

2020 ANNUAL REPORT

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Preface

This is the Annual Report of the New Zealand Security Intelligence Service (NZSIS) for the year ended 30 June 2020, 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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Director-General's Overview



This was a performance year of two halves. In the first half of the year the New Zealand Security Intelligence Service was strongly focused on ensuring we have the strategy and capability to protect our country from the security threats presenting now and in the future, while the second half required us to react and respond to the immediate and evolving demands of the COVID-19 pandemic.

The terrorist attacks on the Al Noor Mosque and Linwood Islamic Centre in Christchurch on 15 March 2019 raised important questions about the performance of public sector agencies, including the NZSIS. In this context, it was a top priority for us to respond to requests for information from the Royal Commission of Inquiry into the Attack on the Christchurch Mosques, particularly while the Royal Commission was in its initial information-gathering phase. We will receive the Commission's findings in a spirit of openness and willingness to learn.

Immediately after the attacks, we also asked hard questions of ourselves, including what we could have known, or should have known, and what would help us to detect and prevent similar attacks in the future. The insights gained from this work have been useful inputs into a major planned strategy refresh, designed to position us to meet the demands of the rapidly evolving global security environment. Threats are evolving rapidly and, like other intelligence agencies around the world, we are grappling with how best to respond to keep New Zealand and our region safe and secure.

Perhaps the biggest challenge is our ability to access the right information at the right time. Joining the crucial dots (and even identifying the dots in the first place) is not easy in an environment where those intending to harm New Zealand's

interests can more effectively conceal their identities and actions, particularly online. Increasingly, our opportunities to spot emerging or previously unknown threats will depend on having the right tools, skills, and legal frameworks in place, so we can provide timely and unique intelligence insights to decision makers. Our strategic refresh aims to address these issues, with a particular focus on data and data analysis.

The second half of the performance year had a significant focus on responding to COVID-19. The NZSIS was classed as an essential service for the purposes of the Government's national security function during Alert Levels 4 and 3 of the lockdown. We continued to carry out critical intelligence collection, analysis and dissemination, to provide domestic and international threat assessments, and high priority protective security support, amongst other tasks. COVID-19 also disrupted normal flows of vetting requests, which had an impact on our ability to deliver security clearance recommendations.

Our observation is that the pandemic has amplified trends and increased the fissures in an already fractured geopolitical picture. In this context, our work to improve regional cooperation, capacity and security in the Pacific assumes greater importance.

Of the many pieces of work that continued throughout the performance year, a high priority was raising awareness about the potential impact of foreign interference on our economy, democracy and international reputation. We have seen concerning relationship building and donation activity by state actors and their proxies, spanning the political spectrum at both a central and local government level. Our briefings have helped inform the Government's policy response, and we have briefed central and local government politicians about how they may be targeted and exploited and what they can do to protect themselves.

We also took important steps to improve diversity and bring new perspectives to our workforce.

I would like to thank my staff for their total commitment to New Zealand's national security this year.

I am so proud of the work they do in this singular organisation in the service of New Zealand.

Rebecca Kitheridge

Rebecca Kitteridge Director-General of Security

Our Work in Detail

The New Zealand Intelligence Community

The NZSIS, along with the GCSB and the National Security Group within the DPMC perform the national intelligence and assessment functions within the NZIC, complementing the specialist intelligence functions of other agencies such as New Zealand Police, New Zealand Customs Service and Immigration New Zealand. The NZIC is dedicated to contributing to the national security and wellbeing of New Zealand and New Zealanders.

The work of the NZIC is a key contributor to the national security of New Zealand, and by extension, to the current and future wellbeing of New Zealand and New Zealanders.

The NZIC has a crucial role to play in understanding the threats New Zealand faces and how to guard against those threats.

The NZIC contributes to building a safer and more prosperous New Zealand. NZIC agencies work to ensure that New Zealand is protected from harm and that New Zealand policy makers have intelligence to support good decision making. The NZIC strives to advance New Zealand's international reputation and interests.

The core NZIC agencies are:

Government Communications Security Bureau

The GCSB ensures the integrity and confidentiality of government information, collects intelligence bearing on New Zealand's interests, and assists other New Zealand government agencies to discharge their legislative mandate.

New Zealand Security Intelligence Service

The NZSIS investigates threats to New Zealand's national security, and provides a range of protective security advice and services to the New Zealand Government.

Department of the Prime Minister and Cabinet: National Security Group

The National Security Group produces intelligence assessments on events and developments that have a bearing on New Zealand's interests, to help inform government decision making. The National Security Group is also responsible for promoting excellence in intelligence analysis across the New Zealand government.







An Introduction to the NZSIS

The NZSIS is New Zealand's domestic security and intelligence agency, with a mission to keep New Zealand and New Zealanders safe and secure. The NZSIS is New Zealand's lead organisation for human intelligence (HUMINT).

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 2020 the NZSIS had 366.5 full time equivalent staff.

On its fiftieth anniversary (2006), the Māori name for NZSIS, Te Pā Whakamarumaru, which translates to The Sheltering Citadel, was adopted as part of its official emblem.

The NZSIS undertakes a range of functions relevant to New Zealand's security. These include:

- Collecting, analysing and reporting on intelligence relevant to New Zealand's security.
- Providing protective security services, including advice about personnel security, information security, physical security and national security risks.
- Co-operating with the GCSB, the NZDF and New Zealand Police to facilitate in the performance of their functions.



Objectives of the NZSIS

The NZSIS seeks to achieve three primary outcomes for New Zealand.

PRIMARY OUTCOME	LONG-TERM STRATEGIC GOAL	EXPLANATION
New Zealanders are safe	The NZSIS has established an effective baseline picture of emerging terrorism threats.	The NZSIS is able to keep 'ahead of the curve' in terms of emerging terrorism threats so that potential issues can be mitigated early. The NZSIS also has a strong understanding of overseas threats to help protect New Zealanders overseas, to help inform the domestic picture and to support immigration and citizenship decisions.
	The NZSIS has successfully mitigated domestic terrorism threats.	The NZSIS has the capacity and capability to detect and monitor serious domestic terrorism threats and support the active disruption of these threats e.g. through supporting New Zealand Police activities.
	The NZSIS has provided effective and sustainable support for a significant overseas deployment.	The NZSIS has the capacity and capability to effectively and sustainably support an overseas deployment in support of other government agencies, ensuring we help keep New Zealanders safe.
New Zealand's key institutions are protected	The New Zealand Intelligence Community (NZIC) is a protective security exemplar.	The NZIC (including the NZSIS) has strong protective security standards, processes and capabilities. This goal matters in terms of the NZSIS's ability to model good security practice to other agencies.
	The NZSIS has assisted key institutions to mitigate their insider threat risks.	The NZSIS, in partnership with the Government Communications Security Bureau (GCSB), helps key Government and non-Government institutions identify and manage security threats.
	The NZSIS has mitigated espionage and hostile foreign intelligence threats.	The NZSIS has the capacity and capability to identify and mitigate serious espionage threats. The NZSIS can effectively mitigate threats to New Zealand's democratic processes posed by hostile foreign intelligence activities.
New Zealand's national advantage is promoted	The NZSIS has enabled better policy and geopolitical decision-making.	The NZSIS is able to support policy development and geo- political decision making through providing relevant and useful intelligence insights.
	The NZSIS has meaningfully contributed to international security.	New Zealand is able to appropriately contribute to global security. New Zealand is able to fulfil its international security obligations.
	The NZSIS has enhanced security in the Pacific.	New Zealand makes a contribution to regional security in the Pacific.

