



2019

Annual Report

NEW ZEALAND SECURITY INTELLIGENCE SERVICE
TE PĀ WHAKAMARUMARU

Preface

This is the Annual Report of the NZSIS for the year ended 30 June 2019, presented for consideration and scrutiny to the Intelligence and Security Committee (ISC).

Presented to the House of Representatives pursuant to section 221(4) of the Intelligence and Security Act 2017.

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An introduction to the NZSIS

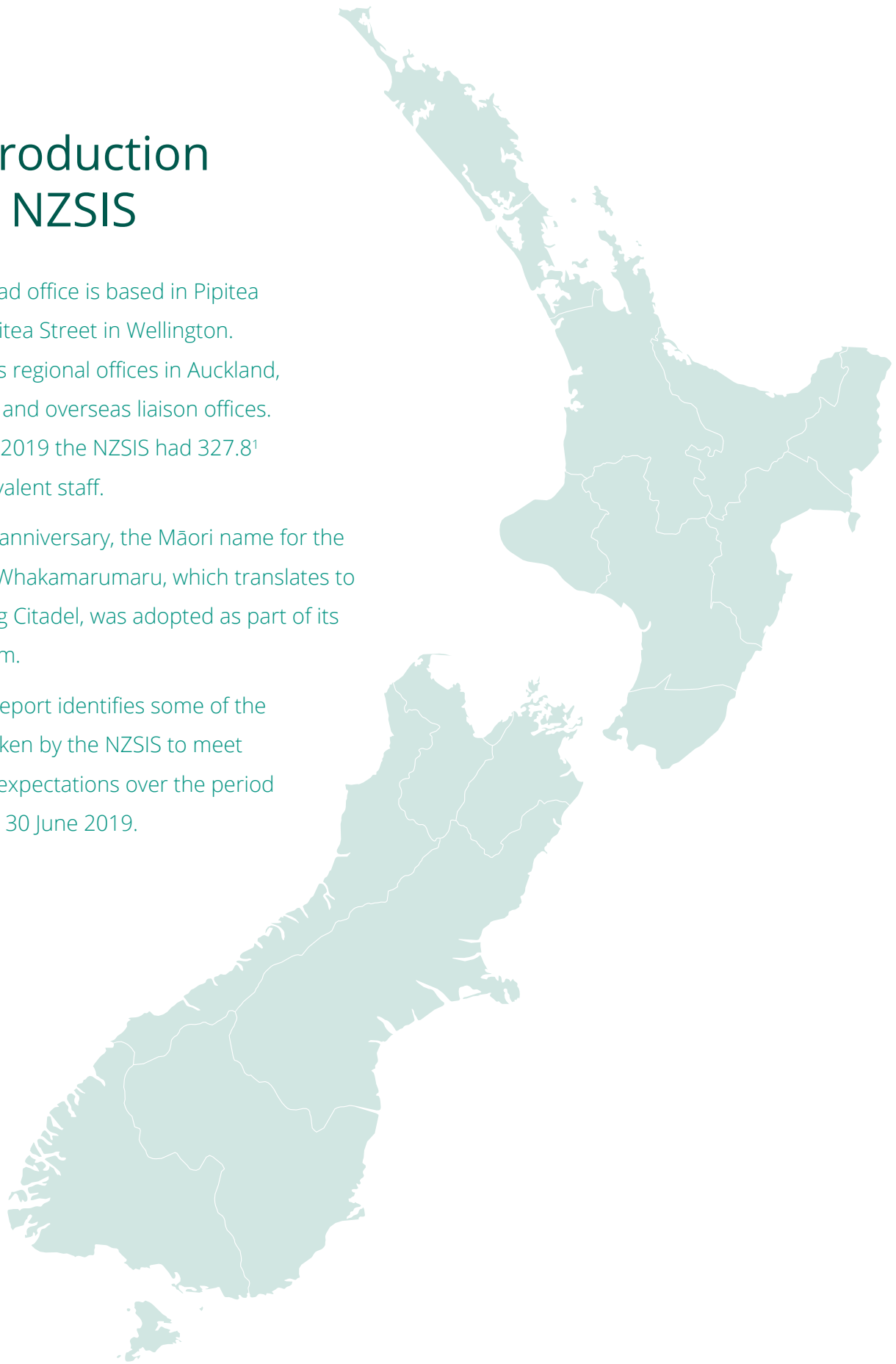
The NZSIS head office is based in Pipitea House on Pipitea Street in Wellington.

The NZSIS has regional offices in Auckland, Christchurch, and overseas liaison offices.

As of 30 June 2019 the NZSIS had 327.8¹ full time equivalent staff.

On its fiftieth anniversary, the Māori name for the NZSIS, Te Pā Whakamarumarū, which translates to The Sheltering Citadel, was adopted as part of its official emblem.

This Annual Report identifies some of the work undertaken by the NZSIS to meet Government expectations over the period 1 July 2018 to 30 June 2019.



1. This FTE count is consistent with SSC methodology, counting all current employees of the NZSIS excluding those on leave without pay or parental leave.

Contents

Director-General's Overview	6
-----------------------------	---

Our work in detail **8**

New Zealand's Intelligence Community	9
--------------------------------------	---

Objectives of the NZSIS	9
-------------------------	---

The Strategic Environment	11
---------------------------	----

National Security **12**

Countering the Threat of Terrorism	13
------------------------------------	----

Investigating Violent Extremist Threats	14
---	----

Assessment Activities	14
-----------------------	----

Security Screening	15
--------------------	----

Events and Deployments	15
------------------------	----

New Zealand Institutions are Protected **16**

Espionage and Foreign Interference	17
------------------------------------	----

Investigating Foreign Interference	17
------------------------------------	----

Protective Security Services	18
------------------------------	----

Protecting People, Information and Assets	18
---	----

Countering the Proliferation of WMD Technology	21
--	----

Space and High-altitude Activities	21
------------------------------------	----

Regional Security is Protected 22

Contributions to Pacific Regional Security	23
Contributions to International Security	23
International Liaison	23

Organisational Capability 24

The Capability Directorate	25
----------------------------	----

Organisational Health 26

Retain, Develop and Recruit the Best People	27
Diversity in the Workforce	28
Delivery Excellence	31

Powerful Profile 32

Engagement, Transparency and Oversight	33
Oversight	35
Statement on Warrants	36

Review of output performance 38

Output Performance	39
--------------------	----

Financial Statements 40

Statement of Responsibility	41
Independent Auditor's Report	42
Statement of Expenses and Capital Expenditure Against Appropriation	45

Director-General's Overview



The terrorist attacks on Christchurch's Al Noor Mosque and Linwood Islamic Centre on 15 March 2019 took 51 lives; left dozens physically injured and affected countless families, friends and communities.

The attacks were abhorrent and raised important questions about what happened in the lead-up to that day and the performance of state sector agencies.

The New Zealand Security Intelligence Service (NZSIS) recognises the importance of the Royal Commission of Inquiry into the Attack on Christchurch Mosques providing answers to the public, and is openly and fully cooperating with the Royal Commission's process. It is important to the NZSIS, as well as the communities affected and the public, that as much information as possible be put in the public domain.

NZSIS staff are motivated by our mission to keep New Zealand safe, and the attacks were keenly felt. I was immensely proud of the way my team stepped up to provide 24/7 support to the NZ Police investigation and generated intelligence to mitigate risks from possible revenge or copycat attacks.

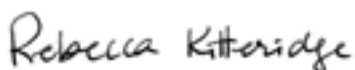
Besides the prevailing security issue of violent extremism, the NZSIS continued to be concerned by the global rise in the scale and aggression of foreign interference and espionage. Together with other agencies in the New Zealand Intelligence Community, the NZSIS has briefed various organisations in a range of sectors over the last year about foreign interference and its impact on our economy, democracy and international reputation.

I briefed Parliament's Intelligence and Security Committee earlier in the year to raise awareness of this issue. The Director-General of the Government Communications Security Bureau and I also appeared before the Justice Committee to give evidence about interference in New Zealand's democracy. Our view is that openness is the best defence against improper interference in New Zealand's affairs.

The NZSIS has statutory responsibility to provide protective security services to the public sector. This year I assumed the role of Government Protective Security Lead. I was well supported by my Protective Security Requirements team as I stepped into this public sector leadership role. I am excited by the contribution the NZSIS can make in helping agencies operate securely in a rapidly evolving environment.

Independent oversight is vital for intelligence agencies. It strikes a balance between the secrecy necessary to operate effectively and the public's expectations of accountability and transparency. We committed to responding to four Inspector-General of Intelligence and Security inquiries as well as the Government Inquiry into Operation Burnham and Related Matters and the Royal Commission into the Attack on Christchurch Mosques during the year. This presented some resourcing challenges as we juggled competing demands, but we see our commitment to oversight as an important part of our continuing effort to be transparent and accountable.

