



**New Zealand  
Security Intelligence Service**  
*Te Pā Whakamarumarū*

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# ANNUAL REPORT

**For the year ended 30 June 2009**

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

## **PREFACE**

This is the unclassified version of the Annual Report of the New Zealand Security Intelligence Service (NZSIS), for the year ended 30 June 2009. This version will be tabled in Parliament, and made available to the public via the NZSIS internet site.

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

## CONTENTS

DIRECTOR'S REPORT .....	5
NZSIS OVERVIEW .....	7
The Role of the New Zealand Security Intelligence Service .....	7
Our Vision .....	7
Our Mission .....	7
Responsible Minister .....	7
Cost Effectiveness .....	7
ORGANISATIONAL INFORMATION .....	8
NZSIS Executive Group as at 30 June 2009 .....	8
NZSIS Audit and Risk Committee .....	8
Information Management Committee .....	8
NZSIS Outcomes Framework .....	10
OUTCOME STATEMENTS .....	11
Primary Outcomes .....	11
Intermediate Outcome 1: Identify and Reduce New Zealand's Vulnerabilities .....	11
Secure Classified Information and Intellectual Property .....	11
New Zealand's Critical Infrastructure is Secure .....	12
New Zealand's Border is Secure .....	12
Intermediate Outcome 2: Safeguard New Zealand Against Threats .....	13
Intelligence and Advice to Government .....	14
Informed Public .....	15
Intermediate Outcome 3: New Zealand's International and Regional Interests, Reputation and Standing are Enhanced .....	15
CORPORATE .....	16
NZSIS' Capital Intentions .....	16
Information Management .....	16
Organisational Health and Capability .....	16
Equal Employment Opportunities .....	17
Archives .....	17
Official Information Act and Privacy Requests .....	17
Parliamentary Questions .....	18
Development Initiatives .....	18
LEGAL MATTERS .....	19
Legislation and Treaties .....	19
Policy Contribution .....	20
Oversight and Review .....	20
STATEMENT ON WARRANTS .....	22
REVIEW OF OUTPUT PERFORMANCE .....	24
Output Class Summary .....	24
STATEMENT OF RESPONSIBILITY .....	26
STATEMENT OF EXPENDITURE AND APPROPRIATION .....	26
Audit Report .....	27

**PART ONE**

**INTRODUCTION**

## DIRECTOR'S REPORT

I am pleased to present the 2008/09 Annual Report of the New Zealand Security Intelligence Service (NZSIS).

During the past year the NZSIS has continued the organisational transformation programme to develop and enhance the way we do our business that we began in the 2007/08 year. While we are now getting to the harder part of this process, successes are showing with what has already been implemented.

We have refined the organisational arrangements for security intelligence to improve cohesion and effectiveness.

The NZSIS has had a number of successes during the 2008/09 financial year:

- we undertook successful counter terrorism operations which delivered important information about activities that posed a security threat;
- the development of the Online Vetting Request (OVR) system, which is a complete redesign of the vetting process and infrastructure which will modernise the way we undertake security clearance vetting and immigration screening work;
- we have had a rejuvenation of the Memorandum of Understanding, which underpins the staffing and activity of the Counter Proliferation Joint Section (CPJS). This new MOU, between the contributing agencies - Government Communications Security Bureau (GCSB), New Zealand Customs Service (NZCS), Immigration New Zealand (INZ) and NZSIS, will be signed early in the new financial year, cementing the commitment for CPJS;
- the financial management information system and processes implemented toward the end of 2007/08 have enabled a better understanding of the detailed costs of each element of our business, and more effective management of our resources;
- outreach and engagement with key stakeholders has become a priority. We have commenced the development of documentary material which will enable closer interaction with industry and invite their participation in identifying areas of concern – a pamphlet about Counter Proliferation is the first published material;
- the public release of a range of personal files, the Sutch papers and the 1951 Waterfront papers have prompted a significantly increased number of Official Information and Privacy Act requests. We have had to reassign resources to handle these increased volumes; and
- the inquiry by Inspector-General of Intelligence and Security, relating to NZSIS' records and actions in relation to MPs prompted by Privacy Act requests from sitting MPs, resulted in a draft agreement between the Director of Security, the Minister in Charge of the NZSIS, and the Speaker of the House. This draft agreement proposes processes in respect of sitting MPs and the handling of existing files, and action to be taken should the situation arise that we need to undertake an investigation of a sitting MP. The draft is now with the Speaker of the House for consultation.

The following Annual Report documents our progress against the plans we made in the Statement of Intent 2008-13 and the Information Supporting the Estimates – Budget 2008. It

also demonstrates our commitment to the ongoing programme of capability development, business process improvement and strengthening, realignment, and enhanced resilience that we started during the 2007/08 period.

