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1. Scope and Spheres of Intelligence Activities

1.1. Powers and Responsibilities of the Intelligence Service

The activities, status, and scope of powers and responsibilities of the Security Information Service (in Czech *Bezpečnostní informační služba*, hereinafter 'BIS') as the intelligence service of the democratic state are stipulated by relevant laws, 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. In its activities the BIS is also governed by the Constitution of the Czech Republic, the Charter of Fundamental Rights and Liberties, international treaties, and other legal regulations of the Czech Republic.

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

A general definition of the powers and responsibilities 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:

- intentions and activities aimed against the democratic foundations, sovereignty, or territorial integrity of the Czech Republic;
- intelligence services of foreign countries;
- activities posing a threat to the secrets of the 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 if so stipulated by a special law (e.g. Act No. 412/2005 Coll. on protection of classified information and on security clearance as amended) or an international treaty the Czech Republic is bound by.

Furthermore, Section 7 of Act No. 153/1994 Coll. stipulates that the authority responsible for the activities of the BIS is the Government which also coordinates it. According to Section 8, Paragraph 4 of this act, the Government assigns tasks to the BIS within the Service`s legal jurisdiction. The President of the Czech Republic, with the awareness of the Government, is entitled to do the same.

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 must be based on agreements concluded between the intelligence services with the consent of the Government .

Under Section 10 of Act No. 153/1994 Coll., the BIS may cooperate with intelligence services of foreign countries only with the consent of the Government.

2. Intelligence Activities and Findings

A summary of all the intelligence activities of the Security Information Service (BIS) during the past year is contained in the classified *Report on the Activities of the BIS for 2011* – a report the BIS submits to the President of the Republic and the Government each year in accordance with Section 8, Paragraph 1 of Act No. 153/1994 Coll.

During the course of the year, again in accordance with Section 8 of Act No. 153/1994 Coll., the BIS informed entitled addressees about particular intelligence findings and results of analyses on which the overview of its activities in this public annual report is based.

In 2011 the BIS submitted more than 600 documents to the President and members of the Government and sent more than another 350 notifications to appropriate state authorities including the Police of the Czech Republic, the Office for Foreign Relations and Information, and the Military Intelligence.

2.1. Protection of Important Economic Interests

Management of State Assets

In 2011 the BIS traced again the occurrence of phenomena threatening important economic interests of the Czech Republic associated with management of state assets, particularly in the area of the public contracts awarding. Attempts were made by various entrepreneurial, lobbyist or mediating entities and groups to influence the process of awarding contracts contrary to the interest of the State. Some contracting parties and bidders for contracts adopted non-transparent and illegal conduct. The practices of giving preference to pre-selected suppliers and of influencing the conditions of public tenders in their favour continued, based on close ties to representatives of the parties awarding contracts. The resulting costs of the contracts were also overvalued by covert agreements among bidders concerning the bids and coordination of their procedures for the purpose of simulating competition in the tenders.

For example the Railway Infrastructure Administration (SŽDC) proceeded in a non-transparent manner in announcing some public tenders. The announcements appeared to be transparent, but the Administration preferred pre-selected private entities to other competitors, by discussing the terms of the contracts with them individually in advance or by providing them with internal information.

Within public tenders there existed agreements among individual competitors. The BIS became conscious of cases in which several competitors during an electronic auction were using special form of disguised communication. It should have enabled to recognize auction participants otherwise anonymous. Group of companies used the system of unique two-digit codes, which were presented as a part of their offered prices. It means that even electronic auctions, intended for preventing non-transparent ways of public tender assignments, themselves, were not enough to make various machination attempts impossible.

Some tenders in the field of energy were also only of a formal nature because the winner was already chosen before they were announced. In the case of contracts awarded by a 'sector contractor',¹ a procedure was used that allows circumvention of the law on public tenders. This

¹ According to Section 2, Paragraph 6 of Act No. 137/2006 Coll. on public tenders as amended.

procedure, consisting in awarding contracts via a subsidiary company of the 'sector contractor', was used especially by ČEZ and its daughter company ŠKODA PRAHA Invest.

