



NEW ZEALAND SECURITY INTELLIGENCE SERVICE

ANNUAL REPORT

For the year ended 30 June 2008

*Presented to the House of Representatives pursuant to Section 4J of the
New Zealand Security Intelligence Service Act 1969*

PREFACE

This is the unclassified version of the Annual Report of the New Zealand Security Intelligence Service (the Service), for the year ended 30 June 2008. This version will be tabled in Parliament, and made available to the public via the Service's internet site.

Much of the detail of the work undertaken by the Service has been omitted from this unclassified version of the report, for reasons of security. This is necessary in order to protect the ongoing ability of the Service to be effective in its role as prescribed in the New Zealand Security Intelligence Service Act 1969.

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PART ONE

INTRODUCTION

DIRECTOR'S REPORT

Introduction

During the past year the New Zealand Security Intelligence Service (the Service) has undergone substantial change to better prepare it for the future. We have redesigned our organisational structure, and embarked on a process of fundamental transformation to develop and enhance the way we do our business.

Overview

New Zealand continually faces threats from espionage, sabotage, subversion, terrorism, and clandestine and damaging actions by foreign entities; some substantial. The consequences of realised threats could include death, injury, very substantial property damage (including to aspects of critical national infrastructure), compromise of government and private sector information and intellectual property, and unwitting contributions to weapons proliferation.

The Service's targets continue to offer us new challenges. By and large they are pretty inventive. And the external environment – the opportunities and threats posed not just by the targets themselves but by the changing world we operate in – means that we need to think about improving all the time.

The Service's security intelligence work involves the collection, analysis and assessment of intelligence, and its dissemination to inform decisions and actions, mainly by others, to disrupt security threats. We must continue to grow our knowledge and systems to keep current, enabling us to meet the challenges of constant change.

Counter terrorism, counter proliferation and counter espionage are not just about arresting those who carry out these threats and crimes, and putting them behind bars. It is about stopping the activity, whether by upstream low key disruption, creation of an environment that they find so daunting they don't even try, creation of public policy that minimises the nation's exposure to risk, or indeed catching them pre-emptively in the act and prosecuting them. The most effective way to counter these threats over the long term is to create an environment where extremism, espionage, proliferation and terrorism do not find fertile ground and settle in.

A key focus for the Service over the past year has been relationship building, both nationally and within the international security sector.

Conclusion

The 2007/08 year has seen the Service embark on a significant programme of capability development, business process improvement and strengthening, realignment, and resiliency enhancement. We have a very strong and highly motivated, dedicated and professional workforce, and an enduring ethos and culture of service which has evolved over many decades.

We have set the direction and strategic aims, and are now refining our strategic plans to achieve these.

We have set a demanding pace for this transformation across the entire organisation, but transform we must – and will – to deliver the range of capabilities and security outcomes which the Government and New Zealand’s citizens expect and demand.

A handwritten signature in black ink, appearing to read 'Dr Warren Tucker', written in a cursive style.

Dr Warren Tucker
Director of Security

NZSIS OVERVIEW

The Role of the New Zealand Security Intelligence Service

The Service gathers intelligence related to New Zealand's security, assesses its significance, and gives advice to the appropriate stakeholders.

The Service's functions include:

- obtaining, correlating and evaluating intelligence relevant to security;
- communicating intelligence to those that the Director considers should be aware, in the interests of security;
- advising the Government about matters relevant to security;
- co-operating with other organisations in New Zealand and abroad that can assist the Service to carry out its job;
- making recommendations relevant to security relating to immigration and citizenship matters;
- conducting enquiries into whether particular individuals should be granted security clearances, and making recommendations based on those enquiries; and
- giving advice on protective security.

Over the years, the specific tasks of the Service have changed due to the constantly changing environment in which it works. As both the national and international environments continue to evolve, so will requirements upon the Service. This is reflected in the Service's Vision and Mission statements.

Our Vision

We are a dynamic professional intelligence service, focused on the requirements of our core customers and stakeholders in government, working collaboratively at home and abroad and striving to achieve a safe and prosperous New Zealand.

Our Mission

We make the difference by providing comprehensive, high quality security services and advice in conjunction with relevant, timely, critical intelligence that enhances and protects the interests of New Zealand and New Zealanders.

Responsible Minister

The Director of Security is responsible directly to the Prime Minister, as Minister in Charge of the New Zealand Security Intelligence Service, for the performance of the Service.