A handwritten signature in black ink, appearing to read 'Dr Warren Tucker', with a stylized flourish at the end.

Dr Warren Tucker  
Director of Security

## NZSIS OVERVIEW

### The Role of the New Zealand Security Intelligence Service

The NZSIS gathers intelligence related to New Zealand's security, assesses its significance, and gives advice to the appropriate stakeholders.

The NZSIS functions include:

- obtaining, correlating and evaluating intelligence relevant to security;
- communicating intelligence to those that the Director considers should be aware, in the interests of security;
- advising the Government about matters relevant to security;
- co-operating with other organisations in New Zealand and abroad that can assist the NZSIS to carry out its job;
- making recommendations relevant to security relating to immigration and citizenship matters;
- conducting enquiries into whether particular individuals should be granted security clearances, and making recommendations based on those enquiries; and
- giving advice on protective security.

Over the years, our specific tasks have changed due to the constantly changing environment in which we work. As both the national and international environments continue to evolve, so will requirements upon the NZSIS. This is reflected in our Vision and Mission statements.

### Our Vision

We are a dynamic professional intelligence service, focused on the requirements of our core customers and stakeholders in government, working collaboratively at home and abroad and striving to achieve a safe and prosperous New Zealand.

### Our Mission

We make the difference by providing comprehensive, high quality security services and advice in conjunction with relevant, timely, critical intelligence that enhances and protects the interests of New Zealand and New Zealanders.

### Responsible Minister

The Director of Security is responsible directly to the Prime Minister, as Minister in Charge of the New Zealand Security Intelligence Service, for the performance of the NZSIS.

The NZSIS' function is governed by the New Zealand Security Intelligence Security Act 1969 and subsequent amendments.

### Cost Effectiveness

Section 40(d) of the Public Finance Act requires that the NZSIS comment on the cost-effectiveness of the interventions that we deliver.

During the 2008/ 09 year, we utilised the Balanced Scorecard for management information and tracking of our performance. The FMIS system and enhanced processes implemented at the beginning of the period under review enabled improved management of resources.

As this report clearly indicates, the NZSIS is continually seeking, and finding, ways to carry out business more effectively and efficiently.

## **ORGANISATIONAL INFORMATION**

The NZSIS head office is in Defence House, 2 Aitken Street, Wellington. There are regional offices in Auckland, Wellington and Christchurch and three overseas liaison offices (reduced to two during the reporting period).

All the offices collect information and undertake vetting duties. Research, analysis and assessment are head office responsibilities. Major administrative matters such as finance, staffing, and liaison with other government departments and agencies and Ministers are also handled by the NZSIS head office.

The Corporate governance is overseen at three levels:

### **NZSIS Executive Group as at 30 June 2009**

The Director and Deputy Directors form the Executive Group, which is the NZSIS' senior leadership team and governance group:

Director  
 Deputy Director Corporate  
 Deputy Director Intelligence  
 Deputy Director Relationships, Outputs and Communications  
 Deputy Director Operational Enablement  
 Deputy Director Protective and Operational Security

### **NZSIS Audit and Risk Committee**

The Audit and Risk Committee advises the Director of Security in the areas of:

- the integrity of financial management and reporting systems and processes;
- the adequacy, efficiency and effectiveness of the Service's management systems; and
- the effectiveness of the Service's risk management framework, including legislative and regulatory compliance.

### **Information Management Committee**

The NZSIS Information Management Committee is appointed by the Director, its function is to:

- ensure that the NZSIS' information strategies are aligned with its business strategies;
- advise on information technology developments;
- provide governance for the application of information technology within the NZSIS; and
- ensure that information management projects are resourced and managed appropriately.