Pressure from lobbyist and business groups continued in awarding of contracts of the state enterprise Forests of the Czech Republic. In the case of the fundamental contract of this enterprise for forestry work with sale of wood 'at the stump' (the state has trees felled and then immediately sells them to a trader) starting in 2012 important forestry companies are not only attempting to influence the conditions of the tender for this contract, but discussing a joint procedure among themselves.

In the case of public contracts for meeting the state's ecological obligations incurred before privatization, there were attempts both to increase the guarantee unjustifiably and swindle in fulfilling the contracts. It consequently led to recovery work prolonging inter alia.

The BIS also noted attempts to take advantage of defects in current legislation and to influence the legislative process. For example, general formulation of legislation allowed the Administration of State Material Reserves (SSHR) to proceed in managing the state assets entrusted to it in non-standard and non-transparent manners over a long period of time. Not even adjustment of internal regulations guarantee proper management of state material reserves, because it still left space for abuse of emergency reserves to the benefit of private entities, i. e. selected business partners of the Administration of State Material Reserves.

The gambling lobby influenced the legislative process concerning modification and tightening of gambling business conditions via institutions where the decisions preparing the form of the new legislation were made.

Some companies operating on the Czech energy market (e.g. ČEZ and Czech Coal) endeavoured to influence legislation in the field of energy via contacts in State administration or via advisory bodies and professional organizations.

The Functioning of Important Companies with a State Ownership Share

In 2011 the BIS also dealt with uncovering undesirable phenomena in the functioning of companies with a state ownership share and of other institutions controlled by the State. In the case of important companies such as Czech Airlines, the Czech Postal Service, Czech Railways, and Czech Railways Cargo, it found influencing of public contracts awarding, preparations for strategic decisions, and of personnel issues. In these cases, too, business and lobbyist entities in pursuing their own aims made use of persons having a close tie to the management of these companies. Some sales of assets of the companies aroused grave doubts about their transparency and their benefit for the State. Management also intentionally provided incomplete or distorted information to the companies' supervisory authorities.

In the Czech Export Bank (ČEB) and the Export Guarantee and Insurance Corporation (EGAP) non-standard procedures in financing some risky projects continued. Via clientelistic ties between representatives of these institutions and some export companies, the institutions apparently supported some projects that would not have been recommended from the economic standpoint in a regular approval process. With regard to use of loan funds and fulfilment of commercial terms for some projects supervisory mechanisms of the Czech Export Bank also failed, which created opportunities to siphon funds from the bank to private parties. The efforts to insure projects being either beyond its field of operation or not satisfying the stipulated conditions were found in the Export Guarantee and Insurance Corporation.

Energy Security

The Czech energy system was affected by problems with construction of the energy infrastructure. Some projects were complicated by high prices set by speculators owning needed land parcels, as was the case with the Gazela gas line, or by failure to secure sufficient future financing.

In the case of some strategic projects in the area of energy, consulting companies asserted their own interests, taking advantage of personal ties to representatives of state-controlled companies. Some consultants were chosen based on subjective and illegitimate criteria. Such choice creates paths for entry of foreign interests into state key decisions, and consequently threatens the security interests of the Czech Republic.

The BIS followed developments in the field of renewable energy sources. Some of the investors who covertly or openly participated in uncontrollable development of solar electrical power had conflicts of interest. In the past these parties were involved in setting the parameters of state support for renewable sources, decided on their later modifications, or influenced them via important enterprises with a state ownership share.

Activities of multinational organizations had an influence on Czech energy, aimed at control of the whole chain from mining, drilling, or transportation to final usage of energy raw materials. In these activities Russian entities were by far the most agile.

