

Annual Report of the Security Information Service of the Czech Republic for 2010

Table of Contents:

1	Intelligence activities and findings	2
1.1	Terrorism	2
1.2	Protection of important economic interests	3
1.3	Counterintelligence	5
1.4	Extremism.....	6
1.5	Proliferation of weapons of mass destruction and their carriers, conventional weapons and explosives.....	10
1.6	Organized Crime.....	11
1.7	Illegal migration.....	13
1.8	Destructive interference in information and communication systems.....	14
2	Protection of classified information; security clearance procedures	16
3	Reporting and tasking	16
4	Cooperation with Czech intelligence services and other state authorities	17
5	Cooperation with foreign intelligence services.....	19
5.1	Bilateral cooperation.....	19
5.2	Multilateral cooperation	19
6	Internal security measures.....	20
7	Oversight and audit.....	20
7.1	External oversight.....	20
7.2	Internal audit.....	21
8	Inspection department activities	22
9	Legal framework.....	24
10	Budget	25

1 Intelligence activities and findings

During the course of the year the Security Information Service (BIS) informed entitled addressees about intelligence findings and analyses that have served as the basis for this chapter.

A summary of all the Service's intelligence activities during the past year is contained in the Report on the Activity of the BIS for 2010 – a report the Service submits every year to the President of the Republic and the Government in accordance with Section 8, Paragraph 1 of Act No. 153/1994 Coll.

1.1 Terrorism

In 2010 the BIS did not detect any activity of international terrorist networks in the Czech Republic, nor of other groups connected to terrorist organizations abroad. Investigation and evaluation of a large number of information, signals, and suspicious phenomena about which the Service knew from its own activities as well as intensive international cooperation did not confirm any security risk of this type in our country. Therefore the Service concentrated its attention on other activities, such as monitoring circumstances and mechanisms that might allow future emergence or operations of certain terrorist groups, isolated cells, or individuals with this sort of intention. One such circumstance is the influence of ideological radicalization.

On a long-term basis, the Service finds ideological influence of foreign terrorist organizations in the most varied media, above all on the internet and on Arab television stations to be the most important incentive to radicalization. The Service sees the greatest potential for ideological influence with the main Islamic and Jihadist organizations related in thinking to the Al-Qaeda terrorist organization.

Their propaganda is aimed mainly at dissatisfied individuals from the environment of religious-ethnic groups in some societies where the majority of citizens are Europeans. Some of these individuals may show certain elements of problematic integration into a majority society. The main ideological instrument of terrorist propaganda is false interpretation of events abroad, especially in the Islamic world, which they purposefully blame on harmful influences from the West. The main objective is to manipulate descendants of immigrants who have no connection with happenings in the lands of origin of their parents and grandparents and are so inexperienced that they cannot critically recognize this disinformation as an effort at psychological manipulation. Terrorist groups like Al-Qaeda want to build a pool of willing sympathizers and volunteers in this way, who they can use for financial and other logistic support, for further propaganda, as couriers for non-transparent financial transfers, and in the most extreme cases as potential suicide bombers.

Although Islamic propaganda is very easily accessible mainly on the Internet even in the Czech environment, during 2010 the Service did not gain any intelligence indicating the existence of such ideologically-manipulated persons in our country. However, radicalized individuals have returned to some member states of the European Union from the area of the

Jihad, often after undergoing training led by local terrorist organizations. For the time being it cannot be confirmed with certainty that this incipient trend could not affect the Czech Republic.

As far as the activity of European citizens in Islamic and terrorist movements is concerned, a certain role is played by the involvement of the given country in areas of armed conflict with local radicals. The main battle theatre is the boundary between Pakistan and Afghanistan, where a Czech military contingent is operating. In this border area, mainly on the Pakistani side, there are terrorist training camps through which at least several dozen Europeans have passed.

Regarding the tension between Iran and the international community concerning the nuclear and missile military programmes, it must be said that we cannot rule out the influence of persons working in the interest of Iran in our country. Iran is attempting to gain control over its exiled political opposition in Europe, and is also striving through various illegal means to circumvent the international embargo on its weapons programmes.

1.2 Protection of important economic interests

Management of state assets

The Security Information Service provided information to entitled addressees about economic risks associated with management of state assets on an ongoing basis. In 2010 these risks pertained to similar areas and resulted from the same phenomena as in the previous period. Some representatives of the state participated in improper transfer of assets from state institutions. The Service identified non-standard and non-transparent conduct on the part of both public contractors and bidders in public tenders. Frequent problems included interconnections between a contracting authority and a bidder, efforts to win a contract without a tender procedure, modification of terms of a competition in favour of a pre-chosen bidder, purposely overvalued contracts, improper influencing of members of the evaluating commission, and awarding of contracts for services that were not needed. In various types of tender procedures the economic interests of the state were also threatened by agreements among bidders concerning the amounts of bids and who would obtain the contract. In some cases a group of companies so-formed restricted the competitive environment and thus reduced the state's ability to achieve optimal prices in contracts awarded.

One example of non-transparent and uneconomical behaviour on the part of representatives of institutions was non-standard conduct of some employees of the Railway Infrastructure Administration in awarding public contracts, which made it possible for selected bidders to divide the contracts among themselves or coordinate the amounts of the bids offered in a tender procedure. The final prices in the contracts were thus not optimal for the state but for private entities.

As in the previous year, Forests of the Czech Republic (Lesy ČR) attracted the attention of lobbyists and entrepreneurs attempting to gain a share of this organization's public contracts. The Service discovered attempts to manipulate the terms of competitions, incidents of non-

standard awarding of contracts, and attachment of disadvantageous amendments to contracts already signed.

In the case of certain services purchased, the expenditures appeared not to correspond to the real amount of work performed and to standard price on the market. In some cases the necessity of these services for the state enterprise was also questionable.

The main risk in the planned comprehensive contract for reversal of some of the environmental damage that originated before the privatization of state enterprises is ungrounded elevation of the amount the state will pay for its fulfilment. This may be caused by overvaluation of bids and/or agreement among the bidders. The resulting contract may also be influenced negatively by the way of reporting of clean-up work performed, which is difficult to verify.

Some private entities succeeded in influencing the legislative process. Lobbying pressure targeted regulation of gambling and energy supply. Strong interest groups managed to achieve their aims at all levels of establishment of legal norms.

The management of strategically-important companies with a state ownership share

The BIS also took an interest in companies with a state ownership share that have strategic importance for the communications, transportation, financial, and energy infrastructures, such as Czech Airlines, the Czech Postal Service, Czech Railways, ČD Cargo, Czech Export Bank, Export Guarantee and Insurance Corporation, and ČEZ – companies whose economic stability is vital to the economic interests or security of the Czech Republic.

