

Annual Report 07

Government Communications Security Bureau
for the year ended 30 June 2007



Presented to the House of Representatives

pursuant to Section 12 of the
Government Communications Security Bureau Act 2003

ISSN 1176-4686

New Zealand Government

Letter of Transmittal

Prime Minister

I have the honour to present to you the report of the Government Communications Security Bureau for the year ending 30 June 2007.

The report has been prepared for public release in accordance with the requirements of section 12(4) of the Government Communications Security Bureau Act 2003.

A handwritten signature in black ink, appearing to read 'Bruce Ferguson', with a long horizontal flourish extending to the right.

Bruce Ferguson
Director

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Director's Overview



As the new head of the GCSB I have been impressed with its scope and capabilities; the range of topics and issues the Bureau is across is simply staggering. During this reporting period, the Bureau weathered three regional crises in quick succession, experiencing a record operational tempo year for collection of intercept, and developed new capabilities and capacities aimed at maximising cost effectiveness through innovative thinking and judicious application of commercial technology.

If I needed any evidence of the value the Bureau adds to the New Zealand Government, all I have to do is look at the ever-increasing customer set the Bureau now serves.

The Bureau still remains focused on counter-terrorism and regional issues, providing support to the NZDF and developing closer working relationships with other government departments, an area which we see as key if the Bureau is to move towards shared outcomes.

The Bureau provided ongoing, high-level advice on the information assurance aspects of a number of key government projects and programmes, specifically the e-Government programme, the new Defence building, the New Zealand Intelligence Community Network (NZICNet), as well as selected MOD/NZDF projects.

Underpinning all of these projects and initiatives is the Bureau's infrastructure. To handle these challenges, the Bureau has further developed its technology strategy, which aims to deliver a robust and scalable IT infrastructure that will reduce the complexity of the IT environment and enhance IT system security while reducing costs.

This has been a very busy year for the Bureau: it has worked under significant pressure but managed in the process to expand its networks, influences and customer-set, both domestically and internationally. At the same time, we have continued to strengthen the foundations upon which we will build New Zealand's future Signals Intelligence and Information Assurance capabilities.

A handwritten signature in dark ink, appearing to read 'Bruce Ferguson'. The signature is fluid and stylized, with a long horizontal stroke extending to the right.

Bruce Ferguson
Director

Part 1: Statement of Purpose

Vision

Mastery of Cyberspace for the Security of New Zealand

Mission

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

- providing foreign signals intelligence (SIGINT) to support and inform Government decision making;
- providing a 24/7 intelligence watch and warning service to Government;
- ensuring the integrity, availability and confidentiality of official information through information assurance (IA) services to Government; and
- contributing to the protection of Critical National Infrastructure from cyber threats.

Outcomes & Outputs

The Government obtained services from the Bureau to ensure that it is better informed and alerted to any and all external threats, that official information and Critical National Infrastructures are protected, and finally that New Zealand's international standing is enhanced.

The Bureau contributes to these outcomes through delivery of six outputs split across two output classes as shown below:

Government Goal:	Protect and Advance the Interests and Security of New Zealand					
Outcomes:	1 A better informed Government.	2 A Government alerted to any external threats.	3 New Zealand's international standing is enhanced.	4 Official information is protected.	5 Critical National Infrastructure is protected.	
Output Classes:	Class 1: Signals Intelligence			Class 2: Information Assurance		
Outputs:	1.1 SIGINT Reports	1.2 Intelligence Alerts and Warnings	1.3 SIGINT Policy and Support	2.1 Information Assurance Policy and Support	2.2 Information Assurance Security Services	2.3 Critical Infrastructure Protection Services

Figure 1: Outcomes & Outputs

Part 2: Year in Review

Output Class 1: Signals Intelligence

Contributing to:

- Outcome 1: A Better Informed Government
- Outcome 2: A Government Alerted to any External Threats
- Outcome 3: New Zealand's International Standing is Enhanced

Which contribute to:

A Better Informed Government

The Bureau seeks to contribute to the Government of New Zealand's decision-making process by providing foreign intelligence that aims to build a contextual picture of the increasingly complex international environment within which New Zealand and New Zealand's interests must operate.