One of the main focuses of Russian interest was the transportation infrastructure for supply of energy raw materials to the Czech Republic. Economic pressure from Russian parties strengthened by construction or planning of alternative transport routes was manifested in efforts to control it. If the Russian parties succeeded they would strengthen their influence on supplies of energy raw materials to the rest of Europe including the Czech Republic, which in the extreme case could be abused to assert Russian economic and political interests.

2.1. Organized Crime

In accordance with its legal powers and responsibilities, the BIS concerned itself above all with the most serious manifestations of organized crime, i.e. the activities of entities that, using illegal or illegitimate methods, maximized their profit in a manner that threatened the security and economic interests of the state.

In 2011 these manifestations consisted again primarily in assertion of particular interests via non-standard influencing decision-making of state administrative authorities, local governments, and the judicial system. The BIS also noted efforts to influence illegitimately the legislative process at the national level.

Although these activities often led to misuse of public funds and assets, their negative impact on the interests of the state extended substantially beyond the purely economic level. The legality of exercise of State power and the legitimacy of decision-making by State authorities were disturbed. Such cases contributed to undermining the trust of citizens in public institutions, which in the final result threatens the very democratic foundations of the rule of law.

Mainly informal, non-institutionalized structures in the forms of clientelistic and influence network stand behind these activities. In some cases these networks created parallel power structures that threatened or directly undercut the activity of authorities of the State administration and local governments. In exceptional but serious cases particular legal entities were connected to these structures. Often these were businesses which, in view of the nature of their activity, could be punished only with great difficulties solicitors' offices or consulting, media and tax

consultants' companies. Among the characteristic traits of representatives of these entities were their high social positions and connections. Ties to representatives of the Czech judicial system or the political, economic, and social elite further hindered their prosecution by relevant authorities.

The main methods are corruption, activation of clientelistic ties, foiling of investigations, use of economic influence or pressure, manipulation of the media, exploitation of firms and companies of the legal economy, and abuse of the structures of political parties and non-governmental organizations.

Only a small portion of these methods can be combated by prosecution or other means, because they are not illegal by their nature. Even in cases where the methods of organized crime are illegal (e.g. corruption), proving such conduct is extraordinarily difficult.

Based on findings, organized crime and its practitioners in the Czech Republic can be divided into three levels. The first consists of groups directly influencing the decisions of the highest authorities of the State administration, local governments, and the legislative process in a manner that can affect the fundamental functioning of the State. The second consists of structures that influence judicial authorities by corrupting or discrediting them, through which they threaten proper exercise of justice. The third level comprises entities that systemically siphon funds from public budgets, or that massively legalize or have the potential to legalize revenues from criminal activities.

Influencing the Decisions of the Highest Authorities of the State Administration, Local Governments and the Legislative Process of the Czech Republic

Dysfunction and Abuse of the System of Higher Education

Through analysis of negative phenomena noted at several institutions of higher learning (the Law Faculty of the West Bohemian University in Pilsen (FPR ZČU) , the Banking Institute College in Prague (BIVŠ), the Financial and Administrative College in Prague (VŠFS)), the BIS identified several critical places in Czech higher education that influence the functioning of public institutions or the economic interests or security of the state. Trading in education and academic degrees, failure to maintain educational standards, and circumvention of accreditations of study programs is particularly notable. Recognition of education received at some foreign schools that does not correspond in content to the required standards of Czech higher education and studies at branches of some schools of higher education abroad have the same negative impact.

This may also potentially involve fraudulent transfers of assets, or shifts of obligations to the state. This is a current problem especially in association with investment projects of educational and research centres whose implementation is influenced by regional ambitions with a low degree of responsibility on the part of decision-making authorities and with non-transparent utilization of funds. In addition, the effort to maximize use of subsidies for these projects from structural funds of the European Union increases the risk of future burdening of the state budget.

