



New Zealand
Security Intelligence
Service
Te Pā Whakamarumarū

Annual Report

For the year ended 30 June 2014

Preface

This is the unclassified version of the Annual Report of the New Zealand Security Intelligence Service (NZSIS) for the year ended 30 June 2014. 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.

This work is licensed under the Creative Commons Attribution 3.0 New Zealand licence. In essence, you are free to copy, distribute and adapt the work, as long as you attribute the work to the Crown and abide by the other licence terms. To view a copy of this licence, visit <http://creativecommons.org/licenses/by/3.0/nz/>. Please note that no departmental or governmental emblem, logo or Coat of Arms may be used in any way that infringes any provision of the Flags, Emblems, and Names Protection Act 1981. Attribution to the Crown should be in written form and not by reproduction of any such emblem, logo or Coat of Arms.

Table of Contents

Part One: Overview of the year	4
Director's overview	4
Nature and scope of functions	7
Part Two: Our work in detail	9
The New Zealand Intelligence Community Joint Strategic Framework	9
Meeting NZIC sector challenges	9
Identified threats to security from violent extremism	10
Protected the New Zealand economy by identifying and mitigating espionage and foreign interference	11
Supported security and stability through foreign intelligence	11
Assessed threats to New Zealanders through the Combined Threat Assessment Group (CTAG)	11
Protected our borders	12
Ensured the trust and confidence in New Zealand's protective security systems	12
Supported keeping the NZIC safe and secure	14
Part Three: Organisational health and capability	15
Operating in a changing environment	15
The NZIC Performance Improvement Framework (PIF)	15
Working together - Intelligence Community Shared Services	15
Modernising capability	17
International co-operation	18
Official information and privacy requests	18
Oversight	18
Statement on Warrants	20
Part Four: Review of Output Performance	22
Part Five: Financial Statements	23
Statement of Responsibility	23
Statement of Expenditure and Appropriation	23

Part One: Overview of the year

Director's overview

I am pleased to present the 2013/14 Annual Report for the New Zealand Security Intelligence Service (NZSIS).

Overview

I took on the role of Director of Security on 1 May 2014, and was fortunate enough to have several months' overlap with Dr Warren Tucker, my predecessor, before formally taking up the role. That period of overlap gave me a real head-start in learning and understanding the role of Director of Security, and I am very grateful to the State Services Commission for building it into the recruitment process.

I was in the role for two months of the period that this Annual Report covers. In that brief period of time, I recognised that the NZSIS had had a busy year; it had accomplished a number of milestones and had continued to consolidate organisational change.

I also got to know many of the men and women who work for the NZSIS and was delighted by the level of ability and commitment that I found. The NZSIS's role extends from establishing the trustworthiness of persons who handle classified information to protecting sensitive or classified New Zealand information from foreign governments, and protecting New Zealanders from violent extremism. Across all of these areas I found people who were hard-working, careful, and focused on the mission: to protect New Zealand and New Zealanders from harm and enhance New Zealand's economic security by enabling well-informed decisions.

As I reflect on those first two months, I am reminded of the work we have done but also the challenges that lie ahead of us. The Performance Improvement Framework review, which was undertaken in the 2013/14 financial year but not reported until the 2014/15 year, shows that the NZSIS and the other agencies in the New Zealand Intelligence Community have much to do to strengthen themselves as organisations and as a community. We need to be more open, transparent and accountable to build levels of public trust. We need to be well positioned to respond to the growing threats in our environment caused by geopolitical and technological developments that are beyond our control but which have the potential to have a significant impact on New Zealand's security. I will be working towards a real step-change in all of these areas in the course of my term as Director of Security.

Operational highlights during 2013/14

A significant area of focus in 2013/14 was responding to the increasing threat of violent extremism in New Zealand and offshore. Our activities involved monitoring a number of New Zealanders under warrant whom we determined posed a threat to security. Where appropriate, the NZSIS recommended the cancellation of the passports of a number of

individuals who had expressed intent to travel to the Middle East for the purposes of joining terrorist organisations such as Al Qa'ida.