A long-term phenomenon having a negative impact on these companies is the relatively weak position of the owner, which makes it difficult to prevent uneconomic behaviour on the part of the management. In the case of some companies the management purposefully restricted monitoring and managing role of the state, for example by providing distorted and incomplete information to the board of supervisors and through personal relations between the management and representatives of supervisory and regulatory authorities.

The inconsistent role of the state as an owner is the decisive factor allowing relatively broad space for harm to the interests of state-controlled companies in favour of private entities, via such phenomena as manipulated public contracts, circumvention of the law on public procurement, payment of exaggerated prices for acquisitions, disadvantageous sale of assets, and payment for unneeded marketing, consulting, and legal services. Disadvantageous contracts for providing services or assets to other private entities for their own business activities were found to be further risks.

The Czech Republic's energy security

Activities of foreign entities continued to have a major influence on the Czech Republic's energy security, and some of those activities could, in their final result, threaten the diversification of supplies of raw materials for power industry to the country. Some of the entities traditionally interested in the Czech energy market strengthened their positions therein

either directly or through companies they control, and systematically increased their share of the fuel market.

Foreign entities also continued to strengthen their position among industrial enterprises that could be potentially involved in completion of the Temelín nuclear power plant.

Some domestic projects that would strengthen the energy security of the Czech Republic suffered from complications. We can mention e.g. the disputes threatening projects aimed at increasing the capacity of underground natural gas reservoirs. Another factor that may weaken guarantees of the country's energy security is placement of part of the fuel supplies of the State Fuel Reserves Administration outside the country's territory.

The Czech energy market was also the focus of interest of non-transparent entities having doubtful ability to meet the commitments they declare.

In the area of renewable energy sources, efforts were made to draw illegitimately on funds allotted for support of their development, e.g. via abuse of different prices for purchase of biomass in various categories. In the case of photovoltaic projects, investors purposefully distorted the status of projects with the aim of assuring their early official approval.

1.3 Counterintelligence

As for counterespionage, the Service gave priority attention to the operations of Russian intelligence services regarding their intensity and importance, and more broadly to detecting industrial and scientific-technical espionage.

Intelligence services of the Russian Federation

In 2010 intelligence services of the Russian Federation again clearly dominated in the Czech Republic in terms of the number and intensity of their activities as well as the number of intelligence officers working under various covers. Russian intelligence accounted for a very high proportion of foreign intelligence operations in the country. The disproportion in staffing of Czech and Russian diplomatic missions also constitutes a major limiting factor for the Czech Republic and its security interests for handling situations where Russian intelligence officers under diplomatic cover engage in activities incompatible with the work of a diplomat.

Last year Russian diplomats and intelligence officers again targeted the Russian immigrant community in the Czech Republic due to both the official Russian emigrant policy of the Russian Federation and the fact that some Russian expatriates in the Czech Republic still resist the directive management of the Ministry of Foreign Affairs of the Russian Federation. It is clear that state-coordinated Russian immigrant organizations will have a new task – to aid in the scientific and technical development of Russia.

Nations from the Caucasus region is a specific target group within the Russian-language community in the Czech Republic. Reports appeared in Russian media based on proclamations by Russian counterintelligence, the Federal Security Service, and the Ministry of the Interior claiming that some members of ethnic groups from the Northern Caucasus underwent religious

radicalization in the Czech Republic, and that after their return home they engaged in terrorist activities. However, after having analyzed all available information concerning these affairs the BIS observed that this was manipulation of facts by Russian agencies, aimed at promoting their specific understanding of terrorism in the Caucasus region and their method of handling it, and a manifestation of efforts to force the Czech Republic to accept this Russian conception.

In 2010 increased interest of Russian intelligence services, diplomats, federal agencies, and commercial companies was noted in strengthening capacities for disseminating information and exerting influence targeted at the Czech economy and the Czech energy system. This trend was accompanied by repeated cooperation among Russian intelligence officers and representatives of Russian commercial companies operating in the Czech Republic.

Intelligence services of the People's Republic of China

The staff of the Chinese diplomatic mission in the Czech Republic includes intelligence officers working under diplomatic cover or persons justifiably suspected of belonging to intelligence services. Chinese intelligence officers under diplomatic cover take no direct risks in activities incompatible with the status of a diplomat. Thus the real threat to a Czech citizen (through espionage, bribery, extortion, etc.) is posed mainly by a person introduced to him or her by such a diplomat (as a potential Chinese partner, etc.).

In the areas of industry, science, and engineering, the BIS noticed Chinese interest in nanotechnology in the Czech Republic. China is also engaged in active defence of its commercial interests against the European Union possible imposition of protective measures on certain Chinese products.

1.4 Extremism

The Neo-Nazi scene

After an earlier period of growth, in 2010 the Czech Neo-Nazi scene experienced a deep crisis. Its development was hindered by police interventions during the previous year and by a court decree to disband the Workers' Party. A campaign throughout society against right-wing extremists led to a gradual dampening of most of their activities.

There was also a change in the structure of the Neo-Nazi scene and its functioning. Fears of additional repressive steps taken by the state led to its fragmentation and atomization. In an effort to prevent infiltration, Neo-Nazis formed smaller and more closed collectives.

The Neo-Nazi crisis was manifested for example in disagreements between the 'old' and 'young' generations of right-wing extremists, especially concerning the further direction and strategy of the Czech Neo-Nazi movement. The 'young' activists favoured introduction of new trends in self-presentation such as graffiti and hip-hop music, which the 'older' and more conservative members decisively rejected and considered a betrayal of the ideals of the right-wing extremist movement.

The decline of right-wing extremism is shown by a striking decrease in the number of public demonstrations.

Developments on the Czech Neo-Nazi scene also influenced the organization of right-wing extremist events with live music. The number of concerts held dropped dramatically. There was acceleration and strengthening of the trend toward smaller, private events often involving only recorded music, also in the border areas of neighbouring countries.

In connection with the reduced number of public events, the internet took on greater importance for right-wing extremists. In an effort to hide their activities the extremists changed their methods of presentation and mobilization and began favouring communication and advertising on internet social networks, especially on Facebook. The internet became their most important platform for propaganda.

The year 2010 was critical especially for the Workers' Party (*Dělnická strana*, hereafter 'DS'), which was disbanded on 17 February 2010 by decree of the Supreme Administrative Court. As expected, the role of the DS was soon taken over by its unofficial successor party, the Workers' Social Justice Party (*Dělnická strana sociální spravedlnosti*, hereafter DSSS), which most former DS members joined.

