obligations to support effective border management.

Performance against our Travel measures

Strategic indicators



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

Output measures



Our Travel output measures sit within the Travellers Clearance and Enforcement, Border System Performance, and Traveller Declaration System Development appropriations. For more details on each appropriation, see pages 106–130.

Our objective: Develop an integrated cross-government system to safely support international travel

First introduced to support the resumption of travel during the COVID-19 pandemic, the New Zealand Traveller Declaration (NZTD) is an online system that allows passengers to complete a digital declaration for entry into New Zealand. The aim is to modernise our border, help passengers move through our airports and marine ports more efficiently, and improve the safety and security of New Zealand.

Progress Indicator: The New Zealand Traveller Declaration system was developed

Expected Trend: a multi-agency work programme is implemented to support the development of the NZTD

Actual Trend: on-track – the NZTD system has been developed and trialled in collaboration with partner agencies

The design and implementation of the NZTD is one of the biggest changes to how we manage risk at our border in many years and involves multiple agencies. While Customs is the lead agency, the development and delivery of the NZTD system is a partnership with the Ministry of Business, Innovation and Employment (Immigration New Zealand), the Ministry for Primary Industries (Biosecurity New Zealand), the Ministry of Health and Te Whatu Ora.

A multi-agency programme team and cross-agency steering committee, supported by senior leaders at each agency, was set up in 2021/22 to provide joint accountability over the design and implementation of the NZTD system. Effective collaboration between agencies saw the project nominated as a finalist in the 2022 Public Service Te Hāpai Hapori Spirit of Service Awards for service excellence.

The NZTD has been developed and trialled in stages:

- from April to October 2022, the first version of the NZTD supported the resumption of international travel by enabling COVID-19 risk assessments of individual travellers
- from October 2022 to March 2023 agencies worked to design the next stage, addressing wider border risks and updating legislation
- from March to June 2023 the NZTD system was trialled at Wellington, Christchurch and Queenstown airports
- a phased go-live across our international air and marine ports starting in July 2023.

Supporting the safe resumption of international travel during the COVID-19 pandemic

Work to develop the NZTD system began in September 2021, first focusing on supporting the management of COVID-19 risks at our border. It was critical to the safe reopening of the New Zealand border in 2022. When the system went live, it meant the individual COVID-19 health risks of passengers could be managed before their entry to New Zealand, protecting the health of New Zealanders, while supporting our reconnection to the world.

Between April and October 2022, the NZTD system adapted and evolved as New Zealand border entry requirements changed.

By the time the COVID-19 Public Health Response (Air Border) Order 2021 (which required all travellers to complete the NZTD) was revoked on 20 October 2022, border agencies had addressed more than 30 health rule setting changes through the system.

Developing our response to border risks and threats – working towards the reintroduction of the NZTD

Between October 2022 and June 2023, agencies continued working on the system. This included updating legislation to enable agencies to use the NZTD after the original mandate ended with the lifting of the Air Border Order.

As part of this, the Customs and Excise (Arrival Information) Amendment Act 2022 came into effect on 21 June 2023.

The updates to the Act provide for clearer arrival information obligations to help with customs-related border management matters, such as collection of revenue and detection of restricted or prohibited goods.

The updates also support improved collection of arrival information by providing rules for compliance.

Managing threats to our economy

In August 2022, the NZTD system showed its value, supporting the Ministry for Primary Industries' efforts to keep foot-and-mouth disease out of New Zealand. Messaging about foot-and-mouth disease was emailed to travellers when they submitted a New Zealand Traveller Declaration. This would not have been possible with a paper Passenger Arrival Card.

An NZTD foot-and-mouth disease marketing campaign was also put in place, targeting messages to travellers from Indonesia.

User testing the new digital declaration – NZTD trials

Trials between March and June 2023 tested updated and new system features as well as operational border processes.

These trials meant border agencies could test the end-to-end functionality of the system and operational processes, as well as get feedback from travellers and agencies. This helped us adapt processes to support the implementation of the system.

Across the four trials we received over 3,700 digital declarations. The median time to complete a declaration was less than 10 minutes.

Overall, the new digital declaration was well received by those who took part in the trials.

"[NZTD] made the declaration process a lot easier and less stressful to complete".

"Excellent process doing it prior. No paperwork to fill out on the plane especially when tired."

Making sure the NZTD is accessible and inclusive

We are committed to building an NZTD system that is accessible and inclusive. Our aim is to make sure that the system meets the needs of all travellers, including those who do not have access to a device or may require extra support.

During the development of the NZTD system, we have engaged independent accessibility advisors and tested the system on behalf of various groups to ensure the declaration and supporting information meets accessibility standards.

The NZTD system is supported by information resources, including translated versions of the NZTD form, and a Traveller Factsheet is available in 22 languages. A paper version of the NZTD will be available for those who cannot complete it online.

Implementing the NZTD

The NZTD will be used by passengers and crew arriving by both air and sea. Between October 2022 and June 2023, border agencies worked together to define the regulations and operational processes for the NZTD to be used across the maritime sector.

In March 2023, it was agreed by Cabinet that a phased approach would be taken to implement the NZTD across our international airports and for travellers arriving by sea. This is to allow time to refine our processes and better support the traveller experience as each phase goes live.

This phased approach is especially important for processing travellers arriving by sea, as we have previously focused our efforts on collecting arrival cards from passengers and crew who are permanently disembarking. Under the new system, passengers who temporarily disembark at ports across New Zealand during their cruise will also need to complete an NZTD.

Implementation is underway

The first phase of implementation began in July 2023, with passengers and crew arriving at Wellington, Christchurch and then Queenstown international airports able to complete their digital declaration before arrival. The next stage will see NZTD implemented at Auckland International Airport, before the system is rolled out for people arriving by sea later in 2023.

Supporting the ongoing delivery of the NZTD

The complexity of the design and development of the NZTD meant that a cross-agency programme team was created to implement the work programme. The programme team will be disestablished in late 2023, with the ongoing delivery, support, and monitoring of the NZTD being incorporated into operational areas across the border agencies.

While Customs remains the lead agency responsible for the NZTD, an Operating Model has been developed to support its ongoing delivery. The Operating Model describes how agencies will continue to work together to manage and govern the system, including managing people, processes, information, technology, and security.

Our objective: Our processes are adaptable by design

The last three years have seen a period of unprecedented change in how we travel, the documentation required to travel, and the numbers of people arriving at our international air and marine ports. As passenger numbers recover, we are focused on making sure our staff, systems, and processes are adaptable and ready to respond to new challenges.

Indicator case study: Award winning training modules developed in-house

Expected Trend: our systems and processes are adapted to meet changing requirements

Actual Trend: on track – our systems and processes supported our people to move back into passenger processing roles as the number of passengers increased this year

In September 2022 Customs was recognised internationally with an award for innovation (Brandon Hall Group Excellence Award) for our eLearning products for frontline officers. The new Customs systems simulators were originally developed during the pandemic to support online learning and training, and played a key role in the refresher programmes developed for our people returning to airport roles as passenger numbers increased.

The new simulators, developed in-house by Stacey Craig, from our Capability and Learning Design Team, replace time-consuming paper-based training exercises and allow frontline officers to experience processing international passengers in a real-world, engaging environment before entering the live processing environment. Four modules were developed to cover core tasks, with each module able to be tailored to the specific operational processes in each of our international airports.

By the end of 2022/23, 83% of our airport staff had completed at least one and often all four of the modules. Developing the modules in-house allows us to update the simulations to reflect changes in processes and practices as needed. This year we have developed more modules on baggage and personal search protocols and processes for staff at airports, and a check and clear commercial craft module for marine ports.

During 2022/23 we processed over

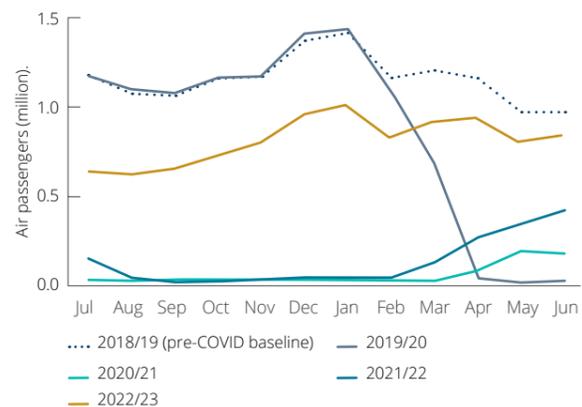
9.6 million

commercial air passengers,

a 531% increase

on 2021/22 volumes, and around 70% of pre-COVID-19 volumes.

Figure 18: Commercial air passengers (arriving and departing)



Preparing for increased passenger numbers

Following the travel restrictions put in place during the COVID-19 pandemic, the air border opened to travellers from all countries from 1 March 2022, with the maritime border following from 1 August 2022.

These changes saw a sustained increase in monthly passenger numbers from March 2022, leading to a peak in January 2023 over the summer holidays. Staff who had been seconded to other roles, due to the low number of international travellers, were gradually returned to airports and maritime ports to process the higher number of passengers.

Refresher training programmes were put in place to remind staff of airport systems and processes. This included using the new Customs systems simulators (see page 54). Specific training programmes were also developed to support staff with the new processes relating to the online New Zealand Traveller Declaration (see pages 52–53).

In October 2022 we recommenced *Operation Summer*, which enables a coordinated and flexible approach to the rostering of staff at airports and ports to manage areas of pressure or staff shortages during the busy summer holidays. This flexibility was valuable during the January 2023 floods in Auckland and Northland, which saw many flights diverted to other airports at short notice (see page 56).

Scaling up for the return of cruise ships

On 12 August 2022, the P&O ship Pacific Explorer was the first cruise ship to enter New Zealand in two years, following the reopening of the maritime border. Cruise ships bring a significant number of passengers to ports around New Zealand.

In the lead-up to the first cruise ship season since the pandemic began, we worked closely with other border agencies, including Ministry for Primary Industries (Biosecurity New Zealand), Immigration New Zealand, and the Ministry of Health, as well as the wider maritime sector to refresh staff on key processes and make sure a safe and smooth process was in place.

During the first cruise season in two years, there were

866

port visits by cruise ships, with staff facilitating the arrival of over

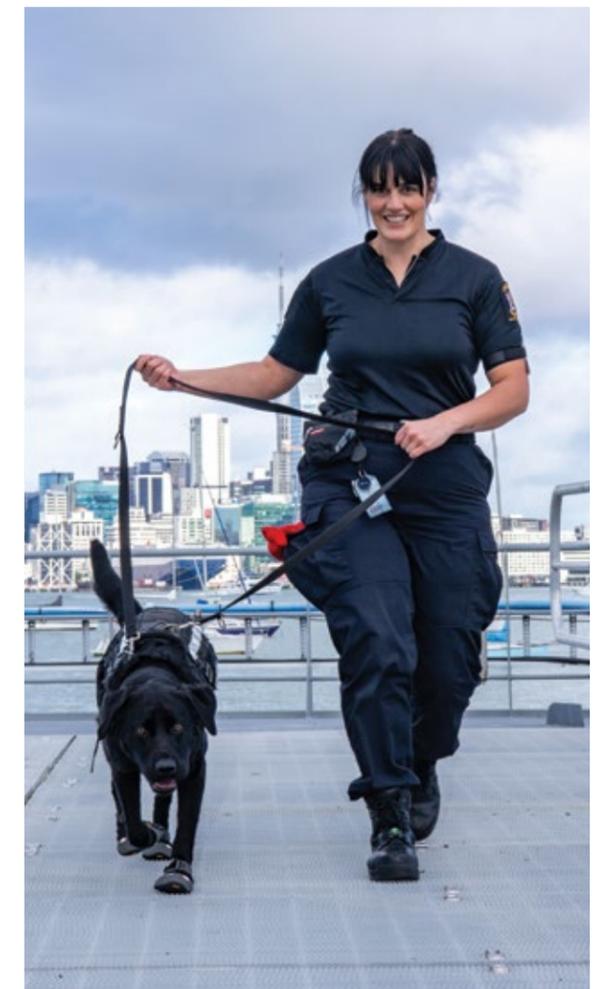
195,000

passengers.

Expanding arrival points for recreational vessels

During the COVID-19 pandemic, recreational vessels, yachts, and small craft were only able to enter New Zealand through the port at Ōpua in the Bay of Islands. This meant we could effectively manage pandemic-related restrictions and mitigate the risk of COVID-19 entering our communities.

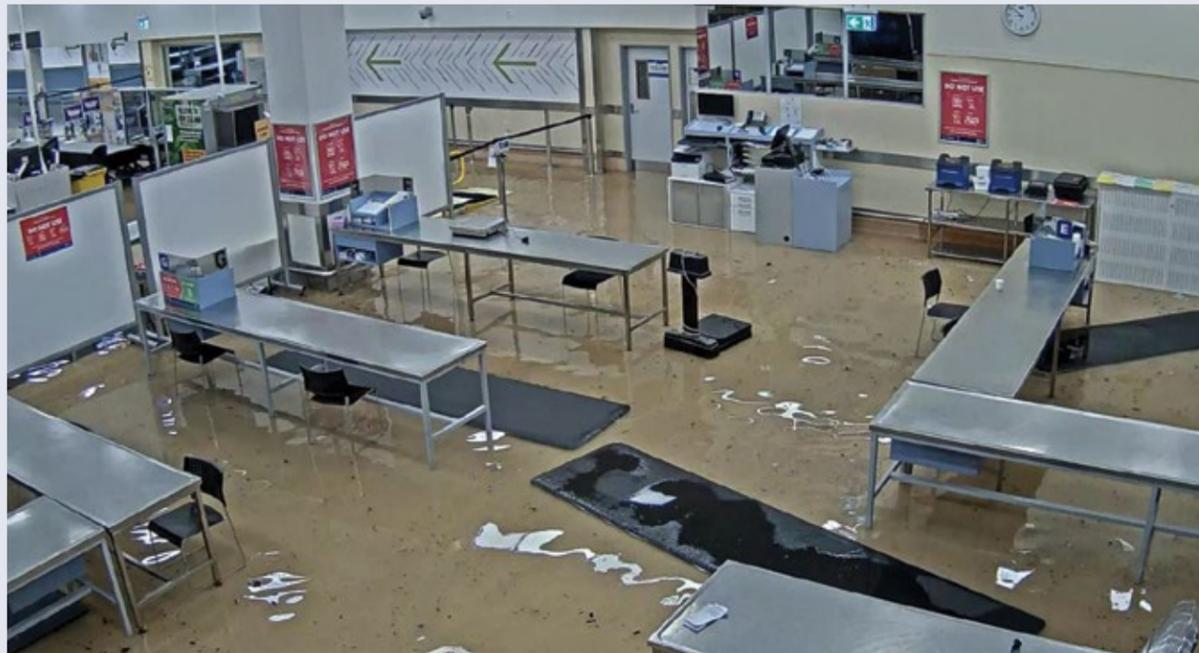
In September 2022, this restriction was lifted, allowing small craft to arrive at eight ports and marinas around the country. These ports have a Customs and Ministry for Primary Industries presence, making sure passengers and crew complete arrival documentation and biosecurity risks can be monitored.



Customs officer Taylor and Detector Dog Kahu.
Photo credit: Photo courtesy of the New Zealand Defence Force.

Case Study

Supporting passengers during extreme weather events



Customs Auckland International Airport search area flooding on 27 January 2023.

On Friday 27 January 2023, the start of the long Auckland and Northland Anniversary holiday weekend, the north of the country was hit by a sudden extreme weather event, causing major flooding. Auckland International Airport was badly affected, with damage to the runway and key operational areas. By 8.30pm there was 50cm of water through the Customs processing area at the airport.

More than 2,500 passengers who had already been processed through airport security and Customs areas had to be reprocessed after their flights were cancelled so they could return to the main airport. Many stayed at the airport overnight.

Incoming flights were returned to their original destination or diverted to other airports, requiring a rapid increase in staff numbers at Wellington and Christchurch airports.

Our people worked tirelessly with airport partners to look after stranded passengers, even though many of our staff were unable to return to their own homes until the early hours of Saturday morning because of road closures. Over the next few days, our people found innovative solutions so that passenger screening and processing could continue despite the damage to work areas.

Deputy Comptroller Operations, Bill Perry, acknowledged the strength, camaraderie, and support of staff across Customs that means we can step up and keep services running during extreme events.

Our objective: Reducing risks to New Zealand through effective border screening processes

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

Progress Indicator: Result rate of secondary searches of arriving international air passengers and crew

Expected Trend: maintain a positive result rate of between 6-10%

Actual Trend: on-track – 10.5% secondary searches resulted in a positive result, higher than last year due to more agency referrals

Table 3: Risk assessment of arriving air passengers and crew

	2018/19	2019/20	2020/21	2021/22	2022/23
Arriving passengers and crew (million)	7.3	5.5	0.4	0.8	5.1
Percentage of arriving passenger and crew selected for further risk assessment	0.5%	0.5%	1.0%	1.3%	0.5%
Percentage of individuals who are selected for further risk assessments that undergo a baggage search	58.1%	51.0%	29.0%	15.6%	37.3%
Number of baggage searches conducted	20,846	12,699	1,149	1,634	8,618
Positive result rate of baggage searches	7.0%	8.0%	7.6%	6.5%	10.5%

The increase in the number of travellers (passengers and crew) this financial year has seen an increase in the number of people referred for secondary interaction and baggage searches compared with 2021/22. There was also a significant increase in referrals to other agencies (Biosecurity New Zealand and Immigration New Zealand) due to multi-agency operations and increased screening of passengers travelling from or through Indonesia following the outbreak of foot-and-mouth disease there in July 2022. As a result, 64% of positive results from baggage searches were referrals to other agencies, compared with 33% in 2021/22.

A positive result is defined as any outcome of a secondary search that supports the individual/item being risk profiled by Customs. This includes referrals to other agencies. It does not include any interceptions, seizures, or arrests that may happen at a later date or location as a result of information gained from the search, or whether a referral resulted in a successful outcome for the referred agency.

Passenger screening is important for keeping our communities safe

All passengers to New Zealand are assessed for risk before they arrive, whether by air or sea. On arrival, passengers and their luggage are screened using a range of methods, including detector dogs, questioning by Customs officers, and baggage searches. This helps us to identify drugs and other prohibited items before they enter our communities.

For example, in April 2023, a search of a passenger's baggage found 3.2kg of cocaine and 2.2 litres of liquid cocaine hidden in the lining of their suitcase and inside hair product bottles.

This was one of three drug intercepts within 10 days at Auckland International Airport during April. These seizures show the effectiveness of our systems and processes to identify suspicious activity.



Alert officers found illicit drugs hidden in a passenger's luggage.

We also carry out random sampling of passengers to make sure that we are targeting the right areas. This can include bag swabbing to find traces of drugs, talking with passengers, and bag searches.

Random sampling of passengers restarted in September 2022 as passenger numbers began to increase. Compliance rates from our sampling programme have been very high (99.6%).

Extending the range of passengers who can use eGates

An eGate helps us to quickly process passengers from a range of countries, reducing the time taken to move through our screening areas.

During the pandemic, eGates were mainly closed as passengers needed to have their health documents manually checked by frontline officers. In 2022/23, the number of passengers using eGates increased and is now similar to pre-pandemic levels. Around 77% of eligible commercial air passengers (or just over 61% of all passengers) used an eGate.

From June 2023, passport holders from Austria, Sweden, and Switzerland became eligible to use eGates, streamlining the process for those travellers. Passport holders from 16 different countries can now use an eGate when entering New Zealand.

In addition, new passport readers will be progressively rolled out during the 2023/24 financial year, making sure the technology is up-to-date and passengers are able to move quickly through the screening areas.

» The year ahead

The implementation of the New Zealand Traveller Declaration is one of the most significant changes to the way we process passengers in recent years.

During 2023/24 our focus will be on:

- supporting our people, partner agencies, passengers, and crew as the New Zealand Traveller Declaration is rolled out at all international airports and marine ports
- making sure our systems and processes continue to work well as the number of airlines, cruise ships, and passengers continue to increase.





Te Pou Tokomanawa Central Pou



Te Manukau o Hoturoa Marae

Our intention: Creating the foundations for effective and targeted engagement with iwi, hapū, and Māori communities

We aim to build a strong culture where our principles of kotahitanga (partnership), kaitiakitanga (protection), and manaakitanga (participation/care for others) are woven through our day-to-day activities. We are committed to building Māori Crown relationship capability across Customs and to supporting the revitalisation of te reo Māori.

Te Pou Tokomanawa is the central pou or pole holding the meeting house together. This reflects our commitment to embed the principles of kotahitanga, kaitiakitanga and manaakitanga across all our work.

Our strategic objectives for Te Pou Tokomanawa are focused on making sure:

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

During 2022/23 our focus has been on continuing to develop solid foundations from which to grow. We progressed the Iwi Māori engagement strategy and worked to build staff knowledge of te reo Māori (the Māori language) and te ao Māori (the Māori world view).

Key achievements

During the year we have:

- > focused our engagement on developing relationships with iwi/hapū in regions with key air or maritime ports
- > introduced new te reo/te ao Māori classes for our staff
- > made sure Māori views and interests were identified in the development of the New Zealand Traveller Declaration system.

Performance against our Te Pou Tokomanawa measures

Strategic indicators



■ On-track ■ Off-track

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

Accountability measures

There are no output performance measures for Te Pou Tokomanawa.

However, we have external accountability requirements to report on how we are building the Māori Crown relations capability and te reo Māori language skills of our people through the Public Service Whāinga Amorangi programme (see pages 64–67, 77).

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

We are committed to building stronger and enduring relationships with iwi, hapū, and Māori communities on matters of mutual interest. Effective engagement takes time and commitment. Our focus this year has been on building relationships with iwi in regions with international air and major maritime ports.

Implementing the Iwi Engagement Plan

As the founding document of New Zealand, the Treaty of Waitangi underpins the relationship between the Crown and Māori. Improving how the Public Service supports the Crown in its relationships with Māori under the Treaty of Waitangi is a focus of the Public Service Act 2020. We are committed to building enduring relationships with Māori, acknowledging that the relationships we have with iwi/hapū will be at different stages depending on the level of prior engagement with us and the focus and priorities of each iwi.

Our focus has been on engaging with iwi/hapū in regions with significant air and maritime ports. As this work progresses we aim to embed engagement with iwi/Māori communities as a normal part of what we do.

Our engagement is based on our three main principles:

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

Progress Indicator: Regular engagement with Māori communities on matters of mutual interest

Expected Trend: *effective relationships are developed and maintained with iwi, hapū and Māori communities in areas with significant international airports and maritime ports*

Actual Trend: *on-track – a structured plan is in place to make sure regular engagement occurs*

In March 2022, our Iwi Māori Engagement Plan was approved. This sets out a staged implementation plan and is our foundational framework for engaging with iwi, hapū, and Māori communities.

Our Engagement Plan has three steps:

- > establishing key contacts and building relationships
- > formal meetings between iwi representatives and senior Customs staff building knowledge of Customs' role and identifying potential areas for in-depth engagement
- > Rangatira ki te Rangatira (chief executive to chief executive) meetings with the Comptroller and senior staff on matters of mutual interest.

During the year, senior level hui have been held with representatives of four iwi/hapū. More Rangatira ki te Rangatira hui are planned for early in the new financial year. Conversations have covered our role and work at the border, the development of the New Zealand Traveller Declaration (see pages 52–53), Māori business and trade opportunities through the Secure Exports Scheme (see page 39), and the Border Protect Programme (see page 24).

Engaging with Māori on the development of the New Zealand Traveller Declaration System

The design and implementation of the New Zealand Traveller Declaration (NZTD) system and digitising the passenger arrival card is a major shift in process for agencies interacting with passengers and crew as they cross our border.

The cross-agency NZTD Māori strategy was developed to make sure Māori interests were understood as the system and data collection processes were developed. Engaging with Māori communities and ensuring Māori interests and perspectives were considered, were important elements within the design process. Discussions also provided an opportunity to raise awareness of Customs' role at the border and how we can work with iwi/hapū to protect our communities.

Improving the quality of our policy advice

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

During 2022/23, our policy teams have been working to build their knowledge and understanding of te reo Māori and te ao Māori (the Māori worldview). This includes work to further develop and support the use of our te ao Māori policy framework. The framework guides policy analysts in how to engage effectively with Māori at the problem identification, options identification, and analysis phases of policy development. This aims to make sure our advice captures Māori interests and supports us to deliver on our responsibilities to improve Māori Crown engagement.

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

We are committed to increasing the te reo Māori capability of our people and greater understanding of tikanga (culture and tradition) and te ao Māori (the Māori world view). This includes creating a safe and supportive space for our people to learn and use te reo Māori every day and increasing knowledge of the history of Māori interactions with the Crown. This is a long-term journey and there is still work to do.

Progress Indicator: Organisational completion levels of Whāinga Amorangi e-learning modules

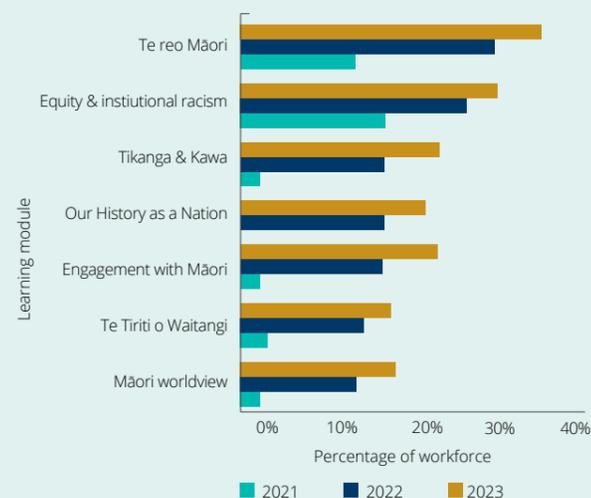
Expected Trend: increased proportion of staff completion of learning modules

Actual Trend: on-track – increased completion across all learning modules

Whāinga Amorangi is a multi-year cross-agency work programme designed to lift the Māori Crown relations capability of the Public Service to support a stronger Treaty partnership as set out in the Public Service Act 2020.

As part of stage one of the Whāinga Amorangi programme, we developed a series of e-learning modules to support staff to build their foundational knowledge across the seven key areas identified.

Figure 19: Percentage of workforce who have completed our Whāinga Amorangi learning modules (as at 30 June)



These learning modules make sure staff have a basic understanding of New Zealand history and the importance of Māori Crown relations as the basis for ongoing learning and development.

Increasing our competency in te reo Māori

A staff survey in August 2022 found that 77% of our people cannot say or understand more than a few words or phrases in te reo Māori, while 5% can speak and understand te reo Māori well or fairly well. Our focus is on lifting the capability of our people, and providing a safe and supportive space to learn and use te reo Māori in their everyday roles.

Informal workshops were held for staff during 2022/23, providing an introduction to te reo Māori and te ao Māori. This included supporting teams to use karakia to open and close meetings and developing pepeha (basic introductions). Each new cohort of frontline staff has a two-hour session as part of their induction process, which includes supporting staff to develop and share their pepeha and providing a brief overview of the Treaty of Waitangi and key events in New Zealand history.

Introducing te reo Māori classes

Building on the success of the workshops, structured te reo Māori classes have also been introduced during the year.

The first eight-week class, with weekly teaching sessions, was held online from August to October 2022 with 20 people from our Policy group in Wellington. A second in-person course ran from May to June 2023 to consolidate the skills and knowledge of the group.

A three-month programme of fortnightly in-person classes for 20 students began in Auckland in March 2023. The programme ended with a visit to Te Manukau o Hoturoa Marae, allowing the students to put their learning into practice.

Staff attending the classes noted how embedding language learning into discussions of te ao Maori and tikanga added richness and more value to their learning.

Increasing knowledge of New Zealand history through the Wall Walk

The Wall Walk is an interactive experience that provides an overview of key events in New Zealand's history, focusing on the relationship between Māori and the Crown. It provides insights into the impact of colonisation and government policies on Māori and what that means for Customs' role as a Treaty partner.

During the year, 245 staff took part in four Wall Walk events. Feedback has been overwhelmingly positive, with one participant noting "[It] is about connecting to our past, through history and actual facts. It is about learning how we can be better people and partners. And it is a reminder that it is important to share, to collaborate, and to move things forward in a positive direction – kotahitanga, manaakitanga and kaitiakitanga."

Enhancing connections with international delegations through embedding tikanga and indigenous views

Ongoing work to build greater awareness and understanding of tikanga Māori amongst our people has led to a partnership between the Māori Network and the International and Governance team, incorporating pōwhiri and mihi whakatau (formal greetings) as part of 'what we do' when hosting international delegations.

For many of the delegations, this is their first introduction to te ao Māori, with visiting officials commenting on the warmth of their welcome and how this helps break down barriers to engagement.

During the 2022/23 year, we welcomed delegations from the Thailand Office of Narcotics Control Board, the United States Department of Homeland Security Investigations, His Majesty's Revenue and Customs and the United States Joint Interagency Taskforce-West.



Customs Māori Network hosting a pōwhiri to welcome officials from the Thailand Office of Narcotics Control Board in June 2023.

Our objective: Māori staff are supported to achieve their aspirations

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

Progress Indicator: Addressing representation gaps

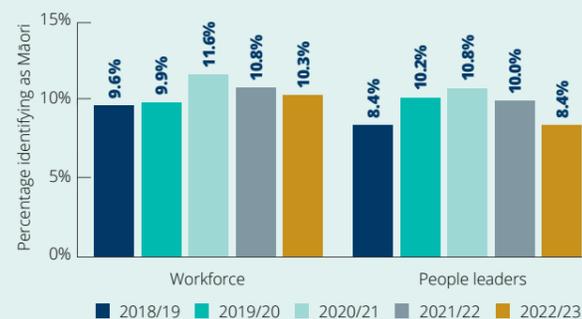
Expected Trend: increased Māori representation across our organisation

Actual Trend: off-track – Māori representation has decreased with the reduction of our Maritime Border Order workforce

Our aim is to increase the proportion of Māori representation across all levels of our organisation (workforce and leaders). This included a goal of increasing the proportion of Māori staff to 12.6% by 30 June 2023, and the proportion of Māori people leaders to 11.4%. We did not reach these goals.

The decline in representation and leadership levels over the last two years is partially due to the changes in our workforce with the disestablishment of the temporary Maritime Border Order workforce who were employed during the COVID-19 pandemic (see page 34). This workforce had higher numbers of Māori staff and Māori people leaders. As a result, representation numbers reduced as these fixed-term contracts ended.

Figure 20: Māori representation over time (as at 30 June)



We remain committed to increasing the proportion of Māori staff and people leaders within Customs and have set new goals in our refreshed Inclusion and Diversity Strategy for 2023-2026 (see page 76).

Supporting the career aspirations of Māori staff

We want to see all our staff learn, grow and thrive in their careers. Work is underway on a series of hui to be held with Māori staff across the organisation to understand their career aspirations and identify any potential challenges that exist to achieving them.

We are also increasing our presence at careers expos around the country, providing opportunities for rangatahi (young people) to see Māori staff showing the wide variety of career options that are available within Customs.

Supporting individual te reo Māori journeys

Each year we offer our people the opportunity to take part in a full or part time te reo Māori programme to start or continue their individual language journey.

In 2023, Napier Port Manager Daniel Wiremu McGuire did a four-month programme at the Eastern Institute of Technology (now known as Te Pūkenga). While the course focused on building skills and confidence in te reo Māori, for Daniel, it was the tikanga and understanding of te ao Māori, whakapapa (genealogy), and history that was most valuable. Daniel also acknowledged the support of his whānau, colleagues, and all the people who continue to support his journey.

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

My success is not the success of me alone, but the success of many

Daniel returned full time to Customs in late June 2023 with a wero (challenge) to himself and his colleagues to find ways to use te reo Māori every day to help maintain his skills and encourage others to give it a go.

Sharing knowledge and skills

During 2022/23 we developed a strong partnership with the Indigenous Affairs Secretariat within the Canadian Border Services Agency (CBSA), sharing knowledge and the experiences of indigenous people regarding the management of our respective borders.

