



New Zealand
Security Intelligence
Service
Te Pā Whakamarumarū

Annual Report

For the year ended 30 June 2015

Preface

This is the unclassified version of the Annual Report of the New Zealand Security Intelligence Service (NZSIS) for the year ended 30 June 2015. This version will be tabled in Parliament, and made available to the public via the NZSIS internet site (www.nzsis.govt.nz).

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

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

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Part One: Overview of the year

Minister's Foreword

I was appointed as the Minister in Charge of the New Zealand Security Intelligence Service (NZSIS) and the Minister Responsible for the Government Communications Security Bureau (GCSB) in October 2014. My appointment marked the first time that these portfolios have been held by someone other than the Prime Minister. This change was made after examining overseas models and what was adopted is very similar to our closest partners. The Prime Minister, in his role as Minister for National Security and Intelligence, is responsible for leading the national security system including policy settings and the legislative framework. I set and exercise Ministerial oversight of the NZSIS and GCSB.

One of my first observations after taking up my new responsibilities was the dedication of NZSIS and GCSB staff, and their commitment to protecting the security of New Zealanders. For the most part, the work NZSIS and GCSB undertakes goes unseen, but I support and encourage both agencies' efforts to increasing the transparency and openness of their activities where possible.

Both portfolios have demonstrated to me the value to New Zealand of belonging to the Five Eyes intelligence community. In February 2015 I attended the Five Eyes countries' Ministerial Meeting in London. It was clear that, although we differ greatly in scale, we are all facing similar security threats and concerns. It was also clear that because of our strong relationships, and our ability to leverage off each other's unique strengths and capabilities, we are in a much stronger position to address the challenges before us.

In December 2014 legislative changes were introduced to counter the increasing threat from foreign terrorist fighters. These changes enhanced NZSIS's powers of surveillance, specifically in relation to foreign fighters, but under strict conditions and supervision. The changes also amended the provisions relating to travel document cancellations, the duration of the cancellation and refusal to issue travel documents. The legislative changes were supported by additional funding so NZSIS was better able to respond to the evolving threat posed by foreign terrorist fighters.

The 2015/16 year looks to be another busy year for NZSIS and other agencies of the New Zealand intelligence community, particularly in responding to the first independent review of New Zealand's intelligence and security legislation.

NZSIS is an important organisation making a material difference. There is a lot of change underway and the Director is continuing to address the issues raised in the 2014 Performance Improvement Framework Report and in a recent compliance review. With strong leadership and a dedicated workforce, the NZSIS is well placed to embrace this change.



Hon Christopher Finlayson QC

Minister in Charge of the New Zealand Security Intelligence Service

Director's Overview

I am pleased to present the 2014/15 Annual Report, which represents my first full year as Director of Security. I remain fully committed to my role and to this organisation for two key reasons: firstly the dedication and quality of the people who work here; and secondly the important role the NZSIS plays in keeping New Zealand and New Zealanders safe.

Change programme

Over the past year we embarked on a comprehensive change programme called Summit. This change programme is focused on five critical success factors to drive the change: match-fit leadership, outstanding people, systems that enable, delivery excellence and powerful profile. While significant progress has been made, Summit is an ongoing change programme and will ensure NZSIS:

- has strong and effective leaders driving the business forward;
- has strong compliance culture, systems and processes;
- recognises and supports our staff to be the best they can be in their roles;
- has the right tools to enable our staff to do their jobs efficiently and effectively;
- delivers what our stakeholders expect of us; and
- is valued and our stakeholders understand our contribution to keeping New Zealand and New Zealanders safe.

Both the PIF and the IGIS reports identified areas where we can make improvements. We have worked on strengthening our culture and our values, and we have been developing different operating models to ensure we can deliver our business as effectively and efficiently as we can. Like any organisation, the NZSIS is continually reflecting on whether its processes could be refined. Processes such as the NZIC Capability Review and the 2015 Legislative Review provide critical opportunities for us to strengthen our organisation and the NZIC, which we will continue to do over the coming years.

Foreign fighters, violent extremism and security intelligence

The past 12 months has seen a significant increase in the global terrorism threat. When I started as Director of Security in May 2014, the so-called Islamic State of Iraq and the Levant (ISIL) barely featured in the New Zealand lexicon. Now, rarely does a day go by when we don't see or hear of some act of violent extremism, often claimed by ISIL. ISIL's strong reliance on social media to recruit followers and as a coordination tool means they have near unlimited access to current and would-be fighters. There are a number of examples overseas of ISIL's communications strategy and tactics being experienced, including Paris, Belgium, Ottawa, Melbourne and Sydney where lives have been taken or threatened.

The threat to our security posed by foreign terrorist fighters is real and continues to develop rapidly. This threat was acknowledged by the Government at the end of last year with additional investment of almost \$7 million across 2014/15 and 2015/16 to increase our capability and capacity to respond to these threats. The Government also introduced a number of much needed legislative amendments specific to countering terrorism.

Protective Security

Government agencies face diverse and complex threats to the security of their people, information and assets. These threats range from state sponsored efforts to steal information or influence government policy through to staff acting against the best interests

of their agency. Recent events in New Zealand and overseas reinforce the need for government departments to take security seriously.

In December 2014, Cabinet approved the new Protective Security Requirements (PSR). The PSR has been a core deliverable for the NZSIS and was a significant piece of interagency work to implement. We started working with the 35 agencies mandated to implement the PSR. However, interest has been such that a further 28 agencies are now voluntarily embracing the PSR and enquiries continue to grow.

Interest in the PSR reflects a growing security culture across government. It reflects recognition across government that we need to reduce vulnerabilities in the public sector to ensure people and businesses have the confidence to interact with government. Reducing vulnerabilities also supports economic growth and ensures our international reputation is protected.

Oversight and accountability

The Inspector General of Intelligence and Security provides external accountability and oversight of our work. The Office of the IGIS has been strengthened from a part-time IGIS and secretary to a full-time IGIS, Deputy, and six full-time investigators. The IGIS and her staff are free to come into our workplace to look at anything and everything we do.

In November 2014, I commissioned a review of compliance with operational policy and processes within NZSIS. Overall, the review highlights that NZSIS staff are diligent in their duties and mindful of their obligations. They do their best to conduct themselves in a manner which is both lawful and proper. Our systems and processes, however, need strengthening to ensure a systematic and standardised approach to operational compliance in NZSIS. A programme to establish a dedicated compliance function will be implemented over the coming year.

Final thoughts

In last year's Annual Report I touched on a number of the challenges that lie ahead of us. For an organisation that has around 240 staff, managing the constant challenges and organisational changes over the past year, as well as managing the increase in operational tempo is a testament to the dedication of our staff.

Given the size of the task facing us, it is impossible for us to do our work on our own. We rely on assistance from other New Zealand government departments as well as our international partners. The issues we are facing are not limited by geographical borders and support from our international counterparts helps us to develop the best possible picture of the threats faced in New Zealand and for New Zealanders.

