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Report of the  
**NEW ZEALAND  
SECURITY INTELLIGENCE  
SERVICE**

Report to the House of Representatives  
for the year ended 30 June 2004

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

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**DELETIONS FROM THIS REPORT HAVE BEEN MADE IN  
ACCORDANCE WITH SECTION 4J(4)  
OF THE NZSIS ACT 1969 AS AMENDED 1999**

## **MISSION STATEMENT**

***The New Zealand Security Intelligence Service provides the Government with timely and accurate intelligence and advice on national security issues within the terms of the NZSIS Act 1969 and its amendments.***

## FUNCTIONS OF THE NEW ZEALAND SECURITY INTELLIGENCE SERVICE

1. Subject to the control of the Minister, the functions of the New Zealand Security Intelligence Service shall be –
  - To obtain, correlate, and evaluate intelligence relevant to security, and to communicate any such intelligence to such persons, and in such manner, as the Director considers to be in the interest of security:
  - To advise Ministers of the Crown, where the Director is satisfied that it is necessary or desirable to do so, in respect of matters relevant to security, so far as those matters relate to Departments or branches of the State Services of which they are in charge:
  - To advise any of the following persons on protective measures that are directly or indirectly relevant to security:
    - i Ministers of the Crown or Government departments:
    - ii Public authorities:
    - iii Any person who, in the opinion of the Director, should receive the advice:
  - To conduct inquiries into whether particular individuals should be granted security clearances, and to make appropriate recommendations based on those inquiries:
  - To make recommendations in respect of matters to be decided under the Citizenship Act 1977 or the Immigration Act 1987, to the extent that those matters are relevant to security:
  - To co-operate as far as practicable and necessary with such State Services and other public authorities in New Zealand and abroad as are capable of assisting the Security Intelligence Service in the performance of its functions:
  - To inform the Officials Committee for Domestic and External Security Co-ordination of any new area of potential relevance to security in respect of which the Director has considered it necessary to institute surveillance.
2. It is not a function of the Security Intelligence Service to enforce measures for security.

*NZSIS Act 1969 as amended 1999*

## **ACCOUNTABILITY**

The Director of Security is responsible to the Minister in Charge for the efficient and proper working of the Security Intelligence Service.



## OVERVIEW BY THE DIRECTOR OF SECURITY

International Terrorism continued to be the Service's main preoccupation during 2003/04, as it has been in recent years. The attacks in Jakarta in August 2003, Istanbul in November 2003 and Madrid in March 2004, as well as those in Iraq and elsewhere, demonstrated again the will and ability of international terrorists to wreak havoc and destruction, killing and maiming hundreds of innocent people in the process. One New Zealander was among the casualties in Iraq.

With increasing staff numbers, and with the assistance of foreign liaison partners, the Service during the year investigated several people in or from New Zealand apparently linked with international terrorist activities. These cases – some of them new – reinforced the need for increased vigilance and effort to try to ensure achievement of the Government's goal: that New Zealand should be neither the victim nor the source of an act of international terrorism. Of course neither the Service nor anyone else can guarantee that that goal will be achieved, but the increasing resources available to the Service and other New Zealand agencies increase the chances of success.

The Service budget for 2003/04 was \$17,209,000. Expenditure at \$17,206,000 was \$3,000 below budget. By 30 June 2004 total staff numbers had reached 145 full-time equivalents, up from 132 a year earlier. Failure to reach on schedule the initial target of 140 announced in early 2002 led to significant under-expenditure in 2001/02 and 2002/03. Since 2002 there have been further budget increases and the Service is still expanding. A campaign to recruit another intake of career intelligence officers was announced by the Prime Minister in March 2004, and recruitment of other officers is continuing.

Expenditure on the Service's main output, Security Intelligence Advice, was 70% of the total, against a planned share of 72%. This reflected higher than planned expenditure on Foreign Intelligence (13% instead of 11%). Expenditure on Protective Security Advice was 17% as planned.