The NZSIS also continued the implementation of Project OFF RAMP, a limited duration project to eliminate the queue and all other outstanding vetting requests received by the NZSIS prior to 1 April 2013. The project successfully cleared over 1,100 vetting requests, enabling the vetting area to support the implementation of a sustainable vetting system.

The NZSIS continued to advance the multi-agency programme to re-cast and strengthen New Zealand's protective security arrangements and behaviours known as the Protective Security Requirements (PSR) programme. The programme ties in with the work being led by the Government's Chief Information Officer (GCIO) to strengthen privacy protections across government, but focuses more widely on protecting the key elements of people, places and information. Targeted consultation with a number of government departments commenced to test and refine the PSR package across agencies of varying size, sector and need for protective security. The programme is scheduled to be completed in 2014/15 with the rollout of the programme to government departments.

NZIC Performance Improvement Framework

In 2013/14 the NZSIS, as a member of the New Zealand Intelligence Community (NZIC), was a party to a Performance Improvement Framework (PIF) review. This PIF review was the first for a sector rather than a single department, and the first PIF review experience for the agencies in the NZIC individually and collectively. The NZIC PIF identified a number of areas of performance improvement for the intelligence community and for each of the NZIC's component agencies. The NZSIS, in conjunction with the NZIC, is working to prioritise the PIF recommendations with a view to collectively achieving the four-year excellence horizon for the NZIC by 2018.

Intelligence Community Shared Services

During 2013/14 the Intelligence Community Shared Services (ICSS) continued to consolidate its functions, and to focus on the delivery of a range of crucial corporate services to the NZSIS and the Government Communications Security Bureau (GCSB). Significant progress was made on the One Workforce Strategy, a two-year programme to facilitate lateral movement across agencies to develop careers more broadly in the national security community. Work also advanced on a project to deliver a single remuneration model for the NZSIS and GCSB. This remuneration model, when completed, will ensure that jobs are equitably sized and that the pay ranges applied to job sizes will be the same for both agencies.

Final thoughts

In the months following the period to which this report applies, the global terrorism threat has evolved alarmingly both in terms of scale and mode of operation. Random acts of extreme violence, and the promotion of extreme ideology through global social media

remain distasteful and shocking to the vast majority of New Zealanders, but plant seeds in the minds of a very small minority of susceptible individuals. Violent extremism has no place in New Zealand and it is the job of the NZSIS, working closely with the New Zealand Police and other agencies, to protect New Zealand from that small number of people who combine extreme views with a propensity for violence. The NZSIS exists to help protect the freedoms that all New Zealanders expect, so that they can go about their daily lives unconcerned about the range of security threats to people, places and information that exist and are outlined in further detail in this report.



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 have security as their primary focus but can be broadly split into three functions:

- As 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 threat reduction, identifying threats within and to New Zealand and its citizens overseas, and working to mitigate the risks arising. These threats include terrorism and espionage (both against the government and against economic entities in New Zealand).
- As a provider of **protective security advice** and security screening services. Protective security is about vulnerability reduction, and to be effective it needs to be systemic and apply across the three domains of people, physical premises and information security. The NZSIS's role is about providing advice and support to state sector agencies across the range of vulnerabilities and alongside the responsibilities of others. This area includes vetting services.
- As a **foreign intelligence** service to support security in our region. Foreign intelligence, and the assessment of it, is vital for knowing what is going on in the world, whether it is 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.

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
- 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
- Advising on protective security measures to Ministers of the Crown and state sector agencies.

At an organisational level we have:

- Been one of three agencies involved in the New Zealand Intelligence Community Performance Improvement Framework review
- Further embedded the Intelligence Community Shared Services.