Regular hui have been set up where staff from each agency present on their experiences, successes, and challenges. This has included the repatriation of indigenous taonga, engaging with communities, recruitment and retention, and increasing cultural competency.

The hui also help a wider group of staff from both agencies to understand the experiences and journeys First Nations and tangata whenua have had in their engagement with the Crown.

Progress Indicator: Addressing pay gaps

Expected Trend: elimination of our Māori pay gap over time

Actual Trend: on-track – our Māori pay gap is reducing

We are focused on eliminating pay gaps for Māori and other staff, with a focus on reducing all existing organisation pay gaps by 2% (from 2022 levels) by mid-2024.

We report on both our mean (average) and median (middle) pay gaps, with a focus on the long-term trends. Our pay gaps for Māori staff are trending down and are below the average for the Public Service.

Figure 21: Māori pay gaps over time (as at 30 June)



» The year ahead

We are in the early stages of our journey to improve our Māori Crown relationship capabilities and to grow our knowledge and use of te reo Māori and te ao Māori.

During 2023/24 we will:

- build a strong foundational level of understanding of New Zealand history and the Treaty of Waitangi among our staff
- increase te reo Māori capability of staff and normalise its use in the workplace
- develop relationships with iwi/Māori on issues of mutual interest.



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





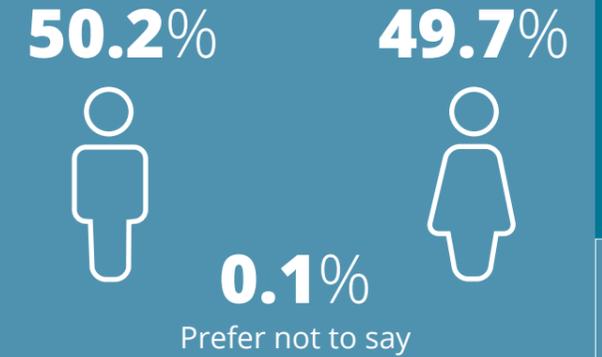
Ā mātou tāngata

Our people

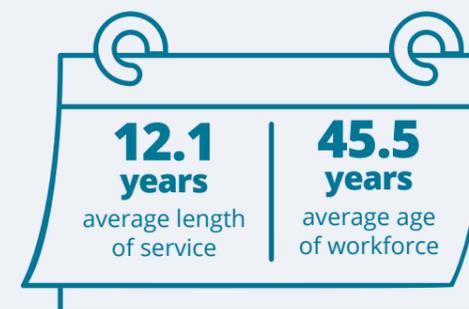
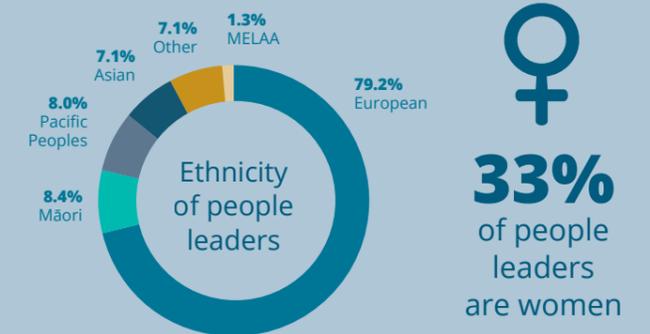


Our people

We have 1,359 staff located around New Zealand. Most of our people work in operational areas at international airports and marine ports. We also have a network of overseas staff to support international trade relations and work to target transnational organised crime.



Ethnicity of our workforce



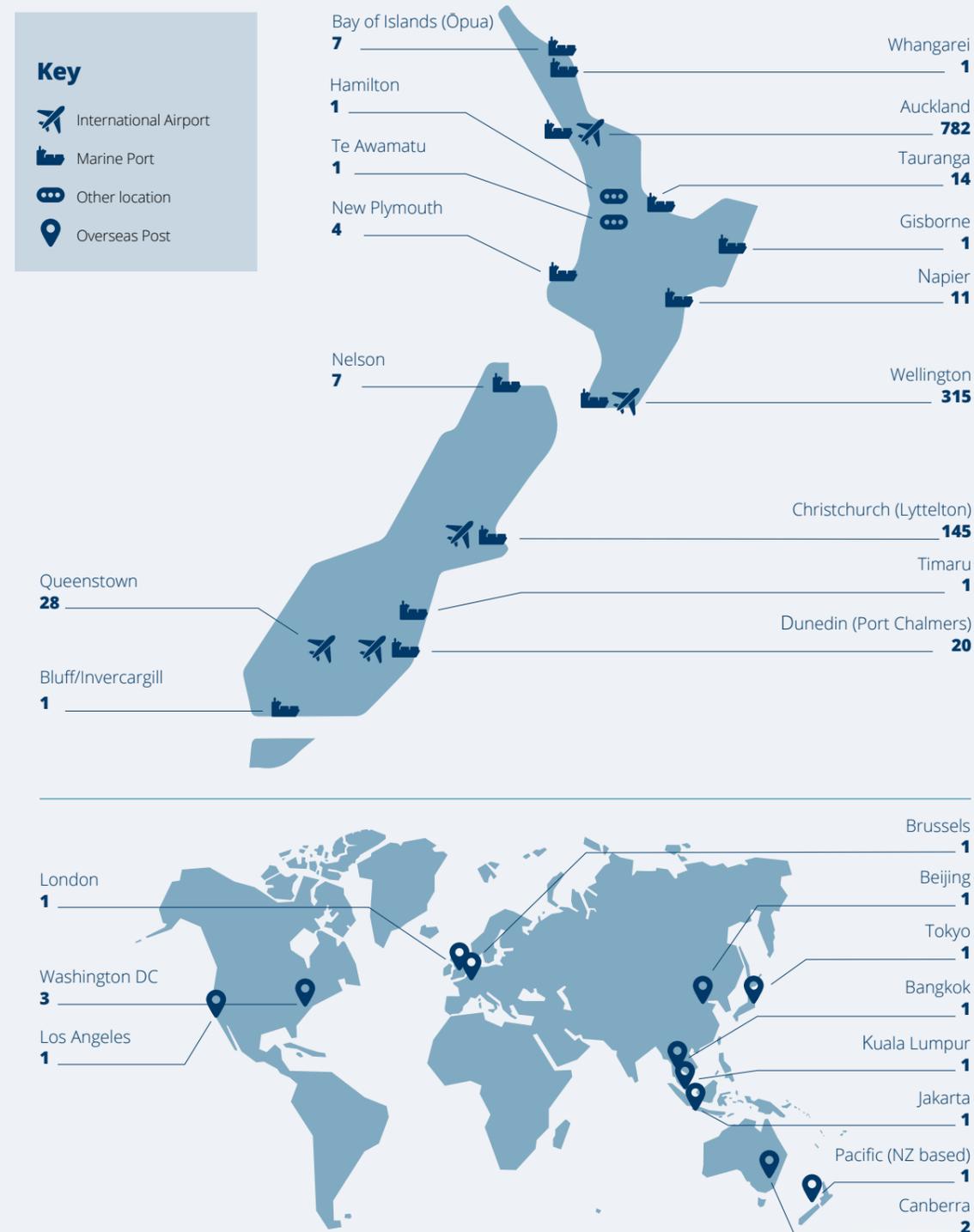
Length of Service



All data is as at 30 June 2023. Comparative data is provided in the following section.

Our people work in 16 locations across New Zealand and 10 international posts

Figure 22: Staff numbers by location (as at 30 June 2023)



Note: The map does not include six other international staff, which includes locally employed staff or spouses of Liaison Officers who also work for Customs. These staff are employed in Bangkok, Beijing, Brussels, Los Angeles and Washington.

Building a capable and adaptable workforce

We work in a constantly changing environment. Our people need to be able to adapt and respond to new technologies, new threats, new opportunities, and changing demographics. We need good leaders, leading well, and a culture of continued innovation.

Workforce changes

During 2022/23 our overall workforce reduced by 13% primarily due to the end of our responsibilities for implementing the Maritime Border Order (see page 34).

Most fixed-term staff employed to implement the Maritime Border Order (around 112 FTE) left Customs by 30 October 2022. We kept a smaller group to provide extra capacity should new public health restrictions be put in place or other emergency measures needed at the maritime border. Those staff also supported the processing of maritime arrivals as the number of craft increased over summer months, and supported other business-as-usual tasks. The contracts for the last group of Maritime Border Order staff ended on 30 June 2023.

Unplanned turnover was comparatively high (for Customs) over the last year at 11.9%. However, it is still below the Public Service average. Higher levels of attrition led to a further reduction in our workforce as at 30 June 2023. Our cohort recruitment programme has been enhanced to fill vacancies.

Investing in our people

We are committed to support our people to continue to learn, develop and upskill as their careers progress, so they are well prepared to achieve their future aspirations.

A comprehensive induction is in place for new frontline officers

Our frontline officers work in a fast-paced and often changing environment. In 2021 we updated our induction programme Te Whakamata. Through Te Whakamata, officers begin their career in Customs in their allocated workplaces and get to know their workplace and team before they begin learning in the classroom.

After classroom training, they work through a mixed programme of learning. New officers who began during 2023 said they enjoyed the combination of learning on-the-job and in the classroom and had settled in well.

In 2021/22, 130 officers started Te Whakamata programme while 105 started in 2022/23. By the end of 2022/23, 163 officers have completed the programme through to receiving their Customs Officer epaulettes at the end of their on-the-job training.

Table 4: Workforce profile as at 30 June each year

	2018/19	2019/20	2020/21	2021/22	2022/23
Headcount	1,317	1,336	1,571	1,569	1,359
Full-time equivalents (FTEs)	1,259.3	1,278.4	1,514.8	1,515.3	1,322.1
Average age (years)	44.7	45.3	45.1	45.2	45.5
Unplanned turnover	7.2%	6.2%	5.1%	10.8%	11.9%
Total Turnover	9.1%	7.8%	9.6%	18.5%	24.9%
Average length of service (years)	12.1	12.3	10.9	10.9	12.1

New online simulator modules have been developed to allow frontline officers to practise in our Customs passenger processing system before they begin working at airports or marine ports (see page 54). Modules have also been introduced for all staff to raise awareness of the threat of trusted insiders in the supply chain, and to support staff to classify documents correctly. This is part of ongoing work to improve information management systems and processes.

Building the capability of our people

Learning to develop new skills is a key focus for us. We run four leadership development programmes – Aspiring Leaders, Specialist Leaders, Leading Teams, and New People Leaders.

This year, 44 leaders and aspiring leaders have completed or are taking the six-month programmes. Around 40% of our current leaders have attended one of these programmes. 255 staff have completed leadership programmes since the first programme in 2015.

The Northern Customs Women's Network provides a structured mentoring programme for women. The programme aims to connect Northern Customs Women's Network members with experienced leaders within Customs. The 2022 pilot course connected nine staff with mentors across a variety of officer ranks, and this year there are 22 staff and mentors taking part.

Table 5: Learning and development programmes

All Learning Sessions/eLearning/on-the-job learning	Completed 2022/23
Initial induction related training	1,565
Compliance learning	4,364
Health and Safety for work area	2,344
Technical learning	6,335
Further development	1,904

Leadership Programmes	
Aspiring Leaders	16 in progress
Specialist Leaders	16 in progress
Leading Teams	12 in progress
New People Leaders	4 completed

Celebrating dedicated service

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

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

In 2022/23, 47 service medals were awarded, with another 79 staff receiving clasps. Four staff received their fifth clasp, honouring 49 years of service.

Long-service awards were received by 97 staff for service from 10 to 50 years.



Katy Bagrie receives her award from the Comptroller of Customs at the medal ceremony.

Recognition of excellent service

In November 2022, three of our people were recognised for outstanding public service, receiving the New Zealand Public Service Medal. The awards recognise public servants who exemplify the spirit of service and are making a real difference through their everyday work.

Steve Waugh, Manager Auckland Airport, received his award for his work to set up teams at maritime ports to monitor the implementation of the Maritime Border Order.

Robby Smith, Group Manager Maritime, was recognised for his work to make sure the maritime border reduced the risk of COVID-19 entering our communities.

Terry Brown, Group Manager Intelligence, Investigations and Enforcement was acknowledged for his work in the Reconnecting New Zealanders programme supporting the safe reopening of our air border.



From left: Steve Waugh, Comptroller Christine Stevenson, Robby Smith, and Terry Brown at the 2022 Public Service Day Awards ceremony.

Another five staff received the Public Service Commissioner's Commendation for Excellence for their work during the pandemic.

Megan Harvey was acknowledged for her work at the maritime border supporting the safe arrival of vessels, crew, and cargo.

Paula Strickson was recognised for her work contributing to policy settings for passengers and crew arriving by air during the pandemic.

Denise Hing was acknowledged for her work on the design and implementation of the Reconnecting New Zealanders to the World initiative, supporting the gradual reopening of our border.

Kim Rossiter received her commendation for providing critical support at Auckland International Airport to support and protect passengers and border staff.

Rachael Mason was acknowledged for her work designing policies and procedures for using Personal Protective Equipment (PPE), and protocols to support Customs staff working at the border and making sure staff remained connected throughout the pandemic.



From left: Megan Harvey, Paula Strickson, Denise Hing, Kim Rossiter, and Rachael Mason.

Recognising the value of intelligence data

Customs Trade Intelligence Analyst John Watt was recognised at the New Zealand Institute of Intelligence Practitioners Awards in October 2022, receiving the Premier Practitioner Achievement Award.

The Premier Award recognises John's ability in manipulating and interpreting data to identify risk and create intelligence reporting that supports strategic decision-making and frontline operations.



John Watt with the New Zealand Institute of Intelligence Practitioners Premier Achievement Award.

Reflecting the community we serve

We work with and support a diverse range of people in the delivery of our services, and it is important that our workforce reflects the community we serve. We aim to make Customs a place where every voice is valued and that our workforce is inclusive, equitable, and diverse.

We have refreshed our Inclusion and Diversity strategy

We know that an inclusive, equitable, and diverse workforce helps create a positive and safe workplace where everyone feels supported, included, and valued. This leads to better leadership, problem-solving, decision-making, and outcomes. It makes sure our people can do their best work and serve our community well.

We have an active Inclusion and Diversity Council, providing a forum to make sure we capture the diverse experiences, views, and ideas of our people.

During 2022/23 the Council refreshed our Inclusion and Diversity Strategy and Plan for 2023-2026⁴. Launched in May 2023, the Strategy builds on the work that we have done to create an inclusive and diverse workforce, while focusing on areas that need more attention.

The refreshed strategy has two focus areas – creating an inclusive culture, and supporting gender, Māori, and ethnic equity in employment, representation, and pay.

Creating an inclusive culture

Inclusion is about how our people experience the workplace and the degree to which they can make meaningful contributions. Inclusion is the foundation for enabling equity and diversity. This includes a focus on making sure we have a ‘safe to speak up’ environment and supporting people leaders to manage diverse teams.

Our culture review in 2022 found that there is a strong sense of loyalty and unity amongst our people. However, there is still room for improvement.

Progressing the Papa Pounamu work programme

In 2017, the Papa Pounamu work programme was developed to support a diverse and inclusive public service workforce. Our Inclusion and Diversity Strategy incorporates the five Papa Pounamu priority commitments (addressing bias is covered in the equity section, see page 79).

Cultural competence

New Zealand is becoming more ethnically diverse, and we engage with passengers and traders from around the world as they cross our border.

Understanding and valuing different cultural and social norms helps us better support the needs of our staff and provide effective services to the people who use our services.

Our work to build our capability in Māori Crown relations and understanding of te ao Māori (the Māori world view) is outlined in Te Pou Tokomanawa section (see page 60).

The Office of Ethnic Communities intercultural capability training has been part of our operational training since 1999. To date, 848 staff have completed the course, including 105 in 2022/23. This training gets our staff ready for the different cultural situations and perspectives they may have while interacting with the public and international travellers.

Inclusive leadership

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

An inclusive leadership module has been part of our leadership development programmes since 2018 and is an expectation in performance descriptions for all people leaders. In June 2022 we developed an inclusive leadership e-learning module, which has received positive feedback. In the last year, 128 staff have completed the new module.

The Customs-Ministry for Primary Industries joint Asian Network researched inclusive leadership at Customs for Pan-Asian staff, presenting their findings in forums across Customs to encourage awareness and understanding of the impact of inclusive leadership. This research informed the development of our inclusion and diversity goals in the refreshed strategy.

Building relationships

Having a diverse range of supportive relationships at work is key to inclusion and belonging.

In August 2022, we engaged Gallup to help us review our culture and identify areas to improve. The survey found we have a family-like culture and a strong sense of purpose in protecting New Zealand. Our people feel pride in our work, traditions, and history, and believe that there are good opportunities to learn and grow.

“The strongest pillar of our culture is that we are unified, and people know why we are here and get behind it.”

The survey also identified areas where we can improve, including how leaders communicate, how we manage performance and development, and how we can best drive innovation and service improvement. Workshops with staff and people leaders are underway to identify opportunities to address these issues.

Supporting employee-led networks

Employee-led networks play a major role in creating inclusive workplaces. Our networks support diversity, and help people to build connections and have their voices heard.

Our networks also help grow our cultural competence through the promotion and celebration of national language weeks and other cultural festivals and events.

We have five staff networks:

- Māori Network
- Women’s Network
- Pasifika Network
- Rainbow Network
- Customs-MPI Asian Network.

Table 6: Demographic profile of our workforce as at 30 June

	2018/19	2019/20	2020/21	2021/22	2022/23
Gender					
Male	51.9%	52.3%	52.1%	52.9%	50.2%
Female	48.1%	47.7%	47.9%	47.0%	49.7%
Prefer not to say				0.1%	0.1%
Ethnicity					
European	77.6%	74.9%	76.1%	69.9%	67.3%
Asian	16.0%	16.7%	15.9%	16.7%	18.7%
Pacific Peoples	10.9%	10.7%	9.9%	10.1%	11.8%
Māori	9.8%	9.9%	11.6%	10.7%	10.3%
MELAA (Middle Eastern/Latin American/African)	1.1%	1.0%	1.1%	1.3%	1.3%
Other	4.9%	4.8%	4.2%	4.2%	4.4%

Customs does not currently capture data on other genders. Staff are able to self-identify three ethnicities. The percentages may add up to more than 100%. All three ethnicities are included in the June 2022 and June 2023 figures.

⁴ You can read our Inclusion and Diversity Strategy on our website: <https://www.customs.govt.nz/globalassets/documents/corporate-documents/id-strategy-2023-2026-a3-fa.pdf>.

Work is also underway to set up a Tāngata Whaikaha Network for people with disabilities. Customs is represented in the all-of-government Disability Network.

During 2022/23 our networks have led a number of projects and events including:

- Project Uplift – which collects new and used bras for women in Asia and the Pacific. Our Women’s, Rainbow, and Asian Networks teamed up to support Project Uplift, which had a large response across the organisation
- our Māori Network organised and provided support for Matariki, Waitangi, and ANZAC day events, and played a key role in raising awareness of te ao Māori and tikanga through staff induction programmes
- the Pasifika Network organised events to celebrate language weeks and ran career seminars for Pasifika staff

- the Northern Women’s Network continued its successful mentoring programme with a new cohort of 22 participants starting the nine-month programme in September 2022 (see page 74). The wider network ran successful events recognising International Women’s Day and Pink Ribbon Day
- the Rainbow Network contributed to the development of a new Transgender Policy for Customs
- the Customs-MPI Asian Network hosted events celebrating Diwali and Chinese Language week, as well as providing advice and support on engagement with Asian-owned businesses as part of our *Border Protect* programme raising awareness of the potential for criminal activity in supply chains.

Table 7: Demographic profile of our people leaders as at 30 June

	2019/20	2020/21	2021/22	2022/23
Gender				
Male	65.9%	67.9%	65.7%	66.8%
Female	34.1%	32.1%	34.3%	33.2%
Ethnicity				
European	88.2%	87.1%	81.3%	79.2%
Maori	10.3%	10.8%	10.0%	8.4%
Pacific Peoples	5.1%	5.8%	6.6%	8.0%
Asian	6.7%	5.4%	5.0%	7.1%
MELAA (Middle Eastern/ Latin American/African)	–	0.8%	0.8%	1.3%
Other	6.7%	6.3%	7.1%	7.1%

Note: Gender and ethnicity data for people leaders is only available from 2019/20. Staff are able to self-identify three ethnicities. All three ethnicities are included in the June 2022 and June 2023 figures.

Supporting gender, Māori, and ethnic equity

Increasing workforce diversity is key to achieving our wider strategy. We aim to increase the percentage of Māori, Pacific Peoples, and Asian people in our workforce and as people leaders by 1% per year by 2026 (using 2022 as a baseline). We also aim to increase the percentage of women in people leadership roles by 1.5% per year by 2026 (using 2022 as a baseline).

Addressing bias

We are committed to minimising unconscious bias, especially in recruitment decisions. This makes sure that everyone has a fair opportunity in recruitment, career progression, and development opportunities.

Our foundational unconscious knowledge and bias training is offered through a blended programme of online and in-person training. Since 2014, 55% of all people leaders have completed either the foundational or recruitment bias training. All recruitment panel members must complete bias training yearly.

We monitor our ethnic and gender pay gaps

We aim to make sure that everyone in our organisation has equal opportunities to develop and earn through their employment with Customs.

During the year we progressed the initiatives outlined in our Pay Gaps Action Plan 2022/23⁵. Our action plan aligns with Kia Toipoto – the Public Service action plan to reduce pay gaps. Narrowing pay gaps is one element of our work to create a diverse workforce. This includes a focus on reducing all our pay gaps by 2% from 2022 levels by mid-2024.

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

Figure 23: Mean pay gap trends over time (as at 30 June)

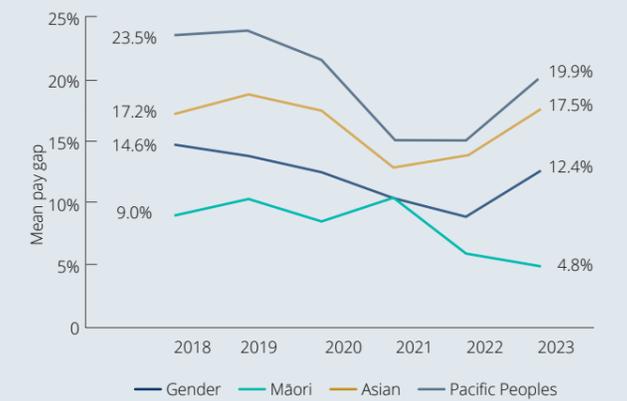


Figure 24: Median pay gap trends over time (as at 30 June)



Both our mean and median pay gaps have been affected over the last two years due to the end of the fixed-term workforce employed to monitor and implement the Maritime Border Order during the COVID-19 pandemic (see page 34).

Most of the roles within this group were in lower pay bands. As a result, the median pay, especially for men, reduced significantly, contributing to the drop in both mean and median pay gaps.

As the contracts for the Maritime Border Order workforce ended during 2022, most of our pay gaps have increased.

⁵ You can read our pay gaps action plan on our website: <https://www.customs.govt.nz/contentassets/400d1a6f5baa4b039d89d641cc0f39a5/customs-pay-gap-action-plan-22-23.pdf>.

Supporting our people to grow

As part of our focus on career progression, we held workshops with representatives of our employee-led networks and union representatives to discuss how to better support staff looking for acting and secondment opportunities, their career development discussions, and internal promotion. New Performance Development and Remuneration templates have been developed to increase our focus on staff development.

We work constructively and collaboratively with the unions that represent our people

We work with three unions – the Customs Officers Association, the Public Services Association, and E tū. Around 58% of our people are union members. Our three-year multi-union collective agreement was negotiated in May 2022.

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

The Public Sector Pay Adjustment (PSPA) announced in December 2022 did not apply to staff covered by our collective agreement because its term was beyond the period of the PSPA. Staff on individual employment agreements in roles covered by the collective agreement were also not eligible for the adjustment.

However, we were able to work with Te Kawa Mataaho (the Public Service Commission) to agree some temporary remuneration adjustments for these staff under our remuneration policy to ensure they are not worse off than colleagues in other agencies. These changes apply in the 2023/24 financial year.

Customs is an attractive place to work

Randstad's 2023 Employer Brand Research ranked Customs as the second most attractive employer in New Zealand, up two places from 2022.

Acting DCE People and Capability, Nigel Foster, noted that "many of the people who join Customs stay with us for decades, finding our culture and purpose align with their own – this award is a testament to our values and who we are as an organisation".

New hybrid working principles

Our Flexible Work Policy was introduced in July 2020. It provides a flexible-by-default approach for most roles, acknowledging that the 24/7 work patterns and delivery needs of some roles means there are limitations on the policy.

In 2023, we reviewed our policy, adding new hybrid working principles. These principles focus on making sure we can keep a sense of connection and collaboration in the workplace, while having a flexible approach that supports the wellbeing of our people.

Ensuring the wellbeing and safety of our staff

We are committed to making sure our workplace and culture promotes safe work practices and supports the holistic wellbeing of our people. Our wellbeing and safety strategy is designed to make health, safety, and wellbeing an integral part of everything we do.

Our executive team plays an active role in supporting the wellbeing of our people

The Comptroller and Customs Executive Board (CEB) are designated Officers under the Health and Safety at Work Act 2015. This means they set the strategic direction for wellbeing and safety practices and provide governance and oversight of our key risks.

Our Health, Safety, and Wellbeing Governance Committee meets quarterly. It is chaired by the Comptroller and focuses on environmental scanning for potential emerging risks, engaging with our staff and partner agencies where we work in shared spaces, and our programme of assurance. Health, safety, and wellbeing is also discussed as a formal agenda item at the start of every CEB governance meeting.

Refresher training was provided to managers during the year to remind them of their statutory obligations and accountabilities.

Making our strategy part of our day-to-day work

Our 2020 Wellbeing and Safety strategy was co-designed with senior staff, Health, Safety, and Wellbeing (HSW) representatives, union representatives and our inclusion and diversity networks.

It is based around three pillars:

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

This year our focus has been on embedding our strategy in everything we do.

Minimising harm at work

Our people work in a variety of high-risk places, including maritime ports and in enforcement functions. To help manage risks at maritime ports and airports, a programme of assurance and engagement checks is underway and is expected to be completed by the end of September 2023. This programme is focused on reviewing critical risk controls where health and safety responsibilities overlap with other agencies.

We have also adopted daily 'start work' protocols in each maritime port. These protocols identify and aim to mitigate the daily risks at each port, especially those relating to heavy machinery and for staff working in, on, or over water.

Our operational planning and health, safety, and wellbeing risk management training programmes were refreshed during 2022/23. The training makes sure threat and operational risk management are embedded into all planning activities and processes.

We also have a regular learning and development programme that supports increased safety for our people. During the year, 346 frontline staff were trained or recertified in Officer Safety and Tactics, and 276 frontline staff attended a Firearms Safety Awareness training programme.

Building a health and safety mindset

We support and empower our HSW representatives, union representatives, and other staff to identify areas for improvement in their workplaces.

This year, staff involved in handling drugs and other potentially dangerous substances updated their risk control protocols to include a site-specific competency sign-off programme for Customs and other agency staff who use the facility. The team was able to show their improved processes when the Minister and senior leaders visited during the year.

Supporting holistic health and wellbeing

Over the last three years we have kept a strong focus on keeping our people safe and well, making sure effective health measures were in place to mitigate the risk of COVID-19, and providing free influenza vaccinations for all staff.

We recognise that the 24/7 nature of our work can bring challenges for our people, especially for those who work unsociable hours. During 2022/23, we ran wellbeing sessions on decompressing stress and enhancing sleep effectiveness for people working shifts. We also provide access to webinars and evidence-based information on health and wellness on our intranet and apps. Specialist occupational health services, psychosocial support, and return to work programmes are available for staff.

Wrap-around specialist programmes are in place for staff who are exposed to objectionable and sexual exploitation material to help prevent psychosocial harm.

Building the skills and knowledge of our Health, Safety, and Wellbeing representatives

Our elected HSW representatives are a key way in which we build a culture focused on identifying and responding to potential risks and hazards. We have 53 elected HSW representatives across the country.

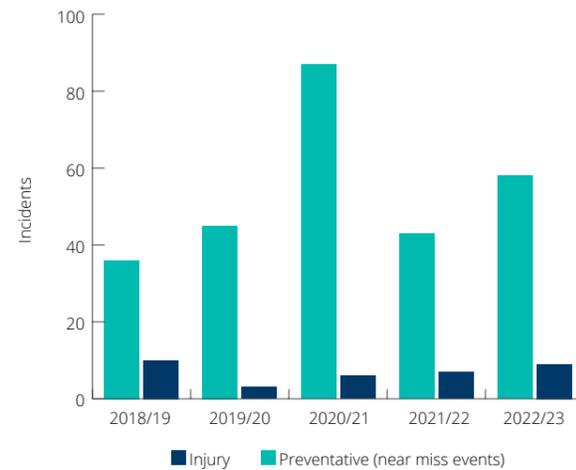
All new HSW representatives do NZQA recognised training to support them in their roles. We also run regular education days and virtual forums to provide coaching and mentoring and to support engagement with other representatives and HSW leaders.

Managing critical risks

We monitor critical risks that relate to site safety (driving, hazardous substances, falling objects, and water related risks), as well as communicable diseases and violence towards staff. We report near misses to learn from these events.

Our critical risk incidents make up approximately 37% of all reported incidents.

Figure 25: Critical risk incidents

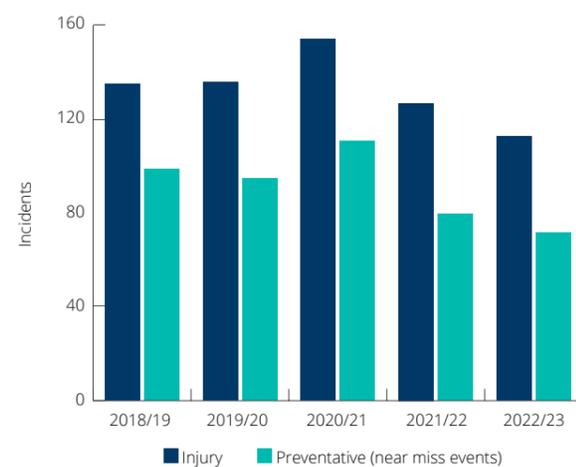


During 2020/21 and 2021/22 we had a spike in driving near miss incidents. These mostly related to our increased presence at ports while implementing the Maritime Border Order. We were able to use the information gained through the reporting of near miss incidents to redesign our driving protocols and competencies.

We also saw a 330% increase in reporting hazardous substance near miss events during 2022/23 (from 6 in 2021/22 to 26 in 2022/23), while the number of injuries stayed at a similar level. This reflects the high awareness of the risks in this area.

Overall injuries are trending down, and most are minor.

Figure 26: Injury and reporting of all incidents and near miss events



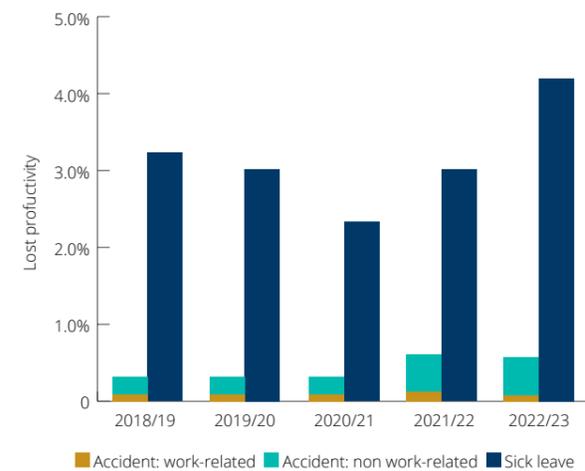
Monitoring illness and work-related injuries

We monitor lost productivity due to accidents (at work and outside of work) and sickness.

The increase in sick leave over the last two financial years reflects COVID-19 infections and the return of usual winter illnesses and influenza.

Lost productivity due to work-related incidents has reduced and remain low. Non-work-related incidents are at a similar level to 2021/22.