Within Security Intelligence Advice, Counter-Terrorism was the largest component, taking over 40% of total Service expenditure which was more than planned. Counter-Intelligence and Counter-Proliferation were the other main elements of this output, with only small expenditure against Illegal Immigration.

Following the Service's expansion over the past three years, Ministers agreed with a joint recommendation by the Department of Prime Minister and Cabinet, the Treasury and the Service, that there should be a Review of the Service Baseline. The Review will examine whether the Service has sufficient capacity to meet the increased demands and expectations placed on it and whether human resource and other organisational structures and systems are appropriate for the level of activity anticipated in future. It is being conducted by the former State Services Commissioner, Michael Wintringham, who started work on it in June.

In January 2004 Ministers approved the Service's Business Process Improvement Project. By 30 June contracts were almost ready for signature; implementation, including a capital injection, is planned to take place during 2004/05.

Substantial preparatory work was done with the Defence Force and the Ministry of Defence towards signature of a contract for a new building for the respective head offices, needed when the leases on the current building in Stout Street expire in 2006.

With more international terrorist acts, ongoing developments in the Zaoui case, and the Israeli passport issue, security concerns and the Service itself were more than usually in the public eye during 2003/04. Although not all the publicity about the Service was well-informed or balanced, it was encouraging to see greater understanding of two important requirements: to ensure that New Zealand does not become a safe haven for people of security concern, and to protect the integrity of that valuable document, the New Zealand passport.

In the meantime Service staff – a group of remarkably loyal and dedicated New Zealanders, from many walks of life and originally from many parts of the country – continue to do their best to protect and promote New Zealand's security and to make an appropriate contribution to international efforts to combat terrorism and the proliferation of weapons of mass destruction. It is a privilege to lead them.



E R Woods  
Director of Security

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**PART 1**  
**OUTPUT REVIEW**

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## STATEMENT OF EXPENDITURE

The projected activities and internal allocation of funds for the 2003/2004 Financial Year provided for the discharge of the NZSIS's designated functions, as defined in the NZSIS Act 1969 and its amendments.

The Service had a single Output class: The provision of Security and Intelligence advice. There were three outputs within that class:

- Output 1: Security Intelligence Advice
- Output 2: Foreign Intelligence
- Output 3: Protective Security Advice

Financial resources were expended as follows

Output 1:	Security Intelligence Advice	70 per cent
Output 2:	Foreign Intelligence	13 per cent
Output 3:	Protective Security Advice	17 per cent

## OUTPUTS

### Output 1: Security Intelligence Advice

The Security Intelligence Advice output relates to Service activity in obtaining, correlating and evaluating intelligence relevant to security. Threats can arise from terrorism, espionage, subversion or sabotage, or from foreign or foreign influenced activities that are clandestine or deceptive, or threaten the safety of any person, and that impact adversely on New Zealand's international or economic well being. Assessments are disseminated to those who have a need to be aware.

Expenditure on this, the Service's main output, was 70% of the Service total, slightly below the planned 72%. This was due to higher than planned expenditure on Foreign Intelligence, but with the increase in the overall Service budget nonetheless reflects a greater effort in this area.

#### **Activities**

Issues which have been investigated over the past year have included:

- **information from a foreign national in New Zealand relating to the security of a foreign country;**
- **apparent links between individuals in or from New Zealand and international terrorist activities;**
- **individuals in New Zealand seeking to raise funds for terrorist organisations;**
- **links in New Zealand to weapons of mass destruction development programmes overseas;**
- **people operating in New Zealand and overseas to procure dual-use equipment or technology for foreign governments;**
- **foreign intelligence organisations conducting covert activity in New Zealand.**

Sustained work by the international community against Al Qaeda and its associates since September 2001 has meant that key Al Qaeda leaders have either been killed or captured – although Bin Laden himself remains at large. The disruption that Al Qaeda has experienced has undoubtedly saved lives in that operations planned by the group or its associates have had to be abandoned or repeatedly postponed. That

said, terrorist attacks in Jakarta in August 2003, Istanbul in November 2003 and Madrid in March 2004 clearly indicate that the battle against terrorism is far from over.