Together with others within the NZIC, I am working on increased openness and transparency wherever possible. I believe that it is difficult for NZSIS to be valued if we cannot tell our story. While it is not possible to discuss the specifics of our operational work, I have had a number of engagements with media or interest groups to talk more generally about the work we do and why we do it.



Rebecca Kitteridge
Director of Security

Nature and scope of functions

The NZSIS aims to provide leading edge intelligence for a safe and thriving New Zealand.

The roles of the NZSIS are broadly split into three functions:

- A security service using a wide variety of sources and methods to provide assurance of safety and security (including economic wellbeing) to New Zealand and New Zealanders at home and abroad. This security intelligence role, which consumes the greatest part of the NZSIS's resources, is about identifying threats within and to New Zealand and its citizens overseas, threat reduction, and working to mitigate the risks arising. These threats include terrorism and espionage against the New Zealand government.
- A foreign intelligence service to support security in our region. Foreign intelligence in the NZSIS context primarily relates to regional security in the Pacific and includes understanding what others are doing or intending to do and are trying to keep from us. Foreign intelligence, and the assessment of it, is vital for knowing what is going on in the world, whether it is strategic challenges, political or economic instability, or security issues. In this role, the fundamental business of intelligence is about helping decision makers manage the risks to New Zealand's interests.
- A provider of protective security advice and security screening services. Protective security is about reducing vulnerability, and to be effective it needs to be systematic and apply across three domains - people, information and assets. The NZSIS's role is about providing advice and support to New Zealand State sector agencies across the range of vulnerabilities and alongside the responsibilities of others. This area includes vetting services.

Over this reporting period our responsibilities have included:

- obtaining, correlating and evaluating intelligence relevant to security;
- providing advice to Ministers of the Crown in respect of matters of security;
- consulting regularly with the Leader of the Opposition for the purpose of keeping him informed about matters relating to security;
- conducting inquiries into whether particular individuals should be granted security clearances;
- making recommendations in respect of individuals applying for citizenship or for visas to New Zealand; and
- advising on protective security measures to Ministers of the Crown and state sector agencies.

The NZSIS head office is based in Pipitea House on Pipitea in Wellington. The NZSIS also has regional offices operating in Auckland and Christchurch and three overseas liaison offices. As at 30 June 2015 the NZSIS had 237 full time equivalent staff.

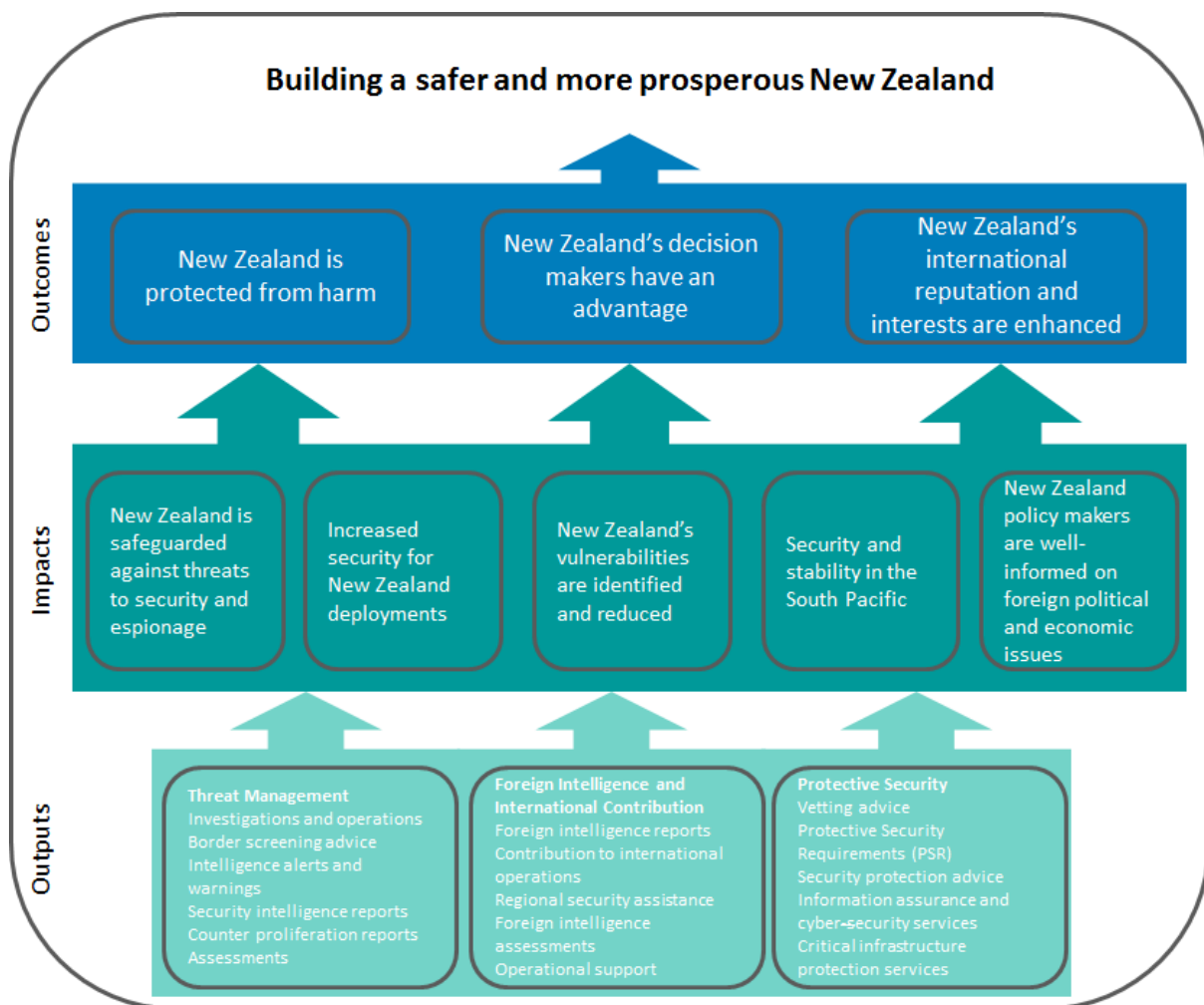
Covert activity

Much of the work of the NZSIS has a covert element to it. In the case of the NZSIS, covert activity is a necessary tool to protect the work that is being conducted. There are circumstances where it is not appropriate to publicise a threat, such as a terrorist event in the planning. There are a number of reasons for a covert approach: because the damage can be magnified by publication, to avoid tipping off a perpetrator, to allow the collection of evidence for further action, and, critically, because there are instances where the person or organisation under investigation may be found to be innocent of the original cause of suspicion.

Part Two: Our work in detail

The New Zealand Intelligence Community Joint Strategic Framework

The long-term outcomes and impacts the NZSIS, as a part of the New Zealand Intelligence Community, is seeking to achieve for New Zealanders are outlined in our performance framework below:



Meeting New Zealand Intelligence Community sector challenges

This section demonstrates NZSIS's contribution to, and delivery against, the overarching NZIC sector challenges. These challenges are articulated in the joint NZIC Statement of Intent 2013-17.

