

Annual Report of the Security Information Service (BIS) for 2009

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1 Intelligence activities and intelligence information

1.1 Terrorism

The fight against international terrorism is one of the priorities that the Security Information Service has consistently been paying attention to. The year 2009 was no exception in this respect. The role of the Service is to collect and assess, in cooperation with other Czech security elements, information on potential spreading of Islamic extremism and any potential operations of terrorist groups in the Czech territory, and, in particular, to monitor everything that may pose a threat of preparations or even the execution of a terrorist attack. There will always be sites and places in the territory of the Czech Republic that may be potential targets of terrorists. As the threats are omnipresent and permanent, the Czech Republic cannot afford to underestimate them.

In 2009, the Security Information Service was focusing mainly on factors that could potentially prompt the formation of radical groups in the territory of the Czech Republic. However, no radicalization tendencies were identified among the Czech Muslim community, nor there were any terrorist or terrorism-supporting or -promoting activities. The Czech Muslim community thus continued to maintain its moderate stance.

The Security Information Service was also paying attention to potential risks arising from operations of the Czech Army contingent and the Czech Provincial Reconstruction Team in Afghanistan, but did not come up with any essential information in this regard.

Similarly, the Security Information Service was monitoring reactions and reverberations of major events in the Muslim world or in European Muslim communities among Czech Muslims, with a particular focus on potential problems concerning the coexistence of Czech Muslim and the majority of the Czech society.

The Security Information Service registered some reactions, albeit to a few events only, namely the trial concerning the murder of an Egyptian woman living in Germany, the Swiss referendum on the ban of minarets, or the Israeli “Cast Lead” operation against Hamas guerillas early in 2009.

Muslims all over the world perceived very emotionally the murder of the pregnant Egyptian woman living in Germany, Marwa El Sherbini, who was stabbed by a Russian immigrant, and organized demonstrations to remember the “Head Scarf Martyr”. The Muslim community was also closely watching the subsequent trial with the murderer, being concerned that the verdict might not be adequate, and accepted the ultimate life sentence very positively.

The Swiss referendum on the ban of minarets prompted a negative reaction. Muslims viewed the ban as unfair and reflecting the present state of affairs between them and the traditional European society.

Throughout the year, the Israeli military operation in the Gaza Strip was in the focus of attention of the Muslim community. However, protests against it were fairly moderate, even among Palestinians who were the most concerned.

The ongoing involvement of the Czech Republic in the process of stabilization of Afghanistan is a source of a potential threat of a terrorist attack against Czech citizens and/or interests. This was the reason why the Security Information Service was also monitoring and evaluating a possibility of radicalization of individuals of Afghan or Pakistani descent and their potential connections to terrorist networks controlled from provinces close to the Afghan-Pakistani border, and resulting risks for the Czech Republic. However, the investigations that were carried out did not furnish any evidence suggesting the presence of members of terrorist movements operating in Afghanistan or Pakistan or individuals linked to or sympathizing with them to an extent making such individuals willing and prepared to commit a terrorist act.

1.2 Protection of vital economic interests of the Czech Republic

State-owned property management

In 2009, the Security Information Service continued to focus on phenomena having substantial negative impacts on the management of state-owned property, including strategic enterprises, and energy security of the Czech Republic.

The most significant negative phenomenon is represented by efforts of some business and interest groups acting through lobbyists to influence major decisions concerning the management of state-owned property, in particular granting of public contracts or distribution of government subsidies. Related to the above there was also a strong interest of these groups to influence the legislative process and appointments to key decision-making positions in the state administration system. These activities create potential for leakages of sensitive or classified information, bribery, clientelism and corruption. Due to a number of lawsuits being filed against state authorities and institutions and complaining about their actions (or lack thereof), the government incurs increased costs as it has to deal with resulting disputes.

One of such examples is represented by Lesy ČR; the state-owned forestry company attracted attention of various business, influence or lobbying groups, whose objective was to influence business and staff-related matters of the enterprise. Conflicting interests of some of the groups were manifested in a dispute between Lesy ČR and CE WOOD, a private company whose claims ultimately resulted in an arbitration. Lesy ČR filed an insolvency petition against CE WOOD, which was, however, withdrawn, as the companies reached an agreement under which CE WOOD's property was to be used as a collateral to guarantee an outstanding debt payable to Lesy ČR. In this respect, the Security Information Service registered preparations to siphon financial assets of Lesy ČR off to non-transparent foreign companies, but the plan ultimately did not realize.

The pressure of the business community and lobbyists on state administration authorities was clearly manifested in the case of a public contract the subject matter of which was the remedy of historical, pre-privatization environmental damage, which the Ministry of Finance launched as early as in 2008. In this respect, the lobbyists strove for a preferential treatment for some of the bidders and/or for influencing the price limit of the winning bid in favour of specific bidders. In addition, some companies attempted to influence representatives of relevant state authorities, trying to exclude certain areas from the list of sites that were to be sanitized under the abovementioned public contract, as the exclusion could have been beneficial for their owners under the existing system of guarantees.

As to construction and civil engineering contracts, the bidders often coordinate the prices they offer, the purpose being to create what looks like a seemingly competitive environment and to camouflage the fact the winning bid has already been agreed upon. These practices were manifested most in public tenders of Správa železniční dopravní cesty (Railway Infrastructure Administration), a state-owned company, where some of its employees of which were acting in a non-standard manner and in favour of some construction companies.

Many private gambling companies funnel some of their profits under the pretext of activities benefitting the public to allied foundations or civic associations, and subsequently use the proceeds for purposes other than those stipulated in Act No. 202/1990, on lotteries and similar games of chance. These practices result in a shortage of funding in some areas of public interest. In 2009, the lack of funds was felt mainly in sports; Sazka is expected to surrender a part of its profit to sporting activities, did not do so, using the money to repay the debt for the construction of the multifunctional O2 Arena instead.

The phenomena described above are weakening the state administration system, siphon off funds, and also result in major deformations of the Czech business and competitive environment.

Situation in strategic enterprises with a state-owned stake

As to strategic enterprises, the Security Information Service registered several cases of cost inefficient management due to their managers making wrong decisions, their Supervisory Boards not being active enough, and contract being awarded without an appropriate tender process or in a non-transparent manner. These practices resulted, inter alia, in contracts being potentially assigned to companies with links to the management of the strategic enterprises. The Security Information Service also recorded a case in which the management of an enterprise intentionally misinformed the Supervisory Board, providing it with incomplete or false information, thus impairing and devaluing its oversight duties. Some entrepreneurial and influence groups were attempting to purposely reduce the value of some enterprises earmarked for future privatization. The phenomena outlined above were a threat to the economic stability of the strategic enterprises.

The Security Information Service continued to monitor the situation around the privatization of České aerolinie (ČSA – Czech Airlines), focusing on establishing potential risks connected with each of the potential bidders and transparency of the privatization process. The unfavourable economic situation of the company had a significant share in the failure of the privatization process. The Security Information Service had been issuing warnings concerning the deteriorating economic situation of ČSA, including its causes and impacts, for a long time.

Enterprises partly or fully owned by the state, which have been earmarked or are likely candidates for future privatization, were also in the focus of attention of business, financial and influence groups. The latter were striving for a better and stronger position in the potential future privatization process, often through influencing appointments to management positions or top bodies of the companies. They were therefore better placed to obtain insider information, their objective being to influence intra-company processes or establish business cooperation with these enterprises in order to gain a competitive edge over other parties potentially interested in privatizing the enterprises.

