

NZSIS
2016
ANNUAL REPORT



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Preface

This is the unclassified version of the annual report of the New Zealand Security Intelligence Service (NZSIS) for the year ended 30 June 2016. This version will be tabled in Parliament and made available to the public on the NZSIS internet site (www.nzsis.govt.nz).

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

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

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01

OVERVIEW OF THE YEAR

MINISTER'S FOREWORD

In the past year we have had frequent and stark reminders of the impact on the world of extremist ideologies, geopolitical instability and cyber-crime. We are not immune to these impacts.

It is in this context that the Government decided this year to make a further investment in the intelligence agencies. This investment will ensure that the agencies have the capabilities and resources to support government decision making and protect New Zealanders and New Zealand's wider interests in the years ahead.

This new investment was only possible because of the significant work the agencies have already undertaken in the past two years to strengthen their core capabilities and improve their effectiveness in meeting government priorities. While there is more work to be done, progress to date has been very good.

It is also important to ensure that the future work of the NZSIS and GCSB is underpinned by fit-for-purpose legislation and that public confidence is maintained through appropriate independent and democratic oversight. The *Independent Review of Intelligence and Security (2015 Review)* conducted by Sir Michael Cullen and Dame Patsy Reddy has provided useful insights into how the enabling legislation and oversight needs to develop to support the future work of the agencies. The Government subsequently introduced legislation to the House that gives effect to most of the reviewers' recommendations.

I am pleased with the efforts the New Zealand Intelligence Community (NZIC) have taken over the last year to explain the work of their agencies, the importance of what they do and how they are held accountable to the people of New Zealand. This is consistent with the Government's desire to be more open with the public about the work that the security agencies do on their behalf.

I continue to be impressed by the dedication of staff and their commitment to protecting the security and wellbeing of New Zealand and New Zealanders under the rule of law. Most of their work is unseen and their achievements often unheralded but, despite that, they continue to work tirelessly in the national interest.

The 2016/17 year will be another busy year for the security and intelligence agencies as they continue to build on recent progress, deliver improved value to government, and adapt to the legislative changes arising from the 2015 Review. I am confident that they will rise to this challenge.



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

DIRECTOR'S OVERVIEW

I am pleased to present the *2015/16 Annual Report for the New Zealand Security Intelligence Service (NZSIS)*. The NZSIS has made solid progress over the past year and I look forward to tackling the dynamic challenges the NZSIS can expect to face over the next twelve months.

THREAT ENVIRONMENT

Over the last year we have seen the international threat posed by violent extremism continue to evolve. The Islamic State of Iraq and the Levant (ISIL) and other extremist groups continued to conduct terrorist acts against civilian populations as evidenced by a number of complex and coordinated attacks in Europe. While the terrorism threat level in New Zealand remains at 'low', the threat from a small number of individuals espousing support for violent extremism has continued and a small number of New Zealanders remain in ISIL-occupied parts of the Middle East.

The threat of espionage persists and the distinction between commercial and state intelligence activities has become increasingly blurred. State actors continue to conduct cyber operations to acquire sensitive information and such activities are becoming increasingly difficult to detect. Defending against espionage is now a crucial activity for public and private sector agencies alike.

OUR ACTIVITIES

Responding to this complex and rapidly evolving threat environment has occupied the NZSIS operationally across all areas of our work. Developing an operational strategy, together with better tools to prioritise investigations, has helped us more effectively deploy our resources based on assessed impacts and risk.

At the same time we have sharpened our focus on our customers and have continued to invest in our people. We aim to ensure we consistently provide high quality, relevant intelligence and advice on matters of national security, and work effectively with domestic and international partners.

We have had a significant focus on protective security this year, in particular on improving the delivery of vetting services. The business improvement work we have undertaken, partly in response to input from the Inspector-General of Intelligence and Security, has involved a significant overhaul of processes. I am confident customers will begin to see real changes over the coming year.

In 2014, a Performance Improvement Framework (PIF) Review was conducted for the core New Zealand Intelligence Community (NZIC). In response to the review we launched a change programme focused on achieving the four year excellence horizon proposed by the reviewers.

The programme emphasises continuous improvement and has explicit goals relating to:

- match-fit leadership;
- outstanding people;
- systems that enable;
- delivery excellence; and
- powerful profile.

While working on improvements across our business, over the last year my Senior Leadership Team (SLT) has prioritised the following areas:

Compliance

We have established a dedicated compliance function to develop and manage compliance improvement. The compliance team is making good progress and I am confident that by this time next year we will have addressed all the recommendations presented in *The 2015 Internal Compliance Review*.¹

Health and safety

In the course of their work, some NZSIS employees are required to operate in situations that can expose them to danger and stress. The Senior Leadership Team and I take very seriously our obligation to ensure every NZSIS officer returns home safe and well each day. I chair the group overseeing our health and safety work programme.

Achieving the objectives of the Capability Review

The government has increased investment in the New Zealand Intelligence Community, including investment in the NZSIS, based on our advice about the outcomes we could deliver with more resources. These outcomes are reflected in the shared *NZIC Four Year Plan*. Over the next four years we will meet government expectations through delivering and measuring performance and efficiency improvements.

¹ *The 2015 Internal Compliance Review* is available on NZSIS.govt.nz

Supporting and implementing the Cullen-Reddy Legislative Review

The review of our legislation is a watershed moment for the NZIC and NZSIS. As part of the review, the NZSIS contributed information about what we do, how we work and the future challenges we face. The legislation will now progress through the full parliamentary process and be subject to political and public debate. The legislation will be a critical enabler for the NZSIS and the NZIC in the future. Implementing the legislation, if it is enacted, will be a significant focus for the coming year.

Protecting classified information and systems

The NZSIS and a number of other government agencies hold sensitive and classified information. Any unauthorised access to, or disclosure of, such information could potentially damage New Zealand's security, economic health, reputation and international relationships. We have been working to strengthen our own systems and to support other government agencies as they strengthen theirs. We conduct this work fully conscious of the need to balance the protection of security, lawful protected disclosures, privacy interests and the right to access government-held information.

ONE INTELLIGENCE COMMUNITY, MANY AGENCIES

Given geopolitical uncertainties and the significance of the security challenges facing New Zealand, it is essential the NZSIS and the other agencies in the NZIC maximise our impact by working together within our legal framework. The NZIC's efforts in recent years to create a more collaborative and efficient community are starting to provide real benefits. The core agencies, NZSIS, GCSB and the National Assessment Bureau in the Department of the Prime Minister and Cabinet (DPMC), are working together more effectively. As a result, we are providing higher quality advice and support to government than ever before.

As the intelligence community becomes better aligned we are also seeking other ways to increase our impacts and efficiency. Accordingly, we are working to ensure our relationships across the wider security and intelligence sector are strong and well coordinated.