Consistent with its security intelligence mandate, the NZSIS identifies and helps safeguard New Zealand against threats from violent extremism, espionage, sabotage and subversion.

We have three long-term outcomes we are seeking to achieve for New Zealanders:

- New Zealand is protected from harm;
- New Zealand's decision makers have an advantage; and
- New Zealand's international reputation and interests are enhanced.

In this Annual Report, our contribution to these outcomes is recognised by our areas of work contributing to our impacts. This Annual Report identifies some of the work the NZSIS has done over the period 1 July 2014 to 30 June 2015 to meet government expectations of us as a security agency.

Identifying threats to security from violent extremism

Contributes to impact:

New Zealand is safeguarded against threats to security and espionage

What do we do and why is it important

One of our key roles is to protect New Zealanders at home and abroad from being victims of violent extremism. This role is about using our people, our technology and our relationships with other State sector departments or international partners to identify individuals who have expressed a desire to carry out violent extremism. In conjunction with critical partners such as the New Zealand Police, New Zealand Customs and the New Zealand Defence Force (NZDF), we help ensure that threats do not become events and New Zealand and New Zealanders do not become perpetrators or victims of terrorism.

The so called Islamic State of Iraq and the Levant (ISIL) continues to attract large numbers of Western followers. ISIL's strong reliance on social media to recruit followers and as a coordination tool means it has near unlimited access to current and would-be fighters. In 2014/15, we have faced a significant step-change in foreign fighter related investigations.

What we have achieved

The counter-terrorism threat has become even more of a reality for the NZSIS given global events. We have had a number of operations requiring ongoing extended coverage for significant periods of time and the tempo has increased such that NZSIS has sought considerable support from other Government departments.

In addition to the New Zealand-based threat, the total number of New Zealanders in Syria / Iraq fighting alongside ISIL has increased. We have also seen an increase in the number of females travelling to Syria / Iraq to marry jihadist fighters. The total number of New Zealanders in Syria and Iraq is likely to increase in the coming year. Individuals fighting alongside ISIL are recognised as posing a significant threat upon return to New Zealand or other countries. While we have not yet experienced a returnee fighter, there is a realistic possibility that this will occur in the near future.

Targeted Review of Capability, Capacity and Legislation

In October 2014, a targeted review of capacity, capability and legislation was undertaken to ensure we can adequately respond to the evolving domestic threat from foreign terrorist fighters. The focus of the review was on interim measures that could be taken in advance of the 2015 statutory review of the security and intelligence agencies and Budget 2015. The review considered what measures could add to the safety and security of New Zealand in the short term.

The review concluded there were targeted legislative amendments that could enhance powers to monitor and investigate, and to restrict and disrupt travel. The Countering Terrorist Fighters Legislation Bill was introduced into the House for its first reading in November 2014. Following public consultation and Select Committee consideration the Bill was passed into law in December 2014. The legislative changes included:

- enabling visual surveillance to be carried out under warrant in a private place involving trespass onto private property;
- the ability for the Director of Security to authorise surveillance activities for 24 hours in situations of urgency or emergency without a warrant;
- amendments to the Passports Act to:
 - cancel or refuse to issue a passport or other travel documents on the grounds that a person is a danger to any other country;
 - extend the possible cancellation or refusal to issue period from 12 months to three years;
 - allow the Minister of Internal Affairs to suspend a person's travel document for up to 10 days if the person is likely to travel imminently;

The review also identified the need for additional investment to increase the capacity and capability of NZSIS to monitor and investigation foreign terrorist fighters and other violent extremists. The increase in funding provided for additional staff and as at 30 June 2015, around 80% of the roles had been filled, or candidates were in vetting.

Protection of New Zealand from acts of espionage and foreign interference

Contributes to impacts:

New Zealand is safeguarded against threats to security and espionage
 New Zealand's vulnerabilities are identified and reduced
 New Zealand policymakers are well-informed on foreign political and economic issues

What do we do and why is it important

A critical role of the NZIC and of the NZSIS is to help government protect its information, assets and people.

Foreign powers are conducting espionage and other hostile state-based activities (such as foreign interference) against New Zealand. Foreign Intelligence Services (FIS) seek unauthorised access to information in support of economic objectives, as well as to fulfil traditional political and military requirements. Their success threatens New Zealand's defence, intelligence, scientific and technical capabilities and intellectual property, trade and international relations, and may endanger individual New Zealanders who may be subject to coercion or threatened with violence.

The FIS threat is multi-dimensional and includes traditional human-based intelligence operations including espionage; to highly-sophisticated cyber espionage operations. Proliferation or intangible technology transfer (i.e. those areas which are characterised as part of NZSIS's counter-proliferation work) are also considered in the context of state-based threats.

FIS activity can be driven by long term strategic desires of the hostile state, or short-term imperatives which can intensify as a result of trigger events.

New Zealand faces FIS threats at home and abroad – wherever our interests are present, including but not limited to, our overseas missions. FIS threats inside New Zealand may be conducted by declared and undeclared intelligence officers in the foreign official presence and/or using intelligence platforms – both commercial and cultural – established under diverse non-official cover arrangements. Outside New Zealand, the threat is highest where

sensitive New Zealand information and assets are exposed to the full spectrum of the host government's intelligence collection apparatus or to the combined effects of the host government and third-country intelligence agencies working together.

What we have achieved

In 2014/15, NZSIS investigations continued to demonstrate that the list of governments and their intelligence services that undertake espionage and other hostile state-based activities against New Zealand extends across the spectrum of our relationships.

NZSIS's cyber security role

The NZSIS also has a role in identifying and countering hostile state-based activities in cyber space. It is an area where the NZSIS and GCSB work together to bring complementary capabilities to the NZIC cyber security response. NZSIS views cyber threats through the prism of our other counter-espionage work, bringing context and threat understanding to the fore. NZSIS investigations typically seek to contextualise the cyber threat in the broad threat environment, noting that cyber is just one vector used by our adversaries. An appreciation of the espionage threat, in all its manifestations, affords the best articulation of the threat from hostile FIS.

Supporting security and stability through foreign intelligence and offshore events

Contributes to impacts:

Security and stability in the South Pacific
New Zealand policymakers are well-informed on foreign political and economic issues
Increased security for New Zealand deployments

What do we do and why is it important

We conduct foreign intelligence activities to ensure Ministers and state sector agencies are fully informed about international issues of importance to New Zealand.

The insights we gain help keep our region safe and secure.

What we have achieved

We provided intelligence support at a number of major events held in 2014/15 including the 2015 ANZAC Day Commemorations in Gallipoli, which is outlined in more detail below.

2015 ANZAC Day Commemorations in Gallipoli

This year was the 100th anniversary of the ANZAC landing at the Gallipoli peninsular. Each year the New Zealand Government sends a team comprising NZDF, Veterans Affairs New Zealand, Ministry of Foreign Affairs and Trade (MFAT), New Zealand Police as well as NZSIS.