From a New Zealand perspective the successful international work against Al Qaeda has, ironically, meant that the Service views the local security situation with a little more concern. While the senior leadership of Al Qaeda maintained firm control of operations the Service assessed that there was only a very low likelihood of Al Qaeda launching terrorist operations in this country. In response to international successes against their network Al Qaeda has successfully mutated to become an inspirational force in global terrorism. It aims to inspire extremists around the world to conduct attacks where they are based and to view these attacks as part of the global jihad.

From the Service's own investigations we assess that there are individuals in or from New Zealand who support Islamic extremist causes.

The Service views these developments, most of which have come to attention within 2003/04, with considerable concern. They indicate attempts to use New Zealand as a safe haven from which activities of security concern elsewhere can be facilitated and/or the involvement of people from New Zealand in such activities.

The Service is devoting significant effort to determine if security threats exist in these cases and, if so, the nature and extent of the threat. To do so it is working closely and collaboratively with other relevant New Zealand government departments and key liaison partners. It is, however, a time consuming and resource intensive process and it may be some time before definitive assessments can be made.

In February Ministers approved the establishment of a new Combined Threat Assessment Group (CTAG) to be hosted by the Service and including staff from the Police, GCSB and the Defence Intelligence Service. No new funds were provided, the participating agencies being required to fund it from within their existing baselines. The Service devoted considerable effort and money during the first half of 2004 to enabling CTAG to start work on schedule in July.

The Service continues to work proactively on issues of international proliferation concern, with the assistance of external intelligence partners.

The Service has an ongoing interest in the activities of foreign intelligence organisations in New Zealand.

**Output 2: Foreign Intelligence**

The Service gathers foreign Intelligence in response to national requirements set by the interdepartmental Foreign Intelligence Requirements Committee (FIRC). The work that the Service undertakes against this output relates to part (b) of the definition of security in the NZSIS Act as amended:

the identification of foreign capabilities, intentions or activities within or relating to New Zealand that impact on New Zealand's international well-being or economic well-being.

In 2003/04 expenditure on the Foreign Intelligence Output amounted to 13% of total Service expenditure, against a forecast figure of 11%.

### Output 3: Protective Security Advice

The Service provides advice to Government departments and agencies on measures required for the protection of classified information and assets. **In this review period, 17% of the budget was expended on the Protective Security Advice Output, as planned,** in the main areas:

#### ***Personnel Security (11%)***

- **Assessments of the security trustworthiness of individuals** required to have access to classified information (“Vetting”) and **the provision of advice to Chief Executives about the issue of security clearances.**

#### ***Physical Security and Security Education (6%)***

- **inspections of sites** and areas in which classified information is stored or handled, and **the provision of inspection reports and other general physical security advice** to Chief Executives;
- the **development and delivery of security awareness briefings and programmes** to individuals and groups in response to specific requests or according to standing arrangements.

No charge is made for protective security advice provided by the Service.

#### ***Protective Security Manual***

The *Protective Security Manual* published by the Service in October 2002 to complement the policy material contained in *Security in the Government Sector* – a manual issued by the Interdepartmental Committee on Security – continues to be made available to those within the State Sector who require security guidance.

The availability of new security products has necessitated revision of Part Three (the ‘Catalogue of Approved Security Equipment’) of the Manual. Revision work commenced in the latter half of FY 03/04 and will be completed soon.

#### ***Personnel Security Assessments (Vetting)***

The NZSIS is responsible for undertaking investigations and making assessments of the security trustworthiness of people needing access to *classified national security information*. These vetting investigations

are requested by chief executives of most Government agencies, and are undertaken with the knowledge and cooperation of the person concerned.

As reported last year, the Protective Security Manual has provided much better guidelines for both the Service and departments in assessing candidates for security trustworthiness. It has also resulted in a number of necessary changes to the vetting process. The criteria for loyalty, financial management, personal behaviour, and the potential influence of close associates (family and others) are now all examined more closely and a higher quality assessment made. The Service has an ongoing commitment to the enhancement of the vetting and risk assessment process.