The provision of foreign signals intelligence is driven by the New Zealand Government's Foreign Intelligence Requirements (FIRs). All intelligence production at the GCSB is prioritised according to these FIRs. The GCSB plans to meet as many FIRs as possible throughout the year, through the production of Foreign Intelligence reports. During the 2006/07 year the GCSB wrote reports relating to 35.7% of the FIRs.

The Bureau's volume of intelligence production is still trending upwards. The total number of End Product reports produced by the Bureau in the 2006/07 year was 2893 (up from 2540 last year), the highest amount the Bureau has ever produced in one year.

A continued focus throughout the year was on increasing the level of intelligence support to other Government departments, in particular the New Zealand Defence Force (NZDF).

A Government Alerted to Any External Threats

The Bureau seeks to ensure that the New Zealand Government is alerted to any and all external threats through the provision of timely information that prevents or reduces any detrimental effect on New Zealand society.

The Bureau achieves this through the New Zealand SIGINT Operations Centre (NZSOC), which is a 24/7 watch-and-warn facility. The NZSOC regularly receives notification of significant global events as they occur or prior, which increases the likelihood that New Zealand will be made aware of threats in a real-time manner and that 'action-on' can be taken to prevent or reduce any negative outcome for New Zealanders.

The Bureau, in concert with integrated NZDF staff where appropriate, provides intelligence and threat warning support to NZDF military operations, and advice on intelligence matters to the NZDF and a range of other Government departments and agencies.

Output Class 2: Information Assurance

Contributing to:

- Outcome 3: New Zealand's International Standing is Enhanced
- Outcome 4: Official Information is Protected
- Outcome 5: Critical National Infrastructure is Protected

Which contribute to:

Official Information is Protected

A key requirement for the Bureau is to ensure that official information is appropriately protected through the application of Information Assurance (IA) measures* from unauthorised access, disclosure or tampering. The Bureau seeks to achieve this by assisting departments and agencies to take the appropriate measures for the protection of official information and the critical national infrastructure.

The IA Inspection Programme continued to concentrate on increasing the level of activity to counter the growing threat of technical attack against Government premises and facilities, particularly overseas. While the number of domestic inspections remained steady, the number of overseas inspections increased by 42%.

Demand for the Bureau's IA education and training services remained high in all areas during the year with a slight decrease from last year's record high. As in previous years, priority assistance was given to departments and agencies handling and storing material at the CONFIDENTIAL level or higher, or in areas of increased threat, such as New Zealand's posts and missions overseas.

The Bureau provided ongoing, high-level advice on the IA aspects of a number of key government projects and programmes such as:

- the e-Government programme;
- Defence House in Wellington;
- new NZDF projects; and
- the New Zealand Intelligence Community Network (NZICNet).

Critical National Infrastructure is Protected

The Centre for Critical Infrastructure Protection (CCIP) has operated since 2002 to ensure that New Zealand's critical information infrastructure does not fail due to 'cyber-threats'. The CCIP's activities comprise a 24-hour, 7-day watch-and-warn service, network investigation and analysis services, and an outreach and training programme.

* The responsibility for protecting official information, however, remains that of the relevant Chief Executive.

The CCIP cooperates with and advises a number of critical national infrastructure organisations and forums, it liaises closely with international infrastructure protection agencies, and participates in international forums.

The profile and reputation of the CCIP has continued to increase during this period, resulting in more customers and organisations seeking CCIP advice, guidance and assistance on an ongoing basis. Throughout the year the CCIP has been active in maintaining the relationships it has formed with organisations, ranging across both the public and private sectors.

During 2006/07, the CCIP and the Internet Fraud Forum (which includes retail banks, Police, Internet Service Providers and the Domain Name Commissioner) established an incident handling process for sharing event notifications among the participating organisations. Convincing the forum to take this step was a major CCIP accomplishment.