It is clear that institutions of higher learning and educational institutions in general are, thanks in part to generous subsidies from the European Union, prestigious venues that provide opportunities for implementation of lucrative projects. Therefore they are the focus of interest of influence groups, businesses, potential investors, professional associations, etc., whose goals need not always agree with the public interest. Some projects in the framework of the operational programme 'Education for Competitiveness' are such examples. are

These circumstances were to be reflected in the proposal for the law on institutions of higher education. In the opinion of the BIS, however, not even the latest version of the proposal from December 2011 deals consistently with mechanisms that would eliminate the risk of corruption,

favouritism, and manipulation of assets and strengthen the monitoring functions and transparency of the system of higher education.

Reverberations of the affair of the Law Faculty of the West Bohemian University in Pilsen were still evident in 2011. Correction of the situation at the faculty was executed inconsistently, and after pressure from the media and the public subsided, the reform ethic at the school got totally lost. Conformists gained the upper hand over reformists; there were disagreements among the teaching staff in consequence of which about thirty academicians left the school and space was opened for the birth of a new competing school focused on law. This development signals a low degree of self-reflection on the part of academic authorities of the school and of methodical management by the Ministry of Education.

Corruption and Conflict of Interests at the Local and Regional Levels

It has been confirmed that interconnection between businesses and local governments is the cause of corruption in transactions with public assets, and that clientelistic and corrupt practices occur both in large (statutory) cities and small municipalities .

Interest groups in many towns and cities are capable of interfering in decision-making by the councils and of eliminating the influence of local government officials who do not accommodate them. Investigation of serious cases where there is a suspicion of criminal conduct is complicated by the political consequences and by the possible bias of local authorities engaged in prosecution.

In transactions involving public assets, members of the municipal council often have ties to companies, which leads to a conflict of interests and suspicion of abuse of the legal powers of an official. Critics of this situation must face pressure from business lobbies.

Typical of some statutory cities are disadvantageous sales and rentals and manipulation of assets, whereby companies and persons having influence on functioning of city offices have profited or are profiting from administration, rentals, and privatization of the municipal infrastructure. This practice demonstrates the strong effect of influence structures including entrepreneurs, investors, and current or former representatives and employees of the city.

Abuse of subsidies in favour of a private party is often based on purposeful elevation of the price of a project which is justified by the public interest. Companies that execute the project can then pay pre-agreed shares of revenues from the inappropriately high profit. Another variant is placement of a public building erected or renovated with a subsidy under the management of a private company, or privatizing it.

Clientelism at a regional level is also evident in the growing extent of political corruption, which affects the functioning of a representative democracy. Influence groups, especially groups of businesses, but also local movements with political ambitions, endeavour to 'preventively' influence elections by buying votes, by purposive changes of permanent addresses of citizens who sympathize with them, by non-transparent support of an election campaign, by discrediting 'inconvenient' persons, etc.

Although these negative phenomena grossly violate the principles of the business and political culture, criminal prosecution of the persons responsible for them is very difficult. Systematic handling of these types of dysfunction requires strengthening transparency and personal responsibility in decision-making processes of municipal authorities.

Influencing of Courts and Threats to the Proper Administration of Justice

In the area of dysfunction of justice in the course of 2011 the BIS provided information about individual failures of some judges and state representatives, and also drew attention to deficiencies of the system in administering justice. In this matter there was intensive communication between the BIS and the Ministry of Justice aimed at correcting deficiencies found and implementing changes in the system.

The BIS made many subfindings concerning intentional abuse of the institute of insolvency (bankruptcy), involving some judges working in bankruptcy sections of regional courts.

In some cases bankruptcy judges were not the direct organizers of the manipulated bankruptcies; rather, they tended to be parties who in view of their indispensable role in the bankruptcy proceedings were used by organizers outside the judicial system. Improprieties on the part of judges, however serious, were mainly at the level of corrupt conduct and comprised individual failures of representatives of the judicial system.