In an effort to avoid further restrictions or another disbandment order, the DSSS adapted its conduct to the wording of the court decree. It adjusted its political programme and endeavoured to avoid expressions of belligerence. The party leadership began to take special care so that the party could not be publicly connected with the Neo-Nazis.

In 2010 many problems plagued the functioning of the DSSS. Among the most important were disagreements between the local branches and the party leadership, which ensued from the latter's efforts to concentrate all party power in its hands and not leave the needed degree of organizational and budget autonomy to the branches. The top party representatives were criticized increasingly often by members active on the Neo-Nazi scene who were displeased by the party leadership's abandonment of any kind of public support for the Neo-Nazis.

In the parliamentary elections in May, the DSSS won slightly over one per cent of votes cast. Though it did not reach the threshold necessary to obtain a state contribution, in many municipalities it surpassed the five per cent threshold, which led party leaders to believe that the DSSS had a realistic chance to obtain a seat or seats in some municipal councils in the autumn municipal elections. Despite vigorous efforts, however, the municipal elections in October 2010 were a total fiasco for the DSSS: the party failed to gain a single seat in municipal councils.¹

Surprisingly, however, the election failure did not affect the position of Tomáš Vandas: on the contrary, on 20 November 2010 at a nationwide DSSS election congress he was unanimously elected as the party chairman. Nor were there significant changes in personnel in the party's broader leadership. Therefore the party will likely continue in the course it has set for itself, striving to maintain its current dominant position on the Czech right-wing extremist scene.

Formerly the most important Neo-Nazi group – the National Resistance (*Národní odpor*) was substantially affected by the above-mentioned crisis in 2010 and almost all its branches were practically non-functional.

¹ To be precise, the DSSS did gain one seat, in Nový Kramolín near Domažlice. However, its member ran as an independent.

The Autonomous Nationalists (*Autonomní nacionalisté*), who operate locally, were apparently the least affected by the crisis of the Czech right-wing extremists. They, too, wrestled with many problems, but they can be considered a relatively functional group as evidenced by several public gatherings they organized during the course of the year.

In 2010 the Autonomous Nationalists strove to gain the broadest possible support for their movement and gradually strengthened their position. A number of modern features made them more acceptable to the younger generation of right-wing extremists than the traditional Neo-Nazi organizations.

Most of their members refused to cooperate with the DSSS, but there were also some who had no objections.

The nationalist scene

Activities on the Czech nationalist scene were insignificant compared to those of the Neo-Nazis. Czech nationalists lack a long-term conception and stagnate. This part of the right-wing extremist spectrum consists of a more or less exclusive group of persons who constantly migrate from one organization to another or establish new organizations. Despite great expectations, these parties never have more than a few dozens of members and all their projects end in failure.

The National Party, formerly the best known entity on the nationalist scene, terminated its activities around the end of 2009. Some of its former members attempted to found a new political party. In the end they decided to take over the lingering Czech Movement for National Unity (*České hnutí za národní jednotu*), but their activities under the name of this group were totally insignificant.

Marxist-Leninist groups

There was no significant development on the Marxist-Leninist scene. It faced the same problems as in previous years, especially fragmentation and a small member base. Despite efforts to unify activists and encourage cooperation, the Marxist-Leninists continued to wrestle with disagreements both within individual groups and between organizations.

The project of bringing together activists within the Trotskyite spectrum and creating a unified organization was not very successful. The activists were not able to overcome disunity in opinions on some ideological issues within the organization. Thus by the end of the year the platform was fragmented. Likewise the idea of founding a new extremely left-wing party proved to be too ambitious.

Neo-Bolshevist and Trotskyite groups both strove to address a broader spectrum of young people and recruit new members. However, these groups in themselves did not have sufficient capacity or mobilization potential to achieve this goal. Their own public events were totally insignificant and attracted no interest from the public. Therefore members of most Marxist-Leninist organizations favoured public presentation at events of the Communist Party of Bohemia and Moravia, and leftist-oriented non-extremist entities such as various socially-focused platforms and civic initiatives.

Young Communists were active mainly in civil protests against government reforms and austerity measures. They took part in several events of the newly-established Initiative for Criticism of Reforms (ProAlt), protest marches of the initiative 'Education is not a Commodity!' against introduction of tuition fees at colleges and universities, and union demonstrations against pay cuts for state employees. They also took part in gatherings of the No Bases Initiative, whose goal was to express disagreement with placement of the early warning centre of the American anti-missile system in the Czech Republic. Left-wing extremists also joined the project of the Czech Social Forum, which organized several protests and educational seminars on such topics as critique of neo-liberalism, the economic crisis, austerity measures, and combating right-wing extremism.

The anarchist-autonomist movement

The anti-authoritarian part of the left-wing extremist spectrum remained in a state of long-term stagnation. In 2009 this movement had showed signs of activation and it appeared this trend might have continued, but this was not the case and activities returned to their original level. The year 2010 saw a decline especially in the number of public meetings.

The anarchist-autonomist movement was influenced by problems that have persisted for several years already, primarily loss of revolutionary character, pessimism concerning achievement of its own political goals, inability to pursue a single chosen objective over the long term and to wage a campaign in its favour, and an insufficient number of active members, resulting in lack of a leading figure and generational continuity.

Compared with the previous year, present situation in society as a whole led to a slight change in the main mobilization topics of the anti-authoritarian movement. Besides general leftist issues such as the fight against capitalism and against oppression by the state, criticism of government reforms associated with austerity measures came to the fore. An important profiling topic remained anti-fascism, although it was not overly accentuated in public in view of the decline in activities on the right-wing extremist scene. Another issue for public presentation of anarchist ideas was offered by parliamentary and municipal elections. Squatting, which in the previous year had been one of the main mobilization impulses for the anarchist-autonomists, was totally abandoned.

Adherents to this part of the left-wing spectrum focused on activities centred within the movement, such as various lectures, discussions, film projections, exhibitions, concerts, and benefit and memorial events. Apart from the now-traditional May Day celebrations, the anarchist-autonomists totally abandoned organization of their own public gatherings. Like the Marxist-Leninists, they took part in events organized by non-extremist left-wing entities – mainly union demonstrations, protests against introduction of tuition fees at colleges and universities organized by the initiative 'Education is Not a Commodity!', and other protests against the government's austerity measures.

As part of solidarity campaigns, Czech anarchists also concerned themselves with the situation of their companions abroad facing repression by state governments. Their interest was aroused especially by events in Greece.