The Service's function is governed by the New Zealand Security Intelligence Security Act 1969 and subsequent amendments.

Link to Government Priorities

The Government's priorities for the next decade are:

- Economic Transformation;
- Families – young and old; and
- National Identity.

The Service contributes (together with other members of the Security and Intelligence sector) to all three priorities, especially priority 3 – National Identity, by working towards a safer New Zealand – the state of being in which both the New Zealand Government and individual New Zealanders can pursue their objectives without fear or danger.

Cost Effectiveness

Section 40(d) of the Public Finance Act requires that the Service comment on the cost-effectiveness of the interventions that we deliver. During the 2007/08 year, the Service gathered information and measurement data, which will be used as a benchmark for future efforts. This will be further addressed during the 2008/09 financial year, with the implementation of a Balanced Scorecard, and the new FMIS system.

ORGANISATIONAL INFORMATION

The Service's head office is in Defence House, 2 Aitken Street, Wellington. There are regional offices in Auckland, Wellington and Christchurch.

All the offices collect information and undertake vetting duties. Research, analysis and assessment is a head office responsibility. Major administrative matters such as finance, staffing, and liaison with other government departments and agencies and Ministers are also handled by the Service's head office.

The Corporate governance is overseen at three levels:

The Service's Executive Group as at 30 June 2008

The Director and Deputy Directors form the Executive Group, which is the Service's senior leadership team and governance group:

Director & Acting Deputy Director Foreign Intelligence
Deputy Director Corporate & Acting Deputy Director Liaison and Communications
Deputy Director Security Intelligence
Assistant Director Security Intelligence
Deputy Director Operational Enablement
Deputy Director Protective and Operational Security

NZSIS Audit and Risk Committee

In December 2007 the Service established an Audit and Risk Committee.

The Audit and Risk Committee will advise the Director of Security in the areas of:

- the integrity of financial management and reporting systems and processes;
- the adequacy, efficiency and effectiveness of the Service's management systems; and
- the effectiveness of the Service's risk management framework, including legislative and regulatory compliance.

Information Management Committee

The Service's Information Management Committee is appointed by the Director, and was established to:

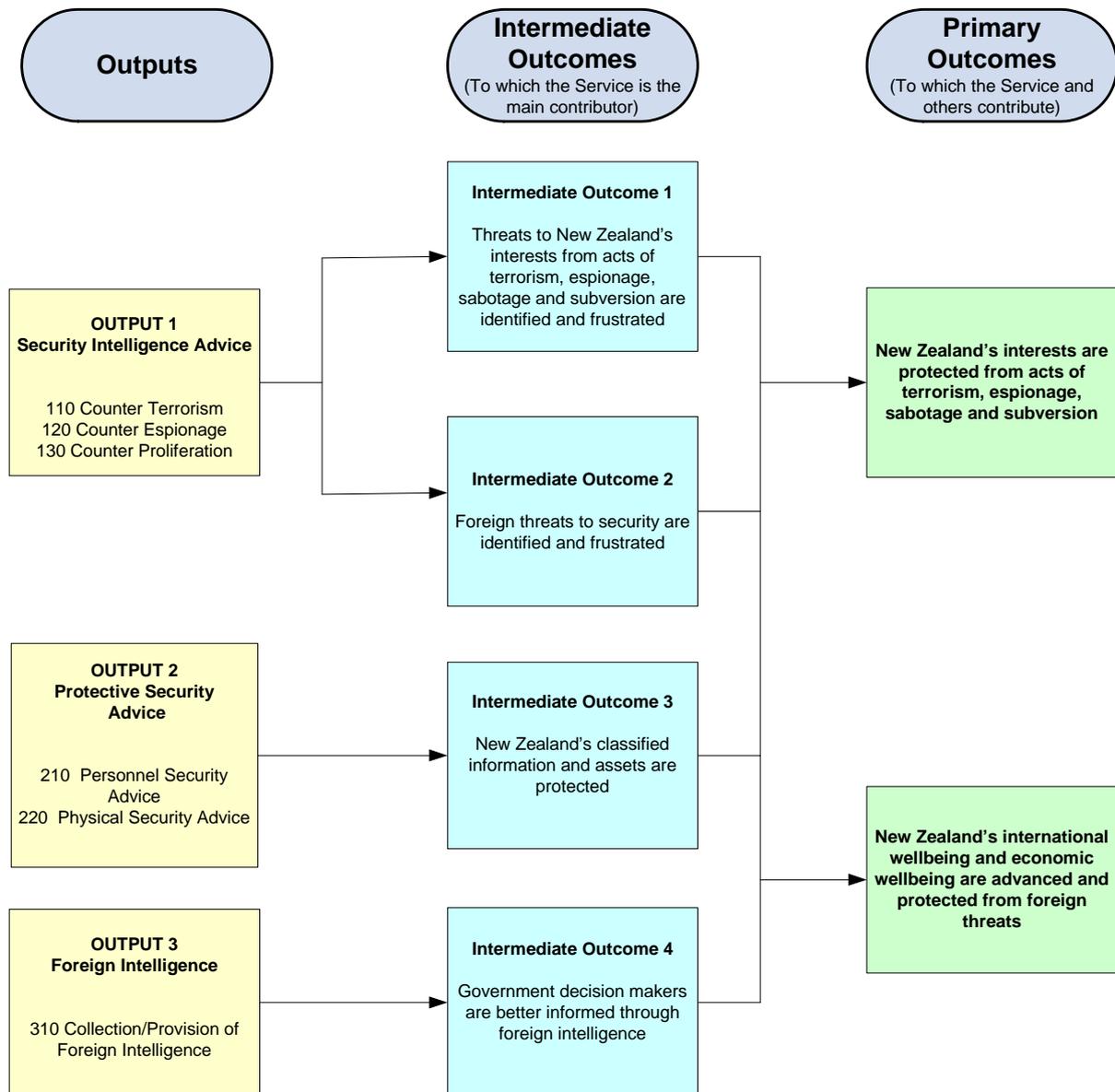
- ensure that information strategies are aligned with business strategies;
- advise on information technology developments;
- oversee information technology governance; and
- ensure that information management projects are resourced and managed appropriately.