OPENNESS, TRANSPARENCY AND TRUST

We are continuing our efforts to be more open and transparent about the work we do and the benefits we provide to New Zealand and New Zealanders. It is not always an easy task for us given the covert nature of many of our capabilities and methods. We know, however, that greater openness and transparency will increase the public's awareness of, and trust in, our work. The NZSIS's commitment to increasing public understanding and confidence is enshrined in our new organisational vision to be **ahead of the curve: providing indispensable security and intelligence services, underpinned by high public confidence and trust.**

The NZSIS has also actively sought to strengthen our relationships with the Office of the Inspector-General of Intelligence and Security, the Office of the Privacy Commissioner, the Office of the Ombudsman and the New Zealand media. These institutions have a legitimate interest in scrutinising our work and play important roles in ensuring the NZSIS adheres to the values of the society we serve, our democracy and the rule of law.

As part of our continuing efforts to be more open, this year we have included more detail about our activities in the unclassified and publicly available version of this annual report.

A SAFER NEW ZEALAND

The international and domestic threat environment continues to evolve. The NZSIS needs to be ready and able to protect New Zealand and New Zealanders from an increasingly diverse range of threats. Fortunately we do not operate in isolation. We seek and obtain assistance and support from a wide range of people and organisations. For this assistance we offer our thanks. New Zealanders are safer because of it.

And finally, I am also hugely proud of the work the people of the NZSIS undertake. New Zealand is a safer country because of their contribution.



Rebecca Kitteridge
Director of Security

NATURE AND SCOPE OF FUNCTIONS

Keeping New Zealand and New Zealanders Secure

The roles of the NZSIS are broadly split into the following three functions.

Security intelligence

Security intelligence consumes the greatest part of the NZSIS's resources. The NZSIS's efforts in this area include identifying and providing advice on a number of different national security threats facing New Zealand and New Zealanders. Generally these threats fall into the following categories: violent extremism; espionage conducted by state or non-state actors; the proliferation of weapons of mass-destruction; and hostile cyber activities.

The NZSIS works closely with domestic agencies such as the New Zealand Police, and with international partners, to investigate individuals and groups who would harm New Zealand and New Zealanders. The NZSIS's aim is to prevent security threats escalating to acts of violence domestically or offshore and to mitigate the threat of espionage activity in New Zealand.

The NZSIS also works with other government agencies to identify potential visitors and people seeking residency who may pose a risk to national security. In addition to our own efforts to investigate such risks the NZSIS provides advice to Immigration New Zealand and the New Zealand Customs Service to support their work to protect New Zealand.

Foreign intelligence

The NZSIS's foreign intelligence activities largely focus on ensuring the security and stability of the Pacific. The NZSIS does this by using information shared by individuals and other governments to identify people and states representing a threat to regional security. The NZSIS seeks to discover what these actors are doing or intending to do, and what their hidden agendas might be in relation to New Zealand and our Pacific partners.

Based on the intelligence we gather, the NZSIS provides advice to other government agencies such as the New Zealand Defence Force (NZDF), the Ministry of Foreign Affairs and Trade (MFAT), the New Zealand Police, or to our international partners.

Protective security advice

The NZSIS provides protective security advice to government. This is delivered through implementing and promoting the Protective Security Requirements (PSR)² across the public sector.

The PSR sets out the government's requirements for managing personnel, physical and information security. This work includes providing formal guidelines and ongoing support to ensure agencies can better manage business risks and assure continuity of service delivery.

The NZSIS also conducts 'vetting' checks on individuals seeking security clearances within government, including for NZIC agencies. This work includes gathering information from police records, travel information, interviews and other sources to determine, and make a recommendation about, a person's suitability to gain access to classified material.

2 The PSR is published at protectivesecurity.govt.nz.



02

OUR WORK IN DETAIL

THE NEW ZEALAND INTELLIGENCE COMMUNITY JOINT STRATEGIC FRAMEWORK

The New Zealand Intelligence Community (NZIC) agencies work together to maintain New Zealand's national security.

While threats to New Zealand's national security have historically been characterised as either domestic or international in nature, increasingly the line between these categories is blurred. In reality, an increasing number of security issues do not respect national boundaries. As a result, New Zealand's national security agenda is more broad and complex than ever before.

To meet the challenges of this environment, the NZIC is working hard to coordinate the efforts of constituent agencies, including the NZSIS. To ensure we can work together as a more integrated sector, New Zealand's intelligence agencies are guided by two documents; the *New Zealand Intelligence Community Statement of*

Intent and the *New Zealand Intelligence Community Four Year Plan*. These documents set out how the NZIC will deliver on its vision of Building a Safer and More Prosperous New Zealand.

The *Statement of Intent* outlines how, over the next four years, the NZIC as a whole will deliver on the government's requirements and how this aligns with the work of other agencies such as the New Zealand Police, the New Zealand Customs Service and the New Zealand Defence Force. In contrast the *NZIC Four Year Plan* outlines planned growth and capability development within the NZIC.

The NZSIS has three primary outcomes we seek to achieve on behalf of New Zealand and New Zealanders:

- New Zealanders are safe;
- New Zealand's key institutions are protected; and
- New Zealand's national advantage is promoted.

AN INTRODUCTION TO THE NZSIS

The NZSIS head office is based in Pipitea House on Pipitea in Wellington. The NZSIS has regional offices in Auckland and Christchurch as well as overseas liaison offices. As at 30 June 2016 the NZSIS had 304 full time equivalent staff.

This Annual Report identifies some of the work the NZSIS has undertaken to meet government requirements over the period 1 July 2015 to 30 June 2016.

NEW ZEALANDERS ARE SAFER

WHAT IS A LEAD INVESTIGATION?

A 'lead investigation' is initiated when the NZSIS receives information (a lead) that indicates an individual or group may be undertaking or seeking to undertake actions that would be detrimental to New Zealand's national security. A lead investigation comprises research to determine the validity of a lead and a risk assessment of the potential harm of the alleged threat. *The lead investigation process often confirms there are no national security implications.*

GAINED A PICTURE OF EMERGING TERRORISM THREATS

The NZSIS supports our stakeholders to make informed decisions relating to matters of national security. The NZSIS assesses trends and new developments relating to violent extremism in New Zealand and around the world and provides advice to other agencies and (where appropriate) international partners about these trends. While a key contemporary focus of this work relates to the Islamic State of Iraq and the Levant (ISIL), the NZSIS also seeks to ensure we have an overall understanding of the threat environment within New Zealand. This baseline picture enables the NZSIS to assess whether existing threats are increasing or diminishing and whether new threats are emerging. The NZSIS can then provide ahead-of-the-curve reporting on emerging terrorism threats so potential issues can be mitigated at an early stage.

What we do and why it's important

Investigative activities

The number of counter-terrorism leads being evaluated by the NZSIS at any one time fluctuates. During 2015/16, leads predominantly related to ISIL-linked extremism and ranged from information about individuals allegedly espousing extremist rhetoric to tipoffs about suspicious behaviour. Leads originate from a wide range of sources, including members of the public, reporting from international and domestic liaison partners and our own internally obtained information. In turn, the NZSIS applies our knowledge of the wider counter-terrorism environment and our investigative capability to produce comprehensive assessments of possible threats to national security. Assessments are also made as to whether the lead has been resolved or needs to become an ongoing investigation.

Over the next 12 to 24 months, the NZSIS will invest further in our investigative capability and capacity to understand New Zealand's violent extremism threat environment. This understanding will improve our coverage of emerging threats.