The NZSIS head office is based in Pipitea House on Pipitea in Wellington. The NZSIS also has regional offices operating out of Auckland and Christchurch and three overseas liaison offices. As at 30 June 2014 the NZSIS had 225 full time equivalent staff.

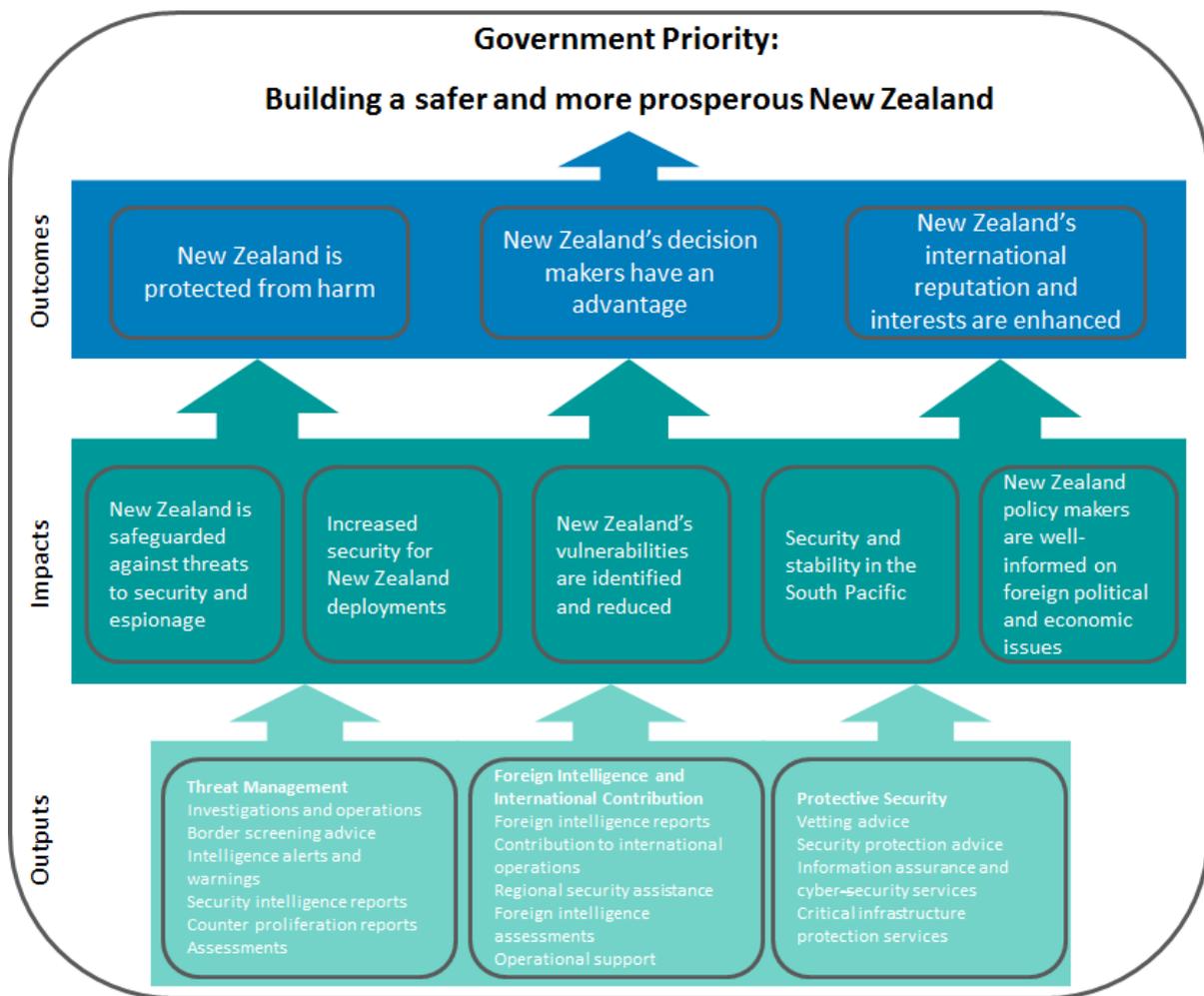
Covert activity

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's 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 that 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 NZIC sector challenges

This section demonstrates the NZSIS contribution to, and delivery against, the overarching NZIC sector challenges, as articulated in the joint 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 that we are seeking to achieve for New Zealanders:

- New Zealand is protected from harm
- New Zealand's decision makers have an advantage
- 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 2013 to 30 June 2014 to meet government expectations of us as a security agency.