Figure 27: Lost productivity due to accidents and sickness



» The year ahead

Our people are passionate about the work we do to protect New Zealand and support our economy. However, our current and future capability needs are changing as we respond to new technologies and more sophisticated threats. A diverse and skilled workforce is critical to meeting these challenges.

During 2023/24 we will:

- develop a comprehensive people strategy in line with our new strategic priorities (see pages 14-15)
- implement the refreshed inclusion and diversity strategy
- keep a strong focus on the health, safety, and wellbeing of our people.



Ngā tikanga whakahaere Governance and management



Customs Executive Board



Customs Executive Board members as of 30 June 2023: from left to right: Jamie Bamford, Sharon May, Nigel Foster, Christine Stevenson, Richard Bargh, Bill Perry.

Christine Stevenson – Comptroller of Customs

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

Jamie Bamford – Deputy Chief Executive International and Governance and Deputy Chief Executive Finance and Infrastructure

Jamie joined Customs in 2015. Before that, Jamie worked for the New Zealand Intelligence Community and the London Metropolitan Police Service in various roles. During 2022/23 he took on a dual role leading the Finance and Infrastructure area to allow Sharon to focus on the development and implementation of the New Zealand Traveller Declaration system.

Bill Perry – Deputy Comptroller Operations

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

Sharon May – Deputy Chief Executive Technology and Senior Responsible Owner New Zealand Traveller Declaration

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

Richard Bargh – Deputy Chief Executive Policy, Legal and Strategy

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

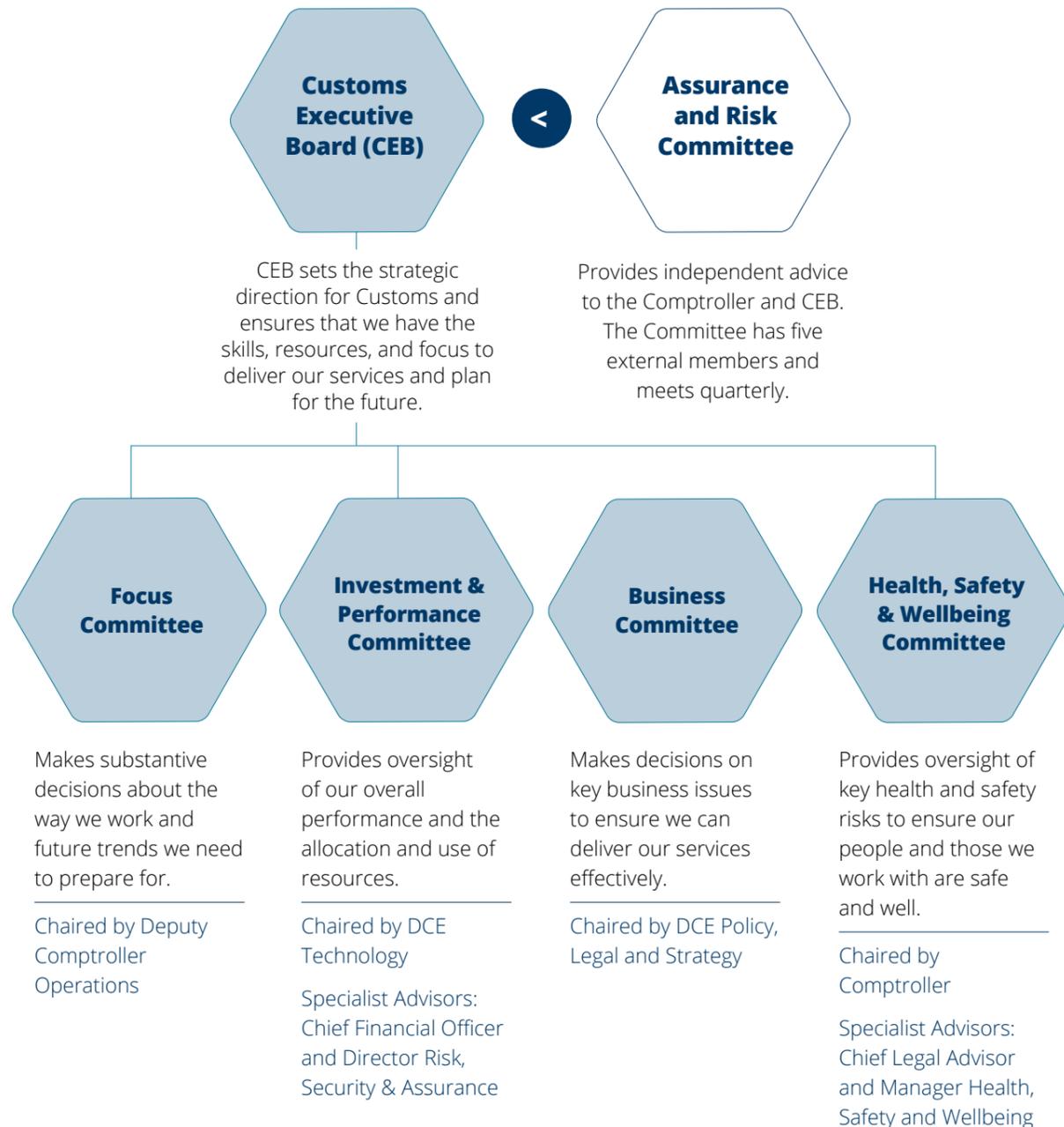
Nigel Foster – Acting Deputy Chief Executive People and Capability

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

Making sure we do the right things in the right way

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

Our Governance Structure



Collective decision making

Our governance committees each have a specific focus area, making sure we have targeted and in-depth conversations on key issues. All members of the Customs Executive Board sit on each committee, supported by specialist advisors where appropriate.

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

Independent advice through the Assurance and Risk Committee

The Assurance and Risk Committee provides independent advice and oversight to the Customs Executive Board regarding our audit and risk management functions and performance information.

The Committee has five external members with governance and management experience across a range of organisations:

- > Kylee Potae (Chair) is an Advisory Partner for BDO Gisborne, with a background in organisational governance and is a strong presence in the Māori business sector
- > Karen Jones is Group General Manager Te Waka Kōtuia (Engagement and Partnerships) at Waka Kotahi with a background in organisational development, health and safety, security, and customer engagement
- > Caren Rangi has extensive experience in public sector governance and with Pasifika communities
- > Glenn Dunbier spent 38 years with the New Zealand Police and has extensive experience in operational activities
- > Nick Paterson is the Chief Executive of Drug Free Sport New Zealand and previously worked for the Serious Fraud Office.

Providing internal assurance over our systems and processes

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

Regular compliance reviews occur to make sure information management provisions are adhered to in our information sharing, information matching, and direct access agreements. These agreements allow other agencies to undertake their statutory obligations, for example making sure that student loan borrowers are charged the correct amount of interest when they leave or return from overseas.

Assurance work this year has included:

- > a review of occupational health and safety practice and performance using the SafePlus methodology and standards
- > a focus on insider threat, a major risk to Customs and other border and operational agencies. This work included a review of Declarations of Interest, which resulted in a new process for recording and monitoring conflicts of interest. An independent consultant was also engaged to assess Customs pre-employment security checks.

Findings from assurance and audit work are discussed with relevant business managers to make sure appropriate action is taken, and with the Assurance and Risk Committee for oversight purposes. Our internal assurance work identifies key themes to support ongoing process and practice improvement.

Reviews of major programmes

Major investment programmes, such as the New Zealand Traveller Declaration (NZTD) programme also receive regular external reviews to provide extra assurance. These reviews provide helpful and constructive feedback as the programme approaches key milestones.

In early 2023, an independent assurance Gateway Review was carried out on the NZTD programme. This followed an earlier review in May 2022. The 2023 review focused on Readiness for Service. It provided eight recommendations around readiness for go-live, handover to business-as-usual operation, effective change management, ongoing business benefits realisation, and contingency planning.

An Independent Quality Assurance review of the NZTD was carried out in May/June 2023, as well as two independent Technical Quality Assurance reviews during 2022/23.

Most of the recommendations from these reviews were completed by 30 June 2023 before the phased go-live of the NZTD. The remainder will be completed before the programme ends in December 2023.

Customs Assurance and Risk Committee Report for the year ended 30 June 2023

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

The first quarter of the year has again seen Customs at the forefront of a constantly evolving border management environment. Customs continued to play a leading role in New Zealand's response to COVID-19 until the COVID-19 Protection Framework ended at 11:59pm on 12 September 2022.

The ARC recognises the challenges and successes for Customs over the past year in relation to the:

- fluctuating demands of the border operations functions, particularly in relation to the volume and frequency of drug seizures and the associated complexities
- rapid increase in air passenger numbers
- New Zealand Traveller Declaration development and trials in preparation for implementation
- international relationships and forums.

The ARC believes Customs' role as both the host agency of the Border Executive Board and lead of the NZTD work programme reflects the Government's confidence in Customs to deliver, which has been evident over the COVID-19 period and beyond.

It has been a year of change for the ARC. In August 2022 we said farewell to Mark O'Connor (Chair) who had served the maximum tenure on the Committee. In March 2023 the ARC farewelled Audrey Sonerson (Chair) after nearly five years on the Committee, following Audrey's appointment as the Chief Executive for the Ministry of Transport. In April 2023 the ARC said farewell to Steven Sutton who resigned from the Committee having taken up a role in a busy legal firm.

Many thanks to each of these people for their contribution to the Committee and we were pleased to be able to formally recognise them for this.

In August 2022 we welcomed Caren Rangi to the ARC. Caren has vast experience in the public sector, governance, and across Pasifika communities. In April 2023 we welcomed Nick Paterson. Nick is the CEO of Drug Free Sport New Zealand, prior to which he worked for the Serious Fraud Office. Nick brings a vast amount of knowledge and experience in the areas of fraud and corruption, risk management and leadership. We also welcomed Glenn Dunbier to the Committee in April 2023. Glenn recently retired from the New Zealand Police having been a Deputy

Commissioner since 2014. The line up of new members provides a diversity that can add real value for Customs.

My thanks are expressed to the ARC members past and present for their valuable contribution throughout the year.

I have enjoyed my first year on the Committee and now fully appreciate the importance and breadth of Customs' functions from both a strategic and operational perspective. I have also observed the professionalism and pride that exists within Customs' workforce.

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

- Te Pou Tokomanawa
- Customs international and Asia-Pacific Economic Cooperation Forum roles assisting New Zealand traders
- People and Capability-related matters, particularly Health, Safety, and Wellbeing
- Customs revenue streams
- Customs' protection role including the changing face of illicit goods, internationally and nationally, in a rapidly changing environment
- Financial and investment performance and reporting
- Cyber security
- Customs' part in the New Zealand Traveller Declaration programme
- Customs' strategic risk profile and the assurance, security, and integrity work programmes
- Audit NZ report recommendations to the Comptroller.

The ARC looks forward to continuing its support of the Customs Executive into the coming year as we navigate a challenging environment, and as Customs plays its part in leading border management.



Kylee Potae

Chair, New Zealand Customs Assurance and Risk Committee

Maintaining public trust and confidence

Our reputation depends on the way we act and the way in which we use our legislative powers through risk targeting, investigations, and enforcement activity. Our value, *Te ara tika – we do what's right*, underpins how we work. It is fundamental to maintaining the trust and confidence of our stakeholders, clients, and people who use our services.

Building a strong integrity culture

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

We have a two-pronged approach, covering both compliance and integrity. Our compliance approach involves the rules, codes, and sanctions that focus on preventing poor behaviour. Our integrity focus is on education, training, and role modelling to encourage and improve ethical behaviour.

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

During 2022/23 our focus was on:

- updating our *Mahi Whanonga Code of Conduct* helping our people understand expected behaviours and guiding decision-making
- facilitating in-person workshops promoting integrity and speaking up about wrongdoing. These involve good security and privacy behaviours, reporting of security and integrity incidents, and creating conversations about expected behaviours and the policies that provide guidance
- implementing an online Declarations of Interest register for staff to record actual, potential, or perceived conflicts, to make sure declarations are current and that consistent and appropriate management plans are put in place where a conflict exists

The 2023 Kantar Public Sector Reputation Index ranked Customs fourth equal out of 56 public sector agencies in public views of our overall reputation, up from sixth equal in 2022.



We ranked fourth highest in the trust, social responsibility and fairness categories. This was a slight decline in our trust ranking from third highest in 2022, but a return to the top five for social responsibility and fairness.

- reviewing the integrity framework, resulting in the development of our first specific Integrity Policy
- collaboration with the Te Kawa Mataaho Public Service Commission and the Joint Agency Integrity and Conduct Forum on integrity-related policies and procedures.

Timely provision of information

Making sure that official information is available to the public in a timely way promotes accountability and public trust, and supports good governance. We are committed to making sure we comply with the principles and requirements of the Official Information Act 1982.

During 2022/23, we responded to 1,433 requests for information under the Official Information Act, with 99% of responses provided within legislated timeframes. As part of our commitment to open and transparent government, we regularly publish responses to requests and other information about our work on our website.

We have a constructive working relationship with the Ombudsman and use the resources and guidance they provide to all agencies to support our decision-making when responding to requests for information.

Setting clear behaviour standards

We take alleged breaches of integrity seriously and do not tolerate any acts of fraud or corruption. Our Disciplinary Policy provides clear processes for addressing unacceptable behaviour where integrity concerns relate to an individual.

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

Investigations

Table 8 shows the outcomes of investigations into allegations of unacceptable behaviour by our staff, contractors, and consultants engaged by Customs that concluded in the 2022/23 financial year. This is in the context of a workforce of around 1,400 staff.

Table 8: 2022/23 Investigation outcomes

Investigation outcomes	Number of investigations
Upheld	15
Not upheld	8
Did not meet threshold for misconduct	1
Person left Customs before investigation was complete	2

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

Table 9 shows the disciplinary action or sanctions imposed in the 2022/23 investigations that were upheld.

Table 9: 2022/23 Upheld conduct investigations

Action taken	Number of upheld investigations
Formal warning ⁶	5
Letter of expectation	1
Termination (with or without notice)	3
Resignation	5
Other	1

⁶ A formal warning could also include one or a combination of the following: referral to Employee Assistance Programme or other professional assistance, removal of delegated powers, removal of privileges, transfer, demotion, non-eligibility for merit remuneration increase or one-off payment, change of reporting time or hours of work, or such other penalty decided by the Chief Executive.

Effectively managing our risks

Everyone has a role in managing risks that impact our ability to achieve our objectives. We are building a risk-aware culture, supporting people to identify potential risks, and respond to them quickly and effectively.

Creating a risk-aware culture

Each work area has a Risk Coordinator to coordinate risk activity, provide advice and support, and maintain risk registers. Our risk reporting schedule makes sure risk conversations happen regularly and that risk is actively managed. Coordinators are trained and supported in the use of Risk@Customs, an online risk tool that helps our people to identify specific risks, causes, consequences, risk ratings, and mitigation controls.

Our Risk Management Framework and Risk@Customs tool support identification and consistent management of our risks at all levels, as well as the ability to maintain oversight and reporting of our entire risk environment. This includes identifying things that may stop us achieving our objectives, as well as identifying new opportunities.

Risk Management Framework

Strategic Risks

Customs' strategic risks are the long-term risks that may affect the achievement of our objectives. These risks are regularly monitored and reviewed by the Customs Executive Board.

Te Pūmautanga Pūtea Financial Sustainability Our funding levels may be insufficient to support current and future services to enable our business and manage risks across borders	Whakawhirinaki me te Māia Trust and Confidence Our ability to provide services may be affected if the public, stakeholders, and Government lose their trust and confidence in us
Te Whakahere o te Paenga Border Management We may be unable to maintain the systems and resources that enable effective and efficient border management due to financial or people resources	Whakaaro Anamata Shaping Our Future We need to understand what the future might look like for our clients, our operations, and our people to continue as a world-class border agency
Kaiwhaiwāhi me te Whakahoahoa Stakeholders and Partnerships We may be unable to influence or gain support from partners and stakeholders to help deliver our strategic objectives	Ngā Kaimahi Workforce Rapid changes to the size, structure, and nature of our business may affect our workforce culture, staff wellbeing, the delivery of our strategy, and our ability to meet government expectations

Organisational Risks

Organisational risks are those that may affect multiple business groups and are mitigated by actions taken across Customs on a day-to-day basis. Members of the Customs Executive Board are responsible for providing oversight of risk management and mitigation activities for the risks that fall within their operational responsibilities.

Critical systems failure	Security vulnerabilities	Fraud and corruption	Health, safety, and wellbeing	Information management (including privacy)	Government and legislative compliance
--------------------------	--------------------------	----------------------	-------------------------------	--	---------------------------------------

Risks relating to significant programme of work, such as the New Zealand Traveller Declaration programme, are managed in a similar way to organisational risks, with high level oversight through the Customs Executive Board and governance structures that reflect the level of risk being managed.

Creating a safe and secure environment

Protective Security Requirements is a policy framework that outlines the Government's expectations for security governance and for personnel, information, and physical security. We are required to annually self-assess our compliance with the 20 mandatory requirements to make sure we are focusing our efforts in the right areas.

In the 2022/23 assessment period, Customs met 17 of the 20 mandatory requirements. Three areas were assessed as needing extra focus to fully understand the vulnerabilities presented and mitigate the risks. The three areas of focus are the management of risks within Customs' goods and supply chain, data protection and information sharing risks, and the design of information security. We are working to enhance the existing systems and processes we have in place to manage these risks and increase compliance in the 2023/24 reporting period.

We have strengthened our internal governance over the Protective Security Requirements, including increasing the role of the Security Reference Group and more regular reporting to, and oversight by, the Customs Executive Board and Assurance and Risk Committee.

Building a security-conscious culture

Recognising and escalating changes in our environment is key to maintaining a security-conscious culture. This includes the ongoing enhancement of systems and processes to manage growing digital/cyber risks, an increased understanding of an insider threat (a person who exploits their legitimate access to an organisation's information or assets), and the importance of personal safety and information security.

Increased visibility of security, whether through reporting, response to incidents, preventative activity, and formal or informal learning opportunities remains a key focus in improving our overall security position.

Making sure our business continuity plans can respond to a wide range of events

The COVID-19 pandemic and extreme weather events during the first half of 2023 showed the importance of having well-developed business continuity plans.

These plans support us to respond to a range of situations. However, each new event can identify gaps in plans or processes, so we regularly review our response to make sure lessons learned are captured and plans are updated where required.

During 2022/23 we ran a cyber security exercise, which simulated a wide-spread and sustained outage of many of our core systems. This exercise tested our ability to manage the impact on our clients and stakeholders and the support required. Lessons from this exercise are being incorporated into our plans and response processes.

Increasing our cyber security resilience

The risk of cyber threats and attacks continues to increase as criminal groups and phishing attacks become more sophisticated. Attacks on our IT services could significantly disrupt delivery of our core services.

We have a 24/7 security operations centre that allows us to detect threats early, respond quickly, and recover fast. We regularly engage independent security specialists to review our systems and carry out penetration testing. This helps to provide assurance that our systems and services have appropriate and best practice security controls.

This year we have also put in place the Malware Free Networks service offering from the National Cyber Security Centre and are working to implement the Phishing Disruption Service offering from CERT NZ. These systems will help us to disrupt malicious software attacks and enhance our email security and anti-phishing capabilities.

We run awareness campaigns to encourage staff to be vigilant about their cyber security. This year we had a focus on phishing attacks, after we identified an increase in sophisticated attempts to target senior managers and work groups.

Effective stewardship of regulatory systems, resources, and assets

Our kaitiakitanga (protection) role extends beyond the border. We have a responsibility to take a whole-of-system approach to regulation, and to support the stewardship of New Zealand's resources through reducing our carbon emissions, and effectively managing and maintaining our resources and assets.

Effective stewardship of regulatory systems

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

We are increasing our efforts as regulatory stewards

We are a key player in four regulatory systems – trade, revenue, national security and the border. This year we have set up system-level governance groups for the trade and revenue systems, drafted a trade system charter, and started a system maturity assessment for the revenue system. We have set up the Regulatory Review Policy team, which is responsible for reviewing all the legislative instruments administered by Customs, starting with regulations.

We are currently developing an action plan to embed stewardship more widely throughout Customs, so that our people understand their roles as stewards.

Our next steps are to look at developing charters and implementing governance within Customs over the national security system and the border system. We will also carry out a system maturity assessment of the trade system when the revenue system assessment is complete.

Taking a long-term stewardship approach to mitigate the impact of climate change

In December 2020, the Government established the Carbon Neutral Government Programme to accelerate the reduction of greenhouse gas (GHG) emissions within the public sector. The Programme requires agencies to measure and report annually on their emissions, and to set emissions targets and reduction plans.

We are committed to helping New Zealand manage the impact of climate change through reducing our GHG emissions. We have set up systems to capture and report on our emissions and work with Toitū Envirocare to certify our emissions data against the international standards set out in ISO14064-1:2018.

We account for all GHG emissions and removal of waste products from facilities where we have operational or financial control. This includes emissions generated from our activities at international airports and marine ports. This approach aligns to guidance on measuring emissions developed by the Ministry for the Environment.

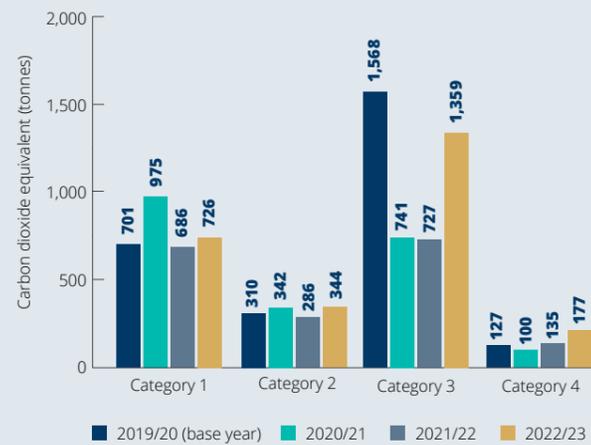
Total annual emissions and their source

In 2022/23, we emitted 2,518 tCO₂-e (tonnes of carbon dioxide equivalent), a 6.94% reduction on our 2019/20 base year (2,705 tCO₂-e). Most of our emissions came from fleet vehicles, air travel, and electricity for our offices.

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

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

Figure 28: Total emissions by category (measured in tCO₂-e)



Emissions categories as established through international standards

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

Category 2: Indirect emissions from imported energy – emissions from electricity consumption

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

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

The COVID-19 pandemic and associated travel restrictions had a notable impact on emissions relating to travel. From late 2022 our travel-related emissions started to increase as we began reconnecting face-to-face with international partners and stakeholders and clients within New Zealand. We remain committed to reducing air travel, increasingly using technology, and supporting alternative ways of collaborating as part of our reduction programme.

Table 10: Total breakdown of GHG emissions by emission sources for 2022/23

Sources	tCO ₂ -e	Percentage
Travel	1,244.20	49.42%
Transport fuel	698.01	27.72%
Imported electricity	343.86	13.66%
Disposal of liquid waste – wastewater	57.46	2.28%
Travel accommodation	48.75	1.94%
Disposal of solid waste - Landfilled	33.07	1.31%
Transmission of energy losses	28.90	1.15%
Purchased goods and services	27.78	1.10%
Leakage of refrigerants	25.05	0.99%
Working from home	14.02	0.56%
Stationary combustion (diesel & natural gas)*	-3.34	-0.13%

*Note that in 2022/23 we received a large credit from our natural gas supplier which offset the total emissions generated from our diesel and natural gas use.

Our reduction targets

We have set the following emissions-reduction targets to make sure we meet the Carbon Neutral Government Programme's objectives.

By 2025:

Reduce gross emissions (across all categories) to no more than

2,137 tCO₂-e

or a

21% reduction

in total gross emissions compared to our 2019/20 base year.

By 2030:

Reduce gross emissions (across all categories) to no more than

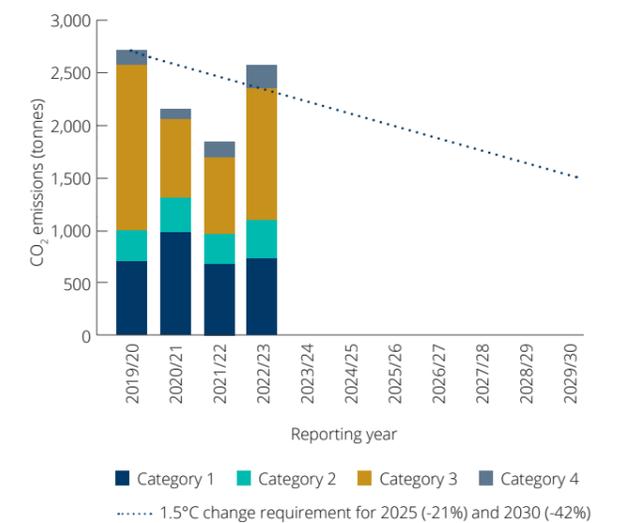
1,569 tCO₂-e

or a

42% reduction

in total gross emissions compared to our 2019/20 base year.

Figure 29: Reduction targets for absolute GHG emissions (all categories)



The increase in emissions for 2022/23 is largely due to travel emissions as we started meeting face-to-face with partners in New Zealand and internationally.

We have developed projects to help us achieve these targets

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



a commitment to reduce air travel as this is a major source of emissions



replacing petrol vehicles with electric vehicles or a plug-in hybrid electric vehicle (PHEV) through our fleet replacement programme – currently 36% of our permanent fleet is electric, hybrid, or PHEV



an ongoing commitment to energy efficiency in our offices



waste-to-landfill minimisation.

Improving the quality of our emissions reporting data

As part of our commitment to ongoing improvement, our plans for the 2023/24 financial year include the following projects to improve data quality:

- working with rental car providers to obtain kilometres (km) driven
- working with our taxi providers to provide km travelled per transaction.

Improving our understanding of the sources of our emissions will help us to make informed strategic decisions about how to best progress further emissions reduction plans and activities.

Supporting broader environmental objectives

We also play a key role in the development and implementation of policies to achieve the broader environmental objectives set by the Government.

We are working with the Ministry for the Environment on a joint review of the current waste minimisation legislation and on the introduction of product stewardship fees on specific goods. Product stewardship fees make sure the end-of-life

disposal costs of these items are included in their costing model. The focus of this work has been on the development of a product stewardship fee on imported tyres and those manufactured within New Zealand.

Monitoring our resources and assets

We also have stewardship responsibilities to make sure we use our resources and assets effectively and efficiently and to monitor and manage financial challenges and pressures.

Taking a long-term financial view of our resources

We have set up a new quarterly report to the Customs Executive Board (CEB) providing a five-year view of our financial position. This report aims to identify any potential cost pressures at an early stage and consider the longer-term financial impact of our expenditure.

By taking a multi-year view of our investment decisions, cost pressures, and other expenditure, the CEB can make informed strategic decisions on priority activities and investments and the trade-offs in doing so.

Understanding the financial challenges and pressures across the border sector

Customs leads the Ahumoni Hoahoa (Financial Planning) workstream for the Border Executive Board, alongside the other border agencies (Ministry of Business, Innovation and Employment, Ministry for Primary Industries, Ministry of Health, Ministry of Transport, and the Ministry of Foreign Affairs and Trade).

Ahumoni Hoahoa aims to develop a consolidated view of the total cost of border activities to make sure these are financially sustainable. This includes the cost of the services agencies deliver to keep our border safe and secure, the revenue generated through fees and levies charged for those services, and an overview of current and upcoming investments to improve border services.

Ahumoni Hoahoa will support the Border Executive Board to make informed decisions, increase the visibility of financial pressures across the sector, and identify opportunities for a shared approach to manage these pressures.

There is more information on the Ahumoni Hoahoa work programme in the Border Executive Board Annual Report (pages 187–216).

Effective management of our assets

We manage approximately \$114 million worth of assets. These assets are the information systems, property, and equipment that are essential to deliver our services and to comply with our obligations. Our aim is to get the best value for money from investing in these assets.

Our assets support our services

Asset Management Plans (AMPs) document the key services that Customs needs to deliver and the expected standard of those services. The assets we manage are critical to delivering those services to the expected standard and making sure they are fit for purpose.

AMPs are the foundation for our long-term investment plan. This plan estimates the financial investment needed to replace our assets over the next 10 years. Both the AMPs and our long-term investment plan are reviewed at least twice a year, which means we can adjust for changes in our operating environment and any major delays in investment projects.

We monitor the impact of long-term investments on our financial position, escalating any potential risks or major changes to the Customs Executive Board.

We monitor our asset performance

We provide quarterly reporting on the performance of our assets to the Customs Executive Board to make sure there is effective oversight.

Where we are running projects to replace existing assets or build new assets, the progress of those projects is reported to the Customs Executive Board monthly. The New Zealand Traveller Declaration (see pages 52–53) is our largest current investment in a new asset, and progress is monitored by the Customs Executive Board and the Border Executive Board.

Our assets are grouped into two portfolios for reporting purposes:

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

Information on these assets, including the measures and targets, is on pages 98 and 99.

Asset Performance – Property Portfolio

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

Table 11: Property asset measure results

Measure	Indicator	2021/22 Target	2021/22 Actual	2022/23 Target	2022/23 Actual
m ² per office person	Utilisation	12m ² -16m ²	13.5m ²	12m ² -16m ²	13.9m²
Percentage of building services and other infrastructural services that provide a safe and comfortable environment for staff	Functionality	100%	100%	100%	100%
<i>We aim to provide suitable workplaces that are comfortable, modern, and safe for our people, clients, and visitors. We assess our buildings against the 'safe and comfortable' criteria, which includes accessibility, location, safety, security, and fitness for purpose. In 2022/23, all properties met our performance service standards.</i>					
Percentage of buildings not earthquake-prone	Condition	100%	100%	100%	100%
Percentage of buildings that meet the minimum required NABERSNZ energy efficiency rating	Condition	100%	50%	100%	0%
<i>From 1 July 2021, our Auckland and Wellington Customhouses have been monitored against the NABERSNZ energy efficiency rating as part of our work to reduce carbon emissions through the Carbon Neutral Government Programme. Since both buildings are over 2,000m² they are required to achieve a minimum of a 4 out of 6 stars rating (as set by the Government Property Group). As at 30 June 2023, our Wellington building was rated at 3.5 stars and our Auckland building was rated at 2.5 stars. We are working with the building owners on their plans for the buildings to meet the minimum standard.</i>					

Asset Performance – Information Communications and Technology Portfolio

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

Table 12: ICT asset measure results

Measure	Indicator	2021/22 Target	2021/22 Actual	2022/23 Target	2022/23 Actual
Percentage of time systems are available	Availability	99%	99.95%	99%	99.96%
<i>This measure excludes planned outages. We advise our customers in advance of planned outages and aim to schedule them for times that minimise disruption to business operations. If planned outages are included, availability was 99.61%.</i>					
Percentage of priority one incidents resolved within agreed support and maintenance service levels	Functionality	100%	100%	100%	85.7%
<i>In 2022/23 there were eight priority one incidents across our key ICT systems, one of which was not resolved within service-level agreements. This incident temporarily impacted eGates at Auckland International Airport and required passengers to be processed manually at a Customs booth.</i>					
Percentage of ICT assets fully supported by vendor	Condition	100%	100%	100%	100%
Percentage of commercial air passengers using eGates	Utilisation	>55%	59.1%	>55%	61.0%
Alerts in border management system	Utilisation	N/A	252,852	N/A	293,661

» The year ahead

The increase in extreme and adverse weather events, cyber security attacks, and the increasingly complex regulatory systems we work within mean we need to be able to respond flexibly and rapidly to emerging situations.

During 2023/24 we will focus on:

- continuous improvement across our business continuity planning and cyber security systems to make sure we are able to continue to deliver our services during a wide range of adverse events
- regulatory stewardship, developing charters to capture our roles and responsibilities as part of the national security system and the border system
- reducing our carbon emissions.



