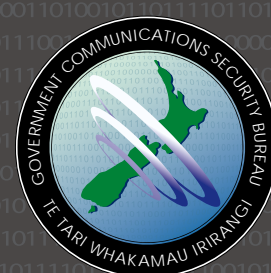


08 Annual Report

Government Communications Security Bureau
for the year ended 30 June 2008



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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 ended 30 June 2008.



Bruce Ferguson
Director



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Director's Overview



The ever-changing nature of intelligence requirements and the rapid pace of technological change pose particular challenges for the GCSB in planning for the future.

Those planning challenges have been identified and a number of key initiatives have been undertaken this year with the aim of collecting and producing intelligence from a diverse range of sources to meet high priority customer-driven requirements, and to ensure that official information and the critical national infrastructure are properly protected.

These are large tasks and the GCSB does not operate alone in achieving them. Over the last year GCSB has worked very hard to develop the kind of proactive partnerships required to deliver these outcomes, especially with the Ministry of Foreign Affairs and Trade, the New Zealand Defence Force and the New Zealand Security Intelligence Service. GCSB views these partnerships as the foundation of a sector-wide approach to intelligence and security challenges.

The progress outlined in this report indicates that the GCSB is continuing to strengthen the foundations upon which we will build New Zealand's future Foreign Intelligence and Information Assurance capabilities.

A handwritten signature in blue ink, which appears 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 inform and enhance the decision-making processes of the New Zealand Government in the areas of national security, foreign policy, support to law enforcement, and information assurance:

- ◇ providing foreign intelligence to support and inform Government decision making;
- ◇ providing an all-hours intelligence watch and warning service to Government;
- ◇ ensuring the integrity, availability and confidentiality of official information through information assurance services to Government; and
- ◇ enhances the protection of the critical national infrastructure from cyber threats.

Outcomes

The Government obtains services from the Bureau to contribute towards five sector outcomes:

- ◇ Increased National Security;
- ◇ Prevention of Terrorism and Major Criminal Activity;
- ◇ Increased International Security and Global Order;
- ◇ Improved Government Decision Making and Planning; and
- ◇ Improved Economic Performance.

Outcomes and Outputs

The relationship between the GCSB's outcomes and its agreed outputs is shown in Figure 1:

Government Goal	Protect and advance the 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		
Output	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 - GCSB Outcomes and Outputs

Part 2: The Year in Review

Output Class 1: Signals Intelligence

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 must operate.

The GCSB provides intelligence reports derived from foreign signals in response to the requirements and priorities of New Zealand government departments and agencies. These reports aim to enhance Government decision-making in the areas of security and defence, international relations and economic well-being. This process is driven by the New Zealand Government's Foreign Intelligence Requirements (FIRs) and all GCSB intelligence production is prioritised according to these FIRs. During the 2007/08 year the GCSB wrote 2206 reports against 139 FIRs.

The GCSB is also responsible for the provision of support to other departments and agencies (particularly the NZDF). The GCSB has continued to focus throughout the year on developing partnerships with key stakeholders to ensure tailored intelligence and information assurance support in meeting their outcomes.

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.

GCSB provides a 24 hour 7 day a week New Zealand SIGINT Operations Centre (NZSOC) which is in direct contact with operational support or command elements of the NZDF and New Zealand Police. The NZSOC notifies customers when information is received that may affect the safety and/or security of New Zealanders and New Zealand entities both at home and overseas.

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

Official Information is Protected

A key requirement for the Bureau is to ensure that official information is appropriately protected through improving the awareness, and hence implementation, of Information Assurance (IA) measures across government to improve the security of electronically held, processed or transmitted official information.

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. This is achieved through provision of a range of IA advisory services, and a formal education and training programme to assist departments to develop, apply and maintain departmental IA governance conforming to national standards.

The Bureau also provides an IA Inspection Programme which aims to deter and detect unauthorised electronic surveillance of New Zealand government premises or equipment, at home or abroad, and Communications Security (COMSEC) material including cryptographic devices and keying material. The number of domestic inspections increased by 12% this year, and the number of overseas inspections increased by 54%.

Demand for the Bureau's IA education and training services remained high in all areas during the year with a reduction in the number of courses conducted but a 30% increase in the total number of students.

Critical National Infrastructure is Protected

The Centre for Critical Infrastructure Protection (CCIP) provides a 24-hour 7-day watch-and-warn service, network investigation and analysis services, and an outreach and training programme. The CCIP assists owners and operators of New Zealand's critical infrastructure in both the public and private sectors to protect their operations from cyber threats.

The CCIP participates in a number of international forums such as the International Watch & Warn forum and the International Electricity Infrastructure Assurance Forum, as well as a number of national Critical Information Infrastructure organisations and forums.

During the year the CCIP reacted to major 10 cyber incidents, 35 compromised accounts incidents and published eleven monthly reports, twenty-five e-Bulletins, twenty advisories and 2,235 alerts.

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).

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, and other financial and performance information.

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 Finance functions. During the year they 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 Compliance

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

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 2008.

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 2008.

Corporate 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.

People Strategy

Work continued during the year on the development of the GCSB People Strategy, which is designed to be flexible enough to allow the Bureau to be responsive to the quickly changing operational environment within which it operates. In the 2007/08 year progress was made on a range of issues, including the development of an organisation-wide competency framework.

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.

Part 3: Financial Reporting

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 2008.



Bruce Ferguson
Director GCSB
25 September 2008



Countersigned by

C B G Carson BCA, CA
Chief Financial Officer
25 September 2008

The total appropriation was \$40.345 million.

The expenditure out-turn on the Vote was \$41.133 million or 1.95% more than the appropriation.

	\$000
Total appropriation.....	\$40.345
Actual Expenditure.....	\$41.133

**AUDIT REPORT
TO THE READERS OF
THE GOVERNMENT COMMUNICATIONS SECURITY BUREAU'S
STATEMENT OF EXPENDITURE AND APPROPRIATION
FOR THE YEAR ENDED 30 JUNE 2008**

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 2008.

Unqualified Opinion

In our opinion the statement of the Bureau on page 13 fairly reflects the actual expenses and capital expenditure against the Bureau's appropriation for the year ended 30 June 2008.

The audit was completed on 25 September 2008, 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 financial statements. 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 financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Chief Executive;

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

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 year against the Bureau's appropriation for that financial year. The Chief Executive's responsibilities arise from section 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 is 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

Matters Relating to the Electronic Presentation of the Audited Statement of Expenditure and Appropriation

This audit report relates to the statement of expenditure and appropriation of the Government Communications Security Bureau (the Bureau) for the year ended 30 June 2008 included on the Bureau's website. The Bureau's Chief Executive is responsible for the maintenance and integrity of the Bureau's website. We have not been engaged to report on the integrity of the Bureau's website. We accept no responsibility for any changes that may have occurred to the statement of expenditure and appropriation since it was initially presented on the website.

The audit report refers only to the statement of expenditure and appropriation named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the statement of expenditure and appropriation. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited statement of expenditure and appropriation as well as the related audit report dated 25 September 2008 to confirm the information included in the audited statement of expenditure and appropriation presented on this website.

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



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