1.5 Proliferation of weapons of mass destruction and their carriers, conventional weapons and explosives

Elimination of risks connected with proliferation of weapons of mass destruction and their carriers, conventional weapons and of dual-use goods subject to international control regimes² ranks among the long-term tasks of the Security Information Service. Consistent evaluation of demand for preparation of transactions involving dual-use goods, military materiel, weapons, and explosives, and strict adherence to rules for trading in exploitable goods are the most important instruments for reducing these risks.

In 2010 companies from countries under sanction such as North Korea and Iran as well as other high-risk countries like Syria and China showed interest in Czech goods that are subject to international control regimes and to Czech national legislation.³ Those interested in such goods veil their efforts with illegal transfers or re-export of the goods through mediators from various countries or via cover companies. In the case of dual-use goods this effort pertained mainly to machinery and sets of equipment that can be used for development and production of weapons of mass destruction.

Findings concerning specific requests and preparations for transactions in 2010 again confirmed the lasting and traditional interest of such countries in Czech machinery. There is suspicion that transactions via mediators from these countries are linked to entities that are worrisome from the standpoint of proliferation.

During the course of the year some mediating and cover companies were identified via which companies or countries under sanction attempt to acquire goods subject to international control regimes. It cannot be ruled out that companies offering services associated with transport are also involved in supplying dual-use goods to countries under sanction.

A long-term problem has been setting of parameters for exported goods and their placement on the control lists of various international control regimes. In practice this means determining whether a particular type of machinery (such as machine tools) counts as a dual-use item, or whether the traded commodity is military materiel. The decision on placement is directly connected with various legislative conditions for export and import. Simply, the import of a dual-use item is not subject to control (except controlled items related to nuclear technology), whereas import of military materiel without a permit and license is illegal.

The items in question include e.g. night vision devices of the latest generations, which are either a dual-use item or military materiel, depending on the particular model. However, many companies have been offering night vision devices from abroad for sale in the Czech Republic without the required permit or license for their import or subsequent export. Import,

² The Czech Republic is a member of the following regimes: the Nuclear Suppliers Group, the Zangger Committee, the Australia Group, the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies, and the Missile Technology Control Regime reinforced by The Hague Code of Conduct.

³ Act No. 38/1994 Coll. on foreign trade in military materiel and on the amendment of Act No. 455/1991 Coll. on practice of commercial trades (the Commercial Trades Law) as amended; Act No. 140/1961 Coll. (the Criminal Law) as amended, and Act No. 594/2004 Coll. implementing the European Communities regime for the control of exports, transfer, brokering, and transit of dual-use items.

holding, and further manipulation of night vision devices, including export without appropriate permits and licenses, signal possible violation of applicable national regulations/laws.

During the last few years a major risk has been posed by development and production of new sophisticated unmanned aerial vehicles and their subsequent use against allied interests. Concern in various materials, engines, and other special components that can be used for production of military unmanned aerial vehicles was expressed in 2010 by brokering companies from China, Iran, and other countries linked to the Iranian military programme. Findings confirm that in this area, too, deliveries were not made directly to the high-risk entities but to cover companies.

In the area of control of exports of military materiel, in 2010 the Service focused mainly on evaluating findings concerning exports to high-risk countries and exports where there was a risk of re-export. In the area of industrial (non-military) explosives, the Service concerned itself with circumstances surrounding exports to third countries. Among the most frequent problems were discrepancies in end-user certificates.

1.6 Organized Crime

Czech organized crime at the highest level consists of networks of influence oriented towards clientele and structures of controlled businesses. Using legal economic entities, it profits mainly from systematic accumulation of wealth from public budgets and companies with a state ownership share. However, the entrepreneurial activities of representatives of such structures (via legal commercial entities) also involve exertion of influence on state and local administration authorities, on the legislative process, as well as on state-controlled enterprises, etc. These activities are in the nature of white-collar crime, whereby it is increasingly difficult to differentiate between legal and illegal practices.

More than a firm structure, it is a system of free, mutually cooperating and interpenetrating networks having available money and/or influence and contacts. Apart from hidden operations, exertion of influence, and use of corruption, the typical phenomena include use of specialists such as lawyers, experts on taxes and the media. Such structures do not resort to open physical violence. Efforts to escape prosecution through influence exerted on prosecuting authorities and courts are also associated with their operations.

The post-Soviet organized crime was influenced to a certain extent by the trial of the *vor v zakone* ('thief in law') Andranik Sogoyan, who, in October 2010, was acquitted of the charge of ordering the hired murder of an Armenian businessman. In 2010 there was still no answer to the question who will take Sogoyan's place in Russian-language organized crime in the Czech Republic. The leaders of the organized crime groups from the Caucasus have ties to the most important post-Soviet (mainly Georgian and Russian) bosses in organized crime, who they hold an unequal position to. Cases of interconnection among various groups have been noted repeatedly.

Ukrainian organized crime continues to focus on profiting from Ukrainian workers who, being employed in the Czech Republic, are forced to pay fees to the structures of organized

crime (for protection, legalization of resident status, mediation of employment, etc.). The arrest of one of the representatives of the Kiev brigade operating in the Czech Republic brought up the question of his successor within Ukrainian organized crime.

Representatives of organized crime from the Balkan region, especially ethnic Albanians, also operated in the Czech Republic in 2010. In general they deal with trading in narcotic and psychotropic substances. These criminal activities are accompanied by efforts to launder the revenues therefrom via investments in real estate or operation of gambling. The BIS did not note any striking increase in the activities of these groups in 2010.

Influencing of Czech courts, police, central authorities of the state, and the highest authorities of local government

In evaluating the situation, generally it can be said that one of the most important forms of dysfunction of authorities of state and local government is corruption. Examples of corruption of state authorities may be found for instance in the courts (with the aim of masking previous illegal activities), in decision-making by state and local authorities (with the aim of influencing decisions on public contracts and on allocation of funds from public budgets), and in the legislative process.

Corruption took on highly sophisticated forms which are very difficult to uncover and the perpetrators of which are then very difficult for authorities to prosecute.

Moreover, corruption as a means of acquiring desired advantages is being replaced by a system of clientelistic networks in which direct financial and material ties among the participants disappear; their detection and prosecution are even more difficult.

In 2010 again instances of non-standard conduct on the part of some judges and state prosecutors which posed a threat to the proper administration of justice were reported. In many cases non-standard activities of court representatives showed features of criminal conduct, which in view of the legal definition of the status of judges and state attorneys cannot be prosecuted in an appropriate manner. Problems included information leaks from the databases of courts or state prosecution offices, and corrupt conduct or manipulation of court proceedings.

One specific problem is the unreliability of certain judges and state prosecutors from the standpoint of security. For example the BIS has noted clientelistic ties and links between court representatives and persons from the criminal environment that can have a major influence on the course of court proceedings.