Te rīpoata
motuhake ā
te kaiarotake
**Independent
auditor's
report**



Independent Auditor's Report

To the readers of the New Zealand Customs Service's annual report for the year ended 30 June 2023

The Auditor-General is the auditor of the New Zealand Customs Service (the Department). The Auditor-General has appointed me, Ajay Sharma, using the staff and resources of Audit New Zealand, to carry out, on his behalf, the audit of:

- the financial statements of the Department on pages 136 to 163, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2023, the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the performance information for the appropriations administered by the Department for the year ended 30 June 2023 on pages 16–59 and 110–126;
- the statements of expenses and capital expenditure of the Department for the year ended 30 June 2023 on pages 127 to 130; and
- the schedules of non-departmental activities which are managed by the Department on behalf of the Crown on pages 164 to 173 and 141 that comprise:
 - the schedules of assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2023;
 - the schedules of expenses; and revenue for the year ended 30 June 2023;
 - the statement of trust monies for the year ended 30 June 2023; and
 - the notes to the schedules that include accounting policies and other explanatory information.

Opinion

In our opinion:

- the financial statements of the Department:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2023; and
 - its financial performance and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.
- the performance information for the appropriations administered by the Department for the year ended 30 June 2023:
 - presents fairly, in all material respects:
 - what has been achieved with the appropriation; and
 - the actual expenses or capital expenditure incurred as compared with the expenses or capital expenditure that were appropriated or forecast to be incurred; and
 - complies with generally accepted accounting practice in New Zealand.
- the statements of expenses and capital expenditure of the Department are presented, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.

- the schedules of non-departmental activities which are managed by the Department on behalf of the Crown present fairly, in all material respects, in accordance with the Treasury Instructions:
 - the assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2023; and
 - expenses; and revenue for the year ended 30 June 2023; and
 - the statement of trust monies for the year ended 30 June 2023.

Our audit was completed on 29 September 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Comptroller and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Comptroller for the information to be audited

The Comptroller is responsible on behalf of the Department for preparing:

- financial statements that present fairly the Department's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand.
- performance information that presents fairly what has been achieved with each appropriation, the expenditure incurred as compared with expenditure expected to be incurred, and that complies with generally accepted accounting practice in New Zealand.
- statements of expenses and capital expenditure of the Department, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.
- schedules of non-departmental activities, in accordance with the Treasury Instructions, that present fairly those activities managed by the Department on behalf of the Crown.

The Comptroller is responsible for such internal control as is determined is necessary to enable the preparation of the information to be audited that is free from material misstatement, whether due to fraud or error.

In preparing the information to be audited, the Comptroller is responsible on behalf of the Department for assessing the Department's ability to continue as a going concern. The Comptroller is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Department, or there is no realistic alternative but to do so.

The Comptroller's responsibilities arise from the Public Finance Act 1989.

Responsibilities of the auditor for the information to be audited

Our objectives are to obtain reasonable assurance about whether the information we audited, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the Department's Statement of Intent 2021-2025, Estimates and Supplementary Estimates of Appropriations 2022/23 and the 2022/23 forecast financial figures included in the Department's 2021/22 Annual Report.

We did not evaluate the security and controls over the electronic publication of the information we audited.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Comptroller.
- We evaluate the appropriateness of the reported performance information for the appropriations administered by the Department.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Comptroller and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Department's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Department to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Comptroller regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Comptroller is responsible for the other information. The other information comprises the information included on pages 2 to 15, 60 to 99, 108, 134 to 135, 174 to 181 and 187 to 216, but does not include the information we audited, and our auditor's report thereon.

Our opinion on the information we audited does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the information we audited or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Department in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in the Department.



Ajay Sharma

Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand



Te aromātai
i ā mātou ano
**Our
performance**



Statement of Responsibility

I am responsible, as Comptroller of Customs, for:

- the preparation of the New Zealand Customs Service's financial statements, and statements of expenses and capital expenditure, and for the judgements expressed in them
- having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting
- ensuring that end-of-year performance information on each appropriation administered by the New Zealand Customs Service is provided in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that information is included in this annual report
- the accuracy of any end-of-year performance information prepared by the New Zealand Customs Service, whether or not that information is included in this annual report.

In my opinion:

- the annual report fairly represents the operations, progress, and organisational health and capability of the New Zealand Customs Service
- the financial statements fairly reflect the financial position of the New Zealand Customs Service as at 30 June 2023 and its operations for the financial year ended on that date
- the forecast financial statements fairly reflect the forecast financial position of the New Zealand Customs Service as at 30 June 2024 and its operations for the financial year ended on that date.



Christine Stevenson

Comptroller of Customs
29 September 2023



How we measure and track our performance

Our performance information is prepared in accordance with Tier 1 Public Benefit Entity (PBE) accounting standards, which have been applied consistently throughout the 2022/23 financial year.

This includes compliance with the new PBE FRS 48 Service Performance Reporting standard that is effective from 2022/23. The standard sets principle-based requirements around the selection and presentation of performance information that is appropriate and meaningful to readers.

Measuring our performance

Our performance measurement framework (see page 17) sets out how we measure, track, and report on our strategic outcomes across our core functions – Protection, Trade and Revenue, Travel, and Te Pou Tokomanawa.

The framework also includes how we monitor the services we provide to our clients, the public, and the Government that support us to achieve these outcomes (our outputs). These are funded through six appropriations:

1. Goods Clearance and Enforcement
2. Travellers Clearance and Enforcement
3. Revenue Collection and Other Services
4. COVID-19 - Maritime Response – a multi-year appropriation that expired on 30 June 2023
5. Border System Performance
6. Traveller Declaration System Development – a multi-year appropriation that expires on 30 June 2025.

Our appropriations broadly describe the services we provide and activities we do. Each appropriation contains a group of output performance measures and standards to assess how well we deliver our services and activities.

Critical reporting judgements, estimates and assumptions

Our strategic indicators and our output performance measures and standards for 2022/23 were developed in accordance with PBE FRS 48. They provide a mix of quantitative and qualitative indicators.

We review our key strategic indicators annually to ensure they are relevant and meaningful ways of tracking our progress towards our strategic outcomes. These are grouped by our core functions. Our strategic performance measures are set out in the *Delivering on our strategy* section (see pages 20-67).

Our output measures and standards on pages 112 to 125, are also reviewed annually to make sure they are fit for purpose, accurately reflect the services we deliver, and are relevant and material ways of assessing our performance. These measures are grouped by appropriation and set out in this section. Performance standards are set based on an analysis and assessment of trends, risk-based sampling, and assurance modelling to provide a valid representation of the services delivered.

Contextual information

We have included comparison of our 2022/23 performance measures against the results for 2021/22 where possible. To provide further context for the 2022/23 output performance results, we have also included our performance standards for measures remaining in place for 2023/24. This information is unaudited.

We have included additional information where appropriate on the judgements we made in selecting the output measures for 2022/23. We also provide additional information to explain any significant changes in performance or where our standards have not been met for 2022/23. Where measures have been significantly amended for 2023/24 we also provide the rationale for the change.

Further information on the selection of our 2022/23 output measures can be found in *The Estimates of Appropriations 2022/23* and *The Supplementary Estimates of Appropriations 2022/23* documents⁷.

Satisfaction surveys

Satisfaction or client experience surveys are one way areas for improvement can be identified. We survey our portfolio Minister/s twice a year to assess their satisfaction with the policy advice and ministerial servicing we provide (pages 117–118). We also report the results of the Better for Business survey, run by the Ministry of Business, Innovation and Employment, which provides an indication of how easy it is for smaller businesses to engage with government agencies (see page 43). This survey is run annually and helps us to look for ways to improve our services for our clients.

Linkages between non-financial and financial performance information

How well we performed against our output performance measures and the indicators we use to measure our progress towards our strategic objectives need to be read together with our financial statements. This provides an assessment of how effectively we used our funding to achieve our goals.

This section of the report provides an overview of expenditure and revenue for each appropriation. Most of our expenditure relates to personnel (salary and wage) costs. Pages 134-135 provide more information on our financial performance and operating expenditure for 2022/23.

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

Our performance against our output measures and standards are set out in the following pages. They reflect the information included in *The Estimates of Appropriations* and as amended by *The Supplementary Estimates of Appropriations* for the year ending 30 June 2023.

The 2022/23 Actual results in this section are audited.

The Budget figures are those included in *The Estimates of Appropriations 2022/23*. The Revised Budget figures are those from *The Supplementary Estimates of Appropriations 2022/23*. This information is unaudited.

Each appropriation in this section shows how the output measures link to our strategic outcomes and core functions.

⁷ <https://www.treasury.govt.nz/publications/estimates/vote-customs-external-sector-estimates-appropriations-2022-23> and <https://www.treasury.govt.nz/publications/supplementary-estimates/vote-customs-supplementary-estimates-appropriations-2022-23>.

01. Goods Clearance and Enforcement

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



How we performed

2021/22 Actual	Measure	2022/23		2023/24 Standard
		Standard	Actual	
Service provision and trade promotion				
99.5%	Minimum percentage of trade transactions (other than those referred for compliance checks) processed (including assessment against business rules and intelligence alerts) within 30 minutes	98%	99.3%	98%
	The processing time has been reduced for 2023/24, from 30 minutes to 5 minutes, reflecting the improvement in the timeliness of our trade transaction processing.			
11	Minimum number of new companies that have formally entered Customs' Authorised Economic Operator (Secure Exports Scheme) programme	12	10	12
	Not achieved – We signed up two fewer Authorised Economic Operator Secure Export Scheme partners than our 2022/23 standard. Throughout 2022/23 we worked to expand the scheme and make the application process more streamlined. This included the launch of a new online application portal that has made the application process easier and quicker for new partners looking to join the scheme. As a result, some potential applicants chose to wait until the digital portal was live before applying. The extreme weather events this year also impacted progress and caused delays, or pauses, to the validation process for some applicants in regions that were severely affected. Two companies joined the programme in the first few weeks of July 2023, just outside the 2022/23 reporting period.			
Clearance, compliance and risk management				
99.4%	Minimum percentage of import transactions not requiring intervention after risk assessment	98%	99.4%	98%
99.8%	Minimum percentage of export transactions not requiring intervention after risk assessment	99%	99.8%	99%
	We have been able to refine our reporting to provide more detailed information on import and export transactions requiring intervention. This has resulted in minor adjustments (0.1% change for each measure) to the 2021/22 results published in the 2022 Annual Report.			
8,703	Number of import mail items subject to risk-based physical examination	8,000 – 12,000	9,388	8,000 – 12,000
	While most import mail items are processed without intervention or significant delay, a proportion are selected for physical examination following a risk assessment. This measure provides an indication of the activity undertaken to address risk in the mail stream.			

2021/22 Actual	Measure	2022/23		2023/24 Standard
		Standard	Actual	
52.2%	Minimum result rate of physically examined mail items	30%	48.9%	30%
	For this measure the result rate relates to the successful identification of prohibited or restricted goods. It does not include other positive outcomes that might result from conducting a physical exam such as generation of intelligence, and identification of information mistakes or other forms of non-compliance.			
19,761	Minimum number of import trade entries that are subject to risk-based physical examination	20,000 – 30,000	21,016	20,000 – 30,000
	We aim to facilitate compliant trade while effectively targeting and addressing non-compliance. Most trade is facilitated across the border with limited Customs interaction (which can include, but is not limited to, document inspection, screening, or search). For 2023/24 we have added a new measure, relating to the result rate of physically examined import trade entries, to provide a more complete overview of trade clearance and compliance. This will provide a suite of measures relating to the number of both mail items and import trade entries that require physical examination after risk assessment, and the result rate of these interventions.			
8,144	Minimum number of import transactions selected for random intervention (under Customs' Assurance programme)	6,750	10,646	6,750
	The 6,750 interventions standard is the minimum to make sure there is robust sampling within our desired confidence levels. By conducting extra sampling, where possible, we can increase our accuracy and conduct more granular analysis of compliance across import streams.			

Investigations and enforcement

88.2%	Minimum percentage of investigations, related to import or export of prohibited or restricted goods, where prosecution is initiated	75%	90%	75%
	The measure has been adjusted for 2023/24 from initiating a prosecution to achieving a punitive or harm reduction action. Prosecution is one of a range of potential outcomes Customs might seek when conducting enforcement outcomes. Expanding the scope of this measure, to include other forms of punitive action or harm reduction outcomes, provides a more comprehensive reflection of our investigative outcomes.			

What it cost

Revenue and output expenses

2021/22 Actual	2022/23		
	Unaudited Budget	Unaudited Revised Budget	Actual
\$000	\$000	\$000	\$000
Revenue			
46,890	Crown	49,804	61,156
52,392	Other	67,553	53,222
99,282	Total revenue	117,357	114,378
104,801	Expenses excluding remeasurements	111,145	120,992
(5,519)	Surplus/(Deficit)	6,212	(6,614)
			990

02. Travellers Clearance and Enforcement

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



How we performed

2021/22 Actual	Measure	2022/23		2023/24 Standard
		Standard	Actual	
Sea				
100%	Percentage of arriving commercial marine craft assessed as high risk or requiring administrative process that are subject to planned interaction while in a New Zealand port	100%	100%	100%
	We use intelligence-based risk assessments to determine the risk level of all arriving craft. Planned interaction is required and undertaken for all craft that are identified as high risk, are visiting New Zealand for the first time, have incomplete arrival information or need to complete an administrative process (such as immigration or bonding ship stores).			
Returning measure	Minimum percentage of all arriving commercial marine craft that are not assessed as high risk that will be subject to Customs secondary interaction	5%	2.0%	5%
41.1%	Minimum percentage of arriving small craft subject to Customs secondary interaction	20%	16.9%	20%
	Both measures not achieved – We routinely interact with marine craft as part of our risk management protocol. This includes boarding low-risk commercial craft to verify they are low risk, and interacting with arriving small craft.			
	Throughout 2022/23 there have been changes at New Zealand's maritime ports, and across Customs' maritime workforce, that have required balancing of operational resources to support the transition from COVID-19 prevention to reopening the New Zealand border. Our maritime workforce has had to adapt to the return of cruise ships, increased maritime travellers and small craft arrivals, as well as an expansion of first port-of-arrival destinations for these small craft (see pages 54–55).			
	The first of these two measures (relating to commercial marine craft) was removed during the COVID-19 pandemic (for 2020/21 and 2021/22) as it was significantly impacted by the required health protocols. The measure was reinstated for the 2022/23 financial year as our interactions with commercial marine craft returned to normal levels of operation.			
Air				
98.7%	Minimum percentage of arriving international air passengers and crew not requiring intervention after risk assessment	98%	99.5%	98%
1.3%	Percentage of arriving international air passengers and crew who are selected for further risk assessment at Customs' secondary areas	0.4%– 0.7%	0.5%	0.4%–0.7%

2021/22 Actual	Measure	2022/23		2023/24 Standard
		Standard	Actual	
6.5%	Result rate of secondary searches of arriving international air passengers and crew	6.0%–10.0%	10.5%	6.0%–10.0%
	A positive result is any outcome of a secondary search that supports the risk profile given to the person/item that was searched. This includes, but is not limited to, finding prohibited, restricted, or undeclared items; finding information on criminal activities; or referral to another border control agency. Referrals to other agencies made up two-thirds of the positive results in 2022/23. This included a higher number of biosecurity referrals in line with increased border screening by the Ministry for Primary Industries to help prevent the transmission of foot-and-mouth disease into New Zealand.			
Returning measure	Minimum number of arriving air passengers selected for random interventions (under Customs' Assurance programme)	1,500	1,001	2,150
	Not achieved – A combination of a technical issue reducing our sample rate for part of the year, resourcing constraints and adverse weather events in Auckland resulted in fewer random interventions being conducted in 2022/23. This measure was removed during the COVID-19 pandemic (for 2020/21 and 2021/22) as every passenger crossing the border engaged with officials as part of the health screening processes. It was reinstated for the 2022/23 financial year as our random sampling programme resumed.			

Investigations and enforcement

100%	Minimum percentage of investigations, related to travellers and their possessions, where prosecution is initiated	75%	100%	75%
	The measure has been adjusted for 2023/24 from initiating a prosecution to achieving a punitive or harm reduction action. Prosecution is one of a range of potential outcomes Customs might seek when conducting enforcement outcomes. Expanding the scope of this measure, to include other forms of punitive action or harm reduction outcomes, provides a more comprehensive reflection of our investigative outcomes.			

What it cost

Revenue and output expenses

2021/22 Actual	2022/23		
	Unaudited Budget	Unaudited Revised Budget	Actual
\$000	\$000	\$000	\$000
Revenue			
8,602	Crown	6,319	862
14,112	Other	21,479	91,940
22,714	Total revenue	27,798	104,671
83,312	Expenses excluding remeasurements	88,320	86,982
(60,598)	Surplus/(Deficit)	(60,522)	17,689

The difference in revenue between the Unaudited Budget and Unaudited Revised Budget/Actual reflects the increased volume of travellers after the reopening of the border, as discussed on page 48, resulting in increased third-party revenue (from the Border Processing Levy).

Unappropriated expenses

Expenditure in the Travellers Clearance and Enforcement appropriation for the financial year is \$532,000 higher than the appropriation.

Customs sought and received approval of this additional expenditure under section 26B of the Public Finance Act 1989 in June 2023. See page 129 for more information.

03. Revenue Collection and Other Services

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



How we performed

2021/22 Actual	Measure	2022/23		2023/24 Standard
		Standard	Actual	
Revenue collection				
98.0%	Minimum percentage of revenue that is collected by the due date	98%	99.3%	98%
	Customs collects around 17% of core Crown tax revenue (see page 41). This measure calculates the percentage of monthly due Crown revenue still owing at the end of each month. The year-end result is the average of these 12 monthly calculations.			
0.04%	Debt write-offs as a maximum percentage of total Crown revenue collected	0.06%	0.07%	0.08% or less
	Not achieved – All practical efforts are made to recover outstanding debt. The increasing problem of tobacco smuggling has contributed to the amount of debt write-off being larger in 2022/23 than previous years. Debt due to tobacco smuggling is generally unrecoverable due to smugglers having limited recoverable assets and seized illegal tobacco not being able to be resold for cost recovery. An annual provision for debt write-off is made through the non-departmental Change in Doubtful Debt Provision appropriation (see the <i>Minister's Report in relation to Vote Customs Non-Departmental Appropriations 2022/23</i> appended to this Annual Report). Customs received additional funding, through Budget 2022, to combat tobacco smuggling. The standard for this measure has been increased from 0.06% to 0.08% from 2023/24 onwards.			
Clearance, compliance and risk management				
272	Minimum number of risk-based trade compliance audit activities undertaken	200–300	303	200–300
	Our risk-based audit programme has a dual purpose of identifying non-compliance and providing opportunities to educate and encourage future voluntary compliance. The number of audits conducted annually varies based on the type and complexity of the audits scheduled, but we aim to conduct between 200 and 300 per year.			
88.7%	Minimum percentage of a random sample of import entries that are found to be accurate through the transactional verification process	90%	85.3%	90%
	Not achieved – Import entry compliance has reduced over the last couple of years. Ongoing global supply chain disruption and changing trading patterns are resulting in larger, less frequent, but more complex import entries that are more prone to mistakes. Accurate entries are essential to quickly clear compliant goods, identify and assess risky goods, and collect the right amount of due revenue. Several government departments also rely on the information provided on import entries to implement or monitor Government policy. While Customs does not have direct control of this measure, we can influence compliance through industry outreach, education, and enforcement. We work closely with industry and have routinely raised the issue of data accuracy with several industry bodies throughout 2022/23. Increasing data accuracy by our clients will be a focus of our trade assurance work programme for 2023/24.			

2021/22 Actual	Measure	2022/23		2023/24 Standard
		Standard	Actual	
100%	Minimum percentage of investigations, related to fraud, financial crime or tax evasion, where prosecution is initiated	75%	100%	75%
	The measure has been adjusted for 2023/24 from initiating a prosecution to achieving a punitive or harm reduction action. Prosecution is one of a range of potential outcomes Customs might seek when conducting enforcement outcomes. Expanding the scope of this measure, to include other forms of punitive action or harm reduction outcomes, provides a more comprehensive reflection of our investigative outcomes.			
Policy advice				
4.03	Assessment of the quality of a sample of the agency's policy advice papers:	3.5 out of 5	3.63	3.5 out of 5
100% above 3 60% above 4	a) Minimum average score of papers		100% above 3 35% above 4	100% above 3 25% above 4
	b) Minimum score of papers	100% above 3 25% above 4		
4.98	Satisfaction of the portfolio Minister with the policy advice service	3.75 out of 5	5	3.75 out of 5
Ministerial servicing				
Meets and sometimes exceeds expectations	Satisfaction of the portfolio Minister with ministerial servicing	Meets expectations	Exceeds expectations	Meets expectations
96.4%	Minimum percentage of draft replies to ministerial correspondence that are provided within 20 working days or as agreed with the Minister	95%	100%	95%
100%	Percentage of draft responses to parliamentary questions that are provided to the Minister's office so that answers can meet the timeframe set in Parliamentary Standing Orders	100%	98.7%	100%
	Not achieved – In 2022/23 we provided draft responses to 228 parliamentary questions, three of which did not meet the required timeframe. All three related to written parliamentary questions where we sought a one-day extension while guidance was sought from the Public Service Commission.			
Other services				
99.4%	Percentage of external alerts processed in accordance with alert instructions	100%	99.9%	100%
	Not achieved – In 2022/23 we processed almost 2,800 external alerts on behalf of other agencies, two of which were not processed in accordance with alert instructions. The first alert related to a Ministry of Justice Fines Warrant, and was triggered but Customs did not notify New Zealand Police in time for them to engage the passenger before departure. The alert was able to be actioned, by Customs and the Police, a few weeks later when the passenger returned to New Zealand. The second was a New Zealand Police alert. An override notice was in place for Immigration New Zealand alerts for this passenger as they were being removed from the country by Immigration New Zealand. This override was mistakenly applied to a Police alert as well. This meant that Police were not contacted.			
99.3%	Minimum percentage of requests accepted by the National Maritime Coordination Centre which are assigned within 31 days	80%	100%	80%
	The National Maritime Coordination Centre (NMCC) provides an all-of-government coordination service to maximise the effective and efficient use of New Zealand's maritime patrol and surveillance assets. Although the NMCC is operated independently by staff from a number of agencies, Customs is the agency formally responsible for hosting it.			

Policy advice and ministerial servicing

For 2022/23, we surveyed the Minister of Customs twice on their satisfaction with Customs policy advice and ministerial servicing. This included surveying Hon Meka Whaitiri for the first six months (1 July to 31 December 2022), and Hon Jo Luxton for the period since she was appointed as Minister of Customs (10 May to 30 June 2023). This year we provided policy advice to the Minister of Customs on a range of topics, including:

- the transition away from COVID-19 controls, including arrangements for managing the maritime border and airport arrivals
- work on the New Zealand Traveller Declaration development, legislation programme, and implementation
- measures to support the financial sustainability of Customs, including goods cost recovery
- work to support international partnerships and trade agreements
- advice on emerging transnational organised crime threats.

The services and support we give to the Minister of Customs also include preparing draft replies to ministerial correspondence and parliamentary questions. In 2022/23 we provided 33 draft replies to ministerial correspondence and 228 draft responses to parliamentary questions to the Minister.

In addition to our internal quality assurance processes, we also get the New Zealand Institute of Economic Research (NZIER) to provide an annual external review of our policy papers to enable us to monitor the quality of our policy advice. This review uses the Policy Quality Framework and assessed a sample of 20 papers prepared during the year. NZIER gave our sample of papers an average score of 3.63 out of 5, and a median score of 3.5. This was down on the result for 2021/22, but within the target measures set out above.

NZIER noted there were some outstanding papers in the selection, and all papers reviewed met expected standards. This year's sample included a higher proportion of process papers, which can be difficult to score well on. NZIER noted our good use of visuals and A3s and inclusion of technical advice. They also praised the Treaty analysis in one paper. This is an area we need to improve on, and it was pleasing to note NZIER comments that some of our work in reflecting iwi concerns and Treaty analysis was high calibre.

In late 2022, we were named the overall winner of the 2022 NZIER Benchmark Awards recognising public sector agencies for the quality of advice to government. NZIER recognised Customs' hard work in maintaining year-on-year high levels of quality, for being the only agency to achieve an average paper rating of over 4 out of 5 in 2022, and for placing in the top two agencies over the last seven years.

Other services

External alerts

External agencies provide us with information about people or goods that are of interest to them. Our border management system electronically screens data for matches, helping us to process the alert in accordance with the alert instructions (for example, notify the other agency if the person or goods arrive at the border). We managed 183,662 of these alerts created by other agencies in 2022/23. These alerts were created by the Ministry for Primary Industries (44.0%), Department of Corrections (33.8%), Inland Revenue (16.9%), Ministry of Justice (2.2%), the New Zealand Police (1.6%), and the Ministry of Business, Innovation and Employment (Immigration New Zealand) (1.4%).

What it cost

Revenue and output expenses

2021/22		2022/23		
Actual		Unaudited Budget	Unaudited Revised Budget	Actual
\$000		\$000	\$000	\$000
Revenue				
38,604	Crown	39,579	31,224	31,224
3,029	Other	1,301	1,920	2,745
41,633	Total revenue	40,880	33,144	33,969
33,236	Expenses excluding remeasurements	40,880	33,068	31,560
8,397	Surplus/(Deficit)	-	76	2,409

04. COVID-19 - Maritime Response

This is a multi-year appropriation (expiring 30 June 2023) to cover the provision of services relating to mitigating the risk of transmission of COVID-19 across the maritime border.



How we performed

2021/22 Actual	Measure	2022/23		2023/24 Standard
		Standard	Actual	
New Measure	Maintain an extended Customs presence at New Zealand's international maritime ports while the Maritime Border Order is in place	Achieved	Achieved	Removed
This measure reflects the retention of Customs' extended presence under the Maritime Border Order until it was revoked on 12 September 2022.				

The COVID-19 Public Health Response (Maritime Border) Order (MBO) was introduced by the Government from 30 June 2020 to mitigate the risk of transmission of COVID-19 across New Zealand's maritime border. The MBO imposed restrictions on the entry of vessels into New Zealand and the isolation and movement of crews and passengers from those vessels at all international ports and marinas across the country.

Customs (with the support of other agencies) led the coordination and implementation of the operational response to and application of the MBO. This included maintaining a permanent presence at each of the 14 maritime ports that were subject to international vessel movements, conducting monitoring and surveillance activities to deter non-compliance, and enforcing compliance with the MBO.

On 2 May 2022 the isolation requirements were removed from the MBO. As a result, Customs' permanent physical presence at all international ports was no longer required, however an extended presence was retained to support the re-opening of the maritime border to arrivals of foreign vessels (including cruise ships) from 31 July 2022, and to retain COVID-19 resurgence capability in the case of further outbreaks.

The MBO was revoked on 12 September 2022, and \$27.7 million of the funding under this multi-year appropriation was returned to the Crown.

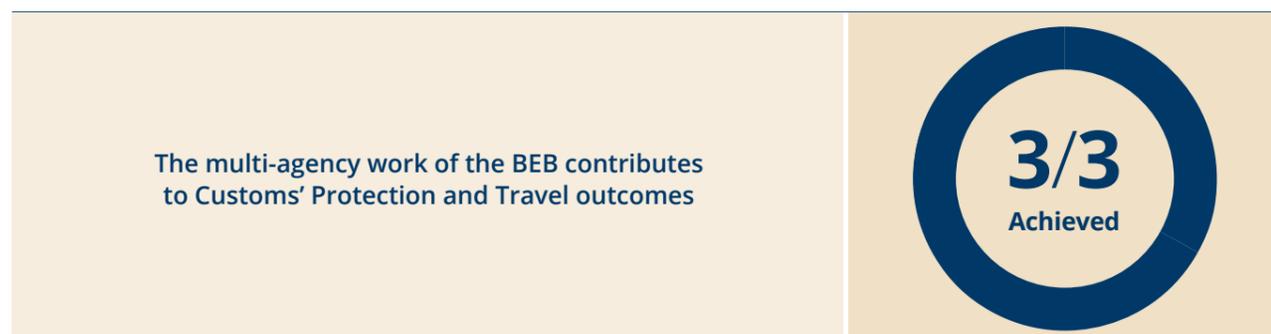
What it cost

Revenue and output expenses

2021/22		2022/23		
Actual		Unaudited Budget	Unaudited Revised Budget	Actual
\$000		\$000	\$000	\$000
Revenue				
23,336	Crown	31,550	4,311	4,311
-	Other	-	-	-
23,336	Total revenue	31,550	4,311	4,311
23,336	Expenses excluding remeasurements	31,550	4,311	3,809
-	Surplus/(Deficit)	-	-	502

05. Border System Performance

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



How we performed

2021/22 Actual	Measure	2022/23		2023/24 Standard
		Standard	Actual	
Achieved	The Border Executive Board work programme has initiatives that respond to risk and drive border system improvement	Achieved	Achieved	Achieved
New measure	The Border Executive Board has approved a border sector strategy The Border Sector Strategy was approved on 10 May 2023 and is publicly available on the Customs website: https://www.customs.govt.nz/globalassets/documents/beb/proactive-release-beb-cabinet-paper-refresh-accountabilities-and-beb-border-sector-strategy.pdf .	Achieved	Achieved	Measure replaced
Exceeds expectations	Satisfaction of the responsible Minister with the provision of coordination, information and advice	Meets expectations	Meets and sometimes exceeds expectations	Meets expectations

The BEB is an inter-departmental executive board under the Public Service Act 2020. Since its establishment on 11 January 2021, Customs has been the servicing department for the BEB, and hosts a secretariat, funded through this appropriation.

The current members of the BEB governance board are the chief executives of Customs, the Ministry for Primary Industries, the Ministry of Business, Innovation and Employment, the Ministry of Transport, the Ministry of Foreign Affairs and Trade, and the Ministry of Health. The Chair for 2022/23 was the Comptroller (chief executive) of Customs.

The overall objective of the BEB is to provide collective leadership and accountability for New Zealand's border. The BEB aims to enable the prosperity and security of New Zealand through making sure we have a safe and smart border system that facilitates the movement of compliant people, goods and craft and meets both our current and future border needs. More information on the BEB can be found in the BEB Annual Report which is appended to this Report (see pages 187–216).

Provision of coordination, information, and advice

During the year, as the Government's response to COVID-19 changed, so did the Ministerial responsibility for the BEB. In 2022/23, the BEB surveyed the responsible Minister twice on their satisfaction with the provision of coordination, information, and advice provided by the BEB. This included surveying Hon Dr Ayesha Verrall (as Minister for COVID-19 Response) for the first six months (1 July to 31 December 2022), and Hon Jo Luxton (as Minister of Customs) for the period since she was appointed as Minister of Customs (10 May to 30 June 2023).

This year the BEB provided policy advice to the responsible Minister on a range of topics, including:

- > revised accountabilities for the BEB
- > the Border Sector Strategy and work programme
- > reopening the aviation and maritime borders
- > responding to the resumption of demand for air travel.

What it cost

Revenue and output expenses

2021/22		2022/23		
Actual		Unaudited Budget	Unaudited Revised Budget	Actual
\$000		\$000	\$000	\$000
Revenue				
1,450	Crown	1,716	1,571	1,571
-	Other	-	117	-
1,450	Total revenue	1,716	1,688	1,571
1,212	Expenses excluding remeasurements	1,716	1,688	1,034
238	Surplus/(Deficit)	-	-	537

06. Traveller Declaration System Development

This is a multi-year appropriation, which commenced on 1 September 2021, to cover the delivery of the New Zealand Traveller Declaration System (NZTD), a digital system to allow all passengers to make digital declarations, enable individual risk assessment by relevant agencies prior to travel, and ensure border risk is managed appropriately to protect all New Zealanders.