I would like to acknowledge the staff who choose to work for us. Every day they show an unflagging commitment to protecting national security that is rarely visible to the public, and I thank them for the work they do.



Rebecca Kitteridge
Director-General of Security

Independent oversight is vital for intelligence agencies. It strikes a balance between the secrecy necessary to operate effectively and the public's expectations of accountability and transparency.

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1

OUR WORK
IN DETAIL

The New Zealand Intelligence Community (NZIC) is a dedicated group of agencies that work together to build a safer, more prosperous New Zealand.

New Zealand's Intelligence Community

Purpose

The NZIC provides the Government and other decision makers with the intelligence they need to ensure New Zealand remains a free, open and democratic society.

Intelligence provides the foundation for the whole-of-Government national security effort, including identifying, investigating and responding to significant threats.

It supports New Zealand's interests internationally through collecting and assessing foreign intelligence aligned to our foreign policy goals.

It plays a significant role in enabling the Government and key economic entities to protect their information, assets and people from activities that could damage the national interest.

Agencies

The core NZIC includes:



**New Zealand
Security Intelligence
Service**

Te Pā Whakamarumarū



**GOVERNMENT
COMMUNICATIONS
SECURITY BUREAU**

TE TIRA TIAKI



**DEPARTMENT OF THE
PRIME MINISTER AND CABINET**
TE TARI O TE PIRIMIA ME TE KOMITI MATUA

Objectives of the NZSIS

New Zealanders are safe

- The NZSIS has established an effective baseline picture of emerging terrorism threats.
- The NZSIS has successfully mitigated domestic terrorism threats.
- The NZSIS has provided effective and sustainable support for a significant overseas deployment.

New Zealand's key institutions are protected

- The New Zealand Intelligence Community (NZIC) is a protective security exemplar.
- The NZSIS has assisted key institutions to mitigate their insider threat risks.
- The NZSIS has mitigated espionage and hostile foreign intelligence threats.

New Zealand's national advantage is promoted

- The NZSIS has enabled better policy and geopolitical decision-making.
- The NZSIS has meaningfully contributed to international security.
- The NZSIS has enhanced security in the Pacific.

National Intelligence Priorities

The National Security and Intelligence Priorities (NSIPs) direct the NZSIS's intelligence investigations and analysis. The NSIPs outline key areas of national security interest to the New Zealand government. The priorities assist agencies that have a national security role to make informed, joined-up decisions, and define key areas of focus.

New Zealand takes an 'all hazards, all risks' approach to national security. This means the priorities cover a large range of potential risks to New Zealand's security and wellbeing.

The current priorities were approved in December 2018 and are listed below in alphabetical order:

- **Biosecurity and human health** – Threats to New Zealand's biosecurity and human health arising from human activity.
- **Environment, climate change and natural resources** – International environment, climate change and natural resources challenges that may impact New Zealand's interests and national security.
- **Foreign influence, interference and espionage** – Acts of interference, influence and espionage in and against New Zealand that would erode New Zealand's sovereignty, national security or economic advantage.
- **Global economy, trade and investment** – Developments in international trade governance, and New Zealand's bilateral, plurilateral and multilateral trading relationships.
- **Implications of emerging technology** – The implications of emerging technology and innovation trends for New Zealand's national security, international relations and economic wellbeing.
- **International governance, geopolitics and global security** – Developments in international governance, geopolitics and global security that may impact New Zealand's interests.
- **Malicious cyber activity** – Cyber threats to New Zealand from state-sponsored and other malicious actors.
- **Middle East regional security** – The implication of events in the Middle East region on New Zealand's national security, international relations and economic wellbeing.
- **New Zealand's strategic interests in the Asia region** – The implications of events in the Asia region on New Zealand's national security, international relations and economic wellbeing.
- **Pacific regional stability** – Protecting and promoting stability, security and resilience in the Pacific region.
- **Proliferation of weapons of mass destruction and conventional weapons** – Non-proliferation and counter-proliferation of weapons of mass destruction and conventional weapons.
- **Space security** – The implications of the exploitation of space and space-based technology on New Zealand's national security, international relations and economic wellbeing.
- **Territorial security and sovereignty** – Threats to New Zealand's territorial security and sovereign rights arising from illegal, unregulated, negligent, harmful (or potentially harmful) human activity.
- **Terrorism** – Threats to New Zealand, New Zealanders and New Zealand's interests from terrorism (ideology, politically or religiously motivated violence) at home and abroad.
- **Threats to New Zealanders overseas** – Threats to the safety and success of New Zealand people, platforms and missions (military, NZ Police, diplomatic and civilian) overseas.
- **Transnational organised crime** – Threats to New Zealanders and New Zealand's interests from transnational organised crime, including trafficking, irregular migration, financial crime, fraud and corruption.

The Strategic Environment

Terrorism and Violent Extremism

The threat of harm from violent extremism is a prevailing security issue both domestically and internationally.

The Christchurch terrorist attacks on 15 March 2019 made it devastatingly clear that New Zealand is not immune to the threat posed by violent extremism. The attacks will likely have a long-term impact on the domestic terrorism environment. In the immediate aftermath of the attacks, the national terrorism threat level was raised to 'High' and, from mid-April 2019, was maintained at 'Medium'. This means a terrorist attack is assessed as 'feasible and could well occur'.

Violent right-wing extremism is recognised as a growing threat internationally. The disparate nature of the people, groups and ideologies associated with this form of extremism, and the use of online platforms to share ideology and radicalise people, will continue to be a challenge for security agencies around the world for the foreseeable future.

Additionally, despite a significant loss of territory, the Islamic State of Iraq and the Levant (ISIL) remains an active threat by seeking to inspire terrorist attacks around the world. Other groups, such as Al-Qaeda, remain a threat to international security.

Espionage and Foreign Interference

The scale and aggressive nature of state actors seeking to cultivate influence and undertake intelligence activities is rising around the world. The method, technologies and defences used to undertake and obscure espionage and foreign interference have continued to change over time. Hostile cyber activities and foreign interference are increasingly key tools for states to project their influence abroad.

New Zealand continues to be a target of espionage and foreign interference. Foreign actors have made persistent efforts to gain access to sensitive government and commercial information, and valuable intellectual property. They have also made attempts to covertly influence individuals and institutions in ways that have a negative impact on our economy and democracy.

Security in the Pacific

The Pacific is an increasingly contested international arena with many nations seeking to build influence there. This has the potential to have a detrimental effect on regional security and stability. The Government has reoriented New Zealand's engagement in the Pacific, seeking to work more proactively and supportively with the countries in our region. There is growing demand for information and advice from New Zealand's government agencies and Pacific partners are increasingly seeking out New Zealand as a partner for security capability-building initiatives.

The background of the entire page is a repeating pattern of teal-colored hexagons. The hexagons are arranged in a staggered grid, with each hexagon slightly offset from the others. The color of the hexagons varies slightly in shade, creating a subtle gradient effect.

2

NATIONAL
SECURITY

The NZSIS works to protect New Zealanders by detecting, investigating and providing advice about threats to their wellbeing. We provide advice to Government, other agencies and our international partners to enable them to make informed decisions.

Countering the Threat of Terrorism

The Government and the public have zero tolerance for terrorism. The NZSIS investigates possible domestic and international violent extremism threats and works with other agencies to prevent these threats from escalating into acts of terrorism.

The NZSIS monitors global trends relating to violent extremism and how these trends may translate to activity

in New Zealand. This enables the NZSIS to assess whether existing threats are increasing or diminishing, and if new threats are emerging.

We provide the Government and government agencies with intelligence, threat assessments and advice to inform their response to specific terrorist threats and to broader trends in violent extremism.

The Christchurch Terrorist Attacks

On 15 March 2019, terrorist attacks at the Al Noor Mosque, and shortly afterwards, at the Linwood Islamic Centre in Christchurch resulted in the deaths of 51 worshippers, left dozens physically injured and affected countless families, friends and communities.

Violent extremism has no place in New Zealand. The attacks at the Al Noor Mosque and at the Linwood Islamic Centre were an abhorrent assault on our values and security.

As part of our immediate response to Christchurch, the NZSIS stood up a 24/7 incident response centre, which focused on supporting the NZ Police investigation and on providing information to mitigate any further risks to the public.

The Government has established a Royal Commission of Inquiry to examine how relevant agencies directed their resources before the 15 March attacks and how the different agencies in the security sector work together. The NZSIS recognises the importance of the Royal Commission in providing answers to the public, and is openly and fully cooperating with the Royal Commission process.

The NZSIS has assessed for some time that it was possible an individual, unknown to intelligence or law enforcement agencies, could carry out a terrorist act in New Zealand. Widespread personal encryption, closed online chat groups and increasingly sophisticated efforts to hide their activities, has made it challenging for security agencies around the world to detect these types of threats.

Online Extremism

The proliferation of extremist content and ideologies of various kinds online continues to be a security challenge around the world. Individuals can be exposed to graphic content and extremist ideologies in their own homes with little, if any, moderating influence. Over time, this can lead to self-radicalisation and may also lead individuals to mobilise and undertake activity in support of an extremist ideology.