In some regions proper administration of justice was seriously disturbed by insufficient exercise of the function of state court administration of some chairpersons of regional courts. Such an attitude made it possible for subordinate judges to continue manipulating insolvency proceedings.

Highly significant security risk is posed by growing connections between business and other interest entities on the one hand and elected politicians or appointed government officials

on the other. The aim of these entities is to gain influence over public administration exploitable for development of business activities.

A textbook case of clientelism and corruption was interconnection of a part of the teaching staff of the Faculty of Law of the West Bohemian University in Pilsen with some representatives of the police, attorneys, state administration, and local governments. During the course of 2010 the Service monitored the way in which those who have shielded both clientelism and failure to maintain standards of instruction are called to account.

The fact that actually no one was called to account and that the efforts of 'reformers' focused more on sanctions against students (including doctoral students) has several explanations. E.g. investigations underway were influenced improperly even after departure of the old leadership of the Faculty, and data in electronic databases of the Faculty were changed or lost. The former leadership maintained its contacts both within the Faculty of Law itself and with the highest authorities of public administration, including the Ministry of Education, Youth, and Sports. Dysfunction of the 'Pilsen type' was found repeatedly also in other institutions of higher education in the Czech Republic, especially in those focusing on the study of law and public administration. Negative phenomena such as protectionism for prominent students, the existence of 'fast students', and circumvention of accreditation by cooperation 'on paper' with schools abroad pose serious risks in creation new clientelistic networks in the areas of the courts, public administration, and local government.

1.7 Illegal migration

In 2010 the main manifestation of illegitimate migration was again abuse of legal means of entry by foreigners into the Czech Republic (and the Schengen area) and subsequent legalization of resident status. Family reunion, business visas, student visas, etc. were applied for legalization. Widely used models of legalization included paternity claims by citizens of the Czech Republic in relation to children of foreign women and declaration of permanent relationships with citizens of the European Union analogous to familial relationships (as in common-law marriages).

Although statistics on immigration to the Czech Republic would seem to indicate that illegal migration is on decline, illegal migration is still a serious global problem even in landlocked Schengen countries like the Czech Republic. A growing trend throughout society in West European countries like Sweden, Germany, and France towards rejection of immigration could have an impact in the future on the migration situation in the Czech Republic. If requirements for foreigners' entry and stay in EU countries were stricter, it could cause an increase of new immigrants to the Czech Republic.

The Czech Republic has a relatively strict immigration policy, which creates space for the operations of mediating agencies offering foreigners handle their entry into the country and subsequent legalization of their residence. This type of business is often connected with improper pressure exerted on employees of some offices of the foreign police and some diplomatic missions, embassies, and general consulates of the Czech Republic. Apart from individuals offering their services, travel agencies accredited at various diplomatic missions for

submitting group applications for visas also engage in this area of 'business', as do some law offices.

Since 2009 the economic position of immigrants in the Czech Republic has worsened as a result of the economic crisis. Most affected by the crisis have been Mongolians, Ukrainians, and Vietnamese. It was expected that a large part of those Vietnamese who came to the Czech Republic only in recent years would migrate to other countries of the European Union or return to Vietnam, but this has not occurred so far.

1.8 Destructive interference in information and communication systems

Within the scope of its powers for investigating destructive interference in cyberspace, in 2010 the BIS concerned itself especially with phenomena and activities that could have had an impact on the security interests of the Czech Republic or present a real or potential threat to the communications infrastructure and its users.

Above all, the Service monitored the systems of government offices and institutions for public administration including elements of 'e-government', as well as systems of private legal entities whose disturbance, damage, or destruction could have had a serious impact on the security and economic interests of the Czech Republic and the functioning of society.

In the middle of the year the Service participated in unravelling two electronic attacks on an official diplomatic mission of the Czech Republic abroad. They were carried out by using malignant codes inserted into modified files attached to e-mails sent to e-mail addresses of the embassy and a particular officer of the Ministry of Foreign Affairs. In each case it was an e-mail sent to multiple addressees belonging mostly to diplomatic missions of European countries.

The malignant codes, unknown at that time, were activated when the attachments to the e-mails were opened. These codes then attempted to contact servers that probably functioned as controlling interfaces for the infected computers.

The Security Information Service informed appropriate employees of the Ministry of Foreign Affairs without delay about the attacks and its findings concerning them.

The Service also continued to examine internet fora that serve for illegal trade in personal data and other sensitive information as well as internet offers of electronic attacks or of instruments and devices for their execution. Developments in this area indicate that entities profiting from electronic attacks are interested in taking advantage of ordinary users who want to join in destructive activities voluntarily. These entities are ready to adapt the strategy of their operations.⁴

⁴ For example a Russian cybercriminal group offered a financial reward for each computer compromised by a malignant code it controlled. It equipped those interested with a sample of malware that contained identifiers for determining its source. The methods and techniques for distributing the malignant code were left entirely up to the voluntary helpers. Individual infected computers connected themselves to a botnet controlled by this group, which used it for further electronic attacks, and they informed the organizers of their origin.

During 2010 there were fundamental changes in the communities of inventors of malignant codes as concerns the targets of their attacks. Development and application of new technologies, especially 64-bit operating systems, made it more difficult for them to employ knowledge and skills they had used successfully on a 32-bit platform. With the necessity or possibility of choosing the manner of their continued presence in the environment and of devoting themselves to creating malignant codes and organizing electronic attacks, some of them changed their focus to other areas of cyberspace. The attacks are thus directed, as in the case of personal computers, primarily at the most widely-disseminated and widely-used products of information and telecommunications services and equipment. The result is a growth in incidents involving products such as 'smart' mobile telephones and social networks like Facebook and LinkedIn. Some of the attackers have also begun to take an active interest in operating systems that in the past were less widely disseminated and less often attacked.

2 Protection of classified information; security clearance procedures

As concerns protection of classified information, the BIS performed tasks stipulated by Act. No. 412/2005 Coll. on protection of classified information and on security clearance as amended.

In the area of security clearance procedures the Service works closely with the National Security Office (NBÚ), other intelligence services of the Czech Republic, state authorities, and additional organizations, as well as with partner services abroad for which such international cooperation has been approved by government resolutions.

In 2010, as in previous years, the Service concerned itself with requests from the National Security Office to perform tasks as part of security clearance procedures for issuing or cancelling security clearance certificates for natural and legal persons and security authorisation documents. In investigating entrepreneurs, at the request of the National Security Office, the Service also verifies changes in data concerning them.