PART TWO

THE YEAR IN REVIEW

NZSIS OUTCOMES FRAMEWORK

Linking Outputs to Primary Outcomes



OUTCOME STATEMENTS

Primary Outcomes

The Service's two end outcomes are:

1. New Zealand's interests are protected from acts of terrorism, espionage, sabotage and subversion; and
2. New Zealand's international and economic wellbeing are advanced and protected from foreign threats.

We contribute to these outcomes together with other members of the New Zealand intelligence community with the goal of maintaining national security – the state of being in which New Zealanders can go about their business without fear or danger.

The following Intermediate Outcomes contribute to the Service's achievement of the two Primary Outcomes.

Intermediate Outcome 1:

Threats to New Zealand Interests from acts of terrorism, espionage, sabotage and subversion are identified and frustrated.

Counter Terrorism

The aim of the Service's counter terrorism effort is that New Zealand is neither the victim nor the source of an act of terrorism, and plays an appropriate role in international efforts to combat terrorism. The Service does this by monitoring (focussing on the analysis, assessment, targeting, collection and intelligence dissemination) both the environment and individuals with links to terrorists and/or terrorist organisations and their activities.

We provide the New Zealand Government with timely and accurate intelligence and advice on terrorism. We work closely with other government agencies and our international partners to identify, investigate, and disrupt terrorist threats. We also participate in various inter-departmental committees and working groups which co-ordinate terrorism-related issues, and in major events watch groups when these are convened.

During the past year, the Service produced and disseminated a range of security intelligence reports related to terrorism and extremism in, and linked to, New Zealand and abroad.

The Service provides input to applications for refugee status, visa applications originating from countries of risk, applications for permanent residence, and applications for citizenship for Immigration New Zealand (INZ).

We have worked with the Police on various investigations throughout the year. Early in 2008, NZ Police and the Service hosted a joint conference to discuss evidence and intelligence, and in June 2008 the Service was involved in Exercise RESOLUTION (a whole of government exercise to test New Zealand's counter terrorism preparedness). The Service intends to further develop the relationship with NZ Police, especially with regard to counter terrorism investigations, and the overlap between intelligence and law enforcement.

Counter Espionage

The aim of the Service's counter espionage effort is to reduce the risk of espionage and other foreign state covert activity damaging our national interests. During the year, the Service issued a range of counter espionage-related security intelligence reports, and additional foreign intelligence reports also related to espionage threats.

In addition to issuing formal reporting, the Service has worked directly with a wide range of government agencies to provide information regarding espionage threats and agree courses of action to mitigate specific threats.