Investigating Violent Extremist Threats

The NZSIS investigates potential threats to the public's safety and wellbeing caused by violent extremism at home and abroad. We investigate the individuals and groups that support violent extremist organisations, or promote violent extremist ideologies, or may be planning to undertake a terrorist attack. We investigate threats that are likely to impact New Zealand or may involve New Zealanders.

The NZSIS's investigative activity begins with a 'lead'. This information comes from a wide range of sources, including the public, reporting from international and domestic liaison partners, and from other NZSIS investigations. A range of powers and information collection tools are used to corroborate the lead information and to assess the extent to which a national security threat exists. Depending on the nature of the threat, the NZSIS will consider whether the lead meets the threshold to initiate an investigation or a wider government response.

Where it is appropriate, the NZSIS will work with other agencies – including the NZ Police – to investigate the threat and to mitigate any risk to the public.

The volume of lead information received rose in the immediate aftermath of the Christchurch attacks. Unsurprisingly, an increasing proportion of these leads related to right-wing extremism.

During the 2018/19 year, the NZSIS continued to receive leads about activities and support for ISIL, alleged viewing or distribution of violent objectionable extremist material, and support for extremist groups. Online consumption of extremist material was a consistent feature of many investigations.

During the past year, between 30 and 50 individuals have been under active investigation by the NZSIS in relation to violent extremism at any one time.

Counter-terrorism Investigations in Response to the Christchurch Mosque Attacks

Following the Christchurch Mosque attacks, the NZSIS initiated several specific investigative and operational responses. Our response included expanding efforts to identify any individuals who may be intent on planning, facilitating, supporting, encouraging or inciting attacks in New Zealand, motivated by a violent right-wing extremist ideology.

New Zealand government agencies continue to work closely in response to a significant upswing in information being reported by the public in the immediate aftermath of the 15 March attacks, and from a range of other sources, in relation to possible terrorism threats.

Assessment Activities

The NZSIS works to understand domestic and global trends relating to violent extremism. A wide range of intelligence is examined – drawn from our own investigations, other New Zealand government agencies and international counterparts – to provide an assessment of the impact on New Zealand's strategic environment.

This assessment underpins advice the NZSIS provides to the Government, other government agencies and (where appropriate) international partners about whether the threat of violent extremism is increasing or diminishing, and the potential for new threats to emerge.

The Combined Threat Assessment Group

The Combined Threat Assessment Group (CTAG) is an interagency group which provides independent assessments

to inform the National Security System and wider government agencies of the threat posed by terrorism to the public and New Zealand interests. CTAG prepares threat assessments on a wide range of terrorism issues.

A key function of CTAG is to set, and continually monitor, New Zealand's national terrorism threat level.

CTAG works closely with other government agencies to ensure that the national terrorism threat level is set appropriately. The purpose of the national terrorism threat level and associated threat assessment is to inform national security risk management and decision-making processes.

CTAG is hosted by the NZSIS and includes representatives of the NZSIS, the Government Communications Security Bureau (GCSB), the New Zealand Defence Force (NZDF), the NZ Police, and the Civil Aviation Authority.

The National Terrorism Threat Level

The national terrorism threat level is used by government agencies to ensure they have a consistent way of managing the risk associated with violent extremism. The threat level is under constant assessment by CTAG.

The threat level had been set at 'Low' since 2014; an attack is possible, but is not expected.

In the immediate aftermath of the Christchurch attacks, the terrorism threat level was raised to 'High'; an attack is assessed as very likely. This reflected the impact the attacks had on the New Zealand threat environment and the assessed likelihood of a copycat or revenge attack.

The national terrorism threat level is currently set at 'Medium'; an attack is feasible and could well occur.

Security Screening

The NZSIS supports border security agencies to maintain the integrity of New Zealand's border. Each year the NZSIS screens the details of thousands of individuals before those travellers enter the country.

The NZSIS seeks to identify travellers with links to international extremist groups, espionage activities or the proliferation of weapons of mass destruction technology. This process enables New Zealand's border protection agencies to prevent people who may pose a risk to national security from entering the country.

The NZSIS has a statutory responsibility under the Citizenship Act 1977 and the Civil Aviation Act 1990 to screen individuals applying for citizenship and individuals seeking access to secure airport environments.

Over the past year, the NZSIS has invested effort and resource to improve the business processes that underpin the national security screening system. The NZSIS effectively worked through a six percent increase in temporary entry visa application referrals within the agreed response time, including a number of complex and high risk cases.

Events and Deployments

The NZSIS works to protect New Zealanders who live, travel or work overseas from the threats arising from terrorism or espionage. We support other agencies to protect government representatives and officials posted overseas or attending international events. We support security arrangements at events where large numbers of New Zealanders may be gathering.

CTAG supports the safety of New Zealanders travelling around the world by monitoring global terrorist threats and providing advice to the Ministry of Foreign Affairs and Trade's (MFAT) Safe Travel Service when there is a possibility of New Zealanders being affected.

Security and Management of Major Events

The primary role of the NZSIS in major events is security planning. This involves working closely with other agencies and foreign liaison partners to ensure New Zealand's interests are safeguarded. The NZSIS has continued to provide protective security support for a number of events both in New Zealand and overseas.

Support to Military Operations

The NZSIS provides Cabinet approved support to NZDF operations. This role has predominantly been focussed on ensuring that NZDF's personnel are safe and secure when deployed overseas.

A background of a teal color with a repeating pattern of hexagons in various shades of green and blue.

3

NEW ZEALAND
INSTITUTIONS
ARE PROTECTED

The NZSIS is committed to preventing hostile nations, groups and individuals from undertaking clandestine espionage activities in New Zealand, undermining our democracy and institutions, or stealing sensitive information or intellectual property from nationally significant organisations.

We work to prevent these activities by identifying, seeking to understand and providing advice about foreign interference and influence threats against New Zealand, and about how to counter them.

Espionage and Foreign Interference

The scale and aggressive nature of foreign state actors seeking to conduct interference and undertake intelligence activities is on the rise around the world. New Zealand is not immune.

Foreign intelligence services have the intent and capability to target our nation's interests both here and offshore. Misinformation campaigns, efforts to influence diaspora communities, hostile cyber activities, data and intellectual property theft, contributions to political campaigns and foreign investment are key tools for states to project their influence abroad.

Foreign interference in New Zealand's economy and democratic institutions is against New Zealand's values and the NZSIS is committed to countering this threat.

What is Foreign Interference?

Foreign interference is an act by a foreign state that is intended to influence, disrupt or subvert a New Zealand national interest by covert, deceptive or threatening means. Interference does not include normal diplomatic activities or open lobbying or persuasion.

These activities present a great risk to New Zealand's economy, democracy and values as they are designed to undermine or subvert them, to mislead decision makers and circumvent the norms of international engagement.

Investigating Foreign Interference

The NZSIS works to detect, defend and counter the threats posed by foreign intelligence services to New Zealand. This entails investigating the activities of foreign states, and people working on their behalf, at home and abroad.

Disrupting the wide array of methods foreign intelligence services use to target New Zealand's interests requires a multi-disciplinary approach to investigation.

While the NZSIS predominantly focuses on developing human intelligence, we work closely with domestic agencies and international partners on the other avenues that foreign states use to target New Zealand. The GCSB is a key partner in understanding the use of cyber platforms to conduct foreign interference and espionage activities targeting New Zealand.

The Justice Committee Inquiry

In 2019 the Directors-General of the GCSB and the NZSIS appeared before the Justice Committee inquiry into the 2017 general election and the 2016 local body elections. The two agencies were invited to appear before the inquiry to provide advice and insights into the potential for foreign interference in New Zealand's elections.

The NZSIS will continue to work with the Justice Committee, Ministers, Members of Parliament and the Electoral Commission to mitigate foreign interference risks to the next general election.

Protective Security Services

The NZSIS has a statutory responsibility to provide protective security services, advice and assistance to the public sector. Through its Protective Security Requirements team, the NZSIS provides information, tools and guidance to government agencies to ensure they have appropriate protective security measures. The core tool for providing security advice to government agencies is the Protective Security Requirements (PSR) framework.

The PSR outlines 20 mandatory requirements for public sector agencies, which provide a foundation for strong security practice. These requirements are divided into four areas: security governance, personnel security, information security and physical security.

The PSR team is continually reviewing and updating the framework and support mechanisms to ensure it remains best practice.

Implementing the PSR framework is mandatory for 36 government agencies. Since the programme began in 2014 there has been a visible increase in the mandated agencies' capabilities, and a positive shift in their risk understanding and security culture.

Over 50 government agencies have now adopted the PSR. This reflects an increasing security culture across government. There is also more interest from private sector agencies looking to improve their protective security practices.

Government Protective Security Lead

In 2018/19 the Director-General of Security was appointed as the Government Protective Security Lead.