National Security and 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 risks to New Zealand's security and wellbeing.

The NSIPs are coordinated by the Department of the Prime Minister and Cabinet (DPMC) and a range of agencies, including NZSIS, work toward achieving them.

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 faith motivated violence extremism) at home and abroad.
- Threats to New Zealanders overseas Threats to the safety and success of New Zealand people, platforms and missions (military, 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 attack was unprecedented in New Zealand and its full impact on the threat environment will not be known for some time. However, the impact is expected to be significant and enduring. Propaganda and online material associated with the Christchurch attack will likely continue to play at least a partial role in inspiring some individuals to consider engaging in ideologically motivated acts of violence in New Zealand or elsewhere in the medium to long term.

New Zealand's national terrorism threat level is currently at 'Medium'. This means a terrorist attack is assessed as 'feasible and could well occur'.

The often disparate, individualised or incoherent views of the people and groups adhering to some violent extremist ideologies, and the use of online platforms to radicalise others and share violent extremist ideologies, will continue to be a challenge for security agencies around the world for the foreseeable future.

COVID-19 has likely impacted the domestic threat environment. The COVID-19 pandemic has provided a platform for individuals with a range of ideologies to aggressively push agendas and promote justifications for extremist and nationalistic propaganda, fake news and conspiracy theories. Increased consumption of this material could lead to a broader acceptance of online extremist content and targeting of vulnerable groups over the next 12 months, and beyond.

Espionage and Foreign Interference

Foreign political and economic espionage remains a significant threat to New Zealand's interests. Some foreign states are engaged in such activity against New Zealand, for various purposes, and we expect this will continue. The clandestine nature of espionage and the sophistication of methods used by some intelligence services are major challenges, requiring well-coordinated, long-term counter-espionage efforts.

Foreign interference, meanwhile, threatens the integrity of New Zealand's political, media and academic sectors, and exposes some communities to undue and undesirable pressures. Some states remain engaged in such activity in New Zealand, using various methods for different purposes. Increased awareness of foreign interference, both publicly and in the sectors at risk, will probably limit the effectiveness of some methods, but we expect foreign states engaged in such activity will attempt to adapt.

The COVID-19 pandemic has altered the domestic landscape for espionage and interference. While restrictions on international travel have hindered human-enabled intelligence activity, foreign states' appetite for intelligence on New Zealand and New Zealanders is unlikely to have decreased. Foreign states may seek to increase or switch to alternative methods of intelligence collection as a response to the pandemic conditions. In addition, the pandemic situation may have shifted foreign states' priorities, with states increasingly seeking to acquire – including through espionage – information that will help them manage the pandemic or produce a vaccine.

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.

New Zealand's close links and geographic proximity mean the Pacific's security challenges are New Zealand's security challenges. The strategic environment in the Pacific is complex and rapidly evolving as more external actors enter the region and compete for influence.

National Security Investigations and Assessment

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

NZSIS investigates possible domestic and international violent extremism threats and works with other agencies to prevent these threats from escalating into acts of terrorism.

NZSIS monitors global trends relating to violent extremism and how these trends may translate to activity in New Zealand. This enables 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.

Extremism Terminology

NZSIS uses the following terminology when referring to extremist ideology:

- Faith-Motivated Violent Extremism (FMVE): promoting the use of violence to advance one's own spiritual or religious objectives;
- Identity-Motivated Violent Extremism (IMVE): promoting the use of violence to advance one's own perception of identity and/or denigrate others' perceived identities;
- Politically-Motivated Violent Extremism (PMVE): promoting the use of violence to achieve change to or within an existing political system;
- Single Issue-Motivated Violent Extremism (SMVE): promoting the use of violence to achieve a desired outcome to a specific issue; and
- White Identity Extremism (WIE): describes extremely radical ideologies and beliefs that are focussed on real or perceived threats to concepts of a white or ethnic-European culture and identity.

Investigating Violent Extremism Threats

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.

NZSIS's counter-terrorism investigations rely on information about potential threats and extremist activities. This information comes from a wide range of sources, including the public, reporting from international and domestic liaison partners, and from other NZSIS investigations and enquiries. A range of powers and information collection tools are used to corroborate lead information and to assess the extent to which a national security threat exists. Depending on the nature of the threat, NZSIS will consider whether the lead meets the threshold to initiate an investigation or a wider government response.

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

Investigating threats in 2019/20

During the 2019/20 year, NZSIS received an increased proportion of leads related to politically motivated extremism as well as leads related to faith motivated violence and support for extremist groups of different ideologies. Online activity, including consumption of extremist material and violent rhetoric was a consistent feature of many leads and investigations.

NZSIS assesses the increased proportion of leads is largely a result of increased public awareness of the threat from extremist violence and consumption of extremist material. However, it is a possibility that the Christchurch Mosque attacks may have inspired individuals to actively seek extremist material or contact with extremist groups.

Of the pieces of lead information NZSIS received throughout 2019/20, around 60% were related to Politically-Motivated Violent Extremism and around 40% related to Faith-Motivated Violent Extremism. Of the politically motivated leads requiring further investigation, the majority relate to White Identity Extremism (WIE).

NZSIS was actively working to understand the WIE environment prior to the 2019 Christchurch attacks. Since March 2019, we have received a large amount of lead information relating to a wide range of WIE-related threats. These leads have included individuals and/or entities that adhere to violent white nationalist or white supremacist ideologies, as well as neo-Nazi, anti-Government, and involuntary celibacy ('incel') beliefs.

Public awareness and reporting of suspicious and extreme ideological behaviour or violent rhetoric, where it is observed online or in person, is an important and valuable source of information. Early reporting can significantly help NZSIS and other agencies to discover, understand and mitigate extremist threats.

Counter-terrorism 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.

This number is higher than recent years, although more fluid and broad, largely as a consequence of investigations related to Politically-Motivated Violent Extremism, including white identity extremism. That said, Faith-Motivated Violent Extremism continues to appeal to a minority of individuals in New Zealand.

Over the last year we observed individuals in New Zealand with probable intent and almost certainly the capability to engage in acts of Politically-Motivated Violent Extremism and Faith-Motivated Violent Extremism. Terrorist violence is most likely to come from lone actors, including those who may mobilise to violence rapidly with little or no warning.

Our active investigations include a small number of New Zealanders who are believed to remain in Syria or Iraq with ISIL or other extremist groups.

Online Extremism

The proliferation of extremist content and extremist 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 radicalisation and may also lead individuals to mobilise and undertake activity in support of an extremist ideology.

The COVID-19 pandemic, including periods of lockdown, has provided opportunities for New Zealand-based individuals to engage with conspiracy theories, extremist content and disinformation online. There is a realistic possibility any increased consumption of this online content could accelerate radicalisation and exacerbate or fuel COVID-19 pandemic-related grievances or conspiracy theories over the next 12 months. There is a realistic possibility this will have a detrimental effect on the broader threat environment in the medium to long term.