Early in 2007, the CCIP convened a meeting of departmental security officers to distribute signatures related to electronic attack methodology. This was the first time that signatures of this type had been distributed to government agency customers in New Zealand.

During the reporting period, the CCIP actively developed relationships with commercial technology providers. In the 2006/07 year the GCSB/CCIP commenced participation in Microsoft's Security Cooperation Programme (MSP). The programme provides a structured means for governments and Microsoft to engage in co-operative security activities in the areas of computer incident response, attack mitigation and citizen outreach. The goal is to assist governments to address threats to national security, economic strength and public safety more efficiently and effectively through co-operation projects and information sharing.

The CCIP continued to provide a 24-hour watch-and-warn service in conjunction with the NZSOC, and regularly published updates and alerts relating to threats to critical infrastructure on its website (www.ccip.govt.nz).

Legal and Oversight

Statement on Interception Warrants

A number of 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 2007.

Statement on Computer Access Authorisations

A number of 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 2007.

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, Hon Paul Neazor QC. 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 visited the Bureau during the reporting period to conduct routine inspections of GCSB warrants and authorisations.

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.

Internal Audit

The Bureau's Internal Audit function covers both the audit of selected performance issues and the maintenance of ongoing financial controls.

PriceWaterhouseCoopers is contracted by the Bureau to provide Internal Audit functions. During the year PriceWaterhouseCoopers conducted three reviews as part of the internal audit programme. These were:

- Managing Costs and Outputs;
- Departmental Control Evaluation; and
- Budgeting and Planning.

Legal and Statutory

The Bureau maintains a small legal and compliance team to provide advice on legal and statutory matters. During the year the team provided advice on the application and interpretation of the GCSB Act.

Organisational Information

During the reporting period the Bureau restructured to reflect a more efficient structure as shown in figure 2 below:

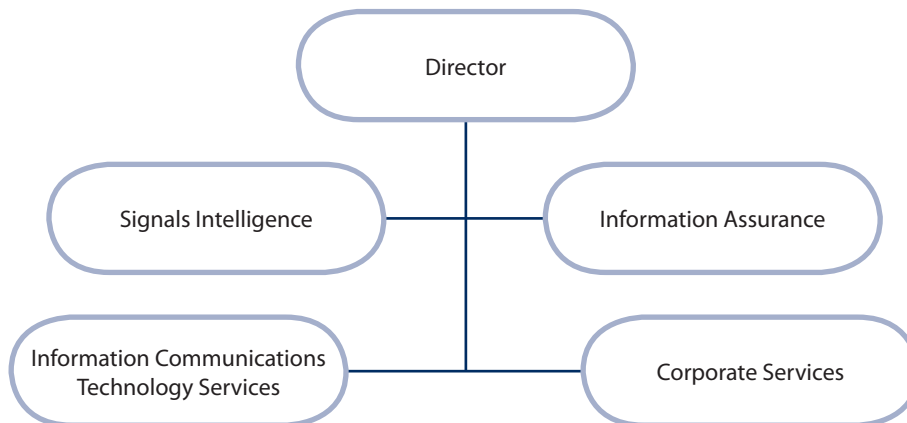


Figure 2: GCSB Organisation

The Bureau is now divided into four functional areas:

1. Signals Intelligence;
2. Information Assurance;
3. Information Communication Technology Services; and
4. Corporate Services.

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.

People Capability

Good Employer Requirements

The Bureau is a department of the Public Service, and operates 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 GCSB People Strategy is an ongoing work in progress, designed to be flexible enough to allow the Bureau to be responsive to the quickly changing operational environment within which it operates. In the 2006/07 year progress was made in a number of areas that required development as a result of these operational changes.

A competency framework has been developed for the multi-levelled intelligence analyst roles. This has been approved and will be used as a basis for developing an organisation-wide competency framework in the 2007/08 year.

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:

- continued networking and membership of the EEO Trust Employers' Group; and
- participation in an Employee Assistance Programme for all employees who choose to access the programme for advice and assistance.