NZSIS attendance at these commemorations ensures timely and accurate intelligence is provided to senior New Zealand Government officials, including the New Zealand Ambassador to Turkey. Attendance at the 2015 was the largest ever and included members of the public, officials and VIPs. Ensuring safe passage to and from the peninsular (or other locations within Turkey) is a vital role for NZSIS. Relationships with Five Eyes agencies are also important, more so in 2015 given the number and profile of VIPs.

Assessing threats to New Zealanders through the Combined Threat Assessment Group (CTAG)

Contributes to impacts:

New Zealand is safeguarded against threats to security and espionage
New Zealand policymakers are well-informed on foreign political and economic issues

What do we do and why is it important

CTAG assesses terrorist, violent protest and civil unrest threats posing physical harm to New Zealand, its citizens and its interests, both domestically and overseas. CTAG identifies threats posed by individuals, groups or entities to New Zealand's national security and ensures accurate and timely reporting of assessment advice of these threats to the appropriate domestic and international stakeholders, so any risks can be assessed and treated.

CTAG is an inter-agency group, currently staffed with individuals from the NZSIS, NZ Police, NZDF, AVSEC and the GCSB.

What we have achieved

In 2014/15 we saw the international threatscape expand with the rise of ISIL, including examples of terrorism and violent extremism occurring in our nearest neighbours. Where the global trend may have once been confined to the Middle East and Africa, we saw more examples playing out in Europe (Charlie Hedbo), North America (Canadian National War Memorial and Parliament) and Australia (Martin Place siege, Sydney). CTAG provided a number of threat assessments in response to these and other events and their impact to New Zealand and New Zealand interests.

On the domestic scene, CTAG continued to see reflections of the international threatscape grow with increased numbers of individuals or groups of concern in New Zealand. In October 2014, CTAG completed and delivered a national threat assessment, which elevated the New Zealand threat level from VERY LOW (a terrorist attack, or violent criminal behaviour, or violent protest activity is assessed as unlikely) to LOW (a terrorist attack, or violent criminal behaviour, or violent protest activity is assessed as possible, but is not expected). This assessment was the first time the national threat assessment (LOW) was made public.

In 2014/15, CTAG also produced a number of threatscape and threat assessments. Examples of the type of assessments include:

- monitoring the threat over the ANZAC Day period; and
- producing assessments in relation to the New Zealand's hosting events for the ICC Cricket World Cup 2015

Protecting our border

Contributes to impacts:

New Zealand is safeguarded against threats to security and espionage
New Zealand's vulnerabilities are identified and reduced

What do we do and why is it important

The NZSIS contributes to protecting New Zealand's border by identifying, investigating and, if necessary, alerting Immigration New Zealand (INZ) to any New Zealand visitors who may pose a security risk. Between INZ and NZSIS we can identify and monitor travellers with identified international terrorist links, or weapons of mass destruction proliferation links.

What we have achieved

2015 Cricket and FIFA Under 20 World Cups

In 2015, New Zealand hosted two major sporting events: the Cricket World Cup (CWC) from 14 February to 29 March (co-hosted with Australia); and the Football Under 20 (FIFA U20) World Cup from 30 May to 20 June.

NZSIS's contribution to delivering safe and secure events was done by assisting NZ Police with the Police Event Security Checks (PESCs). An automated screening process was implemented between NZ Police and NZSIS to process the PESCs and this dramatically increased the efficiency and effectiveness of the security checks.

In February 2014, the Prime Ministers of New Zealand and Australia announced a Trans-Tasman Visa waiver programme would be put in place for the CWC. This programme enabled international visitors to apply for a single Australian-issued visitor visa to visit both countries, without the requirement to apply for a separate New Zealand-issued visa. The arrangement was in place from 26 January and 5 April 2015. NZSIS worked closely with partners to ensure any risks associated with the visa waiver were managed.

Ensuring the trust and confidence in New Zealand's protective security systems

Contributes to impacts:

New Zealand is safeguarded against threats to security and espionage
New Zealand's vulnerabilities are identified and reduced

What do we do and why is it important

In order for the government to do its business, it must be able to protect its information, assets and people. One of the first lines of defence is to establish the trustworthiness of people who handle or manage classified information. This protective function is known as the vetting system, for which the NZSIS is responsible. We advise government agencies on the trustworthiness and reliability of staff who may require access to classified information. We also advise on the procedures by which classified information must be managed. This process is designed to ensure that classified information is protected and is only available to approved people.

NZSIS vetting officers make enquiries and examine a number of indicators to establish an individual's trustworthiness or any vulnerabilities that may pose a security risk. We do not grant clearances, but make a risk-based recommendation to the employing chief executive as to whether a security clearance should be granted. A security clearance is required by all those who access government information classified as "Confidential" or higher.

Our recommendations form the basis for state sector agencies to grant staff access to classified information at the level commensurate with the security clearance level they have been granted. While the majority of individuals reach these levels of trustworthiness, others are found to have vulnerabilities that could be exploited or put the security of information at risk. These people may receive an adverse or qualified recommendations, and, in the latter case, the employers need to mitigate the risk before granting a security clearance.

NZSIS also has a role supporting and ensuring that Government's expectations for managing personnel, physical and information security are met. These Protective Security

Requirements provides a policy framework for government departments that, when implemented, provides pathways for successfully protecting people, information and assets.

What we have achieved

In December 2014 Cabinet agreed to adopt the Protective Security Requirements (PSR) and directed all Public Service departments as well as the New Zealand Defence Force, the New Zealand Police, the Parliamentary Counsel Office and the NZSIS to implement the PSR.

Commenced in 2013/14, the PSR is an initiative to ensure New Zealanders have trust and confidence that the government takes all aspects of protective security seriously.

Protective security spans personnel, information and physical security controls designed to protect New Zealand's people, information and assets. Effective measures protect:

- agency staff and visitors from threats of violence;
- agency assets from damage and theft;
- agencies from insider threats such as leaks and embezzlement;
- New Zealanders' private data held by agencies;
- New Zealand's economic wellbeing, for instance through safeguarding intellectual property and economic and trade data; and
- official and national security classified information and assets.

The PSR has been rolled out to all public sector departments and agencies since December 2014. The PSR includes 29 mandatory requirements which cover security governance, personnel security, information security and physical security. The new framework will provide a single source of better tools and guidance for departments as they implement requirements. It includes active support for departments through a dedicated team of security engagement managers, employed by the NZSIS, to provide ongoing support and advice. The framework has been designed to dovetail with the improvement to agencies' privacy settings, which is being led by the Government Chief Information Officer and the Government Chief Privacy Officer (GCPO).

Agencies will also be required to report annually as part of an assurance framework on the effective implementation of the PSR. The assurance framework has been developed in association with the GCPO and will be rolled out in September 2015. The first reports are due in March 2016.

In addition to, and connected to the PSR, the NZSIS continued to develop the NZIC Security Toolbox. This is New Zealand's first, and at this stage only, online portal capable of holding restricted level information. Developed collaboratively by the NZSIS and the GCSB, and owned by the NZSIS, the NZIC Security Toolbox is a cross government website designed to allow the sharing of security content, including policies to support collaborative activities across government in the protective security space.