MITIGATED DOMESTIC TERRORISM THREATS

Terrorism is ideologically, politically or religiously motivated violence intended to induce terror in a population and/or coerce a government or other authority. The potential impacts of terrorism are broad. They extend beyond immediate loss of life and threat to public safety to long term social, economic and political impacts.

Transnational extremist militant groups continue to inspire, plan, facilitate and direct terrorist attacks. Organisations such as ISIL and al-Qa'ida have requested their sympathisers travel to Syria and Iraq to fight. Where sympathisers cannot, or are prevented from travelling, they have been encouraged to conduct attacks in their countries of residence.

Recent examples of both unsophisticated and coordinated terrorist attacks across the globe are evidence the threat of terrorism and violent extremism is a very real and contemporary threat for all nations. New Zealand is a small and geographically isolated country with a broadly tolerant and inclusive society. The terrorism threat level in New Zealand remains at 'low' – a terrorist attack is assessed as possible but not expected. However New Zealanders also travel widely, increasing the chances of being caught up in an offshore terrorist event.

What we do and why it's important

Investigative activities

One of the NZSIS's key roles is to protect New Zealand and New Zealanders at home and abroad from the threat of terrorism. The NZSIS uses our people, technology and relationships with individuals, government agencies and international partners to identify and investigate individuals and groups with the intent and capability to carry out acts of terrorism against New Zealand's people or interests. Together with partners such as the New Zealand Police, the New Zealand Customs Service, Immigration New Zealand and the New Zealand Defence Force, the NZSIS works to ensure these threats do not progress to acts of violence and that New Zealanders do not become the perpetrators or victims of terrorism.

The current counter-terrorism environment in New Zealand continues to be dominated by the influence of ISIL, though the influence of other extremist militant groups also remains of concern. ISIL's significant propaganda output and pervasive social media presence continue to attract followers to its cause, including in New Zealand.

In the reporting period there were at any one time between 30 and 40 people listed on the counter-terrorism risk register. These individuals were determined to represent an actual or potential threat to New Zealand related to terrorism, for example foreign terrorist fighters or individuals providing financial or facilitation support.

WHAT IS A SECURITY INVESTIGATION?

A security investigation's purpose is to make an in-depth assessment about the potential harm to national security an individual (or group of individuals) may cause through their activities. A security investigation seeks to assess the intent, capability and level of harm the actions of an individual or a group could cause. A security investigation will seek to determine whether or not these actions represent a threat to national security. If a threat to national security exists then the NZSIS will inform and work with the relevant decision makers and law enforcement agencies to mitigate risks. *Determining that an individual or a group does not pose a risk to national security is also an important outcome for our investigations.*

The international and domestic counter-terrorism environment is dynamic. Correspondingly, the total number of individuals on the risk register, and those who were the subject of lead reporting, has fluctuated over time; this is expected to continue. In the performance year, the methodology underpinning the risk register was revised as part of the NZSIS's continuous improvement

program. The new methodology further refines the process of assessing security risk factors to ensure the NZSIS is prioritising activity as effectively as possible.

There continues to be a small number of New Zealanders involved with designated terrorist groups overseas. These individuals could return with the requisite skills and experience to engage in activities of security concern domestically or have the ability to contact and/or facilitate others to fight with terrorist groups. The motivations and actions of these individuals include:

- fighting for designated terrorist groups;
- inciting and/or recruiting others to fight;
- marrying jihadi fighters; and
- fundraising and support.

Domestically there also continues to be a small number of New Zealand-based individuals who support or have attempted to travel offshore to join designated terrorist groups.

Analytical assessment activities

The NZSIS hosts the Combined Threat Assessment Group (CTAG), which assesses extremist activities, violent protest, civil unrest and other events that threaten New Zealand and New Zealanders domestically and offshore. CTAG identifies threats posed by individuals, groups or entities and ensures accurate and timely advice about these threats reaches the appropriate domestic

and international stakeholders. Other government agencies use CTAG's assessments to guide their risk assessment and mitigation activities. For example, CTAG threat assessments are used to inform the Ministry of Foreign Affairs and Trade's Safe Travel advisories.

CTAG is an inter-agency group, currently staffed with individuals from the NZSIS, New Zealand Police, New Zealand Defence Force, Aviation Security Service and the Government Communications Security Bureau.

Security screening activities

The NZSIS contributes to the management of New Zealand's border by identifying and investigating security risks in support of New Zealand's border security agencies and to support immigration decision making.

To support Immigration New Zealand's decisions, the NZSIS provides security advice about persons who attempt to enter New Zealand, or who apply for residency status, and who might represent a threat to national security. The NZSIS checks the names and profiles of thousands of individuals before they enter New Zealand and advises Immigration New Zealand of potential risks. Between Immigration New Zealand and the NZSIS, we identify and monitor travellers with links to identified international extremist groups, espionage activities or the proliferation of weapons of mass destruction technology.

CASE STUDY

COUNTER-TERRORISM ADVICE TO IMMIGRATION NEW ZEALAND

In 2015, the NZSIS identified an individual listed on a no fly watch-list who was attempting to travel to New Zealand. The NZSIS advised Immigration New Zealand who, in turn, made further enquiries and found the individual had served a prison sentence for terrorism-related charges. Immigration New Zealand did not allow him to board his flight to New Zealand as his convictions meant he did not meet character requirements under section 15 of the Immigration Act ('Excluded Persons'). The information provided by the NZSIS enabled Immigration New Zealand to make an informed decision and manage the risk to New Zealand while the individual was still offshore.

The NZSIS undertakes security screening of individuals applying for citizenship in accordance with the Citizenship Act 1977. This screening process, and the subsequent advice NZSIS provides, helps identify and monitor persons presenting known security risks (such as links to international terrorism) entering New Zealand and/or gaining residency or citizenship status.

The NZSIS, in accordance with the Civil Aviation Act 1990, provides security screening checks and advice relating to individuals seeking to have access to secure airport environments.

The NZSIS also collects information from a range of sources about illegal migration and provides reporting to the New Zealand Government's Mass Arrivals Joint Intelligence Group. In the event of a mass arrival in New Zealand, the NZSIS would assist other agencies by screening asylum seekers to identify anyone who may pose a threat to national security.

The NZSIS Screening Team has initiated a programme to continuously improve the ways in which the NZSIS works with other government agencies to contribute to border security.

PROVIDED SUPPORT FOR DEPLOYMENTS AND EVENTS

New Zealand officials and government employees may be posted overseas or attend international conferences and events. Such postings and events can attract the attention of individuals

or groups seeking to undertake hostile activities that could put New Zealanders in harm's way. Part of the NZSIS's role is helping ensure New Zealanders are kept safe in these situations. The NZSIS help protect New Zealanders in such circumstances in a number of different ways. We may for example deploy to an event beforehand and liaise with other agencies, and/or provide security briefings before officials depart.

What we do and why it's important

Support to military operations

The NZSIS continued to provide support to New Zealand Defence Force operations during the reporting period. The majority of the NZSIS efforts in this area relate to force protection activities and keeping deployed New Zealanders safe and secure offshore.