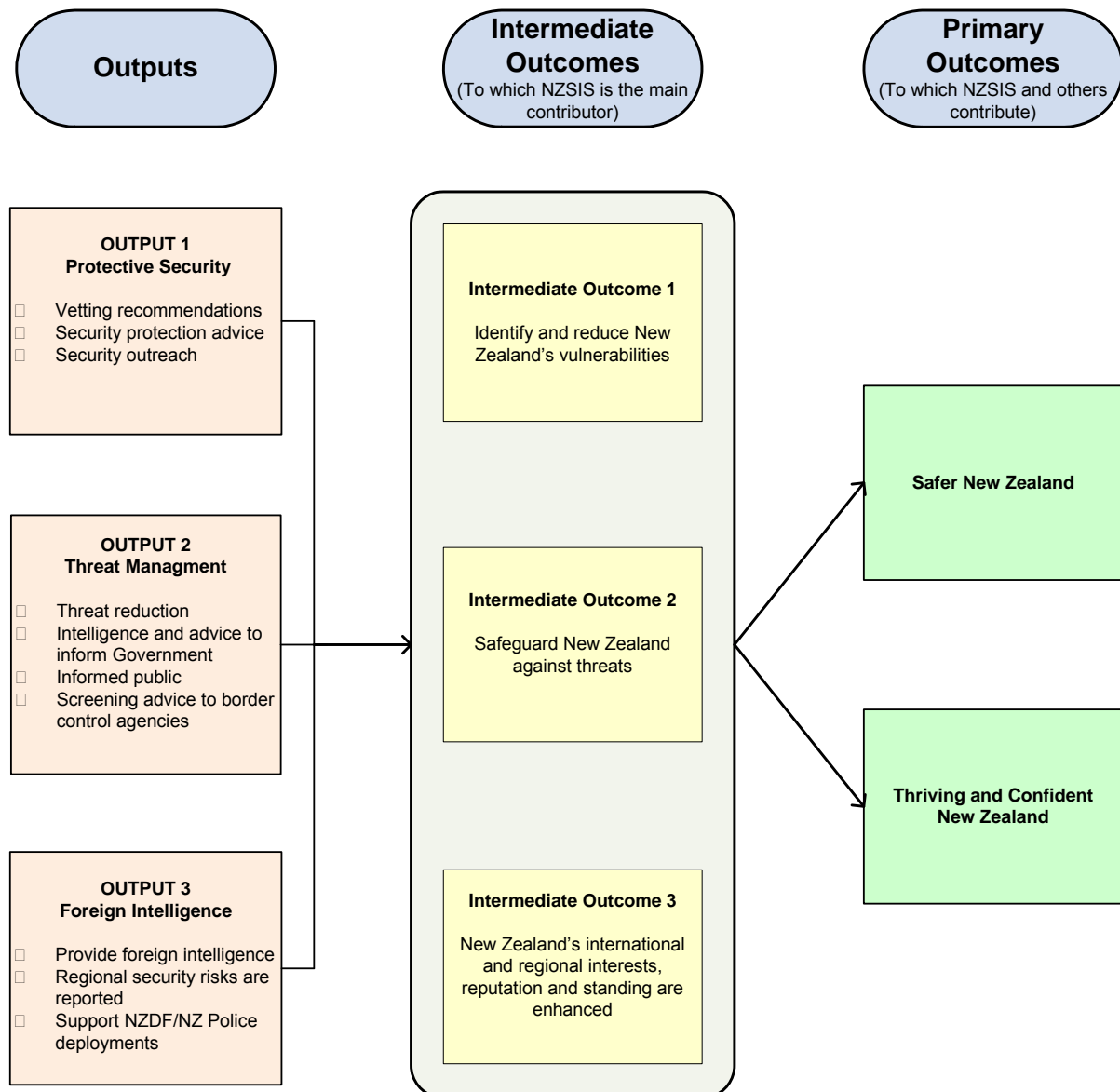
**PART TWO**

**THE YEAR IN REVIEW**

## NZSIS Outcomes Framework

### Linking Outputs to Primary Outcomes

NZSIS' outputs have a cross-functional relationship whereby they all contribute to more than one of the intermediate outcomes. Following on in turn, the intermediate outcomes each contribute to both primary outcomes.



## OUTCOME STATEMENTS

### Primary Outcomes

The NZSIS works to achieve two end outcomes:

1. Safer New Zealand; and
2. Thriving and Confident New Zealand.

We contribute to these outcomes together with other members of the New Zealand intelligence community, with the goal of maintaining national security – the state of being in which New Zealanders can go about their business without fear or danger.

The following Intermediate Outcomes contribute to the NZSIS' achievement of its two Primary Outcomes.

### ***Intermediate Outcome 1: Identify and Reduce New Zealand's Vulnerabilities***

#### **Background**

The Government requires that information important to its function, its official resources and its classified equipment is safeguarded. Security clearances are required by those who access government information classified as "Confidential" or higher. The responsibility to grant or decline clearance rests with the Chief Executives, and these decisions are based on the vetting recommendations from the NZSIS.

The impacts that NZSIS was aiming to achieve during 2008/09 were:

- Secure classified information and intellectual property;
- New Zealand's critical infrastructure is protected; and
- New Zealand's border is secure.

#### **Outcome/Impact Progress Report**

### **Secure Classified Information and Intellectual Property**

New Zealand's intellectual property and classified information continues to be at risk from international attack, inadvertent disclosure and disaffected insiders. The NZSIS advises government agencies on the suitability of persons to have access to classified information and on the procedures by which classified information must be managed.

Security clearances are required by all those who access government information classified as "Confidential" or higher. The vetting process examines a number of indicators to establish whether an individual has any security vulnerabilities and then makes a recommendation whether a security clearance should be granted or not.

