



**Government  
Communications  
Security  
Bureau**

**ANNUAL REPORT**

**for the year ended 30 June 2003**

Presented to the House of Representatives pursuant to  
Section 12 of the  
Government Communications Security Bureau Act 2003.

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# LETTER OF TRANSMITTAL

Prime Minister

I have the honour to present to you the report of the Government Communications Security Bureau for the year ended 30 June 2003.

Warren Tucker  
Director



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Part One

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# Statement of Purpose



## MISSION AND OUTCOMES

### Mission Statement

The mission of the GCSB is to contribute to the national security of New Zealand through:

- a. providing foreign signals intelligence<sup>1</sup> to support and inform Government decision making;
- b. providing an all-hours foreign intelligence watch and warning service to Government;
- c. ensuring the integrity, availability and confidentiality of official information through information systems security services to Government; and
- d. assisting in the protection of the national critical infrastructure from information-borne threats.

### Vision

“To be the leading source of foreign intelligence and information systems security advice to Government.”

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<sup>1</sup>Foreign intelligence as defined in the GCSB Act 2003 means information about the capabilities, intentions, or activities of a foreign organisation or a foreign person.

## Outcomes

The Government purchases services from the Bureau to achieve its two high-level outcomes:

- New Zealanders and New Zealand interests are protected and advanced through the provision of relevant, timely and accurate foreign intelligence, and threat warning information; and
- National and public interest is properly served through the appropriate protection of official information and the national critical infrastructure.

The Bureau seeks to contribute to these outcomes through achieving four departmental outcomes as shown in the diagram below

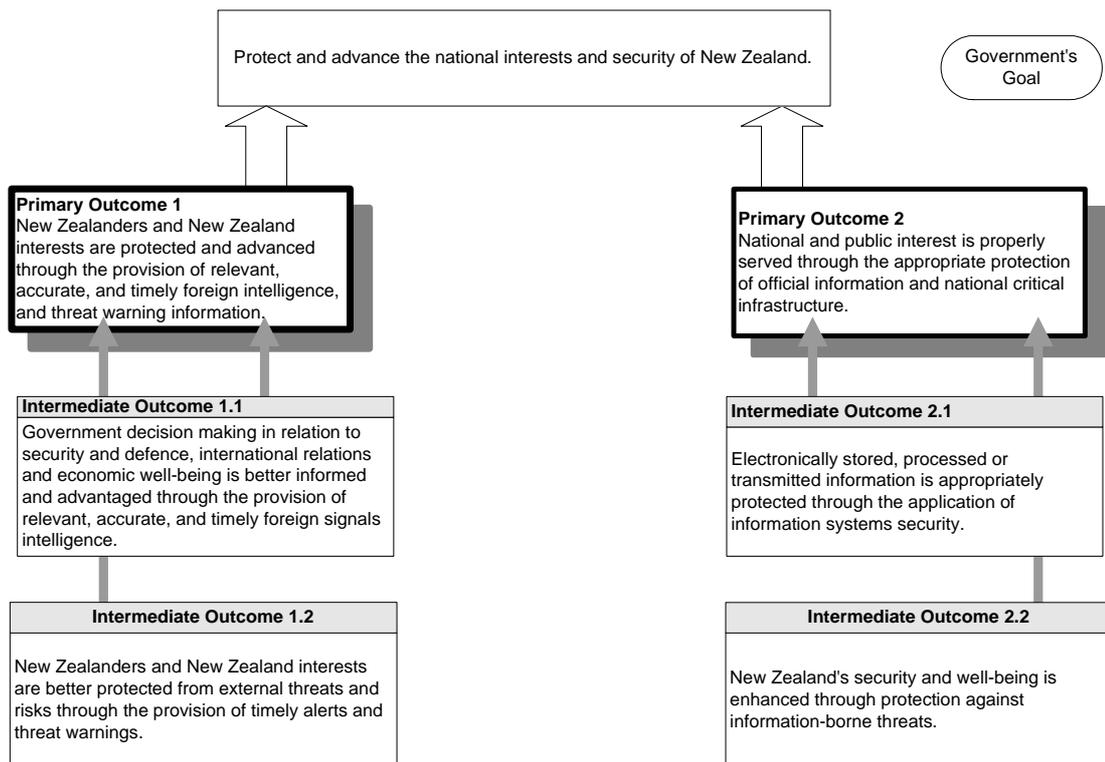


Figure 1 – GCSB Outcomes

Part Two

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# The Year in Review



## DIRECTOR'S OVERVIEW

The 2002-03 Financial Year was a busy one as the Bureau worked to deliver its services to Government and to build its future capabilities, against the backdrop of demanding developments internationally.