Details of the specific focus of the Service's work in this area have been deleted from this (public) version of the Annual Report.

Combined Threat Assessment Group (CTAG)

The Combined Threat Assessment Group (CTAG) is hosted by the Service. It is a multi-agency group that comprises staff seconded from the Service, NZ Police, New Zealand Defence Force (NZDF), GCSB, New Zealand Customs Service (NZCS), and Maritime NZ. CTAG is tasked with providing assessments on terrorist or criminal threats of physical harm to New Zealand and New Zealand interests at home or overseas, based on all sources of information and intelligence available to the New Zealand Government. CTAG continues to monitor the domestic and international threat environments and will report any changes detected.

Intermediate Outcome 2:

Foreign threats to security are identified and frustrated

Counter Proliferation

The Counter Proliferation Joint Section (CPJS) was formed to protect New Zealand interests from proliferation threats. Proliferation is the acquisition or development of weaponry, equipment or technology capable of producing or delivering Weapons of Mass Destruction (WMD) and can be nuclear, radiological, chemical or biological in nature. CPJS is a multi-agency group, and it works closely with other government agencies and our international partners to identify, investigate and disrupt proliferation threats.

CPJS continues to be the vehicle for the development of counter proliferation policy, co-ordination and operations. We have initiated and managed a range of significant operational work relating to CP activities in New Zealand and internationally, which is provided to government.

Outreach activities, and involvement in policy development with other government departments, contributes directly to advancing New Zealand's awareness of proliferation activity either conducted within New Zealand or affecting New Zealanders offshore.

Intermediate Outcome 3:

New Zealand's classified information and assets are protected

Personnel Security Advice (Vetting)

The Government requires that information important to its function, its official resources and its classified equipment is safeguarded. Security clearances are required by those who access government information classified as "Confidential" or higher. The responsibility to grant or decline clearance rests with the Chief Executives, and these decisions are based on the vetting recommendations from the Service.

Physical Security Advice

A vital element in the protection of classified information is its physical storage, protection and transportation. The Service provides physical security advice to government departments and agencies on measures required for the protection of classified material, personnel, and physical assets.

The Service delivered security awareness presentations to groups and individuals within government agencies. We also delivered pre-posting security briefings for officials from various government departments and agencies seconded to represent New Zealand for a sustained period overseas, as well as officials visiting selected countries.

Intermediate Outcome 4:

Government decision makers are better informed through foreign intelligence

Foreign Intelligence

The Service provides foreign intelligence reports to our key stakeholders in the New Zealand Government, and our international partners. Our key stakeholders in the New Zealand intelligence community are: EAB, GCSB, MFAT, MoD, NZDF and its Directorate of Defence Intelligence and Security and NZ Police, as well as other government agencies.

The Service continued its stated objective to maintain "core business", grow new business subject to capacity constraints, and actively contribute to the requirements and activities of members of the intelligence community.

CORPORATE

During the past year the Service has made substantial progress with its management objectives as set out in the 2007/08 Statement of Intent.

Finance and Planning

During 2007/08, the Finance and Planning Group has continued building on the development that commenced in 2006/07.

Financial Management

There were two key developments in Finance during the 2007/08 financial year:

- in May 2008, the Service implemented a new integrated financial management information system (FMIS). This FMIS will make a significant difference to the Service's financial management and monitoring, and supports better accountability, management decisions and reporting; and
- during 2007/08 the Service undertook a comprehensive fixed asset stocktake.

Planning

The Service's transition to managing for outcomes has continued and this is evident in two particular areas:

- a balanced scorecard has been developed to inform the Executive Group and stimulate management focus on progress indicators assigned to key goals; and
- an improved planning process with clear links to the Service's outcomes and outputs.

Human Resources

Staffing

The Service has continued to grow, with 183 staff members at 30 June 2007 and 208 at 30 June 2008.

Organisational Development

The Service recognised the need to increase capability and capacity, and improve resilience, and an organisation development programme is being implemented. A number of streams of work have commenced. The key to progression is achieving a long term strategy, while managing the immediate term issues. A new HR Information System has been implemented.

Developmental Opportunities

The Service provides secondment opportunities for staff both within the NZ Government and internationally. These broaden the experience of staff, enable them to gain a better perspective of the intelligence community, and develop important networks.