Security and management of major events

The NZSIS contributes to the whole-of-government coordination and management of major events both domestically and internationally. The NZSIS sits on the Major Events Security Committee (MESC) and participates in various security working groups and bilateral meetings. The role of the NZSIS in these major events varies depending upon the level of support needed as determined by the MESC and governing bodies such as the Officials' Domestic and External Security Committee (ODESC).

CASE STUDY

2016 ANZAC DAY COMMEMORATIONS SUPPORT

The NZSIS provided support to the 2016 ANZAC Day Commemorations in Gallipoli by deploying staff to Turkey. The deployed officers provided support to the other New Zealand agencies at Gallipoli by giving daily intelligence updates, liaising with Turkish authorities and reporting back to Wellington. This information was used by CTAG to form threat assessments and daily updates to multiple agencies within the New Zealand Intelligence Community.

NEW ZEALAND INSTITUTIONS ARE PROTECTED

MITIGATED ESPIONAGE AND HOSTILE FOREIGN INTELLIGENCE THREATS

Acts of espionage, covert interference, influence, sabotage and subversion threaten the security and effectiveness of the New Zealand Government and the foundations on which our open and democratic state is built. Acts of espionage against New Zealand may be carried out, directed and/ or sponsored by foreign states or by non-state actors, both within New Zealand and offshore. Non-state actors are more diverse and have a range of motivations including financial gain, self preservation and personal ideologies. They may be private individuals, groups, corporate enterprises or insiders³ acting alone. The methods used vary greatly.

What we do and why it's important

Investigative activities

Detecting, defending and countering threats posed by foreign intelligence services is critical to ensuring New Zealand institutions are protected and our national advantage is promoted.

Foreign powers continue to conduct espionage activity and other hostile state-sponsored activities, including foreign interference, against New Zealand. Foreign intelligence services

pursue information, both classified and publicly available, to support the objectives of their respective governments. Agents of these organisations can employ a range of approaches in the pursuit of their objectives from clandestine human intelligence collection to technical operations.

The NZSIS undertakes a wide range of investigative activity to counter these threats. While the remit of the NZSIS is to conduct human intelligence activity, the nature of the threat posed by foreign intelligence services requires a multi-disciplinary approach. As a result, the NZSIS cooperates and liaises closely with domestic and foreign intelligence partners, the most significant being the GCSB.

NZSIS's cyber security role

The NZSIS also has a role in identifying and countering state-sponsored Computer Network Exploitation (CNE). CNE activity is simply another platform used by those seeking to collect or steal information (classified, official or commercial) or to disrupt influence legitimate systems and processes within New Zealand.

WHAT IS ESPIONAGE?

Espionage (commonly known as spying) is the act of obtaining sensitive or classified information by covert means. Espionage has traditionally been associated with states stealing one another's secrets. However, espionage activity directed at New Zealand's private sector is of increasing concern to the New Zealand Intelligence Community.

3 An insider threat, or insider, is any person who exploits, or intends to exploit, their legitimate access to an agency's assets to harm the security of their agency or New Zealand, either wittingly or unwittingly, through espionage, terrorism, unauthorised disclosure of information or loss or degradation of a resource or capability.

CASE STUDY

A FOREIGN INTELLIGENCE OFFICER'S ACTIVITIES IN NEW ZEALAND

Foreign intelligence officers almost always use forms of 'cover' to obfuscate their intelligence agency affiliation and facilitate their operational activity.

As an example, the NZSIS identified a foreign intelligence officer who travelled to New Zealand under 'cover'. Using this 'cover identity' the officer met a number of New Zealand Government officials, including those with high level security clearances. After identifying the likely or imminent contact, the NZSIS briefed the relevant government officials to be cautious in their conversations with unknown individuals.

The foreign intelligence officer also spoke to New Zealanders whose work is associated with international relations and visited key New Zealand business facilities. This activity may indicate foreign efforts to influence or access the knowledge of New Zealand's business community.

With the majority of New Zealand's cyber security response is geared towards computer network defence⁴, the NZSIS aims to provide niche insights into the cyber problem. For example, it looks at what information is being sought, who is responsible for the activity and what is the potential harm to New Zealand and New Zealanders.

NZSIS's counter proliferation role

With support from other government agencies, the NZSIS gathers intelligence and provides agencies with advice about activities linked to the proliferation of technology or information related to weapons of mass destruction. Such activities, if successful, could breach New Zealand's international obligations or damage New Zealand's international reputation.

PROTECTIVE SECURITY SERVICES

The NZIC, including the NZSIS, has access to and uses some of the most sensitive information the New Zealand Government and our international partners possess. Having access to and collecting this information is the cornerstone of our work and distinguishes us from other government departments.

While access to highly classified information allows the NZSIS to provide unique advice to government, it also comes with a significant degree of responsibility. Misuse, mishandling or the unauthorised disclosure of such information can have significant consequences for the work the NZSIS does, the New Zealand Government, our international partners and the other people and organisations relying on us to handle their information with respect and care.

What we do and why it's important

Protecting our people, information, and assets

One of the NZSIS's functions is to support a safe and secure NZIC. With help from the GCSB, the NZSIS ensures the NZIC's protective security measures meet national and international standards. Our efforts ensure New Zealand's most sensitive information, people, facilities and assets are protected.

During the reporting period the NZSIS provided personnel, physical, and IT security advice to all of the core NZIC agencies to help them on their way to become protective security exemplars.

4 GCSB's cyber security programme and the recently announced MBIE-led National Computer Emergency Response Team (CERT).

ASSISTING KEY INSTITUTIONS TO MITIGATE THE RISK OF INSIDER THREATS

The NZSIS provides leadership on counter-intelligence and personnel security functions across government, including working to prevent, detect and respond to insider threats. As part of this work, the NZSIS provides advice and assurance to government agencies and private sector organisations.

What we do and why it's important

Security clearance vetting

Any individual who has access to government information, classified as confidential or higher, requires a security clearance. NZSIS vetting officers undertake a range of duties, including interviewing candidates and referees, to make an assessment about an individual's suitability to hold a security clearance. A recommendation is then provided to the chief executive of the relevant sponsoring agency. NZSIS vetting recommendations form the basis for state sector agencies to grant personnel access to classified information.

While the majority of clearance applications result in positive outcomes, some are found to present vulnerabilities that could be exploited or otherwise put the security of information at risk. In these cases, the NZSIS strives to employ procedural fairness throughout the process and give candidates every opportunity to respond to potential issues that have been raised. In cases where the NZSIS assess the risk remains, candidates may receive an adverse or qualified recommendation. If a qualified recommendation is made then employers are responsible for mitigating the risk before granting a security clearance. During the 2015/16 reporting period, the NZSIS vetted 5,686 individuals applying for security clearance.

In this reporting year, the NZSIS has embarked on a programme of continuous improvement for vetting services. A number of opportunities for efficiency gains have been identified and trials are planned for 2016/17. Successful initiatives will be adopted into business as usual processes.

Non-NZIC protective security activities

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

In December 2014, Cabinet approved the Protective Security Requirements (PSR). The PSR includes 29 mandatory requirements covering security governance, personnel security, information security and physical security. The PSR framework provides a single source of tools and guidance for agencies as they implement the PSR requirements. Agencies are also supported by a dedicated team of protective security engagement managers employed by the NZSIS to provide ongoing support and advice.