These recommendations are the basis upon which State employers can ensure that people who require access to classified information are suitable for a security clearance at a level commensurate with the classification of that information. The majority of individuals do reach these levels of trustworthiness, but a number are found to have vulnerabilities that could be exploited. These people are given adverse or qualified recommendations, and the employers are advised on how to mitigate the risk.

A significant development in the vetting area this year will both increase the level of assurance for people allowed access to classified information, and improve efficiency with faster processing. The Online Vetting Request (OVR) system has been developed and tested over the year. It has been designed to enable the electronic gathering of information from government agencies, candidates, referees and other sources. The individual's information is assessed through a dedicated case management tool that encompasses workflow and decision support. The focus of the investigation is a combination of 'whole-of-life' factors supplemented by personality traits and behavioural indicators.

## **New Zealand's Critical Infrastructure is Secure**

New Zealand's classified information, intellectual property and critical infrastructure are safeguarded by the provision of security and risk management advice. Security and risk advice is provided to government agencies so that they can actively manage their risks in relation to processes, equipment and premises, nationally and internationally. This is done by way of advice, frameworks, tools and oversight.

The Service has continued to deliver an integrated suite of information to government agencies which is primarily coordinated through each agency's Departmental Security Officer (DSO). Demand for the following services provided to Government agencies during 2008/09 was much higher than we planned for:

- physical security advice; and
- security awareness information.

During the 2008/09 year the NZSIS conducted three seminars for DSOs. One of these seminars was designed specifically for newly appointed DSOs.

These seminars were well attended and covered such topics as:

- developments with customer vetting and the OVR project;
- an overview of developments with the Interdepartmental Committee for Security;
- current threats to security, counter terrorism, communication security and information assurance, Vetting and the DSO's responsibilities; and
- an update on recent technical changes to the Protective Security Manual (PSM).

## **New Zealand's Border is Secure**

The NZSIS contributes to the management of New Zealand's border to help ensure that persons who pose a security threat are appropriately investigated, with the potential of being denied entry. During 2008/09 we worked closely with border control agencies to ensure that persons with international terrorist linkages were identified and monitored, or excluded from entering New Zealand.

## ***Intermediate Outcome 2: Safeguard New Zealand Against Threats***

A key function mandated by the NZSIS' Act is to identify and safeguard New Zealand against threats from terrorism, espionage, sabotage and subversion. Very closely connected to this, and New Zealand's international obligations, is the frustration of weapons of mass destruction (WMD) materials, technology and/or expertise.

We worked closely with other government agencies and our partners to identify, investigate, and disrupt terrorist threats, and provide advice to government. Advice to government is a high priority as it enables the Government and its agencies to manage security risks to New Zealand effectively, and to take action, where appropriate, to reduce threats.

The impacts that NZSIS was aiming to achieve during 2008/09 were:

- Threats are identified
- Intelligence and advice provided to government
- Informed public

We achieve this by collecting intelligence (carrying out operations and investigations) and disseminating reports on groups or individuals who are assessed to pose a threat to security.

### ***Security Intelligence Priorities***

Effective and efficient security intelligence collection is a critical component of the discharge of NZSIS' function. In February 2009, the NZSIS finished a project which identified and ranked our priorities. The priorities were ranked using the following criteria:

1. **Critical importance** to the NZSIS mission
2. **High importance** to the NZSIS mission
3. Of **significant value** in delivering NZSIS mission

### ***Business Processes are Developed***

A significant project was undertaken during the 2008/09 financial year to develop and implement an investigative framework (processes and procedures for operational investigations).

The framework is aligned with the investigative lifecycle and identifies the requirement for documentation of investigation commencement, review and conclusion. The framework ensures all investigations are necessary, justified, legal, and proportionate. In addition, it assists investigation prioritisation, focus and resolution. The framework contributes to ensuring an efficient and effective utilisation of security intelligence and wider NZSIS resources towards meeting investigation objectives.



The Security Intelligence Lifecycle

## Intelligence and Advice to Government

During the 2008/09 financial year, the NZSIS focused on investigations which underpinned security intelligence information and reports to the New Zealand Government and its agencies.

### ***Counter Terrorism***

There have been significant changes to the way NZSIS has developed its counter terrorism (CT) effort during 2008/2009. An investigative framework (processes and procedures for investigations) has been developed and implemented, and specific CT intelligence priorities have been identified. This will put us in good stead for the future and provide us with the ability to better measure what we do and how we do it.

### ***Counter Espionage***

The Counter Espionage (CE) effort identifies and frustrates acts of espionage against New Zealand or New Zealanders. We give advice to internal and external stakeholders and disrupt, where appropriate and usually via a third party, espionage activities prejudicial to New Zealand's national security.