Identified 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, we help ensure that threats don't become events and that New Zealand and New Zealanders do not become perpetrators or victims of terrorism.

What we have achieved

Our work in 2013/14 had a significant operational focus on individuals with links to groups in both Iraq and Syria such as the Islamic State/Islamic State of Iraq and the Levant (ISIL). This work has involved investigations into individuals already embedded with terrorist organisations overseas, New Zealand citizens or permanent residents based both in New Zealand and offshore with intentions to travel overseas to engage in politically motivated violence, and individuals who are facilitating others to travel and those engaged in funding terrorist organisations.

Work undertaken by the NZSIS in 2013/14 included monitoring a number of New Zealand citizens or permanent residents who had expressed intentions to travel to Syria to engage in violent extremism. Following the cancellation of the passports, and in turn the removal of the means by which the individuals could travel to Syria, the individuals may continue to be the subject of investigation by the NZSIS.

Throughout 2013/14 the NZSIS continued to engage with international and domestic partners to identify and disrupt any further New Zealand-based individuals and offshore New Zealand citizens engaging with the network and/or seeking to undertake militant jihad in Syria.

By preventing these individuals travelling to engage in violent extremism, the NZSIS assesses that there is a real likelihood that the lives of these individuals may have been saved. In addition, had they managed to get to Syria and fight, the NZSIS has prevented the risk of battle-hardened individuals returning and compromising New Zealand's security.

Protected the New Zealand economy by identifying and mitigating 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 New Zealand Intelligence Community and of the NZSIS is to help government and key economic companies to protect their information, assets and people.

This role extends to the NZSIS's activities to protect New Zealand from espionage and foreign interference. Espionage is a process whereby foreign governments utilise agents or technical means to obtain sensitive or classified New Zealand information ('intelligence') that is not normally publicly available. The inability to keep our own secrets would affect New Zealand's ability to think through its own foreign policy position, to undertake international and other negotiations by ourselves, to conduct our parliamentary policy and political processes free from interference, and ultimately to act in our own interests.

Espionage or foreign interference can include seeking to covertly influence decision makers and opinion formers to benefit the interest of a foreign power (political interference), or adversely interfering in the lives of New Zealand residents (foreign interference).

Supported security and stability through foreign intelligence

Contributes to impact:

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

What do we do and why is it important

The NZSIS's foreign intelligence activities are undertaken on the basis of ensuring Ministers of the Crown and state sector agencies are fully informed about international issues that matter to New Zealand. The insights we gain help to keep our own region safe and secure.

Assessed 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

The Combined Threat Assessment Group (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 is maintained and funded as an inter-agency capability, staffed with individuals from the NZSIS, NZ Police, NZDF and the GCSB. CTAG works by identifying threats posed by individuals, groups or entities to New Zealand's national security and ensuring assessment advice of these threats is disseminated to the appropriate domestic and international stakeholders in an accurate, timely and relevant manner, so that they can mitigate risk.

What we have achieved

Global trends continue to show that despite the degradation of Al Qa'ida in Afghanistan, Pakistan and Yemen, it continues to grow in the Middle East and Africa. In 2013/14 New Zealand has seen growth in the number of home grown and self-radicalised individuals or groups emerging as a threat. Islamist terrorism isn't the only possible threat; other domestic single issue activist causes also remain prominent potential motivators for violence in the current threat environment. Feedback from agencies such as the Department of the Prime Minister and Cabinet (DPMC), Ministry of Foreign Affairs and Trade (MFAT) and NZ Police acknowledges the critical role CTAG plays in alerting and informing intelligence, operational and policy decisions through its comprehensive global threat reporting.