In addition to corruption on the part of individual judges, the BIS noted formation of clientelistic or otherwise interconnected groups that manipulated insolvency proceedings in some regional courts. By contrast to cases from previous years, judges played a substantially more important role than that of mere participants in a group. Besides judges, these groups consisted of insolvency administrators, members of other judicial professions, businesses, and in some cases parties from the world of organized crime.

In a case of disciplinary proceedings involving a particular attorney, the BIS illustrated the dysfunction of disciplinary proceedings as a legal institute intended to handle questionable activities on the part of judges and attorneys. The current conception of disciplinary proceedings provides no guarantee that serious misconduct on the part of judges and attorneys will bring appropriate punishment. Due to close cooperation with the BIS and based on its knowledge, the Ministry of Justice was informed about this fact and has been preparing an amendatory act aiming at improvement of legal provisions dealing with the institute of disciplinary proceedings of judges and attorneys.

A negative role continues to be played also by unusually close ties between some judges and attorneys or with other representatives of the judicial system, which could lead to manipulation of court proceedings. Observed family and friendly ties of judges of the Regional Court in Brno played an important role in giving preference to selected creditors and in other cases in manipulation of insolvency proceedings that occurred in this institution. The undesirable consequences of these ties were manifested most strikingly in cases in the jurisdiction of the Regional Court in Ústí nad Labem.

Groups Legalizing Revenues from Criminal Activity

Vietnamese Organized Crime

Non-transparent flows of funds were noted in the past in association with the Vietnamese community and with the largest Prague marketplace, Sapa. It may be assumed that they were a means for legalization of revenues from criminal activity. Some family companies in the Sapa marketplace offered an elaborate system of services consisting in import and undervaluation of goods from Asia, then transfer of funds from the Czech Republic, mostly to Vietnam or China.

During the last quarter of 2011 the Sapa market place attracted the interest of state security units and was placed on the agenda of the Defence and Security Committee of the House of Deputies. Despite all the illegal activities found in connection with the Sapa marketplace, however, the BIS does not perceive it as a fundamental risk for the security of the Czech Republic.

Balkan Organized Crime

The activities of Balkan organized crime in the Czech Republic consisted mainly in legalization of illegally-acquired funds via business activities.

Post-Soviet Organized Crime

Persons connected with the two most important crime groups from the Caucasus region, who have been waging an armed conflict for supremacy for several years, operated in the Czech Republic. Findings of the BIS show that in 2011 representatives of Russian-language organized crime endeavoured to join in political-economic activities connecting the Czech Republic with their countries of origin. This could have a negative impact on bilateral relations between the Czech Republic and post-Soviet republics, especially in the Caucasus region, in part because of existing ties of organized crime from that region both to state administration and to the political opposition movement.

2.2. Counterintelligence

Based on evaluation of the degree of security risks, in 2011 the priorities of the BIS in the area of counterespionage were intelligence services of the Russian Federation and, in the area of economic and scientific-technical espionage, also the intelligence services of the People's Republic of China.

Intelligence Services of the Russian Federation

In 2011 the Russian Federation continued in its long-term efforts to maintain a high representation of intelligence officers working under the cover of membership in the Russian diplomatic mission in the Czech Republic.

The intelligence services of the Russian Federation are not the only intelligence services of foreign countries present on Czech territory, but in 2011 they were again the most active espionage organizations in the country. A continuing phenomenon was also the major presence (completely unjustified in view of Czech-Russian relations, and not reciprocated) of Russian intelligence officers on Czech territory under various covers. Russian officials openly abuse the disproportion between the size of the Czech diplomatic mission in Russia and the Russian mission in the Czech Republic, and via various forms of political pressure and reciprocal measures force the Czech Republic to accept members of the Russian intelligence services as diplomats.