Christchurch attacks - one year on

One year on, the Christchurch terrorist attacks continue to, at least partially, inspire attacks overseas, with similarities in tactics and methods and references to the perpetrator in social media posts and manifestos.

In New Zealand, increased public and government attention on extremism since the attacks has resulted in new leads and a number of new counter-terrorism investigations.

Retaliatory attacks by faith motivated extremists have not occurred, however the attacks almost certainly raised New Zealand's profile with international terrorist groups.

NZSIS assesses the perpetrator, his manifesto and ideology will likely continue to inspire other individuals.

Identifying unknown threats

NZSIS has devoted dedicated resources to proactively identifying unknown terrorism threats to New Zealand. We are using indicators of terrorist behaviour to detect previously unknown threats and new intelligence in relation to known threats. We have also focused on collaborating with various New Zealand Government agencies and international partners to further this work. In doing so, the NZSIS aims to provide assurance and insight on emerging terrorism threats to New Zealand.

Case Study: Counter-Terrorism investigations

Case Study 1

In 2019/20, NZSIS undertook a counter-terrorism investigation into an individual who was active in online extremist forums and had expressed a desire to conduct a domestic terrorist attack. The individual spent a lot of time consuming and sharing violent extremist content and attack methods online. NZSIS provided advice to other government agencies and worked cooperatively to help mitigate the potential threat.

Case Study 2

In 2019/20, NZSIS investigated an individual who was expressing support for a violent, white identity extremist ideology, both online and in person. Throughout this investigation, the individual continued making violent, albeit rhetorical, remarks particularly directed toward other ethnicities. Despite this rhetoric, the individual has not specifically planned or prepared to conduct an act of ideologically motivated violence. Following an almost year-long investigation, NZSIS assesses that their rhetoric is unlikely to manifest into any real-world violent behaviour and their violent remarks are intended to offend and inflame others.



Espionage and Foreign Interference

NZSIS investigates possible espionage and foreign interference activity taking place in or against New Zealand. We seek to understand and assess the threat and provide timely advice and intelligence reporting to other agencies to help counter these activities.

We also investigate specific instances of espionage and foreign interference activity as well as working to monitor and understand the overall threat posed by different states to New Zealand. This enables us to provide comprehensive advice to government partners about the threat to New Zealand and its institutions in the changing geopolitical environment.

Espionage

Political and economic espionage poses a significant threat to New Zealand's interests. Suspected foreign intelligence officers have travelled to New Zealand without declaring their true employment, and suspected assets of foreign intelligence services operate and reside here. Espionage threats to New Zealand's interests are also present offshore, targeting our presence in certain countries.

Foreign Interference

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

Interference by foreign states poses a significant threat to New Zealand's interests, including in Pacific Island nations. A small number of states engage in undesirable or illicit interference activity through various means and for various purposes. NZSIS has observed indications of interference efforts targeting our political, academic, media and private sectors, and several of our ethnic communities.

- Some local and central government figures are targets of foreign interference efforts that seek to influence New Zealand in directions that are beneficial to foreign state interests. These activities are not transparent and damage New Zealand's democracy.
- New Zealand's academic sector, including its institutions, employees, and students are targets of foreign interference efforts intended to suppress or counter dissenting and unfavourable views of certain governments. These activities are inconsistent with academic freedom and are damaging to our economy and security.
- A number of New Zealand academic and research institutions have established joint research projects and broader collaboration programmes with institutions affiliated with foreign militaries. A number of these collaborations are in fields where the research can be identified as dual-use, or applicable for both civil and military use.
- Some diaspora communities in New Zealand are targets
 of foreign interference efforts intended to monitor
 known dissidents and prevent the development of views
 deemed subversive by foreign states. These activities
 are inconsistent with basic human rights such as
 freedom of expression and assembly.

Investigating Espionage and Foreign Interference

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

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

While 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.

Investigating threats in 2019/20

Over the last 12 months NZSIS has investigated the activities of individuals linked to a number of states which target New Zealand for espionage and interference. A particular focus has been into foreign interference, particularly with regard to New Zealand's democratic institutions. NZSIS has increasingly observed states seeking to gain access into sensitive government information and discuss influencing individuals to undertake actions on behalf of their countries' objectives.

NZSIS reporting has raised awareness and increased understanding across government customers, particularly on foreign interference, and provided valuable insights to inform decision-making.

Response to COVID-19

Since March 2020 NZSIS has also focused on the activities of foreign states as a response to the COVID-19 pandemic, monitoring and reporting on the changing landscape and collating these insights into timely reporting to other agencies.

Case Study: Espionage and Foreign Interference investigations

Case Study 1

NZSIS has been conducting an investigation into a New Zealand citizen who is assessed to be working on behalf of a foreign state's intelligence services. The New Zealander is almost certainly collecting intelligence against New Zealand-based people who are viewed as dissidents by the foreign state's government. The target of our investigation uses overt and covert means to collect identifying information about these individuals and pass it to the foreign state's embassy in New Zealand.

The NZSIS is actively exploring all legislative options available to us in order to mitigate the threat posed by this individual.

Case Study 2

In the previous year NZSIS was able to gather and report unique intelligence about an individual assessed to be undertaking foreign interference in New Zealand. The individual, who is closely linked to a foreign state's interference apparatus, was attempting to form personal relationships with a range of individuals in New Zealand who held senior and influential positions.

NZSIS assesses the individual was using a range of methods to develop access to important New Zealand institutions and people. NZSIS worked with other relevant New Zealand Government agencies to disrupt these activities.

Assessment Activities

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 of violent extremism on New Zealand's strategic environment.

This assessment underpins advice NZSIS provides to the Government, other government agencies and (where appropriate) international partners about violent extremist threats in New Zealand, and the potential impacts from emergent threats.

The Combined Threat Assessment Group

The Combined Threat Assessment Group (CTAG) is an interagency group hosted by NZSIS which provides independent assessments to inform the National Security System and wider government agencies of the physical threat posed by terrorism to New Zealanders and New Zealand interests. CTAG includes representatives from NZSIS, GCSB, NZDF, New Zealand Police, Department of Corrections and the Civil Aviation Authority, contributions from Ministry of Foreign Affairs and Trade and New Zealand Customs, and benefits from analytical coordination and cooperation with the National Assessments Bureau.

A key function of CTAG is to review and recommend the national terrorism threat level. Following a Cabinet decision in 2019, the assessed national threat level is approved by the Director-General of Security. The national terrorism threat level is continually monitored, and may be changed at any time, although there is a Cabinet-mandated annual review of the terrorism threat environment and associated threat level. CTAG works closely with other government agencies to ensure that the national terrorism threat level is set appropriately. The national terrorism threat level informs national security risk management and decision-making processes. CTAG also prepares threat assessments on a wide range of domestic and global terrorism threat issues.

The National Terrorism Threat Level

CTAG uses a five-tier framework to determine the threat of terrorist activity, which ranges from 'Very Low' to 'Extreme'. The national terrorism threat level is used by government agencies to ensure they consistently manage risks associated with terrorism. A formal review of New Zealand's terrorism threat environment and threat level takes place annually, but does not prevent a change in threat level at any time in response to emerging threats.