The Government Protective Security Lead works with other government functional leads and agency chief executives to ensure security is designed into government systems and initiatives at the outset. This is a leadership role, aimed at supporting other chief executives to reach optimal protective security maturity for their organisation while meeting their other accountabilities.

While this role is still being developed, the initial work programme will focus on:

- improving the resources available to agencies and providing guidance on how agencies can share and leverage security resources;
- supporting efforts to build enduring personnel security capability across government; and
- supporting organisations to better understand and manage the common security risks.

Protecting People, Information and Assets

The NZSIS, alongside the GCSB, plays a critical role in ensuring the New Zealand Intelligence Community (NZIC) is a protective security exemplar. These efforts ensure New Zealand's most sensitive information, facilities and assets are adequately protected.

Staff across the NZIC routinely handle sensitive personal information and classified material. Misuse, mishandling or the unauthorised disclosure of classified information could have major consequences for individuals, the Government, international partners and the work of the NZIC. In this context, NZIC agencies – including the NZSIS – have a responsibility to ensure our security practices are robust.

The NZSIS hosts the NZIC's Security Services Group (SSG), which provides protective security services to the NZSIS, the GCSB and the Department of the Prime Minister and Cabinet. The SSG's work includes undertaking internal

security investigations, providing security advice to employees and ensuring internal security practices are fit-for-purpose.

The Risk of Insider Threats

An insider threat is any person who exploits or intends to exploit their access to an agency's assets to harm the security of their agency or New Zealand, either knowingly or unknowingly, through espionage, terrorism or unauthorised disclosure of information.

The NZSIS provides leadership on counter-intelligence and personnel security functions across government, including working to prevent, detect and respond to insider threats. The agency delivers advice and assurance to government departments and private sector organisations.

Security Awareness Days

Each year the NZIC SSG organises and delivers the NZIC Security Awareness Days in our headquarters in Wellington, NZIC offices in Auckland and also at the NZIC site in Waihopai. The stalls are staffed by subject matter experts, and are innovative, interactive and informative for those from across the NZIC and other government agencies who attend.

Positive feedback was received on the Security Awareness Day this year, which is being used to further evolve and refine the event for the coming year.

Establishment of NZIC Psychology Services

The NZIC Psychology Services unit was established in June 2018. This unit provides several distinct services to the NZIC. Its foremost function is to support the mental health and wellbeing of NZIC staff by providing assistance to those who may experience stress because of the nature of their work. This enhances security by reducing the risk of mistakes and accidental security breaches. NZIC Psychology Services also helps NZIC agencies identify and manage personnel security risks, and advises on recruiting the right people.

National Security Clearances

The NZSIS has statutory responsibility for administering the national security clearance vetting process. This role enables the NZSIS to support effective security across the public sector, by ensuring only those people who are suitable for handling sensitive information are in a position to do so.

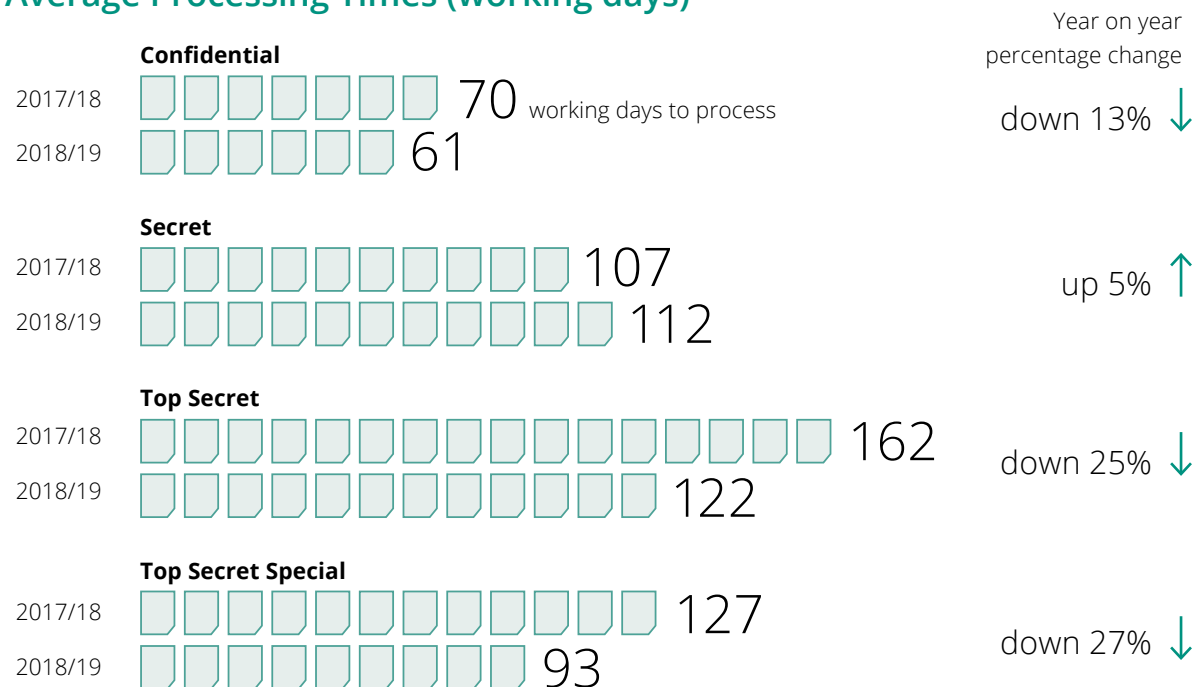
The NZSIS provides advice on whether or not a person is suitable for the clearance, or whether any risks need to

be managed in order for them to hold a national security clearance. The process includes a deep look into the candidate's background, lifestyle and any other relevant information. The chief executive of the requesting agency makes the final determination about granting a staff member a national security clearance.

The NZSIS has invested significant time, effort and resources into improving the national security clearance vetting process. The guidance candidates receive, the processes by which we make recommendations and the ways in which we protect and control personal information, have all been improved.

The Security Vetting team has been systematically applying business improvement methodologies to the different levels of security clearances. So far, the team has worked through a number of improvements at the Confidential, Top Secret and Top Secret Special levels, and is about to start the business improvement process for Secret clearances. The following table compares the average processing times for vetting applications between 2017/2018 and 2018/2019.

Average Processing Times (working days)



Challenges

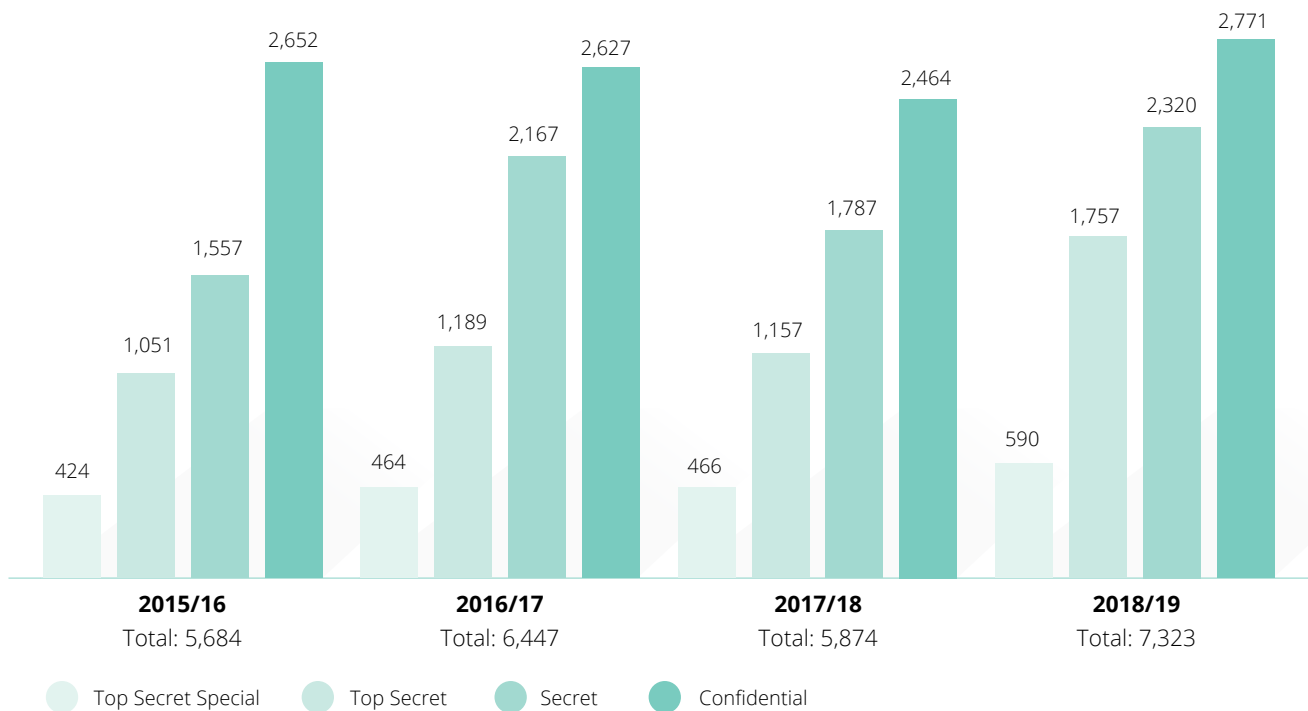
A key dependency for completing a national security clearance is the provision of NZ Police vetting information. During the performance year the time taken for the NZ Police to provide this service has increased markedly and this has reduced the improvement in processing times for all national security clearances. The NZSIS is working with the NZ Police on a solution to this issue.