In 2010 the Service received 269 requests from the National Security Office to perform tasks as part of security clearance procedures for issuing or cancelling certification of individuals for information classified 'Secret' and 'Top Secret', and completed 311 such investigations. For individuals the Service received 6 requests from the National Security Office and completed investigations for 10 requests. Differences between the number of requests received and investigations completed reflect the number of requests received during the previous year. As concerns security investigation of entrepreneurs, the Service received 21 requests from the National Security Office and completed investigations in 21 cases. At the request of the National Security Office, the Service also conducted investigations concerning 23 516 individuals and 1 210 entrepreneurs in its own databases as part of security clearance procedures.

3 Reporting and tasking

Tasks assigned to the BIS by the Government and the President are consistent with the scope of legal powers stipulated for the Service.

In addition to direct, specific requests, the Service also performs tasks imposed on it by law on an ongoing basis. If it discovers facts requiring immediate action, the Service provides its findings to the authority or institution that is legally competent to decide or act. The Service also submits regular reports on the overall intelligence situation in the country to authorized recipients at regular intervals during the course of the year. The annual Report on the Activity of the BIS submitted to the government and the president contains a summary and detailed description of the most crucial findings during the calendar year.

In 2010 the Service submitted more than 400 documents to the President and members of the Cabinet. In addition, it sent almost 350 reports to relevant state authorities, the Police of the Czech Republic, the Office for Foreign Relations and Information, and the Military Intelligence Service.

If asked by relevant authorities, the Service gives its opinion on applications for Czech citizenship, permanent resident status, diplomatic entry visas, other entry visas, accreditation of

journalists, etc. Thus during the past year the Service issued statements concerning almost 15 000 persons.

As for granting visas the Service works with the Foreign Police Central Office and with other intelligence services of the Czech Republic; according to a resolution of the government it is the guarantor for all intelligence services.

Within the scope of its statutory powers, in 2010 the BIS fulfilled tasks both independently and in cooperation with other intelligence services and relevant ministries of the government. In addition it responded to specific questions from the Prime Minister and individual ministers of the Czech Government.

4 Cooperation with Czech intelligence services and other state authorities

Within the scope of its statutory powers, the BIS works intensively with all relevant state authorities, especially with intelligence services of the Czech Republic and the Police of the Czech Republic.

Cooperation focuses mainly on matters connected with international terrorism, extremism, illegal migration, organized crime, proliferation of weapons of mass destruction and their carriers, trade in weapons, and operations of foreign intelligence services.

Cooperation with Military Intelligence and the Office for Foreign Relations and Information

In addition to standard exchanges of information, primarily concerning international terrorism, organized crime, illegal migration, and operations of foreign intelligence services, mutual discussions and consultations were held with intelligence services. Besides separate meetings, the main platforms for exchange of information are the Joint Intelligence Group attached to the Office of the Government, which has functioned effectively for a long time, and more recently the National Contact Point for Terrorism, established as an adjunct to the Department for Detection of Organized Crime. In both fora information, analyses, and operational findings are exchanged not only among intelligence services but also among relevant departments of the Police of the Czech Republic, and in the case of the Joint Intelligence Group also with other state authorities.

Cooperation with the Police of the Czech Republic

Cooperation between the BIS and the Police of the Czech Republic is very broad and covers all areas of the Service's powers. The Service works intensively with relevant departments of the Police in the area of organized crime and dysfunction of state administration. For example, the activities of an organized crime group from one of the countries of the former Soviet Union were documented in cooperation with the Criminal Police and Investigation Service.

Information about persons under surveillance from the environment of organized crime and illegal migration was exchanged in local offices of the Department for Detection of Organized Crime in various regions.

Discussions were held with departments of economic crime in various regions concerning particular cases, above all in the areas of corruption, financial transfers connected to organized crime, and infiltration by organized crime into the court system and state administration.

The Police of the Czech Republic received reports on public activities of right-wing and left-wing extremists that could threaten public order and other protected interests of the state. These activities were also the topic of meetings mostly at the level of municipal and district offices of the Czech Police.

The BIS cooperates broadly with authorities under the Ministry of the Interior and the Czech Police in the area of education. This involves mainly cooperation with the Police Academy of the Czech Republic, with the Police Colleges and secondary schools of the Ministry of Interior, and, in the area of practical training, with specialized police units.

Cooperation with other entities

The National Security Office is the state authority which the Service cooperates in the area of security clearance procedures with. Communication consisted of working discussions concerning modifications to the mechanisms of cooperation used for improving the effectiveness of investigations, and of consultations concerning particular cases.

The Service works with the Ministry of Foreign Affairs in consultations regarding accreditation of diplomats and journalists.

Consultations concerning protection of important economic interests with the management of the Czech National Bank (especially with regard to cases associated with banking), the Financial-Analytic Unit of the Ministry of Finance, and the Office for the Protection of Competition were also held. A serious restriction on the Service's activity in this regard is the impossibility of acquiring information on money and financial flows.

Based on a contract for cooperation with the Police Academy of the Czech Republic, college-level instruction was given in the subject 'Intelligence Services' in a master's degree programme, provided fully by lecturers from the Service. Interest of other civil universities/colleges in cooperation with the Service in the area of college-level instruction is increasing.

On specific issues, including exchanges of information, the BIS also cooperated with other state authorities and institutions including the State Office for Nuclear Safety, the Czech Statistical Office, the Czech Mining Office, the Ministry of the Interior's Department of Asylum and Migration Policy, and the Directorate General of Customs.

5 Cooperation with foreign intelligence services

5.1 Bilateral cooperation

With the consent of the government of the Czech Republic, the BIS is entitled to cooperate bilaterally with 96 intelligence services from 62 countries of the world. In 2010 there were active contacts with 55 foreign partner services. The most intensive exchanges of findings traditionally involved the services of neighbouring countries, other countries of the European Union, and NATO countries. The main topics of broad international contacts were the fight against terrorism, counter-espionage, proliferation, organized crime, and extremism. Logistics, too, was an area of shared interest. The Service engaged in specific operational and analytic cooperation with more than twenty partner services, receiving 6 770 reports, dispatches, and notifications from its partners. The Service itself submitted 1 361 documents and its officers took part in 478 meetings with foreign partners.

Along with traditional intelligence services of the Euro-Atlantic space, the Service also worked with long-term partners from other parts of the world with whom there had been no cooperation of this kind in previous years due to the lack of shared interests, but with whom this cooperation proved successful thanks to the professional approach of both sides, confirming the readiness of the Service and its partners to cooperate *ad hoc* when needed.

5.2 Multilateral cooperation

In multilateral activities, during 2010 the BIS endeavoured to firm its position via cooperation in intelligence, as it had done during the previous year thanks in part to its successfully-managed leadership of the Counter-Terrorist Group.