### ***Counter Proliferation***

The Counter Proliferation Joint Section (CPJS) is a multi-agency group embedded within NZSIS, staffed by officers from GCSB, New Zealand Customs Service (NZCS), Immigration New Zealand (INZ) and the NZSIS. This group was formed to detect, investigate and frustrate Weapons of Mass Destruction (WMD) proliferation (wittingly or unwittingly) from New Zealand or by New Zealanders overseas. The CPJS' work is broadly focussed on:

- information and knowledge: the involvement in New Zealand or by New Zealanders in foreign state acquisition of scientific information and expertise for the development of WMD and their means of delivery;
- goods and technology: the involvement in New Zealand or by New Zealanders in foreign state procurement of commodities and technology to develop WMD and their means of delivery; and

- contribution to international Counter Proliferation (CP) efforts: joint initiatives with other partners, including international liaison services, that contribute to the global CP effort.

### ***Combined Threat Assessment Group (CTAG)***

The Combined Threat Assessment Group (CTAG) is hosted by the NZSIS. It is a multi-agency group that comprises staff seconded from the NZSIS, New Zealand Police, New Zealand Defence Force (NZDF), GCSB, NZCS, Maritime New Zealand and Ministry of Foreign Affairs and Trade (MFAT). CTAG is tasked with providing assessments on terrorist or criminal threats of physical harm to New Zealand and New Zealand interests at home or overseas, based on all sources of information and intelligence available to the New Zealand Government.

CTAG continues to monitor the domestic and international threat environments and will report any changes detected.

### **Informed Public**

During 2008/09, the NZSIS has endeavoured to be more open in interactions with the New Zealand public. The NZSIS' Director has spoken at a number of fora during the year under review, for example at Rotary Clubs and academic courses.

We are aware that further work needs to be done on our website to enhance our interaction with the public. This work will be undertaken as resourcing allows.

The NZSIS is committed to raising the level of public interaction, and is actively looking for other opportunities to meet our public stakeholders' expectations.

## ***Intermediate Outcome 3: New Zealand's International and Regional Interests, Reputation and Standing are Enhanced***

### **Background**

The NZSIS provides foreign intelligence reports to our key stakeholders in the New Zealand Government, and partners. Our key stakeholders in the New Zealand intelligence community are: External Assessments Bureau (EAB), GCSB, MFAT, Ministry of Defence (MoD), NZDF and its Directorate of Defence Intelligence and Security and New Zealand Police, as well as other government agencies.

The impacts that NZSIS was aiming to achieve during 2008/09 were:

- Enhanced Foreign Intelligence capability
- Comprehensive coverage of regional and international issues
- Better informed users of the Foreign Intelligence product

## CORPORATE

### NZSIS' Capital Intentions

NZSIS has a work programme underway to understand our asset inventory, evaluate it against business needs, and develop a sustainable upgrade and replacement programme.

### Information Management

Significant advances have been made across NZSIS' information management stream in terms of new ways of working and supporting business development. This is important, as information is the life-blood of any intelligence and security organisation.

Throughout the year the NZSIS has enjoyed a high level of operational capability, with:

- reliable international networks;
- high availability of systems; and
- fast resolution of help desk calls.

### Organisational Health and Capability

The NZSIS is primarily a human intelligence organisation, with our people and their expertise being our primary assets.

We started the year with 208 staff members, which increased to 219 FTEs by 30 June 2009.

The NZSIS measures its ongoing progress in relation to Organisational Health and Capability through our quarterly Balanced Scorecard reporting. The annual Climate Survey also provides a barometer of staff attitudes and organisational wellbeing.

#### ***Staff capability and capacity***

During the 2008/09 FY, staff turnover was 7.7%.

In the last year, the NZSIS provided:

- 2481 training days, averaging approximately 11 days training per employee; and
- 65 training courses delivered as planned, with improved capability results. Some of these courses were run more than once, where there was demand/need.

#### ***Health and safety – Staff Wellbeing***

- The NZSIS had eight days of absence due to work related injuries.
- 1056 days of sick leave were used during 2008/09; this is approximately 4.8 days per person.



## Equal Employment Opportunities

The NZSIS commenced its implementation of a formal EEO programme on 1 December 2008 with the release of our Equality and Diversity Policy, and the Equality and Diversity Plan for 2008-10. These documents were made available to all staff.

The NZSIS' current situation is:

- Women comprise just fewer than 46% of the organisation, filling roles from senior management to support staff. While there is currently a higher representation of males at tiers 2 and 3, further capability development will see more females at this level particularly in tier 3 (currently 30%).
- Recruitment for Intelligence roles is 50/50 male and female.
- The NZSIS evaluates all roles using the HAY system, which is considered equitable and gender neutral.