How we performed

2021/22 Actual	Measure	2022/23		2023/24 Standard
		Standard	Actual	
New measure	Deployment of a single solution for processing of digital arrival declarations of arriving air travellers	Achieved	Not achieved	Replaced with operational measures
New measure	Deployment of a single solution for processing of digital arrival declarations of arriving sea travellers	Achieved	Not achieved	Replaced with operational measures
<p>Not achieved – A phased roll out of the NZTD was adopted to provide greater support for industry and border operations. The phased go-live across our four international airports, and maritime ports, was to enable better support and traveller experience as each port went live. The revised implementation means both NZTD air and sea solutions were not live as of 30 June 2023 (with the first launch being in July 2023, as discussed on pages 52–53).</p> <p>Both air and sea NZTD solutions are expected to be implemented by the end of 2023, so the above deliverable-based measures have been replaced for 2023/24 with three operational measures, reflecting the digital uptake, ease of use, and time required to complete a digital declaration.</p>				

Since September 2021, Customs has led the development and delivery of the NZTD system alongside the Ministry of Business, Innovation and Employment (Immigration New Zealand), the Ministry for Primary Industries (Biosecurity New Zealand), the Ministry of Health, and Te Whatu Ora Health New Zealand (from July 2022).

In 2021/22 the NZTD system was critical to managing the health risk posed from COVID-19 border transmission and supporting the safe reopening of the New Zealand border. The initial launch (from March to October 2022) provided an electronic platform for the provision and verification of documentation relating to air travellers' COVID-19 vaccination status and pre-departure test status.

In 2022/23 the next iteration of the NZTD system was designed. This included expanding the system to cover all travel-related declarations made by arriving travellers (including digitising the Passenger Arrival Card). Four trials were conducted between March and June 2023 at multiple airports to test the end-to-end system functionality and operational processes.

The NZTD system went live at Wellington, Christchurch and Queenstown international airports in July 2023. Auckland followed in August 2023, and maritime ports are expected to go-live later in 2023. The NZTD system contributes to the modernisation and streamlining of our future border services.

What it cost

Revenue and output expenses

2021/22		2022/23		
Actual		Unaudited Budget	Unaudited Revised Budget	Actual
\$000		\$000	\$000	\$000
Revenue				
9,852	Crown	25,500	32,448	32,448
-	Other	-	-	-
9,852	Total revenue	25,500	32,448	32,448
9,852	Expenses excluding remeasurements	25,500	32,448	20,742
-	Surplus/(Deficit)	-	-	11,706

Our Capital Expenditure

This appropriation covers the purchase or development of assets by and for the use of Customs, as authorised by section 24(1) of the Public Finance Act 1989.

How we performed

2021/22 Actual	Measure	2022/23		2023/24 Standard
		Standard	Actual	
Achieved	Expenditure is in accordance with the department's intention to renew and replace computer equipment and software, furniture and fittings, leasehold improvements, motor vehicles and office equipment and plant	Achieved	Achieved	Achieved

What it cost

Budgeted and Actual Capital Expenditure

2021/22 Actual		2022/23		
		Unaudited Budget	Unaudited Revised Budget	Actual
\$000		\$000	\$000	\$000
8,961	Property, plant and equipment	9,004	9,004	11,264
6,923	Intangibles	12,050	12,050	26,860
-	Other	-	-	-
15,884	Total Appropriation	21,054	21,054	38,124

Although capital expenditure exceeded the Budget/Revised Budget, expenditure was within the permanent legislative authority granted by section 24(1) of the Public Finance Act. The higher spend was mainly due to the capital spend to build the New Zealand Traveller Declaration system and the reclassification of prior years' property, plant and equipment, and intangible assets.

Appropriation Statements

The following statements report information about the expenses and capital expenditure incurred against each appropriation administered by Customs for the year ended 30 June 2023.

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

For the year ended 30 June 2023

Annual and permanent appropriations for Vote Customs

2021/22		2022/23			
		Total expenditure	Remeasurements ¹	Expenditure excluding remeasurements	Approved Appropriation 2023 ²
\$000		\$000	\$000	\$000	\$000
Departmental output expenses					
104,801	Goods Clearance and Enforcement	113,455	(99)	113,554	120,992
83,312	Travellers Clearance and Enforcement	86,907	(75)	86,982	86,450
33,236	Revenue Collection and Other Services	31,533	(27)	31,560	33,068
1,212	Border System Performance	1,034	-	1,034	1,688
222,561	Total departmental output expenses	232,929	(201)	233,130	242,198
Departmental other expenses					
7,661	Software as a Service intangible asset derecognition (write-off)	-	-	-	-
Departmental capital expenditure					
15,884	New Zealand Customs Service – capital expenditure PLA ³	38,124	-	38,124	21,054
Non-departmental other expenses					
4,390	Change in Doubtful Debt Provision	1,161	-	1,161	16,000
66	World Customs Organization	62	-	62	80
4,456	Total non-departmental other expenses	1,223	-	1,223	16,080
250,562	Total annual and permanent appropriations	272,276	(201)	272,477	279,332

¹ Remeasurements are the movement brought about by the change in the discount rate applied to non-current employee entitlements (see Note 12, page 154)

² These are the appropriations from The Supplementary Estimates of Appropriations 2022/23

³ Permanent Legislative Authority under section 24(1) of the Public Finance Act

Multi-year appropriations

Appropriation name: COVID-19 - Maritime Response

This is a multi-year appropriation to cover the provision of services relating to mitigating the risk of transmission of COVID-19 across the maritime border. The appropriation started on 1 September 2020 and expired on 30 June 2023.

2021/22		2022/23
\$000		\$000
COVID-19 - Maritime Response		
44,020	Original appropriation	44,020
41,550	Cumulative adjustments	6,177
85,570	Total adjusted approved appropriation	50,197
22,550	Cumulative actual expenditure as at 1 July	45,886
23,336	Current year actual expenditure	3,809
45,886	Cumulative Actual expenditure as at 30 June	49,695
39,684	Appropriation remaining as at 30 June	502

Appropriation name: Traveller Declaration System Development

This is a multi-year appropriation to cover the provision of services relating to the development of policies, procedures, and systems to assess travellers for risk, including health risk, when crossing the New Zealand border. The appropriation started on 1 September 2021 and expires on 30 June 2025.

2021/22		2022/23
\$000		\$000
Traveller Declaration System Development		
42,300	Original appropriation	42,300
-	Cumulative adjustments	17,400
42,300	Total adjusted approved appropriation	59,700
-	Cumulative actual expenditure as at 1 July	9,852
9,852	Current year actual expenditure	20,742
9,852	Cumulative Actual expenditure as at 30 June	30,594
32,448	Appropriation remaining as at 30 June	29,106

The 2022/23 performance information for each departmental appropriation administered by Customs has been reported in the *Our Performance* section of this annual report.

The 2022/23 performance information for each non-departmental appropriation has been reported by the Minister of Customs in a report appended to this annual report.

Operating Expenditure Appropriations Summary

For the year ended 30 June 2023

2021/22		2022/23
\$000		\$000
221,982	Annual Appropriations	232,929
23,336	COVID-19 – Maritime Response multi-year appropriation	3,809
9,852	Traveller Declaration System Development multi-year appropriation	20,742
255,170	Total Operating Expenditure	257,480

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

For the year ended 30 June 2023

In the 2022/23 financial year, Customs:

- did not incur any expenses or capital expenditure without appropriation or other authority, or outside the scope or period of the appropriation (2021/22 financial year: nil)
- incurred expenditure in one departmental output appropriation in excess of appropriation (2021/22 financial year: nil).

Expense and capital expenditure under section 26B of the Public Finance Act 1989

Customs is primarily funded for operational activity through two main departmental output expense appropriations – Travellers Clearance and Enforcement and Goods Clearance and Enforcement. Costs are apportioned between these two appropriations based on how staff are rostered across various activities in response to traveller or good clearance demand. Over the last few months of the financial year, Customs allocated additional staff to the clearance of travellers due to higher than forecast traveller volumes. This resulted in actual cost in the Travellers Clearance and Enforcement appropriation exceeding the appropriation by \$0.532 million.

The allocation occurred after changes to expenditure could be processed through the Supplementary Estimates process. Customs sought and received approval of this additional expenditure under section 26B of the Public Finance Act 1989 in June 2023. The additional expenditure reported is within the 2% limit set in the Public Finance Act.

Statement of Departmental Capital Injections

For the year ended 30 June 2023

2021/22	2022/23
Actual \$000	Actual \$000
Vote Customs	
85,304 New Zealand Customs Service – net capital injection	(12,356)

Capital injections for 2022/23 include \$18 million received from the Crown to fund the development and implementation of the New Zealand Traveller Declaration system. This is offset by an \$11 million capital withdrawal related to the first repayment against a temporary capital injection received in Budget 2021 to fund revenue shortfalls due to low traveller numbers, and the return of \$19.905 million of COVID-19 Response and Recovery funding that was not required.

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

For the year ended 30 June 2023

In the 2022/23 financial year, Customs did not receive any capital injections without, or in excess of, authority (2021/22: nil).





Ā mātou pūtea **Our finances**



Financial overview

The financial statements and notes in the following section of the Annual Report provide an overview of our financial performance for the year ending 30 June 2023.

Expenditure on core operational activities remained consistent with the previous financial year

Our total operating expenditure for the 2022/23 financial year was \$257.5 million. This is \$2.3 million higher than in 2021/22, but \$21.5 million lower than authorised (appropriated) expenditure.

Most of our core operational expenditure is for services that cover the screening, clearance and processing of passengers and goods across the border. The three appropriations that fund core operational activity are *Goods Clearance and Enforcement*, *Travellers Clearance and Enforcement*, and *Revenue Collection and Other Services*.

Figure 30: 2022/23 expenditure by appropriation



Although the overall levels of expenditure were similar to 2021/22, there were significant changes in our two temporary multi-year appropriations.

Expenditure within the *Traveller Declaration System Development* appropriation increased from \$9.9 million in 2021/22 to \$20.7 million in 2022/23. This temporary appropriation funds the development of the New Zealand Traveller Declaration system. Expenditure increased due to the resources required to test and trial the new system before a phased roll-out began in July 2023.

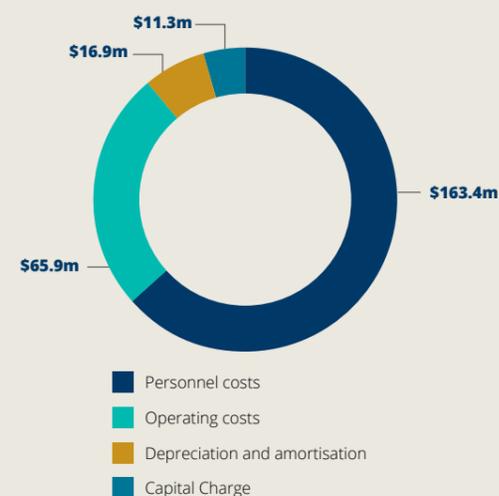
This was offset by a significant drop in expenditure in the *COVID-19 - Maritime Response* appropriation for 2022/23. This appropriation provided funding for Customs to implement and enforce the Maritime Border Order as part of New Zealand's COVID-19 response.

When the Maritime Border Order was revoked on 12 September 2022, \$27.7 million of funding within this appropriation was returned to the Crown. Customs retained \$4.3 million to fund work through to 12 September 2022, to support the reopening of the maritime border, and to make sure we had sufficient capacity to respond to any new health measures if required following the Order being revoked. The appropriation ceased on 30 June 2023.

The majority of our expenses relate to personnel costs

Almost 64% of our expenses relate to personnel costs. Most of our staff work in frontline roles around the country.

Figure 31: Departmental expenditure by major expense category



Our capital expenditure also increased during 2022/23, mainly due to expenditure on the New Zealand Traveller Declaration system.

Revenue collected from fees and levies increased during the year

Customs collects fees and levies to recover the costs of screening and processing passengers and goods as they cross the border.

During the COVID-19 pandemic, the revenue we received from the Border Processing Levy (for passengers) was significantly reduced due to low passenger numbers.

In 2022/23, this revenue recovered faster than expected and contributed to an increase of nearly \$100 million in revenue. As a result, a temporary capital injection that was made available to Customs in the event lower passenger volumes continued during 2022/23, was not required and was returned to the Crown.

We also repaid \$11 million to the Crown as the first repayment of a similar capital injection of \$61 million received during 2021/22 to offset lower levels of revenue due to low passenger numbers. We will repay the remainder of this capital injection over the coming years.

Addressing the memorandum account deficits

We operate memorandum accounts to manage the revenue and costs associated with the fees and levies we charge. Both the Border Processing Levy and Goods Clearance Fees accounts are currently in deficit.

We expect the Border Processing Levy memorandum account to return to surplus by the end of 2025 as passenger numbers return to pre-COVID-19 levels.

However, the Goods Clearance Fees memorandum account deficit is continuing to grow due to lower revenue than what was forecast when the fees were set in 2019. Goods revenue has been impacted by international supply chain issues, which have changed import patterns. Expenditure has also increased due to salary and wage cost pressures and general inflation.

In July 2023, Cabinet approved an inflation adjustment to Goods Clearance Fees. The first adjustment takes effect from 1 October 2023, with a further adjustment scheduled for 1 July 2024. These adjustments are expected to limit the growth of the deficit in the short-term. A more comprehensive review of the goods fee framework is underway to ensure they are set at a sustainable level.

Like all government agencies, Customs continues to face a range of cost pressures. We remain focused on identifying fiscal challenges early, so that we can prioritise our resources and make cost savings where possible.

Greg Hanlen
Chief Financial Officer



Ngā whakahaere pūtea Financial statements

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2023

2021/22		2022/23			2023/24	
Actual		Unaudited Budget	Unaudited Supps	Actual	Unaudited Forecast	
\$000	Note	\$000	\$000	\$000	\$000	
<i>Revenue</i>						
128,733	Crown	2	154,468	131,572	113,379	
69,533	Other revenue	2	90,333	159,942	192,798	
198,266	Total revenue		244,801	291,514	306,177	
<i>Expenses</i>						
162,395	Personnel costs	3	203,619	163,435	176,247	
63,160	Operating costs	4	64,413	65,853	61,704	
20,615	Depreciation and amortisation expense	5	21,917	16,855	22,839	
9,000	Capital charge	6	9,162	11,336	11,823	
255,170	Total expenses		299,111	257,479	272,613	
(56,904)	Total comprehensive revenue and expense		(54,310)	34,035	33,564	

Statement of Change in Equity

For the year ended 30 June 2023

2021/22		2022/23			2023/24	
Actual		Unaudited Budget	Unaudited Supps	Actual	Unaudited Forecast	
\$000	Note	\$000	\$000	\$000	\$000	
153,187	Taxpayers' funds as at 1 July	185,386	173,347	173,347	179,081	
(56,904)	Total comprehensive revenue and expense for the year	(54,310)	(186)	34,035	33,564	
(3,100)	Capital withdrawals	-	(30,905)	(30,905)	-	
88,404	Capital injections	59,049	18,549	18,549	13,875	
(8,240)	Provision for return of surplus	11	-	(16,256)	-	
173,347	Taxpayers' funds as at 30 June	190,125	160,805	178,770	226,520	

Explanations of major variances against budget are provided in note 23.
The accompanying accounting policies and notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2023

2021/22		2022/23		2023/24	
Actual		Unaudited Budget	Unaudited Supps	Actual	Unaudited Forecast
\$000	Note	\$000	\$000	\$000	\$000
<i>Current assets</i>					
63,373	Cash and cash equivalents	132,867	27,896	61,927	56,316
4,415	Prepayments	5,702	4,415	6,269	5,627
49,467	Debtors and receivables	7	17,639	49,663	61,638
117,255	Total current assets	156,208	81,974	129,834	127,471
<i>Non-current assets</i>					
34,549	Property, plant and equipment	8	33,916	34,402	24,777
71,791	Intangible assets	9	82,691	89,791	88,703
33	Receivables and advances		42	32	100
106,373	Total non-current assets	116,649	124,225	113,580	134,987
223,628	Total assets	272,857	206,199	243,414	262,458
<i>Current liabilities</i>					
21,353	Creditors and payables	10	67,277	24,706	28,478
14,952	Employee entitlements	12	11,255	14,952	13,175
8,240	Provision for repayment of surplus to the Crown	11	-	-	16,256
-	Other short term liabilities	13	208	-	208
44,545	Total current liabilities	78,740	39,658	57,909	31,946
<i>Non-current liabilities</i>					
3,152	Employee entitlements	12	3,742	3,152	2,951
2,584	Other long term provisions	14	250	2,584	3,784
5,736	Total non-current liabilities	3,992	5,736	6,735	3,992
50,281	Total liabilities	82,732	45,394	64,644	35,938
173,347	Net assets	190,125	160,805	178,770	226,520
<i>Equity</i>					
236,919	Crown capital and retained earnings	15	190,125	160,805	224,564
(63,572)	Memorandum accounts (net position)	15	-	-	(45,794)
173,347	Total equity as at 30 June	190,125	160,805	178,770	226,520

Explanations of major variances against budget are provided in note 23. The accompanying accounting policies and notes form part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2023

2021/22		2022/23		2023/24	
Actual	Note	Unaudited Budget	Unaudited Supps	Actual	Unaudited Forecast
\$000		\$000	\$000	\$000	\$000
Cash flows from operating activities					
<i>Cash was provided from:</i>					
115,440	Crown	185,313	127,609	131,471	92,259
61,155	Other revenue	138,372	137,972	147,671	191,486
<i>Cash was applied to:</i>					
(161,620)	Personnel	(189,612)	(181,886)	(165,412)	(185,529)
(52,286)	Operating	(61,587)	(76,602)	(61,539)	(82,560)
(2,230)	Goods and Services Tax (net)	1	1	2,162	1
(9,000)	Capital charge	(9,162)	(9,162)	(11,336)	(11,336)
(48,541)	Net cash flow from operating activities	63,325	(2,068)	43,017	4,321
Cash flows from investing activities					
<i>Cash was provided from:</i>					
112	Sale of fixed assets	-	-	128	-
<i>Cash was disbursed to:</i>					
(8,178)	Purchase of fixed assets	-	-	2,864	(2,752)
(7,658)	Purchase of intangible assets	(21,054)	(21,054)	(26,859)	(21,055)
(15,724)	Net cash flow from investing activities	(21,054)	(21,054)	(23,867)	(23,807)
Cash flows from financing activities					
<i>Cash was provided from:</i>					
88,404	Capital injections received	59,049	18,549	18,549	13,875
<i>Cash was disbursed to:</i>					
(3,100)	Capital withdrawal	-	(30,905)	(30,905)	-
(20,709)	Repayment of surplus	-	-	(8,240)	-
64,595	Net cash flow from financing activities	59,049	(12,356)	(20,596)	13,875
330	Net increase/(decrease) in cash	101,320	(35,478)	(1,446)	(5,611)
63,043	Cash at the beginning of the year	31,547	63,373	63,373	61,927
63,373	Cash at the end of the year	132,867	27,895	61,927	56,316

Explanations of major variances against budget are provided in note 23. The accompanying accounting policies and notes form part of these financial statements.

Statement of Commitments

As at 30 June 2023

2021/22		2022/23
Actual \$000		Actual \$000
	<i>Non-cancellable operating lease commitments</i>	
13,632	Not later than one year	16,053
16,299	Later than one year and not later than five years	20,178
-	Later than five years	792
29,931	Total non-cancellable operating commitments	37,023
29,931	Total commitments	37,023

Capital commitments

Customs has no capital commitments as at 30 June 2023 (2021/22: nil).

Non-cancellable operating lease commitments

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

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

Customs has no future non-cancellable sublease-of-premises-receipts due over the next 10 financial years as at 30 June 2023 (30 June 2022: nil).

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

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

Statement of Departmental Contingent Liabilities and Assets

As at 30 June 2023

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

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

Customs has no quantifiable or unquantifiable contingent assets as at 30 June 2023 (30 June 2022: nil). Customs has no unquantifiable contingent liabilities as at 30 June 2023 (30 June 2022: nil).

Customs has quantifiable contingent liabilities of \$55,000 relating to employment disputes as at 30 June 2023 (30 June 2022: \$155,808).

Schedule of Trust Monies

For the year ended 30 June 2023

	As at 01/07/2022			As at 30/06/2023
Account	\$000	Contribution \$000	Distribution \$000	\$000
Customs Regional Deposit/Bonds Trust No.1, No.2 & No.3	21,121	4,144	5,024	20,241
New Zealand Customs Service Multiple Deposit Scheme Release Trust	91	5,118	5,113	96
New Zealand Customs Service Multiple Deposit Scheme Suspense Trust	52	6,435	5,529	958
Total	21,264	15,697	15,666	21,295

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



Ngā whakahaere pūtea Notes to the financial statements

For the year ended 30 June 2023

Note 1: Statement of accounting policies

Reporting entity

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

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

In addition, Customs has reported on Crown activities in the non-departmental statements and schedules on pages 164 to 173 and trust monies which it administers on page 141.

Reporting period

The reporting period for these financial statements is for the year ended 30 June 2023. The forecast financial statements are for the year ending 30 June 2024. The financial statements were authorised by the Comptroller of Customs on 29 September 2023.

Basis of preparation

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

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

Statement of compliance

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

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

Functional and presentation currency

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

Accounting standards issued and adopted in 2022/23

PBE IPSAS 2 Statement of Cash Flows

An amendment to PBE IPSAS 2 Statement of Cash Flows requires departments to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for the year ending 30 June 2023, with earlier adoption permitted. Customs has determined that no changes were required to comply with this amendment.

PBE IPSAS 41 Financial Instruments

PBE IPSAS 41 replaces PBE IFRS 9 Financial Instruments and is effective for the year ending 30 June 2023. As the requirements are similar to those contained in PBE IFRS 9, Customs has determined that no significant changes were required to comply.

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 Presentation of Financial Statements and is effective for the year ending 30 June 2023. Customs has adjusted its statement of performance to disclose additional information on the judgements that had the most significant effect on the selection, measurement, aggregation, and presentation of service performance information.

PBE IPSAS 1 Presentation of Financial Reports

PBE IPSAS 1 is amended to enhance the requirements concerning the disclosure of information about the audit or review firm's fees and is effective for the year ending 30 June 2025. Customs has early adopted this standard, and any fees incurred will be classified according to the standard.

Accounting standards issued and not yet effective and not early adopted

PBE IPSAS 17 Insurance Contracts in the Public Sector

PBE IPSAS 17 is effective for the year ending 30 June 2027. Customs has determined that no changes will be required to comply with this amendment. Customs does not currently have arrangements covered by this standard.

Critical accounting estimates and assumptions

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

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

Accounting policies

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

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

Foreign currency transactions

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

Cash and cash equivalents

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

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

Goods and Services Tax

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

The net amount of GST recoverable from, or payable to, Inland Revenue is included as part of receivables or payables in the Statement of Financial Position. The net GST paid to, or received from, Inland Revenue, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

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

Budget figures

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

The budget figures are not subject to audit.

The 2022/23 'Budget' figures were those published in the 2021/22 annual report and the Government's *The Estimates of Appropriations 2022*. The 2022/23 'Supps' figures are those published in *The Supplementary Estimates of Appropriations 2022/23*.

Forecast figures

The forecast figures for 2023/24 are the best estimate financial forecast information submitted to the Treasury for the Pre-election Economic and Fiscal Update for the year ending 2023/24.

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

The forecasts have been compiled on the basis of existing government policies and ministerial expectations at the time the statements were finalised.

Significant assumptions used in preparing the forecast financial information

The main assumptions are as follows:

- Customs' activities will remain substantially the same as for the previous year
- operating costs are based on historical trends, adjusted for the impact of COVID-19
- no allowances have been made for general cost and/or inflationary pressures
- the actual year-end information for 2022/23 is used as the opening position for the 2023/24 forecasts.

Variation to forecast

The actual financial results for the forecast period ending 30 June 2024 are likely to vary from the forecast information presented. Factors that may lead to a material difference include:

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

Cost allocations

Customs has determined the cost of outputs using an Activity Based Costing methodology.

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

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

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

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

Changes in accounting policies

Capitalisation policy change

The Capital Expenditure policy sets out the processes and requirements for authorising capital expenditure and how it is accounted for over the life of the asset. Customs reviewed and updated this policy to reflect current practices and updated financial guidance during 2022/23.

Key changes include:

- an increase to the threshold for capitalising individual assets from \$2,700 to \$5,000 and assets brought together from \$15,000 to \$20,000. This is to reduce the amount of work required to manage and depreciate small items through a fixed asset register
- the addition of a new section on as-a-Service solutions to align with new Treasury and accounting guidelines
- the useful life of plant and equipment has been extended from 5-10 years to 5-15 years, and leasehold improvements from 5-15 years to 5-24 years to provide greater flexibility.

The impact on the financial statements is immaterial.

Comparatives

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

Note 2: Revenue

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

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

Revenue from the Crown

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

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

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

Other Revenue

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

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

Statutory levies

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

2021/22		2022/23	
Actual		Unaudited Budget	Actual
\$000		\$000	\$000
13,976	Border Processing Levy	58,511	103,662
44,607	Goods clearance fees	25,370	44,816
1,659	Cost recoveries	1,242	2,201
9,289	Sale of goods and services	5,202	9,248
2	Compliance	8	15
69,533	Total other revenue	90,333	159,942

Note 3: Personnel costs

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

2021/22		2022/23	
Actual		Unaudited Budget	Actual
\$000		\$000	\$000
142,364	Salaries and wages	193,457	136,187
4,757	Employer contributions to defined contribution plans	3,972	4,590
15,274	Other personnel expenses	6,190	22,658
162,395	Total personnel costs	203,619	163,435

Note 4: Operating costs

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

2021/22		2022/23	
Actual		Unaudited Budget	Actual
\$000		\$000	\$000
14,670	IT infrastructure management	14,328	14,614
9,027	Computer equipment costs	9,047	9,228
9,140	Operating lease rentals	9,259	9,444
2,482	Travel and accommodation	4,053	4,134
6,928	Occupancy costs (excluding rentals)	6,123	6,295
6,729	Consultants and professional fees	7,410	7,558
2,854	Repairs and maintenance	3,280	3,345
2,414	Communication costs	2,621	2,673
1,316	Insurance	1,366	1,393
285	Fees paid to Audit NZ for the financial statement audit	328	359
(112)	Net (gain)/loss on sale of fixed assets	(15)	(15)
2	Net foreign exchange losses	103	105
616	Expected credit loss on financial assets (refer note 7)	108	110
6,809	Other operating costs	6,402	6,610
63,160	Total operating costs	64,413	65,853

Operating leases

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

Note 5: Depreciation and amortisation

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

2021/22		2022/23	
Actual		Unaudited Budget	Actual
\$000		\$000	\$000
<i>Depreciation</i>			
1,042	Leasehold improvements	725	556
107	Office equipment	(34)	(26)
3,754	Other equipment and plant	4,697	3,603
108	Furniture and fittings	74	57
1,480	Computer equipment	2,332	1,789
688	Motor vehicles	808	620
367	Launch and watercraft	402	308
7,546	Total depreciation	9,004	6,907
<i>Amortisation</i>			
13,069	Intangible assets – computer software	12,913	9,948
20,615	Total depreciation and amortisation cost	21,917	16,855

Note 6: Capital charge

Customs pays a capital charge to the Crown on its equity (adjusted for memorandum accounts and donated assets) as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2023 was 5.0% (1 July 2021 to 30 June 2022: 5.0%).

Note 7: Debtors and receivables

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

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

2021/22		2022/23
Actual \$000		Actual \$000
2,183	Debtor – Goods Cost Recovery	2,379
2,956	Receivables	3,501
9,068	Debtor – Border Processing Levy	20,503
14,207	Gross trade receivable	26,383
(1,477)	Less: allowance for credit losses	(1,583)
12,730	Net trade debtors (exchange transactions)	24,800
36,737	Debtor – Crown (non-exchange transactions)	36,838
49,467	Total receivables	61,638

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

30 June 2023	Receivables days past due				Total
	Current	31-60 days	61-90 days	>90 days	
Expected credit loss rate	0%	0%	0%	54%	
Gross carrying amount (\$000)	22,235	733	470	2,945	26,383
Lifetime expected credit loss (\$000)	–	–	–	1,583	1,583

30 June 2022	Receivables days past due				Total
	Current	31-60 days	61-90 days	>90 days	
Expected credit loss rate	0%	0%	100%	83%	
Gross carrying amount (\$000)	12,353	150	326	1,378	14,207
Lifetime expected credit loss (\$000)	–	–	326	1,151	1,477

Note 8: Property, plant, and equipment

Customs' property, plant, and equipment includes leasehold improvements, furniture and office equipment, plant and equipment, computer hardware, motor vehicles, launches, and watercraft.

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

All property, plant, and equipment costing individually \$5,000 or more, or as a group of assets more than \$20,000, are capitalised. (In 2021/22 these figures were \$2,700 for individual items and \$15,000 for a group of assets.)

Additions

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

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

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

Disposals

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

Subsequent costs

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

Depreciation

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

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

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

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

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

Impairment

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

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

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

	Leasehold Improvements	Office Equipment	Other Equipment	Furniture and Fittings	Computer Equipment	Motor Vehicles	Launches/ Watercraft	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cost								
Balance at 1 July 2021	17,007	886	56,782	570	18,830	6,496	5,901	106,472
Additions	195	5	1,484	150	912	539	443	3,728
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	(25)	-	-	(176)	(88)	(289)
Work in progress movement	8	163	3,022	-	1,726	19	(440)	4,499
Balance at 30 June 2022	17,210	1,054	61,264	720	21,468	6,878	5,816	114,410
Balance of work in progress	203	290	6,497	-	2,755	421	-	10,166
Balance at 1 July 2022	17,210	1,054	61,264	720	21,468	6,878	5,816	114,410
Additions	80	-	1,829	-	3,453	374	-	5,736
Reclassification of work in progress	-	(81)	68	10	1	(39)	40	(1)
Disposals	-	-	-	-	-	(340)	-	(340)
Work in progress movement	49	(16)	(5,839)	-	(2,416)	(345)	44	(8,523)
Balance at 30 June 2023	17,339	957	57,322	730	22,506	6,528	5,900	111,282
Balance of work in progress	252	274	658	-	339	76	44	1,643
Accumulated depreciation and impairment losses								
Balance at 1 July 2021	13,021	785	38,725	419	15,753	2,948	904	72,555
Depreciation expenses	1,042	107	3,754	108	1,480	688	367	7,546
Disposals	-	-	(11)	-	-	(141)	(88)	(240)
Impairment	-	-	-	-	-	-	-	-
Balance at 30 June 2022	14,063	892	42,468	527	17,233	3,495	1,183	79,861
Balance at 1 July 2022	14,063	892	42,468	527	17,233	3,495	1,183	79,861
Depreciation expenses	557	26	3,551	57	1,789	619	308	6,907
Reclassification	-	(245)	99	153	(40)	87	(54)	-
Disposals	-	-	-	-	-	(263)	-	(263)
Balance at 30 June 2023	14,620	673	46,118	737	18,982	3,938	1,437	86,505
Carrying amount								
At 1 July 2021	3,986	101	18,057	151	3,077	3,548	4,997	33,917
At 30 June 2022	3,147	162	18,796	193	4,235	3,383	4,633	34,549
At 30 June 2023	2,719	284	11,203	(7)	3,524	2,591	4,464	24,777

Note 9: Intangible assets

Software acquisition and development

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

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

Staff training costs are expensed when incurred.

	Acquired Software \$000	Internally Generated Software \$000	Total \$000
Cost			
Balance at 1 July 2021	24,391	135,840	160,231
Additions	1,229	7,019	8,248
Disposals	-	-	-
Work in progress movement	(273)	(316)	(589)
Balance at 30 June 2022	25,347	142,543	167,890
Balance of work in progress	-	1,993	1,993
Balance at 1 July 2022	25,347	142,543	167,890
Additions	290	12,516	12,806
Reclassification adjustment	(13)	(2,996)	(3,009)
Work in progress movement	69	16,980	17,049
Balance at 30 June 2023	25,693	169,043	194,736
Balance of work in progress	69	18,973	19,042
Accumulated amortisation and impairment losses			
Balance at 1 July 2021	17,721	65,308	83,030
Amortisation expenses	1,973	9,016	10,989
Disposals	-	-	-
Impairment	-	2,080	2,080
Balance at 30 June 2022	19,695	76,404	96,099
Balance at 1 July 2022	19,695	76,404	96,099
Amortisation expenses	1,312	8,635	9,947
Reclassification adjustment	(13)	-	(13)
Balance at 30 June 2023	20,994	85,039	106,033
Carrying amount			
At 1 July 2021	6,670	70,532	77,201
At 30 June 2022	5,653	66,139	71,792
At 30 June 2023	4,699	84,002	88,703

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

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. The amortisation charge for each period is recognised in the Statement of Comprehensive Revenue and Expense.