The PSR framework was designed to integrate with improvements to agencies' privacy settings led by the Government Chief Information Officer and the Government Chief Privacy Officer.

Delivering the PSR across New Zealand's government agencies has been a core deliverable for the NZSIS during 2015/16 and took a significant amount of interagency support to implement. The NZSIS initially

started working with 36 government mandated agencies to implement the PSR. However, interest has been such that a further 49 agencies are now voluntarily embracing the PSR and interest continues to grow.

Interest in the PSR reflects an increasing security culture across government. It reflects a recognition that we need to reduce vulnerabilities to ensure people and businesses have the confidence to interact with government. Reducing vulnerabilities also supports economic growth and protects our international reputation.

The first round of the PSR annual assurance reporting was completed 15 months after the PSR was approved and saw all 36 mandated agencies complete self-assessments on schedule by 31 March 2016. In addition to measuring current capability and progress, these reports now set the baseline for protective security improvements across the public sector. The PSR programme has already resulted in system-wide improvement in protective security and the PSR team continues to work with new agencies to ensure the ongoing improvement of protective security capability. The next assurance reporting round is scheduled for March 2017.



NEW ZEALAND'S NATIONAL ADVANTAGE IS PROMOTED

ENHANCED SECURITY IN THE PACIFIC

As a regional leader, New Zealand has a role to play in helping to mitigate security issues in the Pacific. The insights the NZSIS gains on the Pacific inform the wider New Zealand Government's efforts to keep the region safe and secure. When working in the Pacific the NZSIS cooperates closely with other New Zealand Government agencies.

What we do and why it's important

Pacific liaison programme

The NZSIS has established a Pacific liaison programme with Pacific Island intelligence and security counterparts. The programme is geared towards building partner capability and promoting regional security and stability, while also promoting partners' respect of democratic principles, the rule of law and human rights.

MEANINGFULLY CONTRIBUTED TO INTERNATIONAL SECURITY

New Zealand's security and exposure to threats is often related to the security situation in the wider international community. The world is increasingly interconnected with people, ideas and goods flowing across national boundaries. New Zealand and other nation states can no longer solely rely on fortifying national borders to ensure security for the state. This is most easily evidenced in the spread of ISIL messaging and propaganda material through the sophisticated use of the internet and other media platforms.

The New Zealand Government, the NZIC and the NZSIS all take an active role in contributing to the global security effort. This recognises the reality that being proactive to mitigate and prevent threats before they reach our shores is a desirable outcome. Helping to combat international threats to security is not only in New Zealand's long term self interest but also supports global peace and stability.

What we do and why it's important

Analytical assessment activities

The Combined Threat Assessment Group (CTAG) is closely associated with comparable threat assessment centres in partner countries. The strength of these partnerships means CTAG can bring to bear a range of sources and expertise in judging domestic or international threats to New Zealand and New Zealanders. Similarly, CTAG provides several niche areas of assessment back to our partners. These relationships are particularly useful in assessing and managing threats to major events in New Zealand or offshore where New Zealanders have a substantial interest or presence. CTAG also works closely with domestic agencies to assess the threat to any Internationally Protected Persons (IPP) who visit New Zealand.

International liaison

The NZSIS has a number of personnel deployed in offshore liaison roles. These liaison roles reflect the need to have global representation to effectively and efficiently mitigate national security threats to New Zealand and New Zealanders domestically and offshore.

The primary purpose of these liaison roles is to act as a nexus for the collection and distribution of information from our liaison partners through the development, enhancement and maintenance of strong relationships. While our liaison personnel are not focused on intelligence collection, assisting in the progression of operational initiatives can be a critical role.

ENABLED BETTER POLICY AND DECISION MAKING

The NZSIS's primary role is to collect and provide security and intelligence advice and information to the New Zealand Government. This advice is provided to officials so they can make informed decisions and achieve the best possible outcomes for New Zealand and New Zealanders. The NZSIS provides security advice across a wide range of topics which can influence policy and geopolitical decision making.

What we do and why it's important

Analytical assessment activities

CTAG works in close cooperation with domestic and international partner agencies to provide timely and accurate assessments of topical threats to New Zealand's interests. CTAG's assessments might cover a particular area or country, a terrorist group or attack methodology, a major event or a specific theme. These assessments, in turn, inform risk assessments, decision making and, in some cases, policy setting. CTAG is a regular contributor to the Officials' Domestic and External Security Committee (ODESC) system for managing threats and risks to New Zealand

Policy advice activities

The NZSIS also provides policy advice to Ministers of the Crown and a broad range of public sector agencies to ensure national security considerations are incorporated into policy development and decision making processes across government. This advice includes contributing to the development of Cabinet papers, participating in cross-agency working groups and briefing Ministers about the impact policy changes may have on New Zealand's national security.

CASE STUDY

ADVICE TO MBIE

The NZSIS has been actively working with the Ministry of Business, Innovation and Employment (MBIE) and the wider intelligence community to ensure national security considerations are factored into New Zealand's developing regulatory framework governing space and high altitude activity. This advice supports New Zealand's international obligations with respect to agreements such as the Outer Space Treaty.



03

ORGANISATIONAL
HEALTH AND CAPABILITY

MATCH-FIT LEADERSHIP

The NZSIS has continued its organisational change programme to modernise our systems and culture. These changes will ensure the NZSIS has the capability, systems and people required to meet the challenges of a complex and changing threat environment now and into the future.

The NZSIS's organisational change programme was launched to address a number of challenges identified by the 2014 Performance Improvement Framework Review. The NZSIS is halfway through this change programme and has made significant progress to date. The programme has five components: match-fit leadership; outstanding people; systems that enable; delivery excellence; and powerful profile. Improvements this year in all these areas have moved the NZSIS significantly forward as an organisation.

Over the past year, the NZSIS has focused on improving management and leadership across all levels of the organisation from the Senior Leadership Team through to branch, section and team leaders.

LEADERSHIP DEVELOPMENT

Growing and developing leaders in the NZSIS has been a major focus over the past year. The NZSIS's senior leaders participate in State Services Commission-sponsored training. This training is also being

progressively rolled out throughout all levels of the NZSIS leadership cohort. Additionally, all NZSIS managers participate in managerial development programmes as part of their professional development.

At the more senior levels, the NZSIS Leadership Career Board merge with the Public Sector Intelligence and Security Career Board. This allows our talented NZSIS leaders to gain experience across the wider public sector and develop the leadership skills required of a senior public servant.

OUTSTANDING PEOPLE

As an organisation focused on human intelligence, the NZSIS recognise people are our greatest asset. Investment in our people and their skills ensures we are ready and able to protect New Zealand and New Zealanders. The NZSIS continues to train, develop and put systems and processes in place to support employees and enable them to succeed in their careers.

Human Resource services are provided to the NZSIS and GCSB through the Intelligence Community Shared Services (ICSS). Over the reporting period, the ICSS has completed a number of projects contributing to the NZSIS's work on creating and maintaining outstanding people within the NZSIS.

STAFF RETENTION

Staff retention is a critical factor for the NZSIS, particularly given the unique and demanding operating environment and the time involved in recruiting, conducting security checks and training suitable personnel. The ICSS continues to monitor attrition figures and exit interview information.