## Archives

The NZSIS holds security-related records dating back to 1919. Many are of historic value and there is considerable public interest in gaining access to these. In 2008 we began a programme of making early records available to the public where this can be done without compromising important on-going intelligence sources and methods, and while respecting individuals' privacy.

This programme of declassification and transfer into the custody of Archives New Zealand is now on hold while the NZSIS deals with a large number of Official Information Act and Privacy Act requests which resulted from widespread publicity mid-year. At present these are fully occupying the NZSIS' archives staff, but the commitment to an archives release programme remains. Under this programme, the next transfer to Archives NZ will be files relating to the Second World War and early Cold War period.

## Official Information Act and Privacy Requests

In the period under review 75 requests for information were considered under the Official Information Act 1982 (OIA), and 303 requests under the Privacy Act 1993. Deployment of staff and extensions of time have been required to handle this exponential increase to 378 requests, from a total of 46 requests received the previous year.

The demand is attributable to publicity surrounding the ongoing release of personal files and other NZSIS records. This greater accessibility has been generally favourably received and the recipients of information have usually viewed it in historical context, accepting the changing nature of security concerns. A proportion of those requesting personal information are not known to the NZSIS, and this appears to have been a disappointment to some of them.

The NZSIS published, on its official website, explanatory material entitled "NZSIS Responds to Requests for Information" and "Application of S10 of the Official Information Act 1982 and S32 of the Privacy Act 1993 by the NZSIS". The function of these documents was to inform the public about how this legislation applies to us, the responses we may use and why, and an indication of what information might be disclosed or not as the case may be.

Security and privacy considerations sometimes preclude the public release of information (or even acknowledging the existence of information). Where requests are refused, those

seeking the information have the right under the respective Acts to complain to the Ombudsmen or the Privacy Commissioner.

In the review period six complaints were made to the Ombudsmen. Two await resolution, two were decided in favour of the NZSIS, and in one instance we were found to have failed to respond within the statutory time frame. The final complaint was resolved with the release of further information.

Eleven people made complaints to the Privacy Commissioner. Five complaints await resolution, one was resolved with the release of further information with the agreement of the overseas originator, and the remainder were decided in favour of the NZSIS.

Another channel for complaint is the Inspector-General of Intelligence and Security who, in the review period, resolved information-related concerns raised by three people.

## Parliamentary Questions

Twenty questions for written answer and one question for oral answer were addressed to the Minister in Charge of the NZSIS during the 2008/09 period. All of those for written answer were generic questions for the Minister or in relation to departments and agencies the Minister was responsible for. The oral question related to the matter of personal files held by the NZSIS in respect of current members of Parliament.

## Development Initiatives

### *Management Development*

The NZSIS planned to deliver targeted training to new and existing managers to develop their core management skills for financial and human resources management, and business planning and reporting. This was achieved, with the primary focus being on the development of our first level managers. A number of programmes were delivered to raise their skill level for the job ahead, followed up with practical projects designed to put theory into practice.

### *Developing Our Business Support Systems*

The NZSIS has had a very successful first full year with its new Human Resource and Financial Management Information Systems. Both systems have delivered consistently high availability and quality information.

The Finance Management system has greatly enhanced the financial information available to our managers.

The Human Resource Information System has also delivered strongly through the year. This year a new online management capability was rolled out. This facility has eliminated the need for payslips and has enabled staff, and their managers, to manage leave electronically from their desktops.

### ***Information and Communications Systems Planning***

During the 2008/09 year, the NZSIS Information System Strategic Plan (ISSP) was reviewed and further refined to reflect our business needs over the coming five years. The ISSP was developed in four layers, commencing with our outputs as defined in the SOI. The next layer is Visions for Change, which are areas of change (in both information technology and information management) that are desirable if we are to achieve our mission in an increasingly information technology-dominated world.

### ***Reviewing Business Operations***

#### **Protective and Operational Security**

Following reviews of business operations in the Protective and Operational Security Directorate we carried out the development of the OVR system, which will modernise the way we carry out vettings by replacing the incumbent paper-based vetting system with electronic processing.

## **LEGAL MATTERS**

The NZSIS' small legal team provides advice on legal and statutory matters.

During the year the team provided advice on the application and interpretation of the New Zealand Security Intelligence Service Act 1969 and other relevant legislation.

### **Legislation and Treaties**

There have been no amendments to the New Zealand Security Intelligence Service Act 1969 in the 2008/09 year.

We were consulted on a number of proposed amendments to other legislation, where relevant to security. They included:

- the Anti-Money Laundering And Countering Financing Of Terrorism Bill;
- the Immigration Bill; and
- the Electronic Identity Verification Bill.

