PERFORMANCE IMPROVEMENT FRAMEWORK

Review of the agencies in the core
New Zealand Intelligence Community (NZIC)

Unclassified Summary

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newzealand.govt.nz

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Background

This Performance Improvement Framework Review (PIF Review) of the agencies in the core New Zealand Intelligence Community (NZIC) was undertaken in late 2013. It was a standard PIF Review but the first combined PIF Review for a group of government agencies.

The agencies in NZIC are:

- National Assessments Bureau (NAB) and Intelligence Coordination Group (ICG) of the Department of the Prime Minister and Cabinet (DPMC)
- Government Communications Security Bureau (GCSB)
- New Zealand Security Intelligence Service (NZSIS).

What made this PIF Review a little different is the nature of the agencies' work, such that a degree of secrecy is required in order for the three agencies to undertake that work. This extends to knowledge of the capabilities of the New Zealand Government on security and intelligence issues. In order to be useful the NZIC PIF Review Report contains detailed findings. As a result, the PIF Review Report is classified TOP SECRET//NZEO (New Zealand Eyes Only).

Nonetheless, the NZIC agencies and the central agencies commissioning this PIF Review are committed to transparency. They therefore commissioned this summary of the key findings and main themes of the PIF Review to provide a reflection of the operating context and performance challenge for NZIC within the constraints permitted by the secret and confidential nature of its work.

The PIF process

The PIF Review of NZIC was commissioned by the State Services Commission using two of its experienced Lead Reviewers, Peter Bushnell and Garry Wilson.

The PIF Review was overseen by the central agencies and the Report was presented to and accepted by Iain Rennie, the State Services Commissioner, and Gabriel Makhlouf, Secretary to the Treasury. Helene Quilter, Chief Executive and Secretary of Defence, participated in the central agency chief executives' discussion to provide an additional independent perspective.

The PIF Review followed the normal agency model for PIF Reviews (see: www.ssc.govt.nz/PIF).

To initiate the PIF Review process, each of the agencies within NZIC prepared PIF Self-reviews using the PIF agency model. These Self-reviews, and the insights of the executive teams and staff, were made available to the PIF Review team. The Lead Reviewers had open access to all material they deemed necessary to undertake their review. Cooperation was excellent. The Lead Reviewers also talked to relevant Ministers and representatives of public and private sector organisations.

Although the PIF Review necessarily examined today's realities, its primary purpose was to establish the performance challenge facing NZIC over the next few years (described as the Four Year Excellence Horizon) and to assess the capacity, competence and preparedness of NZIC to meet future challenges. The PIF Review is not an audit of current performance, but an assessment of the capability of NZIC to achieve its objectives in the near future.

Sector context

The core intelligence community in New Zealand is small with around 550 staff in total and an annual operating budget of just over $100m across the three agencies.

While NAB and ICG are business units of DPMC, GCSB and NZSIS are separate agencies whose functions are prescribed by statute. The respective roles within NZIC are as follows:

- ICG ensures a coordinated and cost-effective approach to the collection and assessment of intelligence to meet the needs of the Prime Minister and other Ministers and senior decision-makers
- NAB assesses intelligence and other information on New Zealand's interests in respect of national security risks and reports these assessments to the Government
- GCSB and NZSIS are intelligence collection agencies, collecting information as provided for in their legal mandates. They also provide protective security advice to the State sector and other organisations of national significance, and GCSB has specific information security functions.

The Government has agreed its priorities in respect of national intelligence collection and assessment. These priorities reflect current views on highest risks affecting New Zealand's national interests. They inform decisions on resourcing within NZIC and also provide a basis for mitigation of national security risks.

'National security risks' are defined broadly, an 'all hazards' approach encompassing threats to New Zealand's domestic and international well-being and economic well-being. Events that cause harm for New Zealand domestically may have their origins outside national borders. The reverse is also true; domestic issues may impact on New Zealand's reputation and external interests.

NZIC has limited resources to collect intelligence on all threats, especially as many relate to offshore threats to New Zealand's national interests. To protect against these threats and to meet our role in ensuring international well-being, New Zealand relies on the collection resources and intelligence products of international partners. These intelligence partnerships include, but are not limited to, New Zealand's arrangement for sharing intelligence with Australia, Canada, the United Kingdom and the United States of America (referred to as the Five Eyes).

Recent NZIC projects to enable greater collaboration include co-location of most NZIC staff in one building, and establishment of an Intelligence Community Shared Services (ICSS) team to supply an agreed range of corporate services for NZIC.

NZIC has identified key impacts for its work towards the Government's priority of building a safer and more prosperous community. These impacts are:

- New Zealand's policy-makers are provided with unique insights on foreign political and economic, and national security issues
- New Zealand is safeguarded against threats of espionage and violent extremism
- Increased security for New Zealand deployments
- New Zealand's vulnerabilities are identified and reduced
- Security and stability in the South Pacific.