In the immediate aftermath of the 15 March 2019 Christchurch attack, the national terrorism threat level was raised from 'Low' to 'High'. This reflected the impact the attack had on the New Zealand threat environment and the assessed likelihood of a copycat or revenge attack. Based on subsequent intelligence assessments, the threat level was lowered to 'Medium' in April 2019.

The routine annual review of the domestic threat level was conducted in March 2020. The national terrorism threat level remains set at 'Medium', which means a terrorist attack is assessed as feasible and could well occur.

New Zealand Terrorism Threat Level Definitions

Likelihood Assessment	Threat Level	
Expected	EXTREME	
Highly likely	HIGH	
Feasible and could well occur	MEDIUM	
Realistic possibility	LOW	
Unlikely	VERY LOW	

Events and Deployments

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 Safe Travel Service when there is a possibility of New Zealanders being affected.

Security and Management of Major Events

The primary role of 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. NZSIS has continued to provide protective security support for a number of events both in New Zealand and overseas.

Support to Military Operations

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



Protective Security Services

NZSIS delivers a full range of protective security functions to the New Zealand Intelligence Community (NZIC) and New Zealand. Our focus is on leveraging the strong foundations that we have established to enhance our recognition as a protective security exemplar and to assist key New Zealand institutions to mitigate their insider threat risks.

This is achieved through effective security clearance management, shared security services for the NZIC, the Protective Security Requirements programme and counter intelligence functions.

Protecting People, Information and Assets

NZSIS, alongside the GCSB, plays a critical role in ensuring the 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 NZSIS – have a responsibility to ensure our security practices are robust.

NZSIS hosts the NZIC's Security Services Group (SSG), which provides protective security services to NZSIS, GCSB, and the National Security Group and National Assessments Bureau in the Department of the Prime Minister and Cabinet. The SSG's work includes undertaking internal security investigations, providing a range of security (personnel, IT security and physical 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 legitimate access to an organisation's assets to harm the security of their organisation or New Zealand, either wittingly or unwittingly, through espionage, terrorism, unauthorised disclosure of information, or loss/degradation of a resource or capability.

NZSIS via the SSG provides leadership on insider threat and personnel security functions across government, including working with government agencies to prevent, mitigate, and respond to actual or potential insider threats.

Establishment of NZIC Psychology Services

Over the past year, the NZIC Psychology Services unit has provided several distinct services to the NZIC. First and foremost, it has supported the mental health and wellbeing of NZIC staff by providing assistance to those who have experienced stress because of the nature of their work. Improved wellbeing also enhances security by reducing the risk of mistakes and accidental security breaches. A secondary function of the unit over the past year has been to assist NZIC agencies to identify and manage personnel security risks and the provision of advice and recommendations around recruiting the right people. Other services that will be provided in the future include psychology support to operational activity and organisational psychology support.

In the wake of the 15th March Christchurch attacks, the NZIC Psychology Services prioritised efforts to support NZSIS through the provision of advice, guidance, and psychological therapy to staff. The nature of this critical incident highlighted the need for the NZIC Psychology Services to introduce preventative wellbeing practices to enhance organisational resilience.

The practical changes brought by COVID-19 meant the NZIC Psychology Services responded by providing advice, guidance, and support around remote working and management, security considerations, and work reintegration and stabilisation.

Protective Security Requirements

NZSIS has a statutory responsibility to provide protective security services, advice and assistance to the public sector. Through its Protective Security Requirements team, 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, 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. The PSR framework has increasingly been adopted by agencies in the wider state sector as well the private sector. It is a business enabler in an environment where there are increased needs for improved protective security practices.

In the coming year we will be delivering a number of security awareness campaigns through the PSR Website at www. protectivesecurity.govt.nz that will be available for any organisation to use.

Improving New Zealand's Foreign Interference Awareness

NZSIS investigations have directly informed public outreach with a variety of sectors about the threat of foreign interference and espionage. In the previous year NZSIS has focused on increasing engagement with political parties, Members of Parliament, city Mayors and local government as we try to increase public awareness of the threat posed by hostile foreign states targeting New Zealand's democracy.

In the 2019/20 year we have also focussed in increasing our engagement with academic institutions, particularly universities. The PSR framework has been used to support broader foreign interference awareness and capability building in this area. Our PSR advisors are working closely with university's security teams to provide support, according to each university's needs and risk profiles.

This programme of work will continue in the coming year and we will develop security risk management tools and advice to support institutions, organisations and individuals working in these areas.

COVID-19 and foreign interference

During New Zealand's COVID-19 lockdown other countries publicly reported that foreign intelligence agencies would almost certainly use their cyber capabilities to pursue intelligence related to COVID-19 medical research and intellectual property, especially related to vaccine development, treatments, COVID-19 testing, and medical devices such as ventilators or personal protective equipment that would offer public health, economic, and national security benefits.

The PSR Team, with the National Cyber Security Centre (NCSC), moved swiftly during lockdown to deliver protective security advice to key researchers and organisations in both the public and private sector, to support them to better understand and manage these potential security risks.

National Security Clearances

NZSIS has statutory responsibility for administering the national security clearance vetting process. This role enables 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.

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.

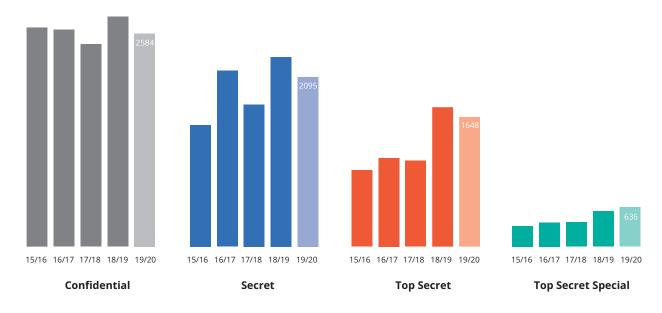
Demand for security clearances

For the majority of the 2019/20 year the demand for security clearances continued to increase in comparison to the previous year. Prior to the COVID-19 lockdown the Security Vetting Unit was estimating an increase in demand for national security clearances of approximately 5% across the 2019/20 year. However as a result of COVID-19 the demand dropped during the last quarter of the year and overall demand decreased by 6.4%.

Priority cases made up 17% of all applications received, meaning that these applications jumped to the front of the queue. This also means that the applications at the back of the queue had to wait longer while these priority cases were completed.

Priority cases allow us to be responsive to agencies that have urgent security clearance applications, due to operational issues. Agencies have been positive about our ability to respond to these needs, and 90% of priority cases were completed by the due date.

Graph 1: Demand for National Security Clearances (NSC)



Average time taken to complete a security clearance

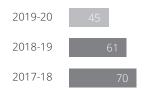
The average time taken to complete a security clearance had mixed results across each clearance level.² There was a reduction in the average time taken to complete confidential clearances and top secret special clearances, and there was a marginal increase in the time taken to complete top secret clearances.

There was however a large increase in the time taken for secret level clearances; increasing from 122 days to 221 days. This was due to a change in the way cases are selected for processing. In the 2018/19 year cases were selected from the front of the queue and the back of the queue. However in the 2019/20 year a deliberate decision was made to only select cases from the back of the queue (the oldest cases) unless a case was identified as a priority. This provides better customer service to people who have been waiting the longest.