During the 2017/18 performance year, we received on average 482 applications each month. This year our monthly

average has increased to 610 – an overall increase in demand of 26 percent.

Of particular note is the increase in demand for Top Secret and Top Secret Special clearances. Top Secret has seen a 52 percent increase compared with 2017/18, while Top Secret Special has increased by 27 percent. This is significant because these higher level clearances take much longer to process than Confidential and Secret applications. The NZSIS is working with other agencies to gain a better understanding of this increase in demand.

Vetting Applications Received



Security Clearance Eligibility Tool

In 2018/19 the NZSIS launched a self-check security clearance eligibility tool. The tool was developed for candidates to self-check whether they may be eligible for a security clearance. It provides a simple and quick check for potential candidates before formally starting the recruitment process and is available on the Protective Security website.

Continuous improvement

The NZSIS is engaged in a multi-year improvement process for national security clearance vetting, through Projects VIPER and TIAKI.

Project VIPER

Project VIPER is aimed at reducing analyst processing time, enhancing turnaround in quality assurance checks and shortening candidate queues.

In the last quarter of the 2018/19 financial year, the project focused on Confidential vetting applications. The results of the project have produced a 50 percent reduction in analyst processing time, quality assurance checks returned

within 48 hours and the elimination of decision ready² queues. The result for candidates in the 2019/20 financial year will be a 30 working day reduction in Confidential vetting applications. Efficiencies gained at Confidential will be applied across all levels of vetting applications.

Project TIAKI – Security Clearance Lifecycle Management

The NZSIS has worked with clearance holders, vetting staff and other government agencies to re-design vetting forms, and develop a new portal for agencies and NZSIS staff to receive vetting information. The design phase has been completed and build is scheduled to begin in early 2020. The new portal is designed to be user-friendly

for government agencies nominating staff for security clearance and reduce processing time for vetting analysts. The redesign of vetting forms for all levels of security clearances will meet accessibility standards and ensure candidates can provide the right information the first time. Where possible, candidates renewing clearances will have information pre-populated to reduce administration.

In the 2019/20 year the focus will be on applying business improvement initiatives to the Secret applications to identify efficiencies and enhance customer experiences. In addition, the Security Vetting team is confident that as longer-term initiatives come to fruition, timeliness will continue to improve across all levels.

Countering the Proliferation of WMD Technology

The proliferation of Weapons of Mass Destruction (WMD), including nuclear, chemical and biological weapons, is a significant threat globally. The NZSIS supports New Zealand's efforts to counter this threat by ensuring we do not contribute to the transfer of knowledge or expertise which could be used in WMD programmes.

While New Zealand has no industry directly related to WMD production, we are technologically capable in a number of areas with dual-use potential.

Some examples include the development of our space industry, biotechnology research, and drone technology. The technology being developed may be attractive to those seeking to acquire it for unethical purposes.

The NZSIS provides advice to Immigration New Zealand in relation to the transfer of knowledge or expertise that could be used in WMD programmes. Individuals meeting certain criteria are subject to NZSIS national security screening.

Space and High-altitude Activities

New Zealand's space industry provides significant economic opportunities for New Zealand.

New Zealand provides a uniquely beneficial environment for space-related activities. Our uncluttered air space provides multiple launch windows. We also have a modern legislative environment that allows for a safe, sustainable and thriving space industry.

The Outer Space and High-altitude Activities Act (OSHAA) 2017 provides a regulatory framework to manage any risks to New Zealand's national security and interests.

A core role for the NZSIS and the GCSB is to undertake national security risk assessments for all activities licensed or permitted under OSHAA and provide national security

advice on outer space and high-altitude activities to the Minister Responsible for the NZSIS and the GCSB. For activities governed by the Act, these national security risk assessments inform the Ministerial-level consultation required by the Act.

The space industry in New Zealand continued to grow throughout 2018/19, including Rocket Lab's launch activities in Mahia, work being undertaken by local universities and foreign companies showing interest in establishing space-related programmes here.

In 2018/19, 29 assessments on space-related activities were undertaken, up from 24 in the previous year.

² An application is defined as 'decision ready' when all of the information required to make the decision is available to the vetting staff member. This includes the candidate application form, referee forms, and information from third parties such as NZ Police and credit agencies.

4

REGIONAL
SECURITY IS
PROTECTED

Despite our relative geographic isolation, our region is not exempt from the trends that shape the global security environment. These trends manifest in New Zealand's domain and throughout the Pacific as a diverse array of security challenges. The global nature of modern national security threats and New Zealand's unprecedented connectedness to the world will invariably see global trends become domestic issues. Our international intelligence and security partnerships provide us with insights on global trends and developments, which increasingly stand to impact our country and the region we share.

Contributions to Pacific Regional Security

New Zealand's national security is intrinsically linked to the security and prosperity of the region we share with our Pacific Island partners. The NZSIS has a clear role to play in achieving the outcomes sought under the Government's Pacific Reset objectives, and the undertakings of the Boe Declaration. Our role is to work with our Pacific partners

to enable a stable Pacific region, and work with Pacific leaders in the protection of our shared fundamental values of democracy and transparency. The NZSIS informs wider New Zealand government efforts to keep the region safe and secure. When working in the Pacific, the NZSIS liaises closely with other New Zealand agencies.

Contributions to International Security

With the interconnectedness of global security, NZSIS's international engagement increasingly extends beyond the Pacific region, making us part of a wider global intelligence community.

Our international relationships enable New Zealand to have far greater visibility of risks to its own national security interests through access to global sources of high-quality intelligence. These relationships also allow the NZSIS to provide partners with our own unique and valuable contribution to the common picture of regional and global trends.

The NZSIS's relationships with the Five Eyes network of partners are vital to our ongoing ability to deliver positive security and intelligence outcomes for New Zealand.

Strong relationships outside of the Five Eyes are also important. Our relationships with security and intelligence partners in Europe and Asia are increasingly significant to the NZSIS and New Zealand, and will continue to grow in importance.

International Liaison

The NZSIS maintains several liaison posts abroad, which provide us with an avenue to effectively mitigate national security threats by working with our strategic partners.

The liaison roles are a central point of contact for the collection and distribution of information from liaison partners through developing, enhancing and maintaining strong relationships.

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5

ORGANISATIONAL
CAPABILITY

The NZSIS is committed to ensuring it can continue to meet the security and intelligence needs of the New Zealand Government and public. To this end, the NZSIS devotes considerable effort to developing cutting edge capabilities, enhancing the capabilities that we already have, and ensuring that our staff have the training and resources they need to succeed in their roles. The NZSIS also works to ensure that our systems, policies and processes are fit-for-purpose.

The Capability Directorate

In order to manage the development of critical capabilities across the NZSIS, the Capability Directorate was established in 2017/18. The focus of this directorate is to align the agency's critical capabilities and strategic goals, human capital, business planning cycles, and long-term investment strategies.

Over the past year, the Capability Directorate has been managing capability development. This has included contributing to the delivery of the third year of the four-year investment programme provided to the NZIC through Budget 2016. They have also played an instrumental role in securing funding in Budget 2019, and planning the future development of the NZSIS.

The specific initiatives undertaken by the Capability Directorate over the past year have included:

- Supporting the development of intelligence collection capabilities;
- Delivering fit-for-purpose operational training for NZSIS personnel; and
- Enhancing the delivery of national security clearance vetting.



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6

ORGANISATIONAL
HEALTH

Over the past five years, a number of initiatives have been underway to increase the diversity and inclusiveness of our organisation.

Retain, Develop and Recruit the Best People

The NZSIS workforce has continued to grow since the increased investment in the NZIC included in Budget 2016. The NZSIS is a public service department with full-time equivalent staff of 327.8³, as at 30 June 2019.

The Intelligence Community Shared Services (ICSS) team provides a number of initiatives to the NZSIS and the GCSB, in order to support the continued growth of their workforces, and to help retain and develop existing staff.

This work aims to ensure the NZIC has the best workforce possible to meet the expectations of the New Zealand Government and the public.

Leadership Development

Equipping and developing leaders as the organisation grows and evolves remains a priority. The NZIC leadership competency framework aligns with the State Services Commission framework and the core competencies expected of leaders are included in all people managers' performance and development reviews.