CTAG monitored the threat over the Sochi Winter Olympic period.

Protected our borders

What do we do and why is it important

The NZSIS contributes to the management of New Zealand's border by helping to ensure that persons who pose a security risk are identified, appropriately investigated and, potentially, denied entry. This process involves checking the name and profile of thousands of individuals before they enter New Zealand to ensure that persons with international terrorist or weapons of mass destruction (WMD) proliferation links are identified and monitored; advice is then given to Immigration New Zealand as to the risk posed by the visa applicants entering New Zealand. This process ensures the NZSIS is supporting New Zealand's obligations in relation to non-proliferation arrangements.

What we have achieved

One element of the border integrity work is to ensure New Zealand has mechanisms in place to meet our counter-proliferation obligations. The Counter-Proliferation Joint Section (CPJS) was established in July 2003 as a way to assist New Zealand to meet these obligations. The CPJS was established to be resourced by staff from the NZSIS, GCSB, New Zealand Customs Service, and Immigration New Zealand. The purpose of CPJS is to harness the expertise and knowledge of the participating agencies to ensure New Zealand is not supporting the proliferation of weapons of mass destruction.

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

What do we do and why is it important

In order for the government to be able 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 persons who handle or manage classified information and the technology systems they run it on. This protective function is known as the vetting system. The NZSIS is responsible for New Zealand's vetting system. The NZSIS is accordingly responsible for advising government agencies on the trustworthiness and reliability of

Contributes to impact:

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

Contributes to impact:

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

persons who will have access to classified information, as well as 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 New Zealanders.

The NZSIS vetting officers make enquiries and examine a number of indicators to establish whether an individual is trustworthy or has any security vulnerabilities. The NZSIS does not in itself grant a clearance, but makes 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.

The recommendations that the NZSIS provide form the basis for state sector agencies to grant their staff access to classified information at the level commensurate with the security clearance level they have been granted. While the majority of individuals do reach these levels of trustworthiness, a number of others are found to have vulnerabilities that could be exploited or put the security of information at risk. These people are given adverse or qualified recommendations, and, in the latter case, the employers are advised on how to mitigate the risk.

What we have achieved

In 2012/13 the NZSIS commenced Project OFF RAMP, which continued over 2013/14. Project OFF RAMP was designed as a limited-duration project to eliminate the queue and all other outstanding vetting requests received by the NZSIS prior to 1 April 2013. Additional staff were employed in vetting for 12 months to clear the backlog in support of the implementation of the sustainable model. Project OFF RAMP successfully completed 1,186 vetting requests to eliminate the vetting backlog, which was a significant achievement for the NZSIS. The project allowed the NZSIS to focus some staff on removing the backlog of vetting requests whilst directing others towards providing timely delivery of vetting requests received on or after 1 April 2013. As at 30 June 2014, only 10 Project OFF RAMP vetting requests remained to be worked through - all of these vetting requests are non-standard and have a variety of complications, with some taking considerable time to fully resolve.

The NZSIS also commenced the Online Vetting Requests (OVR) ‘Sustainment’ project to improve the online system used by individuals to complete their security clearance applications. The project provided a version upgrade to security 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 (discussed below).

Protective Security Requirements programme

In 2013/14 the NZSIS commenced the Protective Security Requirements (PSR) programme, an initiative to ensure New Zealanders have trust and confidence that the government takes all aspects of security seriously. The PSR programme is scheduled for completion in 2014/15 and will initially support government departments and some Crown entities.

The PSR may assist non-government organisations and private sector entities of strategic importance over time to assure their personnel, information and physical security. It is being developed in partnership with the Government Chief Information Officer’s work on privacy. ‘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
- official and national security classified information and assets.