The Government's Cabinet Committee, the Domestic and External Security Committee, comprising relevant senior ministers, oversees NZIC. This committee is supported by a group of relevant senior officials, the Officials Committee for Domestic and External Security Coordination (ODESC). At the time of writing the PIF Review Report, the ODESC governance arrangements were also under review. The need to increase resourcing for ODESC and to improve oversight arrangements was agreed. These improvements are now being implemented.

Four Year Excellence Horizon for NZIC

In undertaking the PIF Review, the Lead Reviewers considered:

"What is the contribution that New Zealand needs from its core Intelligence Community and therefore what is the performance challenge?"

The PIF Review focused on how NZIC could best perform within existing resources. The desirable level of funding for NZIC awaits both tighter specification of New Zealand's security and intelligence priorities, and evidence that the agencies are using current funding effectively. This is work still to be done, and is beyond the scope of this PIF Review.

Environment

New Zealand operates in an apparently low threat environment and had traditionally seen itself as safe, protected by sea and distance. Although the general threat levels within New Zealand remain comparatively low, today our borders are open and through the internet we share a border with every country of the world in real time, leading to different, higher threat levels.

Threats to New Zealand's interests are rising and becoming more complex, with the nature of the threats changing markedly over time. Rapid changes in technology create challenges and opportunities for NZIC. NZIC, like all government agencies, can expect to be required to operate in an environment of continuing fiscal constraint. Creating a wholly self-reliant NZIC would be prohibitively expensive. New Zealand, through its partnerships, can today draw on much greater and more valuable support, skill, technology and intelligence than would otherwise be available to it. This is positive, but there will always be an expectation that New Zealand will add value to those relationships through its efforts and engagement.

The authorising environment for intelligence activities in New Zealand has been scrutinised publicly and new enhanced oversight mechanisms have been developed and implemented.

In 2015 the security and intelligence agencies will be formally reviewed in the Review of Security Arrangements[1]. NZIC agencies will need to go into this review process able to demonstrate their value to New Zealand, to a much greater degree than possible now, and that they can be trusted.

Internationally, partner agencies are determining how best to respond to public concerns in the light of the Manning and Snowden cases. New Zealand can expect to be required to modify and upgrade its intelligence systems and processes as a consequence of the changes partners will require.

Performance challenge

1. Purpose and targets

The purpose of NZIC is to help Government manage risks to New Zealand's national security. The performance challenge is to clarify the scope of NZIC's role given the constraints of resources allocated to it, and then to create a more seamless collaboration and efficient allocation of resources and skills in support of this purpose.

The Lead Reviewers believe NZIC could make a greater contribution to New Zealand's national security by:

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[1] The proposal for the 2015 Review of Security Arrangements (to be repeated every five years) was introduced with recent legislative amendments to the oversight arrangements and contained in amendments to the Intelligence and Security Committee Act (1996).

> o ensuring there is clarity about the national security priorities, reflecting present and developing needs and relationships. This is particularly a responsibility of the security and intelligence sector leadership, especially DPMC, in leading a discussion with New Zealand's political leadership.
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> o using best practice in their internal corporate processes and business systems. This is the responsibility of the management within NZIC and there is scope for considerable improvement.

It will take time for NZIC to develop a better understanding of the needs of users of their intelligence (their customers) and for their customers to develop a better understanding of NZIC's competencies and capabilities. This will be an iterative process, but clarity is needed over what must be achieved over the next four years.

2. Business strategy and operating model

The business strategy needed to deliver NZIC's objectives should be to:

Clarify the national security priorities and the scope of NZIC's role. Currently the national security and intelligence priorities are inadequately defined. Clarity is needed; implicitly this process may require some reprioritisation of tasks or even ceasing to do things if resources do not permit effective delivery. A process of information exchange and an iterative approach will be needed to tease out options and alternatives.

Ensure NZIC works together effectively. NZIC includes agencies with quite different styles and cultures. It has already taken steps to achieve greater integration; this is very positive and necessary as the agencies work to eliminate duplication and to maximise synergies. GCSB, NZSIS and intelligence units of DPMC now share accommodation, and GCSB and NZSIS have established a shared administrative services unit (Intelligence Community Shared Services (ICSS)). Much of the work needed to upgrade ICSS has been initiated. The tasks are not simple and the scale of process improvements needed quite large. However, this has to be addressed. Additionally the potential exists for NZIC to work more collaboratively with agencies in the wider national security and intelligence sector.

Establish customer-driven priorities, products and practices. All information, including intelligence, is useful only if it is used. This requires NZIC intelligence providers to have a clear understanding of the needs and priorities of those who use their outputs. This understanding is not strong today. The issue has been recognised and NZIC's leadership has strongly endorsed a more customer-driven or customer-aware approach to priority setting. This approach needs to be developed and properly systematised. NZIC needs to allocate resources to developing and implementing systematic approaches to identifying customer needs and feedback processes for customers to facilitate continuous improvement.