Equal Employment Opportunities

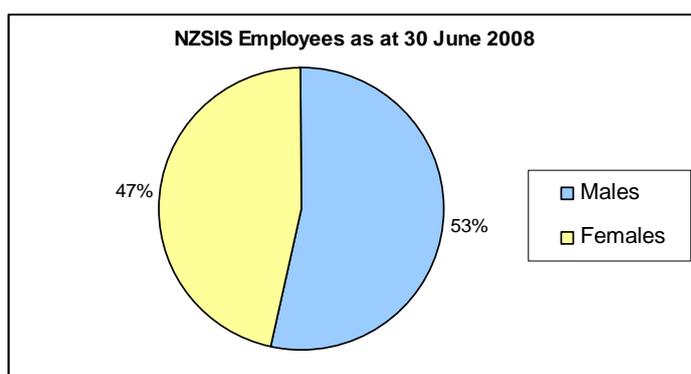
The Service has developed an EEO programme, in which it seeks to review current issues and implement plans to improve the diversity of our employees. We will also be improving Maori and Polynesian cultural understanding and awareness. The staff are involved in these initiatives.

Some roles within the Service, and the nature of the Service's policy requirements (New Zealand citizenship and a background that can be checked back 15 years), may restrict the employment of some applicants. However, this does not rule out employment, and a number of different ethnic groups are represented.

The Service demonstrates its commitment to being an equal opportunity employer through:

- a very close ratio between male and female staff; and
- applications for positions in the Service are open to any New Zealand citizen who can satisfy the security clearance requirements.

Staff ratio



Information Management

Information Technology

During the year, in line with the plan to build the Information Technology (IT) staffing capability, the position of Chief Information Officer was created and filled. The development of an organisational Information Management Strategy was commenced as a prerequisite for aligning the direction of IT with the needs of the business.

Archives

The Service holds records of significant historic interest stretching back many decades. To the extent possible, without compromising important on-going intelligence and methods, and respecting individuals' privacy, these records are being made public through an ongoing programme of review and declassification, followed by release into the custody of Archives New Zealand.

The first records to be transferred from the Service to Archives NZ were the Special Branch files relating to the 1951 waterfront dispute. They became available to the public on 27 March 2008.

Another significant release was the documents relating to William Ball Sutch, on 6 June 2008, in response to an OIA request. Since Dr Sutch's acquittal in 1975 of charges under the Official Secrets Act 1951 there has been considerable interest in, and speculation about, the information held by the Service in relation to the case. A related document, a Top Secret report by the then Chief Ombudsman, Sir Guy Powles, was declassified and released jointly by the Chief Ombudsman and the Director of Security at the same time.

Legal Matters

The Service's legal team provides advice on legal and statutory matters.

During the year the team provided advice on the application and interpretation of the New Zealand Security Intelligence Act 1969 and other relevant legislation.

Legislation and Treaties

There have been no amendments to the New Zealand Security Intelligence Service Act 1969 in the 2007/08 year.

The Service was consulted on a number of proposed amendments to other legislation, where relevant to security. They included:

- the Aviation Security Legislation Bill (divided into the Civil Aviation Amendment Act 2007 and Aviations Crimes Amendment Act 2007);
- the Births, Deaths, Marriages and Relationships Registration Amendment Act 2008, which was subsequently passed in July 2008;
- the Immigration Amendment Bill, particularly the provisions relating to the use of classified information; and
- the Privacy (Cross-border Information) Amendment Bill.

The Terrorism Suppression Amendment Act 2007 addressed some inconsistencies with respect to New Zealand's obligations under the Charter of the United Nations and related United Nations Security Council resolutions on terrorism.

Policy Contribution

The Service has been involved in a range of policy forums related to security. In particular, we have been consulted by the Law Commission on the Public Safety Review and the proposed Search and Surveillance Bill (although this relates specifically to law enforcement agencies). The Service has contributed to the Public Safety Review by preparing material, providing background briefings on terrorism generally to the Law Commission.

Oversight and Review

The Service operates within an oversight and accountability framework which includes the Executive, Parliament, and independent authorities such as the Inspector-General of Intelligence and Security, the Commissioner of Security Warrants, and the Officers of the Privacy Commissioner and the Ombudsmen. This multi-layered approach to oversight provides an assurance that the Service's work is transparent at a number of levels.

