

„Annual Report of the Security Information Service (BIS) for 2004“

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1. Word of introduction by BIS Director

Dear Madam, Dear Sir,

Permit me to use this occasion, when the Security Information Service is presenting a report on its activities in 2004, to add my personal greetings. In the introduction to the previous Annual Report, I tried to say a few words about the reasons which prevent us from being absolutely open and specific when providing the public with information. Therefore I will be very glad if this time, too, you will accept a brief comment on several other topics, debated just as much. What I have in mind are concerns that the Service might massively intrude upon citizens' right to privacy, fears that it could be misused, and frequent polemics about the alleged efforts of the Service to acquire new powers and operate without effective oversight.

We are sorry when the suspicions, loudly voiced now and then, that in fact no-one can be sure that he or she is not subject to surveillance by the Security Information Service, fall on breeding ground among a large part of the public and create a misconception that BIS eavesdrops on thousands, or perhaps tens of thousands of citizens. None of these claims is true, and all are very distant from truth. It is to be regretted that we cannot resolutely and once for all cover this distorting mirror, which shows the Service as an unwelcome intruder who can peep in people's living rooms and bedrooms whenever he likes with a picture of real data and figures. Therefore please accept my assurance: whatever your profession, occupation and position, unless you are a spy or a terrorist, unless your actions jeopardize the democratic system, security and strategic economic interests of this country, unless you betray classified information, unless you are in league with organized crime and in contact with people who do not have a clear conscience regarding the above-mentioned matters, you need not fear even the slightest interest of our Service in your person.

All the various polemics and speculations about the misuse of the Service in politics, in the business environment or for the purpose of blackmailing people, call for an unequivocal answer as well. Starting in the early 1990's, when the Service was established, I worked in close contact with all the BIS Directors who preceded me in this function, and throughout this time none of them ever charged me with a task of political nature. In the same way, none of the tasks which the Service has received and is receiving from the Government has ever exceeded the limits of BIS jurisdiction as defined by law. True enough, there are problems with which we grapple from time to time. But in every case they are due to the failure of an individual, never the Service as an institution. I am well aware, of course, that for the public it is very difficult to separate these two levels. But even a pilot, a surgeon or a train driver can fail. Thus if some excess does take place inside BIS, it must be thoroughly investigated, and the punishment must be adequate to the extent of fault.

As concerns various discussions about whether our Service should not be subjected to greater oversight, let me point out that we do not resist oversight and are in favour of its expansion by the decision of the respective parliamentary committee. Whenever doubt arises regarding the procedure and conduct of BIS, we provide the related records and documents, and we will also appreciate if members of parliament inform the public about their verdict.

Everywhere and on every occasion I repeat that we do not need any new powers. We do not want to intrude upon people's privacy without a good reason, we do not want unjustifiably to infringe upon human rights and freedoms. All we need are tools which will make it possible for the Service effectively to react to precarious, crisis situations. Let us say, for instance, that we have reliable information that a bomb has been planted in a department store and is to be set off by means of a mobile phone. In such case we need to make sure that someone quickly reacts and deactivates the mobile phone network in the defined location for two or three hours. Another example: at midnight we receive information from a foreign partner service that a terrorist has been detained in their country who has two Czech telephone numbers in his notebook and says that a bomb is to be detonated in Prague in the morning. Then we need to find out immediately who the numbers belong to and tap the phones, getting the judicial warrant and dealing with the necessary formalities in the next few hours. These are extraordinary situations, in which responsibility for immediate steps can be assumed by the Director of the Service.

Dear Madam, dear Sir, I will be very pleased if, when reading the information about our work in the past year, you will try to look at the activities of the Security Information Services also from the angles which I have tried to outline above.

Jiří L a n g
Director, Security Information Service

2. Intelligence activities and findings

2.1. TERRORISM

Terrorism is a global phenomenon which is currently not confined to a certain region, but can strike practically in any country of the world. Following the events of September 11, 2001 in the United States, combating terrorism on a global scale has become one of the chief priorities of intelligence services.

After the coalition armies entered Iraq, it is obvious that terrorist attacks perpetrated by Islamic radicals threaten above all the USA and its European allies which are involved in the operation of the coalition units and whose personnel is active on the territories of Iraq and Afghanistan, and also Islamic countries which, in the opinion of the Islamic radicals and extremists, support the US policy in the Near East.

The security measures adopted in the Western world after September 11, 2001 have been applied in the Czech Republic as well.

The terrorist organizations are relatively well informed about the security measures introduced in different countries. At present it is not however envisaged that they would be able to launch an attack as sophisticated as the one against the World Trade Center buildings.

Although the Czech Republic ranks among countries which do not have direct experience with a terrorist attack, it actively participates in international cooperation in the struggle against terrorism. In this respect it draws upon foreign experience, especially that made by countries on the territory of which a terrorist attack has actually been perpetrated, or the experience of countries with similar social, economic and political conditions as ours. BIS takes part in the international struggle against terrorism within the limits of its jurisdiction as defined by Act no. 153/1994 Coll., on the Intelligence Services of the Czech Republic.

The results of analyses suggest that there are several reasons why the Czech Republic, too, might become a target of the Islamic terrorists' interest in the future:

- Since 1999, the Czech Republic is a member of NATO, and as such is involved in the Near East region;
- It is highly probable that in the future Europe will face the threat of an influx of experienced mujaheddins who are now lining up and collecting combat experience in Iraq and Afghanistan, where they are fighting against the allied forces. Despite strict security measures, the Czech Republic – due to its geographic situation in the middle of Europe – is being misused by illegal migrants, particularly from the countries of the former Soviet Union but also from the Near East. So far it has been mainly a transit state, but recent experience shows that because of its improving economic conditions it is becoming a target country, too;
- In the future Islamic radical and terrorist groups could try to misuse the Czech Republic as a logistic support base for their activities anywhere in the world;
- There are buildings and facilities in the Czech Republic of the sorts that are globally regarded as potential targets of terrorist attack – specifically the buildings of the Embassies of the United States and Israel, facilities in Jewish or American ownership, facilities used by Israeli and American nationals, and the Radio Free Europe/Radio Liberty (RFE/RL) building in Prague.

In 2004, the security situation in some EU countries deteriorated as a result of increasing manifestations of Islamic extremism. Counteracting the threat of Islamic extremism has therefore become a priority of the anti-terrorist struggle.

In the Czech Republic, the security situation did not change in 2004 comparing with the previous year. So far BIS has not ascertained any facts indicating that the Czech Republic or its interests in the world are directly threatened by a terrorist attack.

In 2004 BIS checked upon several dozens of pieces of information signalling the potentiality of a threat of terrorist attack or possible operation of persons linked with Islamic extremist or terrorist groups on the territory of the Czech Republic. These findings are made not only through BIS

intelligence sources, but also by means of inter-departmental and international exchange of information. After thorough examination, they were evaluated as ungrounded, and did not lead to the confirmation of real threats.

An important factor is the image of the Czech Republic presented by the media in Arab countries. It can be noted that currently the perception of the Czech Republic in this region of the world is positive rather than the opposite. It is influenced predominantly by the charitable nature of Czech participation in international missions in the Muslim world. It is also supported by some economic and diplomatic activities of our country. On the other hand, some of its other activities in the Near East region, such as the presence of Czech policemen in Iraq and Czech soldiers in Afghanistan, may change the Arab view of the Czech Republic.