Upgrade business systems. Basic business systems within NZIC are weak and require attention. Financial and managerial control systems have not been maintained to the levels expected of modern government agencies. More effective management control within NZIC will only be possible as appropriate performance data is generated and used. The task of upgrading these systems will fall substantially on ICSS, but all staff will need to be trained and up-skilled as the systems become operational.

Establish a common workforce plan. NZIC's leaders are committed to developing a common workforce plan across the wider intelligence community. This is a critical initiative if the wider collaborative working goals of NZIC are to be achieved and to ensure their critical resource, their people, is well-trained, resilient and agile. This will be no simple task as the three agencies in NZIC have quite different pay and reward systems, different cultures, variable levels of staff engagement, and separate training

programmes. Extending this beyond NZIC to the national security and intelligence sector is desirable but might be a longer term goal.

Ensure continued legal compliance. NZIC exists within explicit legal and policy mandates. It must always act within these mandates and be seen to do so. This has been the clear intention of NZIC and the level of rigour now applied to ensuring compliance is appropriate and commendable.

Provide a competent vetting system. One of the critical services provided by NZIC (through NZSIS) is its vetting of government employees for security clearance. This service is one of NZIC's most obvious contacts with the New Zealand public and it has struggled to maintain appropriate service standards (as measured by system users). Although considerable gains have been made, much requires to be done to upgrade the core computer interface systems and to streamline the vetting processes to better meet the needs of users.

Manage within resources allocated to NZIC (i.e. operate within budget). NZIC's budget is limited and it will be expected to operate within the same fiscal constraints as other government agencies. To meet new or changed service demands, some activities need to be reprioritised and options presented for consideration.

Improve the public mandate. Few New Zealanders have a realistic awareness of the level of threats facing them personally, their commercial enterprises, and New Zealand. NZSIS and GCSB need to assist in developing a greater public understanding and awareness of the threats facing New Zealand, steps New Zealanders can realistically take to mitigate the risks, and the role NZIC can play in identifying and mitigating these threats. These responsibilities extend obviously to other government agencies, but the Lead Reviewers would like to see NZIC acting in a broader capacity and, like their Australian and UK counterparts, also advising critical business leaders about the risks they face and the steps they should take to mitigate these risks. Given the lack of awareness of the general New Zealand public, this will be no easy task.

Maintain access to key international alliances. International alliances are fundamental to New Zealand's national security and shape how NZIC functions. New Zealand could not deliver the current level of security and intelligence activity in a standalone self-reliant mode. Continued access to technology, support, and intelligence material and analysis from partners will require continued investment in secure systems and processes. These investment requirements may be substantial and will need to be evaluated against other options for NZIC.

3. Implementation

The change programme facing NZIC will be substantial and complex, and will require careful management. Strong governance, ruthless prioritisation and experienced change managers will be required. NZIC managers have shown a growing ability to work collaboratively; this will need to develop and continue.

There are clear priorities to be advanced and the Lead Reviewers would expect central agencies such as The Treasury and State Services Commission to oversee the change management programme and contribute expertise and skills as required.

What will success look like?

The change programme to be implemented within NZIC is a substantial one that will require real effort and coordination.

Successful implementation will be reflected in NZIC having proven to New Zealanders it has enhanced the nation's security, increased New Zealand's resilience to threats, and continued to deliver acknowledged value to New Zealand.

To achieve this success NZIC will have:

- delivered strong and sustained performance in policy development, intelligence collection, informed and timely assessments, protective security advice and threat mitigation strategies. This is NZIC's core business
- used customer feedback to improve the relevance and utility of NZIC's products and developed systematic processes of continuing customer engagement and continuous improvement
- earned greater public trust and awareness of its unique contribution
- established a track record of protecting national security
- provided Ministers and the Government with policy advice, enabling a good understanding of the threats facing New Zealand and New Zealanders and the available options for response
- established good governance arrangements and overseen the operational implementation of best practice administrative and managerial control systems
- developed a well-trained, stable, engaged and motivated workforce able to be deployed flexibly across the sector
- continued to develop good partnership arrangements with similar agencies offshore and be recognised as a competent and valued partner
- collaborated across the wider community of security and intelligence agencies in New Zealand to ensure scarce resources have been utilised to maximum impact.

The NZIC response

NZIC has considered the PIF Review in detail and concurs with the PIF Review's findings. NZIC's leaders say:

- The PIF Review rightly identifies the importance of setting priorities
- They agree these priorities need to be set by their customers (the Government, the state sector, and other key agencies)
- They agree the capabilities of NZIC need to be lifted
- They acknowledge the need to work on the public explanation of their work and of the role NZIC can play
- The PIF Review rightly addresses the need for NZIC to address public trust and confidence in its intelligence collection in New Zealand
- They recognise as essential the need to work collaboratively, especially on workforce and financial management issues
- They agree a coordinated approach to the next Four Year Plan will be necessary, and will need to reflect wider intelligence community priorities and strategies
- They acknowledge the sector governance arrangements needed to be upgraded (reflecting changes already agreed in the ODESC and DPMC organisational arrangements).