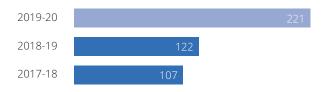
As a result of targeting the back of the queue, the length of the secret queue has reduced. In June 2019 the oldest secret application was 19 months old; by June 2020 the oldest secret application was 7 months old. It is acknowledged that there is still considerable work to be completed in the secret queue but positive progress is being made.

Graph 2: The average time (days) taken to complete a security clearance

Confidential Clearances



Secret Clearances



Top Secret Clearances



Top Secret Special Clearances



² This is the total time from when the NZSIS receives the national security clearance application to the time a recommendation is sent back to the sponsoring agency.

The impact of COVID-19 on the Security Vetting Process

During Alert Level 4 the Security Vetting Unit was deemed a non-essential service and all work was stopped for six weeks. When the country moved to Alert Level 3, work was restarted on confidential and secret level clearances; however face-to-face interviews for top secret and top secret special clearances continued to be suspended. The impacts of COVID-19 continued until the country moved to Alert Level 2.

The national lockdown impacted security vetting in two ways:

- Impact on the demand for clearances: As mentioned above, the demand for clearances reduced in the last quarter of the year. During the period April 2020 to June 2020 the Security Vetting Unit received 1,183 applications from government agencies. In comparison to the same time in 2019, this was a 38% reduction in demand. A reduction in demand allowed us to process more applications than received, once we were able to start working.
- 2. An increase in the time taken to complete a security clearance: Comparing February 2020 to June 2020 there was a 43% increase in the average time taken to complete a security clearance. For example, the time taken to complete a confidential clearance increased by 103% and a top secret special clearance increased by 68%.

Business Improvement Changes – the Vetting Improvement Project (VIPer)

During the 2019/20 year the VIPer project has been focused on confidential and secret level clearances. The primary aim of this project has been to identify inefficiencies in the process and eliminate these. As a result of this work there has been a 40% reduction in the time taken to process a confidential clearance and a 20% reduction in the time taken to process a secret clearance.

As a result of reducing the time taken to complete confidential and secret clearances, there has been a reduction in the total number of applications waiting to be completed. This has occurred alongside an increase in demand for confidential and secret clearances (pre-COVID-19).

A reduction in the Vetting Queue

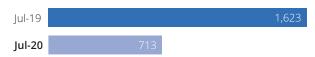
In July 2019 there were 3,065 security vetting applications waiting to be processed.³ By June 2020 this had reduced by 35% to 1,997. The biggest decreases were in the confidential and secret queues where there was a 43% and 56% reduction in the number of applications waiting to be processed. The major contributor to this reduction in the vetting queue has been the business improvement work that has been completed (see below).

Graph 3: The number of security clearances waiting to be processed

Confidential Clearances



Secret Clearances



Top Secret Clearances



Top Secret Special Clearances



³ A security clearance application waiting to be processed has been received by the NZSIS but no work has started on the application. It is sitting in the queue waiting to be assigned to a staff member.

Complex Vetting Cases

The Protective Security Requirements (PSR) outlines the assessment criteria for national security clearances. These are known as the Adjudicative Guidelines. There are seven Adjudicative Guidelines:

- 1. External loyalties, influences and associations
- 2. Personal relationships and conduct
- 3. Finances
- 4. Alcohol and drug use
- 5. Criminal history and conduct
- 6. Security attitudes and violations
- 7. Mental health

When applications are received and concerns have been identified in relation to the Adjudicative Guidelines and there is no mitigation for these potential concerns, these applications are identified as complex cases.



National Security Risk Assessments

NZSIS undertakes National Security Risk Assessments on behalf of New Zealand Government agencies, to inform their decision-making. Individuals seeking access to sensitive information or assets, or a location where these assets may be secured, and individuals seeking physical entry to New Zealand are assessed to understand their relevance to national security. NZSIS assesses these individuals against a range of national security harms including terrorism, espionage, and foreign interference.

Security Screening

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

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.

In March 2020, the New Zealand government put in place border restrictions due to the COVID-19 pandemic. NZSIS continues to closely monitor the border to ensure any possible national security threats are identified and mitigated, but note that while the border is closed to the majority of foreign travellers, the likelihood of a threat presenting through travel movements is decreased.

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. NZSIS maintained this function steadily through the COVID-19 lockdown, and notes there is a continued demand for this service.

Case Study: National Security Check

Over 2018 and 2019, NZSIS provided national security advice to Immigration New Zealand (INZ) regarding an individual's application for New Zealand residency. NZSIS received the person's application from INZ as part of the National Security Check (NSC) procedure.

NZSIS was already aware of the individual and believed they posed a threat to New Zealand's national security. Specifically we assessed there was a realistic possibility that they were employed by a foreign intelligence service before moving to New Zealand and had undertaken intelligence activity in New Zealand on behalf of a foreign intelligence service.

As part of the NSC process, NZSIS officers interviewed the individual and gave them the opportunity to address our national security concerns.

After interviewing the individual and reviewing the related intelligence, NZSIS provided a formal national security risk assessment to INZ. As part of the individual's visa application process, INZ provided them with a summary of the NZSIS assessment, and they were given another opportunity to respond to the concerns.

Based on NZSIS's national security advice, INZ have declined the individual's application for residency. The impact of this decision means the individual's capacity to remain in New Zealand permanently has been limited, which is a positive outcome for our national security.

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. 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.

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.

Student visa applicants that may present a risk to New Zealand have declined following the closure of New Zealand's borders due to COVID-19.

Space and High-altitude Activity Assessments

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 NZSIS and 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 continues to gain significant interest from overseas partners, including Rocket Lab's Launch activities in Mahia.

In 2019/20, NZSIS and GCSB undertook 31 assessments on space-related activities. NZSIS has seen continued demand for payload assessments but the impact of COVID-19 on space and high-altitude activities is yet unknown.

Overseas Investment Assessments

The Overseas Investment (Urgent Measures) Amendment Act 2020 which came into force on 16 June 2020, made changes to the Overseas Investment Act 2005.

The Amended Overseas Investment Act includes a national interest test and a new emergency notification regime to manage risks associated with overseas investments that are contrary to New Zealand's national interest (including national security). The emergency notification regime is a temporary measure to address risks associated with overseas investment while the New Zealand economy is affected by and recovering from COVID-19.

NZSIS (along with the GCSB) are responsible for providing national security advice to support the Overseas Investment Office and the responsible Minister in their decision making.

Protecting Regional Security

Despite our relative geographic isolation, our region experiences the same 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 affect 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.

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 support a stable Pacific region, and work with Pacific leaders in the protection of our shared fundamental values of democracy, human rights and the rule of law.

NZSIS informs wider New Zealand government efforts to keep the region safe and secure. When working in the Pacific, the NZSIS liaises 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.

COVID-19 has impacted our ability to engage with overseas partners in person as international travel is not currently an option. NZSIS has maintained our international relationships despite this challenge by utilising secure video-conferencing technology.

Our international partners share our belief that COVID-19 and its associated challenges demand a collaborative and joined up approach, so our international relationships remain as important as ever.

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 receiving and distributing information from liaison partners through developing, enhancing and maintaining strong relationships.



Organisational Capability

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, 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. NZSIS also works to ensure that our systems, policies and processes are fit-for-purpose.