Potential radicalization of a part of the Muslim community in the Czech Republic would also have an impact on the gravity of the threat of terrorist attack. The local Muslim community is heterogeneous in ethnic terms, and in Europe ranks among the smaller ones. It can nevertheless be expected that due to immigration and the naturally high birth rate among the Muslim population, it will increase in size. Most Czech Muslims live in large cities, the largest number in Prague and Brno. The majority of Czech Muslims do not seek conflicts and live in compliance with Czech laws. At personal level, i.e. as regards neighbourly coexistence, they represent an unproblematic part of Czech society.

Though in their countries of origin, there exists a certain measure of animosity between members of different ethnic and dogmatic groups of the adherents of Islam, e.g. Sunnis and Shiites, in the Czech environment these differences are obliterated and practically no rancour is observable.

Neither do the political events in their homelands meet with any noteworthy response among Czech Muslims. BIS did not register major reaction even to the most important recent events in the Islamic world, such as the intervention of the allied forces in Iraq, the killing of the radical HAMAS leaders Sheikh Ahmed YASSIN and Dr. Abdel Aziz RANTISSI in Israel or the assassination of the former Lebanese Prime Minister Rafik HARIRI. A basically peaceful ceremony was only organized in the centre of Prague on the occasion of the death of the Palestine leader Yasser ARAFAT.

As stated above, at hypothetical level the Czech Republic regards as the most likely targets of a terrorist attack on its territory the RFE/RL building, the Embassies of Israel, United States and other countries participating in the military missions in Iraq or Afghanistan, airports and air traffic facilities. This list of potential targets further includes hotels popular among Israeli and US clientele and other "soft" targets, such as the Prague Metro, railway traffic etc.

The Security and Information Service devotes special attention to the protection of RFE/RL, which broadcasts inter alia to countries with undemocratic regimes in the Near East. From the security point of view, the present location of the RFE/RL building is absolutely inappropriate.

In 2004, as in previous years, BIS checked upon persons suspected of monitoring the RFE/RL building. They were people of Arab origin, seen in the vicinity of the building and behaving in a strange way. Connection with possible preparation of a terrorist attack however was not proved in any of these cases.

Another facility, important from the viewpoint of a potential terrorist attack, is the airport in Prague-Ruzyně. In the course of 2004, several security incidents which can be evaluated as involving a terrorist threat took place in its premises. They included the discovery of suspicious objects, cases when persons passed unnoticed through the airport transit hall – connected with attempts at illegal entry in the Czech Republic; and in one case also an attempt to film the surroundings of the transit hall. BIS checked upon the persons figuring in these incidents, and in no case gathered evidence testifying to their involvement in terrorist activities.

BIS also collects information on potential security threats in connection with major events in the Czech Republic at which large numbers of people gather. Last year they included the Ice Hockey

World Championship in Prague. Through inter-departmental cooperation BIS acquired first information to the effect that a terrorist attack might be planned against SAZKA ARENA (the venue of the championship matches). The persons supposedly involved in the preparations for a terrorist attack were identified and checked upon. The findings suggesting that a terrorist attack was being planned however were not confirmed..

In collaboration with Czech Police, BIS identified and examined the suspicious activities of a person whose activities were evaluated as provision of logistic support to terrorism.

The person in question was identified as Mahmoud MAZHIER, a British investigative journalist. He was found to be collecting materials in the Czech Republic designed to pinpoint the allegedly weak points in the security measures applied in the Czech Republic, and prove the possibility of obtaining faked – or even legitimate – official personal documents which could be abused, for instance by terrorists.

Even though in the end it was not proved that the activities of this person were meant to aid terrorism, in the course of their collaboration the Czech security agencies, including BIS, demonstrated their ability to detect activities representing a security threat because indicating a link to international terrorism.

In the frame of the struggle against terrorism, BIS actively participates in international cooperation, including the operational assessment of security threats which relate to Czech territory but in their ultimate effects may affect other states as well.

In 2004, BIS collaborated with a partner intelligence service in an operation which inter alia thwarted a potential terrorist attack, probably to be perpetrated on EU territory. As a result of this collaboration, a group of persons were exposed and subsequently detained in Spain and charged with membership of a terrorist organization and plotting with the purpose to commit a terrorist attack.

Combating terrorism further involves elimination of activities developed on Czech territory by the intelligence services of states which support terrorism. In 2004 BIS however did not make any relevant findings on a direct threat of a terrorist attack aimed against the interests of the Czech Republic on the part of these services. In the past the intelligence services of Iraq were assessed as the most serious threat, but following the overthrow of the regime of Saddam Hussein, they are no longer active and therefore do not pose a threat to the security of the Czech Republic.

2.2. PROTECTION OF IMPORTANT ECONOMIC INTERESTS OF THE STATE

In keeping with its jurisdiction as defined by law, BIS focused in particular on the management of state property and the privatization of strategic companies in which the Czech Government has a major interest. Furthermore, BIS gathered information on the activities of financial and business groups, especially in connection with their involvement in important Czech companies. BIS monitored phenomena which could undermine the stability of the country's economy, or could possibly endanger the security of the state. In the context of the privatization of the state shares in companies of strategic importance and in connection with the management of state property, BIS collected information about potential danger of destabilization of strategic branches of economy, such as the power industry, the transport and telecommunication infrastructure, as well as information on devaluation of state property, leaks of classified and confidential information, and on corruption. BIS gathered information on cases of malpractices in public purchasing procurement and bankruptcy proceedings. It also collected information regarding financial and business groups as well as individuals who tried to use funds of dubious origin for achieving their own goals, various forms of corruption and clientelism in contact with officials of government institutions, and attempts to conceal the true ownership structures. BIS found out that some entities tried to make use of the shortcomings in legislation to their own benefit, or with the same purpose attempted directly to influence the process of drafting new legislation.

As concerns the privatization of strategic companies with significant state involvement, in 2004 the chief purpose of BIS monitoring of the phenomena accompanying the privatization process

was to acquire information which would make it possible to expose deliberate behaviour which might cause harm to these companies in the future, and information about the course of the public procurement procedures, with the specific aim of detecting non-standard or corrupt behaviour on the part of civil servants.

BIS gathered information which confirms that the process of privatization of strategic and other companies of major importance has some common attributes. Some bidders repeatedly tried to participate in the tenders through third, sometimes rather obscure parties – mostly related (though distantly) companies, or entities set up specifically for this purpose, mainly in off-shore regions. The reasons for such behaviour might have included an effort on the part of the bidders to conceal their opaque ownership structure and obscure origin of their financial resources – and/or possibly an attempt to improve their negotiating position in relation to the Czech Government, by referring to agreements on the protection of investments in the Czech Republic (an argument subsequently used in lawsuits and arbitration proceedings).

Furthermore, BIS made findings to the effect that in the course of the privatization process, certain entities attempted to press home their designs by incorporating them in the provisions of the privatization contracts themselves. BIS also registered an attempt to purchase the state interest in a company to be privatized through an agent acting on behalf of an unidentified foreign entity.

In case of one of the essential privatization projects in 2004 – the sale of the state interest in an important Czech mining company, BIS monitored the risks involved, ensuing from unclear ownership structures, dubious origin of the funds to be used for the purchase, and lack of transparency regarding the way the bidders intended to handle the acquired assets. In the course of the privatization process, BIS identified the threat of public funds being put to unauthorized use, and the danger that the company would not honour its social and environmental commitments towards the state if it acquired the state share. BIS passed the findings made to the relevant addressees as background material for informed decision in this matter.