The ongoing war against terrorism was a major focus of the Bureau's signals intelligence (SIGINT) operations. This and a growing range of trans-national and regional security issues was addressed through an increase in the numbers of analytic and processing staff, and ongoing work to enhance technical collection and processing capability.

The year has also been busy for the information systems security (INFOSEC) side of the business. The two major initiatives during the year have been the identification and implementation of various new generation cryptographic systems for the protection of official information, and the growing capability of the Centre for Critical Infrastructure Protection.

The GCSB made significant progress during the 2002-03 Financial Year in acquiring the capabilities and resources that it requires to meet the challenges of its operating environment. These enhancements will allow the Bureau to better achieve its key outcomes of providing Government with foreign intelligence and threat warning services to better inform decision making, and assisting departments and agencies to protect official information from unauthorised disclosure or alteration as well as protecting the national critical infrastructure.

A key result for the Bureau was the passage of the GCSB Act 2003, which established the Bureau as a Public Service department, defined its objectives and functions, and made provision for its activities.

The Bureau is committed to a whole of Government approach in achieving results for New Zealanders. It is working closely with customer departments to help them achieve their outcomes through a partnership rather than a purely customer-client approach. The Bureau is working with key departments to ensure that official information is properly protected through the application of INFOSEC measures, and regularly provides technical advice to the E-Government Unit of the State Services Commission.

Internally, the Bureau has adopted the Managing for Outcomes initiative, which is now informing key capability development programmes, and allowing the Bureau to better monitor progress in achieving its outcomes. The Bureau also continues implementation of its strategic Human Resources Policy with a new remuneration structure and supporting performance management system introduced.

In summary, the 2002-03 Financial Year was successful for the Bureau. We were able to meet a significant number of SIGINT and INFOSEC customer requirements. The Bureau is conscious, however, of the areas where it lacks sufficient capability to fully achieve its outcomes. Careful consultation with customer departments and agencies will be required to identify those areas where the Bureau can have most effect, and should shape its plans accordingly.

Warren Tucker  
Director

# ACHIEVEMENT OF OUTCOMES

## Provision of Intelligence and Threat Warning Information

**Primary Outcome 1**  
New Zealanders and New Zealand interests are protected and advanced through the provision of relevant, accurate, and timely foreign intelligence, and threat warning information.

### ***Better Informing Government decision making***

The Bureau seeks to make a difference to Government decision-making through the provision of foreign intelligence. The increasing demand for the Bureau's services and feedback from customers indicates that Bureau-supplied intelligence is being used to underwrite and inform Government decision making.

#### **Intermediate Outcome 1.1**

Government decision making in relation to security and defence, international relations and economic well-being is better informed and advantaged through the provision of relevant, accurate, and timely foreign signals intelligence.

The Bureau was able to meet the intelligence demands of its customers across a range of high priority international issues. Regional security issues, and the international war on terrorism were areas of particular focus throughout the year.

### ***Protecting New Zealanders and New Zealand Interests through threat-warning***

The Bureau strives to ensure that relevant agencies receive timely information that prevents or reduces a negative outcome such as the loss of life or contributes to the detection and prevention of serious crime with an international dimension. The Bureau achieves this through the operation of a 24 hour 7 day a week operations centre. This Centre is frequently the means by which New Zealand becomes aware of threats, particularly terrorist threats, and receives "tip-off" information on changing events. The GCSB also works closely with a range of New Zealand Government departments and agencies to enhance their own threat warning capabilities.

#### **Intermediate Outcome 1.2**

New Zealanders and New Zealand interests are better protected from external threats and risks through the provision of timely alerts and threat warnings.

## Protecting Official Information and the National Critical Infrastructure

### Primary Outcome 2

National and public interest is properly served through the appropriate protection of official information and national critical infrastructure.

### *Appropriately Protecting Official Information*

#### Intermediate Outcome 2.1

Electronically stored, processed or transmitted official information is appropriately protected through the protection of information systems security.