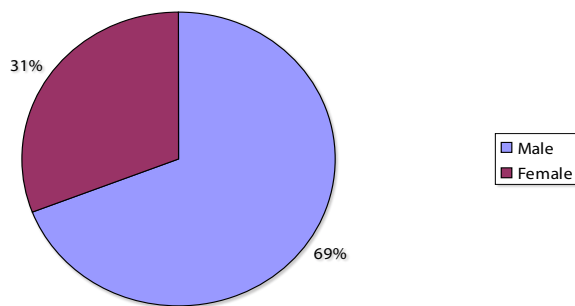


Figure 3: Composition of Staff by Gender

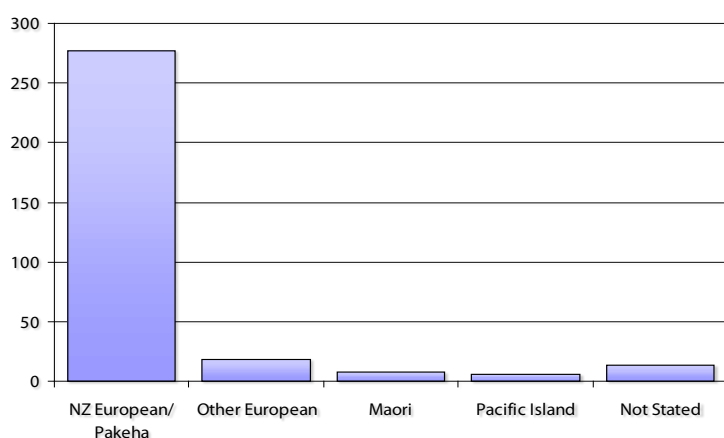


Figure 4: Composition of Staff by Ethnicity

Operational Capacity – Staffing Numbers

During the year the Bureau experienced a staff turnover of 7.8%. At the end of this reporting period the Bureau has a number of vacancies which when filled would give the Bureau a full complement of approximately 370 staff.

Accommodation

For several years the GCSB Head Office staff have been accommodated in a “split site” layout which is far from ideal, resulting in barriers to cross-functional communication and teaming. GCSB plans to reconsolidate on a single long-term site by the end of the decade and is currently looking into possible future accommodation options for improving and upgrading GCSB Head Office accommodation.

Part 3: Financial Reporting

Financial Statements Government Communications Security Bureau Statement of Responsibility

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 my opinion, these financial statements fairly reflect the financial position and operations of the Bureau for the year ended 30 June 2007.



Bruce Ferguson
Director GCSB

13 September 2007

Countersigned by:



Chris Carson BCA, CA
Chief Financial Officer

13 September 2007

Statement of Expenditure and Appropriation

The total appropriation was \$42.099 million.

The expenditure out-turn on the Vote was \$42.077 million or 100% of appropriation.

	GST Inc \$000
Total Appropriation	\$42,099
Actual Expenditure	\$42,077

Audit Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of the Government Communications Security Bureau's Financial Statements for the year ended 30 June 2007

The Auditor-General is the auditor of the Government Communications Security Bureau (the Bureau). The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit of the statement of expenditure and appropriation (the statement) of the Bureau, on his behalf for the year ended 30 June 2007.

Unqualified opinion

In our opinion the statement of the Bureau on page 12 fairly reflects the actual expenses and capital expenditure against the Bureau's appropriation for the year ended 30 June 2007.

The audit was completed on 13 September 2007, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the 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 the 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 disclosures that would affect a reader's overall understanding of the statement. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the statement. 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;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Chief Executive;

- 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 statement.

We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Chief Executive and the Auditor

The Chief Executive is responsible for preparing a statement that provides a record of the total of actual expenses and capital expenditure incurred for the financial year against the Bureau's appropriation for that financial year. The Chief Executive's responsibilities arise from sections 45E of the Public Finance Act 1989.

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

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand. In addition to the audit we have carried out an independent review over costings for implementing a telecommunications solution relating to the Telecommunications (Interception Capability) Act 2004, which was compatible with those independence requirements.

Other than the audit and this assignment, we have no relationship with or interests in the Bureau.



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



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