BIS also gathered information regarding the activities of institutions managing state property and on phenomena which might have a negative impact on effective management of assets in the ownership of the state. It concentrated in particular on finding out whether binding legal regulations were not disregarded or even violated in the management of state property, and on ascertaining the adequacy of the management in terms of its effectiveness.

A number of new tasks arose for BIS in connection with the termination of the activities of some government institutions.

BIS acquired and passed on to the authorized recipients information on the opaque behaviour of some persons responsible for the management of assets in the ownership of the state, and inadmissible attempts of other persons to influence them. BIS also made and passed on a number of findings on leaks of sensitive confidential information, unauthorized handling of assets by trustees, and on instances of conduct which in its ultimate effect resulted or could have resulted in devaluation of state property. Some of these findings concerned individual business cases, their circumstances and negative accompanying phenomena, including the attempts of various entities inadmissibly to influence the course of public competitive tenders and officials with decision-making authority.

BIS also assessed threats represented by unauthorized use of subsidies in the system of disbursement and utilization of EU financing, especially from the Structural Funds. The threats can be seen in the mechanisms of verification of the provided data about the applicants, non-compliance with relevant legislation, in opportunities for corrupt conduct on the part of the responsible officials during the approval and allocation process, unauthorized use of the allocations, and breach of the terms defined in projects.

2.3. COUNTER-INTELLIGENCE ACTIVITIES

In keeping with its jurisdiction as defined by law, BIS gathers and evaluates information about foreign intelligence services operating on the territory of the Czech Republic. In 2004, it focused mainly on the intelligence services of the Russian Federation (hereinafter referred to as Russian IS), as their representation in the Czech Republic is the strongest.

BIS also monitors the activities of the intelligence services of other countries, including e.g. Byelorussia and Iran. In the Czech Republic these services mainly seek to support and further the interests (above all political and economic) of their respective countries.

Iranian services have always been interested in collecting in the Czech Republic strategic economic intelligence and information concerning the nuclear power industry. They also show interest in the acquisition of commodities which are subjected to the strict conditions of international control regimes, particularly goods or technologies usable in the Iranian nuclear and armament industries.

The intelligence services of Byelorussia – a country still ruled by a totalitarian regime – maintain the structure of the former KGB. In other countries, the Czech Republic not excepting, they are interested mainly in Byelorussian opposition organizations and their representatives, and try to monitor their activities.

Russian intelligence officers operating on Czech territory mostly hold diplomatic positions at the Embassy and Consulates of the Russian Federation, which provide them with diplomatic immunity. Their number has always been relatively high. The goal of their work is to gather political, security and economic intelligence. Comparing with the time of totalitarian rule, their methods of espionage are gradually becoming more sophisticated. They even manage to acquire a large amount of information through official channels.

In accordance with the economic policy of the Russian Federation, the Russian IS support the strategic economic interests of their country, which in case of the Czech Republic include mainly preservation of the Russian economic influence in our country, especially in the power industry.

In the course of 2004, a series of re-organizational measures were adopted in the Russian intelligence and security agencies, as a follow-up of the changes implemented in 2003.

Residents of Russian intelligence services in the Czech Republic

Residents of the Russian civilian intelligence service SVR and the military intelligence service GRU are active at the Embassy of the Russian Federation in Prague and the two Russian General Consulates in Brno and Karlovy Vary.

The number of persons identified beyond doubt as Russian intelligence officers among Russian career diplomats in the Czech Republic is unusually high, comparing with the percentage of intelligence officers among the diplomats of other states in our country.

Even the technical and administrative staff of the Russian Embassy in Prague includes several persons linked to or suspected by BIS of being on the payroll of these services.

Apart from SVR and GRU officers, the people who arrive with diplomatic passports to take up posts at Russian diplomatic missions abroad include members of the Russian counter-intelligence service FSB (Federal Security Service), who mainly concentrate on physical protection of the facilities used by the Embassies and Consulates of the Russian Federation.

Goals and methods of work of the Russian intelligence services

In the course of 2004, Russian intelligence officers continued in identifying and cultivating access agents from among people in different positions in the central and local government – at Czech ministries, in the armed forces, municipal authorities etc. This environment offers them opportunities to acquire sensitive information of political, security and economic character.

They use classical information gathering methods, including conspiratorial contacts and networks of official contacts under plausible cover.

Russian intelligence officers mostly fulfil tasks in the economic area. Their role is to create conditions for the Russian Federation to resume and consolidate its economic contacts with the Czech Republic, and identify opportunities for at least to some extent making the Czech Republic once again dependant on Russia. They are tasked to find opportunities on the Czech market for Russian companies of strategic importance with major capital involvement of the Russian state. With this aim

in mind, they sometimes employ devious methods, making use of non-Russian foreign companies with Russian capital in the background.

The current methods of their intelligence work in fulfilling economic tasks further include approaching prominent representatives of the Russian expatriate community permanently resident in the Czech Republic who have business contacts in their homeland. The intention is to start developing business relations through these persons, while the Russian intelligence officers would become the guarantors of such relations and be involved in the conclusion of business contracts.

Changes in Russian intelligence and security services

In the course of 2004, a series of re-organizational measures were adopted in the Russian intelligence and security agencies, deriving from the changes implemented under a presidential decree of March 2003.

The structural changes in the security bodies of the Russian Federation were mainly necessitated by the persisting unstable situation in the Caucasus region and the terrorist attacks of Chechnyan separatists against Russian targets.

The leading position in the security structures of the Russian Federation was assumed by the FSB, whose powers were once again enhanced on the basis of another presidential decree of July 2004. The Service Director and his Deputies were granted the same status and salaries as those enjoyed by officials of Russian government departments.

What can be regarded as the greatest change in the FSB structure is the establishment of a new department within the Service responsible for the protection of constitutional order and struggle against terrorism, called the Administration for the Struggle against International Terrorism, equipped with authority to carry out anti-terrorist actions outside the territory of the Russian Federation.

Intelligence services of North Korea

The intelligence services of North Korea active in the Czech Republic seek to acquire political and economic intelligence and identify opportunities for potential trade in commodities and technologies usable in the North Korean armament industry. Their tasks include promoting the official North Korean ideology, monitoring the activities and contacts of the North Korean community in the Czech Republic, and providing support to North Korean government and trade delegations.

In 2004 just as in previous years, the Democratic People's Republic of Korea showed interest in raising the level and improving the quality of its diplomatic and economic relations with the Czech Republic.

The North Korean community in the Czech Republic is composed, apart from the officials and staff of the North Korean Embassy, of North Korean workers employed in several textile and footwear manufacturing firms, and holders of grants from the Czech Government studying at Czech universities in the frame of the development aid programme.

2.4. EXTREMISM

Similarly to previous years, in 2004 BIS collected, in keeping with its legal remit, information about the intentions and activities of entities designated as "extremist" which might endanger or damage – directly or as a result of their actions – the legitimate interests of the state, i.e. preservation of the constitutional order, sovereignty, territorial integrity and security of the Czech Republic, the rights and freedoms of its citizens, their lives or health.

Last year the Czech extremist scene changed in several respects. Though it has not become radicalized as yet in any significant measure, such development cannot be completely ruled out, considering the designs of some groups.