The PSR programme will deliver a new protective security framework that will be supported through a programme of increased engagement, awareness-building, education, and training through a dedicated outreach team, with the objective of developing a sustainable security culture within state sector agencies.

The NZSIS also provided pre-posting security briefings to officials being deployed at New Zealand diplomatic missions abroad and pre-travel briefings to officials in the Prime Minister's Office on threats that may be faced on official visits abroad, and offered mitigation solutions.

Supported keeping the NZIC safe and secure

Contributes to impact:

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 has a critical role to play in supporting a secure NZIC. This role includes the vetting of staff to work within the NZIC. With help from the GCSB, the NZSIS also ensures that the protective security elements of the community meet international standards. Our efforts ensure that 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 leak inquiries, and provides advice and support to the New Zealand Intelligence Community on the subject of counter-intelligence.

Part Three: Organisational health and capability

Operating in a changing environment

On 1 May 2014, Rebecca Kitteridge took over from Dr Warren Tucker as Director of Security. At that same time, the NZSIS implemented some organisational structure changes to ensure sufficient support for the new Director. The changes included the establishment of the positions of Associate Director and Deputy Director Strategy to support the Director in taking the NZSIS forward and, in particular, implementing the recommendations in the NZIC Performance Improvement Framework (PIF, discussed below).

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 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 the 2013/14 year, the review team undertook initial scoping and preparation. The outcomes of the review will be presented to Ministers in 2015.

The NZIC Performance Improvement Framework (PIF)

In 2014, the three agencies comprising the core NZIC were subject to review under the Performance Improvement Framework. Not only was this the first PIF for the NZIC, but it was also the first PIF review for a sector rather than a single department.

The PIF identified the performance challenges for the agencies in terms of the NZIC's purpose, targets, business strategy and operating model.

The NZSIS and the wider NZIC agree with the performance challenges identified by the PIF reviewers. The NZSIS, in conjunction with the NZIC, is working to prioritise and implement the PIF recommendations. In the NZSIS, this process has resulted in an action plan with key milestone activities and clear outcomes to achieve our four-year excellence horizon.

Working together - Intelligence Community Shared Services

The Intelligence Community Shared Services (ICSS), formed in April 2013, continued to provide financial, procurement, human resources, learning and development, facilities and physical security services, as well as a Project Management Office, to the NZSIS and GCSB. The objective of ICSS is to improve efficiency, effectiveness and service levels, as well as greater resilience to cope with the NZIC's current and future challenges. GCSB is the employer of all staff in the ICSS team.

During 2013/14, ICSS expanded the provision of its services to outside of the NZIC. In March 2014, ICSS commenced providing a mix of human resource advice and specialised services such as organisational development to the Ministry of Defence.

In addition to these structural changes, ICSS has further enhanced the shared service experience.

Workforce planning

In October 2013, the NZSIS and GCSB approved the One Workforce Strategy, which contains a number of initiatives, to be implemented over a two year period, to facilitate lateral movement across agencies and develop careers more broadly in the national security community.

One of the key enablers of the One Workforce Strategy is a project to deliver a single remuneration model for the NZSIS and GCSB. This will ensure that jobs are equitably sized, and that the pay ranges applied to job sizes will be the same for both agencies. Throughout the course of the 2013/14 year, there was an ongoing project to evaluate every role in both agencies using a single evaluation methodology. A project to design the philosophy, principles and framework under which NZSIS and GCSB staff will be paid has also been undertaken. Implementation is anticipated to commence in the last quarter of 2014/15.

The One Workforce Strategy is also very future focused and concerned with ensuring workforce capability over the longer term. During 2013/14 the strategy delivered a combined NZSIS and GCSB succession planning capability, which culminated in career development plans for all critical leadership positions. Work also commenced to create individualised development plans for all tier three managers in order to prepare them for future leadership positions. This will be extended to all tier four managers during the next reporting period.