Energy security of the Czech Republic

There were continuing efforts of Russian companies to establish themselves in the Czech energy market, both through supplies of relevant products and through firms owned by companies having their seats in European countries. It is highly likely the complex ownership structure is aimed at camouflaging links to the Russian Federation. These practices may be motivated by efforts to prevent negative perception of the firms due to very close relations between Russian business entities and Russian government structures, which, combined with the Czech Republic's high dependence on energy resources imported from Russia, may prompt concerns about the promotion of Russia's foreign policy interests in the Czech Republic.

Russian companies also have been attempting to set a foothold in Czech refineries. In 2009, they showed interest in a minority stake in Česká rafinérská. There is a risk they may ultimately succeed, the more so due to the fact they can offer lucrative business and financial compensations to existing owners.

Russian companies hold quite a strong position in the Czech nuclear engineering industry, as they have assumed control of some Czech companies manufacturing nuclear power plant equipment in the past.

1.3 Counterintelligence

RF intelligence services

Activities of Russian intelligence services (IS) were, like in previous years, the top priority of the Security Information Service in 2009. The reasons of the dominant focus are very simple. In terms of coverage, intensity, aggressive nature and quantity of operations, the Russian intelligence services have no rivals in the territory of the Czech Republic.

Being a home security institution, the Security Information Service is not in a position allowing it to choose its opponents or to tell them how they should operate. In fact, they choose the Czech Republic as their playground, they select their methods and modus operandi, regardless of the world with its changes and variations, emphasizing their own interests and needs.

The numbers of legalized operatives of Russian intelligence services did not show any major change in 2009. The Russian Federation is working relentlessly to maintain a high level of presence of intelligence officers legalized as diplomats in the Czech Republic. There has been an increase of intelligence capacities and intensity of intelligence operations in the Czech Republic, particularly in the field of research and development and in economy (including the power generation and distribution industry).

The Russians do not hesitate to press hard when trying to place their intelligence officers posing as diplomats accredited in the Czech Republic. They pursue the aggressive line in spite of the fact that the numbers of Czech intelligence officers in diplomatic positions of the Czech mission in Russia and those of their Russian counterparts in the Czech Republic are traditionally out of any proportion – naturally in favour of the Russian Federation.

In the past, activities of Russian intelligence services were by no means limited to those of the abovementioned legal residents. In the opinion of the Security Information Service, Russian intelligence services have in some cases smoothly picked up where their Soviet predecessors left off.

In general, activities of intelligence services of the Russian Federation can be viewed as being quite intensive and often contradictory, some of them even hostile, to interests of the Czech Republic. This fact contradicts the words of Russian President Medvedev: *“As to the more active nature of operations of our [Russian] special services the way I see it, I can say the relations between us [Russia and the Czech Republic] are very good and friendly. Our [Russian] newspapers do not publish any articles stating that Czech intelligence services have stepped up their activities in the territory of the Russian Federation. There is no such threat here. I think that what is presently being discussed in the Czech media is a product of conspiratorial theories, which date back to the Cold War and our previous relations and which we must get rid off.”* The Security Information Service views Medvedev’s reaction as a comment of a statesman well aware of the issue – in fact, we could not have expected anything else.

In 2009, the Security Information Service saw an increased level of intensity of operations of Russian diplomatic personnel and security services targeting the community of Russian expatriates living in the Czech Republic. The Russians have deployed various tools of influence. However, a part of the Russian community does not feel any need whatsoever to be a centrally controlled tool of the Russian state administration, even though such an attitude may bring some “discomfort” to its organizations.

As to political intelligence, Russian intelligence operatives were, as usual, active in establishing contacts with Czech politicians; however, they did so, at least in some cases, in a more discreet manner compared to 2008. Obviously, the Czech EU presidency resulted in a higher intensity of operations and an increased number of Russian intelligence officers operating in the Czech Republic.

In 2009, the Security Information Service also registered stepped-up Russian activities in the field of Czech-Russian scientific and research cooperation. Such projects are *per se* quite legitimate and beneficial. However, given there are Russian intelligence officers under diplomatic cover preparing and coordinating the projects, one can question the Russians' open and sincere approach to the cooperation. As a matter of fact, there is no doubt that Czech and Russian scientists and researchers are competent enough to do without the assistance of the "diplomats".

As to active measures in 2009, Russian efforts were targeting the Russian expatriate community in the Czech Republic and in particular selected segments of the Czech society: academic or intellectual elites and future elites (students). Russian entities operating in the Czech Republic have launched a number of initiatives in the field of cooperation and support of Russian language training, promotion of Russian culture, or cooperation in social sciences. It is necessary to state once again that these activities or pro-Russian public relations are fully legitimate. However, the participation of Russian intelligence officers or collaborators of Russian intelligence services casts doubt upon the purity of Russian intentions.

The Security Information Service does not interfere with international academic or cultural cooperation in any way. It is interested in Russian intelligence operatives, not Czech or Russian students and academicians. Czech science and research have permanently been in the focus of attention of foreign, and not only Russian, intelligence services. Consequently, there is a risk that the cooperation, which would otherwise be quite innocent, might develop, without any apparent changes of its form or format, into cooperation with a foreign intelligence service.

1.4 Extremism

Dissemination of extremist ideologies and support of movements based thereon pose a threat to the security of the state and its citizens. The Security Information Service focuses primarily on groups promoting an extremist ideology, whose goal is to implement it or at least garner public support for it.

Radical and extremist opinions, no matter whether from the right-wing or left-wing parts of the political spectrum, constitute an integral component of the range of views of a democratic society. However, we cannot tolerate tangible activities based on such opinions, which threaten essential values of the democratic system.

Most of the people harbouring or advocating views, opinions and ideologies hostile to the democratic systems are fully aware that their overt promotion constitutes a violation of the law and will not win support of a majority of the democratic society. Thus, save for a few exceptions, the groups of people advocating extremist ideologies attempt to win power legally, i.e. by establishing themselves in the political scene. When speaking or appearing in public, their representatives then exercise utmost care not to break the law and to operate strictly within legal limits. In some cases, they even publicly dissociate from extremist ideologies. Acting in the manner described above makes the groups eligible for official registration as civic associations, political parties or movements, or allows them to infiltrate into existing entities.

While official or public activities of these groups have so far been within (or on the edge of) legal limits, their private meetings and events clearly show their true objectives and intentions. They are anti-constitutional and anti-democratic, however, seemingly acceptable and unobjectionable articles of associations or political programs notwithstanding. These are the activities the Security Information Service has been monitoring as part of its lawful responsibilities, and keeping relevant authorities informed on related risks for the Czech Republic.

Neo-Nazi scene

In 2009, the Neo-Nazi scene continued to see the changes which were obvious even the year before. There were still networks of unofficial local groupings of Národní odpor (NO – National Resistance) and Autonomní nacionalisté (AN – Autonomous Nationalists). However, there was also a strengthening of the position of a registered political party - Dělnická strana (DS – Workers' Party), through which the Czech Neo-Nazis have been attempting to become a standard political entity offering alternative solutions of various problems.