Counter-Terrorist Group

The Service sent out fewer reports than in 2009, and the number of meetings also declined. This reflected the fact that in the first half of 2009 the Service had chaired this multilateral platform. Even so, the number of reports received in 2010 grew.

Especially in the second half of the year, expert cooperation was focused on new projects including an initiative aimed at acquiring feedback from European recipients on the group's reports. On an expert level, the year 2010 was rich in new projects and a series of seminars that the intelligence services found to be beneficial as part of their cooperation in the fight against terrorism. The Service took part in more than half the expert meetings.

NATO

Upon taking office, the new secretary general of NATO Anders Fogh Rasmussen promised a reform of this organization, saying that for many years NATO suffered from insufficient and scattered intelligence. Thus arose, according to the general secretary, the need to improve the production and flow of intelligence findings within the North Atlantic alliance as

quickly as possible. In response to this need the North Atlantic Council (NAC) decided to reform the organization's intelligence operations.

6 Internal security measures

Entry courses for BIS officers included training in issues concerning crisis management and protection of the population, protection of classified information, physical security, security of information systems, and cryptographic protection.

In accordance with Act No. 412/2005 Coll., users were trained regularly during the whole year in information system security with the goal of increasing their awareness of their responsibility and improving their adherence to the Information Systems Security Policy. During this training officers master the principles of information security.

In the area of protection of classified information, expert statements by the Service were prepared and expert opinions provided for those requesting them both within the Service and in the state administrative authorities and institutions including the Ministry of Interior, departments thereof, the National Security Office, the Supreme Audit Office, courts and state prosecutor's offices, the Office of the House of Deputies of the Parliament of the Czech Republic, and the Archive of Security Forces.

As to physical security, the Service focused mainly on improving the quality of systems of regime measures, technical protection, and physical guarding of Service buildings for the purpose of assuring protection of classified information in accordance with requirements of Act. No. 412/2005 Coll. and the relevant executive order of the National Security Authority No. 528/2005 Coll. on physical safety and certification of technical devices.

During the year documents pertaining to crisis management were updated, especially in the area of crisis planning. In the area of protection of members of the Service this involved emergency plans for buildings and the Service's crisis plan; as for protection of classified information, plans were drawn up for securing buildings or areas.

7 Oversight and audit

7.1 External oversight

According to Section 12 of Act. No. 153/1994 Coll., activities of the BIS are subject to supervision by the government and parliament.

The oversight by the government of the Security Information Service is based on its entitlement to assign tasks to the Service within the latter's statutory powers and to evaluate their fulfilment. This control is also closely related to the fact that the government is responsible for the Service's activities, coordinates them, and appoints and recalls its director. According to Section 8, Paragraph 1 of Act. No. 153/1994 Coll., the Service is obliged to submit reports on its activities to the President of the Republic and the Government once a year and whenever they request the Service to do so.

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

Act. No. 154/1994 Coll. also stipulates how parliament should supervise the BIS. According to its Section 18, the Service falls into the purview of the House of Deputies of the Parliament, which establishes a special body for this purpose (the Permanent Commission for Controlling the Activities of the Security Information Service). The specific powers of this commission are stipulated in Sections 19 and 20 of Act No. 154/1994 Coll.

Fulfilment of the Service's tasks related to management of state-owned assets and implementation of the state budget is supervised by appropriate state authorities as stipulated for example by Act. No. 320/2001 Coll. on financial audit in public administration including amendments to some other laws (the Financial Audit Act) as amended and Act. No. 166/1993 on the Supreme Audit Office, as amended. The audits are carried out by authorities and institutions which, according to relevant laws, have the right to check various particular activities.

In 2010 there were a total of 10 audits dealing with such issues as payment of premiums for public health insurance for Service officers and employees. In the second case faults were found involving failure to meet notification requirements of some Service officers.

7.2 Internal audit

Internal audit activities

The internal auditing system is examined and evaluated by the Internal Audit team. The scope of its powers is set forth in the Service's Organizational Rules and by an internal regulation. The framework of the above documents is established by Act. No. 320/2001 Coll. on financial audit in public administration and on amendments to certain other laws, and in the associated executive order No. 416/2004 Coll. Some internal financial audits are also carried out by specialized departments of the Service.

The Internal Audit Team conducted seven audits pertaining e.g. to awarding of public contracts and inventory of assets focused on real estate. More than fifty other audits were carried out within the scope of powers of the relevant assistant directors and various specialized departments. For example, they looked at compliance with regulations of the Service concerning handling of special funds, inventorying of accounts for 2009, and adherence to regulations of the Service concerning the efficiency and effectiveness of various offices.

The audits found no serious violations of internal regulations. Minor problems were either eliminated by the stipulated deadlines as part of measures for correction, or are being checked on an ongoing basis. In some cases changes to internal regulations were proposed and relevant recommendations were accepted.

Protection of classified information

Supervisory activities were, as usual, focused mainly on physical completeness of classified documents, the correctness of their appurtenances, and precision in keeping records in administrative aids. Special attention was devoted to checking records in administrative aids and correction of deficiencies from 2009.

In the physical security section, during acquisition of information for completion of security documentation checks were made of adherence to requirements for storage of classified information, and functional tests of already-installed security elements in the Service's buildings were carried out.

8 Inspection department Activities

The activities of the inspection department are based on the Service's organizational rules and are treated in an in-house regulation defining the principles of proceedings conducted by members of the inspection department and the Service's police authority.

The inspection department's main powers and responsibilities lie in three areas, namely:

- activities of the department officers in the position of the Service's police authority as defined in Section 12, Paragraph 2 of the Code of Criminal Procedure, in cases where a member of the Service is suspected of having committed a criminal offence;
- activities of the department members in investigating cases where officers of the Service are suspected of having committed offences showing the traits of a misdemeanour or breach of discipline, including investigation of extraordinary incidents according to an internal regulation of the Service; and
- activities of the department members as part of investigations of complaints, notifications, and suggestions submitted by officers of the Service and bodies outside the Service.

Members of the inspection department also handle requests from other law enforcement authorities involved in prosecutions (primarily authorities of the Police of the Czech Republic) in accordance with provisions of the Code of Criminal Procedure.

Activities of the inspection department as a police authority

In 2010 members of the inspection department were active as a police authority in five cases where members of the Service were suspected of having committed crimes.

