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# GCSB ANNUAL REPORT

FOR THE YEAR ENDED  
30 JUNE 2010





# 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 2010.

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

**Sir Bruce Ferguson**

Director

29 October 2010

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

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# TABLE OF CONTENTS

- I : LETTER OF TRANSMITTAL
- 2 : PART ONE: STATEMENT OF PURPOSE
- 3 : PART TWO: THE YEAR IN REVIEW
  - Output Class 1: Signals Intelligence .....3
  - Output Class 2: Information Assurance .....5
  - Other Matters.....6
  - Corporate Capability .....7
- 9 : PART THREE: FINANCIAL REPORTING
  - Statement of Responsibility .....9
  - Statement of Expenditure and Appropriation ..... 10
  - Audit Report..... 11



## DIRECTOR'S OVERVIEW

For GCSB, as for all other Government agencies, the 2009/10 financial year was characterised by efforts to reduce costs, and improve efficiency in an effort to maximise the return on investment for the New Zealand taxpayer.

To this end, the Bureau initiated a number of reviews over the course of the year. Reflecting the cap on staffing levels, a review was initiated into the management structure of the Bureau, with a view to reducing the cost of management overhead and increasing the number of positions in the front line. A review was also conducted of the function of the Tangimoana station, the decisions from which will, following consultation with affected staff, be implemented over the course of the next 18 months. It is anticipated that this will result in significant savings to be re-invested in new business initiatives.

The GCSB continues to enjoy considerable success across the range of its initiatives. The Bureau has begun providing customers with new streams of intelligence, while Information Assurance has made significant progress in protecting Government departments from cyber attack.

I am confident that the GCSB will continue to deliver a range of high quality products and services in support of Government's desired outcomes for the intelligence and security community.



**Sir Bruce Ferguson**

Director

29 October 2010

# PART ONE: 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
- \* improving the protection of the critical national infrastructure from cyber threats.

## OUTCOMES

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

1. Increased National Security
2. Prevention of Terrorism and Major Criminal Activity
3. Increased International Security and Global Order
4. Improved Government Decision Making and Planning
5. 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 Signals Intelligence Reports	1.2 Intelligence Alerts and Warnings	1.3 Signals Intelligence Policy and Warnings	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



# Output Class 1: Signals Intelligence

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### 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 2009/10 year the GCSB wrote 1867 reports against 137 FIRs.

The GCSB is also responsible for the provision of support to other departments and agencies (particularly the New Zealand Defence Force (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.



Figure 2: GCSB Waihopai

## PART TWO: THE YEAR IN REVIEW

### A NATIONAL GEOINT CAPABILITY

Building on earlier steps, GCSB and its NZDF GEOINT partner the Geospatial Intelligence Organisation continued to progress their joint business case to underpin New Zealand's emerging GEOINT capability. Effort focused on three principal areas:

- a. Meeting key New Zealand intelligence needs through production of GEOINT, with an emphasis on Special Security Events such as the 2010 Winter Olympics, which was used to help inform practices to support Rugby World Cup 2011, and on Support to Military Operations, including Afghanistan;
- b. Answering key national intelligence needs through the provision of intelligence from our Allied partners; and
- c. Securing New Zealand's future GEOINT direction with provision of advice by our Allied partners and collective engagement in the broad range of community management groupings.

During the period, GCSB secured Cabinet approval for seed funding for an initial team of analytic and support personnel, together with capital funding for a modest data processing, storage and exploitation system. This will be acquired and commissioned progressively during FY2010/11.

### 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. The 2009/10 year saw a marked increase in the number of travel notices and VIP advisories issued.

### Output Class 2: Information Assurance

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#### OFFICIAL INFORMATION IS PROTECTED

An ongoing priority for GCSB in the current environment is the development of a computer network defence capability 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 Information Assurance (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 inspections increased significantly this year, although international inspections decreased.

Demand for the Bureau's IA education and training services remained high in all areas during the year. The number of information assurance training courses provided to external customers increased this year.

#### CYBER

During FY2009/10 the GCSB developed a Computer Network Operations strategy that will refocus the Bureau as an on-line organisation delivering a range of "effects" for New Zealand.

A key part of this is the protection of New Zealand critical information from cyber intrusion. The GCSB worked collaboratively with the Ministry of Economic Development in the formulation of a major policy paper that is expected to lead to significant enhancements in New Zealand's cybersecurity posture through development of a National Cybersecurity Policy, roll-out of new ICTS standards and implementation frameworks, and the establishment of a National Cyber Security Centre.

## PART TWO: THE YEAR IN REVIEW

### Other Matters

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#### 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.

#### 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 2010.

#### 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 2010.

### Corporate Capability

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#### 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 2009/10 year work began on the implementation of the Bureau's leadership development strategy, and an initial leadership development pool was selected.

#### 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 6.6%. At the end of this reporting period the Bureau had 303.7 full time equivalent staff.

## PART TWO: THE YEAR IN REVIEW

### ACCOMMODATION

Construction of the new GCSB Head Office building continued during the year. The building (to be called Pipitea House on Pipitea) is on schedule for occupation in early 2011.

In February 2010, the Government agreed that the National Assessments Bureau (NAB) and other elements of the Department of Prime Minister and Cabinet would also be located in Pipitea House.

### KNOWLEDGE MANAGEMENT WITHIN THE GCSB

As part of the Knowledge Management Strategy, an Electronic Data Records Management System (eDRMS) has been selected through a competitive process, and the project is moving into a proof of concept phase. Ongoing work continues to ensure that GCSB meets Archives New Zealand standards for the preservation of archival records. As new data repositories come on line, these are being reviewed for compliance with the Public Records Act 2005.



Figure 3: New GCSB Head Office

## PART THREE: FINANCIAL REPORTING

### 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 2010.



**Sir Bruce Ferguson**

Director

29 September 2010



Countersigned by

**C B G Carson BCA, CA**

Chief Financial Officer

29 September 2010

## PART THREE: FINANCIAL REPORTING

### STATEMENT OF EXPENDITURE AND APPROPRIATION

The total appropriation was \$59.142 million.

The expenditure out-turn on the Vote was \$59.091 million or 0.09% less than the appropriation.

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Total Appropriation.....	\$59.142
Actual Expenditure.....	\$59.091



### Audit Report

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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 2010.

#### UNQUALIFIED OPINION

In our opinion the statement of expenditure and appropriation of the Bureau on page 10 fairly reflects the total of the actual expenses and capital expenditure incurred for the financial year ended 30 June 2010 against the Bureau's appropriation for that financial year.

The audit was completed on 29 September 2010, 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.

## PART THREE: FINANCIAL REPORTING

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 2010 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 2010 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 2010 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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