ONE WORKFORCE: JOINT REMUNERATION SYSTEMS

In September 2015, a new single remuneration framework for both the NZSIS and GCSB was implemented. This framework supports the alignment of remuneration with the external market, establishes mechanisms to address anomalies, provides a consistent system across the NZSIS and the GCSB and establishes ways to encourage, monitor and reward employees' performance.

ONE WORKFORCE: JOB FAMILIES

As part of the development of the new remuneration system, roles with the NZSIS and the GCSB were placed into six job families – Service Delivery and Engagement; Analysis; Collection; Information Engineering; Information and Security; and Leadership. The job family framework outlines the types of skills, knowledge and abilities required within the NZSIS and GCSB. It provides a shared foundation to enable the delivery of common workforce management and staff development processes. It also provides the foundation for a systematic and sector wide approach to developing and enabling our workforce.

By using the framework, staff can make informed decisions about whether they want to be a specialist in a subject area, have a multifaceted career or become a leader within the intelligence community.

INTELLIGENCE DEVELOPMENT PROGRAMME

The Intelligence Development Programme (IDP) was created in July 2015 to professionalise training, enhance capability in NZSIS specific skills, and complement the NZSIS compliance and change initiatives. The IDP represented a significant change in organisational culture from part-time delivery 'on demand' to fulltime staffing and a commitment to modernise content and programmes.

DIVERSITY IN THE WORKFORCE

The NZSIS seeks to ensure that we reflect the diverse population we serve. Diversity can improve innovation and decision making among employees, help attract and retain talented people and build the reputation of an organisation. This is particularly important for intelligence communities. The NZSIS can serve our communities better if our workforce is representative and reflective of the people we serve.

The NZIC workforce is generally less ethnically diverse than the wider public service because it is more difficult to confirm the personal information of people who have not been resident in New Zealand for a long period of time (a requirement of the vetting process). The NZIC recognise this as an issue and is actively seeking to mitigate any negative impacts on potential employees, staff and the NZIC.

Some of the steps the NZIC is taking to ensure we are continually improving in this area include:

- training for managers on unconscious bias;
- conducting quarterly reviews of the information provided by exiting employees to consider what additional actions may be required to ensure all staff have equal access to employment opportunities;
- establishing the Women of the Intelligence Community forum; and
- ensuring our recruitment processes continue to access different forums and communities to assist the NZIC in attracting a diverse workforce.

The NZIC Women's Network was established in May 2015. Its focus is on networking, sharing experiences and providing the opportunity to hear the stories of inspirational leaders. Speakers have included a Minister and senior public servants at the chief executive and deputy chief executive levels.



NZSIS ANNUAL STAFF TURNOVER

	2013/14	2014/15	2015/16
NZSIS	10.2%	10.1%	9.6%
Public Service	10.7%	10.9%	11.1%

DIVERSITY WITHIN THE NZSIS

	2013/14	2014/15	2015/16
Māori	5.9%	5.5%	6.9%
Pacific Island	1.6%	1%	1.5%
Asian	4.9%	3.5%	4.6%
NZ / European	58.9%	58.2%	59.6%
Not Stated	19.9%	16.9%	12.8%

GENDER WITHIN THE NZSIS

	2013/14	2014/15	2015/16
Overall Male	59.7%	60.3%	59.4%
Overall Female	40.3%	39.7%	40.6%
Management Male	87%	85%	76%
Management Female	13%	15%	24%

SYSTEMS THAT ENABLE

Effective leadership and outstanding people will only be as strong as the systems that enable them. Strong systems are enablers for the NZSIS's work. They ensure the NZSIS is effective, efficient, considered, proportionate and compliant in all aspects of our work.

2015 LEGISLATIVE REVIEW

During 2015/16, the NZSIS provided feedback on the first Independent Review of Intelligence and Security by Sir Michael Cullen and Dame Patsy Reddy. This included an extensive internal consultation process and engagement with reviewers. Following the release of the review, the NZSIS has also engaged with DPMC in its role to prepare Cabinet papers relevant to the new legislation.

NATIONAL INTELLIGENCE PRIORITIES

In March 2016, the National Security Cabinet Committee agreed the latest update of the National Intelligence Priorities. The purpose of these priorities is to ensure relevant government sectors and agencies, including the NZSIS, focus intelligence collection, reporting and assessment activities on what matters most to government.

GOVERNANCE AND OVERSIGHT

By necessity most of the NZSIS's activities are classified. Consequently the NZSIS is not able to talk publicly about much of the work we do. Accordingly, effective oversight of the NZSIS's activities is essential to provide confidence to New Zealanders and the government of the day that the NZSIS adheres to the democratic principles of the society we seek to serve.

The Intelligence and Security Committee

The Intelligence and Security Committee (ISC) is the parliamentary oversight mechanism for intelligence agencies and examines issues of efficacy and efficiency, budgetary matter and policy settings. The ISC is made up of the Prime Minister, two Members of Parliament nominated by the Prime Minister, the Leader of the Opposition, and one Member of Parliament nominated by the Leader of the Opposition.

Office of the Inspector General of Intelligence and Security

The Inspector-General of Intelligence and Security (IGIS) and her office is the key oversight body of the NZIC. They provide a way for the public to have confidence the NZSIS complies with the law. The IGIS also acts as a mechanism to investigate complaints against the activities of the NZSIS by the public.

The NZSIS regularly meets with staff from the Office of the IGIS (at varying levels) to discuss issues. The NZSIS also provides information and resources in support of IGIS investigations and queries.

Ombudsman and Privacy Commissioner

During the reporting period, the NZSIS responded to Official Information Act and Privacy Act requests from the public as mandated by the relevant legislation. Due to security and privacy concerns, the NZSIS cannot always be forthcoming with certain information. In instances where the NZSIS cannot release information, we endeavour to provide as much information as possible and clearly explain why a particular response has been given.

The Office of the Ombudsman and the Office of the Privacy Commissioner (OPC) provides further important oversight of the NZSIS. If an individual is not satisfied with the NZSIS's response he or she has the option to seek a review with the Ombudsman or the OPC. The NZSIS works proactively with the Ombudsman and the OPC to quickly resolve any complaints. The NZSIS also continues to actively engage with the Ombudsman and the OPC to improve the way in which we respond to information requests.

TYPE OF REQUEST	2013	2014	2015	2016
Official Information Act (OIA)	51	45	90	58
Privacy Act	92	53	49	47
Total	143	98	139	105

Information requests

The above table sets out the total number of information requests processed by the NZSIS for the four years to 30 June 2016.

In the past year, six complaints have been made against the NZSIS to the OPC and the Ombudsman, resulting in the following outcomes.

- One complaint was considered by the Office of the Ombudsman and decided in favour of the NZSIS.
- Five complaints were considered by the OPC. One was decided in favour of the NZSIS, two were settled by confirming no personal information was held, one was settled by releasing further information and one is still open pending a formal decision by the OPC.

The NZSIS is delivering a training and development programme for staff on the obligations and requirements of the Official Information Act (OIA) and Privacy Act. As at 30 June 2016, twelve sessions have been conducted. This programme is run by the newly formed OIA team.