In connection with activities by members of the inspection department as the Service's police authority it must be mentioned that on 1 January 2010 Act. No. 40/2009 Coll., the Penal Code, took effect. Investigations of three cases were completed in 2010. The first two of them involved offences which allegedly took place in 2009 when Act. No. 140/1961 Coll., the Criminal

Code, was still in effect, whereas the remaining alleged crime under investigation was judged according to the new Penal Code.

Investigation of misdemeanours

This category includes mainly traffic accidents involving members of the Service, the facts concerning which are investigated by relevant authorities of the Police of the Czech Republic. The Service's inspection department augments these investigations with findings that cannot be provided by the police, which are, however, important for a decision in the matter.

Another important component of this category of the inspection department's activities is investigation of cases in the section of classified information protection.

Compared to 2009, the year 2010 saw a slight growth in the number of investigations of cases where officers of the Service were suspected of having committed disciplinary breaches or of conduct having the traits of a misdemeanour, including investigations of extraordinary incidents based on an order from the director of the Service stipulating a uniform procedure upon the occurrence of an extraordinary incident.

Investigations of complaints and notifications

In 2010 members of the Service's inspection department conducted necessary investigations of complaints, notifications, and suggestions submitted by parties both inside and outside the Service. There were a total of 89 submissions, of which 86 were notifications and 3 were complaints.

Two of the complaints were declared to be totally unjustified, because no violation of either universally-binding or internal regulations by a member of the Service was found. The remaining complaint was declared to be partially justified, in that there was suspicion of violation of the law on employment of members of security forces; the remainder of the complaint was found to be unjustified.

Supervision performed by the inspection department

Based on an order from the director of the Service, checks were carried out focused on, among other things, whether Service vehicles were driven by drivers under the influence of alcohol. However, the results of breath tests of all officers and employees of the Service were negative.

Cooperation with other state administrative authorities

The Service's inspection department cooperates with other state administrative authorities mainly via requests for information, which are most frequently sent by authorities of the Police of the Czech Republic engaged in prosecutions involving suspected crimes or misdemeanours. In 2010 the inspection department handled 25 requests and rogatory letters

from state administrative authorities (courts, the police, and state prosecution offices), which constituted an increase of almost 20% compared with 2009.

9 Legal framework

The activities, status, and scope of powers of the BIS as the 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, the Charter of Fundamental Rights and Liberties, international treaties, and other legal acts and regulations of the Czech Republic.

Under Section 2 of Act. No. 153/1994 Coll., the BIS is a state authority responsible for acquiring, assembling, and evaluating information (hereafter 'providing information') essential for protection of the constitutional system, important economic interests, security, and defence of the Czech Republic.

A general definition of the powers of the BIS is given in Section 5, Paragraph 1 of Act. No. 153/1994 Coll., according to which the Service is responsible for providing information concerning:

- any intentions and activities aimed against the democratic foundations, sovereignty, or territorial integrity of the Czech Republic;
- foreign intelligence services;
- activities posing a threat to state and official secrets;
- activities consequences of which may threaten the security or important economic interests of the Czech Republic; and
- organized crime and terrorism.

Under Section 5, Paragraph 4 of Act. No. 153/1994 Coll., the BIS also fulfils other tasks stipulated by a special law (e.g. Act. No. 412/2005 Coll. on protection of classified information and on security clearance as amended) or international treaties by which the Czech Republic is bound.

Furthermore, Section 7 of Act. No. 153/1994 Coll. stipulates that the Government coordinates and is responsible for the activities of the BIS. According to Section 8, Paragraph 4 of Act. No. 153/1994 Coll. the Government assigns tasks to the Service within the Service's legal jurisdiction. The President of the Czech Republic, with the awareness of the government, is also entitled to assign tasks to the Service within its statutory powers.

To fulfil its tasks, the BIS is authorized to cooperate with other intelligence services of the Czech Republic. Section 9 of Act. No. 153/1994 Coll. stipulates that this cooperation is based

on agreements concluded between the intelligence services which must be approved by the government.

Under Section 10 of Act. No. 153/1994 Coll., any cooperation between the BIS and a foreign intelligence service requires consent of the government.

10 Budget

The budget of the Security Information Service, as one of the chapters of the state budget, was set by Act. No. 487/2009 on the state budget of the Czech Republic for 2010. This law established binding amounts for the chapter, with revenues of CZK 130 000 000 and expenditures of CZK 1 214 681 000.

Total revenues, approved in the amount of CZK 130 000 000, were achieved in the amount of CZK 154 732 000. In comparison with the previous year this represented an increase of CZK 3 655 000, or 2.4%. The bulk of the revenues came from payments for social security which, based on a special procedure approved by the Ministry of Finance, are transferred directly to the income account of the chapter. Other revenues, including mainly some revenues from the Service's own activities and from sale of unneeded assets including long-term assets, corresponded in their nature and amount to revenues commonly achieved by other organizational units of the state. As concerns structure, there were no substantial changes in the shares of various types of revenues as compared with the previous period.

In the case of expenditures, approved in the amount of CZK 1 214 681 000, several adjustments occurred during the course of the year. The final expenditures budget, showing total funds available in 2010, was a total of CZK 1 200 628 000 as of 31 December 2010.

Actual expenditures in 2010 amounted to CZK 1 178 637 000, i.e. 98.2% of the chapter's final (available) budget.

The reduction in usage of CZK 27 051 000 as compared with 2009, i.e. 2.2%, was mainly the result of measures taken by the government to reduce the state budget deficit.

Expenditures for salaries and benefits constituted, as always, the main portion of total expenditures. Above all, an intelligence service cannot function without a high-quality base of personnel, and this accounts for the high share of personnel expenses in total expenditures. Also includable in the area of personnel expenses are expenditures paid from the chapter's budget for retirement benefits of former members. These are mandatory and their amounts cannot be influenced in any way.

One of the main areas of expenditures consists of materials and equipment. Apart from normal operational needs, equipment is needed for intelligence gathering and for operational, computer, communications, and security systems. The consequences of austerity measures adopted by the government are always perceptible in this area.

The Service devotes great attention on a long-term basis to needs for protection of classified information stipulated by Act. 412/2005 Coll., especially in the area of physical,

administrative, and personnel security, and security of information and communications systems. The need to take these factors into consideration in the whole cross section of the Service's activities results in many expenditures that do not occur at all in other organizational units of the state.

In conclusion it may be said that the financial revenues and expenditures of this chapter of the state budget in 2010 corresponded essentially to the fundamental needs of the BIS.

A detailed breakdown of the finances of Chapter 305 (the Security Information Service) according to various groups and sub-groups of items may be found in the chapter's closing account statement for 2010, which is being submitted to the Ministry of Finance and for discussion to the Defence and Security Committee of the House of Deputies of the Parliament of the Czech Republic.