The Capability Directorate

Delivery Excellence

Capability Directorate leads organisational strategy, capability and change frameworks, governance support, effective change initiative delivery and operational training.

Over the past year, Capability Directorate has delivered an ambitious work programme including leading the development of the NZSIS Strategy, implementing large change initiatives and operational training capability.

The COVID-19 lockdown saw the Capability Directorate initiate alternative working methods ensuring continued (though slightly reduced) outputs and project delivery.

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

- Developing and gaining agreement to an updated NZSIS strategy.
- PERSEC Review working with PSR on a programme
 to improve personnel security capability across
 government. The final phase of the programme
 successfully delivered outputs across government to
 support building enduring personnel security capability
 across government to mitigate insider threats.
- Working with teams across NZSIS and GCSB to deliver the Strategy Capability Resourcing Review (Budget '20).
- Security Clearance Lifecycle Management leading a project to deliver an online portal for our customers (candidates, referees, and agencies) and Vetting Services staff that is more customer-centric and enables more tasks to be done from a single system. It will also enable agencies to better manage their personnel security and national security clearance holders, and reduce the risk of insider threat. System build is progressing well for implementation in 2020/21.

NZSIS aims to deliver high quality intelligence and security products and advice to inform decision-making.

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

NZSIS has continued a joint programme of work with GCSB and DPMC to improve our approach to providing intelligence and assessments to customers. Following detailed planning and consultation across the three agencies, NZIC leaders agreed in November 2019 to establish a joint business unit that would deliver intelligence products and services on behalf of the three agencies. Implementation of the joint customer services team would be phased over four years commencing in the 2021 financial year.

The decision to take a joint approach recognised that through collaboration, the agencies would be able to eliminate duplication of effort in service delivery and be able to provide more specialised engagement with customers. The joint team will know our customers and what matters to them, sharing a common understanding of their business needs and how to best provide high impact, tailored intelligence that will shape their decision-making.

In December 2019 the Customer Engagement programme team commenced recruitment and planning for Phase One, designed to establish an initial capability, ensure continued delivery of vital intelligence during the change process, and provide a firm foundation for subsequent phases.



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. NZSIS is a public service department with full-time equivalent staff of 366.54⁴, as at 30 June 2020.

The Intelligence Community Shared Services (ICSS), People and Capability (P&C) team provides a number of initiatives to NZSIS and 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 Public Service Commission framework and the core competencies expected of leaders are included in all people managers' performance and development reviews.

The majority of our managers have attended face to face training on unconscious bias. However in order to ensure all managers receive this training in a timely manner a new online module has been created and rolled out for all remaining and future managers to complete. Managers and staff have also had the opportunity to attend courses on neuro-diversity, Crown and Māori Relations and Te Reo. Following the successful launch of the LGBT+ sessions to Vetting staff, these sessions will now be available to all managers and staff, monthly from July 2020.

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Throughout 2019/20 we have face-to-face internal and excourses. Unfortunately due training was disrupted.

Work to develop a new Leadership Development programme, Te Ara o Tātāriki – The Path of Kākā/Leadership, began in February 2020. This programme is aimed at management tiers 4 & 5 and is designed to shape leaders who can act on the demands of an evolving environment, who are strategic, innovative, agile, adaptable and authentic. The programme will cover Leadership, Strategic Execution, Leading Change & Resilience, Teamwork and Collaboration, Decision Making in Complexity and Ambiguity. The first two cohorts are set to begin at the end of July 2020.

Outstanding People

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. This commitment has now been captured in a new Learning and Development (L&D) Strategy which was launched at the end of June 2020.

The L&D Strategy aims to "enable a workforce with beyond ordinary capabilities, engagement & adaptability to deliver on the mission of the NZIC", and will do so through the comprehensive four year action plan. The action plan focuses on six key principles;

- · Developing a relevant learning programme
- Ensuring consistent learning and outcomes
- Fostering workforce inclusion
- Enabling all learning styles
- Growing trusted leaders
- · Creating informed agencies

Throughout 2019/20 we have increased the number of face-to-face internal and external professional development courses. Unfortunately due to COVID-19, some of this training was disrupted.

⁴ This FTE count is consistent with Public Service Commission methodology, counting all current employees of the NZSIS excluding those on leave without pay or parental leave.

During New Zealand's COVID-19 Alert Level 4, NZSIS implemented a number of additional health and safety protocols to help keep our people safe while operating as an essential service, including reducing the number of staff present in the office at any one time. In response, the L&D team quickly set about providing support to enable staff to learn from home. This involved creating and collating new unclassified content for staff and adapting face-to-face training into online sessions with external providers.

Proving that online virtual conference sessions can work for our staff and some of the content we provide, has unlocked a new norm and provided our L&D team, providers and staff with new possibilities for learning within the NZIC. Consideration is actively being given to how this could work for L&D programmes going forward.

Career Pathways

The Career Pathways and Career Board system was introduced within NZSIS and GCSB in 2015/16. This is a joint framework that illustrates 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 agency's workforce strategy to build more capability internally to help address market supply issues.

In 2018 NZSIS reviewed the Career Board system to ensure it is still meeting the agency's needs. A number of changes were implemented in 2019, such as introducing the ability to complete applications online. Between 1 July 2019 and 30 June 2020, NZSIS had 36 staff progressing to a higher level of technical competence through the Career Boards. Due to COVID-19, this does not include applicants who were invited to the May 2020 board, which was postponed to July 2020.

Retaining talent

Retaining top talent is vital, particularly in light of the unique and challenging environment our staff operate in, and the time involved in recruiting, vetting and training suitable people.

As part of the effort to improve staff retention NZSIS provides staff with a clear view of career pathways, and has increased our focus on L&D throughout the intelligence and security sector as a positive way to retain skills and foster career development and progression. NZSIS continues to look at further opportunities to retain talent and this has also been highlighted as a priority within the new L&D Strategy.

While staff turnover has increased by 0.2% over the past year, it remains close to turnover in the wider public sector (as last reported at 30 June 2019).

To improve retention, over the past few years we have worked with our staff, staff associations, and network groups to gain a more comprehensive understanding of the key reasons people leave. This information has informed a joint NZIC Retention Strategy with GCSB that is due for release in August 2020. The strategy sets out the actions the agencies will focus on at an organisation-wide level in the next four years to improve staff retention. Directorates within the agency will also support our retention strategy through the development of their own retention initiatives focused on addressing any retention issues specific to their directorate.

Table 2: NZSIS Annual Staff Core Turnover

Year	NZSIS	Public sector
2015/16	9.6%	11.1%
2016/17	11.5%	11.5%
2017/18	10.3%	12.1%
2018/19	12.1%	11.8%
2019/20	12.3%	Not 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. NZIC staff also have access to a 24/7 employment assistance programme.

During COVID-19 we developed a specific Wellbeing Plan for all staff. This plan focused on five dimensions of wellbeing: physical, mental, career, social and financial wellbeing and gave staff access to advisory support, training and a range of wellbeing resources.

Diversity in the Workforce

To better protect New Zealand's interests, NZSIS must reflect the community we serve. 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 NZSIS and 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. Our initial focus areas have related to increasing the number of women and Māori, Pacific and Asian people across all levels of our workforce. These areas will continue to be focus for us. As part of our Diversity and Inclusion Strategy refresh in 2021 we will also have an increased focus on wellbeing, flexibility and making our organisation a supportive environment for people with disabilities.