Early in 2009, activities of the abovementioned party were rather cautious and self-restrained as a result of a first proposal of the Czech Government to dissolve the Workers' Party. Still, the party established Dělnická mládež (Workers' Youth), a civic association of its young supporters. The rejection of the first proposal of the Czech Government to dissolve the Workers' Party by the Supreme Administrative Court increased the confidence of right-wing extremists and spurred them to step up their activities. The number of public appearances of the Workers' Party started growing again.

The Workers' Party thus gradually became the most significant and most publicized extreme wing entity. This helped its become relatively popular and achieve a certain success in the election to the European Parliament, namely getting over a one-percent threshold and thus being entitled to a government contribution to election costs.

In the second half of the year, activities of the Workers' Party were focusing mainly on preparations for the second premature election to the House of Deputies of the Parliament of the Czech Republic. The party leaders were trying to establish closer cooperation with other extreme right-wing political parties; for example, lists of candidates of the Workers' Party contained some names of ex-members of the Republican Party.

In addition to organizing a number of its own events, the Workers' Party also lent its name to shield some events organized by nationalists of NO or AN. Due to the close cooperation and personal links between of these entities, it was sometimes very difficult to distinguish a "standard pre-election meeting" of a political party from a "Neo-Nazi demonstration".

Following the cancellation of the premature election, which was supposed to take place in the autumn of 2009, the principal issue for the Workers' Party was an introduction of legal proceedings taken by the government aiming at its dissolution, which was submitted to the Supreme Administrative Court in September 2009. Although the party leadership was preparing their own defence, its members were also putting together a contingency plan, namely to carry on with political activities as another political party and under a different name, one of the options being Dělnická strana sociální spravedlnosti (DSSS – Workers' Party of Social Justice).

Národní odpor (NO – National Resistance) continued to be the most important unregistered Neo-Nazi group. However, some of its prominent activists gave more time to political activities within the Workers' Party. NO members participated in organizing several public events, but these were presented as those of the Workers' Party in quite a few cases. As to its own activities, the National Resistance was trying to address and attract nationalist youth, so in addition to peaceful demonstrations it also organized various provocative to confrontational events and concerts of nationalist bands

Autonomní nacionalisté (AN – Autonomous Nationalists) were working toward an increasingly important position in the Czech Neo-Nazi scene. Compared to the National Resistance, their organization is younger and in a way more modern; this means their ideological opinions and attitudes are more appealing for the new generation of right-wing extremists. Consequently, it may be possible they will become the most important group of the Neo-Nazi scene, taking it over from the National Resistance.

In the second half of 2009, activities on the Neo-Nazi scene were substantially affected by police operations during which several Neo-Nazis, including individuals suspected of committing the act of arson in Vítkov, were arrested and later charged.

Reacting to the steps of the police, right-wing extremists organized various activities in support of their imprisoned comrades. Mainly AN and NO activists, who organized a number of spontaneous demonstrations in protest were involved. The Workers' Party, acting as a legal umbrella, was initially rather restrained and passive, which may have prompted some Neo-Nazis to form various initiatives posing, at least outwardly, as non-extremist entities. Some of them were offering legal advice, others organized actions in support of the arrested individuals. In the end of the year, the Workers' Party too started helping the imprisoned extremists.

The police actions mentioned above also helped put a clamp on events with musical productions. While the first half of the year still saw right-wing extremists organizing minor gigs for small audiences, the number of these events dropped to a minimum in the second half of 2009. These growing concerns prompted by problems with organizing and attending the concerts made events organized by Czech promoters for Czech visitors outside the Czech territory, especially in Poland and Slovakia, increasingly popular, and the trend can be expected to continue.

In 2009, the Neo-Nazi movement also manifested its increased radicalism on several occasions, reflected in its members' willingness to confront not only militant Anti-Fascists, but also representatives of state power. As to verbal manifestations, there were more or less speculative and unfounded rumours mentioning attacks against public authorities, such as politicians, public prosecutors etc. In fact, there were real physical attacks against left-wing extremist opponents (like before), but also against policemen intervening at various right-wing extremist events.

Extreme nationalist scene

Compared to the Neo-Nazi part of the extreme right-wing segment of the political spectrum, the nationalists are much smaller in number and their opinions have been very divided for quite a long time. Just like in the past, they participated in activities of a few marginal political parties, civic associations or initiatives. Save for a few exceptions, activities of the nationalists failed to attract any attention of media or the general public. Moreover, even activities of the nationalist entities that used to be somewhat active in the past were ebbing. This is why the extreme nationalist scene, including

Národní strana (NS - National Party) and Sdružení pro republiku – Republikánská strana Československa (SPR-RSČ – Association for the Republic – Republican Party of Czechoslovakia), which used to be among the most prominent groups in the past, was, from the security viewpoint, utterly irrelevant.

Anarcho-autonomous movement

While activities of Czech anarchists and autonomists were not too significant, there was a certain quantitative and qualitative shift compared to 2008. Some events made them also temporarily united, and revived their activities.

For quite a long time, the movement has been struggling with two vital problems; lack of proactive and organizationally capable individuals, and lack of topics that could rally supporters. These are the reasons why anarcho-autonomists started looking for new issues that would be able to mobilize their followers and address a broader spectrum of sympathizers. Some of them even showed signs of a renewed interest in traditional anarchist ideas. Furthermore, the year 2009 saw a rise of a new generation of young anarchists and autonomists, mainly from among individuals engaged in the squat movement, who were making more public appearances.

The fight against supporters of extreme right-wing movements, consisting both in monitoring right-wing extremists and publishing the results on the Internet, and in direct physical attacks on occasions of various extreme right-wing public events in large cities, continued to be the principal mobilization issue of the anarcho-autonomists.

In the second half of the year, the anarcho-autonomists made themselves more visible in connection with activities in support of squatting, which followed after a police action against squatters living in Villa Milada. The eviction of the last functional Czech squat had a major impact on developments taking place in the anarcho-autonomous scene, as it resulted in a temporary unification and activation of supporters of various alternative lifestyles, as well as an increase of the number of their sympathizers. It also made the Czech squatters more visible all over Europe and, last but not least, it was an impetus of a refocusing of the Czech anarcho-autonomists back to the fight against the capitalist systems and government repressions.

Marxist-Leninist groups

Activities of Marxists-Leninists were roughly at the same level as in previous years. The young communists' movement, in spite of being fragmented and disunited, is basically the only representative of some importance.

The principal and lasting problem the Marxist-Leninist youth organizations are struggling with is a low number of members and their inability to attract new sympathizers. Moreover, their existing activists are, due to their personal disputes and ideological nuances, divided into several organizations, thus weakening the movement as a whole.

Public events organized by young communists were an exception rather than a rule. Because of their low mobilization potential, the young communists had to rely on cooperation with and participation of other organizations and groups. It was much more efficient for them to present themselves at public events of other parties and organizations, such as the Communist Party of Bohemia and Moravia (KSČM), but also other political or trade union organizations and groups.

When making public appearances, the young Communists addressed topical social issues, paying attention to Israeli operations in the Gaza Strip, stepped-up activities of right-wing extremists or the global economic and financial crisis. Early in 2009, some of the activists in this segment of the political scene also took part in protests against the presence of the US anti-missile radar base in the territory of the Czech Republic. Otherwise, they used mainly their website to present themselves.

The Trockist scene, which is typically fragmented into several very small groups that often share members, attempted to create a united platform. The year 2010 will show whether the attempt will be successful or not.