In 2014/15, the NZSIS completed the customer vetting file digitisation. This project digitised all paper based customer vetting files and has made them available digitally straight to the desktop of our vetting staff. The digitisation process has provided significant efficiencies by providing on-site, immediate access to files that otherwise had to be physically sought out and delivered to the requestor.

The NZSIS also completed the Online Vetting Requests (OVR) 'Sustainment' project to improve the online system used by individuals to complete security clearance applications.

The project provided a version upgrade to address security vulnerabilities as well as an enhancement package to allow the system to remain in service until there is a better view of the technology required to support the end-to-end Security Clearance Management (SCM) system under the Protective Security Requirements programme.

While the NZSIS had a number of changes and improvements to systems and processes, the 2014/15 year has not been as successful for the completion of vettings. Due to the increase in operational tempo in the counter-terrorism area, staff resources were re-directed to support our counter-terrorism work. As a process-driven area of the business, the reduced resourcing resulted in a vetting backlog. The NZSIS recognised there was a risk in allowing a backlog to develop, however, the most critical need was to respond to the immediate possible terrorism threat (for which additional funding was provided).

Work commenced in 2014/15 to address the ongoing challenges with the delivery of security clearances. This included re-evaluating how vetting services are provided across the NZSIS, in order to improve delivery effectiveness, efficiency and risk mitigation/management. In 2015/16, NZSIS will be working to deliver vetting services more efficiently to increase application processing speed along with customer satisfaction, while at the same time improving sustainability and staff engagement.

The NZSIS also provided pre-posting security briefings and pre-travel briefings to a number of New Zealand officials and diplomats on threats that may be faced on official visits abroad, and offered mitigation solutions.

Keeping the New Zealand Intelligence Community safe and secure

Contributes to impacts:

New Zealand is safeguarded against threats to security and espionage
New Zealand's vulnerabilities are identified and reduced

What do we do and why is it important

One of NZSIS's functions is to support a safe and secure NZIC, including through vetting all staff who work within the NZIC. With help from the GCSB, the NZSIS also ensures the protective security elements of the NZIC meet international standards. Our efforts ensure New Zealand's most sensitive information, people and physical premises are protected, including from harmful unauthorised disclosures.

What we have achieved

The NZSIS also investigates 'insider' concerns, conducts inquiries into unauthorised disclosure of information, and provides advice and support to the NZIC on counter-intelligence.

This counter-intelligence capability is central to the NZSIS's security strength, resilience and credibility.

Understanding our impact

NZSIS will be undertaking work in 2015/16 to identify and develop a collection of indicators that link to our outcomes and impacts, and proxy indicators that can be used where direct indicators are not possible to obtain.

Part Three: Organisational health and capability

Operating in a changing environment

NZSIS experienced a year of significant change in 2014/15, led by Rebecca Kitteridge, who was appointed as Director of Security on 1 May 2014. Through the Director, the NZSIS has set about embedding culture and system change to ensure that the NZSIS is better positioned to support the NZIC's goal of "building a safer and more prosperous New Zealand".

Capability Review

In 2014, following completion of the NZIC four-year planning process, the NZIC committed to undertake a Capability Review. The Review will identify options for presentation to the Government that address the relationship between the New Zealand Government's security and intelligence requirements, the capability that the NZIC needs to meet these requirements, and the resourcing of the NZIC.

In 2015/16, the NZIC will provide options to Ministers on the NZIC's future configuration and activities.

Summit - NZSIS's organisational change programme

In 2014, the three agencies comprising the core NZIC were reviewed under the Performance Improvement Framework (PIF). The PIF identified the performance challenges for the agencies in terms of the NZIC's purpose, targets, business strategy and operating model.

For the NZSIS, there were a number of performance challenges identified by the PIF reviewers. Many of these were not new, and it was recognised that to address these challenges the NZSIS needed to embark on an overall change plan. Accordingly, the NZSIS's organisational change programme, known as Summit, was continued in 2014/15 to reflect the additional elements identified through the PIF.

The Summit programme engaged all NZSIS staff to reflect on the NZSIS's strategy, work programme, behaviours for success, and what our shared future looks like. The programme was developed based on five 'Critical Success Factors' that provide the framework that drives the NZSIS's plans for change. The five critical success factors are: Match Fit Leadership; Outstanding People; Systems that Enable; Delivery Excellence; Powerful Profile.

The Summit programme identified a number of "Quick Wins" – processes or changes that staff had indicated would make a difference to them. Examples that stemmed out of or were connected to the "Quick Wins" included:

- developing an Employer Value Proposition so future NZSIS staff have a clearer idea of what it means to work for the NZSIS (outstanding people);
- improving our HR and financial information management systems so we have better data to make more informed decisions (systems that enable);
- developing an action plan for SLT to sequence and prioritise the NZSIS work programme (match-fit leadership);
- developing and agreeing new values: Collaborative, Courageous, Driven, Positive and Self-Aware. These values resonate with staff and will drive further behavioural change within the NZSIS (outstanding people and match-fit leadership).

The NZSIS also had some tangible change in 2014/15 in the area of organisational leadership. Our Senior Leadership Team made significant changes to the way they operate as a collective, including through the introduction of regular reporting and the development of a clear four-year change plan. The change plan identifies the activities we need to achieve to reach our four-year horizon and provides us with a clear strategic direction.

The change plan has informed our new organisational planning process. The new planning process has provided clarity, transparency and clear linkages between the NZSIS plan through to our operational level plans. These in turn cascade through to our performance planning and management processes moving us towards best practice standards. Developing these plans, as well as other support metrics, places us in a better position to track and monitor our performance, to support strengthened decision making.

The change that the Summit programme was originally established to provide has now largely been embedded within the business, particularly through the use of our critical success factors in key organisational documents such as the Four-Year Change plan and our 2015/16 Directorate and Branch Plans. The Summit programme will continue to provide an important mechanism for change within the NZSIS and will be used to support future engagement where the involvement of all staff is important.

In addition to the activities outlined above, the NZSIS and GCSB have worked collectively through the Intelligence Community Shared Services to address a number of leadership and organisational management areas that were highlighted in the PIF. These are discussed in more detail in the section below.

Working together - Intelligence Community Shared Services

The Intelligence Community Shared Services (ICSS) had its second anniversary in April 2015. ICSS continues to provide financial, procurement, facilities and physical security services to the NZSIS and GCSB and human resources to the NZSIS, GCSB and the Ministry of Defence. ICSS's purpose is to improve efficiency, effectiveness and service levels, as well as greater resilience to cope with the NZIC's current and future challenges. GCSB employs staff in the ICSS team.

Workforce planning

The NZIC is committed to developing its workforce. We have worked closely across the NZIC on the following programmes of activity:

- **Talent Attraction** – Both the NZSIS and the NZIC brands were refreshed and have been incorporated into our public website and external advertising. This has enhanced the understanding potential employees have of the NZSIS and the wider NZIC and highlights the NZIC as an excellent career choice. We have seen an increase in the number and calibre of candidates applying for vacancies within the NZIC. We have also changed the way we recruit by improving the assessment centre process. This has resulted in candidates arriving with an enhanced understanding of the function of the NZIC which aids in the speed by which they can acclimatise to the unique NZIC environment.
- **Leadership Development** – We re-set expectations for all people managers through the *'Manager as Coach'* programme. Approximately 100 managers across the community participated in the two-day programme aimed at enhancing their ability to act as effective coaches to their staff.

