



# Opening Statement: Intelligence and Security Committee Financial Review, 6 December 2016

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## *Introduction*

Thank you, Mr Chair and members of the Committee.

I am pleased to have this opportunity to talk about the work of the New Zealand Security Intelligence Service over the last performance year, and how we have contributed to the safety and security of New Zealand and New Zealanders.

This morning I will talk about the work we are doing to meet both the operational and organisational challenges that face the Service. But before I do that, it may assist to provide an overview of the domestic and international security threat environment, which provides our strategic context.

## *Threat environment*

I am sure it will come as no surprise to this committee if I say that the geopolitical plates are shifting, just like the geological plates. And that shifting of the geopolitical plates causes stresses and tensions along the fault lines. That is obvious in Syria, Iraq, Iran and Turkey. It is obvious in Russia and Europe. And it is obvious in South East Asia and the Pacific.

These changes have an impact on New Zealand. It is the job of my agency, along with others, to ensure that we understand what is going on internationally, and how those changes may affect our country domestically, whether through threats to our physical security, or our trading relationships and economy.

Connected with these global developments is the threat environment within New Zealand itself. I will touch on two key areas of focus for NZSIS: counter-terrorism and counter-espionage.

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The international and domestic threat posed by violent extremism continues. The Islamic State of Iraq and the Levant and other extremist groups continue to conduct and inspire others to conduct attacks against civilian populations.

### *Counter-terrorism – the threat environment*

Internationally, a small number of New Zealanders located in ISIL-occupied parts of the Middle East continue to represent an actual or potential security threat to New Zealand, our international reputation, and other countries.

In New Zealand the terrorism threat level remains at 'low' – a terror attack is assessed as possible but not expected. The threat from a small number of New Zealand-based individuals espousing support for violent extremism continues. We do not yet know whether any degradation of ISIL in Syria and Iraq will lead to a reduction in online radicalisation worldwide, or an increase in pressure on followers to conduct domestic attacks around the world.

### *Counter-espionage – the threat environment*

I turn now to the issue of counter-espionage.

Foreign powers continue to conduct espionage activity and other hostile activities against New Zealand's interests.

Foreign intelligence services pursue information, including classified information, to support the objectives of their governments. Agents of these organisations can employ a range of approaches in the pursuit of their objectives. For example, they may conduct clandestine human intelligence or technical operations targeting New Zealand interest.

### *NZSIS's operational response to the threat environment*

It is against this backdrop that the NZSIS has conducted its operational activities and provided intelligence and advice to the government to ensure that:

- New Zealanders are safer;
- Our institutions are protected; and
- We contribute to regional security.

### *Counter-terrorism – our response*

Together with partners such as the Police, Customs, Immigration New Zealand, Internal Affairs and the New Zealand Defence Force, the NZSIS works hard to ensure that New Zealanders do not become the perpetrators or victims of terrorism either domestically or internationally.

We provide advice to those agencies which may, for example, result in an individual being prevented from travelling to, or from, New Zealand.

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### *Counter-espionage - our response*

Tackling the espionage threat involves two distinct areas of work. The first is conducting investigations, to understand which foreign intelligence agencies are attempting to operate within New Zealand in a clandestine way. The second is to ensure that our key institutions are protected from harm.

One of our major success stories for the year has been the enthusiastic uptake by government agencies of the Protective Security Requirements, which outline the government's expectations for managing personnel, physical and information security. The PSR provides a comprehensive and holistic approach to security.

The NZSIS initially started working with the 36 government-mandated agencies to implement the PSR. Interest has been such, however, that a further 49 agencies in 2015/16 voluntarily embraced the PSR framework. This momentum continues to grow.

We are currently working through how we will deal with this increase in demand.

Reporting from the 36 government-mandated agencies has shown a system-wide effort to introduce or strengthen security practices in line with the PSR's guidelines.

Interest in the PSR reflects an increasing security culture across government. Agencies and individuals are now more aware of the threats they face from things like state sponsored IP theft and insider threats. The Protective Security Requirements gives New Zealand agencies the necessary framework, standards, and tools to significantly reduce their vulnerabilities to these types of threats.