Health and safety

Health and safety is one of the Director's top priorities for the NZSIS in 2016. As part of meeting due diligence obligations, the NZSIS has established a new Health and Safety Governance Group. This group meets monthly and is chaired by the Director.

In the last six months the NZSIS has carried out an organisation-wide review of its health and safety risks and captured all risks in a revised health and safety risk register. A health and safety work plan stemming from this risk review is currently under development.

NZSIS compliance systems

In response to recommendations made in the *NZSIS's 2015 Internal Review of Compliance*,⁵ the NZSIS Senior Leadership Team designated the strengthening of the NZSIS compliance systems as one of its top priorities. With the establishment of a dedicated NZSIS compliance team there has been significant progress during the 2015/16 year, notably:

- completing a stocktake and improving access to all operational policies and procedures;
- introducing a combined NZSIS and GCSB policy framework, which formalises the development, approval and review process for internal policies;
- releasing a compliance framework for identifying compliance obligations, advice and training, audit, investigations and oversight to provide assurance operational activity is conducted in accordance with the law; and
- developing a set of operational procedures governing the collection of human intelligence.

As at the end of June 2016, the NZSIS has addressed over half of the recommendations made in the 2015 Internal Review. The actions taken to date have also been designed to address the Inspector-General's concerns expressed in her 2015 annual report about the absence of compliance systems at the NZSIS. The remainder of the recommendations are on track to be completed by June 2017.

During 2016/17, the compliance team will continue to support compliant behaviour through a programme of auditing, training and refreshing operational procedures. Compliance will also contribute to the development of Ministerial policy statements if these are required under the new legislation.

IMPROVING THE VETTING EXPERIENCE

In December 2015, the Security Clearance Enhancement (SCE) team was established to provide a single point of contact for security clearance holders, candidates and agencies in regard to vetting. A vetting customer survey was run in January 2016 to understand customers' perceptions of the services delivered by the NZSIS vetting team. As a result of the information gained from the survey, the SCE team are working closely with PSR engagement managers to better engage with and help agency customers.

DELIVERY EXCELLENCE

The NZSIS aims to be an effective and efficient organisation delivering excellence and impact for the benefit of the New Zealand public and government decision makers.

NEW MISSION AND VISION

To support clear priorities and strategy, the NZSIS has revised our mission and vision statements. The NZSIS's mission is to **keep New Zealand and New Zealanders secure**. Security in this context is about protection from the most serious national security threats and providing information and insights that will advance New Zealand's interests.

The NZSIS's vision is to be **ahead of the curve: providing indispensable security and intelligence services underpinned by high public confidence and trust**. This means continually striving to excel in everything the NZSIS does. It means getting ahead of emerging issues and challenges. It means having a reputation for being the best at what we do. It means that the NZSIS's operational work will be supported by

a strong and professional organisation that enables all our people to do their best work every day. Finally, the NZSIS aims to have strong public confidence and trust where New Zealanders recognise and understand the vital importance of the NZSIS to ensuring their security and the maintenance of New Zealand as an open and democratic society.

STRATEGY, CAPABILITY, AND RESOURCING REVIEW

The *NZIC Strategy, Capability and Resourcing Review (SCRR)* was initiated to identify and present options to the government that address the relationship between the New Zealand Government's security and intelligence requirements, the capability that the NZIC needs to meet those requirements and consequential resource needs.

In Budget 2016, the Government announced an increased funding package for the NZIC of \$178.7m over four years. As at 30 June 2016, the review has been completed. The focus now shifts to implementing the *NZIC Four Year Plan*, which was developed on the basis of the review funding being made available.

The *SCRR* provides the cornerstone for the future growth and development of the NZSIS and the wider NZIC. Accordingly, the NZSIS and the NZIC are well positioned to implement the outcomes of Budget 2016. The *SCRR* and the *NZIC Four Year Plan* will enhance the NZSIS's ability to keep New Zealand and New Zealanders secure.

POWERFUL PROFILE

To be successful the NZSIS requires the support of the New Zealand public. Our domestic and international partners also need to understand and value our work. The NZSIS cannot be successful in our mission if we operate in isolation. Maintaining a powerful profile will help ensure:

- our customers value our advice and expertise;
- the wider public sector has a clear understanding of the work of the NZSIS and the value we add;
- the public are aware of the work of the NZSIS and the value we add;
- international partners recognise the value the NZSIS adds to international security;
- the NZIC's collaborative approach is seen as an exemplar in government;
- the NZSIS is seen as responsive to media requests; and
- the NZIC is seen as a desirable place to work, attracting skilful and talented staff.

DOMESTIC AGENCIES

The NZSIS, as an advisory body, works closely with a large number of government agencies and private companies. This work includes providing high level advice to Ministers and chief executives, as well as contributing to tactical decision making within other government agencies such as the New Zealand Police and Immigration New Zealand. The NZSIS also engages with a range of private companies to ensure they have suitable levels of protective security in place. Having a powerful domestic profile ensures that the NZSIS is consulted on relevant policy decisions and the advice we provide is valued by decision makers.

One of our most important domestic relationships is with the New Zealand Police. The majority of joint NZSIS and New Zealand Police work is conducted in the operational arena and focuses on counter-terrorism investigations, an area where the NZSIS and the police are the joint lead agencies for government.

The NZSIS also works closely with other government agencies such as Immigration New Zealand, New Zealand Customs, the New Zealand Defence Force and Aviation Security. The NZSIS aims to add value across the government system. This could mean working jointly on investigative or protective security issues, undertaking joint training or sharing resources when appropriate.

EXTERNAL ENGAGEMENT

The NZSIS has not always had a very visible public presence. While the NZSIS handles secret information, we need not be a secret organisation. New Zealanders rightly feel they have a stake in the discourse on national security.

In the past year the NZSIS has actively increased our efforts to engage more with the public and media. The Director has made herself available for interviews and briefings with media and has spoken at a number of functions and conferences across the country.

ACADEMIC INSTITUTIONS

The NZSIS is also seeking greater engagement with New Zealand's academic sector. The Director has spoken at a number of academic conferences, sits on the Strategic Advisory Board for the Centre of Defence and Security Studies for Massey University, has presented to students undertaking study in areas relating to national security and is working with the academic sector to identify opportunities for research. Key speeches have included the Director's speech at Victoria University of Wellington's Centre for Public Law's Public Office Holders lecture series.⁶

ARCHIVES NEW ZEALAND

Upon its establishment in 1956 the NZSIS took custody of many files relating to national security. Dating as far back as 1919, these files originated with the Special Branch of the New Zealand Police and the wartime Security Intelligence Bureau.

In 2013 the NZSIS began declassifying these records and transferring them to Archives New Zealand. This process accords with the Public Records Act 2005, and allows members of the public to access historical documents.

In the year under review the NZSIS transferred to Archives New Zealand eighteen volumes of early records on the following subjects: the Communist Party of New Zealand; the New Zealand Peace Council; three other peace groups; and seven miscellaneous organisations.

Our domestic and international partners also need to understand and value our work. The NZSIS cannot be successful in our mission if we operate in isolation.