A key result for the Bureau is to ensure that official information which is electronically stored, processed or transmitted is appropriately protected through the application of INFOSEC measures. The Bureau seeks to achieve this by assisting departments to protect their official information through the provision of advice and assistance, including training, and policy and doctrine. The Bureau also supplies cryptographic keying material, and procures high-grade and other cryptographic equipment on behalf of users. The provision of INFOSEC inspection services provides assurance that the

application of INFOSEC measures is effective.

Demand for the Bureau's services continued to grow during the year. The Bureau has had to carefully prioritise its resources in order to provide the level of support required to ensure that departments apply appropriate protection measures to protect their electronically stored or processed information. Departments and agencies handling and storing material at the CONFIDENTIAL level or higher, or operating in areas of increased INFOSEC threat such as New Zealand's posts and missions overseas, were a priority for assistance.

### *Protecting Against Information-Borne Threats*

#### Intermediate Outcome 2.2

New Zealand's security and well-being is enhanced through protection against information-borne threats.

The Centre for Critical Infrastructure Protection was established in 2002 to ensure New Zealand's critical infrastructure did not fail due to "cyber-threat".

The major focus for the CCIP for the year was developing its response capabilities and the links, both internationally, and domestically, especially with Critical Infrastructure operators. Substantial progress in developing these links and trust was achieved with the CCIP working closely with critical infrastructure

operators, and product manufacturers, to isolate and rectify identified vulnerabilities.

## Statement on Interception Warrants

Two Foreign Interception Warrants, issued pursuant to section 17 of the Government Communications Security Bureau Act 2003, were in force during the year ended 30 June 2003.

## Statement on Computer Access Authorisations

No Computer Access Authorisations issued pursuant to section 19 of the Government Communications Security Bureau Act 2003, were in force during the year ended 30 June 2003.

## Oversight and Review

The GCSB (in common with the New Zealand Security Intelligence Service) is subject to oversight by the Inspector-General of Intelligence and Security. The principal role of the Inspector-General is to assist the Minister in the oversight and review of New Zealand's intelligence and security agencies.

The Inspector-General of Intelligence and Security, Hon Laurie Greig, noted no issues of concern relating to the GCSB during the reporting year.

The Intelligence and Security Committee is a statutory committee of Parliamentarians established by the Intelligence and Security Committee Act 1996.

The Intelligence and Security Committee met three times during the year to consider, *inter alia*, the GCSB's Annual Report, budgetary estimates and Statement of Intent.

# ORGANISATIONAL INFORMATION

## Corporate Structure

### **Description**

The Bureau is divided into five functional areas:

- Intelligence Collection and Processing;
- Intelligence Production and Customer Services;
- Information Systems Security;
- Technology Support and Communications; and
- Corporate Services, Policy, Planning and Legal.

The Bureau has two collection or interception stations: the HF radio interception and direction-finding station at Tangimoana, and the satellite communications station at Waihopai, near Blenheim.

The Bureau's management structure is shown in the diagram below:

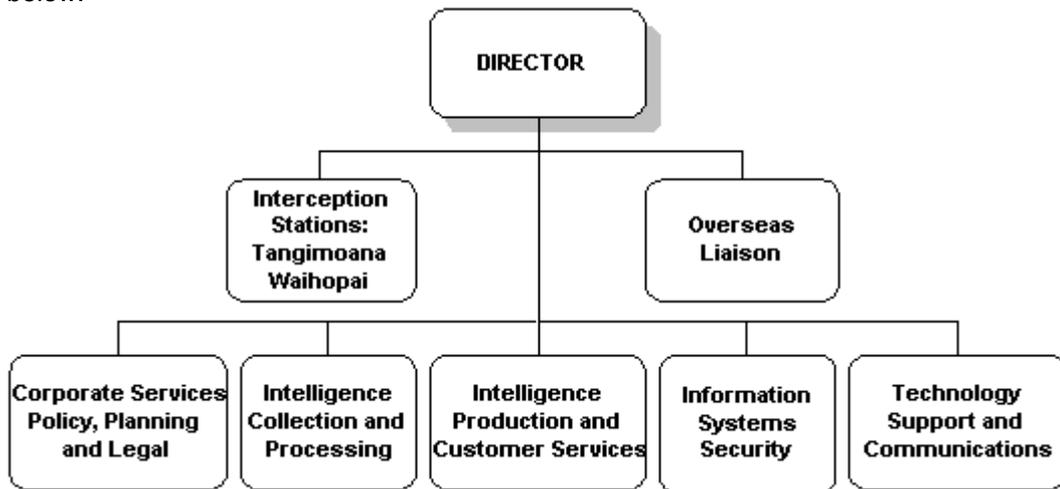


Figure 2 – GCSB Organisation

## Human Resources

### ***Good Employer Requirements***

The Bureau became a department of the Public Service with the passage of the GCSB Act 2003, and its coming into force on 2 April 2003. The Bureau has long maintained a policy of operating in accordance with section 56 of the State Sector Act 1988, which requires departments to operate a personnel policy that complies with the principle of being a “good employer”. This requires departments to provide for the fair and proper treatment of employees in all aspects of their employment.

### **HR Strategy**

The Bureau continued to progress its Human Resources strategy, which is designed to provide it with the flexible, innovative workforce that is required to support its mission. Key features of the strategy include:

- steps to align the Bureau's Human Resources practices more closely with the GCSB's mission;
- a structured approach to career development, including expert and management development streams;
- implementation of a performance management system (as opposed to just appraisal), which places a greater emphasis on feedback and recognition;
- a re-designed remuneration structure that better supports career development and addresses issues such as internal and external relativities;
- a more creative performance reward system;
- greater accessibility to training for all staff and the introduction of comprehensive training and development plans, where these are not already in place;
- a formal annual human resources planning cycle that dovetails with the business planning cycle and feeds directly into all human resource areas;
- a formal succession planning mechanism to ‘groom’ a group of staff for competition for key senior expert and managerial roles in the future.

Key achievements during the year under this strategy included:

- the introduction (with effect 1 July 2002) of a broad-band remuneration system that underpins the career development framework;
- the development and introduction (with effect 1 July 2003) of an Individual Performance Management scheme linked to the Bureau's strategic planning process, to support the new remuneration system; and
- development of a Leadership Succession Planning scheme that will develop future senior managers and technical leaders.

### **Encouraging Diversity within the GCSB**

The Bureau recognises that understanding and knowledge of different perspectives enhances the performance of its employees and hence the organisation. In addition to complying fully with the Human Rights Act 1993, and the New Zealand Bill of Rights Act 1990, we are endeavouring to achieve this through:

- ensuring that all employees have equal access to employment opportunities;
- membership of the EEO Trust; and
- fostering of non-discriminatory practices within the GCSB's recruitment procedures.

Key achievements during the year included:

- revision of the Bureau's EEO Policy to reflect recent trends and developments;
- achieving membership of the EEO Trust Employers' Group; and
- development and publication of procedures to counter workplace bullying and harassment.

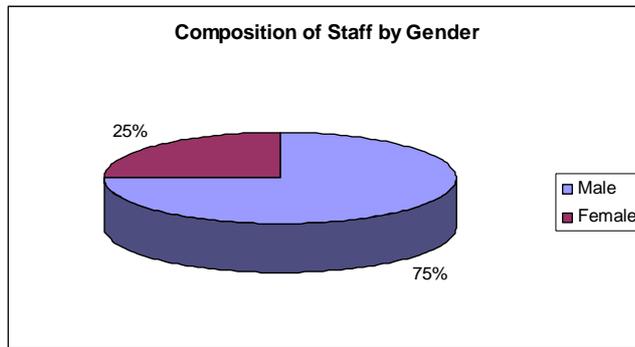


Figure 3 Composition of Staff by Gender

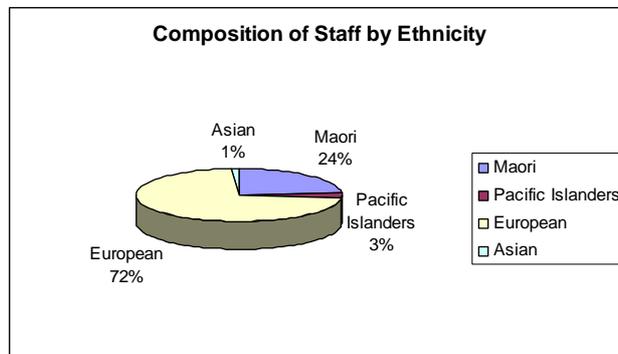


Figure 4 Composition of Staff by Ethnicity<sup>2</sup>

### **Operational Capacity – Staffing Numbers**

The total number of staff employed in the GCSB at 30 June 2003 was approximately 280, or 11 percent more than 30 June 2002. Staff turnover increased marginally to 5.6 percent. Staff turnover was evenly distributed on a proportional basis across the Bureau.