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

In 2019 an external research firm conducted research into the perceptions of Māori, Pacific Island, Muslim, Asian and female audiences in New Zealand. The purpose of this research was to gain a deeper understanding of what matters to these audiences, in order to drive recruitment and retention initiatives. This research showed that if we want to attract and retain ethnic diversity, we need to have an employer proposition that is explicitly collaborative, respectful and focused on helping others - a sense of "giving back" in relation to protecting New Zealand is strongly routed in duties associated with Kaitiakitanga, whanau and cultural identity. Fortunately many of these values are already fundamental to who we are as an agency, but we can do better in expressing that and embedding some aspects. Implementing the recommendations from this research will be a focus area over the next 12 months.

Gender Diversity

Women make up almost half of NZSIS's workforce and around a quarter of our senior management group (tier 2 and 3). We set ourselves an aspiration of increasing overall female representation in NZSIS by 3%, taking us to 47% by 30 June 2020, and we have achieved this. However, improving female representation overall, and at the senior management level, remains an area of focus.

As can be seen in table 3 (following page), female representation at a senior management level has declined in the last year. It should be noted that given our small number of senior management roles, a small change (in this instance one less female in our senior management roles at 30 June 2020 compared to 30 June 2019) can have a significant impact on percentages. Regardless, we will actively be looking for opportunities to improve female representation amongst our senior management cohort in future.

As a career service, the skills and experience the team leader and senior technical expert roles require are often not available in the external market. The best way for NZSIS to address the lower number of female managers is therefore through the continued recruitment and development of female staff, who will then move into 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.

Table 3: Gender Diversity within NZSIS

	2015/16	2016/17	2017/18	2018/19	2019/2020
Overall Male	59.4%	56.7%	57.6%	53.3%	52.6%
Overall Female	40.6%	43.3%	42.4%	46.7%	47.4%
	2015/16	2016/17	2017/18	2018/19	2019/2020
Management Male	76%	67%	67%	69%	75%
Management Female	24%	33%	33%	31%	25%

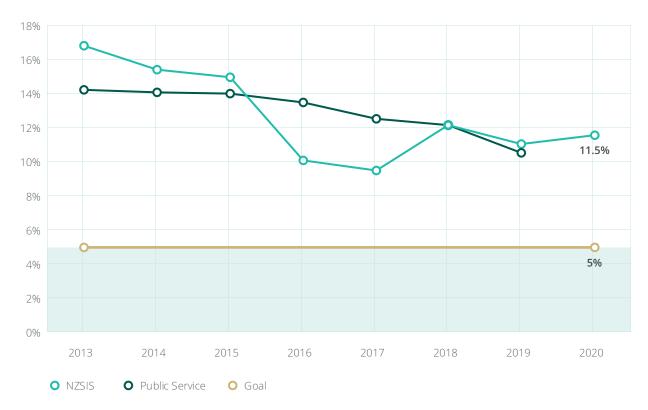
Closing the Gender Pay Gap

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 NZSIS's whole-of-organisation average gender pay gap to a maximum of 5% by 2021. Despite increasing this year, overall NZSIS has continued a downward trend over the past few years. At the end of the financial year, the gender pay gap was 11.5%.

A major contributing factor is the lower female representation in the team leader and senior technical expert cohorts.

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 Public Service Commission guidance on calculating the gap.

Ethnic Diversity

While NZSIS has achieved modest improvement in recent years, it will take time for new recruitment strategies to be reflected in workforce statistics and we remain committed to improvement.

Table 4: Ethnic Diversity within NZSIS

	2015/2016	2016/17	2017/18	2018/19	2019/2020
New Zealand European & European	59.6%	65.1%	65.0%	71.2%	73.1%
New Zealander	-	-	28.4%	27.5%	25.2%
Māori	6.9%	6.7%	6.5%	5.1%	6.8%
Asian	4.6%	5.1%	6.5%	5.7%	5.1%
Pacific Island	1.5%	1.9%	2.6%	2.8%	3.7%
Middle Eastern, Latin American, & African	-	1.1%	2.0%	1.6%	1.4%
Other	-	0.4%	0.3%	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. A total of 6.62% are not included in the above metrics, as they have not disclosed their ethnicity.

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.

Supporting inclusion in the NZSIS

NZSIS undertakes a number of initiatives to enhance diversity and inclusion across the organisation.

Women's self-development programme

In August 2019, the NZIC implemented a new women's development programme, Poutamatia – Reach for the highest. The Poutamatia programme was developed to support women with their personal and professional career development and self-confidence. The programme is now preparing for its third cohort and the feedback from the first two cohorts has been extremely positive with many of the attendees showing a notable improvement in their confidence both at work and personally.

Supporting staff networks

NZSIS is committed to supporting its staff to come to work as their authentic selves. As a part of this commitment NZSIS continues to support a number of internal networks, including the Women of the New Zealand Intelligence Community (WNZIC) network, Standing Out (our LGBTQI+ network), Parents Group, Kahikatea (our ethnicity network), and our Health and Wellbeing network.

These networks meet bi-monthly with both Directors-General to discuss strategic initiatives. The staff networks are actively involved in organising events, providing speakers and supporting NZIC staff. We have celebrated and acknowledged a number of special days and events, including International Women's Day, Māori Language Week, and Mental Health Awareness Week.

Engagement with our people

We place a strong emphasis on engaging with staff to understand what matters most to them. We do this through a range of channels – employee surveys, staff network groups, internal research and workshops.

Over the last 18 months we have conducted research into those who have taken parental leave and the experiences of women in the NZIC. The parental leave research resulted in key enhancements to our Parental Leave and Childcare Policies which came into effect in February 2020.

Research into the experiences of women has provided useful insights into how we can further improve to be a more inclusive workforce. We have held workshops with staff to co-create solutions and will be implementing actions over the next 12 months.

Through seeking suggestions from staff we have re-named a number of our meeting rooms across all locations to ensure the names reflect who we are as an intelligence community, and showcase the rich culture of New Zealand.

By engaging with our staff and understanding their lived experiences we are able to co-create improvements that contribute to a better workplace culture and help ensure that we focus our attention on improving the things that matter most.

Rainbow inclusion

Following our Rainbow Tick Accreditation in July 2019 we have continued to implement initiatives to ensure rainbow inclusion in the workplace. We have developed Transitioning Guidelines, which provide helpful information and practical advice for managers and staff who are in transition (or considering it). We have also developed and delivered our own rainbow-inclusion training, specifically for vetting staff. Our entire senior leadership team has also attended rainbow-inclusion training and education, and this training is now available to all staff.

External Engagement and Transparency

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 NZSIS. To earn this confidence, 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 and Transparency

Domestic Partnerships

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

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.

This year, NZSIS also worked in collaboration with other non-traditional domestic partners, including the Serious Fraud Office, the Electoral Commission, and Ministry of Justice.

Information Requests

Each year, 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 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.

For the period from 1 July 2019 to 30 June 2020, NZSIS:

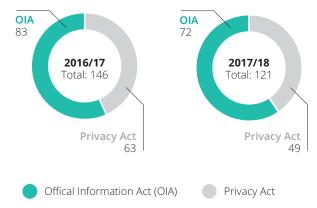
- Completed 62 OIA requests, with 6 requests not completed within the legislated timeframe.
- Completed 74 Privacy Act Requests, with 3 requests not completed within the legislated timeframe.