NZIC's response concluded:

"First and foremost, we are committed to working collaboratively as a sector to develop a cohesive approach to our priorities and strategies. This may require decisions to be made that could result in our agencies doing fewer things in the future. But that outcome will depend on decisions of Government, which will need to take account of New Zealand's national security intelligence priorities."

Central agencies' overview

The central agencies have reviewed the NZIC PIF Review findings and have concluded an extra-ordinary response is required and this response cannot just come from NZIC. The central agencies acknowledge they have a supporting role for this response as key leaders in the public sector and, more specifically, through ODESC. They confirmed:

- The Review provides a clear mandate for the need to act
- The central agencies and ODESC need to provide support to the three NZIC agencies to take immediate and deliberate action
- Given the importance of this sector, the findings outlined in the PIF must be addressed with some urgency, both by the agencies being reviewed and by those charged with oversight: the central agencies and ODESC
- The wider resources of the State sector may need to be provided to the agencies to assist with the implementation of change and this will need to be a stronger than normal response, with systematic management and governance
- NZIC has some key tasks it must address (outlined above) and delivery on these tasks needs to be closely monitored by those on ODESC as well as by NZIC leaders
- The central agencies will:

  o provide oversight and governance through ODESC
  o oversee the action plans developed
  o if needed, arrange to fill any critical skill gaps from elsewhere within the state sector
  o ensure role clarity and business strategy in NZIC and ODESC arrangements.

Summary of findings across the NZIC agencies

Using the PIF model, we assessed the performance challenge for each agency under the two results areas, government priorities and core business, and the four organisational management areas: leadership, direction and delivery; external relationships; people development and financial and resource management.

We have summarised our findings for each of these critical areas below, within the constraints necessary to maintain the security of New Zealand.

Results Section

1. Government priorities

We assessed the ability of each of GCSB and NZSIS to deliver on its own strategic priorities agreed with the Government for each of the impact statements listed in the Sector Context (page 4 of this report).

We have not included a summary of these sections of the full PIF Review Report as the publication of this information would be likely to prejudice: the security or defence of New Zealand; the international relations of the Government of New Zealand and the entrusting of information to the Government of New Zealand on a basis of confidence by the Government of any other country.

2. Core business

Core business 1: Intelligence collection and analysis

This core business area encompasses NZIC's role in gathering and analysing intelligence (in accordance with respective legal mandates). A large proportion of NZIC employees support the intelligence gathering and analysis function, whether they are involved in the collection, analysis and dissemination of intelligence, or the provision of policy, training and tools that underpin the intelligence gathering and analysis processes.

NZIC needs to ensure realistic engagement with all stakeholders to establish their priorities and the likely contribution NZIC can make. Consistent delivery against these understandings is needed.

NZIC also needs to develop a robust set of effectiveness and efficiency measures in order to monitor and continuously improve its performance.

Core business 2: Protective security including threat management

Protective security

The Protective Security Requirements[2] aims to provide comprehensive revised standards for security in the State sector and to see these implemented in all government agencies. This project has endorsement from ODESC and is now under way. The objective is to improve the security culture and decrease the risk of security breaches causing compromise or risk to safety of people, information and assets of government agencies and key private sector organisations.

The project needs to do much more than set and promulgate standards; it must encourage and inspire State sector leaders and staff to understand and proactively manage the security risks for people, information and assets while preserving the transparent, high trust environment that New Zealanders value. The pay-off from this project will come from adoption by State sector agencies of cost-effective security systems and measures for their operations.

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[2] Referred to in the PIF Review as the National Protective Security Framework.

Threat management

This area involves safeguarding against the threat of espionage and violent extremism and helping to identify and reduce New Zealand's threat vulnerabilities. In addition to counter espionage (including cyber espionage), counter terrorism, and counter proliferation, it also includes border screening advice and intelligence alerts and warnings.

There is a low level of public awareness of the risks of cyber intrusions to New Zealand and New Zealanders. This may be based on unrealistic expectations that New Zealand is of little interest to the rest of the world, has little of value and in any case 'she'll be right'.

The Kitteridge Review recommended the role of the National Cyber Security Centre (NCSC) be clarified. We agree NCSC's role and engagement with other government agencies needs to be clarified, and potential efficiencies identified especially in light of information assurance work by the Government Chief Information Officer. More generally, we have noted the opportunity for more effective communication with the public on threat awareness and taking protective security measures; this is covered in more detail in the section on External Engagement.

Vetting

Security clearance vetting is the first and most fundamental part of determining personnel security. Security clearance recommendations are provided to over 50 government agencies, crown entities and private companies.

An international quality assurance review of New Zealand's security clearance personnel vetting system was conducted in July 2013, following up an earlier review. It reported that reasonable assurance can be taken from the current vetting arrangements.