- **Career Boards** – NZIC participated in the external Security Sector Career Board with the inclusion of its Tier 2 and 3 leaders. There have been six primary job families identified within the NZIC and each job family will have a career board that will meet annually and consider applications from those who wish to advance their career within the job family. This will become an increasingly important avenue for talent management and workforce planning. It also provides a significant development opportunity for the tier 2 and 3s as future leaders within the NZIC and the wider public sector.

Work commenced in 2014/15 to develop a programme to rebuild and strengthen our intelligence officer cadre, particularly in light of the increasing counter-terrorism requirements. The 2015/16 year will see the NZSIS continue to develop and roll out a significant Intelligence Development programme, with a number of training modules targeted at specific areas and roles within the business.

One Remuneration System

This year saw a combined remuneration framework being developed for the NZIC. This framework will provide a platform for consistent management practices in relation to job evaluation, performance, remuneration and career development. Most importantly, a single remuneration framework across the NZIC supports greater job mobility within the community itself. Staff and the respective staff associations were consulted on the proposed framework in June 2015 with the target being to implement the revised policy by 30 September 2015.

Improving our financial management systems

In March 2015 ICSS implemented a new Financial Management Information System (FMIS) to provide a single financial system. FMIS gives budget managers improved tools for financial management and enables:

- more timely access to financial and contracting information;
- better financial forecasting; and
- improved decision making.

All three of these areas were identified as areas for improvement in the PIF Review.

Our staff and equal employment opportunities

Women comprise 40% of the NZSIS. This is largely unchanged from 40.5% as at 30 June 2014. Three of the eight members of the Senior Leadership Team are women, with both the Director and Associate Director roles currently held by women. Overall, we have modest representation of women in leadership roles throughout our organisation, with 24% of our tier 3 and 35% of our tier 4 leadership positions held by women.

The NZIC is a committed equal opportunity employer. We endeavour to ensure all employees have equal access to employment opportunities, and foster non-discriminatory practices in our recruitment processes.

The NZIC employs on merit, and the ability to meet the standard required for the highest level of security clearance. The NZIC workforce is less diverse than the rest of the public sector in respect of ethnicity and nationality, because it is more difficult to confirm the personal information of people who have not been resident in New Zealand for a long period of time.

NZIC Diversity Report

Our 2013/14 Annual Report highlighted the report on Diversity in the New Zealand Intelligence Community. In 2014/15, we developed an implementation plan identifying actions either underway, planned or required in order to implement the recommendations. A number of recommendations are already being addressed by other work programmes (e.g. the DPMC-led NZIC Recruitment Strategy to target recruitment to specific audiences).

Women of the NZIC

Women of the NZIC was established in May 2015. The wide variety of work undertaken in recent years across the NZIC around cultural change has provided a great opportunity to discuss, collaborate, and take action around diversity in our workforce. Women of the NZIC was formed to focus on one area of diversity - women in the workforce. Women of the NZIC aims to empower the female workforce and drive cultural change.

The objectives of this network are to:

- provide a networking forum;
- raise awareness of contemporary issues facing women in the workforce;
- advocate for cultural change; and
- develop a stronger NZIC culture on the whole.

Modernising capability

Modernising our technical and workforce capability has been advanced as part of the NZSIS Change Plan for 2014/15. A number of projects have been implemented over the past 12 months which have enhanced NZSIS's ability to enable its staff to be the best they can in their role without systems or processes acting as an impediment.

Workforce capability

The NZSIS has continued to focus on developing and enhancing its capability through a variety of initiatives. These include:

- In October 2014, Cabinet agreed to additional investment in NZSIS to increase its capability and capacity to respond to the increasing threats from foreign terrorist fighters. A programme of work was established to recruit, induct and train the additional new staff by 30 June 2015.
- An Intelligence Development Programme is being developed with training pathways identified for NZSIS staff. The programme will be rolled out from 1 July 2015 and provides staff with a clear professional development pathway.
- Undertaking reviews of its operating models to determine whether any changes are required to ensure our business is operating as effectively and as efficiently as possible and risks can be appropriately managed and mitigated.

International co-operation

The NZSIS continues to maintain and enhance its relationships with international partners. New Zealand is one of five countries that make up the Five-Eyes partnership, with the other countries being Australia, Canada, the United Kingdom and the United States of America.

For the NZIC, the Five-Eyes partnership provides New Zealand with access to systems, technology and information we would not be able to develop or have access to on our own.

We receive a significant number (in the thousands) of intelligence reports from our Five-Eyes partners of relevance to New Zealand's interests that would otherwise be unobtainable.

Oversight

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

Minister in Charge of the New Zealand Security Intelligence Service

In October 2014 the Prime Minister changed the portfolio arrangements of the NZSIS and the wider NZIC. The Prime Minister now holds the role of Minister for National Security and Intelligence and he is responsible for leading the national security system, including policy settings and the legislative framework. Hon Christopher Finlayson QC was appointed as the Minister in Charge of the New Zealand Security Intelligence Service (NZSIS) and the Minister Responsible for the Government Communications Security Bureau (GCSB). The new Minister sets and exercises Ministerial oversight of the NZSIS and GCSB. The appointment of Hon Christopher Finlayson QC to lead these portfolios marked the first time that these portfolios have been held by someone other than the Prime Minister. The change reflects similar arrangements in other countries and what was adopted is very similar to our closest partners.

The Intelligence and Security Committee of Parliament

The Intelligence and Security Committee (ISC) is a statutory committee of parliamentarians established by the Intelligence and Security Committee Act 1996 (ISC Act). The functions of the Committee include examining the policy, administration, and expenditure of the NZSIS, conducting an annual financial review of the NZSIS, receiving any Bill or other matter referred to the Committee by the House of Representatives in relation to the NZSIS, considering and discussing with the Inspector-General of Intelligence and Security his or her annual report, and receiving and considering the NZSIS annual report.

The ISC comprises the Prime Minister, two Members of Parliament nominated by the Prime Minister, the Leader of the Opposition, and one Member of Parliament nominated by the Leader of the Opposition.

2015 Independent Review of Intelligence and Security

In accordance with section 21 of the ISC Act, a review of the intelligence and security agencies, the legislation governing them, and their oversight legislation was required, in accordance with the terms of reference for the review, to be commenced by 30 June 2015.

The Review is being conducted by independent reviewers Hon Sir Michael Cullen and Dame Patsy Reddy. The Ministry of Justice provides administrative, secretarial, and other support to the independent reviewers.

The Inspector-General of Intelligence and Security

Since 1996, both the NZSIS and the GCSB have been subject to oversight by the Inspector-General of Intelligence and Security (IGIS). This statutorily established role exists within a wider framework of oversight that was set up to provide a balance between the secrecy required for effective intelligence operations and legitimate public expectations of government agency transparency. Cheryl Gwyn was appointed to the position of Inspector General of Intelligence and Security in May 2014.