Right-wing extremism

Clear-cut groups developing independent activities on the right wing of the extremist spectrum included supporters of extreme nationalism, organized in political parties and unincorporated

associations on the one hand, and (officially unorganized) followers of the skinhead movement of more or less pronounced national socialist and neo-Nazi leanings and adherents of the “White Power” doctrine (hereinafter referred to as the neo-Nazi movement) on the other. Though the nationalists outwardly dissociate themselves from radical neo-Nazi or fascist ideology, according to the findings made by BIS the two groups are still quite closely linked, mainly through personal ties.

While in the previous years the protagonists of extreme right-wing nationalism had kept a low profile, restraining themselves in the most radical manifestations of their ideology in the interest of winning better acceptance by the general public, in 2004 they engaged mainly in activities of political nature. Nationalists from several political parties tried to make use of the general elections in 2004 for gaining political influence, and therefore focused their activities in the course of the year on public presentation of their views. Though the statutes and documents published by their respective parties contain neutral formulation which do not constitute criminal liability, their true intentions, attitudes and goals are reflected in the themes on the basis of which they profile their programmes: rejection of the democratic principles (i.e. putting the national principle above the civic one), rejection of equality in the exercise of human and civil rights (i.e. acknowledging only the rights of certain privileged groups), nationalism (used as the argument for rejecting the foreign political orientation of the Czech Republic and for its extrication from international democratic structures), racism, xenophobia and anti-Semitism. Though in the course of the year individual nationalistic groupings organized several public events, at which they tried to present their programme and appeal to voters, in the elections they failed. At the end of the year - in the aftermath of the election failure – they resumed negotiations about the possibilities of their joint action during the 2006 election campaign.

In the neo-Nazi movement, the situation in 2004 was quite opposite. Comparing with its so-called social events, its political activities (rallies, activities in the frame of political parties etc.) were absolutely negligible. While the neo-Nazis continued to scale down their activities with political implication, the number of skinhead concerts and private neo-Nazi parties with music productions increased. Some were connected with ceremonies in commemoration of Nazi leaders or sports contests. Most of the participants in these events increasingly abstain from public manifestations of extremism constituting criminal liability.

The neo-Nazi scene remained decentralized and secretive in 2004. BIS also registered the emergence of several new, smaller groups, which is connected inter alia with generation exchange in the movement.

The widespread use of mobile phones and the internet makes it ever easier for the neo-Nazis to communicate among themselves, promote their views and ideas, but also distribute extremist materials including music recordings. The anonymity of the internet however also contributes to radicalization of the movement. Yet even though last year, too, discussions were registered in the neo-Nazi exchanges on armed struggle against the present democratic regime, which they would like to see replaced with a society based on national socialist ideology, violent acts against the current system did not take place. Whatever violent excesses on the part of followers of the neo-Nazi movement did occur had, at least so far, the character of unorganized, spontaneous acts of individuals, though pre-designed attacks against anti-fascist activists have become more numerous, and their frequency and the intensity of violence have been gradually growing, too.

Left-wing extremism

Due to persisting ideological differences, the left-wing extremist scene was characterized by separate actions of activists belonging to the anarcho-autonomist movement and Marxist-Leninist groups.

The situation in the Czech anarcho-autonomist movement did not change much in 2004. Although the anarcho-autonomists organized several minor traditional events in the course of the year (such as anti-war rallies, May Day celebrations, summer gathering of activists), the movement as a whole is still in crisis, as a result of the passivity of its members. Despite the efforts of some activists in the second half of the year to find ways of changing the dismal situation of the movement, they mostly remained confined to discussions. Neither did the merger of some groups or the emergence of new ones have any noticeable impact on the state of the movement. There are no personalities among the anarcho-autonomists able to unite and activate the fragmented movement. Certain signs of

radicalization were observed in connection with collisions between anti-fascist activists and supporters of the extreme right wing.

Contrary to the persistent abatement of the anarcho-autonomist movement, the cooperation and degree of organization of Czech Marxist-Leninist and Trotskyist groups grew in comparison with the previous years, to a large degree as a result of a change in the focus of the international anti-globalization movement in which these groups are actively involved. While at the turn of the millennia, the movement waged a resolute struggle against globalization and protested only against the activities of its representatives (the World Bank, the International Monetary Fund, NATO etc.), in recent years it has been gradually assuming an active role and concentrating on seeking its own form of globalization, as an alternative to “capitalist globalization” – hence the name “alterglobalistic”, as the movement is sometimes called. As a result of this change, large-scale violent anti-globalistic protests (typical of the 1999 – 2003 period) gradually gave way to more peaceful actions, organized e.g. in the frame of the so-called Social Forums.

Social Forums are today held at different levels – from local to global ones. They serve as places contact and confrontation of people representing a wide gamut of organizations, movements, initiatives and campaigns (from political, trade union and youth organizations to human rights activists, environmentalists and religious or anti-racist groups, and including also extremist organizations) who meet to discuss a better form of globalization. This aim is reflected in the mottos under which they take place: “A different world is possible”, “A different Europe is possible”, “A different Czech Republic is possible”....

The participation of Czech left-wing activists¹ in the 2nd European Social Forum (ESF), which met in Paris at the end of 2003, gave rise at the beginning of 2004 to a Czech initiative which seeks to disseminate the idea of Social Forums in the Czech Republic. Its activities culminated in 2004 by the holding of the first Czech Social Forum, and sending a delegation to the 3rd ESF in London. As in other countries, in the Czech Republic, too, right from the beginning those active in the organization of the Social Forums include representatives of radical left-wing extremist organizations espousing Marxist-Leninist (Trotskyist) ideology and seeking a revolutionary change of the democratic regime in the Czech Republic.

Hence BIS perceives the Social Forums as, among other things, one of the forms of international cooperation of left-wing extremists, as they facilitate the dissemination of extremist attitudes and recruitment of new adherents from among the wide public. Should the left-wing extremist stream prevail in the alter-globalist movement and abuse it for furthering its own aims, the democratic setup of the Czech Republic would be threatened.

2.5. PROLIFERATION AND TRADE IN MILITARY MATERIAL

In accordance with the long-term requirements of the international community, the Czech Republic seeks non-proliferation of weapons of mass destruction (WMD) and their carriers, including monitoring of trade in conventional weapons. The aim is to prevent exports of items, usable in WMD programmes, which are subjected to control regimes or excessive stockpiling of conventional weapons and their illegal sales to countries which represent security threat. Trade in weapons, military material and dual-use commodities and technologies is subject to agreements on international control regimes to which the Czech Republic is a party.

Pursuant to Act no. 153/1994 Coll., BIS acquired, gathered and evaluated in 2004 information about activities the consequences of which might endanger the security or important economic interests of the Czech Republic; and it fulfilled further tasks arising out of international treaties by which the Czech Republic is bound. Violation or circumvention of the international control regimes rank among the priority objects of BIS attention from the viewpoint of security threats. As before, the gravest threat is posed by potential illegal use of military material or dual-use commodities by organized crime or terrorist groups.

¹ Although in general terms the Czech anarcho-autonomists oppose globalization, unlike some of their foreign counterparts they do not participate in the Social Forums project.