A number of other Acts that impact on NZSIS operations have come into force in the reporting year. These include the Births, Deaths, Marriages and Relationships Registration Amendment Act 2008, which provides new procedures for access to information held by the Registrar of Births, Deaths, Marriages and Relationships, including on the grounds of security. It also creates a new system for requesting the creation of a new identity for the purpose of protecting a person who is, has been, or will be an officer or employee of the NZSIS; or is approved by the Director of Security to undertake activities for the NZSIS.

The Land Transport Amendment Act 2009 also came into force, and included a new regime that limits the rights of individuals and agencies to access personal information held on the register of motor vehicles. Previously this information was available to anyone who pays a fee. However, access for the purposes of enforcing the law and maintaining the security of New Zealand is continued.

## Policy Contribution

The NZSIS has been involved in a range of policy forums relating to security. In particular, we have been consulted by the Law Commission on the Review of the law of privacy, search and surveillance and public safety.

## Oversight and Review

The NZSIS operates within an oversight and accountability framework which includes the Executive, Parliament, and independent authorities such as the Inspector-General of Intelligence and Security, the Controller and Auditor-General, and the Offices of the Privacy Commissioner and the Ombudsmen. The Commissioner of Security Warrants who sits outside the Executive and whose approval, together with that of the Minister, is required before a domestic interception warrant can take effect, is an important additional component in this framework. This multi-layered approach to oversight provides an assurance that the NZSIS' work is transparent at a number of levels.

### ***Intelligence and Security Committee (ISC) of Parliament***

The Intelligence and Security Committee is a statutory committee of Parliamentarians established by the Intelligence and Security Committee Act 1996. The functions of the Committee include examining the policy, administration, and expenditure of the NZSIS and the GCSB, receiving any bill or other matter referred to them by the House of Representatives in relation to the NZSIS or GCSB, and receiving and considering the annual reports of the NZSIS and GCSB. With the sitting of a new Parliament a new committee was endorsed by Parliament. The new members of the Committee are:

Hon. John Key (Prime Minister)

Hon. Phil Goff (Leader of the Opposition)

Hon. Tariana Turia (Leader of the Māori Party - nominee of the Prime Minister)

Hon. Rodney Hide (Leader of the ACT Party - nominee of the Prime Minister)

Dr Russel Norman (Co-leader Green Party - nominee of the Leader of the Opposition)

In the past year, the Director of Security has appeared before the Committee in respect of the NZSIS' Annual Report, budgetary estimates, and Statement of Intent.

### ***Inspector-General of Intelligence and Security***

The NZSIS is subject to the oversight of a retired High Court Judge, the Inspector-General of Intelligence and Security. The present Inspector-General is the Hon. Paul Neazor CMNZ. The Inspector-General is responsible for the oversight and review of the NZSIS, including compliance with the law and the propriety of its actions. He also has jurisdiction to investigate complaints about the NZSIS.

The Inspector-General undertook one inquiry as a result of a request from the Minister in Charge of the NZSIS into the adequacy and suitability of NZSIS policies relating to the creation, maintenance and closure of files on New Zealanders and in light of the NZSIS' functions under the NZSIS Act 1969. The Inspector-General completed a report as a result of his inquiry and made several recommendations. The Director has accepted the Inspector-General's recommendations and a number of changes to NZSIS policy are being progressed.

The Inspector-General has continued his work programme approved by the Minister in Charge, covering such matters as:

- reviewing the interception warrants to ensure they met the statutory requirements for issue;
- checking compliance with the statutory duty to minimise irrelevant interception;
- checking compliance with the duty to destroy irrelevant material obtained under warrant;
- checking the way in which any communication with Police and other persons is handled, in particular the requirements in relation to serious crime; and
- reviewing the NZSIS's rules for the retention and disposal of information.

This programme has involved the Inspector-General making written enquiries of the NZSIS, carrying out reviews of files and other material it held, and interviewing a wide range of NZSIS staff. The Inspector-General has suggested some procedural improvements which are being implemented.

The Inspector-General has also carried out a small number of enquiries with the NZSIS on matters where individuals have made a complaint or sought his assistance. These matters related to vetting issues and individuals concerned about possible interference by the NZSIS. The Inspector-General found no basis for any of these complaints.

## STATEMENT ON WARRANTS

In accordance with section 4K of the New Zealand Security Intelligence Service Act 1969 ("the Act"), I submit the following statement on warrants for the year ending 30 June 2009, the year under review.

This report includes information on domestic and foreign interception warrants issued under subsections (1) and (2) of section 4A and in force at any time during the year under review.

### Domestic

During the year under review twenty-four (24) domestic interception warrants were in force. Of those, fourteen (14) were issued during the year under review, and ten (10) were issued during the previous year but remained in force for some part of the year under review. Action was taken under all domestic warrants during the year under review. The average length of time for which those warrants were in force during the year under review was 158 days. There were four amendments under section 4D of the Act. The methods of interception and seizure used were telecommunications interception, listening devices and the copying of documents.