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<sup>2</sup> Figures are as at 30 June 2002.

## Legal and Statutory

The Bureau maintains a small legal team to provide advice on legal and statutory matters.

During the year the team provided advice on:

- the GCSB Act 2003;
- the Crimes Amendment Act 2003; and
- the Telecommunications (Interception Capability) Bill.

Part Three

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# Financial Reporting



## STATEMENT OF RESPONSIBILITY

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

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

In terms of sections 35 and 37 of the Public Finance Act 1989, I am responsible as Chief Executive of the Government Communications Security Bureau, for the preparation of the Bureau'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.

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

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

Dr W H Tucker  
Director GCSB

27 August 2003

Countersigned by

C B G Carson BCA, CA  
Chief Financial Officer

27 August 2003



## STATEMENT OF EXPENDITURE AND APPROPRIATION

The total appropriation was \$29.169 million.

The expenditure out-turn on the Vote was \$29.154 million or 99.95 per cent of appropriation.

	<b>GST Inc \$000</b>
Total appropriation.....	\$29,169
Actual Expenditure.....	\$29,154





**REPORT OF THE AUDITOR-GENERAL**  
**TO THE READERS OF THE STATEMENT OF EXPENDITURE AND**  
**APPROPRIATION OF THE**  
**GOVERNMENT COMMUNICATIONS SECURITY BUREAU**  
**FOR THE YEAR ENDED 30 JUNE 2003**

I have audited the statement of expenditure and appropriation (the statement) on page 25. The statement shows the total of actual expenditure made and costs incurred by the Government Communications Security Bureau for the year ended 30 June 2003 against its Vote for that year.

**Responsibilities of the Director**

Section 12 (3) of the Government Communications Security Bureau Act 2003 and section 70I of the Public Finance Act 1989 require the Director of the Government Communications Security Bureau to prepare 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.

**Auditor's responsibilities**

The Director of the Government Communications Security Bureau has requested the Auditor-General to undertake an audit of the statement prepared pursuant to Section 12 (3) of the Government Communications Security Bureau Act 2003 and section 70I of the Public Finance Act 1989. It is the responsibility of the Auditor-General to express an independent opinion on that statement and report that opinion to you.

The Auditor-General has appointed T. P. McLaughlin to undertake the audit.

**Basis of opinion**

An audit includes examining, on a test basis, evidence relevant to the amounts in the statement. It also includes assessing:

- σ the significant estimates and judgements made by the Director in the preparation of the statement; and
- σ whether the accounting policies used in the preparation of the statement are appropriate to the Government Communications Security Bureau's circumstances and consistently applied.

I conducted my audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient

evidence to give reasonable assurance that the statement is free from material misstatements, whether caused by fraud or error.

Other than in my capacity as auditor acting on behalf of the Auditor-General, I have no relationship with or interests in the Government Communications Security Bureau.

### **Unqualified opinion**

I have obtained all the information and explanations I have required.

In my opinion, the statement of expenditure and appropriation of the Government Communications Security Bureau on page 23 fairly reflects the total of actual expenditure made and costs incurred for the year ended 30 June 2003 against the department's Vote for that financial year.

My audit was completed on 26 August 2003 and my unqualified opinion is expressed as at that date.



T. P. McLaughlin  
Assistant Auditor-General  
Wellington, New Zealand

## **Matters relating to the electronic presentation of the audited financial statements**

This audit report relates to the financial statements of the Government Communications Security Bureau for the year ended 30 June 2003 included on the Office of the Clerk of the House of Representatives' website. The Clerk of the House of Representatives is responsible for the maintenance and integrity of the Office of the Clerk of the House of Representatives' website. We have not been engaged to report on the integrity of the Office of the Clerk of the House of Representatives' web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. 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 financial statements and related audit report dated 26 August 2003 to confirm the information included in the audited financial statements presented on this web site.

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