The total number of requests, at 5071, was similar to the previous year's figure of 4928. The increase in requests for CONFIDENTIAL clearances is due to the change in policy (introduced in 2002/03) requiring a review of such clearances every five years. The Service's workload is demand driven and current resource levels are at the minimum required to manage current demands.

### ***Physical Security Inspections and Advice***

Specialist technical advice was provided to other departments on a range of physical security and risk management issues. At the request of state entities, nine formal site-inspections were conducted (compared with eleven in the previous reporting period). Reports were prepared and recommendations made.

In response to the heightened global threat of terrorism, the special advisory commitment made to the Ministry of Foreign Affairs and Trade (MFAT) in 2002 continued during this financial year. During the reporting period Service staff members (in conjunction with MFAT staff) conducted security assessments of sites occupied by New Zealand's diplomatic missions and associated agencies, in overseas countries. In addition, residences occupied by New Zealand seconded staff were surveyed. This was a very heavy additional burden which required diversion of resource, in particular from security awareness education. It is anticipated the process will be completed early in the next reporting period.

Continuing support on routine matters was also given to MFAT, including physical security advice relating to proposed new diplomatic mission premises.

In addition to the Physical Security Section's commitment to the work for MFAT, the Section became increasingly committed to all aspects of the security planning associated with the combined Defence and SIS new accommodation project during the reporting period. The section was also fully engaged in technical support of the establishment of the Combined Threat Assessment Group (CTAG).

### ***Security Awareness Education***

The Security Education position established in the previous reporting period became vacant in February 2004. A suitable replacement is being sought.

The work commenced by the Security Education Officer has been continued albeit on a more modest scale. Advice has been offered to 15 Government departments or other members of the state sector. During the reporting period briefings have been delivered to 69 public servants about to take up overseas postings.

The promotion of the Protective Security Manual has continued.

## **CORPORATE ISSUES**

### ***Financial Management***

The Service budget for the 2002/03 financial year was \$17,209,000. Expenditure at \$17,206,000 was 100% of budget.

The Service accounts are audited by the Audit Office, assisted by a former Service officer who undertakes the functions of an internal auditor. The shortcomings revealed by the audit were minor and did not suggest any impropriety, misuse of funds or extravagance. The Report of the Audit Office follows in Part 3.

### ***Service Structure and Staffing***

Having begun the year with 132 staff the Service had by 30 June 2003 increased to 144 staff – 72 women and 72 men. Twenty two staff joined the Service during the year, of whom 18 were permanent and 4 on short term contract. There were 10 departures: 2 retirements, 5 resignations and 3 staff who completed short term contracts during the year. With additional staff working on an as required basis the fulltime equivalent figure is 145.

Targeted remuneration and other retention measures introduced last year continue to prove effective. Despite this the Service still remains short of first tier and other managers. Hopefully over time the continued retention of skilled and experienced staff will address this issue.

Recruitment was active throughout the year and across all areas of the Service.

The Service has successfully recruited a further intake of trainee career intelligence officers who are following the scheduled training programme.

All Regional offices continue to operate. Internal transfers have resulted in growth.

### ***Service Staff Association***

Results were achieved on a number of issues raised with management whilst others remain under consideration. Relations between the Association and management continue to be cooperative and constructive.



### ***Training***

During this financial year a third intake of trainee career intelligence officers was trained and a fourth intake received initial training; at the same time the Service invested in advanced training.

### ***Human Resource Review***

The focus on recruitment activities meant that the intended review of the Performance Development Review (PDR) System had to be held over, but training in the best use of the current system was developed.

Ministers agreed that there should be a Review of the Service Baseline to inform the 2005 Budget round. Mr Michael Wintringham, the former State Services Commissioner, agreed to undertake this work for the Prime Minister's Department and Treasury. He began work on the Review in June.

The Service continued to foster its relations with the State Services Commission and other Government agencies through bilateral meetings and by attendance at various human resource and policy forums.