The functions of the IGIS include inquiring, of the IGIS's own motion or at the request of the Minister, into any matter that relates to compliance by the NZSIS with the law of New Zealand; any matter where it appears that a New Zealand person may have been adversely affected by any act, omission, practice, policy, or procedure of the NZSIS; and the propriety of particular activities of the NZSIS.

The IGIS is also responsible for inquiring into complaints by New Zealand persons or current or previous employees of the NZSIS where that person has or may have been adversely affected by any act, omission, practice, policy or procedure of the NZSIS, as well as complaints by the Speaker of the House on behalf of one or more members of Parliament.

The statute governing the position and functions of the IGIS was amended in 2013. A number of changes were made to strengthen the Office of the IGIS, increase the resources of the Office to enable a greater range of activities to be carried out, expand the IGIS's statutory work programme, and enhance the corresponding reporting requirements. The NZSIS and GCSB assisted with the implementation of these changes by making the necessary expertise and resources available to ensure the Office of the IGIS itself had sufficient resources and was properly secure. Both agencies also established mechanisms that gave the IGIS appropriate and flexible access to systems, staff and information as required, and proactively provided the IGIS and others within the Office with all necessary and desirable information to ensure operations were understood, informed decisions could be made, and work programmes could be appropriately focused.

Regular contact with the IGIS and her staff at senior levels ensures that the NZSIS and GCSB continue to be responsive to the needs of that Office. Both agencies are committed to building public trust in the wider intelligence community and to that end it is critical that the IGIS be well-informed and able to exercise her statutory oversight role to the full extent anticipated by Parliament.

Review of Compliance within NZSIS

In November 2014, the Director of Security engaged a reviewer to undertake a review of the NZSIS operational compliance systems, processes, policies and practices. The reviewer was seconded from another government agency to undertake this work.

The reviewer considered the best practice approach to a compliance framework and measured the performance of NZSIS against that.

Staff input was provided through personal interviews, group discussions and written feedback. As a result of this input, the reviewer was able to develop a comprehensive state of NZSIS's operational compliance.

The reviewer highlighted that NZSIS staff are diligent in their duties and mindful of their obligations. They do their best to conduct themselves in a manner which is both lawful and

proper, and the review found that there is no intention on behalf of NZSIS staff to act in ways that are other than fully within its statutory power. The reviewer noted that she did not find any evidence of, nor was given any reason to believe there was significant non-compliance at NZSIS.

The reviewer observed that understanding of operational compliance varied at different levels within and across teams within the NZSIS and the main finding of the review was that systems and processes need strengthening to provide a systematic and standardised approach to compliance in NZSIS.

The reviewer made 17 recommendations summarised into eight areas aligned with a best practice compliance framework. The recommendation areas are broadly as follows:

- Director and SLT commitment to operational compliance;
- Assessing and monitoring operational compliance obligations;
- Supporting compliant behaviour and preventing non-compliance through: policies; training; and internal quality assurance;
- Monitoring operational compliance and detecting non-compliance;
- Responding to non-compliant activity;
- External reporting;
- Measuring; and
- Improving

The Director of Security accepted the reviewer's report in full and a copy was formally submitted to the Inspector-General. An implementation plan is under development but a number of recommendations have already been commenced including establishing a central compliance function and recruiting a Compliance Manager.

An unclassified report on the Outcomes of the NZSIS Compliance Review is available online by visiting www.nzsis.govt.nz

Official information and privacy requests

Requests for our official information and privacy information have increased approximately 43% from the previous year. The following table sets out the total number of requests for the year as at 30 June 2015 and provides a comparison to past years.

Request type	2012	2013	2014	2015
Official Information Act	75	51	45	90
Privacy Act	60	92	53	49
Total	135	143	98	139

Security and privacy considerations sometimes prevent the public release of information (or even acknowledgment of its existence). The NZSIS website explains how we apply the provisions of the OIA and the Privacy Act, the responses we may use and why, and an indication of what information may or may not be disclosed. Where requests are refused, those seeking the information have the right, under the respective Acts, to complain to the Office of the Ombudsman or the Privacy Commissioner.

In the past year, nine complaints were made, half the number of the previous year.

- Four complaints were considered by the Ombudsman, three were resolved with the release of further information, and one awaits resolution.

- Five complaints were considered by the Privacy Commissioner. Three were decided in favour of the NZSIS, one was settled by placing a “statement of correction” on the file, and one awaits resolution.

Report into the release of information by the New Zealand Security Intelligence Service in July and August 2011

In November 2014, the Inspector-General of Intelligence and Security (IGIS) released a report into her investigation of NZSIS’s handling of Official Information Act requests in July and August 2011. The IGIS found:

- NZSIS’s processes for handling OIA requests were inadequate and a mistaken understanding of OIA obligations was applied, particularly in relation to consultation with the Leader of the Opposition.
- While there was no deliberate political collusion in the disclosure of information by NZSIS staff, there were also no processes and protocols in place to manage the maintenance of security and political neutrality with the Prime Minister’s Office. NZSIS staff also did not fully appreciate the political neutrality obligations under section 4AA of the NZSIS Act, including the requirement to uphold or to restore political neutrality.

The IGIS made eight recommendations for NZSIS to consider. The Director accepted all recommendations and committed to implementing them by 30 June 2015. By 30 June, we had made the following changes as a result of the IGIS’s report:

- all staff involved in OIA requests undertook comprehensive training with the Office of the Ombudsman. A shorter training session was provided to all staff and we have committed to developing a training and development programme for staff on the obligations and requirements of the OIA.
- We reviewed the process for managing OIAs and Privacy Act requests. Major changes were made to how we handle these requests and will provide greater transparency and accountability across NZSIS.
- We are in the process of recruiting an Official Information Advisor to manage all information requests. The role will also have a particular focus on training and development and continuous business improvement processes.
- A Letter of Engagement was agreed with the Leader of the Opposition which establishes an understanding about how NZSIS briefings of the Leader of the Opposition will be undertaken.

We have also developed a closer working relationship with GCSB around managing OIAs. This includes regular meetings between the OIA teams and the establishment of an NZIC weekly report to the Minister on information requests.

The impact we made

In October 2014, the NZIC commissioned research to determine public perceptions of the NZIC agencies. As the NZIC works to be more open about its activities, these results will provide a good baseline measure for us to build on.

Indicators	Progress	Data Source
NZSIS is overall good or very good for New Zealand	76% of respondents	Polling conducted by Curia Market Research for the NZIC, October 2014
The Five Eyes agreement is overall good or very good for New Zealand	71% of respondents	

STATEMENT ON WARRANTS

In accordance with sections 4K, 4IC(1)(h), and 4IE(12) of the New Zealand Security Intelligence Service Act 1969 ("the Act"), I submit the following statement on warrants and authorisations for the year 1 July 2014 to 30 June 2015 ("the reporting period").