Most of our managers have attended face-to-face training on unconscious bias. Managers and staff have had the opportunity to attend courses on neuro-diversity, Crown and Māori Relations and Te Reo Māori. We have also trained nine anti-harassment advisors and developed an online module on anti-bullying and harassment.

Outstanding People

The NZSIS supports staff to develop and maintain the most up-to-date skills, knowledge and capabilities so they can deliver on their complex and technically challenging work.

Over the past year, ICSS has increased the number and quality of professional development courses available to staff. To achieve this, ICSS has worked with external training providers to develop learning opportunities that are relevant to the work of the intelligence community and has also strengthened its relationships with universities, the NZ Police and NZDF.

During the 2018/19 year, there has also been a continued focus on training around the implementation of the Intelligence and Security Act 2017. Staff have been provided with a series of online learning modules, some of which were compulsory, to ensure the agencies remain compliant with the new legislation.

Career Pathways

The NZSIS and the GCSB maintain a Career Pathways and Career Board system to support staff progression. This framework gives staff guidance on the different careers available within the NZIC and their progression requirements. It provides a robust and consistent competency-based framework against which staff can be assessed and promoted. It is a core part of the agencies' workforce strategy to build more capability internally.

3. This FTE count is consistent with SSC methodology, counting all current employees of the NZSIS excluding those on leave without pay or parental leave.

Retaining talent

Retaining top talent is vital, particularly in light of the unique and challenging environment in which we operate.

Providing staff with a clear view of career pathways within the intelligence and security sector and an increased focus on learning and development have been positive ways of

helping retain skills and fostering career progression in the sector. The NZSIS continues to look at further opportunities to retain talent.

While staff turnover has increased by 1.8 percent over the past year, it remains in line with the wider public sector.

NZSIS Annual Staff Core Turnover

	2015/16	2016/17	2017/18	2018/19
NZSIS	9.6%	11.5%	10.3%	12.1%
Public Service	11.1%	11.5%	12.1%	Figure not yet available

Mental Health and Wellbeing

We take the mental health and wellbeing of our staff very seriously. The work undertaken by our staff can be challenging and we want to ensure they feel, and are, well supported. The in-house NZIC Psychology Services team run weekly counselling and psychological clinics. ICSS also provides access to a 24/7 employment assistance programme for NZIC staff.

Diversity in the Workforce

To better protect New Zealand's interests, the NZSIS must reflect the community we serve. The NZSIS, and the wider NZIC, is committed to developing a dynamic and agile workforce to harness the benefits of different ideas, perspectives and cultural experiences.

The Diversity and Inclusion Strategy the NZSIS and the GCSB launched in March 2018 provides a roadmap of the steps the organisations are committed to taking. The strategy has four goals for workforce diversity: diversity through workforce, leadership, workforce inclusion, and sustainability and accountability.

In particular there is an opportunity for us to increase representation from those who identify as Māori or Pasifika. By 2020, the NZSIS aims to be recognised as an inclusive, diverse and progressive organisation, which maximises capability through its workforce.

As part of the Diversity and Inclusion Strategy, the NZSIS and the GCSB have sought to recruit a more diverse workforce. This has included developing marketing material to reflect that we want a more diverse workforce, and advertising our recruitment on a wider range of platforms.



Rainbow Tick Certification

The NZSIS and GCSB worked to earn the Rainbow Tick certification for the past year as part of our Diversity and Inclusion work plan.

The evaluation of policies and procedures and facilitation of focus groups occurred between April and June 2019 and were conducted by Kāhui Tū Kahu, the charitable company that manages the Rainbow Tick. Accreditation of the Rainbow Tick has been achieved and will be effective from 12 July 2019.

Ethnic Diversity

While the NZSIS has achieved modest improvement in some areas in recent years, 2018/19 saw a slight downturn in ethnic representation. It will take time for new recruitment strategies to be reflected in workforce statistics and we remain committed to improvement.

Ethnic Diversity within the NZSIS

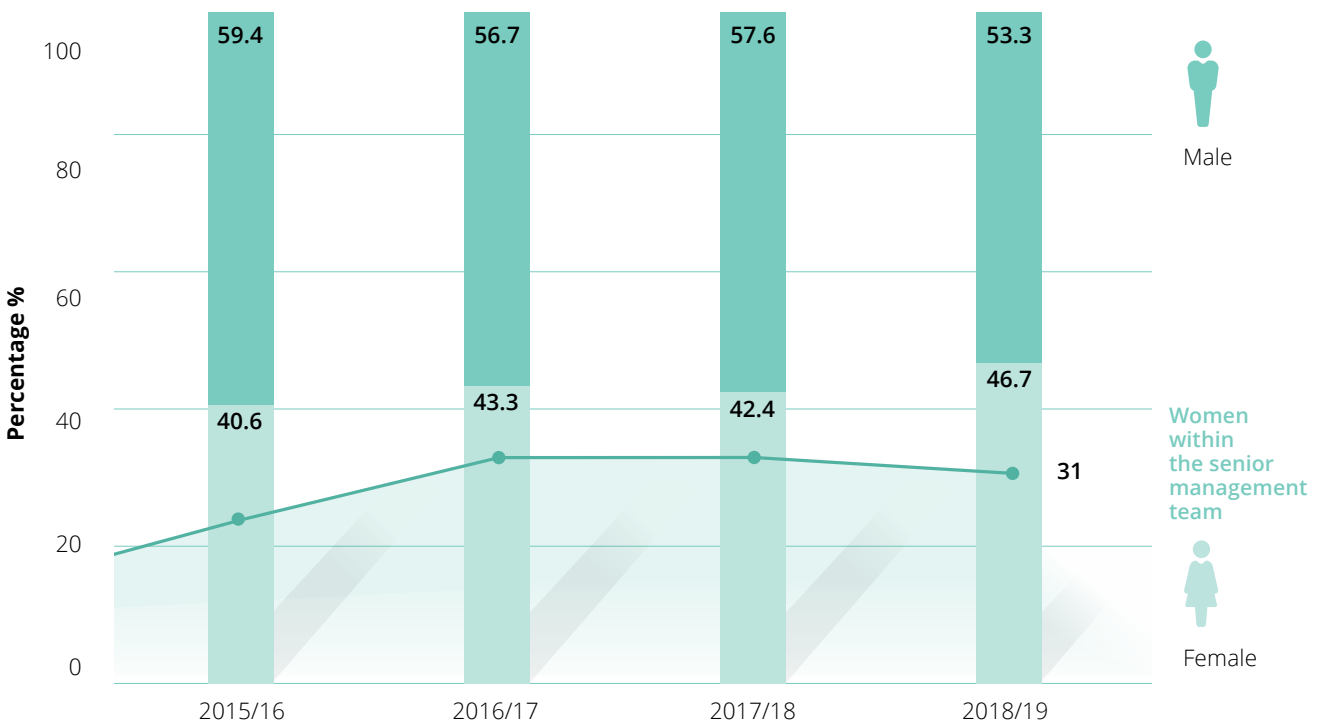
	2015/16	2016/17	2017/18	2018/19
New Zealand European and European	59.6%	65.1%	65.0%	71.2%
New Zealander	-	-	28.4%	27.5%
Māori	6.9%	6.7%	6.5%	5.1%
Asian	4.6%	5.1%	6.5%	5.7%
Pacific Island	1.5%	1.9%	2.6%	2.8%
Middle Eastern, Latin American and African	-	1.1%	2.0%	1.6%
Other	-	0.4%	0.3%	0.3%

These metrics cover the number of employees who identify themselves as having a certain ethnicity. They are calculated by taking the number of people who identify as being a certain ethnic group, divided by the number who have provided an ethnic group. Metrics are taken as at 30 June of the relevant year. Not presented in the 2015/16 and 2016/17 years are staff who identified as New Zealander. This group was reported on for the first time in 2017/18.