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

- Computer software 5 to 15 years

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

Note 10: Creditors and payables

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

2021/22		2022/23
Actual \$000		Actual \$000
	<i>Payables under exchange transactions</i>	
6,006	Trade creditors	5,432
12,395	Accrued expenses	14,063
3,925	MPI – Border Processing Levy	7,795
22,326	Total payables under exchange transactions	27,290
	<i>Payables under non-exchange transactions</i>	
(973)	GST payable	1,188
(973)	Total payables under non-exchange transactions	1,188
21,353	Total creditors and payables	28,478

Note 11: Return of operating surplus

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

2021/22		2022/23
Actual \$000		Actual \$000
(56,904)	Net surplus/(deficit)	34,035
65,144	Add (surpluses)/deficits of memorandum accounts	(17,779)
8,240	Total return of operating surplus	16,256

Note 12: Employee entitlements

Current employee entitlements

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

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

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

Non-current employee entitlements

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

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information
- the present value of the estimated future cash flows. A weighted average discount rate of 4.77% (2021/22: 3.95%) and a salary inflation rate of 2.50% (2021/22: 2.50%) were used. The discount rates are the risk free discount rates published by the Treasury as at 30 June 2023. The inflation rate is based on the expected long-term increase in remuneration for employees as supplied by the Treasury.

Retirement and long service leave

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

2021/22		2022/23
Actual \$000		Actual \$000
<i>Current liabilities</i>		
2,616	Personnel accruals	2,028
11,135	Annual leave	10,037
1,201	Retirement and long service leave	1,110
14,952	Total current portion	13,175
<i>Non-current liabilities</i>		
3,152	Retirement and long service leave	2,951
3,152	Total non-current portion	2,951
18,104	Total employee entitlements	16,126

Note 13: Other short term liabilities

Customs has no other short-term liabilities as at 30 June 2023 (30 June 2022: nil).

Note 14: Other long term provisions

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

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

Movement for provisions are as follows:

2021/22		2022/23
Actual \$000		Actual \$000
250	Lease make good provision as at 1 July	2,584
2,334	Additional provisions made	1,200
2,584	Lease make good provision at 30 June	3,784

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

Note 15: Equity

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

2021/22		2022/23
Actual \$000		Actual \$000
<i>Crown Capital and retained earnings</i>		
153,187	Balance as at 1 July	236,919
(56,904)	Surplus/(deficit)	34,035
63,572	Transfer of memorandum account net (surplus)/deficit for the year	(17,778)
(8,240)	Return of operating surplus to the Crown	(16,256)
85,304	Capital (withdrawal)/injection	(12,356)
236,919	Balance as at 30 June	224,564
<i>Memorandum accounts</i>		
-	Balance as at 1 July	(63,572)
(63,572)	Net memorandum account net surplus/(deficit) for the year	17,778
(63,572)	Balance as at 30 June	(45,794)
173,347	Total equity as at 30 June	178,770

Note 16: Financial instruments

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

Market risk

Currency risk

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

Currency risk arises from future overseas posts operations, which is denominated in a foreign currency. In 2022/23 Customs had ten overseas posts and operated two foreign currency bank accounts. Customs is exposed to currency risk arising from various currency exposures, primarily with respect to the United States dollar and Thai Baht.

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

Interest rate risk

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

Customs has no interest-bearing financial instruments, so has no exposure to interest rate risk.

Credit risk

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

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

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

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

Liquidity risk

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

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

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

	Less than 6 months \$000	Between 6 months and 1 year \$000	Between 1 and 5 years \$000	Over 5 years \$000
2021/22				
Creditors and other payables (note 10)	21,353	-	-	-
Total	21,353	-	-	-
2022/23				
Creditors and other payables (note 10)	28,478	-	-	-
Total	28,478	-	-	-

Note 17: Categories of financial instruments

Financial liabilities

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

2021/22		2022/23
Actual \$000		Actual \$000
<i>Financial assets measured at amortised cost</i>		
63,373	Cash and cash equivalents	61,927
49,467	Debtors and other receivables	61,638
112,840	Total financial assets measured at amortised cost	123,565
<i>Financial liabilities measured at amortised cost</i>		
21,353	Creditors and other payables	28,478
21,353	Total financial liabilities measured at amortised cost	28,478

Note 18: Related party transactions and key management personnel

Customs is a wholly owned entity of the Crown.

Related parties

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

Remuneration to key management personnel

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

2021/22		2022/23
Actual		Actual
Leadership Team, including the Comptroller		
\$1,896,935	Salaries and other short-term employee benefits	\$2,028,380
6.0	Full-time equivalent staff	6.0

The key management personnel disclosure for Customs consists of the members of the Customs Executive Board (discussed on page 85). It excludes the remuneration of the relevant Ministers for 2022/23: the Minister of Customs, the Minister for COVID-19 Response, and the Minister of Health. The Ministers' remuneration and other benefits are set by the Remuneration Authority and are paid under Permanent Legislative Authority, and not paid by Customs.

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

Note 19: Capital management

Customs' capital is its equity, which comprises taxpayers' funds and the memorandum accounts.

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

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

Note 20: Reconciliation of net surplus/deficit to net cash flow from operating activities for the year ended 30 June 2023

2021/22		2022/23
Actual \$000		Actual \$000
(56,904)	Net operating surplus/(deficit)	34,035
20,615	Depreciation and amortisation expense	16,855
20,615	Total non-cash items	16,855
	<i>Working capital movements</i>	
(21,509)	(Increase)/decrease in debtors and receivables	(12,323)
(1,210)	(Increase)/decrease in prepayments	(1,854)
6,719	Increase/(decrease) in creditors and payables	7,125
1,992	Increase/(decrease) in employee entitlements	(1,777)
57	Increase/(decrease) in other short term liabilities	(133)
(13,951)	Working capital movements – net	(8,962)
	<i>Movements in non-current liabilities</i>	
2,334	Provision for premises make good	1,200
(455)	Increase/(decrease) in employee entitlements	(201)
1,879	Movements in non-current liabilities	999
(68)	(Increase)/decrease in investing activity items	105
(112)	Net (gain)/loss on sale of fixed assets/impairment	(15)
(180)	Total investing activity items	90
(48,541)	Net cash from operating activities	43,017

Note 21: Memorandum Accounts

These accounts summarise financial information relating to the accumulated surplus or deficit incurred in the provision of clearance services operating on a full recovery basis from third parties through the **Border Processing Levy** and **Goods Clearance Fees**.

A memorandum account allows for the fact that revenue and expenses may not necessarily equate in any given financial year, with balances expected to trend to zero over a reasonable period of time (three to five years). The account enables Customs to take a long-term perspective to fee setting and cost recovery.

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

Border Processing Levy

2021/22		2022/23
Actual \$000		Actual \$000
–	Opening balance 1 July	(60,985)
14,112	Revenue – Border Processing Levy	103,809
(76,668)	Expenses	(82,124)
1,571	Accumulated Capital injections applied	–
(60,985)	Closing balance of memorandum account	(39,300)

From January 2020, the COVID-19 pandemic disrupted travel around the world. This resulted in a reduction in Border Processing Levy revenue due to low passenger numbers, leading to a significant deficit in the accumulated balance of the memorandum account. In 2021/22, the Government approved a one-off \$1.571 million application of previous capital injections to reinstate the cruise portion of the memorandum account's pre-COVID-19 surplus. Traveller volumes have begun to recover leading to a reduction of the deficit.

Goods Clearance Fees

2021/22		2022/23
Actual \$000		Actual \$000
–	Opening balance 1 July	(2,588)
40,951	Revenue – Goods Clearance Levy	40,480
(43,539)	Expenses	(44,386)
(2,588)	Closing balance of memorandum account	(6,494)

Customs goods fees fund a wide range of the trade activities such as inspection, intelligence gathering, risk screening, service delivery, and Trade Single Window processes. Despite the trade volumes continuing to recover to post-COVID levels, fee revenue is insufficient to cover the cost of the current level of Customs' border processing and protection services. To address this immediate issue, the Government approved an across-the-board inflation-based increase in Customs' goods fees in 2023 and 2024. Customs is also undertaking a comprehensive review of its goods fees to address the long-term financial sustainability issue and a mismatch between some fee-payers and the costs their fees are funding.

Note 22: Border Executive Board

The Border Executive Board was established from January 2021 as an interdepartmental executive board with accountability for ensuring there are no gaps in the end-to-end border processes.

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

Border Executive Board financial information:

2021/22		2022/23
Actual \$000		Actual \$000
1,450	Revenue from the Crown	1,571
	Expenditure	
529	Personnel	744
625	Contractors and consultants	285
58	Other Operating costs	5
1,212	Total Border Executive Board support expenditure	1,034
329	Assets (Receivables)	589
	Liabilities	
91	Accrued expenses	52
238	Provision for repayment of surplus	537
329	Total liabilities	589

Note 23: Explanations for major variances from 2022/23 Budget

Statement of Comprehensive Revenue and Expense

Other Revenue was higher than budget due to increases in the revenue from traveller processing activities. This year we saw a significant increase in traveller numbers as our borders reopened.

The overall expenditure was lower than budget, mainly due a change to a phased approach to the implementation of the New Zealand Traveller Declaration System (NZTD). The underspend for NZTD remains available as part of the multi-year appropriation.

The reductions in operating expenditure were largely in personnel due to delayed recruitment and expenditure on contractors and professional services, and amortisation.

The amortisation variance was due to delays in capital projects driven by focusing resources on NZTD.

Statement of Change in Equity

The retained earnings amount for the year is due to the increase in the Border Processing Levy total and the underspend.

The retained earnings not related to the overall memorandum accounts surplus, which is retained to reduce the memorandum account deficit, is returned to the Crown. The reported provision for the repayment is not budgeted.

Statement of Financial Position

The increase in Cash and cash equivalents is largely the result of the under expenditure.

The increase in Debtors and receivables relates to the increase in revenue.

Property, plant and equipment is less than budget due to delays in the capital programme, which is impacted by the scarcity of specialist Information Technology resources.

Creditors were higher than budget due to the increase in traveller volumes and the associated increase in the amount that Customs collects on behalf of the Ministry for Primary Industries.

Employee entitlements are lower than budget related to employee leave and retiring gratuity entitlements.

The unbudgeted increase in revenue and lower than budgeted costs resulted in a surplus which is repayable to the Crown.

Long term provisions have increased due to an increase in the estimate for the make good liability for our lease contracts.

Statement of Cash Flows

The overall cash balance is above budget mainly due to the increased revenue from levies and fees and reduced expenditure offset by delays in capital spending.

Note 24: Events after the balance date

There have been no significant events after the balance date.



He hōtaka a te
hunga o-waho
atu i te tari

Non- departmental statements and schedules

The following non-departmental statements and schedules record the revenue, expenditure, assets, liabilities, commitments, contingent liabilities, and contingent assets that Customs manages on behalf of the Crown.

Summary of Schedules and Statements

For the year ended 30 June 2023

2021/22		2022/23			2023/24
Actual		Unaudited Budget	Unaudited Supps	Actual	Unaudited Forecast
\$000		\$000	\$000	\$000	\$000
17,511,887	Revenue	17,973,210	18,687,660	18,565,256	18,972,660
4,456	Expenditure	16,080	16,080	1,223	8,080
2,987,325	Assets	2,849,347	2,936,324	2,656,805	2,835,805
19,890	Liabilities	10,076	19,890	23,510	23,510

Explanations of significant variances against budget are provided in note 5.

Schedule of Non-Departmental Revenue

For the year ended 30 June 2023

2021/22		2022/23			2023/24
Actual		Unaudited Budget	Unaudited Supps	Actual	Unaudited Forecast
\$000		\$000	\$000	\$000	\$000
Revenue					
<i>Indirect taxation</i>					
1,241,051	Customs and excise duty on alcohol	1,400,000	1,294,000	1,290,631	1,400,000
1,866,062	Customs and excise duty on tobacco products	1,705,000	1,722,000	1,666,361	1,602,000
1,809,368	Customs and excise duty on refined motor spirit	1,957,000	1,340,000	1,393,569	2,141,000
178,261	Customs duty on other imported goods	203,000	181,000	186,527	157,000
12,403,116	Goods and Services Tax	12,697,000	14,137,000	14,013,672	13,659,000
17,497,858	Total indirect taxation	17,962,000	18,674,000	18,550,760	18,959,000
<i>Indirect non-taxation</i>					
66	World Customs Organization	80	80	62	80
162	Sale of seized goods	80	80	172	80
12,852	SGG Levy	11,000	13,000	14,541	13,000
949	Infringement Notice	50	500	(279)	500
14,029	Total indirect non-taxation	11,210	13,660	14,496	13,660
17,511,887	Total revenue	17,973,210	18,687,660	18,565,256	18,972,660

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

Schedule of Non-Departmental Expenditure

For the year ended 30 June 2023

2021/22		2022/23		2023/24	
Actual	Note	Unaudited Budget	Unaudited Supps	Actual	Unaudited Forecast
\$000		\$000	\$000	\$000	\$000
<i>Expenditure</i>					
66	World Customs Organization	80	80	62	80
4,390	Expected credit loss on financial assets	16,000	16,000	1,161	8,000
4,456	Total expenditure	16,080	16,080	1,223	8,080

Schedule of Non-Departmental Assets

As at 30 June 2023

2021/22		2022/23		2023/24	
Actual	Note	Unaudited Budget	Unaudited Supps	Actual	Unaudited Forecast
\$000		\$000	\$000	\$000	\$000
<i>Current assets</i>					
1,371,886	Cash and cash equivalents	1,396,000	1,371,886	1,218,058	1,218,058
1,615,439	Debtors and other receivables	1,453,347	1,564,438	1,438,747	1,617,747
2,987,325	Total assets	2,849,347	2,936,324	2,656,805	2,835,805

Schedule of Non-Departmental Liabilities

As at 30 June 2023

2021/22		2022/23		2023/24	
Actual	Note	Unaudited Budget	Unaudited Supps	Actual	Unaudited Forecast
\$000		\$000	\$000	\$000	\$000
<i>Current liabilities</i>					
13,481	Payables and provisions	3,780	13,481	15,825	15,825
6,409	Creditor – departmental	6,296	6,409	7,685	7,685
19,890	Total liabilities	10,076	19,890	23,510	23,510

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

Statement of Non-Departmental Contingent Liabilities and Assets

As at 30 June 2023

2021/22		2022/23	
Actual		Actual	
\$000		\$000	
<i>Contingent liabilities</i>			
5,324	Legal proceedings and disputes	5,315	
5,324	Total contingent liabilities	5,315	
<i>Contingent assets</i>			
142	Legal proceedings	119	
142	Total contingent assets	119	

Contingent liabilities

Legal proceedings and disputes represent the disputed assessments of revenue amounts in relation to the performance of Customs' statutory role and associated estimated legal costs. Customs is currently defending these assessments of revenue.

Contingent assets

Crown contingent assets are seizures that have been appealed and held in trust. If the appeal is unsuccessful the amount will be forfeited to the Crown.

Schedule of Non-Departmental Commitments

As at 30 June 2023

Customs has no Crown Commitments as at 30 June 2023 (30 June 2022: nil).

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



He pitopito kōrero mē he hōtaka a te hunga o-waho atu i te tari

Notes to the non-departmental statements and schedules

For the year ended 30 June 2023

Note 1: Statement of accounting policies

Reporting entity

These non-departmental schedules and statements present financial information on public funds managed by Customs on behalf of the Crown.

These non-departmental balances are consolidated into the Financial Statements of the Government. For a full understanding of the Crown's financial position, results of operations, and cash flows for the year, refer to the Financial Statements of the New Zealand Government for the year ended 30 June 2023.

Basis of preparation

The non-departmental schedules and statements have been prepared in accordance with the Government's accounting policies as set out in the Financial Statements of the Government, and in accordance with Treasury Instructions and Circulars.

Measurement and recognition rules applied in the preparation of these non-departmental schedules and statements are consistent with New Zealand generally accepted accounting practice for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Revenue

Customs collects revenue on behalf of the Crown.

The Crown provides many services and benefits that do not give rise to revenue. Further, payment of tax does not, in itself, entitle a taxpayer to an equivalent value of services or benefits, because there is no direct relationship between paying tax and receiving Crown services and transfers. Accordingly it is classified as non-exchange revenue.

Tax revenue is recognised when a taxable event has occurred and the tax revenue can be reliably measured. The taxable event is defined as follows:

Tax type	Taxable activity
Goods and services tax	The importation of taxable goods and services during the taxation period
Excise tax	An inland tax on the sale, or production for sale, of specific goods
Excise equivalent tax	An importation tax of the equivalent to the inland tax on the sale, or production for sale, of specific goods
Customs duty	A customs duty is a tariff or tax on the importation (usually) or exportation (unusually) of goods

The New Zealand tax system is predicated on self-assessment where taxpayers are expected to understand the tax laws and comply with them. This has an impact on the completeness of tax revenues when taxpayers fail to comply with tax laws, for example, if they do not declare the correct value of goods liable for taxation. Customs has implemented systems and controls in order to detect and correct situations where taxpayers are not complying. These systems and controls include performing audits of taxpayer records where determined necessary by Customs. Such procedures cannot identify all sources of non-compliance with tax laws. Customs is unable to estimate the amount of unreported tax.

Debtors and other receivables

Debtors and other receivables are sovereign receivables and are initially measured at face value as the fair value is not materially different from the face value. Debtors and receivables are subsequently tested for impairment at year-end.

Impairment of a receivable is established when there is objective evidence that Customs will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debt is impaired.

The impairment is calculated based on a review of specific overdue receivables and a collective assessment. The collective impairment provision is based on an analysis of past collection history and debt write-offs. The amount of the impairment is the difference between the asset's carrying amount and the estimated future cash flows.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the schedule of non-departmental expenses. When a debt is uncollectable, it is written off against the allowance account for debtors. Overdue receivables that are renegotiated are reclassified as current (i.e. not past due).

Contingent liabilities and assets

Contingent liabilities and assets are recorded at the point at which the contingency is probable and can be reasonably estimated. Contingent liabilities are disclosed if it is probable that they will occur. Contingent assets are disclosed if it is probable that the benefits will be realised.

Changes in accounting policies

There have been no changes in accounting policies since the date of the last audited financial statements.

Budget figures

The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements. The budget figures are not subject to audit.

The 2022/23 'Budget' figures were those published in the 2021/22 annual report and *The Estimates of Appropriations* for the Government of New Zealand for the year ending 30 June 2023. The 2022/23 'Supps' figures are those published in *The Supplementary Estimates of Appropriations 2022/23*.

Forecast figures

The presentation of forecast financial information is a statutory requirement of the Public Finance Amendment Act 2013. The aim of this is to increase transparency by providing next year's forecast for comparison.

The forecast figures for the year ending 30 June 2024 are consistent with the best estimate financial forecast information available based on the 2023 Pre-election Economic and Fiscal Update.

Note 2: Debtors and other receivables

2021/22		2022/23
Actual \$000		Actual \$000
1,459,977	Crown receivables	1,258,772
(26,068)	Less allowance for credit losses	(14,213)
1,433,909	Net Crown receivables (non-exchange transactions)	1,244,559
181,530	Accrued revenue	194,188
1,615,439	Total debtors and other receivables	1,438,747
	<i>Represented by:</i>	
1,615,439	Receivables from non-exchange transactions	1,438,747

The allowance for credit losses is determined as follows:

30 June 2023	Receivables days past due				Total
	Current	31-60 days	61-90 days	>90 days	
Expected credit loss rate	0%	100%	100%	100%	
Gross carrying amount (\$000)	1,247,016	1,000	1,261	9,495	1,258,772
Lifetime expected credit loss (\$000)	2,457	1,000	1,261	9,495	14,213

30 June 2022	Receivables days past due				Total
	Current	31-60 days	61-90 days	>90 days	
Expected credit loss rate	0%	9%	100%	100%	
Gross carrying amount (\$000)	1,437,558	193	865	21,361	1,459,977
Lifetime expected credit loss (\$000)	3,825	17	865	21,361	26,068

In 2022/23, Customs worked with businesses to cushion the impact of COVID-19 and adverse weather events by providing support and relief in meeting their obligations to pay duty and GST. Many businesses used the relief packages to continue to operate and subsequently repaid the instalment repayment debt.

Note 3: Creditors and other payables

2021/22		2022/23
Actual \$000		Actual \$000
19,767	Payables and accruals	23,352
120	Import Entry Transaction Fees payable	119
3	Other creditors – Departmental	39
19,890	Total creditors and other payables	23,510

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

Note 4: Financial instruments

The carrying amounts of financial assets and financial liabilities in each of the PBE IPAS 41 categories are as follows:

2021/22		2022/23
Actual \$000		Actual \$000
Financial assets measured at amortised cost		
1,371,886	Cash and cash equivalents	1,218,058
1,615,439	Debtors and other receivables	1,438,747
2,987,325	Total financial assets measured at amortised cost	2,656,805
Financial liabilities measured at amortised cost		
19,890	Creditors and other payables	23,510
19,890	Total financial liabilities measured at amortised cost	23,510

Credit risk

Credit risk is the risk that a third party will default on its obligation, causing a loss to be incurred.

In determining the recoverability of debtors, Customs uses information about significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debt is impaired.

Under the Customs and Excise Act 2018, Customs has broad powers to ensure that people meet their obligations. Part 3 of the Act sets out the powers of the chief executive to recover unpaid amounts.

Receivables are widely dispersed over a number of customers and as a result the Crown does not have any material individual concentrations of credit risk.

Funds must be deposited with Westpac, a registered bank (Standard and Poor's credit rating of AA-).

Maximum credit exposure for each class of financial instrument is represented by the total

carrying amount of cash and cash equivalents, and net debtors.

There is collateral held as security against some of these financial instruments in the form of bank guarantees and deposits held in trust. Bank guarantees must be from an appropriate New Zealand-based bank or finance company and agree to cover every deferred payment up to a set maximum.

Customs operates a deferred payment scheme, which allows deferral of Customs charges by up to seven weeks and a month's transactions to be settled by a single payment the following month. A bank or equivalent guarantee may be required for overseas registered companies, trusts, insolvent companies, or a person with a history of bankruptcy. If payment is not received on time, Customs can take remedial action, including withdrawal from the scheme, late payment penalties, or using the security provided to pay the debt.

Note 5: Major budget variations

Schedules and statements: non-departmental

Non-Departmental revenue

Crown revenue changes are driven by economic conditions and changes in consumer behaviour. The revenue collected is slightly below budget but more than what we collected last year as the wider economy recovers, with less impact of COVID-19 affecting Crown revenue.

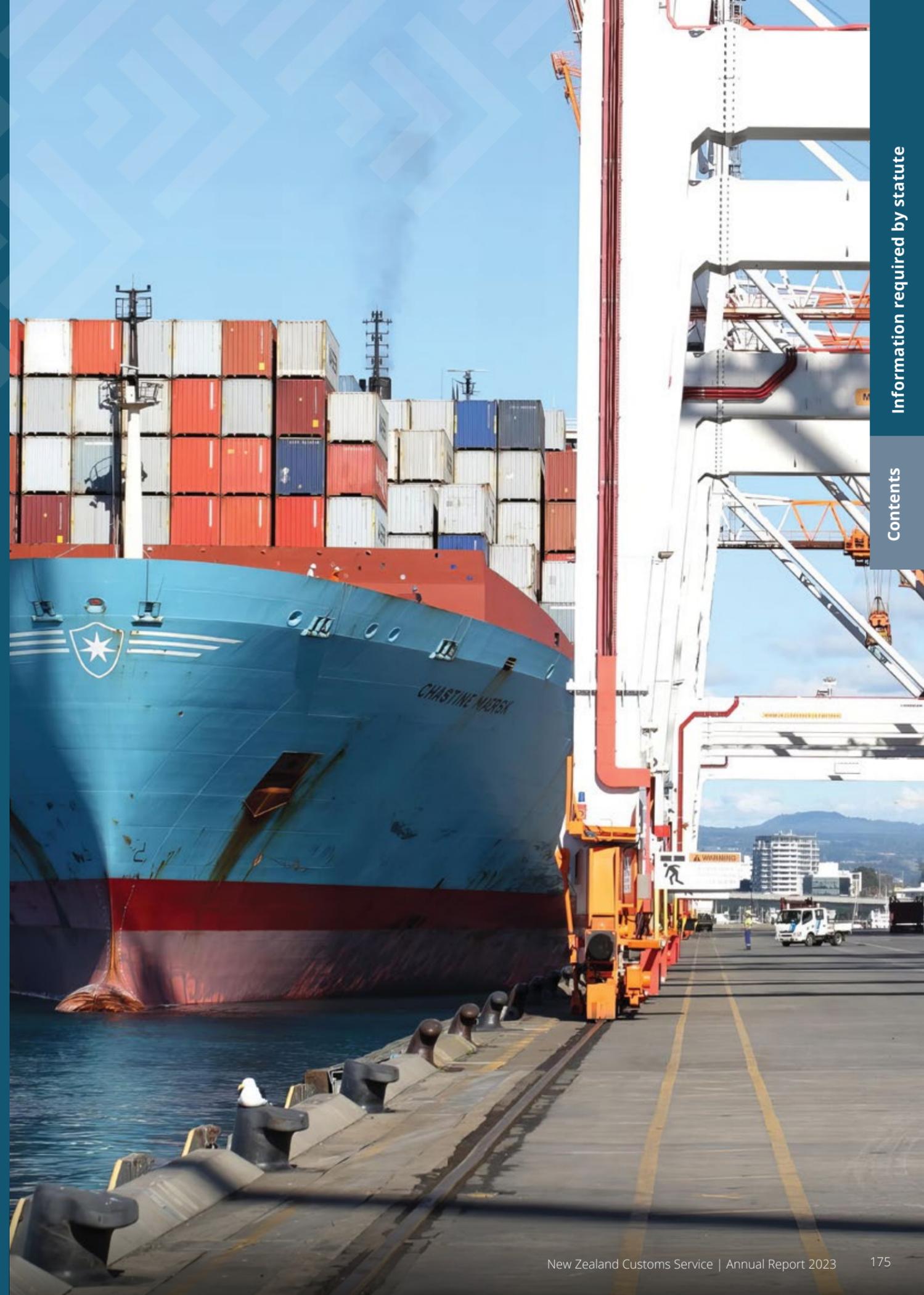
Non-Departmental expenditure

The impact of COVID-19 on businesses and their ability to settle amounts due for the payment of duty and GST was much less than what had been allowed for in the budget. This was, in part, due to the steps Customs took to assist businesses with deferral and management of debt in last few years.



He pitopito
kōrero mē
horahia i raro
i te ture
**Information
required
by statute**

For period from 1 July 2022 to 30 June 2023



Customs and Excise Act 2018

Section 438 – electronic devices searched

Type of search	Number of devices searched
Initial search under section 228(2)(a)	203
Full search under section 228(2)(b)	49

Section 439 – initiatives to reduce compliance costs for businesses with strong record of compliance

Initiatives or other steps taken by Customs during 2022/23 to reduce the costs of complying with this Act for businesses that have a strong record of compliance with this Act/for 'trusted' traders are:

- Continuing our efforts to have more exporters join our Authorised Economic Operator programme, the Secure Exports Scheme (AEO SES). This included launching a new digital platform in December 2022 that enables businesses to submit an application online, providing a more customer-friendly and less time-consuming process to join the AEO SES (discussed further in the *Trade and Revenue* section of this Annual Report on page 39)
- Entering into new Mutual Recognition Arrangements with the customs administrations of the United Kingdom (July 2022) and Thailand (May 2023), giving New Zealand traders that are members of the AEO SES streamlined access into the partner country (discussed further on pages 39–40)
- Introducing a new reporting template for Customs audits of AEO SES members that reduces the numbers of interactions, and time taken, with clients that are being audited. It also enables a quicker assessment of compliance or non-compliance, which reduces the burden on traders. (The success of the AEO SES template led to the development of a similar template for audit activity with Customs Controlled Areas (CCAs) that was trialled in late 2022/23 and will be fully deployed during 2023/24)

- Commencing a review of the Secure Trade Lane with Australia project. The review is focused on assessing the models developed since 2017 to inform engagement with the Australian Border Force on which options could be progressed, particularly in light of the September 2022 Time Release Study (discussed on pages 43–44), which identified a high degree of pre-clearance of trans-Tasman cargo
- Providing assistance to traders adversely affected by COVID-19 and/or extreme weather events, including agreeing alternative payment plans and waiving penalties and interest (discussed further on page 40).

Customs also continued to deliver programmes and services that provide lower costs for businesses that meet qualifying criteria under the Customs and Excise Act 2018, and which are recognised internationally as services to trusted traders. These include:

- the provisional values scheme for qualifying importers (section 102)
- the deferred payments scheme for qualifying duty payers (section 123)
- the AEO SES (section 281)
- remission of compensatory interest and late payment penalties (Customs and Excise Regulations).

Search and Surveillance Act 2012

Section 171(a)-(d) – use of warrantless powers

Number of occasions on which entry or search powers were exercised without a warrant	321
Number of occasions on which warrantless surveillance powers were exercised that involved the use of a surveillance device	Nil
Number of persons charged in criminal proceedings where the collection of evidential material relevant to those proceedings was significantly assisted by the exercise of a warrantless search or surveillance power	1

Section 171(e) – matters set out in section 172 in relation to surveillance device warrants

Number of applications for surveillance device warrants	2
Number of applications for surveillance device warrants granted	2
Number of applications for surveillance device warrants refused	0
Number of surveillance device warrants granted that authorised the use of:	
tracking devices only	0
visual surveillance devices only	0
interception devices only	0
tracking devices and visual surveillance devices	2
Number of surveillance device warrants granted that authorised entry into private premises	Nil
Number of interception devices used (authorised by a surveillance device warrant) for:	
≤ 24 hours	0
>24 hours but ≤ 3 days	0
>3 days but ≤ 7 days	0
>7 days but ≤ 21 days	0
>21 days but ≤ 60 days	0
Number of tracking devices used (authorised by a surveillance device warrant) for:	
≤ 24 hours	0
>24 hours but ≤ 3 days	21
>3 days but ≤ 7 days	14
>7 days but ≤ 21 days	13
>21 days but ≤ 60 days	15
Number of visual surveillance devices used (authorised by a surveillance device warrant) for:	
≤ 24 hours	0
>24 hours but ≤ 3 days	6
>3 days but ≤ 7 days	6
>7 days but ≤ 21 days	5
>21 days but ≤ 60 days	0
Number of persons charged in criminal proceedings where the collection of evidential material relevant to those proceedings was significantly assisted by carrying out activities under the authority of a surveillance device warrant	1
Number of reported breaches by a Judge to the chief executive (under section 61 or 62) of any of the conditions of the issue of a surveillance device warrant	Nil
Number of reports by a Judge to the chief executive (under section 61 or 62) about the use of a surveillance device not authorised under section 48 (warrantless emergency and urgency powers)	Nil

Some of the surveillance devices deployed by the New Zealand Customs Service in 2022/23 were authorised by surveillance device warrants obtained by NZ Police – as part of joint operations.