This report includes information on domestic and foreign intelligence warrants issued under sections 4A(1) and 4A(2), domestic and foreign visual surveillance warrants issued under sections 4IB(1) and 4IB(2), removal warrants issued under section 4I, and urgent authorisations issued under section 4ID of the Act and in force at any time during the reporting period.

Domestic Intelligence Warrants

During the reporting period:

- (a) 46 domestic intelligence warrants were in force. Of those, 29 were issued during the reporting period, and 17 were issued during the previous year but remained in force for some part of the reporting period.
- (b) The average length for which those warrants were in force during the reporting period was 149 days (rounded to the nearest day).
- (c) There were two warrants under which no action was taken during the reporting period.
- (d) There were no amendments to any of those domestic intelligence warrants.
- (e) The methods of interception and seizure used were telecommunications interception, installation of interception devices, including listening devices, and the taking and copying of documents and items.
- (f) The information obtained materially contributed to the detection of activities prejudicial to security, or produced foreign intelligence information essential to security, that was not likely to have been obtained by other means.

Foreign Intelligence Warrants

Foreign intelligence warrants were in force during the reporting period.

Domestic Visual Surveillance Warrants

During the reporting period:

- (a) Two domestic visual surveillance warrants were in force, both of which were issued during the reporting period.
- (b) The average length for which those warrants were in force during the reporting period was 114 days.
- (c) There was one warrant under which no action was taken during the reporting period.
- (d) There were no amendments to any of those domestic visual surveillance warrants.
- (e) The method of visual surveillance used was the installation of visual surveillance devices.
- (f) In respect of the one visual surveillance warrant for which activity was undertaken during the reporting year, this activity was limited due to operational considerations. Accordingly, the information obtained provided only indirect value to the detection, investigation, or prevention of any actual, potential, or suspected terrorist act or facilitation of a terrorist act.

Foreign Visual Surveillance Warrants

There were no foreign visual surveillance warrants in force during the reporting period.

Removal Warrants

During the reporting period:

- (a) Two removal warrants were in force, both of which were issued during the reporting period.
- (b) The average length for which those warrants were in force during the reporting period was 43 days (rounded to the nearest day).

Urgent authorisations

No urgent authorisations were issued during the reporting year.



Rebecca Kitteridge
Director of Security

DATED at Wellington this 28th day of October 2015

I have reviewed all warrants and authorisations in force during the period beginning 1 July 2014 and ending 30 June 2015 and certify that the information set out in the above Statement on Warrants is correct.



Hon Christopher Finlayson
Minister in Charge of the
New Zealand Security Intelligence Service

DATED at Wellington this 28th day of October 2015

Part Four: Review of Output Performance

This section reports on the NZSIS output performance as set out in the 2014-15 Vote Security Intelligence Estimates of Appropriation.

The NZSIS has a single appropriation, Security Intelligence, and aims to achieve its outcomes through the delivery of three outputs contained within this single appropriation.

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 and advice to Ministers of the Crown and government agencies;
- c) the provision, on request, to government agencies and public authorities within New Zealand, of protective security advice relating to personnel, physical, technical, document and building security; and
- d) liaison with overseas security and intelligence organisations and public authorities.

The three outputs the NZSIS delivers are:

- Threat Management
- Foreign Intelligence and International Contribution
- Protective Security.

Part Five: Financial Statements

Statement of Expenses and Capital Expenditure against Appropriation for the year ended 30 June 2015

Section 7A of the Public Finance Act 1989 (PFA) requires a single line appropriation for the Intelligence Department and incorporates both the operating expenses and the capital expenditure to be incurred.

In accordance with the PFA Section 45E, I report as follows:

	\$000
Total Appropriation	45,238
Actual Expenditure	44,770

The "Total Appropriation" in the table above incorporates both operating and capital expenses forecast for the year. The "Actual Expenditure" includes the actual operating expenses and the actual capital expenditure incurred.

Statement of Responsibility

I am responsible, as the Director of Security of the New Zealand Security Intelligence Service (NZSIS), for:

- The preparation of the NZSIS's financial statements, and the statement 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 NZSIS 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 NZSIS, whether or not that information is included in the annual report.

In my opinion:

- The financial statements fairly reflect the financial position of the New Zealand Security Intelligence Service as at 30 June 2015 and its operations for the year ended on that date; and
- The forecast financial statements fairly reflect the forecast financial position of the NZSIS as at 30 June 2016 and its operations for the year ended on that date.



Rebecca Kitteridge
Director of Security

30 September 2015

Independent Auditor's Report
To the readers of the
New Zealand Security and Intelligence Service's
Annual report for the year ended 30 June 2015

The Auditor-General is the auditor of the New Zealand Security Intelligence Service (the Service). The Auditor-General has appointed me, Kelly Rushton, using the staff and resources of Audit New Zealand, to carry out the audit on her behalf of:

- the financial statements of the Service on page 29, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2015, 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; and
- the statement of budgeted and actual expenses and capital expenditure incurred against appropriation of the Services for the year ended 30 June 2015 on page 29.

Opinion

In our opinion:

- the financial statements of the Service:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2015; and
 - its financial performance and cash flows for the year ended on that date;
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Reporting Standards.
- the statement of budgeted and actual expenses and capital expenditure incurred against appropriation of the Services on page 29 is presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.

Our audit was completed on 30 September 2015. This 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 Director of Security and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the information we audited is free from material misstatement.

Material misstatements are difference or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the information we audited. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Service's preparation of the information we audited 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 Service's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Director of Security;
- the adequacy of all disclosures in the information we audited; and
- the overall presentation of the information we audited.

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

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

Responsibilities of the Director of Security

The Director of Security is responsible for preparing:

- financial statements that present fairly the Service's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand.
- statements of budgeted and actual expenses and capital expenditure incurred against appropriation for the Service, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.

The Director of Security's responsibilities arise from the Public Finance Act 1989.

The Director of Security is responsible for such internal control as is determined is necessary to ensure that the annual report is free from material misstatement, whether due to fraud

or error. The Director of Security is also responsible for the publication of the annual report, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the information we are required to audit, and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the Service.

A handwritten signature in grey ink, appearing to read 'KR', is positioned above the printed name and title.

Kelly Rushton
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Glossary of terms

AVSEC	Aviation Security
CT	Counter-terrorism
CTAG	Combined Threat Assessment Group
DPMC	Department of the Prime Minister and Cabinet
FIS	Foreign Intelligence Service
FVEYs	Five Eyes partnership comprising New Zealand, Australia, Canada, the United Kingdom and the United States
GCSB	Government Communications Security Bureau
IGIS	Inspector-General of Intelligence and Security
INZ	Immigration New Zealand
ISC	Intelligence and Security Committee
ISIL	Islamic State of Iraq and the Levant. Also known as ISIS or Da'ish
MFAT	Ministry of Foreign Affairs and Trade
NZDF	New Zealand Defence Force
NZIC	New Zealand Intelligence Community
NZSIS	New Zealand Security Intelligence Service
PIF	Performance Improvement Framework
PSR	Protective Security Requirements



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New Zealand Government