6 A copy of this speech is available on NZSIS.govt.nz

STATEMENT ON WARRANTS

In accordance with sections 4K, 4IC(1)(h), and 4IE(12) of the New Zealand Security Intelligence Service Act 1969 (“the Act”), I submit the following statement on warrants and authorisations for the year 1 July 2015 to 30 June 2016 (“the reporting period”).

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

Domestic Intelligence Warrants

During the reporting period:

- a. Fifty-five domestic intelligence warrants were in force. Of those, 37¹ were issued during the reporting period, and 18 were issued during the previous year but remained in force for some part of the reporting period.
- b. The average length for which those warrants were in force during the reporting period was 152 days (rounded to the nearest day).

- c. There were no domestic intelligence warrants under which no action was taken during the reporting period.
- d. There were no amendments to any of those domestic intelligence warrants.
- e. The methods of interception and seizure used were telecommunications interception, installation of interception devices, including listening devices, and the taking and copying of documents and items.
- f. The information obtained materially contributed to the detection of activities prejudicial to security, or produced foreign intelligence information essential to security, that was not likely to have been obtained by other means.

Foreign Intelligence Warrants

During the reporting period:

- a. Twenty-five foreign intelligence warrants were in force. Of those, 18 were issued during the reporting period, and seven were issued during the previous year but remained in force for some part of the reporting period.
- b. The average length for which those warrants were in force during the reporting period was 124 days.

- c. There was one foreign intelligence warrant under which no action was taken during the reporting period.
- d. There was one amendment made to a foreign intelligence warrants.
- e. The methods of interception and seizure used were telecommunications interception, installation of interception devices, including listening devices, and the taking and copying of documents and items.
- f. The information obtained materially contributed to the detection of activities prejudicial to security, or produced foreign intelligence information essential to security, that was not likely to have been obtained by other means.

Domestic Visual Surveillance Warrants

During the reporting period:

- a. Three domestic visual surveillance warrants were in force. Of those, one was issued during the reporting period, and two were issued during the previous year but remained in force for some part of the reporting period.

1 This figure does not include the one domestic visual surveillance warrant and the one authorisation, which are reported separately below.

- b. The average length for which those warrants were in force during the reporting period was 177 days (rounded to the nearest day).
- c. There was one domestic visual surveillance warrant under which no action was taken during the reporting period.
- d. There were no amendments to any of those domestic visual surveillance warrants.
- e. The method of visual surveillance used was the installation of visual surveillance devices.
- f. The information obtained materially contributed to the detection, investigation or prevention of an actual, potential or suspected terrorist act, or facilitation of a terrorist act, that was not likely to have been obtained by other means.

Foreign Visual Surveillance Warrants

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

Removal Warrants

During the reporting period:

- a. Two removal warrants were in force, both of which were issued during the previous reporting period.
- b. The average length for which those warrants were in force during the reporting period was 161 days (rounded to the nearest day).
- c. There was one removal warrant under which no action was taken during the reporting period.

Authorisations

During the reporting period:

- a. One authorisation was in force, which would otherwise be required to be exercised under an intelligence warrant.
- b. The average length for which the authorisation was in force during the reporting period was two 12 hour bands.
- c. On expiry of the authorisation, an intelligence warrant was issued.
- d. No determinations were made under section 41E(7) of the NZSIS Act whether it was appropriate for an authorisation to have been given that it was not appropriate for an authorisation to have been given as on expiry of the sole authorisation, an intelligence warrant was issued.

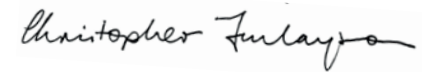


Rebecca Kitteridge

Director of Security

DATED at Wellington this
08 November 2016

I have reviewed all warrants and authorisations in force during the period beginning 1 July 2015 and ending 30 June 2016 and certify that the information set out in the above Statement on Warrants is correct.



Hon. Christopher Finlayson

Minister in Charge of the New Zealand Security Intelligence Service

DATED at Wellington this
08 November 2016



04

REVIEW OF OUTPUT
PERFORMANCE

This section reports on the NZSIS's output performance as set out in the 2015/16 Vote Security Intelligence Estimates of Appropriation.

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

The objective of the New Zealand Security Intelligence Service is to provide timely and reliable intelligence assessments and protective security advice through:

- a. the collection, collation and evaluation of information relevant to national security;
- b. the dissemination of intelligence and advice to Ministers of the Crown and government agencies;
- c. the provision, on request, to government agencies and public authorities within New Zealand, of protective security advice relating to personnel, physical, technical, document and building security; and
- d. liaison with overseas security and intelligence organisations and public authorities.

THE FOUR OUTPUTS THE NZSIS DELIVERED FOR FY 15/16 ARE:



Threat Management and Security Intelligence;



Foreign Intelligence and International Contribution;



Protective Security; and



Delivering the Strategy, Capability, and Resourcing Review.



05

FINANCIAL
STATEMENTS

STATEMENT OF EXPENSES AND CAPITAL EXPENDITURE AGAINST APPROPRIATION

for the year ended 30 June 2016

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

	\$000
Total Appropriation	\$51,050
Actual Expenditure	\$50,464

The "Total Appropriation" in the table above incorporates both operating and capital expenses forecast for the year.

The "Actual Expenditure" includes the actual operating expenses and the actual capital expenditure incurred.

STATEMENT OF RESPONSIBILITY

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

- The preparation of the NZSIS's financial statements, and the statement of expenses and capital expenditure, and for the judgements expressed in them;
- Having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting;
- Ensuring that end of year performance information on each appropriation administered by the NZSIS is provided in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that information is included in this annual report;

- The accuracy of any end of year performance information prepared by the NZSIS, whether or not that information is included in the annual report.

In my opinion:

- The financial statements fairly reflect the financial position of the NZSIS as at 30 June 2016 and its operations for the year ended on that date.

Rebecca Kitteridge

Rebecca Kitteridge

Director of Security
23 September 2016

INDEPENDENT AUDITOR'S REPORT

To the readers of the New Zealand Security Intelligence Service's Annual Report for the year ended 30 June 2016

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

- the statement of expenses and capital expenditure against appropriation of the Service for the year ended 30 June 2016 on page 37.

OPINION

In our opinion:

- the statement of expenses and capital expenditure against appropriation of the Service on page 37 is presented fairly, in all material respects, under the requirements of the Public Finance Act 1989.

Our audit was completed on 23 September 2016. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Director of Security and our responsibilities, and we explain our independence.

BASIS OF OPINION

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

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Service's preparation of the information we audited in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Service's internal control.

An audit also involves evaluating:

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

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited. Also, we did not evaluate the security and controls over the electronic publication of the information we audited.

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

RESPONSIBILITIES OF THE DIRECTOR OF SECURITY

The Director of Security is responsible for preparing:

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

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

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

RESPONSIBILITIES OF THE AUDITOR

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

INDEPENDENCE

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

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



Kelly Rushton

Audit New Zealand

*On behalf of the Auditor-General
Wellington, New Zealand*

GLOSSARY OF TERMS

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

**KEEPING
NEW ZEALAND
AND
NEW ZEALANDERS
SECURE**

N Z S I S . G O V T . N Z



New Zealand
Security Intelligence
Service
Te Pā Whakamarumarū

New Zealand Government