In 2011 the intensity of activities of Russian intelligence officers and diplomacy aimed at gaining direct monitoring and control of the activities of Russian immigrants in the Czech Republic noticeably weakened. However, Russian intelligence units continue to focus on the community of immigrants from the Caucasus region in our country. In view of the security situation in the northern part of that region, this interest is to a certain extent understandable. On the other hand, we must fundamentally reject the abuse of problems of the fight against terrorism and organized crime for a disinformational and sometimes fear-evoking campaign against Czech non-governmental organizations and Czech citizens, such as the press release of the Federal Security Service of the Russian Federation in May 2011 attacking the organization People in Need.

The allegation that People in Need is a part of al-Qaeda and of bandit or terrorist groups from the Caucasus region is another link in the chain of disinformational activities by intelligence services

of the Russian Federation against the Czech Republic (damaging its good name) and its security forces, and at the same time another in a series of attacks by the Russian government on foreign non-governmental organizations operating in the Caucasus region. (In the case of People in Need this has already been the second fabricated accusation of collaboration with terrorists.)

Also pertaining to the northern Caucasus region was the December murder of Gadzhimurad Kamalov, founder and chief editor of the Dagestan weekly *Chernovik*, the activities of which are connected with the Czech Republic among other places. Kamalov and his colleagues devoted themselves mainly to uncovering disputable activities of members of Russian and Dagestani security and intelligence units. In 2008 *Chernovik* reported on illegal activities of members of the army and other armed units of the government in Dagestan in an affair that blackened the name of the Czech Republic among other countries as a place of indoctrination of terrorists from the Caucasus region.

In 2011 the interests of Russian intelligence services were again dominated by economic matters, which however in certain cases overlapped with matters of politics and defence. We can divide Russian activities during the year into standard intelligence activities on the one hand, and on the other hand typical 'competitive intelligence' in which both state and private Russian parties engaged.

One of the main topics of interest of intelligence services of the Russian Federation was energy, including a tender for completion of the Temelín nuclear power plant. However, Russian intelligence officers could also be found at various social and networking events, where they endeavoured to firm up old contacts and meet new people. Contacts of officers of Russian intelligence services with persons whose past is associated with Russian-language organized criminal structures and their activities in the Czech Republic are somewhat disturbing.

In 2011 dysfunction in municipal and regional governments also became a counterespionage topic to a certain extent. Via the dysfunction of some municipal and regional political and administrative structures, Russian intelligence services acquire information from those environments and support for entrepreneurial and commercial plans of Russian commercial entities. If officials and elected representatives at the municipal and regional levels participate in non-standard activities, and foreign citizens are also involved in those activities, the hypothetical threat of media attention or police investigation does not have to be the only threat for those participating. It may also happen that officers of Russian intelligence services are informed about their non-standard activities (and about all parties engaged therein), and in their hands such information can change into compromising reports.

The main danger consists in Russian intelligence services' great knowledge of dysfunctional conduct at the level of municipal and regional governments, because regional politics is a natural source of personnel for high politics and the central authorities of State administration.

Intelligence Services of the People's Republic of China

Based on experience from the year 2011, officers of Chinese intelligence services operating in the Czech Republic pose no direct threat to Czech citizens. In their conduct they endeavour to remain within the confines of their diplomatic cover. Their activities are aimed at finding potential targets: persons, companies, and technologies. A real, direct risk threatens individuals during trips to China, or in case of contact with a third party (such as a commercial company) that is Czech but latently represents Chinese interests (purchase of technology, investments, etc.).

2.3. Extremism

Right-Wing Extremism

In 2011 the Czech right-wing extremist scene strove to gradually renew its activities, which it had substantially restricted after pressure from state authorities in the preceding years. However, a certain fragmentation persisted. Some of the activists continued to show fear of further repressive measures.

Since Neo-Nazi ideology tended to be an affair of relatively small groups not coordinated at a national level, new trends also gained space. An example was 'hard bass';² however, during the course of the year its popularity gradually declined. A part of activists also endeavoured to establish the ideological concept of a 'third way' (simply speaking, a mixture of leftist and rightist ideas, in particular socialism and nationalism) and to draw inspiration from the Italian Neo-Fascist group 'Casa Pound'.