Intelligence and Security Committee (ISC) of Parliament

The Intelligence and Security Committee is a statutory committee of Parliamentarians established by the Intelligence and Security Committee Act 1996. The functions of the Committee include examination of the policy, administration, and expenditure of the Service and the GCSB, to receive any bill or other matter referred to them by the House of Representatives in relation to the Service or GCSB, and to receive and consider the annual reports of the Service and GCSB.

In the past year, the Director of Security has appeared before the Committee in respect of the NZSIS Annual Report, budgetary estimates, and Statement of Intent.

Inspector-General of Intelligence and Security

The Service is subject to the oversight of a retired High Court Judge, the Inspector-General of Intelligence and Security. The present Inspector-General is the Hon. Paul Neazor. The Inspector-General is responsible for the oversight and review of the Service, including ensuring that the Service's actions comply with the law. He also investigates complaints about the Service.

The Service continued to be involved in the Review of the Security Risk Certificate about Mr Ahmed Zaoui by the Inspector-General during the first part of this period.

With the resolution of the Security Risk Certificate review about Mr Zaoui, the Inspector-General has been following a work programme approved by the Minister in Charge.

This programme has involved the Inspector-General making written enquiries of the Service, carrying out reviews of files and other material held by the Service, and holding discussions with a wide range of Service personnel. The Inspector-General has made some suggestions for improvement to the Service which are being acted upon.

The Inspector-General has also carried out enquiries with the Service on nine other matters where individuals have made a complaint or sought his assistance. Four of the matters related to vetting issues. The other matters related to complaints by individuals concerned about possible interference by the Service. The Inspector-General found no basis for any of these complaints.

Official Information Act and Privacy Requests

In the period under review 46 applications for information were considered under either the Official Information Act 1982 (OIA) (31 requests) or the Privacy Act 1993 (15 requests). Security and privacy considerations sometimes preclude the public release of information, and the Service was unable to meet four OIA requests (for access to briefing papers) and two Privacy Act requests.

Those denied access to information have the right to appeal to the Ombudsmen or the Privacy Commissioner. In the review period one complaint was made to the Ombudsmen. This has yet to be determined. Two outstanding OIA complaints were resolved: in one instance the Service's withholding grounds were sustained; the other more protracted case was settled with the release of part of the Sutch file. Three complaints were made to the Privacy Commissioner and await resolution.

Requests for information increased three-fold over the previous year, probably due to publicity surrounding the transfer of Service records to Archives NZ.

Parliamentary Questions

Fourteen questions for written answer and one question for oral answer were addressed to the Minister in Charge of the Service during the 2007/08 period. Seven of those for written answer were generic questions for all government departments or agencies. Other questions related to the Inspector-General's Review of the Security Risk Certificate about Mr Ahmed Zaoui and matters of expenditure by the Service.

STATEMENT ON WARRANTS

In accordance with section 4K of the New Zealand Security Intelligence Service Act 1969 ("the Act"), I submit the following statement on warrants for the year ending 30 June 2008, the year under review.

This report includes information on domestic and foreign interception warrants issued under subsections (1) and (2) of section 4A and in force at any time during the year under review.

Domestic

During the year under review twenty-five (25) domestic interception warrants were in force. Of those, fourteen (14) were issued during the year under review, and eleven (11) were issued during the previous year but remained in force for some part of the year under review. Action was taken under all domestic warrants during the year under review. The average length of time for which those warrants were in force during the year under review was 153 days. There were three amendments under section 4D of the Act. The methods of interception and seizure used were listening devices and the copying of documents.

The information obtained materially contributed to the detection of activities prejudicial to security, or produced foreign intelligence essential to security, that was not likely to have been obtained by other means.

Removal

No removal warrants were in force during the year under review.

Foreign

Foreign interception warrants were in force during the year under review.



Dr Warren Tucker
Director of Security

DATED at Wellington this 30th day of September 2008.

I have reviewed all warrants in force during the period beginning 1 July 2007 and ending 30 June 2008 and certify that the information set out in the above Statement on Warrants is correct.



Rt Hon Helen Clark
Minister in Charge of the
New Zealand Security Intelligence Service

DATED at Wellington this 30th day of September 2008.

PART THREE

REVIEW OF OUTPUT PERFORMANCE

REVIEW OF OUTPUT PERFORMANCE

This section reports on the Service's output performance as set out in the 2006/07 Statement of Intent.

Output Class Summary

The Service aims to achieve its outcomes through the delivery of three outputs contained within a single output class.