However, excessive delays getting clearances completed have caused on-going problems for all customers, including those within NZIC. This has at times attracted heavy criticism from stakeholders. As a consequence there have been a number of reviews and initiatives to improve the vetting system.

Over some years, a backlog of applications had built up. In 2013 action was taken to ring-fence and clear the backlog, allowing straight through processing of the most current applications.

We recognise that a more customer-oriented approach is now being taken to running the vetting system resulting in faster clearance times. Some improvements have been made with the introduction the On-line Vetting Request (OVR) System, although much is still required to be done to upgrade core computer interface systems.

The end-to-end vetting process is reliant on staff outside NZIC to lodge timely, valid applications. NZIC has to take 'ownership' of ensuring the entire vetting process is as efficient as possible, diagnosing any systemic bottlenecks and facilitating improvements even where issues are outside its direct control.

The challenge for NZIC in relation to the effectiveness of its protective security and threat management products is to develop targets and metrics to track the effectiveness of performance over time. The evidence available points to the need for greater internal efficiency and improved usefulness of products and services to users.

Improving management information, and using that information to support business decisions, will increase the ability of NZIC to assess the efficiency of the various aspects of this core business area.

3.   Regulatory impact

NZIC does not monitor or manage any regulatory provisions or legislation. However it is responsible for three functions that have a regulatory impact. These are:

- provision of advice, standards and guidelines on appropriate protective security practices in the New Zealand State sector
- vetting for the State sector for applicants seeking security clearances
- operation of interceptions through telecommunication providers and the requirements placed on telecommunications providers to ensure intercept capability on their lines.

The advice, standards and guidelines on appropriate protective security practices and security clearance vetting services are needed for the secure conduct of government business and the protection of government information, including classified information. They have an impact on the costs and risks of service delivery by government agencies, and are commented on in the previous section.

New Zealand Police and NZIC are responsible collectively for advising the Minister of Communications and Information Technology on applications by telecommunications providers for exemption from the requirement to enable interception capability on particular service lines.

While the officials dealing with the applications are considered by stakeholders to be competent and able to understand the commercial issues facing stakeholders the officials do not appear to take a risk-based approach to applications. The provisions of the Telecommunications (Interception Capability and Security) Act recently enacted will enable more timely responses to be achieved and delays minimised.

Identifying and intercepting telecommunications is becoming much more complicated with more competition in telecommunications provision and technological advances.

Organisational Management Section

1.   Leadership, Direction and Delivery

Purpose, vision and strategy
The strategic direction and joint outcomes for NZIC are articulated in a joint Statement of Intent and Four Year Plan. We found many employees believed they understood the mission of their own agency and were proud and protective of it. However there was less understanding of each agency's purpose, vision and strategy and how they related to the scope of NZIC's role.

Because of this lack of clarity, managers and staff struggle to understand the rationale for decisions on priorities, resource allocation (especially staff resources), investment and disinvestment. As a result, for some staff 'protecting the mission' is synonymous with protecting the status quo.

In order to establish realistic targets and accountabilities, NZIC leadership will need to work with the Government and central agency chief executives to clarify the national security priorities and agree the scope of NZIC's role in a way consistent with the resourcing provided.

This year's revised joint Four Year Plan for NZIC is more specific about joint outcomes and sets out agreed strategies in more actionable terms. This is still work in progress and the challenge will be to translate these high level plans to a clear purpose and strategic direction relevant to staff and to develop consistent and actionable organisational plans with realistic targets that can be resourced and achieved.

The organisational development approach adopted in 2013 and being progressively rolled out should enable the achievement of a greater level of awareness of NZIC's strategy and its implications for how each agency should best respond and for the performance objectives of individuals.

Within the next two years we would expect to see much greater clarity and transparency with the strategic and operational plans for NZIC. We would also expect to see a mechanism to report and monitor progress towards achievement of these plans.

Leadership and governance

There have been changes to key members of the leadership teams in each of the NZIC agencies in the last two years. Each leadership team is at a different, early, stage of development. There is a joint senior team development programme and we commend this initiative. It has the potential to lead to overall improved leadership and governance for NZIC, as well as a more unified, complementary approach to address threats to national security.

Values, behaviour and culture

NZIC staff spoke of a commitment to serving New Zealand, with a strong adherence to legal and ethical standards of behaviour. They emphasised the 'mission' of national security and said they love the work. This would be a powerful base for NZIC if this motivation could be supported and directed. We did not see evidence, however, of a conscious approach to promoting and developing the intrinsic motivators other than a programme for ICSS staff.

Within NZIC, variability in values was reported. In some parts the high tempo operational focus leads to people pitching in to make the most of scarce resources. However, many staff described the culture of NZIC as that of being in a family, with a forgiving and undemanding response to poor performance.