Improving our financial management systems

During 2013/14, ICSS developed the requirements to inform a tender process for a financial management information system (FMIS) to support both the NZSIS and GCSB, and selected a service and implementation provider. The new FMIS will provide a single financial system that will give budget managers improved tools for financial management. The new FMIS is scheduled to go live in March 2015.

ICSS also made good progress on integrating the capital and asset management intentions of the NZSIS and GCSB. A single capital asset policy was implemented, ensuring consistent accounting treatment and identical capital practice (e.g. for acquisition and disposal) across the community. In addition, both agencies committed to working towards a joint asset management committee. One of the purposes of the committee will be to approve further areas where the community can leverage off its combined capability to gain efficiencies and potential cost savings.

In 2013/14, ICSS also developed and implemented a single procurement policy, bringing the community in line with the Government Rules of Sourcing to show accountability for the use of public funds and to ensure successful outcomes from procurement processes. As is consistent with Rule 13 of the Government Rules of Sourcing, the procurement policy allows for some appropriate opt-out exceptions in order for the agencies to maintain operational security.

Our staff and equal employment opportunities

Women comprise 40.5% of the NZSIS. The NZSIS achieved a significant milestone in 2013/14 with the appointment of its first female Director, Rebecca Kitteridge, and four of the nine roles that make up the NZSIS Senior Leadership Team are currently held by women.

The NZIC is a committed equal opportunity employer. It endeavours to ensure that all employees have equal access to employment opportunities, and fosters non-discriminatory practices in its recruitment processes.

The NZIC employs on merit, and the ability to meet the required security clearance which involves extensive vetting. 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.

In 2013/14 the NZIC commissioned research into the diversity of the NZIC, and particularly the representation of Maori, Pacific people and women in leadership roles in the community. The report provided the NZIC with a number of recommendations on how it could improve diversity within the community. The NZIC will develop a plan towards addressing the recommendations in 2014/15.

Modernising capability

In 2013/14, the NZSIS continued its programme of strengthening capability, increasing our full range of capabilities through training, tradecraft, improved business practices and processes, and enhancing our relationships and the NZSIS culture.

Technical capability

In 2013/14 the NZSIS advanced a number of technical capability building projects:

- Enhancements to the NZSIS's enterprise-wide knowledge management and information exploitation capability were undertaken to better leverage the capabilities of both systems.
- A project was initiated to ensure the technology running the online vetting requests application was upgraded and to extend the usable life of the application. The refreshed application is expected to be deployed in November 2014.

Staff capability and capacity

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

- A broad range of both internally-developed and specialist capability training that included a range of tradecraft and operational skills.
- The Management Matters course, providing new and existing managers, through a number of tailored sessions, with the skills to support high achievers, address performance issues, and understand employment law.
- Comprehensive multi-day induction courses for new staff.

International co-operation

The NZSIS has a number of relationships with international partner agencies. 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 that we would not be able to develop or have access to on our own. The partnership also provides the NZSIS with access to training and skills courses that aren't available in New Zealand.

Official information and privacy requests

In the period under review, 98 requests for information were received from members of the public; 45 of these requests were considered under the Official Information Act 1982 (OIA) and 53 under the Privacy Act 1993. This is a decrease of approximately 33% over the number of requests made the previous year.

Security and privacy considerations sometimes preclude the public release of information (or even acknowledging the existence of information). The NZSIS official website carries explanatory material about the application 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 Ombudsman or the Privacy Commissioner.

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, and the Offices of the Privacy Commissioner and Ombudsman. This multi-layered approach to oversight provides an assurance that the NZSIS's work is transparent at a number of levels.

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. 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's annual report.

The ISC consists of 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.

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.

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 have 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.

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 1 July 2013 to 30 June 2014 ("the reporting period").