2.5.1 Proliferation of weapons of mass destruction and their carriers, including dual-use items and technologies

The long-term non-proliferation efforts of the international community are focused on the non-proliferation of WMDs (nuclear, chemical and biological – including bacteriological and toxin weapons) and their carriers. The need for tightening the control mechanisms imposed on the exports of dual-use commodities and technologies ensues from the fact that some countries continue developing their missile and WMD programmes. In 2004, they included in the first place North Korea, Iran and Syria. These states traded in dual-use commodities, including chemical substances, behind the front of cover businesses, declaring the commodities as intended for civilian use.

Another potential threat was posed, as in previous years, by terrorist attacks with the use of chemical and biological substances the production of which is not demanding in financial and technical terms.

In some respects the problem of proliferation is connected with offers (mostly fraudulent) and possibly also demand for the so-called pseudo-strategic substances and materials, for instance americium, caesium, osmium, strontium, cobalt etc.

As an EU member, the Czech Republic is bound by European legislation which regulates the exports of machines and equipment, materials, technologies and software of dual use. Apart from an exhaustive list of the items subjected to control, it also defines cases when it is possible to apply control to further items not included in the list (application of the so-called catch-all clause), pursuant to Regulation no. 1504/2004 of the Council (EC) relating to cases when there exists a danger of the exports being abused in WMD programmes.

2.5.2. Conventional weapons, military material, ammunition and explosives

One of the major tools of the enforcement of the control regime imposed on trade in conventional weapons is the so-called Code of Conduct of EU member countries when exporting weapons. The Code defines the criteria which EU members must comply with in their export control policy. In 2004, the chief aim was to prevent the exports of military material to countries subjected to arms embargo or other sanctions pursuant to resolutions of the UN Security Council, EU, OSCE and in some respects also ECOWAS.²

The main tool of the international control regime employed in the Czech Republic is Act no. 38/1994 Coll., on foreign trade with military material. In 2004, BIS continued participating in the licensing procedure for foreign trade in military material. In its standpoints on proposals for an amendment of this Act, BIS repeatedly highlighted the need of consistent verification of the information stated in the applications for licence.

In 2004, a total of 130 legal entities in the Czech Republic possessed licences for trading in military material. Through the agency of the Ministry of the Interior, BIS commented upon some applications for licences for exports to problematic countries, in compliance with the criteria of the EU Code on arms exports. In this context, BIS drew attention to the possibility of re-exports of military material to some of these countries.

In the course of 2004, BIS acquired information about the interest of many years' standing in the purchase of the military version of the Czech passive radar VĚRA on the part of China, Vietnam, Pakistan and Egypt. So far the Licensing Administration of the Czech Ministry of Industry and Trade has only granted a licence for the export of this equipment to the USA.

In connection with the negotiations of the Czech Government regarding the withdrawal of the Boeing strategic partner, (the Czech Boeing Co., s.r.o. /Ltd./) from the Aero Vodochody, a.s. (joint-stock company), BIS pointed to the critical financial situation of Aero Vodochody, a.s., threatened with bankruptcy, and the potential consequences for other Czech cooperating companies, namely Technometra Radotín, a.s., Jihlavan, a.s., and Mesit přístroje, spol. s r.o., or ZVI, a.s.

In 2004, BIS drew attention to the attempts of some exporters to circumvent the control regime, but in mutual collaboration the relevant government institutions prevented the materialization

² Economic Community of West-African States.

of exports which would be in conflict with the commitments ensuing for the Czech Republic from the international control regime and thus damage its credit.

Uncompleted legislative measures in the area of foreign trade in military material, its handling on the territory of the Czech Republic, and handling of military and industrial explosives provided room for some non-transparent business cases. They involve e.g. imports or exports of materials declared as civilian, or as intended for industrial use, but in actual fact of military character and subject to Act no. 38/1994 Coll., on foreign trade in military material. In 2004, these disputable and still unresolved cases concerned imports of unbranded plastic explosives and guns.

BIS also examined the activities of foreign entities which had been involved in illicit arms trafficking in the past. In some cases they were linked to individuals and companies which trade in military material legally in the Czech Republic.

In 2004, environment-friendly disposal of redundant army ammunition took place in the Czech Republic. A substantial amount of ammunition of all calibres, secured for the Czech Ministry of Defence on a contractual basis by companies led by Poličské strojírný (engineering works), a.s. was disposed of. To make sure that the project of ecological disposal of ammunition is not conducive to security and economic threats, it is necessary to apply all the control mechanisms to the maximum degree possible.

2.6. ORGANIZED CRIME

Manifestations and acts of organized crime constitute a permanent security threat for states based on democratic systems. Highly organized and hierarchical groups involved in it rely on the weight and force of money, which they use to achieve their chief goal – namely to seize power in whatever form (political, economic etc.) Organized crime knows no limits – neither geographical nor moral. Organized criminals are unscrupulous in the pursuit of their aims, they abuse the openness of the democratic society, try to infiltrate all its spheres and gain influence in them.

The sources of the funds which organized crime uses to assume and consolidate its economic power include practically all types of illicit activities – e.g. traffic in narcotics, weapons, antiques and precious metals, illegal migration, procuring (organizing prostitution), blackmail and extortion, car thefts and others.

BIS therefore penetrates into the topmost strata of organized crime, where “clean” business already prevails over criminal activities – the latter being the domain of the lower tiers of organized crime. The task of BIS thus mainly consists in exposing the goals and intentions of the managerial structures of organized crime and pass the information gathered to the relevant law enforcement bodies. Last but not least, BIS informs the Government about its findings in a generalized form.

In 2004, BIS acquired further information about the activities of some organized crime groups, especially Russian-speaking ones, which operate on Czech territory.

Some of these groups belong to wider supra-national organized crime structures, and are involved in activities comparable to those characteristic of other supra-national criminal corporations, such as sharing infrastructures, spreading business risks, reducing mutual competition struggles, supporting one another in bypassing laws and striving for maximalization of profits.

These criminal groups have a firm hierarchy and currently their chief goal is to assume influence in society and government structures. They gradually extricate themselves from the criminal environment and become established in legal business. While their entrepreneurial activities were traditionally focused on factoring and recovery of receivables with the use of direct physical violence or threat by violence, now they seek to use their influence and corruption potential for infiltrating the economic structures and the public sector in the Czech Republic. Attempts have been observed on the part of these criminal groupings to influence decision-making processes in central public administration and local self-government.

The Russian-speaking groups active in the Czech Republic still maintain contacts in their “hinterland” – countries of the former USSR. They even employ Czech citizens and contact persons from among officials and the staff of tax authorities, law enforcement bodies and the judiciary, who perform special services for them. These services are subsequently used by other criminal or opaque economic entities with ties to the Russian-speaking organized crime structures

2.7. ILLEGAL MIGRATION

Illegal migration ranks among the long-term priority focuses of the Czech Government policy in the area of public order and internal security. Organization of migration and border trespassing (smuggling people across state borders) belong to the most lucrative forms of organized crime.

BIS concerns itself with the issue of illegal migration mainly from the viewpoint of potential involvement of international terrorist groupings and links between migration, international terrorism and the interests of foreign intelligence services.

The development of illegal migration in the Czech Republic has been significantly influenced by the EU enlargement, which has resulted in a marked decline of the number of people who seek asylum in our country. Nevertheless, according to the findings made by BIS the movement of migrants across our territory was actually much more intensive last year than indicated by official statistics.

On the whole illegal migration across Czech territory grew at the beginning of 2004, culminated in April, sharply dropped in May and became stabilized in the final months of the year. According to statistics, nationals of the Russian Federation, China and Ukraine predominated among the illegal migrants.