An early objective of the new organisational development programme is to confirm the values. NZIC leadership teams will need to find ways to embed the desired values and behaviours into how the agencies are managed, using their own decisions and actions to demonstrate what is expected.

Structure, roles and responsibilities

One structural element within NZIC that impedes high quality management is the large number of managers with very small units to manage. This is partly a consequence of NZIC attempting to mirror the service coverage of international counterparts with a fraction of the resource. It has led to instances of single person risk, with many units below sensible functional size.

It is likely those managers will be working more in the business than on the business and it will be difficult to hold them to account for the performance and development of their team.

This is exacerbated by planning processes that fail to provide clarity over the priorities, management systems around staffing decisions that make it hard to manage output delivery, a lack of basic financial management information and managers who do not consistently meet the practices that have been prescribed. It is also not helped by hierarchical management structures with limited delegations, increasing the time required for approvals. There is no clarity across NZIC about what are the priorities.

NZIC needs to clarify the scope of its role, confirm its customer base and how it wishes to service its customers with what products, and then determine how its resources can be best organised and allocated efficiently to production, delivery and customer engagement. Managers need appropriate spans of control, clear accountabilities, delegations, resource allocation and priorities.

Some of these issues will be addressed if ICSS can deliver on its work programme and if managers then use the tools provided. This will take time; even at this early stage there are signs ICSS is delivering improvements. Some changes might be faster to implement, such as giving greater certainty to managers over staffing, or taking actions that anticipate the security clearance delays in appointing staff.

NZIC needs to address the structural inhibitors it currently has in place. In large part this simply requires management and leadership practices to be brought up to best practice standards. A track record of performance is needed, taking NZIC beyond the stage of having plans to demonstrating benefits achieved from implemented plans.

Review

At present, NZIC does not have processes to systematically monitor, measure and review work to make sure it is delivering its intended results. There has been a variable approach to formal reviews and informal monitoring across NZIC. In some areas there has been considerable openness to review. Overall, however, more consistent review is needed and this includes gathering regular customer and partner feedback, with more commitment to acting promptly to implement performance improvements.

Regular review is more embedded into the Vetting Service with various metrics being generated routinely. To date these have focused largely on the internal operation of the vetting service itself rather than on the end-to-end performance of the system.

Legal oversight is another key area where review of the work of NZIC agencies is conducted regularly by the Inspector General of Intelligence and Security and the Commissioner of Security Warrants.

A high performing NZIC will have well-developed review processes. It will use review findings and feedback loops from external and internal customers to drive continuous improvement in delivery. This would include rigorous independent appraisals of key functions, systems and processes as well as post implementation reviews of all projects.

2.   External Relationships

Engagement with the Minister(s)

NZIC leaders have regular meetings directly with the Prime Minister and with senior officials. There is a strong emphasis on 'no surprises' and NZIC leaders are proactive in providing briefings on potential issues to the Prime Minister's Office.

NZIC is developing a coordinated and consistent approach to managing the relationship with the Prime Minister and his Office.

NZIC agencies have developed a process of jointly briefing the Prime Minister. During the course of our review we saw how the style of these regular briefings was modified to better reflect the needs of the Prime Minister and to include the 'so what?' follow-up. This is positive and shows commendable responsiveness. This new approach has been welcomed by those involved and is reportedly a useful innovation.

A recurring criticism from Ministers and chief executives has been over the degree of duplication in NZIC reporting. We received some feedback that process requirements around the delivery and handling of reports do not always meet the day-to-day needs of Ministers. NZIC leaders have discussed a common outreach activity. If an outreach service is to work successfully for NZIC as a whole, ways must be found for all agencies to provide information, better coordinate their reports and engagement with Ministers and chief executives and improve their shared understanding of the thinking and needs of customers.

Sector contribution

Having a coordinated NZIC is relatively new to the agencies involved. Ideally all parts of NZIC would be working smoothly with collaboration and cooperation the order of the day. Unfortunately this is not yet the case. The culture is not conducive to strong cooperation across NZIC. We saw a mutual lack of respect and a level of distrust between staff of constituent agencies even though the agencies are co-located. This has been recognised by leadership but not yet remedied.

NZIC has a contribution to make to the wider security and intelligence community through support for the operations of security, intelligence and law enforcement agencies. Collaboration with these agencies occurs successfully on operational matters. All agencies need to maintain mutual understanding of respective legal mandates to make best lawful use of each other's skills and resources.

NZIC also has a contribution to make to the wider State sector in its protective security leadership roles. There is significant room for improvement in NZIC's services to, and engagement with, State sector customers, as well as in the management of these customers' expectations regarding what NZIC can deliver. To meet their practical problems and issues they need a more flexible and timely service.

Collaboration and partnerships with stakeholders

NZIC has a range of domestic and international stakeholders, outside Ministers and the wider security and intelligence community.