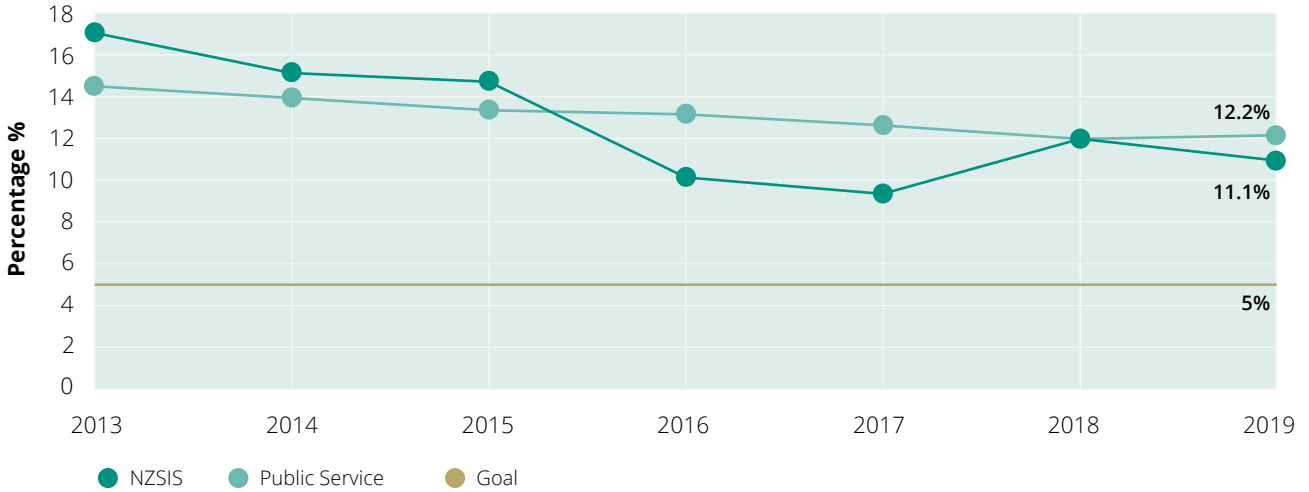
Gender Diversity

Women make up almost half of the NZSIS's workforce and around a third of our senior management group. Improving gender representation across both of these cohorts remains an area of focus.

Gender Diversity within the NZSIS



Gender Pay Gap



The gender pay gap is a high-level indicator of the difference between female and male earnings. It is a comparison of the annual fulltime salary earned by male and female staff, including permanent, fixed-term and seconded out staff in accordance with SSC guidance on calculating the gap.

Supporting gender representation across NZSIS

The NZSIS undertakes a number of initiatives to improve gender representation across the organisation.

Mentoring for women

This programme provides women with access to professional mentoring through the National Security Workforce Mentoring programme. Over the past year, across Wellington and Auckland, seven of our staff put themselves forward to be mentors and 24 signed up as mentees.

Research

ICSS also commissioned three significant pieces of research during the past year.

- Experiences of staff taking parental leave in the NZIC. This report was completed and a number of recommendations made to senior leadership teams.
- Experience of women employed in the NZIC. This research has just been completed and the final report and recommendations will be finished in the 2019/20 financial year.
- Insights into Māori, Pasifika, Asian, Middle Eastern/African and Women's perception of the NZIC as a place to work. An external research firm conducted this research and the results were due at the end of July 2019.

All of our research provides evidence-based information on which we can base organisational improvements.

Closing the Gender Pay Gap

The NZSIS has addressed its like-for-like gender pay gap through successive remuneration rounds. This means men and women who have been in the same roles for the same amount of time and who are performing at the same level are paid equally. We will continue to monitor the like-for-like gender pay gap to ensure staff remuneration remains equitable.

Our target is to reduce the NZSIS's whole-of-organisation gender pay gap to a maximum of five percent by 2021. Despite increasing last year, overall the NZSIS has continued a downward trend over the past few years. At the end of the financial year, the gender pay gap was 11.1 percent.

A major contributing factor is the lack of female representation in the team leader and senior technical expert cohorts. As a career service, the skills and experience these roles require are often not available in the external market. The best way for the NZSIS to address its gender pay gap is therefore through the continued recruitment and development of women staff, who will then move in to team leader and technical expert roles. This will take some time and we remain committed to working with staff associations and network groups throughout the NZIC to achieve it.

Delivery Excellence

The NZSIS aims to deliver high quality intelligence and security products and advice to inform decision-making. The NZSIS is constantly working to ensure the intelligence we provide is impactful, meets the requirements of our customers and is delivered in a timely manner.

The Customer Engagement Project

In 2017, the NZSIS, the GCSB and the National Assessments Bureau (within the Department of the Prime Minister and Cabinet) established a Customer Engagement Project to improve the quality of the intelligence and advice that we provide to our customers (including Ministers of the Crown and other government agencies) and the mechanisms that support the distribution of this advice.

These agencies, with support from the State Services Commission, have been working to identify where the intelligence system works well for customers and where there are obstacles. Over the course of 2018/19, this project has focussed on engaging with customer agencies to trial new ways of delivering our intelligence and advice. This project is now developing advice about ways to improve the intelligence system in New Zealand.

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7

POWERFUL
PROFILE

Having the trust and confidence of the Government, the general public and domestic and international partner agencies is an essential element of the ongoing success of the NZSIS. To earn this confidence, the NZSIS works hard to build positive engagement with our partners, proactively engages with our oversight bodies and tries to be as transparent as possible with the New Zealand public.

Engagement, Transparency and Oversight

Domestic Partnerships

Since the Intelligence and Security Act 2017 came into force, the NZSIS has been able to work more closely with domestic agencies. Over the past few years, the NZSIS has worked to build effective collaboration with New Zealand's law enforcement, border and defence agencies. The GCSB and the NZ Police, in particular, are key partners for the NZSIS. The NZSIS also commonly engages with the NZDF and border agencies like Immigration New Zealand and the Customs Service.

The NZSIS provides assistance and advice to these agencies in matters relating to national security and assists with the protection of New Zealanders overseas. This entails contributing to relevant cross-agency Cabinet decisions, conducting joint operational work, sharing specialist capabilities to ensure other agencies can perform their roles and functions, and undertaking joint operational training initiatives.

International Partnerships

The NZSIS's relationship with international counterparts delivers immense value to New Zealand. Timely and insightful intelligence and support from our partners contributes to protecting our borders, and supports the safety and wellbeing of New Zealanders overseas. These relationships also provide the NZSIS with access to cutting edge collection capabilities and training for staff.

The strength of our international relationships became apparent in the aftermath of the terrorist attacks in Christchurch. Partners from around the world not only rallied around us, they were instrumental in providing urgent intelligence that was relevant to the attacks.

Information Requests

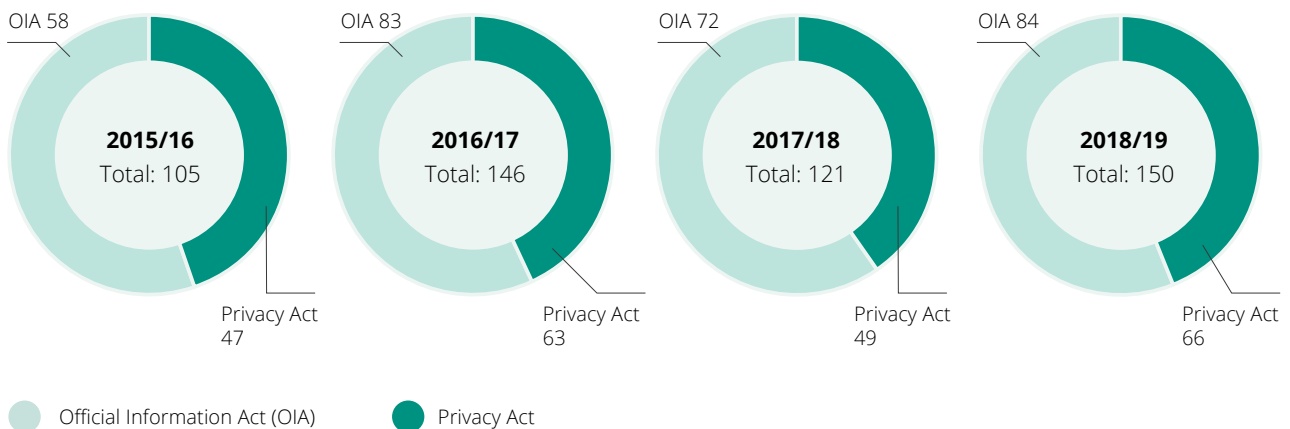
Each year, the NZSIS receives a range of information requests under the Official Information Act 1982 and Privacy Act 1993.

Public trust and confidence plays an important role in enabling the NZSIS to achieve its objectives and we aim to

be as open as possible when responding to these requests, within the constraints of the sensitive nature of our work.

Of the 150 requests received during the reporting period, 148 were completed on time.

Number of information requests completed, 2015–2019



Compliance Systems

An essential component of retaining the trust and confidence of the Government and the public is having robust processes in place to ensure the NZSIS complies with the law at all times. The NZSIS has intrusive powers and access to sensitive information. We have a responsibility to ensure that we use our powers and access in a manner that is legal, justifiable and proportionate.

To accomplish this, the NZSIS has worked to establish a sound compliance framework and has run a regular programme of audits and reviews to provide assurance that staff are compliant with New Zealand law.

Over 2018/19, the NZSIS's Compliance team led efforts to ensure that staff are informed of their legal responsibilities, and are trained to carry out their work in a manner that is consistent with the Intelligence and Security Act 2017 and the Ministerial Policy Statements that guide the NZSIS's activities.

The Compliance team has continued to deliver success in this area. For the third year in a row, the Inspector-General of Intelligence and Security has found the NZSIS has sound compliance systems in place.

Oversight

Aside from our own internal processes, several external bodies exist to provide oversight to the NZSIS and the GCSB.