1.5 Proliferation and handling of military materiel

Preventing the proliferation of weapons of mass destruction (WMD) and their carriers is a long-standing effort of the international community of democratic states. To be able to accomplish this assignment they have established a system of the so-called international control regimes (ICRs), in which the Czech Republic has also been participating for a long time.

The Security Information Service thus focuses on the evaluation of information concerning requirements for and preparations of transactions involving special materials, machinery and technologies, including know-how, which especially Iran, North Korea and Syria, or other countries from which such goods can be re-exported through cover firms, are trying to obtain.

The Security Information Service makes any information on requirements for dual-use goods that can be used to develop and produce WMD available to authorized recipients. In 2009, the information mainly concerned the so-called secondary proliferation, i.e. deliveries of items not falling under international control, which are used as components in controlled equipment and devices assembled abroad. Cover companies are also involved in these transactions.

It was especially Iran that showed interest in special materials or components, as it does not manufacture such goods itself and has to look for them abroad. The Iranian end user did not spare any effort to set up complex arrangements and routes, in which companies from various countries were fulfilling only partial tasks, without knowing the entire chain of supply. Another factor rendering the identification of such routes more difficult was represented by internet enquiries or offers placed by companies the owner/operator of which was difficult, if not impossible, to identify.

The Security Information Service also registered efforts to carry out transactions with dual-use goods on the part of Czech companies that had not been trading with Iran for years because of sanctions imposed by the UN Security Council and the EU Commission.

There also was an ongoing interest in other items, e.g. engines and special components that could be used to manufacture Unmanned Aerial Vehicles (UAVs), represented by middlemen and agents from China, Iran and other countries, with links to the Iranian military program. The information the Security Information Service was able to obtain showed that even there the deliveries had not been routed directly to the risk-posing countries. The ability to identify front companies, i.e. entities used to disguise the actual users, is vital for identifying risky consignments and results in a more efficient implementation of restrictions and requirements of the international control regimes.

In addition to Iran, importers from North Korea, Syria or Pakistan also showed interest in Czech special machinery.

Conventional arms and weapons, military materiel and explosives

The trade in conventional arms, military equipment and explosives is subject to a national control system of hazardous commodities in the Czech Republic. As to foreign trade, the Security Information Service played an active part in permit and license proceedings to minimize risks arising from exports to countries which do not provide sufficient guarantees that they will not use lethal weapons for the purpose of building excessive stocks, for repressions, or re-export them to countries posing a threat or subject to sanctions.

As to the license proceedings, the Security Information Service provided comments concerning specific applications and also drew attention to other potential problems arising from the brokering of and transit or transshipment of goods in transactions involving military equipment or materiel. In particular, the Security Information Service was striving for a strict and consistent application of all obligations arising from international agreements and treaties the Czech Republic has to comply with (e.g. a requirement for additional export terms and conditions in arms export licenses).

Some risk-posing countries of sub-Saharan Africa, Southeast Asia and the Middle East were also trying to obtain, even through re-exports, conventional arms, military equipment and explosives in the Czech Republic. There were no exports to embargoed countries, including China.

The Security Information Service also provided information concerning non-transparent practices of defense companies manufacturing or repairing military equipment for the Czech Armed Forces to appropriate recipients, and also evaluated information concerning selected defense procurement contracts of the Czech Armed Forces.

The Service also dealt with cases of misuse of civilian (industrial) explosives, e.g. in homemade improvised explosive devices. It identified, inter alia, a potential breach of regulations in connection with pyrotechnic products purchased on the Internet and mailed or otherwise delivered to a buyer. For example, consignments containing pyrotechnic products falling into a higher risk category did not contain any safe handling instructions for the forwarder, or the age of the buyer was not properly checked upon delivery.

1.6 Organized crime

Post-Soviet organized crime groups (Russian, Armenian, Ukrainian or Chechen) or groups coming from the Balkans still pose the biggest threat in our territory, their leaders striving, more or less successfully, to establish contacts with representatives of state authorities, local government and police, which they subsequently use to further their interests (priority treatment, overlooking of offences, poor and sloppy enforcement of duties stipulated by the law etc.).

The Security Information Service also established that some representatives of the post-Soviet and Balkan organized crime groups had links to high-ranking members of security forces and government structures in their home countries. It also registered contacts of organized crime groups with Czech state administration officials, particularly for the purpose of legalizing the stay of their members in the territory of the Czech Republic.

The Security Information Service also came across a new piece of information indicating that some of the organized crime groups were using legal entities such as civic associations or public benefit associations to reroute money from companies linked to organized crime away from the tax system, or to launder money. The attraction of the abovementioned legal forms for organized crime is probably due to the fact they can have just a simple accounting system and are seldom, if ever, audited by state authorities.

There is a continuing interest of individuals linked to Czech organized crime structures in state-owned companies, e.g. ČEPRO.

Post-Soviet groups

In March 2009, a prominent representative of a Russian-speaking crime group operating in the Czech Republic was arrested for planning the assassination of a member of a rival gang. The arrest helped calm down the conflict between the two groups, which has been going on for several years; however, both groups maintain their operations in the Czech Republic. The Service later informed that colleagues of the arrested man subsequently had made an unsuccessful attempt to have him illegally released from custody.

For several years, the arrestee had held the position of a so-called *vor v zakone* – an important criminal authority in the structure of Russian organized crime. There were also some attempts to take over the “vacated” position of the principal criminal authority in the Czech Republic. The Security Information Service has not yet registered any disputes that might develop into an open and violent conflict. This is, besides other factors, also due to the fact that some of the groups are fully independent and did not let themselves to be dragged into power disputes even in the past.

The Security Information Service noticed several signals indicating an interest of organized crime to transfer its gambling operations to the Czech Republic. This is basically a reaction to the general ban of gambling, which has been in effect in the Russian Federation since mid-2009. Due to its fairly lenient gambling legislation, the Czech Republic is a suitable destination for such groups. Links of some casinos and gambling houses to organized crime are by no means an exception even now. An influx of and increased competition among companies dealing in gambling could result, for example, in violent conflicts of criminal groups controlling these facilities.

The Security Information Service noted an interest of Georgian nationals with links to organized crime in setting a foothold in the Czech Republic. This may be related to the interest of the Russian underworld in gambling, as groups dealing in gambling in the Russian Federation are often composed of Georgians.

In 2009, the Ukrainian organized crime, which had been seriously weakened in 2007, stepped up its activities again. Its members specialize in parasiting on Ukrainian nationals working in the Czech Republic.

Balkan organized crime

In 2009 there were quite a few small criminal groups with roots in the Balkans operating in the territory of the Czech Republic. They typically deal with the distribution and sales of drugs or forging and changing documents. In the Service's opinion, these groups do not represent a nationwide security threat. Compared to 2008, the Security Information Service did not identify any significant strengthening of the Balkan organized crime.

Groups focusing on influencing government, police and public authorities

There exist informal groups in regions of the Czech Republic, which deal with influencing insolvency proceedings, property auctions, distraintment proceedings and tenders in order to maximize their own or their clients' profits. A method that is often used in this respect consists in undervalued expert opinions and valuations.

These groups are frequently concentrated around ex-policemen, who make use of their previous professional contacts with the police, offices of public attorneys or local government authorities to obtain insider or confidential information. They make use of the resulting information edge for their own benefit or against competitors, both in business and in criminal cases. The influencing of public servants sometimes has signs of pure corruption.