The most important of the international relationships are those within the Five Eyes network. These are maintained through continued long-term engagement in a number of different ways. NZIC has important relationships with the private sector and infrastructure stakeholders particularly in relation to protection. Where NZIC provides protective advice to domestic stakeholders, it needs to help its employees improve their understanding of how commercial organisations (and government departments with large service delivery systems) will assess the priorities and likely risk trade-offs for their business of any particular course of action.

Feedback from stakeholders is that NZIC's expertise is valued, but NZIC does not have a formal engagement plan with these stakeholders, and we did not see evidence of these relationships being monitored and managed in an effective and coordinated way.

Experiences of the public

Public knowledge and experience of the security and intelligence sector in New Zealand is very low. This is not surprising given the secret nature of the work and the sector's deliberately low profile over many years. In recent times there has been unaccustomed, mostly negative media attention. Leaks from overseas security and intelligence agencies have led to further adverse commentary, which will not help public trust and confidence in the sector.

It is hard to determine exactly how much trust the public has in the New Zealand intelligence agencies. What is clear, however, is the widespread lack of public awareness of the threats New Zealand actually faces, and of the extent to which NZIC helps counter them. Suspicions and mistrust have more room to flourish in the absence of information.

We have seen evidence of intelligence agencies overseas being much more transparent and active in the media. They have communicated positive achievements (and can point to successful interventions and prosecutions) and have done much to raise the general awareness of the need for security risk management and threat detection, especially in the physical and cyber spaces. We were impressed by protective security guidelines and advice issued publicly by the British and Australian intelligence agencies. In a hard-hitting and very practical way they demonstrate why improved protective security is important and clearly outline the costs to organisations of security breaches, the impact of lost data or pricing material, or the impact of system corruptions.

While some of the activities of the NZIC need to be protected from disclosure, a much more transparent approach could be possible in other areas. NZIC should have a coordinated and active programme of taking information to the public, within the comfort level of the Government. Greater proactivity would have potentially high gains.

The vetting service could be a strong public face for NZIC if highly efficient standards were met and the process was seen as user-friendly.

3.   People Development

Leadership and workforce development
Although there are established processes, staff feedback suggests workforce development has been limited, haphazard, underfunded, and has not focused on future business needs. This is not acceptable for a workforce that must stay at the leading (or bleeding) edge in its niche of expertise in order to deliver value for New Zealand. Where development has occurred specialist technical skills (tradecraft) have been valued over other expertise such as policy and compliance development, organisational planning, management, leadership and corporate services. As a result the corporate infrastructure has not been well-placed to support the smart, innovative, well-regulated, efficient operations needed from NZIC.

The lack of professional development in all areas of GCSB was recognised in the Kitteridge Review, which called for a structured programme of secondments for development purposes. This could include structured rotation across NZIC and the wider security and intelligence community, to other parts of the Public Service and to overseas secondments.

Leadership development is critical for the success of NZIC. There is now a plan to develop one workforce for NZIC, endorsed by the contributing agencies in September 2013. This will form part of the joint Four Year Plan. The plan covers recruitment and retention of staff with career pathways to be identified for career, specialist and management groups supported by structured secondments across NZIC and the wider security and intelligence sector. As part of this plan care needs to be taken to ensure subsequent staff deployments deliver the expected benefits.

NZIC must ensure it has much more systematic planning for, and management of, leadership and workforce development. Stronger performance would be seen in the successful development of leaders and managers, strong internal candidates for all leadership positions, and succession plans for key technical and leadership roles being realised. Staff would be reporting that their managers were consistently carrying out key management tasks in a skilful manner. NZIC would be able to demonstrate a strong payback from investments in developing advanced technical and tradecraft skills.

Management of people performance
Three related issues are affecting the management of people across NZIC. These are:

- Inconsistent performance management practices
- Pay and reward structures
- Recruitment delays.

NZIC agencies have used different performance management frameworks. These have not been applied consistently and poor performance often has been allowed to go unchallenged, although the situation is said to be improving. NZIC plans to introduce a new performance management system, but its success will be dependent on ensuring all managers are trained and motivated to be successful coaches for their teams.

The pay and reward systems in NZIC are not reflective of best practice. Management has recognised the problems and ICSS is developing an NZIC-wide approach to establish joint HR policies and practices including pay and reward.

The process of recruiting staff to NZIC is unnecessarily long and complex. Senior management has paid too little attention to rectifying the problems being experienced. We were surprised at the level of bureaucracy involved in this process and the number of managers whose approval is needed. Obvious potential exists to streamline this process and

to achieve efficiencies. The initial steps being taken within ICSS to introduce improvements are strongly endorsed.

Engagement with staff

The nature of NZIC's work tends to attract a committed, highly-engaged and specialised workforce. We heard from staff that they were attracted to and stayed with NZIC because the work was interesting and varied and they supported the mission, but they could not necessarily see the link to their organisation.

The quality of management and of internal communication will need to improve to lift engagement with staff. Recent staff feedback points to some improvement. There is still much room for improvement.