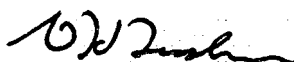
The information obtained materially contributed to the detection of activities prejudicial to security, or produced foreign intelligence essential to security, that was not likely to have been obtained by other means.

### Removal

No removal warrants were in force during the year under review.

### Foreign

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




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Dr Warren Tucker  
Director of Security

DATED at Wellington this 16<sup>th</sup> day of September 2009

I have reviewed all warrants in force during the period beginning 1 July 2008 and ending 30 June 2009 and certify that the information set out in the above Statement on Warrants is correct.




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Hon John Key  
Minister in Charge of the  
New Zealand Security Intelligence Service

DATED at Wellington this 16<sup>th</sup> day of September 2009

**PART THREE**

**REVIEW OF OUTPUT PERFORMANCE**

## REVIEW OF OUTPUT PERFORMANCE

This section reports on the NZSIS' output performance as set out in the 2008 - 13 Statement of Intent.

### Output Class Summary

The NZSIS aims to achieve its outcomes through the delivery of three outputs contained within a single output class.

#### **Output Class: Security Intelligence**

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

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

The three outputs the NZSIS delivers are:

- Threat Management
- Protective Security
- Foreign Intelligence



**PART FOUR**

**FINANCIAL STATEMENTS**

## STATEMENT OF RESPONSIBILITY

In terms of the New Zealand Security Intelligence Service Act 1969 section 4J (1), I am responsible as Director of Security of the New Zealand Security Intelligence Service, for delivering to the Minister a report on the activities of the NZSIS during the year ended 30 June 2009, as if it were an annual report under the Public Finance Act 1989.

I am responsible for the preparation of the financial statements and the judgements made in the process of producing those statements.

I have the responsibility of establishing and maintaining, and I have established and maintained, a system of internal control procedures that provides reasonable assurance as to the integrity and reliability of financial reporting.

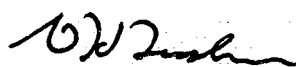
In my opinion, these financial statements fairly reflect the financial position and operations of the NZSIS for the year ended 30 June 2009.

## STATEMENT OF EXPENDITURE AND APPROPRIATION

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

	<b>\$000</b>
Total Appropriation	36,889
Actual Expenditure	36,887

The financial statements are audited by the Auditor-General and their report is attached.



Dr W H Tucker  
Director of Security

30 September 2009

**Audit Report**  
**To the readers of**  
**the New Zealand Security Intelligence Service's**  
**statement of expenditure and appropriation**  
**for the year ended 30 June 2009**

The Auditor-General is the auditor of the New Zealand Security Intelligence Service (the Service). The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit. The audit covers the statement of expenditure and appropriation included in the annual report of the Service for the year ended 30 June 2009.

**Unqualified Opinion**

In our opinion the statement of expenditure and appropriation of the Service on page 26 fairly reflects the total of the actual expenses and capital expenditure incurred for the financial year ended 30 June 2009 against the Service's appropriation for that financial year.

The audit was completed on 30 September 2009, and 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 the Auditor, and explain our independence.

**Basis of Opinion**

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the statement of expenditure and appropriation did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the statement of expenditure and appropriation. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the statement of expenditure and appropriation. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;

- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Director of Security;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all the statement of expenditure and appropriation disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the statement of expenditure and appropriation.

We evaluated the overall adequacy of the presentation of information in the statement of expenditure and appropriation. We obtained all the information and explanations we required to support our opinion above.

### **Responsibilities of the Director of Security and the Auditor**

The Director of Security is responsible for preparing a statement of expenditure and appropriation that provides a record of the total of the actual expenses and capital expenditure incurred for the financial year ended 30 June 2009 against the Service's appropriation for that financial year.

The Director of Security's responsibilities arise from sections 45B and 45E of the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the statement of expenditure and appropriation and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 45D(2) of the Public Finance Act 1989.

### **Independence**

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

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



S B Lucy  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand

**Matters relating to the electronic presentation of the audited statement of expenditure and appropriation**

This audit report relates to the statement of expenditure and appropriation of the Service for the year ended 30 June 2009 included on the Service's website. The Director of Security is responsible for the maintenance and integrity of the Service's website. We have not been engaged to report on the integrity of the Service's website. We accept no responsibility for any changes that may have occurred to the statement of expenditure and appropriation since it was initially presented on the website.

The audit report refers only to the statement of expenditure and appropriation named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the statement of expenditure and appropriation. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited statement of expenditure and appropriation and related audit report dated 30 September 2009 to confirm the information included in the audited statement of expenditure and appropriation presented on this website.

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