Similarly, police and justice authorities face a considerable pressure from individuals, lobbyist groups and organized crime members attempting to influence, using corruption and clientelist relations. The pressure can make use of personal weaknesses of the individuals it is exercised against, e.g. financial problems or career ambitions.

Some prisons where criminal suspects serve a sentence are rife with corruption and not functioning properly. Using corruption practices, some inmates attempt to obtain various advantages and benefits, in some cases even a release.

The environment existing at some universities is an optimal hotbed for favouritism-based systems of business relations and quid-pro-quo. As a rule, the deal consists in an offer of studies or a diploma in exchange for a benefit in cash or kind, or for a reciprocal service (agreed in advance, tacitly expected, or enforced in future). Apart from the traditional corruption (bribery), there is also a specific corruption-related phenomenon, the so-called clientelism.

The best-known university-related clientelism case occurred at the Faculty of Law of the West Bohemian University in Plzeň (Pilsen). Members of the lecturing staff succeeded in developing a network of relations with members of the police, state administration, local governments, lawyers etc. on an unprecedented scale.

The use of universities for the purpose of a focused and long-term build-up of clientelist links is by no means limited to Faculty of Law in Pilsen; it has also been identified at other universities, albeit to a lower extent.

The Security Information Service had already informed about the corruption and development of clientelist networks at universities in the past.

Regional and national political structures are infiltrated by individuals with a controversial past, their objective being to further their private or business interests. As a rule, the infiltration starts with a substantial sponsoring of a group of candidates and a placement of its leaders in local governments.

1.7 Illegal migration

Both legal and illegal migration to or through the Czech Republic was greatly affected by impacts of the economic crisis. The unemployment hit communities of expatriate workers (especially Mongolians and Vietnamese), most of whom were employed through labour agencies, quite hard.

More and more often, the migration to the Czech Republic involves a legal entry, but the permit is in many cases obtained by illegal actions or under a false pretext. To legalize their stay in the territory of the Czech Republic, foreigners use various arrangements and schemes, including marriages of convenience, purposive claiming paternity or study visas. In addition to Vietnamese nationals, the above methods are often employed by Nigerians, Tunisians, Chinese or Albanians. The study visa method of entry and residence is most frequently employed by nationals of Uzbekistan, Kazakhstan or Kyrgyzstan, who then work, either legally or illegally, in the territory of the Czech Republic. The Vietnamese and Mongolians often use travel documents of someone else, making use of similarity.

The territory of the Czech Republic also serves for transit of some Chechen and Georgian nationals seeking international protection and travelling from Poland. The destination country of these refugees is not the Czech Republic, but Austria and other European countries with more numerous Chechen and Georgian communities. Groups of human traffickers operating in the region of Plzeň (Pilsen) arrange transports of Mongolians to other EU states.

The Praha-Ruzyně Airport is used as a transit point by mainly Syrian refugees travelling to other destination under the auspices of the International Organization for Migration (IOM). In this respect, the Service has not yet come across any problem that would pose a security threat to the Czech Republic.

The interest in the migration to the Czech Republic results in considerable pressure on the staff of Czech embassies and Czech Foreign Police offices, which issue visas and residence permits.

Some embassies in countries where the migrants come from have registered signs of potential dysfunction or attempts to bribe their staff members who issue visas. Generally speaking, efforts to win the favour or preferential treatment of diplomatic staffers persist even if there has been a rotation or exchange of the staff.

The Czech Embassy in Vietnam is a good example. Personal changes that took place there between 2008 and 2009, together with the suspension of long-term visas, helped stabilize the situation. As corruption practices are concerned, however, the problem lies with local staff members, who have so far been unaffected by the personal changes.

The corruption pressure on staff members of Czech Foreign Police offices continued in 2009 as well. Foreigners often use services of Russian- or Ukrainian-speaking middlemen. There are also close links between, for example, staff members of schools who arrange study visas and Czech Foreign Police officers. The “arrangement” of visas is also offered by some ex-member of the Foreign Police, who make use of contacts with their former colleagues.

1.8 Negative phenomena in information and communication systems

As part of its responsibility for investigating negative phenomena occurring in the cyberspace, the Security Information Service was investigating various electronic attacks with an impact on a selected range of protected interests of the Czech Republic, and also collecting and analyzing information on existing and potential threats and risks connected with the operation of strategic information and communication assets.

Being one of the intelligence services of the Czech Republic, which at that time held the presidency of the European Union, the Security Information Service, efficiently assisted by its foreign partners, investigated an electronic attack against information systems of countries attending the G20 summit in Seoul. The attack was based on a distributed malignant code hidden in a specially treated .pdf document attached to a fake e-mail message sent to points of contacts at Finance Ministries of the participating nations. Using a reverse-engineering approach, the electronic attack and the malignant code underwent a comprehensive analysis. In general, it was a sophisticated attempt at electronic espionage based on compromising a single computer, which could have affected a broader IT infrastructure of the attacked organization, if the malignant code had been allowed to proliferate.

As part of its cyberspace protection duties, the Security Information Service is continuously monitoring various websites used for illegal trade in personal data or other sensitive information or serving as a point of contact matching supply of and demand for various forms and tools of electronic attacks etc. A good example is the discussion website “GhostMarket.Net”, which handles offers of and requests for sale or lease of botnets or their parts for launching DDoS (Distributed Denial of Service) electronic attacks or phishing attacks, information on administrator’s accounts of various servers, numbers and security codes (CVV2) of credit cards, lists of e-mail addresses etc. As it is, information on Czech nationals or legal entities resident in the Czech Republic is also traded. The scale of the trade in the various tools and services mentioned above can be illustrated using the offer of malware products. For example, “.su” websites offer the “Dark.Dimension.Bot” malware product designed to create networks of infected computers, the author of which offers customizations reflecting requirements and needs of interested parties. The offer also includes access to a botnet numbering tens of thousands of compromised computers, which has been created using the tool referred to above.

The development and distribution of malignant codes as a whole also underwent significant changes in 2009. Increasingly often, the authors use older malware products, supplementing them with up-to-date techniques and tools permitting information systems to be successfully penetrated. Thus, malware products overwriting critical segments of hard disks, damage crucial files or files important for the user, or carry out other one-off actions culminating in the destruction of the software of the infected system.

Similarly, methods of non-targeted distribution of malignant codes are changing as well; instead of active distribution, with various malignant codes looking for and compromising vulnerable computers, passive techniques are employed, which use various infected files and web applications and are, as a rule, significantly linked to the user’s level of activity.

The Security Information Service is continuously looking for and evaluating potential threats and risks related to the operation of information and communication systems destruction or disabling of which could have a serious impact on the security or economic interests of the Czech Republic. These include, in particular, systems of public administration authorities and institutions and other legal entities, including private ones that need a higher level of protection due to the importance for, or potential inclusion among, elements of the Czech Republic’s vital infrastructure. Thus, the year 2009 saw, for example, some security aspects of selected e-government systems being audited because of the abovementioned reasons and in cooperation with relevant authorities.

2 Protection of classified information and security clearance proceedings

As to the protection of classified information, the Security Information Service performed the tasks stipulated in Act No. 412/2005 Coll., on the protection of classified information and security capacity, as amended.