Section 171(e) – matters set out in section 172 in relation to declaratory orders

Number of applications for declaratory orders	Nil
Number of applications for declaratory orders granted	N/A
Number of applications for declaratory orders refused	N/A
Number of persons charged in criminal proceedings where the collection of evidential material relevant to those proceedings was significantly assisted by carrying out activities covered by a declaratory order made	N/A

Misuse of Drugs Act 1975 (Misuse of Drugs Amendment Act 1978)

Section 13M – detention warrants and searches

Number of applications for detention warrants made under section 13E	Nil
Number of applications for renewal of detention warrants made under section 13I	Nil
Number of applications under sections 13E and 13I granted	N/A
Number of applications under sections 13E and 13I refused	N/A
Average duration of detention warrants (including renewals) granted	N/A
Number of prosecutions instituted in which has been adduced evidence obtained directly during the detention of any person pursuant to detention warrants	Nil
Number of rub-down searches and strip searches under section 13EA	Nil

Privacy Act 2020

Section 167 – accessing information to verify the identity of a person

Customs accessed information held by another agency to verify the identity of a person	Number of times
Department of Corrections	224
Department of Internal Affairs	Nil
Ministry of Business, Innovation and Employment (Immigration)	Nil
Ministry of Health and Health New Zealand and Māori Health Authority	Nil
New Zealand Transport Agency	Nil
Registrar-General	Nil

In each instance where Customs accessed data held by the Department of Corrections (Corrections) it related to an alert created by Corrections (Customs' border management system electronically screens passenger information for matches, enabling Customs to notify Corrections if a person subject to an alert arrives at the border). Customs submitted a phone and email request to Corrections for offender images and supporting details to verify the identity of the person attempting to depart New Zealand – Corrections supplied an email response with an attached photograph.

Index

Asia-Pacific Economic Cooperation Forum (APEC)	6, 42	Maritime Border Order	34, 73, 82, 120-121
Asset management and performance	96-99	Maritime Group	10, 34-35
Assurance and Risk Committee	86-88	Maritime supply chain security	25, 33
Authorised Economic Operator - Secure Exports Scheme	38-40, 112, 176	Mutual Recognition Arrangements	11, 39-40, 176
Border Executive Board	6-7, 122-123	National Security and Emergency Management Unit	35
Border Five	6, 37, 41	New Zealand Customs Service Medal/ New Zealand Public Service Medal	74-75
Border Processing Levy	5, 48, 135	New Zealand Traveller Declaration	11, 52-53, 63, 87, 124-125
Border Protect	24, 27	Objectionable material	32
Budget initiatives	5	Oceania Customs Organisation	6, 42
Building te reo Māori capability	64-67	Papa Pounamu work programme	77-79
Carbon Neutral Government Programme	93-96	Passenger volumes	10, 54-55
Customs Executive Board	8-9, 81, 85-87	Pay gaps	67, 79-80
Customs Workforce	71-78	Performance Measurement Framework	17, 110
Cyber security	92	Prohibited Weapons	32
Employee-led networks	77-78	Rautaki Mana Ārai - Customs Strategy	11, 14-15
Financial crime/money laundering	31	Regulatory stewardship	93
Free Trade Agreements	40-41	Revenue evasion	47, 116-117
Health, safety and wellbeing	81-83	Risk management	86-88, 91-92
Illicit drug seizures	10, 23-30	Trade facilitation	11, 43-44
Inclusion and Diversity	76-80	Transnational organised crime	23-26, 35
Integrity and Conduct	89-90	Time Release Study	11, 37, 43-44
International partnerships	6, 39-42	Tobacco smuggling	10, 31, 47
Iwi/Māori engagement	15, 39, 62-63	World Customs Organization	6, 31, 33, 41-42

List of Figures

Figure 1: Customs' revenue sources (\$m)	5	Figure 15: Compliance rate of randomly sampled import entries	46
Figure 2: Inter-agency collaboration at New Zealand's border	7	Figure 16: Compliance rate of risk-profiled audits	46
Figure 3: Potential harm avoided through illicit drug seizures	25	Figure 17: Excise-equivalent revenue foregone from illicit tobacco interceptions	47
Figure 4: Potential harm to New Zealand avoided by offshore illicit drug interceptions by area	26	Figure 18: Commercial air passengers (arriving and departing)	54
Figure 5: Percentage of investigations that result in the interception of illicit drugs or prohibited goods	28	Figure 19: Percentage of workforce who have completed our Whāinga Amorangi learning modules	64
Figure 6: Cocaine seizures by Customs and offshore partners	29	Figure 20: Māori representation over time	66
Figure 7: Methamphetamine seizures by Customs and offshore partners	29	Figure 21: Māori pay gaps over time	67
Figure 8: Tobacco seizures by Customs	31	Figure 22: Staff numbers by location	72
Figure 9: Percentage of export trade (\$) covered by the AEO Secure Export Scheme (SES)	38	Figure 23: Mean pay gap trends over time	79
Figure 10: Percentage of import trade (\$) covered by AEO programme	38	Figure 24: Median pay gap trends over time	79
Figure 11: Trade transactions for low (less than \$1,000) and high (more than \$1,000) value goods	39	Figure 25: Critical risk incidents	82
Figure 12: COVID-19 economic assistance (deferred debt March 2020 – June 2023)	40	Figure 26: Injury and reporting of all incidents and near miss events	82
Figure 13: Customs Better for Business overall customer experience score	43	Figure 27: Lost productivity due to accidents and sickness	83
Figure 14: Main sources of Crown revenue collected by Customs	45	Figure 28: Total emissions by category	94
		Figure 29: Reduction targets for absolute GHG emissions (all categories)	95
		Figure 30: 2022/23 expenditure by appropriation	134
		Figure 31: Departmental expenditure by major expense category	134

List of Tables

Table 1: Other commonly seized drugs	30	Table 7: Demographic profile of our people leaders	78
Table 2: Compliance across import streams	33	Table 8: 2022/23 Investigation outcomes	90
Table 3: Risk assessment of arriving air passengers and crew	57	Table 9: 2022/23 Upheld conduct investigations	90
Table 4: Workforce profile	73	Table 10: Total breakdown of GHG emissions by emission sources	95
Table 5: Learning and development programmes	74	Table 11: Property asset measure results	98
Table 6: Demographic profile of our workforce	76	Table 12: ICT asset measure results	99



Te rīpoata ā te
Minita ē pā ana ki ngā
whakamahinga pūtea o
waho atu i ngā whakahaere
a Te Mana Ārai o Aotearoa
**Minister's Report
in relation to
Vote Customs
Non-Departmental
Appropriations
2022/23**

*This document is presented to the House of Representatives
pursuant to section 19B of the Public Finance Act 1989*

Report of Minister of Customs on performance information for Vote Customs non-departmental appropriations for the financial year ended 30 June 2023

The Minister of Customs is required under section 19B of the Public Finance Act 1989 to report the end-of-year performance information for the following non-departmental other expenses appropriations for Vote Customs for the 2022/23 financial year:

- > World Customs Organization
- > Change in Doubtful Debt Provision.

This performance information is not subject to audit.

The 'Budget' figures are those included in *The Estimates of Appropriations 2022/23* for Vote Customs. The 'Revised Budget' figures are those from *The Supplementary Estimates of Appropriations 2022/23*.

Comparison of the 2022/23 performance information against the results for 2021/22 has been included. To provide further context for the 2022/23 results, the standards set for the measures for 2023/24 (as contained in *The Estimates of Appropriations 2023/24* for Vote Customs) are also included.

Although presented in the same document, this report does not form part of the *New Zealand Customs Service Annual Report 2023*. It has been appended to the annual report of the New Zealand Customs Service for the purpose of tabling in the House of Representatives and publication.

World Customs Organization

Scope of appropriation: New Zealand's contribution to the operating budget of the WCO.

This appropriation is used to meet New Zealand's commitment as a member of the World Customs Organization (WCO) to contribute to the annual running costs of the WCO, the global intergovernmental body whose mission is to enhance the effectiveness and efficiency of customs administrations. The New Zealand Customs Service engages with, and participates in the work of, the WCO so that New Zealand is represented in global customs issues such as the development of international customs policy and standards.

Budgeted and Actual Expenses Against Appropriation

2021/22		2022/23		
Actual		Budget	Revised Budget	Actual
\$000		\$000	\$000	\$000
66	Expenses	80	80	62
66	Total Expenses	80	80	62

What we achieved

2021/22		2022/23		2023/24
Actual	Performance measure	Standard	Actual	Standard
Achieved	New Zealand's contribution to the operating budget of the WCO paid by the due date	Achieved	Achieved	Achieved

Change in Doubtful Debt Provision

Scope of appropriation: Provisioning of doubtful debts on Customs Crown revenue.

This appropriation is to achieve provisioning for doubtful debts on the revenue collected by the New Zealand Customs Service on behalf of the Crown.

Budgeted and Actual Expenses Against Appropriation

2021/22		2022/23		
Actual		Budget	Revised Budget	Actual
\$000		\$000	\$000	\$000
4,390	Expenses	16,000	16,000	1,161
4,390	Total Expenses	16,000	16,000	1,161

The 2022/23 Actual being significantly below the Budget largely reflects the reduced effect of COVID-19 on businesses and the resulting need for the New Zealand Customs Service to provision for doubtful debts in 2022/23. This appropriation has decreased to \$8 million for 2023/24.

What we achieved

2021/22		2022/23		2023/24
Actual	Performance measure	Standard	Actual	Standard
0.04%	Debt write-offs as a maximum percentage of total Crown revenue collected	0.06%	0.07%	0.08% or less

This measure was not achieved for 2022/23 as, while all practical efforts are made by the New Zealand Customs Service to recover outstanding due debt, the growth in tobacco smuggling contributed to the amount of debt written off being larger in 2022/23 than previous years. Tobacco smuggling debt (duty and GST evaded) is generally unrecoverable due to smugglers having limited recoverable assets and seized illegal tobacco not being able to be resold for cost recovery. The Crown debt written off was, however, fully covered by the provisioning for doubtful debts under this appropriation.

As a result of the growth in, and expected increasing unrecoverable debt from, tobacco smuggling activity, the standard for this measure has been raised from 2023/24 (from a maximum of 0.06%) to 0.08% or less (of total revenue collected by the New Zealand Customs Service on behalf of the Crown).

Te Kāhui Whakamaru Paenga Tahī Border Executive Board Annual Report 2022/23

For the period 1 July 2022 to 30 June 2023

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



Collective leadership and accountability for New Zealand's border



Border Executive Board Annual Report For the period 1 July 2022 to 30 June 2023

The Border Executive Board (BEB) has a waiver from the Minister of Finance, under section 45AB of the Public Finance Act 1989, from the requirement to include financial statements in this Annual Report.

Financial information about the BEB's assets, liabilities, expenditure and revenue can be found in the New Zealand Customs Service Annual Report, as the servicing department.

The Border System Performance appropriation, which supports the BEB, is administered by the New Zealand Customs Service. As the administrator, performance information for the appropriation is reported in the New Zealand Customs Service Annual Report.

The BEB has a three-year waiver from the Minister of Finance, under section 41(3A) of the Public Finance Act 1989, to provide information on its strategic intentions, as the functions and operations of the BEB are covered by the strategic intentions of the relevant departments.

Contents

A message from the Border Executive Board	190
Who we are and what we do	192
About the Border Executive Board	193
Keeping a clear and relevant purpose	196
Border Sector Strategy	198
A work programme of joint activity	199
Our progress	200
Highlights for 2022/23	201
Lead the border	202
Respond to current matters	205
Improve the border for the future	207
The year ahead	211
How we work	212
Strong governance and support	213
Statement of Responsibility	216

A message from the Border Executive Board

The 2022/23 year has been one of transition, readiness for change and an opportunity to reconfirm the value of the Border Executive Board (BEB).

Transition away from response

Border agencies successfully concluded their critical contribution to the Government's COVID-19 response. Closing the border was unprecedented and reopening has been challenging. Border agencies have responded well. As the BEB, we have been careful to set pragmatic expectations as people and systems respond to increased activity.

We have supported the return of air travel. Border agencies are only one part of the aviation system but are essential to protecting New Zealand. Our work has been a true system challenge.

Readiness for change with the New Zealand Traveller Declaration in use

The BEB and agencies have put a lot of effort into the governance, development and implementation of the New Zealand Traveller Declaration. The move to digital information and interaction is a significant change for arriving travellers and the frontline border processing agencies of Customs, Ministry for Primary Industries (Biosecurity New Zealand), and the Ministry of Business, Innovation and Employment (Immigration New Zealand). The digital declaration will strengthen the border's ability to manage risk by receiving traveller information in advance of arrival and will enable the border to respond quickly to existing or new threats.

Reconfirmed the value of the BEB

We reconfirmed the value of the BEB by updating our areas of accountability. The accountabilities were originally set by Cabinet in 2020 when our role was driven by the COVID-19 response. The accountabilities include the original intent, to make sure there are no gaps in the end-to-end border processes, but now also acknowledge our leadership role to facilitate business and a positive user experience with the border system. We also continued to review how we operate to provide a clear direction for border agencies.

Commitment to governance

In December 2022, we farewelled Bryn Gandy, Acting Secretary for Transport, and welcomed Audrey Sonerson as the permanent Secretary for Transport.

All chief executives have continued their commitment to border work, even though for some it is only a small part of their department's responsibilities.

We continued to share our experience, establishing and getting the most from the interdepartmental executive board model. We also shared insights and provided support for other issues, such as the enhanced preventative actions for the potential outbreak of foot and mouth disease led by the Ministry for Primary Industries.



The BEB was awarded the Te Tohu mō te Kaiārahi Mahi Whakahaere Leadership in Governance award at the 2023 Spirit of Service Awards. This recognised the contribution and commitment of the chief executives and their staff to the BEB.

Importance of keeping connected

We are mindful that our role is to strengthen the coherence of a border system that, for the most part, operates well. Our work programme is delivered by border agencies and they continue to participate in joint activity, in addition to their core functions.

The coordination required for the COVID-19 response highlighted the shared issues and opportunities at the border, and across the member agencies, and the importance of maintaining strong connections and joint working. Keeping connected is something that will remain important to all of us and be central to our continued success.

Waiho i te toipoto, kaua i te toiroa

Let us keep close together, not wide apart

Ngā mihi

The board as at 30 June 2023



Christine Stevenson

Chair
Comptroller of Customs

Inaugural member



Ray Smith

Director-General
of Primary Industries

Inaugural member



Carolyn Tremain

Secretary for Business, Innovation
and Employment and Chief Executive

Inaugural member



Chris Seed

Secretary of Foreign Affairs
and Trade

Inaugural member



Dr Diana Sarfati

Director General of Health

Joined August 2022 as
Acting Director-General
Appointed from 1 December 2022

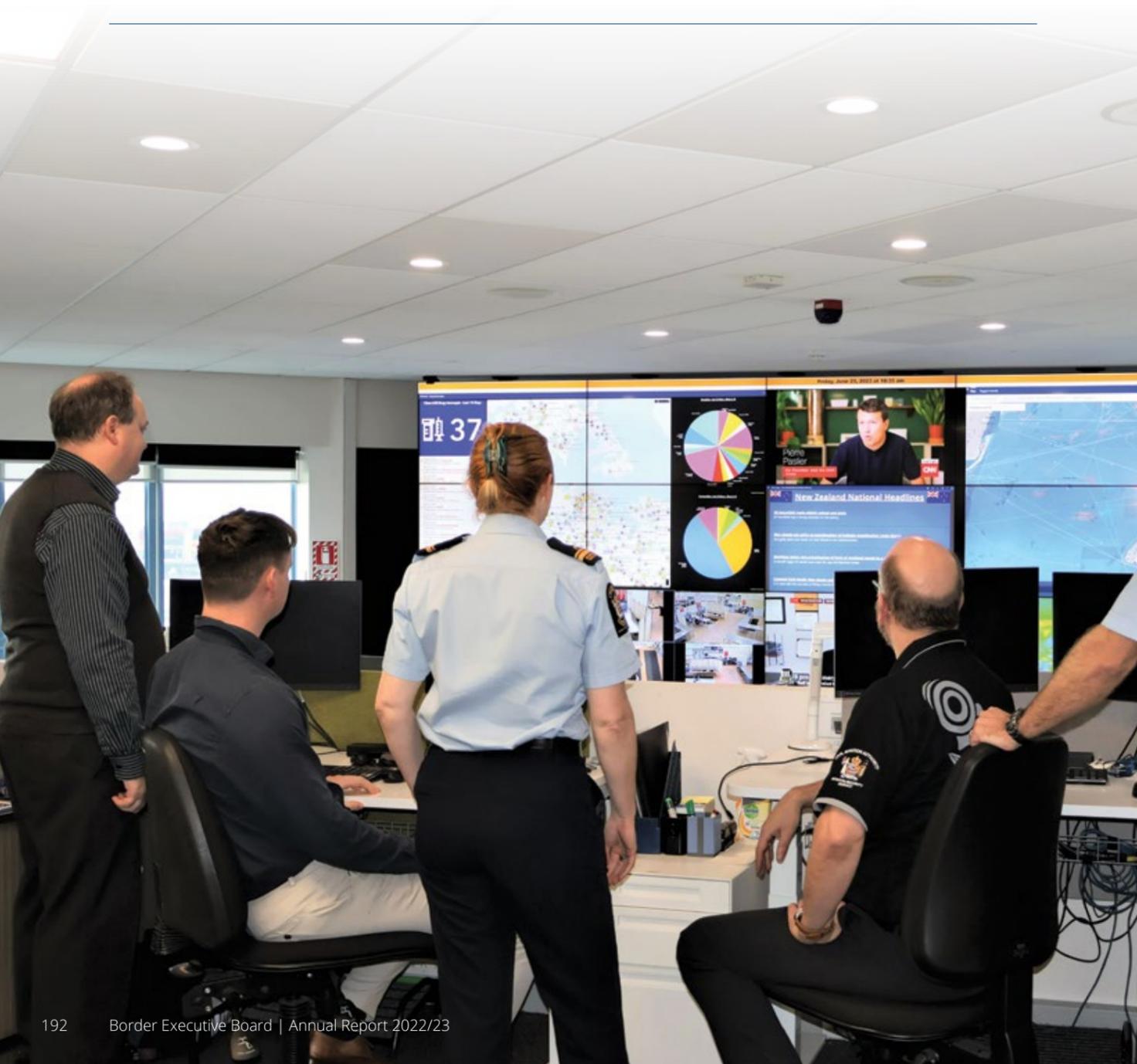


Audrey Sonerson

Secretary for Transport

Appointed from
12 December 2022

Who we are and what we do



About the Border Executive Board

Strong leadership of the border

The Border Executive Board (BEB) started on 11 January 2021 and was the first interdepartmental executive board established under the Public Service Act 2020.

An interdepartmental executive board is a way of working to improve collaboration without structural change. It brings together departmental chief executives to work collectively and with joint accountability to address matters that need to be worked on by more than one agency; in this case for the New Zealand border.

Effective border management is critical to New Zealand

The border is where the New Zealand Government controls the movement of people, goods and craft and collects revenue. Border operations help New Zealand's connectivity with the world through trade, travel and tourism and protect New Zealand's economy, society and biodiversity from a range of threats.

The Government's activities occur not just at the physical point of arrival or departure but extend overseas. The border sector also interacts with many other systems, such as trade, security, labour markets, biodiversity, tourism, economic growth and primary industries.



An integrated border is important

Working together is important as many organisations operate at the border, including several government agencies. Making the border easier to navigate helps the economic and social prosperity of New Zealanders.

Border agencies have worked collaboratively over many years, recognising that all contribute to the safe and effective operation of New Zealand's border.

The Border Sector Governance Group (BSGG) operated from 2007-2020 as a chief executives' group to improve and coordinate operations at the border. This included the New Zealand Customs Service, Ministry for Primary Industries, Te Manatū Waka Ministry of Transport, and the Ministry of Business, Innovation and Employment.

In response to COVID-19, the membership was expanded to include Manatū Hauora Ministry of Health, Ministry of Foreign Affairs and Trade, the Treasury, and the Department of the Prime Minister and Cabinet.

The establishment of the BEB formalised the ongoing membership of the six agencies with border functions.

Border functions within member agencies

<p>New Zealand Customs Service</p> <p>Te Mana Arai o Aotearoa</p>	<ul style="list-style-type: none"> Risk-informed assessment, inspection and clearance of travellers, goods and craft Revenue collection Disruption of illicit/illegal goods and organised crime Trade assistance 	<p>Ministry of Health</p> <p>Manatū Hauora</p>	<ul style="list-style-type: none"> Surveillance of, and response to, health threats at the border Health clearance for arriving craft Operationalisation of the International Health Regulations 2005
<p>Ministry of Business, Innovation & Employment</p> <p>Hīkina Whakatutuki</p>	<ul style="list-style-type: none"> Verify right to enter New Zealand Disruption of people smuggling and trafficking 	<p>New Zealand Foreign Affairs & Trade</p> <p>Manatū Aorere</p>	<ul style="list-style-type: none"> Consular communications Support for border settings Trade facilitation
<p>Ministry for Primary Industries</p> <p>Manatū Ahu Matua</p>	<ul style="list-style-type: none"> Risk-informed assessment, inspection and clearance of travellers, goods and craft for biosecurity protection Approval and oversight of transitional / containment facilities Biosecurity system pre-border and domestic 	<p>Ministry of Transport</p> <p>Te Manatū Waka</p>	<ul style="list-style-type: none"> Policy advice, Crown entity governance, system leadership and stewardship including: <ul style="list-style-type: none"> Aviation Security air security, passenger and baggage screening Civil Aviation Authority aviation safety Maritime New Zealand regulatory activity

The structure and governance arrangements enable collaboration and alignment, providing a single point of contact for raising issues and opportunities that are best progressed by working across more than one agency.

Our Māori name describes our intent and how we operate

Te Kāhui Whakamaru Paenga Tahī
A high-level group protecting the border as one

The BEB works to protect New Zealand from threats (including drug and people smuggling, and biosecurity and health risks) while enabling exporting, importing and tourism to support the economy.

Value in connected agencies

The size and regularity of delivering border services varies across the member agencies. The BEB's role is to make sure these agencies stay connected and operate in a coordinated way.

Operating Framework 2022/23

PUBLIC SERVICE ACT 2020

Purpose of any board

The purpose of an interdepartmental board is to:

- support member departments to undertake priority work in a subject matter area
- align and coordinate strategic policy, planning and budgeting
- support cross-departmental initiatives in a subject matter area.

ORDER IN COUNCIL

Purpose of BEB

Established as part of New Zealand's defence against COVID-19 and other risks. Intended to help coordinate the management of New Zealand's borders, for example, by assisting the relevant departments to:

- remove gaps in border processes
- ensure that future risks from people, goods and craft arriving at the borders are addressed
- make strategic improvement to border system.

CABINET

BEB accountabilities summary

- Strategic border system improvements.
- No gaps in the end-to-end border processes, with health integrated.
- Manage risk and maximise opportunity from people, goods and craft arriving or departing the border.
- Border system is financially sustainable.
- Leadership to facilitate business and positive user experience with the border system.

BORDER SECTOR STRATEGY

Approved by Cabinet. Agreed with responsible Minister and governance board. Sets the strategic direction that aligns with Cabinet accountabilities.

- To provide collective leadership and accountability for New Zealand's border.

BEB WORK PROGRAMME

Set by the governance board. Activity and joint initiatives that support the Cabinet accountabilities and Border Sector Strategy:

- leadership
- response and readiness
- improvements.

WORKING ARRANGEMENTS

Governance board sets how the BEB will operate including:

- Terms of Reference
- Operating Procedures – legislatively required to publish on a website.

REMIT

Legislated member departments

Public Service Act 2020 lists members:

- New Zealand Customs Service
- Ministry for Primary Industries
- Ministry of Business, Innovation and Employment
- Ministry of Foreign Affairs and Trade
- Ministry of Health
- Ministry of Transport.

GOVERNANCE BOARD

Determined by Public Service Commissioner

To be some or all of the chief executives of the member departments.

Chief executives from:

- New Zealand Customs Service
- Ministry for Primary Industries
- Ministry of Business, Innovation and Employment
- Ministry of Foreign Affairs and Trade
- Ministry of Health
- Ministry of Transport.

CHAIR

Appointed by Public Service Commissioner

- Comptroller of Customs.

SERVICING DEPARTMENT

Public Service Act 2020 states servicing department

- New Zealand Customs Service

Ministerial responsibility



During the year, the Minister responsible for the BEB changed. This reflected the stepping down of the Government's response to COVID-19 and that the BEB's COVID-19 contribution was no longer the dominant activity for the border.

Timeline of BEB ministerial changes throughout the year:

- > 1 July 2022, Minister for COVID-19 Response
- > 1 February 2023, Minister for Health as the COVID-19 Response portfolio was disestablished and integrated into the Health portfolio
- > 31 March 2023, responsibility transferred to the Minister of Customs.

As at 30 June 2023 the responsible Minister was Hon Jo Luxton.

Border-related ministerial portfolios

- > Minister of Health
- > Minister of Transport
- > Minister of Foreign Affairs
- > Minister for Biosecurity
- > Minister of Tourism
- > Minister of Customs
- > Minister of Immigration

Keeping a clear and relevant purpose

Following Cabinet approval in December 2020, the BEB was operating from 11 January 2021. This pace reflected the significant role the border had in the Government's COVID-19 response and because of the:

- > complexity of border issues
- > impact that activities, decisions and operations by one agency have on other agencies and the people who interact at the border
- > need for strong joint ownership of end-to-end border processes
- > value a dedicated forum would bring with a system approach to ensure a safe and smart border
- > significance of the border to New Zealand's security, including threats from biosecurity and health, and drug and people smuggling.

Ongoing need for joined-up leadership

The BEB has delivered on its original accountabilities relating to COVID-19. The Government's response to COVID-19 has changed and the World Health Organisation declared an end to the COVID-19 global health emergency on 5 May 2023. However, the purpose of the BEB to coordinate management of New Zealand's border remains relevant.

Cabinet accountabilities kept relevant

In May 2023, Cabinet approved updating the BEB's accountabilities to remove reference to COVID-19 while retaining the original intent of the BEB. A new accountability was added to acknowledge the focus on business and a positive traveller experience.

The revised accountabilities

- > Strategic border system improvements, including developing a Border Sector Strategy, monitoring performance and user experiences across the system, advising on investment decisions for the border system and delivering joint initiatives to build a safer and smarter border.
- > No gaps in end-to-end border processes, with health risk management integrated and the border ready to respond to significant events.
- > Risks from people, goods and craft arriving and departing the border will be addressed and opportunities maximised, where these are not already being managed by an existing agency or other government processes.
- > The border system is financially sustainable through the use of cost recovery and oversight of significant fiscal challenges such as inflation.
- > Provide leadership to facilitate business and a positive user experience with the border system.

Clear priorities for border agencies

The work programme for 2022/23 evolved to incorporate COVID-19 activity rather than to have it as a separate pillar.

Systems improvements was widened to include significant improvement activity that involved multiple agencies. The three pillars for 2022/23 were:

- > *leadership* – governance to provide direction and ensure performance of the border system now and into the future
- > *respond to current matters* – responding to matters impacting the border system and taking action so the border is ready for a future event
- > *improve the border for the future* – deliberate initiatives to support a safe and smart border now and into the future.

Governance of the work programme

The work programme was delivered by the border agencies and Secretariat, led by their respective chief executives, and in partnership with other government agencies and aviation and maritime sector stakeholders.

Funding

The Border System Performance appropriation, part of Vote Customs, supports the activities of the BEB. From 1 July 2022, the appropriation was funded by contributions from the six border agencies.

Accountability

Chief executives have individual accountability for their own agency's performance and contribution to the BEB work programme.

The chief executives also have their usual responsibilities for the performance of their own agencies and accountability to individual ministers.

Agency abbreviations:

BEB	Border Executive Board	MoT	Te Manatū Waka Ministry of Transport
NZCS	New Zealand Customs Service	MBIE	Ministry of Business, Innovation and Employment
MFAT	Ministry of Foreign Affairs and Trade	MPI	Ministry for Primary Industries
MoH	Manatū Hauora Ministry of Health		

The Border Executive Board is here to provide collective leadership and accountability for New Zealand's border

we aspire to
enable the prosperity and security of New Zealand through a smart and safe border

we aim to achieve

Smarter	Safer	Facilitation	Stewardship
Improvements to the border system	Protect from harm and effectively manage risk onshore and offshore	Efficient movement of compliant people, goods and craft	New Zealand's border system meets the needs of today and the future

Our areas of shared interest are

<ul style="list-style-type: none"> Connecting New Zealand Maintain the air and maritime pathways in a new operating environment Readiness for the next event Ensure the border is ready for the next significant event, learning from the COVID-19 response Commitments to the Pacific Facilitate movement of people, goods and craft for Pacific nations Health response Be ready for another COVID-19 variant of concern or next health event 	<ul style="list-style-type: none"> Digital solutions Use technology to reduce risk to New Zealand and improve customer experience of border activity Flow and use of data Data can be used appropriately and legally to manage risk and opportunities and improve the customer experience Integrated insights and surveillance Enhance the multi-agency approach to managing information and risk Mitigate illicit activity Mitigate the risk of transnational crime at air and sea ports working with the Security Intelligence Board
<ul style="list-style-type: none"> Economic strength Support the flow of goods by considering opportunities or removing barriers to the supply chain Infrastructure Infrastructure and regulations enable effective and efficient air and sea ports 	<ul style="list-style-type: none"> Financial sustainability for the border sector Enable sustainable revenue streams to maintain fit-for-purpose services and infrastructure Alignment of investment Coordinate planning and investment to maximise value and use of resources Effective governance Maintain governance and assurance of the border system

Our principles

One view of the border through system leadership	Integrated and coherent investment, delivery and customer experience	Resources are targeted to activity of greatest value to the border system	Partnership	Future focused through the use of technology	Risks are managed as early as practicable and offshore where possible
--	--	---	-------------	--	---

Leadership	
Governance <ul style="list-style-type: none"> Board performance Performance of the border system Accountability to Parliament and public System coordination 	Ahumoni Hoahoa (Finance) <ul style="list-style-type: none"> Cost recovery – fees and levies to manage cost pressures and volume issues Multi-year view of border finance and collective investments
Risk and Assurance <ul style="list-style-type: none"> Risk monitoring Assurance plans and activity 	Strategic Direction <ul style="list-style-type: none"> Border Sector Strategy Success indicators

and joint initiatives with the six border agencies

that respond to current matters	Agencies involved
Air Border <ul style="list-style-type: none"> Support the airport system to operate efficiently and enable a positive traveller experience 	NZCS, MPI, MBIE, MFAT, MoT
Maritime Border <ul style="list-style-type: none"> Maritime passenger strategy Maritime port infrastructure for processing passengers 	MoT, NZCS, MPI, MBIE, MoT
Border System Readiness <ul style="list-style-type: none"> The next COVID-19 variant of concern or next health event Contribute to the Royal Commission of Inquiry (COVID-19 Lessons) and use insights for next border event Winter season including health settings and border workforce 	All All All
and improve the border for the future	
Digital Declaration <ul style="list-style-type: none"> Digitise the Arrival Card using the New Zealand Traveller Declaration Implement agency ownership of the New Zealand Traveller Declaration 	Lead: NZCS, MBIE, MPI With: MoH
Data Sharing and Privacy <ul style="list-style-type: none"> Data sharing support for priority projects Identify opportunities for addressing barriers to information sharing Strategic oversight and direction of border data sharing and privacy activities 	Lead: MBIE With: NZCS, MPI, MoT, MFAT, MoH
Digital Border – Airports of the Future <ul style="list-style-type: none"> Develop biosecurity and customs substance algorithms Airport trials for RTT (real time tomography) scanner, X-ray, control room and radio frequency identification Oversight and alignment of digital border projects 	Lead: MPI, NZCS With: MoT, MoH
Integrated Targeting and Operations <ul style="list-style-type: none"> Increase agency participation and representation at the Integrated Targeting and Operations Centre (ITOC) Support 24/7 operations Enhance ITOC's role in border operational coordination 	Lead: NZCS, MBIE, MPI With: MoH, MoT
Strategic Approach to Health at the Border <ul style="list-style-type: none"> Integrate health intelligence and risk assessment Regular health function at the border Ability to identify, monitor and escalate health measures Implement the Strategic Approach to Health at the Border (phased) 	Lead: MoH With: NZCS, MPI, MBIE, MoT
Infrastructure at Airports <ul style="list-style-type: none"> Collective engagement with New Zealand's six largest airports Preparation for the enactment of Regulatory Airport Spatial Undertakings (RASU) under the CAA Bill Input into development of Auckland International Airport 	Lead: MoT, NZCS With: MPI, MBIE, MoH

Our progress

If you haven't already completed a paper Passenger Arrival Card try the new digital declaration.