Statistical data further show that after the Czech Republic joined the EU, illegal Chechnyan migration substantially declined. But according to BIS information, it was only the number of Chechens seeking asylum in our country which decreased, which can be ascribed to the application of the Dublin system of sending asylum seekers back to the country responsible for the asylum proceedings in every specific case. On the basis of an analysis of the data on asylum proceedings in countries neighbouring with the Czech Republic, BIS however arrived at the conclusion that the real movement of Chechnyan refugees across our territory was in actual fact much more intensive after May 2004 than suggested by official statistics.

The increasing discrepancy between the number of cases of illegal migration identified by the police (i.e. statistically documented) and the real extent of illegal migration is probably due to the measures facilitating the free movement of EU citizens on the entire territory of the Union, i.e. the simplification of the border-crossing formalities, reduction of police checks in relation to EU citizens, and abolition of systematic customs checks in transport means crossing the borders by road. BIS assumes that this conclusion applies not only to Chechnyan migration but to migration in general.

Considering its extent and high degree of organization, Chinese illegal migration represents a global phenomenon which the security agencies of neither the target nor the transit states are managing to eliminate. In 2004 this was also true of the Czech Republic, where Chinese migrants accounted for almost 11 % of the total number of detained aliens from other than the neighbouring countries. The Czech Republic nevertheless still remains a transit rather than a target country for the Chinese.

Vietnamese illegal migration, though according to police statistics representing about 3 % of the total number of illegal migrants from other than the neighbouring countries, is problematic because of its association with the numerous Vietnamese community concentrated mainly around the large Vietnamese marketplaces. Therefore the real number of Vietnamese who emigrate to the West by the "mart route" is probably much higher.

Apart from Ukrainian nationals who stay in the Czech Republic legally, as labour force, an increasing number are coming illegally. They include mainly asylum seekers and people who try illegally to cross the Czech borders to the West, above all the FRG and Austria. In 2004, Ukrainians formed the largest group among seekers of asylum in the Czech Republic (after the Chechnyan wave subsided); about 130 applied for asylum monthly. A growing number of Ukrainians apply for asylum with the purpose to legalize their stay in this country and avoid administrative or judicial expulsion.

In the course of 2004, BIS also registered certain other phenomena connected with illegal migration to the Czech Republic. They included failures of security precautions at the airport in Prague-Ruzyně, designed to eliminate illegal migration from Near-East countries or states of the former USSR which represent a security threat. Best known is the case of the Palestinian national Ibrahim ZEID, who arrived in Prague from Istanbul in August 2003 without valid travel documents and after spending half a year in the transit pace (attracting considerable attention of the media), succeeded in acquiring the status of asylum seeker, i.e. legalizing his stay. This case represented inter alia non-observance of international agreements on air transport.

According to the findings made by BIS, another means used for illegal migration were tourist visas granted to their holders on the basis of documents issued by travel bureaus (vouchers and confirmation of booked accommodation). The number of persons who illegally entered the Czech Republic with forged or altered travel documents increased as well.

As concerns asylum procedures, the position of the Czech Republic as a member (inland) country of the enlarged EU essentially changed comparing with the period before May 1, 2004. The overall statistics of asylum seekers were influenced by a high number of Chechnyan applicants in the first four months, and its steep decline in the 2nd half of the year. The interest in asylum on the part of refugees from other countries decreased in 2004, with the decline being spread evenly throughout the year. One of the reasons is the fact that the application of the Dublin system in EU countries makes the Czech Republic uninteresting for the refugees as their prospects of being granted asylum in this country are low.

3. Protection of classified information and security screening

In the area of protection of classified information, BIS fulfilled tasks defined by Act no. 148/1998 Coll., on the protection of classified information and on the amendment of some acts of law.

In conducting the security screening of natural persons and organizations, and examining the security capacity of natural persons, BIS closely cooperates with the National Security Authority (Czech acronym NBÚ), with other Czech intelligence services, government authorities and organizations. In this area, it also closely cooperates with partner services abroad, under a government resolution on international coordination.

In 2004, BIS concentrated on the so-called repeated security screening of natural persons, supplementary applications and verification of changed data relating to already valid clearances of organizations, and verification of the security capacity of natural persons, especially those involved in sensitive activities in the area of foreign trade in military material.

In the course of 2004, BIS received from NBÚ a total of 347 requests for III. and IV.-degree security screening of natural persons and completed the screening in 341 cases. As regards the security screening of organizations, it received from NBÚ 328 requests and completed the screening in 287 cases. Furthermore, it received from NBÚ 21 requests for examining the security capacity of natural persons, and completed the examination in 18 cases. At the same time, in the frame of the security screening BIS made a search in its own records, at NBÚ request, regarding 959 natural persons and 268 organizations.

4. Reporting and tasking

BIS is tasked in compliance with § 8 of Act no. 153/1994 Coll. The tasks with which it is charged by the Government and President correspond with the priorities defined for its activities. They mostly concern fight against terrorism, protection of important economic interests, extremism and organized crime.

Apart from direct assignments, BIS carries out on an ongoing basis tasks defined by law (see the chapter on intelligence activities). If it makes findings which need to be acted upon without delay, it passes them to the relevant bodies or institutions which have the authority to take a decision or action.

During the period in question, BIS passed a series of information both to the President of the Republic and to different members of the Government. It also provided the Ministry of the Interior with a total of 403 background documents for discussion by the Government (regarding e.g. corruption and internal security). Further information was passed to the State Authority for Nuclear Safety, the Czech Mining Office and courts. BIS also shared some intelligence (a total of 211 documents) with the Czech Police, the Office for Foreign Relations and Information (civilian external intelligence service) and the Military Intelligence Service. Information on the “intelligence situation on the

territory of the Czech Republic” was discussed by the Committee for Intelligence Activities, a working body of the Security Council of the State.

At the request of the relevant authorities, BIS comments on applications for Czech citizenship, for diplomatic entry visas, permanent residence permits or refugee status. In 2004 it produced almost 3 000 such commentaries. In almost 1 500 cases BIS commented on applications for licences to trade in military material.

In the visa granting process, BIS cooperates with the Directorate of Aliens’ Registration Service and Border Police as well as other Czech intelligence services, while under a government resolution BIS is the guarantor of the process, acting on behalf of all the intelligence services. A total of 507 162 commentaries on visa applications were produced in 2004.

5. Cooperation with Czech intelligence services and other government

In 2004, BIS closely cooperated with other intelligence services of the Czech Republic and the Czech Police.

The focus of their mutual cooperation in 2004 was on struggle against terrorism. The basic coordinating element was, as in previous years, the “Intelligence Group”, composed of representatives of all Czech intelligence services, the Ministries of Interior and Foreign Affairs, and the Czech Police. The “Intelligence Group” concentrated on comparing and evaluating the information gathered by the member agencies and departments, and proposing further steps concerning the adoption of adequate measures for effective elimination of security threats ensuing from the active participation of the Czech Republic in the operations of the NATO allied forces in the Near East.

Further areas of mutual cooperation included exchange of information on the activities of the intelligence services of foreign powers on Czech territory, extremism, organized crime, illegal migration and protection of important economic interests of the Czech state.

6. Cooperation with the intelligence services of foreign powers

BIS cooperation with the intelligence services of foreign powers is governed by § 10 of Act no. 153/1994 Coll. Last year BIS maintained contacts with 79 services of 49 countries, and regularly shared information with 54 services of 37 countries.