Efforts to modernize the scene were not appreciated by the 'old' generation of right-wing extremists and gave rise to disputes with the 'young' activists. However, towards the end of the year these disagreements became somewhat less intense and tension between some 'old' and 'young' right-wing extremists declined.

Thanks mainly to the fight against Romany crime and the tense atmosphere in the area of Šluknov, in 2011 right-wing extremists succeeded in organizing several relatively large public gatherings, in which they were supported by some residents of troublesome areas.

However, not all demonstrations against socially-excluded citizens were organized by right-wing extremists. For many of those events both the organizers and most of the participants came from the ranks of the local population, frustrated by the situation in the region and the attitude and behaviour of some groups within the population.

Towards the end of the year the situation in the Šluknov area gradually calmed down, but in view of many other areas suffering from the same problems it cannot be ruled out that similar tensions may again escalate.

Besides the above-mentioned gatherings, right-wing extremists also, as every year, organized several smaller traditional meetings, mainly on the occasions of commemoration of deceased activists or in support of imprisoned comrades.

After the decline in the number of right-wing extremist events with live music in previous years, in 2011 there was some enlivenment in this area. Right-wing extremists organized several relatively large concerts in the Czech Republic. They also continued using the tactic of holding concerts abroad (mainly in Poland), but during the course of the year the numbers of participants attending these events and their frequency gradually declined.

The Workers' Social Justice Party (DSSS) remained the most prominent right-wing extremist group in 2011, despite some problems that accompanied its functioning.

To make itself more visible, this party continued to use the topics of socially unadaptable members of the population, thanks to which it was able to organize a number of demonstrations successful for its aims, not only in the Šluknov area but in a number of other locations with intensified social tensions. This issue brought the party partial support from the public at these

² Its principle is a wild dance by a group of persons, the majority of them masked, in streets, on squares, in shopping centres, etc. The musical accompaniment is mainly electronic dance music sung in Russian. Nothing illegal usually occurs with 'hard bass', but it serves to firm the solidarity of part of the right-wing extremist scene.

events, but local residents' participation in its demonstrations does not necessarily mean they identified with its platform.

In organizing events the party endeavoured to utilize other topics as well, but it was not very successful in these attempts.

The Workers' Social Justice Party took initiatives in the international field as well. It attempted to intensify cooperation with the National Democratic Party of Germany (NPD). This consisted mainly in organizing joint Czech-German public gatherings and commemorative events. However, in mid-November there was a change in the leadership of the NPD³ which may substantially affect further cooperation with its Czech counterpart.

The Young Workers (DM), whose members were among the most active right-wing extremists remained closely connected to the Workers' Social Justice Party in personnel and thinking. This group, too, had internal problems.

In 2011 the previously-prominent Autonomous Nationalists (AN) were losing their potential and their importance declined. Therefore they revived their relations with the Workers' Social Justice Party and renewed cooperation. The demonstration they organized on 17 November 2011 in Prague with participation by activists from the Workers' Social Justice Party and the Young Worker was a practical example of their liaison.

The Neo-Nazi group called the National Resistance (NO) underwent an overall transformation in structure and functioning. As a homogeneous organization it de facto ceased to exist. Individual branches comprising only several persons gradually restricted their activities and some of them terminated activities entirely. Only certain cells continued independently from the others.

From the international standpoint the most striking act associated with extremism was the terrorist attack in Norway on 22 July 2011 by the Norwegian citizen Anders Behring Breivik. Reaction by Czech extremists to this attack was reserved. It was defended only on the web pages www.white-media.info; most other extremists condemned it. Czech right-wing extremists said that calling Breivik a right-wing extremist was contrived and considered that labelling to be only an excuse for intensified activities of security units against them. They also emphasized that the attack must not be taken as a reason for them to desist in their fight against multiculturalism and immigration.