The Intelligence and Security Committee

The Intelligence and Security Committee (ISC) is a parliamentary body. It looks at the intelligence and security agencies and examines the policy, administration and expenditure of each organisation.

The ISC has seven members, comprising the Prime Minister, three Members of Parliament nominated by the Prime Minister, the Leader of the Opposition, and two Members of Parliament nominated by the Leader of the Opposition.

Office of the Inspector-General of Intelligence and Security

The Office of the Inspector-General of Intelligence and Security (IGIS) is the key oversight body of the NZIC. It ensures the agencies act within the law and with propriety. The Inspector-General also independently investigates complaints relating to the activities of the NZSIS made by members of the public.

The NZSIS has ongoing engagement with staff from the Office of the Inspector-General (at varying levels) to discuss matters of interest, and also provides information and resources in support of IGIS investigations and queries.

The NZSIS continues to work cooperatively with the Inspector-General to respond to recommendations in her reports. Additionally, the IGIS reviews all authorisations issued.

Ombudsman and Privacy Commissioner

The Office of the Ombudsman and the Office of the Privacy Commissioner also provide important oversight over NZSIS activities.



Statement on Warrants

This statement is split into two parts; warrants which were issued under the New Zealand Security Intelligence Service Act 1969 but were still in force for part of this reporting year 1 July 2018 – 30 June 2019, and warrants issued under the Intelligence and Security Act 2017.

New Zealand Security Intelligence Service Act 1969

In accordance with sections 4K, 4IC(1)(h), and 4IE(12) of the New Zealand Security Intelligence Service Act 1969, I submit the following statement on warrants and authorisations for the period 1 July 2018 to 27 September 2018. 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 authorisations issued under section 4ID of the Act and in force at any time during the reporting period.

Domestic Intelligence Warrants

- a. Six domestic intelligence warrants 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 70 days (rounded to the nearest day).
- c. There were no amendments made to any domestic intelligence warrants.
- d. 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.
- e. 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

There were no foreign intelligence warrants in force for some part of the reporting period.

Domestic Visual Surveillance Warrants

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

Foreign Visual Surveillance Warrants

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

Removal Warrants

There were no removal warrants in force during the reporting period.

Authorisations

There were no authorisations in force during the reporting period.

Intelligence and Security Act 2017

In accordance with section 221(2) of the Intelligence and Security Act 2017, I submit the following statement on warrants and authorisations for the period 1 July 2018 to 30 June 2019.

Co-operation

In accordance with section 221 (2)(a) – (b) of the Intelligence and Security Act 2017, I submit the following statement on the number of occasions the New Zealand Security Intelligence Service provided assistance under section 13(1)(b) and section 14.

Co-operation s 13(1)(b)

In accordance with section 221(2)(a) of the Intelligence and Security Act 2017, there were no occasions on which the New Zealand Security Intelligence Service provided assistance under section 13(1)(b).

Co-operation s 14

In accordance with section 221(2)(b) of the Intelligence and Security Act 2017, there were no occasions on which the New Zealand Security Intelligence Service provided assistance under section 14.

Intelligence Warrants

In accordance with section 221(2)(c)(i)-(vi) of the Intelligence and Security Act 2017, I submit the following statement on warrants and authorisations for the period 1 July 2018 to 30 June 2019. This report includes information on Type 1 intelligence warrants issued under sections 58 and 59, Type 2 intelligence warrants issued under section 60, urgent issue of Type 1 intelligence warrants issued under section 71, urgent issue of Type 2 intelligence warrants issued under 72, joint Type 1 and Type 2 warrants issued under section 56, authorisations issued under section 78 and in force at any time during the period 1 July 2018 to 30 June 2019.

Type 1 intelligence warrants

- a. 33 Type 1 intelligence warrants were issued under sections 58 and 59. Of those, 22 were issued during the reporting period, and 11 were issued during the previous year but remained in force for some part of the reporting period.
- b. There was one urgent Type 1 intelligence warrants issued under section 71.
- c. There were no joint Type 1 warrants issued under section 56.

Type 2 intelligence warrants

- a. Eight Type 2 intelligence warrants were issued under section 60. Of those, two were issued during the reporting period, and six were issued during the previous year but remained in force for some part of the reporting period.
- a. There were no urgent Type 2 intelligence warrants issued under section 72.
- a. There were no joint Type 2 warrants issued under section 56.

In accordance with section 221(2)(d) of the Intelligence and Security Act 2017 there were no occasions that an application was declined.

In accordance with section 221(2)(e) of the Intelligence and Security Act 2017 there were no urgent authorisations given by the Director-General under section 78.

In accordance with section 221(2)(f) of the Intelligence and Security Act 2017 there were no applications for permission to access restricted information under section 136.

In accordance with section 221(2)(h) of the Intelligence and Security Act 2017 405 business records directions were issued during the reporting period 1 July 2018 – 30 June 2019.

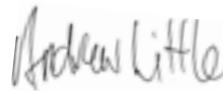


Rebecca Kitteridge

Director-General of Security

3 September 2019

I have reviewed all warrants and authorisations in force during the period beginning 1 July 2018 and ending 30 June 2019 and certify that the information set out in the above Statement on Warrants is correct.



Hon Andrew Little

Minister Responsible for the
New Zealand Security Intelligence Service

9 September 2019

8

REVIEW OF OUTPUT PERFORMANCE

Output Performance

This section reports on the NZSIS's output performance as set out in the 2018/19 Vote Security Intelligence Estimates of Appropriation.

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

The objective of the NZSIS is to provide timely and reliable intelligence assessments and protective security advice. This is achieved 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 to Government agencies and public authorities within New Zealand, of protective security advice relating to personnel, physical and information security.
- d. Liaison with overseas security and intelligence organisations and public authorities.

The four outputs the NZSIS delivered for 2018/19 were:



Threat Management and Security Intelligence.



Foreign Intelligence and International Contribution.



Protective Security.



Strategy, Capability, and Resourcing Review (SCRR) Implementation.

9

FINANCIAL STATEMENTS


Statement of Responsibility

I am responsible, as the Director-General of Security and Chief Executive 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; and
- 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 NZSIS as at 30 June 2019 and its operations for the year ended on that date.



Rebecca Kitteridge

Director-General of Security

19 December 2019

Independent Auditor's Report

To the readers of the New Zealand Security Intelligence Service's statement of actual expenses and capital expenditure against appropriation for the year ended 30 June 2019

The Auditor-General is the auditor of the New Zealand Security Intelligence Service (the NZSIS). The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out, on his behalf, the audit of the statement of actual expenses and capital expenditure against appropriation of the NZSIS for the year ended 30 June 2019 on page 45.

Opinion

In our opinion the statement of actual expenses and capital expenditure against appropriation of the NZSIS is presented fairly, in all material respects, in accordance with the requirements of section 221(4)(a) of the Intelligence and Security Act 2017.

Our audit was completed on 19 December 2019. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

Responsibilities of the Director-General of Security for the information to be audited

The Director-General of Security is responsible on behalf of the NZSIS for preparing a statement of actual expenses and capital expenditure against appropriation of the NZSIS that is presented fairly, in accordance with the requirements of the Intelligence and Security Act 2017.

The Director-General of Security is responsible for such internal control as is determined is necessary to enable the preparation of the information to be audited that is free from material misstatement, whether due to fraud or error.

In preparing the information to be audited, the Director-General of Security is responsible on behalf of the NZSIS for assessing the NZSIS's ability to continue as a going concern. The Director-General of Security is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the NZSIS, or there is no realistic alternative but to do so.

The Director-General of Security's responsibilities arise from the Public Finance Act 1989 and the Intelligence and Security Act 2017.

Responsibilities of the auditor for the information to be audited

Our objectives are to obtain reasonable assurance about whether the information we audited, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the Estimates and Supplementary Estimates of Appropriations 2018/19 for Vote Security Intelligence.

We did not evaluate the security and controls over the electronic publication of the information we audited.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NZSIS's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director-General of Security.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Director-General of Security and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the NZSIS's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the NZSIS to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation in accordance with the requirements of the Intelligence and Security Act 2017.

We communicate with the Director-General of Security regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Director-General of Security is responsible for the other information. The other information comprises the information included on pages 1 to 45, but does not include the information we audited, and our auditor's report thereon.

Our opinion on the information we audited does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the NZSIS in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in the NZSIS.



S B Lucy

Audit New Zealand

On behalf of the Auditor-General
Wellington, New Zealand

Statement of Expenses and Capital Expenditure Against Appropriation

For the year ended 30 June 2019.

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

	\$000
Total Appropriation	83,577
Actual Expenditure	73,917

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

Breach of Legislation

NZSIS did not meet its statutory obligation under the Public Finance Act (section 45D) to provide the annual report to the Auditor-General to audit within two months of the end of the financial year, due to the additional complexity involved in the recalculation of holiday pay liabilities to ensure compliance with the Holidays Act 2003. This meant that the Auditor-General was unable to provide an audit report within three months of the end of the financial year.



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