Most active was communication with the services of the neighbouring states and the services of NATO members. In the former case, the reason for cooperation is the logical need of effective cooperation, and in the latter, the chief impetuses were struggle against terrorism, fulfilment of the Czech Republic’s commitments arising out of its EU membership, and integration in international structures.

The principal focuses of the broad international contacts included, apart from terrorism, WMD proliferation, trade in military technologies and conventional weapons, counter-intelligence and illegal migration. In the context of this cooperation, BIS provided its foreign partners with 1 848 reports, received 3 197 communications, and its representatives participated in 448 personal discussions.

In general terms it can be said that cooperation with the intelligence services of foreign powers has been constantly expanding and deepening. Particularly noteworthy is the increased amount of the reports BIS produces for its foreign partners.

MULTILATERAL COOPERATION

Ever since the Czech Republic joined NATO, it has been taking an active part in the activities of the *NATO Special Committee* of which it is a member. The NATO Special Committee advises the North Atlantic Council in matters of civilian security threats. It is composed mainly of civilian

counter-intelligence services of the NATO members, while BIS represents in it the entire Czech intelligence community.

The NATO member countries take turns in the chairmanship of the Special Committee on the basis of the principle of annual rotation (in 2003, this function fell to BIS). The Committee is led by a "Trio" consisting of the head of the service which chairs it in the current year and those who chaired it in the preceding and will chair it the subsequent years. In 2004 the participation of BIS in the leading Trio of the NATO Special Committee thus ended.

Last year BIS participated as member of the Trio mainly in efforts designed to improve the supply of information for the North Atlantic Council and the NATO Secretary General, to avoid duplication of activities and improve collaboration between the different NATO committees.

Following the events of September 11, 2001, the security structures of EU countries set up a special body to combat terrorism – the so-called Counter-terrorist Group, responsible in particular for cooperation between and among the services, and their cooperation with other EU bodies.

In the past year BIS took part in all expert discussions of this Group, and produced background documents for all standing projects and joint analytical reports.

BIS also participates in the work of a further number of international bodies, e.g. the Middle Europe Conference (MEC), responsible for coordinating the joint work of the security and intelligence agencies of democratic states.

7. Internal security

As part of the personnel security measures, BIS carried out repeated security screening of BIS officers and staff prior to the expiration of the validity of their security clearance, and security screening of applicants for service or employment contracts with BIS.

The priority in the area of the security of facilities and technical security was safeguarding the development and operation of the systems of technical protection of facilities, in compliance with the valid legislation. A major concern in preparing the reorganization and relocation of some BIS workplaces, and the establishment of new ones, was the need to ensure the protection of classified information.

The different parts of the BIS information systems have valid NBÚ certificates. All systems subjected to reassessment due to the expiration of the validity of their certification have been re-certified. The development of the information system and introduction of new technologies have always been governed by the aim to support in the maximum degree the activities of the Service, with emphasis on safeguarding the confidentiality, integrity and accessibility of the processed information.

New technologies have been implemented and a new system introduced in the area of cryptographic protection.

As regards crisis management, all the plans for the protection of facilities in crisis and emergency situations have been updated.

8. Oversight, audit and inspection

8.1. EXTERNAL OVERSIGHT

Pursuant to Act no. 153/1994 Coll., responsibility for overseeing the activities of the intelligence services, i.e. including BIS, lies with the Government and Parliament of the Czech Republic. The Government also oversees the fulfilment of the tasks assigned to BIS. The BIS Director is accountable to the Government.

All areas of BIS activities are subjected to government oversight. The Government supervises the activities of BIS in terms of their substance (subject matter) on an ongoing basis, by means of the

outputs received from and the tasks fulfilled by the Service. The operational aspects of BIS activities are audited by the relevant government authorities.

Parliamentary oversight of BIS is regulated by Act no. 154/1994 Coll., on the Security Information Service, which in §§ 18 to 21 defines the supervisory role of the Chamber of Deputies (lower house) of Czech Parliament in relation to the Service, performed through the agency of a Standing Committee set up specifically for this purpose. The law specifies the scope of jurisdiction of this oversight body and the duty of BIS Director in relation to it.

Oversight regarding the management of the funding allocated to the Service from the state budget and the property at its disposal is regulated by Act no. 320/2001 Coll., on financial audit in public administration and on the amendment of some related laws, as amended by Ministry of Finance Regulation no. 416/2004 Coll. (the statutory instrument). (This Regulation became effective on June 28, 2004, and replaced Regulation no. 64/2002 Coll.)

Observance of labour safety and fire protection regulations is inspected (on the basis of a coordination agreement) by the Asset Management Department of the Ministry of the Interior. Inspection of compliance with hygienic regulations is inspected by the Health Protection Department of the same ministry. A total of 6 inspections were made in 2004, and no gross defects or breaches of regulations were identified.

8.2. INTERNAL AUDIT

8.2.1. Internal audit activities

Internal financial audit is the responsibility of the BIS Internal Audit Department. Its jurisdiction is defined in the Rules of Internal Governance and an internal regulation of the Service Director. From the legal point of view, it is regulated by Act no. 320/2001 Coll., on financial audit in public administration and on the amendment of some related laws, and the relevant executive Regulation no. 416/2004 Coll. Some acts of internal audit are carried out by specialist BIS units.

In 2004, a total of 22 internal audits were carried out. They concentrated on the observance of BIS internal regulations regarding for instance periodical inventorying, allocation of special-purpose funds for research and development, agreements on the liability of employees to indemnify the organization in case of damage caused by employees, provision of catering facilities for employees, management of special funding, accounting for pre-payments for goods and services, accounting practice and related documentation, use of service cars etc.

Measures taken to remedy identified shortcomings are monitored by audit groups.

8.2.2. Audit concerning protection of classified information

In the course of 2004, selected buildings, facilities and workplaces were audited to check the observance of the principles applicable to the use of technical means, information and communication technologies, and compliance with regulations on the protection of classified information.

Selected parts of the information system were audited on an ongoing basis from the viewpoint of observance of the BIS policy concerning the security of the information system and individual security measures, comparing the real with the required status of the information system.

The audit of administrative security focused above all on the completeness and essential elements of classified documents and on the accuracy of records. Most of the identified shortcomings were removed still in the course of the audit or immediately afterwards. In several cases, employees of the filing service section proposed that detailed checks be made in the respective organizational units or the Inspection Department be notified.

8.2.3. Activities of the Inspection Department

The Inspection Department reports directly to BIS Director. In its auditing activities, it respects the basic principles formulated in Act no. 552/1991 Coll., on government audit.

The Inspection Department proceeds in its work from the BIS Rules of Internal Governance and the management principles defined by an internal regulation. Its jurisdiction includes:

- acting as the BIS police body, pursuant to § 12 par. 2 of Act no. 141/1961 Coll., on the Rules of Criminal Procedure, in cases when a BIS officer is suspected of having perpetrated a criminal offence;
- investigating cases of BIS officers being suspected of breach of discipline, including investigation of extraordinary events;
- investigating complaints and notifications made by BIS members as well as outside entities.

The frequency of the above-described activities (comparing with previous years) is shown in the below table.