The workforce within NZIC does not adequately reflect the ethnic diversity of New Zealand's population. Remedying this situation calls for consistent attention from leadership.

4. Financial and Resource Management

Asset management

NZIC agencies have varying approaches to asset management depending on the needs of their businesses. Where relevant, these approaches will need to be modified to meet Four Year Plan requirements

Given the level of assets on balance sheet, lack of visibility of assets off balance sheet, and the short life cycle of much electronic equipment and hardware, NZIC should perform a stocktake of its asset base. This work is intended to commence in 2014.

In our view there should be a NZIC asset management plan covering all operational requirements and infrastructural support as well as corporate services systems.

Improved asset management will depend on:

- decisions being informed of the full benefits expected from use of the assets and whole of life costs with all the management changes needed to get the full benefits
- an end-to-end process with a focus on projects delivering on all the benefits identified
- asset plans being documented, extended out for the lifecycle of key assets, and regularly reassessed.

Information management

The need to maintain security at the highest levels of secrecy has shaped responses in ICT services. A fundamental requirement is to protect the information held and to securely exchange it. There is scope for greater collaboration, which could also be extended to the wider security and intelligence sector.

NZIC has significant IT system capital needs in order to keep up-to-date with systems and software options and innovations. The agencies will need to develop rigorous processes to enable competing needs to be evaluated.

System integrity for NZIC IT systems is critical. The information held by the agencies must remain confidential and secure and the privacy standards applied must be 'above reproach'. NZIC is aware of these constraints and has high standards of data protection and security. We saw strong internal controls and good disciplines, but would expect to see more user-friendly processes developed.

NZIC regards information as its most enduring asset and has made progress in modernising its information systems over the past five years. The developments so far in information management seem likely to generate large benefits if used to reshape how the business is

done. Where we saw the biggest gaps still were in the use of data for managerial control purposes.

Improving efficiency and effectiveness
We looked to see if there was a robust set of processes in place across the NZIC that would provide clear indications to management of the results of their efforts. It does not have such processes.

The closest to a feedback loop was the focus on legal compliance of processes and, while important, this does not constitute feedback as to efficiency or effectiveness of activities.

Within NZIC there have been a series of operational reviews. This has generated a series of 'snapshots' or benchmarks that show performance over time but there have not been built-in processes of feedback and assessment that led to systematic and on-going learning.

Benchmarking of performance is planned for support activities against the BASS standards[3]. Methods should be found to benchmark performance in operational areas in a similar fashion.

Financial management
NZIC needs to improve its financial management to better support its strategic decisions. We expected to see financial data informing a strategic understanding of the operations of NZIC, but we found little. Management are aware of this gap and a project has been started to establish a single financial management information system to support decision-making.

The creation of a shared financial capability within ICSS provides an opportunity for NZIC to gain from more professional financial disciplines in areas such as procurement, investment appraisal and risk management. These gains will be effectively realised only if both leadership teams engage effectively with the ICSS financial team and don't abdicate their managerial responsibilities to the ICSS team.

For improvements in financial management there need to be robust systems in place generating information that managers use to monitor on-going efficiency and effectiveness and to make better strategic choices.

Risk management
At an operational level, we saw evidence of best practice application of risk management in NZIC. Maintaining the security of information is vital for these agencies. This is one strategic risk that has received close attention from NZIC and is reflected in many of the practices currently in place. The legal teams contribute to sound risk management at an operational level and with input into operational policies and training.

Management of risk is an obligation on the management teams of NZIC and the disciplines applied in operational teams need to be similarly applied to the assessment of risk throughout the organisations.

There are obvious strategic risks that require attention. We would expect to see a much more active programme of strategic risk identification, mitigation and monitoring. Given the interdependency of NZIC, we suggest this should be a joint activity, with functional support from a Risk Advisor in ICSS and a joint Risk and Audit Committee. Strategic risk management should be monitored at a governance level by ODESC.

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[3] Benchmarking for administrative and support services across the Public Service, reported annually by The Treasury.

Conclusion

NZIC will continue to support New Zealand's interests through building a strong, capable and resilient intelligence community that can contribute effectively to New Zealand's contemporary security and intelligence needs. This PIF Review shows this outcome will require the core intelligence agencies to continue to work together collaboratively, recognising the constraints of NZIC's relatively small size and the need to set and work to common goals and objectives to maximise the impact NZIC can make in the interests of New Zealand.

It is recognised by all that this is an important sector that is growing in complexity, and meeting the challenges this presents will need innovation, good control oversight and energy. There is a need to ensure the organisational foundations of NZIC are solid to enable it to deliver its added value to New Zealand and to all New Zealanders.

There are signs the leadership of NZIC has 'grasped the nettle' and is starting to prioritise the changes needed and to implement change. This needs urgency as there is a huge amount of change to be undertaken. The changes will be progressive but already associated parties are indicating signs of obvious improvement, and this is welcomed.