The Security Information Service is involved in security clearance proceedings together with the National Security Office, other intelligence services of the Czech Republic, government authorities and other relevant organizations. In this respect, it also maintains close international cooperation with partner intelligence services it is allowed to collaborate with pursuant to a government resolution.

In 2009, the Security Information Service participated, upon request of the National Security Office, in security proceedings concerning the issuance or cancellation of security clearance or security capability certificates of natural persons and business entities. Insofar as the latter are concerned, the security check performed by the Security Information Service upon request of the National Security Office also includes an investigation into any changes of the business entity being checked.

In 2008, the Security Information Service received 374 new requests to carry out investigations in the framework of security proceedings concerning the issuance or cancellation of "Secret" and "Top Secret" security clearances of natural persons from the National Security Office, and completed 326 such investigations. As to business entities, the Service received 28 requests and completed 19 investigations. As to verifications of security capacity of natural persons, the Service received 91 requests from the National Security Office and completed 83 investigations. In addition, the Security Information Service, acting upon requests from the National Security Office, checked 5,065 natural persons and 794 business entities using information from its databases.

3 Reporting and tasking

The tasks the President and the government give to the Security Information Service are consistent and compliant with legal competencies of the Service.

In addition to direct tasking, the Security Information Service also performs routine tasks stipulated by the law. If it comes across facts or circumstances requiring an immediate action, the Service provides its findings to the authority or institution that is legally competent to take the action or decision within its jurisdiction. The Service also submits regular reports on the overall intelligence situation in the territory of the Czech Republic to authorized recipients. The classified Annual Activity Report contains a summary and description of the most important findings established in the calendar year under review.

In 2009, the Security Information Service submitted more than 750 documents to the President and members of the government. Additional information was sent to relevant government authorities, Police of the Czech Republic, Office for Foreign Relations and Information and Military Intelligence Service (more than 360).

If asked by relevant authorities, the Security Information Service can also provide its opinion with respect to applications for the Czech citizenship, diplomatic entry visas, permanent residence in the territory of the Czech Republic, refugee status etc. The Service prepared almost 1,100 such statements last year. In addition, the Service processed almost 2,000 requests pertaining to license proceedings concerning the foreign trade in military equipment and materiel and dual-use products.

As to visa granting, the Security Information Service cooperates with the Directorate of Foreign Police and other Czech intelligence services; according to a resolution of the government, the Security Information Service is a guarantor responsible for all intelligence services in this respect.

In 2009, the Security Information Service was performing tasks falling into its legal jurisdiction either independently, or in cooperation with other intelligence services and relevant ministries. In addition, it also answered specific questions of the Prime Minister and individual ministers of the Czech government.

4 Cooperation with Czech intelligence services and other government bodies and authorities

Within its legal jurisdiction, the Security Information Service maintains close and intensive cooperation with other relevant state authorities, in particular Czech intelligence services and the Police of the Czech Republic.

The cooperation focuses particularly on international terrorism, extremism, illegal migration and organized crime, proliferation of weapons of mass destruction and their carriers, trade in weapons and arms, and operations of foreign intelligence services.

Cooperation with the Office for Foreign Relations and Information

In addition to routine day-to-day exchange of information, particularly on international terrorism, illegal migration, proliferation of weapons of mass destruction and their carriers, trade in weapons and arms, extremism and operations of foreign intelligence services, mutual discussions and professional consultations were held as necessary.

Cooperation with the Military Intelligence Service

In 2009, the exchange of information between the Security Information Service and the Military Intelligence Service was focusing mainly on activities of foreign intelligence services in our territory. The two services also continued to exchange information on extremism, terrorism, proliferation, and trade in military equipment and materiel. Their cooperation resulted in a number of specific intelligence measures.

Another major area of cooperation was represented by mutual consultations on essential intelligence issues.

The cooperation with the Military Intelligence Service is not limited to the exchange of intelligence, but also covers technical assets and logistics.

Cooperation with the Police of the Czech Republic

The cooperation between the Security Information Service and the Police of the Czech Republic is very broad and covers all areas that the former is active in, but in particular organized crime, illegal migration, vital economic interests of the Czech Republic and extremism.

As to the protection of vital economic interests of the Czech Republic, there were several meetings where relevant information, mainly on privatization and management of state-owned property and national energy security of the Czech Republic, was exchanged.

There is also good and mutually beneficial cooperation in the field of illegal trade in arms and military equipment.

A very important segment of the cooperation between the Security Information Service and the Police of the Czech Republic is extremism, especially with a view to maintaining of public order during events organized by extremists.

Cooperation with other organizations and authorities

The Security Information Service cooperates with a number of other organizations and units, in practically all areas it is allowed to do so according to the legislation it is governed by.

As to education and training, the Service continues to cooperate with the Unit for the Protection of Constitutional Representatives of the VIP Protection Service and the Presidential Protection Detail. Within this project, the Service's personnel also provide methodological and training assistance to members of the Czech Armed Forces in the Military Training Area of Libavá, which focuses on specific skills needed in deployed missions.

There is an increasing interest of universities in cooperation with the Security Information Service. Based on an agreement with the Police Academy of the Czech Republic, MA-level studies of the subject "Intelligence Services" started at the Academy in 2006; the whole program is delivered by

lecturers provided by the Service. The cooperation with the University of Defense and the Masaryk University, both located in Brno has been developing quite successfully as well.

The Security Information Service also maintained cooperation on specific issues, including information exchange, with other government authorities and institutions, including the State Office for Nuclear Safety, Czech Statistical Office, Czech Mining Office, National Security Office, Ministry of Interior (Department of Asylum and Immigration Policy), General Directorate of Customs etc.

There is a significant need for cooperation at the international level, as well as for efficient cooperation among state authorities, private legal entities and the academic community at the national level, in the field of the protection of information and communication systems.

5 Cooperation with foreign intelligence services

5.1 Bilateral cooperation

In 2009 the exchange of information with partner intelligence services was focusing on terrorism. A great deal of attention was paid to counter-espionage as well. Other important areas of ongoing cooperation include proliferation, extremism, organized crime and security clearance procedures. The importance of the protection of information technologies and critical elements of infrastructure has also been growing in recent years.

As to bilateral cooperation, the most intensive exchange of information was with the Euro-Atlantic countries. In 2009, the intensive cooperation, mainly with neighbouring countries, consisted not only in meetings of experts in specific fields, where it has been traditionally very good and open (terrorism, extremism, organized crime), but was also developing in areas where cooperation with foreign intelligence services had not been until those days established. Thus the Service was cooperating, for example, with Slovak partner organizations in the fields of education, economy, logistic support, internal audit etc.

In 2009, the President and Vice President of the United States visited the Czech Republic, and these visits necessitated frequent preparatory meetings with the Central Intelligence Agency and the Federal Bureau of Investigation. The Service's officers were actively participating in security arrangements of both visits.

5.2 Multilateral cooperation

Counter Terrorist Group

During the Czech Republic's presidency of the EU Council in the first half of 2009, the Security Information Service chaired the Counter Terrorist Group, which is a special body of EU security services, the mission of which is to combat terrorism. In the second half of the year, the Service, together with Sweden and Spain, was one of the members of the Troika (which includes the previous, current and future presidency countries).

