

# 09 Annual Report



**Government Communications Security Bureau**  
for the year ended 30 June 2009

GCSB Annual Report  
for the Year Ended 30 June 2009

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

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New Zealand Government

**Mastery of  
Cyberspace for the  
Security of  
New Zealand**

# Director's Overview



New Zealand's security environment over this last year has changed significantly, becoming increasingly more complex and unpredictable. The prime focus for the Bureau remains the development and maintenance of a technological capability that is flexible, responsive and above all relevant. The investment required to achieve this is significant, and the financial constraints placed upon the Bureau over this last year have only made the challenges more daunting.

During this period the Bureau continued to provide unique intelligence creating a decision-making advantage for the New Zealand Government, bringing a wide range of skills, products and services to bear on this goal.

Great benefit also continued to be obtained from the Bureau's international partnerships. The Bureau continues to place a high priority on the maintenance and enhancement of its membership of the international intelligence and security community. By leveraging these relationships, proactively engaging with customers and honing its organisational capability, the Bureau is still well positioned to provide optimum value for New Zealand's intelligence and security investment.

The progress outlined in this report indicates that the GCSB has managed the changing environment well, and continues to make high value contributions to New Zealand's national security.

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.

Sir Bruce Ferguson  
Director

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# Statement of Purpose

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## 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
- improving the protection of the critical national infrastructure from cyber threats.

## Outcomes

The Government obtains services from the Bureau which contributes towards the 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
- Improved Economic Performance

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	1. Signals Intelligence			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

# The Year in Review

## Output Class 1: Signals Intelligence

### A Better Informed Government

The GCSB provides foreign intelligence reporting in response to the requirements and priorities of New Zealand government departments and agencies. 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 2008/09 year the GCSB wrote 1747 reports against 154 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.

During the year, the GCSB significantly enhanced its capability by adopting more innovative and cost-effective solutions to address intelligence collection issues. Significant investment occurred in particular at the Bureau's satellite facility at Waihopai.



Figure 2: GCSB Waihopai

### A Government Alerted to Any External Threats

The GCSB continues to provide 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

The GCSB's capabilities in the Information Assurance (IA) area were enhanced during the year in collaboration with our international partners. A particular priority during the year was the ongoing development of the Bureau's computer network defence operations in support of New Zealand Government departments and agencies.

The GCSB also contributes to the protection of the critical national infrastructure from cyber threats through the operations of the Centre for Critical Infrastructure Protection (CCIP). The CCIP provides a 24 hour 7 day watch-and-warn service, network investigation and analysis services, and an outreach and training programme. The CCIP participates in a number of national and international forums.

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 both domestic and overseas inspections increased again this year.

Demand for the Bureau's IA education and training services remained high in all areas during the year. Despite a reduction in the number of courses conducted the total number of students again increased.

### Other Matters

#### 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 assurance of ongoing financial controls and the audit of selected performance and effectiveness issues.

PricewaterhouseCoopers (PWC) is contracted by the Bureau to provide internal audit functions. PWC also conducted six-monthly compliance testing in accordance with the Bureau's internal audit and risk management programme.

The Bureau's Audit Committee, which has been inactive for some time, has been reconstituted with two independent members.

## 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 2009.

## 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 2009.

## 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 2008/09 year significant progress was made on a comprehensive review of the Bureau's remuneration system and associated individual performance management processes.

## 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.

## Operational Capacity – Staffing Numbers

During the year the Bureau experienced a staff turnover of 8.9%. At the end of this reporting period the Bureau had 314 full time equivalent staff.



Figure 3: New GCSB Head Office

### Accommodation

Construction of the new GCSB Head Office building commenced during the year. The building is expected to be ready for occupation in early 2011. In the interim, the Bureau has re-consolidated in the Freyberg Building by occupying two additional floors and relinquishing its lease of two floors in the adjacent St Paul's Square Building.

# 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 2009.



Bruce Ferguson  
Director GCSB  
**29 September 2009**

Countersigned by



C B G Carson BCA, CA  
Chief Financial Officer  
**29 September 2009**

## Statement of Expenditure and Appropriation

**The total appropriation was \$49.368 million.**

The expenditure out-turn on the Vote was \$49.333 million or 0.01% less than the appropriation.

	\$000
Total appropriation.....	\$49.368
Actual Expenditure.....	\$49.333

## Audit Report



### To the readers of the Government Communications Security Bureau's Statement of Expenditure and Appropriation for the year ended 30 June 2009

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. The audit covers the statement of expenditure and appropriation included in the annual report of the Bureau for the year ended 30 June 2009.

### Unqualified Opinion

In our opinion the statement of expenditure and appropriation of the Bureau on page 13 fairly reflects the total of the actual expenses and capital expenditure incurred for the financial year ended 30 June 2009 against the Bureau's appropriation for that financial year.

The audit was completed on 29 September 2009, 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 Director 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 statement of expenditure and appropriation 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 of expenditure and appropriation. 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 of expenditure and appropriation. 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 Director;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all the statement of expenditure and appropriation disclosures are adequate.

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

We evaluated the overall adequacy of the presentation of information in the statement of expenditure and appropriation. We obtained all the information and explanations we required to support our opinion above.

## **Responsibilities of the Director and the Auditor**

The Director is responsible for preparing a statement of expenditure and appropriation that provides a record of the total of the actual expenses and capital expenditure incurred for the financial year ended 30 June 2009 against the Bureau's appropriation for that financial year.

The Director's responsibilities arise from sections 45B and 45E of the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the statement of expenditure and appropriation 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.

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



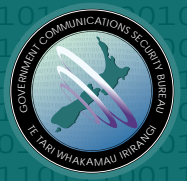
S B Lucy  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand

### 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 Bureau for the year ended 30 June 2009 included on the Bureau's website. The Director of the Bureau 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 and related audit report dated 29 September 2009 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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