### ***Relationships With Other Agencies***

The Service co-operated closely with a number of government departments and agencies. There were working level links with, among others, the Ministry of Foreign Affairs and Trade, the External Assessments Bureau, the Government Communications Security Bureau, the Department of Prime Minister and Cabinet, the Police, the Ministry of Defence and New Zealand Defence Force, the Immigration Service, the Department of Internal Affairs, the Ministry of Agriculture and Forestry, the Ministry of Fisheries, the Customs Service, the Inland Revenue Department, and Crown Law.

The Service participated in interdepartmental committees and watch groups.

### ***Information Management***

The period under review has seen the re-establishment of an Information Branch within the Service's Corporate Management structure. The increased importance of information management, the need to bring similar functions together under a common umbrella, and growing staff numbers elsewhere in the Service, were the principal drivers for this rearrangement.

### ***Information Technology***

The demand for IT services has increased steadily in both volume and complexity during the year. This has resulted in a discernible work load increase.

The Business Process Improvement Project, begun during the previous reporting period, continued to progress satisfactorily. Contracts and agreements were almost ready for signature by 30 June.

### ***Records Management***

Service information on hard copy files and that held electronically is managed to ensure all appropriate record keeping standards are properly met.

### ***Archives Management***

The Service Archives Policy was approved on 8 October 2003 by the Prime Minister, who released a summary of the policy and a press statement. This noted that some archives will be withheld indefinitely for security or privacy reasons, or to preserve relationships with foreign liaison partners, but that the intention, over time, is to declassify material for release where possible, and as staff resources permit.

In July 2003 the Service received from Archives New Zealand a disposal authority permitting the destruction of most old vetting records. This had ceased with the lapse of the previous authority in December 2001 and, in the year under review, 1781 files were purged.

### ***Library***

The Service's specialist library is being managed to reflect the contemporary needs of the Service. Open source research is undertaken.

Traditional resources are supplemented by on-line access to information via the world wide web.

### ***Legal Matters***

#### ***Official Information Act and Privacy Requests***

In the period under review the Service received 20 applications for information made or considered under the Official Information Act 1982 (11 requests) or the Privacy Act 1993 (9 requests). Particular care is taken to safeguard sources of information, targeting and operational

methods, and regard is had for privacy, when the Service responds to such requests.

Two complaints were considered by the Ombudsmen in relation to the Service's responses. In one case, the Service agreed to the release of some additional information; the other case was yet to be resolved at the end of the reporting period.

### ***Parliamentary Questions***

Seventeen Parliamentary Questions were addressed to the Minister in Charge of the Service. Some of these related to a security risk certificate; but many were addressed to Ministers generally and related to matters common to government agencies.

### ***Legislation and Treaties***

The Service has been involved in legislative amendments following on from the enactment of the Terrorism Suppression Act 2002. This involved updating the definitions of "terrorism" and "security" in the New Zealand Security Intelligence Service Act 1969.

Amendments were made to the Crimes Act 1961 relating to computer hacking and the prohibition on the use of listening devices was broadened to include all communications, not just oral communications.

The Telecommunications Interception Capability Act 2004 came into force, requiring network operators to ensure interception capability of telecommunications networks and services.

The Identity (Citizenship and Travel Documents) Bill was introduced on 17 June 2004 and includes proposed measures to improve border control and to amend the criteria for grant of citizenship.

### ***The Zaoui Case***

The ongoing Zaoui case required considerable legal effort, including advice from Crown Law. The Director appeared in the High Court in Auckland in December.

### ***Public Relations***

The 2002/03 Annual Report was tabled in the House of Representatives and posted on the Service website.

The Director spoke to journalists, before Exercise Lawman, about the Service perspective on International Terrorism.

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

The Director of Security appeared before the Committee to present the 2002/03 Annual Report and the 2004/05 Financial Forecast.

***Inspector-General***

In the period under review the Inspector-General made inquiries of the Service in respect of seven complaints he had received during the previous reporting year. Five inquiries were completed. Four of those five complaints were not upheld. In respect of the fifth the Inspector-General concluded that the Service's recommendation was supportable on the information available at the time but further information coming from his inquiries led to the recommendation that there should be a review; the Service accepted the recommendation. A further complaint was received during 2003/04 and disposed of as without foundation.