During chairing the Counter Terrorist Group there was held a top level conference (directors of intelligence services) as well as several expert sessions in Prague. These meetings were preceded by meticulous and demanding preparations requiring full efforts and support of all the Service's departments, done, however, with maximum cost-efficiency.

For six months the Security Information Service did not perform only the role of a moderator of the discussions, but was introducing its own knowledge and priorities into multilateral debates as well. During the Czech Republic's presidency, the Service's duties were not limited only to organizational arrangements and very extensive administration of the Group, but also covered, first and foremost, with the contents of the Group's mission. The Security Information Service was thus in a position in which it motivated partner services to join discussions, drew conclusions from these discussions, and was trying to implement them in practice. The entire period was characterized by a spirit of detailed oversight over professional development of the Group's agenda and strategic affairs. The Security Information Service took part in a number of meetings of experts, including the one on the Group's work program, which the chairing service always attends. The Service was also administering strategic issues which have a direct impact on relations with external partners of the Group.

Foreign partners evaluated the whole organization and course of the meetings and other activities linked to our presidency as high-level and very professional. The contents of the Group's conferences and adopted conclusions were assessed positively as well. The Service gained important international experience and contacts exploitable in its further work. It confirmed its position of an active and qualified partner among the Group's services.

NATO Special Committee (SC)

Just like in the previous year, the agenda of the NATO Special Committee (SC) was focusing on terrorism, counter-espionage and energy security.

The Security Information Service was actively involved in discussion on improvements of the Committee's work, and also contributed to the final version of the 2010 Working Program of the Special Committee.

The Security Information Service, as the representative and guarantor acting on behalf of the entire Czech intelligence community, continued to coordinate cooperation with the Special Committee and other intelligence services at the national level. There is a very close cooperation especially with the Military Intelligence Service. Delegates of the national services took part in meetings of working groups and also in the plenary session of the Special Committee.

6 Internal security

As to physical security, the Service's activities focused mainly on improvements of systems of technical protection and physical security of facilities for the purpose of protecting classified information in accordance with requirements stipulated in Act No. 412/2005 Coll. and Ordinance of the National Security Office No. 528/2005 Coll. In addition, mandatory technical documents pertaining to security of building and facilities have been updated. The year 2009 saw a continuing development and audits of technical and organizational measures concerning the handling, processing, use and storage of classified information.

Regular training and educational courses on crisis management, protection of classified information, physical security and security of information systems were taking place throughout the year.

As to the information system, the emphasis was placed mainly on preventive measures, secure operation and compliance with security policies applying to information systems. Improvements of information technologies take place on an ongoing basis.

The changes to increase the capacity of the information system were carried out with a particular view to the security of classified information being processed by the system.

7 Oversight, audit and inspection

7.1 External oversight

According to Section 12 of Act No. 153/1994 Coll., activities of the Security Information Service are supervised by the Government and the Parliament of the Czech Republic.

The oversight exercised by the Government is based on the Government's right and entitlement to task the Service within the latter's legal jurisdiction and to evaluate how it deals with the tasks assigned to it. Similarly, the control is closely related to the fact that the Government is responsible for activities of the Security Information Service, coordinates them, and appoints and recalls the Service's Director. According to Section 8, Paragraph 1, of Act No. 153/1994 Coll., the Security Information Service is obliged to provide reports on its activities to the President and the Government at least once a year, or whenever the President or the Government ask the Service to do so. The oversight exercised by the Government covers all areas of activities of the Security Information Service.

According to Sections 10 et seq. of Act No. 154/1994 Coll., on the Security Information Service, permissions to use intelligence-gathering assets are granted and the use of the assets supervised by the President of the Senate of the High Court of Justice in Prague.

Act. No. 154/1994 Coll. also stipulates how the Parliament should exercise control over and oversee the activities of the Security Information Service. According to its Section 18, the Security Information Service falls into the purview of the House of Deputies of the Parliament, which has established a special body for this purpose (Permanent Commission for Controlling the Activities of the Security Information Service). The powers and responsibilities of the Commission are stipulated in Sections 19 and 20 of Act No. 154/1994 Coll.

The fulfillment of the Service's tasks in the field of state-owned property management and compliance with budgetary rules is supervised by relevant state authorities, e.g. under Act No. 320/2001 Coll., on financial auditing in public administration and on amendments of some other legal acts (the Financial Auditing Act), as amended, and Act No. 166/1993 Coll., on the Supreme Audit Office, as amended. In 2009, there were altogether 13 audits dealing with, for example, the payment of

social security and employment policy contributions, health insurance premiums, compliance with retirement insurance rules applying to the Service's staff members etc.

In some cases, the auditing institution issued a recommendation to eliminate minor shortfalls it had identified.

7.2 Internal audit

Internal audit activities

The Service's internal audit system is examined and evaluated by the Service's Internal Audit Team. The scope of its powers and responsibilities is set forth in the Organizational Rules of the Service and by an internal regulation. In legal terms, the above documents are based on Act No. 320/2001 Coll., on financial auditing in public administration and on amendments of some other legal acts (the Financial Auditing Act), as amended, and its implementing ordinance (416/2004 Coll.). Some internal financial audits are also carried out by specialized departments of the Service.

Protection of classified information

In 2009, administration security audits were performed in organizational units of the Service, which focused on physical security of classified documents and procedures used to handle classified documents within the unit, maintenance of essential administrative tools (especially minutes of meetings) and maintenance of various records. The audits identified minor deficiencies only, which were rectified during or shortly after the audit.

As to physical security, checks of conditions under which classified information was stored and kept were conducted as part of the process of updating of security projects. Regular functional tests of security elements installed in the Service's buildings and facilities, including storage facilities and components of lock systems, were performed as well.

Checks of compliance with the regimen applying to staff members temporarily unable to perform work duties

According to Section 81 of Act No. 187/2006 Coll., the Health Insurance Act, the Security Information Service has been, as of January 1, 2009, the health insurance authority for its members. According to Section 76 of the same legal act, the health insurance authority, acting through its authorized personnel, performs checks of staff members temporarily unable to perform their work duties to make sure they comply with the regimen they are supposed to observe. In 2009, five such checks were performed.

Activities of the Inspection Department

The activities of the Service's Inspection Department are regulated by the Rules of Internal Governance and an in-house regulation defining the principles of proceedings conducted by members of the Inspection Department as the police body of the Security Information Service.

The Inspection Department's powers and responsibilities cover three principal areas, namely:

- acting as the police body of the Security Information Service, as defined in Section 12, Paragraph 2, of the Code of Criminal Procedure, if a member of the Service is suspected of having perpetrated a criminal offence;
- investigating the Service's members suspected of having committed an administrative infraction or breach of discipline, as well as extraordinary incidents and accidents, according to an in-house regulation;
- handling and investigating complaints, notifications and proposals submitted by members of the Service and individuals and entities outside the Service.

The Inspection Department also handles requests of other law enforcement bodies and authorities (in particular of the Police of the Czech Republic) in accordance with provisions of the Code of Criminal Procedure.

Activities of the Inspection Department as the Service's police body

In 2009, the Inspection Department investigated one member of the Service suspected of having committed a criminal offence. The case was closed in the same year.

Investigation of administrative infractions

This category of activities of the Service's Inspection Department includes mainly traffic accidents involving members of the Service, which are, as a rule, investigated by relevant Czech police bodies. In such cases, the Inspection Department provides supplementary information essential for resolving the matter at hand, which the police cannot obtain themselves.