The necessary restrictions in place due to COVID-19 Alert Levels 4 and 3 are the cause of the delay in responding to 8 of these requests.

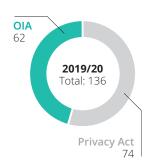
NZSIS did not receive any OIA complaints to the Office of the Ombudsman during this time period.

Two complaints were raised with the Office of the Privacy Commissioner during the reporting year. In both cases, NZSIS worked with the Office of the Privacy Commissioner to achieve a resolution.

Number of information requests completed, 2016–2020







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 NZSIS complies with the law at all times. 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, NZSIS has a compliance framework and runs a regular programme of audits and reviews to provide assurance that staff are compliant with New Zealand law. There is a culture of self reporting of compliance

incidents and these are reported to the Inspector-General of Intelligence and Security. These incidents often highlight improvements required to systems and processes which are then addressed.

Over 2019/20 NZSIS's Compliance team developed a compliance training framework which ensures that all staff receive training on their compliance obligations every year.

Oversight

Aside from our own internal processes, several external bodies exist to provide oversight to NZSIS and 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 is an important mechanism to ensure the agencies act within the law and with propriety. The Inspector-General also independently investigates complaints relating to the activities of NZSIS made by members of the public and reviews all authorisations issued.

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.

NZSIS continues to work cooperatively with the Inspector-General to respond to recommendations in their reports.

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

In accordance with section 221(2) of the Intelligence and Security Act 2017 (ISA), the following statements are provided for the period 1 July 2019 to 30 June 2020.

Co-operation (section 221(2)(a) and (b) of the ISA)

There was one occasion on which NZSIS provided assistance under section 13(1)(b) of the ISA to the New Zealand Police or New Zealand Defence Force to facilitate their functions.

No assistance was provided to other agencies under section 14 of the ISA to respond to an imminent threat.

Intelligence Warrants (section 221(1)(c) to (g) of the ISA)

Type 1 intelligence warrants

- a. Twenty-two applications for Type 1 intelligence warrants were made and approved under sections 58 and 59 of the ISA. No applications under section 58 or 59 were declined.
- b. No applications for an urgent Type 1 intelligence warrants were made under section 71 of the ISA.
- c. No applications for a joint Type 1 intelligence warrant were made under section 56 of the ISA.

Type 2 intelligence warrants

- a. Four applications for Type 2 intelligence warrants were made and approved under section 60 of the ISA.
 No applications under section 60 were declined.
- b. No applications for an urgent Type 2 intelligence warrant were made under section 72 of the ISA.
- c. No applications for a joint Type 2 intelligence warrant were made under section 56 of the ISA.

Very Urgent authorisations (section 221(2)(1)(e) of the ISA)

No very urgent authorisations were given by the Director-General under section 78 of the ISA.

Restricted Information (section 221(2)(f) of the ISA)

No applications were made for permission to access restricted information under section 136 of the ISA.

Business Records Directions (221(2)(h) of the ISA)

655 business records directions were issued to business agencies under section 150 of the ISA.



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 2020 and its operations for the year ended on that date.

Rebecca Kitteridge

Director-General of Security
Te Tuma Whakarae mō Te Pā Whakamarumaru

Rebecca Kitheridge

30 November 2020

Independent Auditor's Report

To the readers of the New Zealand Security Intelligence Service's statement of expenses and capital expenditure against appropriation for the year ended 30 June 2020

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 expenses and capital expenditure against appropriation of the NZSIS for the year ended 30 June 2020 on page 58.

Opinion

In our opinion the statement of 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 30 November 2020. 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 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, Supplementary Estimates and Addition to the Supplementary Estimates of Appropriations 2019/20 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 3 to 54, 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 will consider whether the other information is materially inconsistent with the information we audited 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: International 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.

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S B LucyAudit New Zealand
On behalf of the Auditor General

Wellington, New Zealand



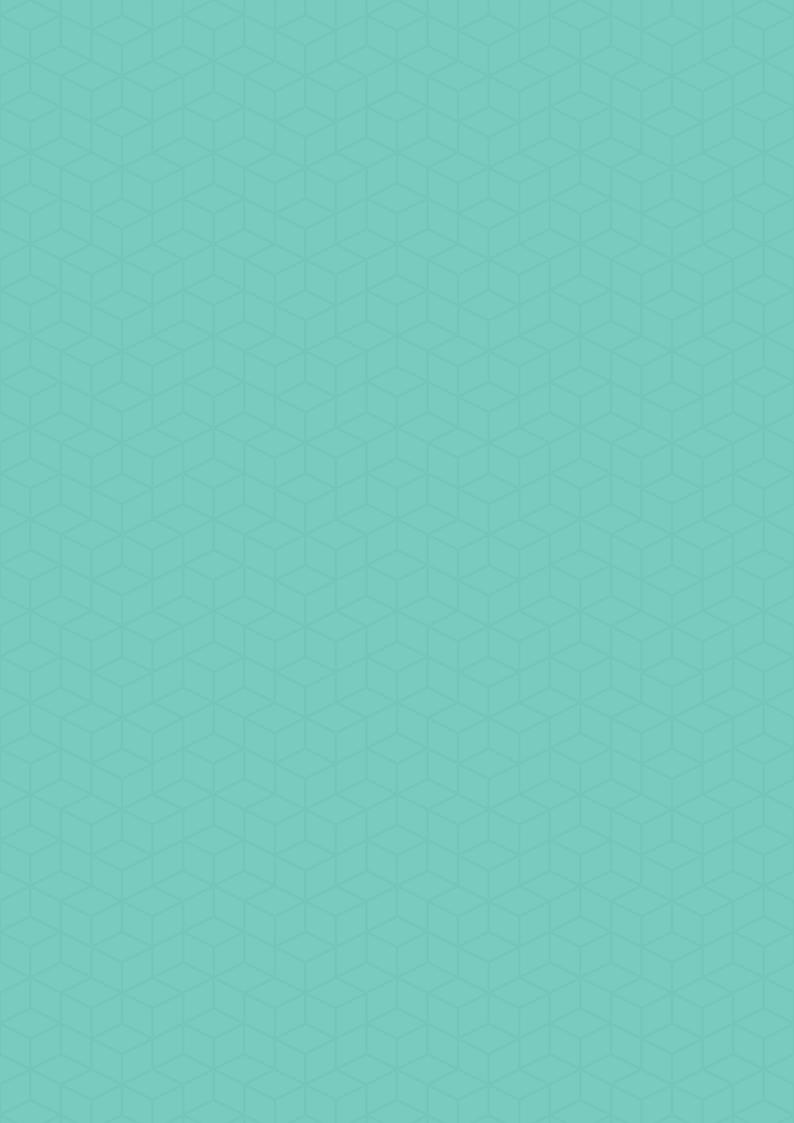
Statement of Expenses and Capital Expenditure against Appropriation

For the year ended 30 June 2020

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

	\$000
Total Appropriation	\$99,552
Actual Expenditure	\$91,198

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.





New Zealand Security Intelligence Service

Te Pā Whakamarumaru

New Zealand Government