### *Other areas of operation*

As a foreign intelligence agency, the NZSIS also collects intelligence to ensure that we understand what is going on in our region and to contribute to regional security.

We conduct foreign intelligence activities to ensure that Ministers and government agencies are informed about international issues of importance to New Zealand and New Zealanders.

### *Foreign Intelligence Warrants*

This year NZSIS's Annual Report reports for the first time on the number of Foreign Intelligence Warrants that have been issued over the past year. We have done this in the interest of transparency.

I must stress that the fact that NZSIS has obtained foreign intelligence warrants does not mean we are 'spying' on other countries. Rather, foreign intelligence warrants are issued in relation to individuals who are not New Zealand citizens or permanent residents.

For example, we would apply for a foreign intelligence warrant if we sought coverage of an individual visiting New Zealand for the purposes of raising funds for a designated terrorist entity.

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Our warrant can also cover more than one individual. Therefore the number of warrants does not represent a one to one relationship with the number of subjects of investigation.

### *Organisational change*

Since taking up the mantle of the Director of Security in May 2014, my main goal has been to modernise the NZSIS and ensure it continues to have the capability to meet the national security challenges that New Zealand faces now and in the future.

Ensuring that the NZSIS holds itself to the modern standards and practices expected of an intelligence and security agency by the New Zealand public and the government is critical to our success as an organisation. We need the support of the public, the government and the business community to be successful in combating the very real national security threats we face as New Zealanders.

Building on the progress made last year, the NZSIS has matured significantly as an organisation. This is evident in the increased robustness of our systems and processes. While we still have a way to go, we have made considerable progress in relation to health and safety and compliance.

As at the end of June 2016, the NZSIS has addressed over half of the recommendations made in our *2015 Internal Compliance Review*. The remainder of the recommendations are on track to be completed by June 2017.

We also completed a Strategy and Capability and Resourcing Review, which resulted in the government agreeing to increase our funding over the next four years. This increase in baseline funding will drive the future growth and development of the NZSIS and the wider New Zealand Intelligence Community to meet these future challenges and ensure that the New Zealand Intelligence Community remains an effective tool in the government's toolkit for managing risks. Accordingly, the NZSIS and the New Zealand Intelligence Community are well positioned to implement the outcomes of Budget 2016.

The other foundational enabler for us is the development of the New Zealand Intelligence and Security Bill, which is currently being considered by Parliament. If passed, it will update our nearly 50 year old legislation and ensure that we are ready and able to counter national security threats in the modern context.

The funding increase and the modernising of our legislation are a once in a generation opportunity for the NZSIS and the New Zealand Intelligence Community to work effectively in the modern era, with appropriate oversight.

Our maturing operational framework has also resulted in us refreshing our long term strategy. This process has helped us reaffirm the mission of the NZSIS and further refine and focus our operational outcomes.

Moving forward the NZSIS's vision is to be ***ahead of the curve: providing indispensable security and intelligence services underpinned by high public confidence and trust.***

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As you know, the NZSIS has been working hard to be publicly visible and accessible, by providing more information to the public. While the NZSIS handles secret information, we need not be a secret organisation.

Over the last year we have continued to engage with the New Zealand public, through speeches, interviews, responses to Official Information Act and Privacy Act requests, and meetings with community groups.

In order to raise the level of transparency around NZSIS activities we have included much more detail in this year's unclassified Annual Report.

### *Closing remarks*

Last year I finished my remarks with a thank you to the staff of the NZSIS for their dedication to protecting the freedoms we enjoy as New Zealanders and the often unheralded sacrifices they and their families make.

This year I would like to extend the same thanks to our domestic and international partners. The NZSIS needs to be ready and able to protect New Zealand and New Zealanders from an increasingly diverse range of threats. Fortunately, we do not operate in isolation. We seek and obtain assistance and support from a wide range of people and organisations. For this assistance we offer our thanks. New Zealanders are safer because of it.

Thank you.

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