This report includes information on domestic and foreign intelligence warrants issued under sections 4A(1) and 4A(2) of the Act and in force at any time during the reporting period.

Domestic intelligence warrants

During the reporting period:

- (a) Fifty-one (51) domestic intelligence warrants were in force. Of those, thirty-four (34) were issued during the reporting period, and seventeen (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 134 days.
- (c) There were two warrants under which no action was taken during the reporting period. These warrants were issued during the previous reporting year and expired shortly after the start of the reporting period. Action was undertaken under these warrants during the previous reporting year, however this activity ceased prior to their expiry.
- (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 from those domestic intelligence warrants materially contributed to the detection of activities prejudicial to security, or produced foreign intelligence essential to security, which was not likely to have been obtained by other means.

Removal warrants

No removal warrants were issued during the year under review.

Foreign intelligence warrants

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



Rebecca Kitteridge
Director of Security

DATED at Wellington this 27th day of November 2014

I have reviewed all warrants in force during the period beginning 1 July 2013 and ending 30 June 2014 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 27th day of November 2014

Part Four: Review of Output Performance

This section reports on the NZSIS output performance as set out in the 2013-14 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 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 (NZSIS), for delivering to the Minister a report on the activities of the NZSIS during the year ended 30 June 2014, as if it were an annual report under the Public Finance Act 1989.

I am responsible for the preparation of the financial statements 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 financial position and operations of the NZSIS for the year ended 30 June 2014.

The forecast financial statements of the NZSIS have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with new NZ Public Benefit Entities standards effective 1 July 2014. These forecast financial statements fairly reflect the forecast financial position and operations of the department for the financial year to which they relate.

Countersigned by:



Rebecca Kitteridge
Director of Security
30 September 2014



Karen Robertson
Chief Financial Officer
30 September 2014

Statement of Expenditure and Appropriation

Section 7(l)(g) 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	41,049
Actual Expenditure	40,599

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

Independent Auditor's Report

**To the readers of
New Zealand Security and Intelligence Service's
financial statements
for the year ended 30 June 2014**

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 of the financial statements of the Service on her behalf.

We have audited:

- the financial statements of the Service on page 23, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2014, the statement of comprehensive income, statement of changes in equity, statement of departmental expenses and capital expenditure against appropriations, statement of unappropriated expenditure 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.

Opinion

In our opinion:

- the financial statements of the Service on page 23:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the Service's:
 - financial position as at 30 June 2014;
 - financial performance and cash flows for the year ended on that date;
 - expenses and capital expenditure incurred against each appropriation administered by the Service and each class of outputs included in each output expense appropriation for the year ended 30 June 2014; and
 - unappropriated expenses and capital expenditure for the year ended 30 June 2014.

Our audit was completed on 30 September 2014. 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 financial statements are 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 financial statements. 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 financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Service's preparation of the financial statements that fairly reflect the matters to which they relate. We consider internal control 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 financial statements; and
- the overall presentation of the financial statements.

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

We have obtained all the information and explanations we have required and 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:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the Service's financial position, financial performance, cash flows, expenses and capital expenditure incurred against each appropriation and its unappropriated expenses and capital expenditure.

The Director of Security is also responsible for such internal control as is determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Director of Security is also responsible for the publication of the financial statements, whether in printed or electronic form.

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

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and 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 External Reporting Board.

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



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

Matters Relating to the Electronic Presentation of the Audited Financial Statements, and Statement of Service Performance

This audit report relates to the financial statements and statement of service performance of the New Zealand Security Intelligence Service (NZSIS) for the year ended 30 June 2014 included on the NZSIS's website. The Director is responsible for the maintenance and integrity of the NZSIS's website. We have not been engaged to report on the integrity of the NZSIS's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially present on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. 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 financial statements and statement of service performance and related audit report dated 30 September 2014 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

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



New Zealand
Security Intelligence
Service
Te Pā Whakamarumarū

www.nzsis.govt.nz

New Zealand Government