The then Inspector-General, the Hon Laurie Greig, also began his Review of the Security Risk Certificate made by the Director of Security about Mr Ahmed Zaoui. The Review has not proceeded pending the outcome of judicial proceedings in respect of the procedure the Inspector-General had indicated he would follow.

Following Mr Greig's resignation, the new Inspector-General, the Hon Paul Neazor, began work in June.

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**PART 2**  
**STATEMENT ON WARRANTS**

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## 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 2004, 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 sixteen (16) domestic interception warrants were in force. Of those, thirteen (13) were issued during the year under review, and three (3) 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 165 days. There were no amendments under section 4D of the Act. The methods of interception and seizure used were listening devices and the copying of documents.

The information so obtained has materially contributed to the detection of activities prejudicial to security, or has 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.



E R Woods  
Director of Security

DATED at Wellington this *27<sup>th</sup>* day of *September* 2004.

I have reviewed all warrants in force during the period beginning 1 July 2003 and ending 30 June 2004 and certify that the information set out in the above Statement on Warrants is correct.



Rt Hon Helen Clark  
Minister in Charge of the  
New Zealand Security  
Intelligence Service

DATED at Wellington this *12<sup>th</sup>* day of *October* 2004.

## PART 3 FINANCIAL REPORTING

### INTRODUCTION

The Service prepares annual financial statements in accordance with generally accepted accounting practice which fairly reflect the financial operations of the Service and the Service's financial position at the end of the financial year.

The financial statements are presented to the Intelligence and Security Committee of Parliament.

In terms of sections 35 and 37 of the Public Finance Act 1989, I am responsible, as the Director of Security, for the preparation of the New Zealand Security Intelligence Service's 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 provide reasonable assurance as to the integrity and reliability of financial reporting.

### Statement of Expenditure and Appropriation

In accordance with section 70I of the Public Finance Act 1989 I report as follows:

	<b>GST inc</b> <b>\$000</b>
Total appropriation	17,209
Actual expenditure	17,206

The financial statements are audited by the Audit Office and their report is attached.



E R Woods  
Director of Security





**Audit New Zealand**

## **AUDIT REPORT**

### **TO THE READERS OF THE STATEMENT OF EXPENDITURE AND APPROPRIATION OF THE SECURITY INTELLIGENCE SERVICE FOR THE YEAR ENDED 30 JUNE 2004**

The Auditor-General is the auditor of the Security Intelligence Service (the Service). The Auditor-General has appointed me, Terry McLaughlin, using the staff and resources of the Auditor-General, to carry out the audit of the statement of expenditure and appropriation (the statement) of the Service, on his behalf, for the year ended 30 June 2004.

#### **Unqualified opinion**

In my opinion the statement of expenditure and appropriation of the Service on page 24 fairly reflects the total of actual expenditure made and costs incurred for the year ended 30 June 2004 against the Service's vote for that financial year.

The audit was completed on 30 September 2004, and is the date at which my opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Chief Executive 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 our audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

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

Our audit involved performing procedures to test the information presented in the financial statements. 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 reporting data;
- ▲ reviewing significant estimates and judgements made by the Chief Executive;
- ▲ confirming year-end balances;
- ▲ determining whether accounting policies are appropriate and consistently applied; and
- ▲ determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support the opinion above.

### **Responsibilities of the Chief Executive and the Auditor**

The Chief Executive is responsible for preparing a statement providing a record of the total of actual expenditure made and costs incurred for the financial year against the department's vote for that financial year. The Chief Executive's responsibilities arise from the Public Finance Act 1989.

The Chief Executive of the Service has requested the Auditor-General to undertake an audit of the statement of expenditure and appropriation. We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. As the auditor of the Service under the Public Audit Act 2001, we have audited the statement.

### **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.

In addition to the audit we have carried out an assurance related assignment for the Service in the area of tender and project management processes, which is compatible with those independence requirements. Other than the audit and that assignment, we have no relationship with, or interest in, the Service.



Terry McLaughlin  
On behalf of the Auditor-General  
Wellington, New Zealand