Type of activity	2000	2001	2002	2003	2004
Acting as BIS police body	26	16	12	10	7
Investigating administrative infractions	97	96	113	110	106
Investigating complaints and notifications	118	115	79	88	69

In keeping with the provisions of § 55, par.1 of Act no. 154/1994 Coll., after investigating cases of breach of discipline the Inspection Department passes them for decision to members of BIS management with disciplinary authority. As a rule these cases can be dealt with in compliance with § 55, par. 2 of the Act quoted above, by reprimand. In other cases, disciplinary sanctions were imposed.

Activities of the BIS Inspection Department as the BIS police body

An overview of the activities of the Inspection Department in the capacity of BIS police body in 2004, broken down according to the character of the cases and the manner of their resolution, is provided in the following table:

Criminal offences:	Doc. no.	No. of offences	Discontinued - § 159a of the Rules of Criminal Procedure		Not completed	Referred to Prosecuting Attorney	Disciplinary proceedings used to deal with case
			/par. 1	/par. 4			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Jeopardizing classified information, § 106 of Penal Code	6	1			1		
Perjured testimony, § 175 par.1 a) of Penal Code	2	1	1				
Unauthorized use of personal data, § 178 pars. 1 and 2 of Penal Code	1,2	2	1				1
Violence against group of persons and against individual, § 197a of Penal Code	3, 7	2			1		1
Criminal libel, § 206 of Penal Code	7	1			1		
Harm done to rights of another, § 209 of Penal Code	2	1	1				
Negligent infliction of bodily injury, § 223 of Penal Code	2	1	1				
Oppression, § 237 of Penal Code	2	1	1				
Absence without leave, § 284 of Penal Code z	4, 8	2		1			1
Total:		12	5	1	3		3

Commentary (by columns):

- (1) Legal qualification of offence which was the object of investigation, with BIS officers suspected of its perpetration
- (2) Numbers of documents of the case (investigation files)
- (3) Number of offences according to the respective provisions of the Penal Code
- (4) Cases discontinued by resolution of the BIS police body, in keeping with § 159a/1 of the Rules of Criminal Procedure, i.e. the act under investigation was not classified as criminal offence, or it was not possible to deal with the case in another way, or it was found that the act had not been committed at all
- (5) Cases discontinued under a resolution of the BIS police body, in keeping with § 159a/4 of the Rules of Criminal Procedure, because criminal proceedings are inadmissible
- (6) Cases not yet completed – to be dealt with in 2005
- (7) Offences referred to State Prosecuting Attorney for criminal prosecution
- (8) Acts dealt with in disciplinary proceedings, in keeping with § 51 and subsequent of Act no. 154/1994 Coll.

Investigation of administrative infractions

This category includes particularly traffic accidents in which BIS members were involved, meritoriously investigated by the relevant bodies of Czech Police. The BIS Inspection Department provides inputs which the police cannot obtain themselves.

Furthermore, this category includes cases of extraordinary events in the sense of the applicable internal norms, or other cases when there exists a suspicion that BIS members have broken both generally binding and internal legal norms.

Where the culpability of a BIS member is established, such case is referred to disciplinary proceedings, under §§ 51 – 59 of Act no. 154/1994 Coll.

In the course of 2004, the Inspection Department dealt with a total of 67 cases classified as extraordinary events. Comparison with previous years testifies to a relatively stable trend in this respect. In the sum total of extraordinary events, most common are traffic-related events (40 cases - while BIS members are not always found to be at fault); damage caused to parked cars, breaking into cars and thefts of their accessories or the transported objects).

Investigation of complaints and notifications

This type of investigation is conducted in keeping with the still valid Government Regulation no. 150/1958 Ú.1., on “dealing with the complaints, notifications and suggestions submitted by the working people”. The cases investigated include a variety of suggestions and submissions, regarding both BIS members and persons or institutions outside the Service. Out of the total number of 69 submissions made in 2004, 14 (i.e. 20.3 %) were complaints and 55 (i.e. 79.7 %) had the character of notification.

In three cases, BIS was not deemed to be the body authorized to deal with the complaints, which were therefore referred to the relevant bodies. In one case the complaint was evaluated as justified, and the complainant was notified accordingly, in compliance with the valid legal regulations. In nine cases, the complaints were evaluated as unjustified, and in one case, the investigation has not yet been completed.

9. Conditions for BIS activities

9.1. THE LEGAL FRAMEWORK

The activities, status and jurisdiction of the Security Information Service, as a counter-intelligence agency of a democratic state, are regulated by the following legislation: Act no. 153/1994 Coll., on the intelligence services of the Czech Republic, as amended by Act no. 118/1995 Coll., Acts no. 362/2003 Coll. and 53/2004 Coll.; and Act no. 154/1994, on the Security Information Service, as amended by Act no. 160/1995 Coll., Act no. 155/2000 Coll., Act no. 309/2002 Coll., Act no. 362/2003 Coll., Act no. 53/2004 Coll., Act no. 436/2004 Coll., and Act no. 499/2004 Coll. BIS activities are governed by the Constitution of the Czech Republic and other relevant laws and legal regulations of the Czech Republic.

9.2. THE BUDGET

The basic budgetary incomes and expenditures of Chapter 305 – BIS were approved by Act no. 457/2003 Coll., on the state budget of the Czech Republic for 2004 ((budgetary expenditures totalling 968 905 thousand CZK).

With regards to the specific conditions of managing the budgetary funding, the Ministry of Finance carried out the necessary budgetary measures. On the one hand, the budgetary allocations to BIS, earmarked for defraying current expenditures on services provided on the basis of agreements with the Ministry of the Interior, were reduced by 4 400 thousand CZK, and on the other, in compliance with Government Resolution no. 1023 of October 20, 2004, awarding an additional 25 %

compensation to employees in public administration and services in the second half of 2004, the Ministry of Finance approved a corresponding increase of expenditures under the Chapter 305 – BIS.

The total sum of 970 730 thousand CZK allocated to BIS in the amended budget was spent by 96.51 %, and 33 879 thousand was not drawn.

Savings were made mainly in the area of current expenditures, including in the first place lower payroll costs and mandatory insurance contributions, due to lower-than-planned number of the Service personnel.

Despite its limited financial resources, the priority areas of BIS expenditures in 2004 included, as in previous years, lied in upgrading and development of information technologies, including software, in building up the information systems, establishing and securing communication systems and providing BIS with the necessary intelligence equipment.

At the same time, great attention was devoted to compliance with the requirements ensuing from the application of Act no. 148/1998 Coll., on the protection of classified information, as in the previous five years. In this area, the largest part of the funding available is spent on physical security (security of facilities) and on the operation of communication systems and means, with a view to strengthening information security and the means needed for the direct performance of the tasks of the Service. They include expenditures on the certification of the indispensable technical means.

In order to be able to discharge its main tasks, BIS needs to maintain an adequate operational base and invest into its necessary upgrading. All the routine operational needs of the organization have to be satisfied, and it is necessary to respond to the heightened security requirements. This has an impact on most expenditure items.

In conclusion it can be noted that the management of the allocated funding from the state budget in the course of 2004 was in compliance with the fundamental needs of the Security Information Service. Despite the adopted budgetary adjustments, and the restrictions already in the drafting phase, the 2004 budget provided for the fulfilment of the chief tasks of the Service. A detailed analysis of the budgetary incomes and expenditures, broken down according to different groups and sub-groups of items, is part of the final balance sheet of the BIS Chapter for 2004, submitted for discussion by the Defence and Security Committee of Czech Parliament in March 2005.