Output Class 1:

The objective of the New Zealand Security Intelligence Service is to provide the Vote Minister with timely and reliable intelligence assessments and protective security advice through:

- a. the collection, collation and evaluation of information relevant to national security;
- b. the dissemination of intelligence to the Vote Minister and, as applicable, to the Leader of the Opposition and departments of State;
- c. the provision, on request, to other government departments and public authorities within New Zealand, of protective security advice relating to physical, technical, document and building security; and
- d. liaison with overseas security and intelligence organisations and public authorities.

The New Zealand Government purchased the following Outputs from the Service:

Output 1: Security Intelligence

Output 2: Protective Security Advice

Output 3: Foreign Intelligence

PERFORMANCE INFORMATION

As noted earlier, Service is still developing its measurement and monitoring capability, particularly from the quality perspective. This progressive approach was discussed with, and endorsed by, appropriate central agencies, during the 2007/08 financial year.

Detailed information relating to the output performance of the Service has been deleted from this public version of the NZSIS Annual Report, for reasons of security.

PART FOUR

FINANCIAL STATEMENTS

STATEMENT OF RESPONSIBILITY

In terms of the New Zealand Security Intelligence Service Act 1969 section 4J (1), I am responsible as Director of Security of the New Zealand Security Intelligence Service, for delivering to the Minister a report on the activities of the Service during the year ended 30 June 2008, as if it were an annual report under the Public Finance Act 1989.

I am responsible for the statements of expenditure and appropriation and the judgements made in the process of producing those statements.

I have the responsibility of establishing and maintaining, and I have established and maintained, a system of internal control procedures that provides reasonable assurance as to the integrity and reliability of financial reporting.

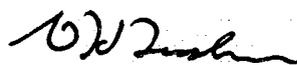
In my opinion, these financial statements fairly reflect the operations of the Service for the year ended 30 June 2008.

STATEMENT OF EXPENDITURE AND APPROPRIATION

In accordance with the Public Finance Act 1989 Section 45E, I report as follows:

	\$000
Total Appropriation	33,751
Actual Expenditure	32,807

The financial statements are audited by the Auditor-General and their report is attached.



Dr W H Tucker
Director of Security
30 September 2008

**AUDIT REPORT
TO THE READERS OF THE
NEW ZEALAND SECURITY INTELLIGENCE SERVICE'S
STATEMENT OF EXPENDITURE AND APPROPRIATION
FOR THE YEAR ENDED 30 JUNE 2008**

The Auditor-General is the auditor of the New Zealand Security Intelligence Service (the Service). The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit of the statement of expenditure and appropriation (the statement) on his behalf, for the year ended 30 June 2008.

Unqualified Opinion

In our opinion the statement of expenditure and appropriation of the Service on page 24 fairly reflects the actual expenses and capital expenditure against the Service's appropriation for the year ended 30 June 2008.

The audit was completed on 30 September 2008, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Chief Executive and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the statement did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the statement. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the statement. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Chief Executive;

- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all the statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the statement.

We evaluated the overall adequacy of the presentation of information in the statement. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Chief Executive and the Auditor

The Chief Executive is responsible for preparing a statement that provides a record of the total of actual expenses and capital expenditure incurred for the financial year against the Service's appropriation for that financial year. The Chief Executive's responsibilities arise from section 45E of the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 45D(2) of the Public Finance Act 1989.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

In addition to the audit we have carried out an independent review over costing for implementing a telecommunications solution relating to the Telecommunications (Interception Capability) Act 2004, which was compatible with those independence requirements. Other than the audit and this assignment, we have no relationship with or interests in the Service.



S B Lucy
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Matters relating to the electronic presentation of the audited statement of expenditure and appropriation

This audit report relates to the statement of expenditure and appropriation of the New Zealand Security Intelligence Service (the Service) for the year ended 30 June 2008 included on the Service's website. The Service's Chief Executive is responsible for the maintenance and security of the Service's website. We have not been engaged to report on the integrity of the Service's website. We accept no responsibility for any change that may have occurred to the statement since it was initially presented on the website.

The audit report refers only to the statement named above. It does not provide an opinion on any other information which may have been hyperlinked to/from this statement. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited statement and related audit report dated 30 September 2008 to confirm the information included in the audited statement presented on this website.

Legislation in New Zealand governing the preparation and dissemination of the statement may differ from legislation in other jurisdictions.