You must submit before passport control.

For more information please scan or visit travellerdeclaration.govt.nz

Scan here



Free Wi-Fi available

1. Ensure Wi-Fi is turned on
2. Choose the network Auckland Airport
3. Open an internet browser and complete the registration details

New Zealand Traveller Declaration
Whakapuakanga
Tangata Haere ki
Aotearoa

Te Kīwanatanga o Aotearoa
New Zealand Government



Highlights for 2022/23

<p>Lead the border</p> <p>Adjusted governance and work programme to reflect air and maritime borders reopening</p>	<p>Respond to current matters</p> <p>Agile to a changing environment. Action taken to respond to fast growth in air travel. Good understanding of how health connects with the border</p>	<p>Improve the border for the future</p> <p>Progressed improvement initiatives with work plans revised as COVID-19 border activity concluded</p>	<p>Performance measures</p> <ul style="list-style-type: none"> > Ministerial satisfaction > Work programme responds to risk and drives improvement > Border Sector Strategy approved by the governance board
---	--	---	---

Completed border's contribution to the Government's COVID-19 response

Completed COVID-19 border-related activity that was essential to the Government's pandemic response. The air and maritime borders fully reopened and the Air and Maritime Border Orders were revoked.

> Strategy link: Facilitation | Safer

Digital declaration went live for arriving air travellers

Implementation of the digital Passenger Arrival Card using the New Zealand Traveller Declaration to improve risk management. Aviation go-live began in July 2023. Go-live for maritime arrivals will be later in 2023.

> Strategy link: Facilitation | Safer | Smarter

Return of cruise season and small craft

Cruise season resumed for a full 2022/23 season, with an understanding across all agencies on how a potential health event will be managed. Expecting larger season for 2023/24.

> Strategy link: Facilitation

Enhanced readiness for another health event

Confirmed health presence at the border, with two permanent positions in the Integrated Targeting and Operations Centre (ITOC) and improved cross-agency understanding of health information flows and border measures.

> Strategy link: Facilitation | Safer

BEB purpose and governance arrangements confirmed

Annual evaluation of governance. Revised Cabinet accountabilities. First BEB Border Sector Strategy approved by Cabinet.

> Strategy link: Stewardship

Financial sustainability – first collective financial view of the border

A whole of border view of funding, fees and levies, investments, and performance measures for border activities collated for the BEB.

> Strategy link: Stewardship

Reinvigorated improvement initiatives

Updated all six Systems Improvements initiatives with COVID-19 response activity concluding and borders reopening.

> Strategy link: Smarter | Safer | Stewardship

Maintained strong connections

Refreshed Deputy Chief Executive group to mirror BEB, with same strong purpose, keeping the border agencies connected.

> Strategy link: Stewardship

See the annual reports of the six border agencies for information on their achievements for the year. Performance measure information is reported in the New Zealand Customs Service Annual Report

Lead the border

Summary of key activity



Governance

- > Annual review of operating documents
- > Revised Cabinet accountabilities
- > Supported incoming Ministers
- > Select Committee annual review
- > Revised BEB DCE Group
- > Supported cross-agency coordination



Ahumoni Hoahoa (Finance)

- Support the financial sustainability of the border sector
- > Whole-of-border view of fees and levies
 - > First multi-year view of border finance, investment and performance
 - > Develop a way to maintain coordination and collaboration



Strategic Direction

- > First BEB Border Sector Strategy approved



Risk and Assurance

- > Integrity of border workforce assurance
- > Summer and winter seasonal assurance



Reconfirmed purpose after COVID-19

The reopening of the borders and removal of COVID-19 restrictions prompted the BEB to revisit its purpose and adjust the work programme.

The annual review of operating documents and governance supported that it was appropriate to seek Cabinet's agreement to remove COVID-19 requirements from the accountabilities. These accountabilities had been set when the BEB was established in 2020.

The draft Border Sector Strategy was updated and provided to Cabinet for approval, along with the proposed accountabilities. This showed the forward thinking of the BEB to make sure it has a relevant purpose with a clear direction.

Cabinet also agreed that changes to the Border Sector Strategy can be made between the BEB and the responsible Minister. Cabinet has the authority to change the accountabilities.

The BEB continued to provide a clear direction on areas of most value at a system level, recognising that generally the border operates successfully. This took into consideration that the size and weight of border activity is not equal amongst its members.

The operating procedures had minor changes to reflect how the BEB was operating. These, and the revised terms of reference, were published at www.customs.govt.nz/about-us/border-executive-board/.



Governance connections maximised

The BEB and border agencies wanted to retain the good practices and improved relationships that had developed during the COVID-19 response.

The regular meetings of the BEB provided the opportunity to seek collegial support and advice.

During the year, the Ministry for Primary Industries (MPI) responded to an outbreak of foot and mouth disease in Indonesia by enhancing measures at the border. Foot and mouth disease is one of the highest threat animal diseases that would have severe impacts on our animal industries with a rapid cease in trade in animal products and significant management measures required.

High-risk travellers were identified for additional screening through advanced passenger information. Enhanced measures included the use of disinfectant foot mats and communications to passengers offshore, in-flight and on arrival in New Zealand. Additional risk assessment and screening was also put in place in the mail and cargo pathways for risk goods coming into New Zealand from Indonesia.

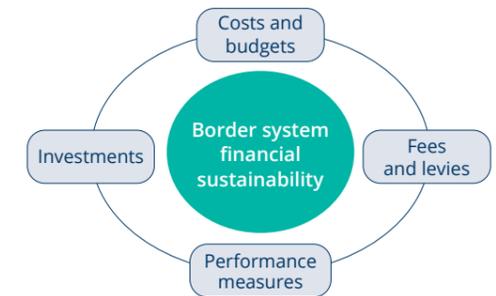
The regular BEB meetings provided an opportunity to ensure the implementation of these enhanced measures at the border was coordinated. It also provided an opportunity for members to provide advice and share insights into how the risk mitigation was developed and implemented. This was helpful as the response involved many government and non-government agencies.



Ahumoni Hoahoa improved border financial information and engagement

The improvement initiative Ahumoni Hoahoa, led by Customs, was established to support the border agencies to manage the implications of COVID-19 on cost-recovery due to severely reduced traveller numbers.

As the border reopened, the attention shifted to developing an approach to make sure the border remains financially sustainable. Border agencies worked together to collect and present the first consolidated financial view.



A system view is important as agencies face similar fiscal challenges. Many border services are funded by fees and levies, which often have the same fee payer or stakeholder.

The border agencies share financial and non-financial information because Ahumoni Hoahoa is part of the work programme. Sharing information is supported by agreed principles:

- > an all-of-border sector view – every decision needs to be taken with the overall border sector in mind
- > transparency – sharing financial information between agencies
- > efficiency – make sure our activities and services are efficient and deliver value for money
- > customer focus – keep the customer at the centre of the decisions we make
- > sustainability – decisions are affordable in both the short and long term
- > supporting change – challenge what has been done in the past and whether this supports the way we want to work in the future.

Three subject specific-groups will be created in 2023/24, with members from each agency, to inform the consolidated view and identify opportunities for efficiencies and manage shared financial risks. The three subjects are investments, fees and levies, and performance.

Assurance to meet seasonal changes

The BEB implemented seasonal assurance during the year to make sure the border was ready for the key changes that summer and winter bring.

Readiness brings together information from all BEB agencies and the border Crown entities.

The resumption of cruise ships coming to New Zealand was part of the border reopening process and this included being ready for a COVID-19 variant or other health event. The cruise ship season will continue to be part of seasonal readiness in 2023/24.

Summer 2022/23 readiness focused on supporting the increase in air travellers, small craft and imported Christmas goods.

Winter readiness included considering the increased risk of illness to border workers and supporting shared agency health and wellbeing practices. This is important where staff from different agencies share the same workplace.

Readiness considered:

	Air passenger and freight	Key changes <ul style="list-style-type: none"> > volumes of passengers or vessels > major events > infrastructure changes where border services are delivered > processing
	Cruise ships	
	Small craft	
	Auckland Processing Centre	Agency readiness <ul style="list-style-type: none"> > any matters impacting an agency to cope with seasonal change
	Maritime cargo	Areas to watch <ul style="list-style-type: none"> > active issues being managed > potential risks or issues and mitigations > events / incidents > staff health or illness
	Workforce	
	Significant weather events	

Respond to current matters

Summary of key activity



Connecting New Zealand

- > Completed steps 4 and 5 of the Government's Reconnecting New Zealanders Programme as the border reopened after being closed in March 2020 as part of the Government's COVID-19 response
- > Air border fully reopened 31 July 2022. Travellers experienced their first summer post COVID-19 restrictions
- > Maritime border reopened 31 July 2022 to foreign flagged vessels, including cruise ships. Cruise ship season resumed for October 2022 – March 2023
- > Closed the Maritime Border Programme. Resumed services via business-as-usual systems, with increased coordination and using frameworks developed through the COVID-19 response



Air Border

- > Supported the airport system with the increase in traveller numbers

	June 2022	June 2023	Increase
Arrivals	206,356	405,760	+ 199,404
Departures	213,880	423,490	+ 209,610



Maritime Border

- > Maritime Border Overview for People approved
- > Maritime port infrastructure for processing passengers identified as a priority to ensure safety of border workers and a positive arrivals experience



Border System Response and Readiness

Response

- > Agencies adjusted their working environments due to significant flooding at Auckland International Airport from the severe weather event in January 2023
- > Clarified potential border response to measles outbreak when cases were confirmed in New Zealand
- > Provided a seamless and positive border experience for the FIFA Women's World Cup held July to August 2023. The major event was led by MBIE with Chief Executive oversight and working groups for transport and the border.

Readiness

- > Participated in the Department of the Prime Minister and Cabinet system readiness for winter variant of concern and health-led exercise for summer health event
- > Contributed to the catalogue of COVID-19 measures and their suitability for another health event
- > Weekly health surveillance reporting and monthly biosecurity bulletins shared with governance board
- > Border scenarios for passengers and cargo considered by the BEB to inform agency planning
- > Responded to requests for information from the Royal Commission of Inquiry COVID-19 Lessons Learned, announced December 2022. This included developing the BEB narrative.

Air border fully reopened

The gateway to New Zealand for most international air travellers is Auckland International Airport (AIAL).

The airport system has experienced disruption due to the faster than expected resumption of air travel worldwide. The aviation system workforce and operations were significantly disrupted when the border closed.

While traveller numbers are still below 2019 levels, the system has struggled to continually operate optimally and there are 'pinch points'. These became visible for border agencies through off-schedule aircraft arrivals, congestion with passenger processing and an increased volume of mishandled baggage to process.

Responding to disruption, by working together, is not new for border agencies and aviation partners. This collaborative approach continued with AIAL to support the resumption of travel at Auckland.

The BEB worked to make sure border agencies were performing and responding to changes, as well as seeing how it could influence improved performance across the full airport system. The BEB also wanted to minimise the risk of other New Zealand international airports experiencing similar issues.

Actions taken

- > Regular governance discussions following ongoing additional action to respond to issues.
- > Engaged directly with AIAL Chief Executive and Chief Operating Officer.
- > MPI changed biosecurity processes and queuing.
- > MPI provided extra staff for biosecurity processing of mishandled bags to meet increased volumes.
- > Border agency staff participated in extra common operating group meetings with airport operators to help identify and make improvements.
- > Border agencies participated in an operational improvement sprint project led by AIAL to identify and implement improvements for the July 2023 school holidays and FIFA Women's World Cup.
- > Joined-up data analytics with AIAL to understand what influences peak congestion times and how to make better informed operational decisions.

The challenge for the BEB has been that border agencies only make up part of the passenger arrival system. It is likely that additional effort will be needed as airport operations gear up for increased number of flights and higher passenger numbers through summer 2023/24.

Maritime border fully reopened

The maritime border operates successfully for trade and travel, with each agency delivering their border functions.

The COVID-19 response and reopening of the border highlighted the benefits of an ongoing coordinated approach to maritime activity.

While the maritime border can take some of what has worked well in aviation, border services are delivered very differently in these two environments.

The biggest opportunity is to align risk management practices across aviation and maritime, starting with implementing the digital declaration in both.

Coordinating maritime strategies

The Maritime Border Overview for People captures activity aimed at improving activity for passengers and crew. It brings together existing strategies and activity to make it easy to see the full picture and to maximise coordination. Agencies will regularly review progress and alignment.

Coordinated voice for port infrastructure

Delivering maritime border services is challenging. Ports are a known high-risk working environment. Space constraints and limited fixed infrastructure for inspections and for processing cruise passengers can be challenging to work in.

The BEB wants to ensure the health, safety and wellbeing of staff, as well as a positive traveller experience and effective delivery of border services. In June 2023, MPI, Customs and Maritime New Zealand started a whole-of-border approach with ports about infrastructure. Requirements will be progressed port-by-port starting with creating a checklist for border services. Whole of border areas of interest include:

- > shelter from weather for border processing
- > internet connectivity
- > basic facilities for border staff (secure office space, storage, parking, interview rooms)
- > infrastructure constraints eg, the number of ships/passengers who can arrive on the same day who require border processing.

Improve the border for the future

Summary of key activity



Digital Declaration

NZCS, MBIE, MPI, with MoH

Design and implement the digital Passenger Arrival Card for aviation and maritime using the New Zealand Traveller Declaration (NZTD)

- > Developed and tested NZTD
- > Phased implementation from July 2023 for aviation
- > Operating model agreed with participating agencies
- > BEB and agency resources prioritised to the digital declaration



Data Sharing and Privacy

MBIE, with NZCS, MPI, MoT, MFAT, MoH

Investigate and provide recommendations to improve the ability for border sector data to be used to enable an effective border

- > Advice on border projects
- > Identified opportunity to improve guidance to agencies and consider data sharing and privacy early in activity
- > Current state of data sharing report completed that showed issues can be resolved through improved tools, education and privacy by design



Digital Border – Airports of the Future

MPI, NZCS, with MoT, MoH

Reduce risk to New Zealand and provide a seamless entry for passengers at the border through the development and implementation of a digital arrival declaration and deployment of new x-ray technologies and software

- > Focus on implementing the digital Passenger Arrival Card in aviation and maritime
- > Front-of-house scanner trial completed
- > Research and development on biosecurity algorithms progressed in partnership with Australia Department of Agriculture, Fisheries and Forestry
- > Stock-take of digital projects across border agencies completed



Integrating Targeting and Operations

NZCS, MBIE, MPI, with MoH, MoT

Provide an integrated watch, warn and respond capability by increasing agency participation and integration at the Integrated Targeting and Operations Centre (ITOC)

- > Enhanced the ITOC governance and operations with new Memorandum of Understanding
- > Targeting service to support 24/7 operations
- > Clear direction and priorities through multi-agency work programme
- > Australian Border Force three-month placement
- > Increased staff numbers at the ITOC with Maritime New Zealand adding staff
- > Focus on developing culture of collaboration to improve system risk management



Strategic Approach to Health at the Border

MoH, with NZCS, MPI, MBIE, MoT

Establish a sustainable and enduring health presence at the border to protect from health risks

- > Two permanent health roles established in the ITOC
- > Process for providing health advisories for frontline border staff embedded through the ITOC
- > Coordination with Maritime NZ to reopen maritime border and be ready for next health event
- > Public health presence at Christchurch and Auckland International airports delivered
- > Established and embedded national health processes for monitoring and reporting for cruise vessels and COVID-19
- > Weekly horizon scanning reporting to BEB trialled and embedded
- > Current state of health information flow and escalation established



Infrastructure at Airports

MoT, NZCS, with MPI, MBIE, MoH

Shape the enhancement of airport infrastructure and legislation by representing border sector agencies

- > Coordinated border engagement with six tier 1 airports
- > Participated in Auckland International Airport redevelopment
- > Implementation plan for Regulatory Airport Spatial Undertakings (RASU) completed
- > Civil Aviation Act 2023 received Royal assent on 5 April 2023 and commences on 5 April 2025



Infrastructure at Airports provided a model for coherent engagement with stakeholders

Infrastructure at Airports has proven a success in joint border agency engagement on long-term capital investment plans with tier 1 New Zealand airports.

The approach reflects the intent of the BEB which is to take a coherent approach to the border.

Infrastructure at Airports brings border agencies together to engage with airports so all requirements are collated. The airports benefit from receiving one point of engagement and a coherent voice on requirements. There is a structured approach to meeting airports with regular meeting frequency that keeps everyone connected. The model will support airports to have Regulatory Airport Spatial Undertakings (RASU) in place as required by the Civil Aviation Act 2023.

The coordinated approach is being applied to engagement with ports as both aviation and maritime ports are operated by individual companies accommodating multiple border agencies.



Digital declaration went live for arriving air travellers

The NZTD is being rolled out in phases. Travellers arriving at Wellington, Queenstown and Christchurch international airports were able to complete their declarations online from July 2023, and for Auckland from late August 2023. The NZTD will be available for maritime arrivals later in 2023.

The development and implementation of the NZTD has been a major improvement initiative for the border.

The NZTD is an online system that allows travellers to complete a digital declaration comprising customs, immigration, and biosecurity information (and health risk assessments if necessary) before arrival into New Zealand. It aims to modernise New Zealand's border, help passengers move through our airports and marine ports more efficiently, and improve the safety and security of New Zealand.

Commitment to development and future use

The border agencies, particularly Customs, MPI, MBIE (Immigration) and Health, have worked in partnership to develop and implement the NZTD. The NZTD was first introduced to support the resumption of travel during the COVID-19 pandemic.

Success has involved significant commitment and resources to change technology, legislation, and operational processes.

The NZTD is an integral part of modernising the border experience. It will allow continued development of border risk management and response, and streamline the processing of travellers into New Zealand.

Realising the potential of the digital declaration will be part of the BEB digital border improvement work. It will also support the Government Digital Strategy for Aotearoa and initiatives to provide accessible digital public services.

Investment benefits

- > Provides a more seamless customer experience reducing the need for duplicate documentation.
- > Reduces and manages risk off-shore where possible, by targeting known risk areas.
- > Increases effectiveness and business sustainability to better direct resources, streamline passenger flow and improve efficiency of border operations through earlier and more complete information.
- > Supports an immediate response to potential threats particularly biosecurity and health threats.



Improving the border for the future

The BEB reinvigorated the improvement initiatives as the border's COVID-19 response activity was concluded.

Activity during the year included:

- > each Systems Improvements initiative presented revised work plans to reset focus and pace of work
- > at least monthly assurance and decisions for the New Zealand Traveller Declaration (NZTD) Programme

- > quarterly Systems Improvements Programme assurance
- > specific updates from each initiative as needed for key decision-making.

The BEB agreed that resources, particularly for Customs and MPI, focus on implementing the NZTD. This recognised the significant change to processing passengers for these two agencies.

New Zealand Traveller Declaration | Whakapuakanga Tangata Haere ki Aotearoa



Strategic approach to health at the border strengthened readiness

The work led by Manatū Hauora Ministry of Health with Te Whatu Ora Health New Zealand has enhanced readiness at the border for the next health event.

Stronger health response to risks

The success of the trial of health staff within the ITOC has meant two permanent roles have been established. This provides a health border presence and strengthens the border's central arrangements that manages and responds to risk. Being physically located alongside other agencies makes sure health risks and responses are integrated into the border system. The value of the ITOC health roles was demonstrated through:

- > improvements in contact tracing for measles
- > centralising health advice for border agencies
- > establishing national monitoring and reporting for cruise ships and COVID-19
- > risk targeting for imported products where there is a potential harm to health.

Reopening of the borders, transition to business-as-usual

Health worked alongside border agencies during the transition from COVID-19 border settings back to business-as-usual at the border.

A public health presence was maintained at Christchurch and Auckland International Airports. Coordination with Maritime New Zealand was required to reopen maritime border and on readiness for the next health event.

Improved information at operational and governance levels

Information flows have improved. Operationally, health advisory notices to frontline staff give early warning of potential health concerns, potential action and, most importantly, let staff know when there is no concern.

A weekly report alerts the governance board to emerging health threats or that there are no areas of concern.

Trusted reporting at operational and governance levels is vital in a world where there is a wealth of information about emerging health matters.

Improved understanding of health and the border

Participation from the BEB and border agencies has highlighted the prominence of health's role at the border, with agencies having a greater understanding of the role and function.

Workshops with border agencies included escalation, information flows and scenarios to give confidence about being able to respond to the next event. Clarifying information flows, rather than trying to plan for a specific event, recognises that each health event will be different.

Continued commitment to the border

On 1 July 2022, New Zealand's national health system was established. This health reform created Te Whatu Ora Health New Zealand that delivers operational health services for the border, along with Manatū Hauora Ministry of Health.

The health system changes provide opportunities to strengthen health at the border but also present challenges. The most immediate during the year were staff changes, yet the commitment to the border continued.

The phased implementation of the Strategic Approach to Health at the Border continues.

The year ahead

Priorities for 2023/24

- > **New Zealand Traveller Declaration (NZTD)** – complete implementation of the NZTD. Transition the ongoing operation of the NZTD to border agencies, who will work in partnership with Customs as the lead agency. Incorporate the potential of the NZTD into digital border improvements.
- > **Trans-Tasman seamless travel** – work with New Zealand and Australian border agencies, and stakeholders, to discuss ways to simplify the trans-Tasman border while not compromising New Zealand's security. Advice is due to Government by 30 June 2024. The work was announced by the Prime Ministers of Australia and New Zealand on 26 July 2023.
- > **Airport system performance** – continue to support improvements as the numbers of flights and travellers increase for summer 2023/24. Champion a positive traveller experience. Return to a steady state where disruption is managed through business-as-usual resources and practices.
- > **Coordinate maritime activity** – continue bringing together maritime activity and having a whole-of-border approach when working with sea ports. Align, where practical, the risk screening of aviation and maritime. Develop a checklist to help understand minimum infrastructure requirements.

Maintain a strong foundation

- > Readiness for the expected increase in cruise ships and passengers for 2023/24 season. Make sure the facilities at ports are as suitable as possible for border processing and support a positive arrivals experience.
- > Readiness for the next health event with regular surveillance, health representation with the ITOC and improved understanding of information flows and decision-making.
- > Rescope digital border improvements to incorporate the potential of the NZTD and align digital improvement activity across border agencies.
- > Implement regular sharing of border financial and performance information to maintain a whole-of-border view to support financial sustainability of border agencies.

- > Update the work programme as improvement initiatives are completed or changed. Continue to look for what is changing, the next opportunity and what a new normal could look like.
- > Annual review of operating documents and board governance.

Stronger together

- > Be deliberate about where joint agency collaboration adds value.
- > Stay connected as chief executives in times of business as usual.
- > Maintain awareness of individual border agency investment, changes, policy and processes to support cohesion.
- > Share what is working well and areas of risk to keep the border system connected and cohesive.
- > Work in partnership with public and private sector organisations to respond to risk and drive border improvements.
- > Provide a system view to major events, including supporting the Commonwealth Heads of Government meeting in Samoa October 2024.
- > Maintain awareness of work that links to the Border Sector Strategy but falls outside the BEB's accountability e.g. Transnational Organised Crime Strategy.

Manage challenges

- > Respect that the size of border activities and number of staff varies across the member agencies.
- > Manage competing priorities of non-border work within the six member agencies.
- > Understand and share the impact of delivering the BEB work programme through member agencies.
- > Accept the limitation to create and absorb new initiatives due to the capacity of border agency workforces, funding and work programmes. This is particularly relevant where funding is fee or levy based.
- > Work with the different agency systems, policies and legislation, which may limit collaboration and people moving quickly and seamlessly between agencies.

How we work



Strong governance and support



Secretariat team
A small group of people support the work of the Border Executive Board



NEW ZEALAND
CUSTOMS SERVICE
TE MANA ĀRAI O AOTEAROA



Servicing department
Named in the Public Service Act 2020 to provide administrative support



Vote administrator
Administers Border System Performance appropriation via Vote Customs



Chair
Comptroller of Customs, appointed by the Public Service Commissioner

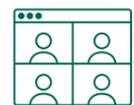


Agencies of the six chief executive members
The six agencies inform, collaborate and implement the Border Executive Board work programme

A commitment to effective governance

The governance board provided strong leadership to maintain a clear direction and keep activity focused on the purpose of the BEB.

The board adjusted its meeting frequency during the year as the pace of the COVID-19 response changed. Meetings changed from fortnightly to longer monthly meetings in 2023.

	July - Dec 22	Jan - June 23
	16 meetings	7 meetings

The robust meeting cadence continued supporting attendance, participation, and decision making. A reliable framework enabled chief executives to balance their other commitments and ensure cohesion between agencies and border activities.

Membership changes

The board acknowledged Bryn Gandy for his contribution as the acting Secretary of Transport. Audrey Sonerson was welcomed in December 2022 as the permanent Secretary of Transport.

Demonstrating joint accountability and individual chief executive accountability

The board meetings considered the New Zealand Traveller Declaration (NZTD) Programme at least monthly to support its success. The board provided the highest-level governance for the Programme.

Four of the six chief executives were also involved with the NZTD Programme, on the joint Executive Board, to make sure their respective agency requirements were met and actions delivered.

This showed the dual role of the governance board providing joint leadership for a programme impacting the border system and individual Chief Executives retaining responsibility for their agency.

Leadership from the Chair

The Comptroller of Customs continued as the Chair of the BEB. The Chair is responsible for leading the Board and ensuring the chief executives meet at the required frequency and are supported with appropriate information.

The Chair also supported work outside of board meetings. This included being the first point of contact for border system matters, representing the border with ministers and stakeholders and administering day-to-day activities with the Executive Director of the Secretariat team.

Secretariat team supports the BEB and agencies

The BEB is supported by a small Secretariat team that provides a foundation for the BEB to operate. The Secretariat is funded by the Border System Performance appropriation as part of Vote Customs.

The Secretariat team provided governance and reporting support to the governance board, responded to emerging issues, provided system coordination and leadership, coordinated joint initiatives to support agencies and delivered ministerial servicing. Examples of activity included:

- > strong governance meeting support to enable effective decision-making
- > leadership and secretariat support for coordination groups to make it easy for agencies to connect and deliver their subject matter expertise
- > programme management support to enable successful delivery of improvement initiatives and make sure connections with other activity were identified and maximised.

Employment arrangements

Secretariat staff are employees of, or are seconded to, the New Zealand Customs Service. As at 30 June 2023, the Secretariat had five staff. This included a person on secondment from the Ministry of Business, Innovation and Employment.

The Secretariat is led by Executive Director Fiona McKissock, who joined on 12 July 2021.

Support beyond the six border agencies

The BEB is also supported by the border-related Crown entities that are not members of the interdepartmental executive board because membership is limited to departments. The Crown entities are:

- > Te Whatu Ora Health New Zealand
- > Maritime New Zealand
- > Civil Aviation Authority.

The BEB and border agencies also work with a wide range of public and private stakeholders.

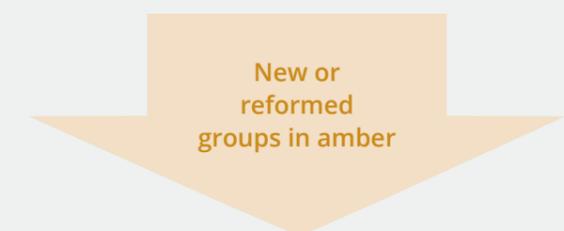
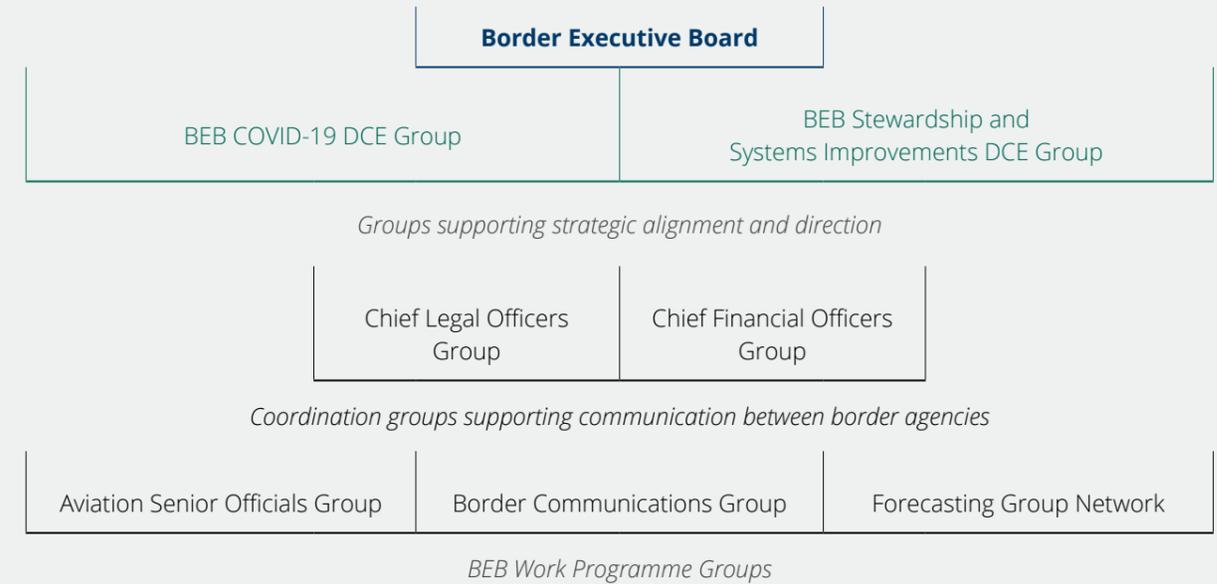
Refreshed oversight and coordination groups

The commitment by the governance board is mirrored by the deputy chief executives (DCES) and throughout the agencies where staff come together to provide a joined-up approach to border activity.

Delivery of the BEB work programme and advice was supported by a range of groups with members from the border agencies and Crown entities.

The make-up of groups was refreshed as COVID-19 no longer needed its own oversight. All agencies acknowledged that a positive outcome from COVID-19 was stronger working relationships and interaction. There was a desire to maintain connections, keep sharing knowledge and continue to have a coordinated approach to the border. To respond, the Secretariat formed the BEB DCE Group into one group and leads support for other coordination groups.

2022



2023



Statement of Responsibility

In our opinion, as the members of the Border Executive Board, this Annual Report fairly reflects the operations, progress, and organisational health and capability of the Border Executive Board.

Signed: 29 September 2023

Christine Stevenson
Chair
Comptroller of Customs
Te Mana Ārai o Aotearoa
New Zealand Customs Service

Ray Smith
Director-General
Manatū Ahu Matua
Ministry for Primary Industries

Carolyn Tremain
Chief Executive
Hikina Whakatutuki
Ministry of Business,
Innovation and Employment

Chris Seed
Chief Executive
Secretary of Foreign
Affairs and Trade
Manatū Aorere
Ministry of Foreign Affairs
and Trade

Dr Diana Sarfati
Director-General of Health
Manatū Hauora
Ministry of Health

Audrey Sonerson
Chief Executive
Secretary for Transport
Te Manatū Waka
Ministry of Transport



Te Kāwanatanga o Aotearoa
New Zealand Government

How to contact us

New Zealand Customs Service
PO Box 2218, Wellington, 6140
Phone: 0800 428 786

Visit: www.customs.govt.nz



twitter.com/NZ_Customs



www.facebook.com/NZCustoms/



www.linkedin.com/company/nzcustoms

ISSN 1174-3654 (Print)

ISSN 1177-6455 (Online)

Crown Copyright © 2023

This work is licenced under the Creative Commons Attribution 3.0 New Zealand licence. In essence, you are free to copy, distribute and adapt the work, as long as you attribute the work to the Crown and abide by the other licence terms. To view a copy of this licence, visit www.creativecommons.org/licenses/by/3.0/nz/.

Please note that no departmental or governmental emblem, logo or Coat of Arms may be used in any way that infringes any provision of the Flags, Emblems, and Names Protection Act 1981. Attribution to the Crown should be in written form and not by reproduction of any such emblem, logo or Coat of Arms.



Te Kāwanatanga o Aotearoa
New Zealand Government