Compared to 2008, the year 2009 saw a major decline in the number of investigations of suspected disciplinary breaches or behavior suggesting an administrative infraction by members of the Service, including investigations of extraordinary events at the order of the Director of the Security Information Service, which stipulates a standard procedure to be followed if such an extraordinary event occurs.

Investigations of complaints and notifications

In 2009, members of the Service's Inspection Department conducted necessary investigations in matters of complaints, notifications and suggestions submitted by members of the Service and individuals and entities outside the Service. There were altogether 58 submissions, including 54 (93.1 %) notifications and 4 (6.9 %) complaints.

All the complaints were found unjustified, as no breach or violation of generally applicable legislation or internal rules of the Service by any of its members was identified.

Checks performed by the Inspection Department

In 2009, the Director of the Security Information Service ordered a check focused on occupational safety and health at work, which was duly performed.

Cooperation with other government authorities and bodies

In this respect, the Service's Inspection Department cooperates with other government and state administration authorities mainly on requests for information, most frequently submitted by Czech Police bodies involved in criminal or administrative infraction proceedings. In 2009, the Inspection Department handled 21 requests submitted by government and state administration authorities, which represented a significant increase compared to 2008, when 12 requests had been received.

7.3 Legal framework

The activities, status and jurisdiction of the Security Information Service as an intelligence service of a democratic state are stipulated in relevant legal acts, in particular Act No. 153/1994 Coll., on intelligence services of the Czech Republic, as amended, and Act No. 154/1994 Coll., on the Security Information Service, as amended. The work of the Service is also governed by the Constitution of the Czech Republic, Charter of Fundamental Rights and Liberties, international agreements and other legal acts and regulations of the Czech Republic.

According to Section 2 of Act No. 153/1994 Coll., the Security Information Service is a state authority responsible for the acquisition, collection and evaluation of information (hereinafter "provision of information") essential for the protection of the constitutional system, vital economic interests, security and defense of the Czech Republic.

The scope of activities and jurisdiction of the Security Information Service is stipulated in Section 5 of Act No. 153/1994 Coll., according to which the Service provides information concerning:

- any intentions and activities targeted against the democratic system, sovereignty and territorial integrity of the Czech Republic;
- foreign intelligence services;

- activities posing a threat to state and official secrets;
- activities the consequences of which may threaten the security or vital economic interests of the Czech Republic;
- organized crime and terrorism.

According to Section 5, Paragraph 4, of Act No. 153/1994 Coll., the Security Information Service also fulfills other tasks stipulated by a special legal act (e.g. Act No. 412/2005 Coll., on the protection of classified information and security capacity, as amended, or in an international agreement or treaty the Czech Republic is bound by).

Furthermore, Section 7 of Act No. 153/1994 Coll. stipulates that the Czech Government is responsible for, and coordinates, the activities of the Security Information Service. According to Section 8, Paragraph 4, of Act No. 153/1994 Coll., the Government tasks the Service within the latter's legal jurisdiction. The President of the Czech Republic is also entitled to task the Service within its legal jurisdiction, subject to the Government being notified thereof.

To be able to fulfill its assigned tasks, the Security Information Service is entitled to cooperate with other Czech intelligence services. Section 9 of Act No. 153/1994 Coll. stipulates that the cooperation is based on agreements between the intelligence services, which must be approved by the Government.

According to Section 10 of Act No. 153/1994 Coll., any cooperation between the Security Information Service and a foreign intelligence service is subject to the Government's approval and consent.

7.4 Budget

In 2009, the basic framework of the financial management of the Security Information Service, which is one of the chapters of the state budget, was set by Act No. 475/2008 Coll., on the state budget of the Czech Republic for 2009. The revenues and expenditures were set at CZK 123,000,000 and CZK 1,270,363,000, respectively.

The revenue budget amounting to CZK 123,000,000 did not undergo any changes or adjustments during the year. The actual revenues were CZK 151,077,000; contrary to previous years, the budget did not include any allocations from the Reserve Fund. As usual, the largest source of revenues consisted of social insurance premiums and contributions to the government employment policy. Other revenues, including capital ones, were similar to those of other government bodies.

The approved expenditure budget amounting to CZK 1,270,363,000 underwent some adjustments in the form of budgetary measures imposed by the Ministry of Finance, i.e. reduced to CZK 1,249,231,000.

As to out-of-budget resources, the balance on the Reserve Fund account was CZK 15,397,400 as of January 1, 2009. However, based on a resolution of the government, the entire Reserve Fund balance was transferred to the state budget. As of January 1, 2009, the Security Information Service budget chapter also showed a surplus of CZK 60,320,800 due to unspent expenditure allocations. Later during the year, the Ministry of Finance approved the use of CZK 27,700,000 from the abovementioned surplus to fund expenditures, which sum was subsequently spent in full for the purpose of funding needs not provided for in the budget, in particular procurements of technical assets.

All in all, expenditures in 2009 accounted for CZK 1,205,687,630 (including out-of-budget resources), i.e. 96.5 % of the budgeted figure. The allocation was spent almost in full, save for a small part of the payroll/remuneration segment, the reason being vacant positions in the Tables of Organization, especially in the first half of the year.

Being a relatively small and very specific chapter of the state budget, the Security Information Service performs a relatively stable range of activities, and most of its expenditures are thus predetermined and predictable. It is very difficult to perform the activities the Security Information Service is expected to carry out under the law without adequate equipment. This was the reason why

the expenditures in 2009 were prioritized and went mainly to intelligence-gathering, computer and communication systems, i.e. into assets directly supporting the activities of the Service.

A substantial segment of the expenditures is thus directed into technical and material support; in addition to day-to-day operations, this category includes acquisitions of intelligence-gathering, operative, IT, communication and security equipment. However, restrictions imposed during the year made themselves felt, decreasing the level of technical and material expenditures to 84% of those of 2008 and resulting in a reduction of some development projects.

As usual, payroll and mandatory insurance premiums paid by the employer accounted for a lion's share of total expenditures. Service pensions paid to ex-members of the Service under Act No. 361/2003 Coll. can also be included in this category. The amount allocated to the service pensions is gradually growing, as the number of ex-members entitled to them increases.

Other day-to-day expenditures, i.e. purchases of services, fuels and energies needed to maintain the Service operational and often predetermined, accounted for a substantial portion. Maintenance and repair expenditures were spent on ensuring the operability and adequate condition of the Service's property and buildings. Compared to 2008, there was a slight decline of the expenditures.

As to capital investments, more than two fifths of the funds went into construction. In this respect, the completion of a major project significantly augmenting the security of the Service's headquarters site and projects improving technical characteristics and thus reducing operating costs of some building and facilities need to be mentioned. Further investments were made into information and communication technologies, security and intelligence-gathering systems, and basic reproduction of a part of the vehicle pool. There were virtually no investments into other fixed assets.

Requirements concerning the protection of classified information according to Act No. 412/2005 Coll., on the protection of classified information and security capacity, as amended, continued to receive a great deal of attention, particularly in the areas of physical, administration and personal security and security of information and communication systems. The necessity to reflect these requirements across the entire portfolio of the Service's activities results in many expenditures that other government bodies and authorities do not have. Compared to the other organizations, compliance with these extraordinary or non-standard requirements means substantial extra costs for the Service.