The Left-Wing Extremist Scene

From the long-term perspective, in 2011 the left-wing extremist scene showed no major development. It constantly wrestled with many problems, above all fragmentation, a weak membership base with only a limited number of active individuals, and inability to attract new sympathizers in substantial numbers. However, compared with the previous year there was a mild revival of the scene. Its devotees were partly activated by the political, economic, and social situation not only in the Czech Republic but also abroad, and by the associated dissatisfaction and frustration of citizens.

A partial increase in activities concentrated on the movement itself (publications, lectures, discussions, projection of films, concerts, benefit and memorial events, etc.). Efforts to public presentation were also noted. Left-wing extremists participated in events of the most varied leftist-oriented non-extremist groups. The Autonomous Anarchists, by contrast with Marxist-Leninist groups, also organized their own gatherings. However, these tended to be small events at a regional level and not massive gatherings that would attract the attention of activists throughout the country.

³ Udo Voigt failed to retain his position as Chair and was replaced by Holger Apfel, Chair of the representatives from the NPD in the legislature of Saxony and chief editor of the party's publication *Deutsche Stimme*.

Actual events organized under the aegis of left-wing extremist groups proved to be incapable of attracting large numbers of ordinary citizens, and efforts to infiltrate and take over civic anti-government protests proved not to be realistic in view of the low mobilizing potential of left-wing extremists. They formed only a small group of those attending such events, and thus had no influence on their course or their impact.

In 2011 the most important mobilizing topics for left-wing extremists remained to be the fight against capitalism and criticism of the current rightist Government and its reforms accompanied by austerity measures in the areas of health care, taxes, and the retirement system. They participated in and thus supported mainly civic protests organized by the Initiative for Criticism of Reforms and Support of Alternatives (ProAlt), as well as demonstrations by labour unions and the strike by transportation unions.

In solidarity campaigns, Czech left-wing extremists concerned themselves also with the situation of their colleagues abroad facing austerity measures and repression by the state. Their interest was aroused above all by events and the origin of protest movements in Spain (such as Democracia Real Ya! and the May 15th Movement) and later in the United States (Occupy Wall Street). Czech activists provided abundant information about events on their websites and also strove to transfer similar movements to the Czech Republic.

A number of protest gatherings and happenings occurred under the aegis of Real Democracy Now, of which left-wing extremists became members, focused at first on support of foreign activists, then later reacting more to the political situation in the Czech Republic.

Another important profiling theme for left-wing extremists remained the fight against advocates of the extreme right, which continued to include monitoring of ideological opponents, posting information about them on the Internet, direct violent attacks on representatives of the Neo-Nazi scene, and last not least, protests against public gatherings of right-wing extremists.

Left-wing extremists focused their attention especially on demonstrations of the Workers' Social Justice Party against the Romany minority with its unadaptable behaviour and crime, not only in the Šluknov area but in other troublesome locations as well. However, left-wing extremists were not alone in these protests; they formed only a small group of the broadly-conceived anti-fascist platform of various human-rights activists, non-governmental non-profit organizations, Romanians, etc.

Left-wing extremists continued attempting to present themselves via a number of sub-topics, which, however, were short-lived. It was, for example, limited support of the 'Arab Spring', renewal of interest in the topic of repression of the Palestinian people in association with the visit of Benjamin Netanyahu to Prague, and partial support of the mass riots in London.

2.5. Terrorism

In 2011 the BIS focused on phenomena and events that could increase the risk of the emergence, establishment, or functioning of terrorist groups in the Czech Republic.

The Czech Republic was not directly threatened by any terrorist attack in 2011, nor by other terrorist activities. Nevertheless the BIS registered undesirable influences and conduct that might lead to support for spreading radical opinions. This involved above all dissemination of some controversial opinions presented in the Muslim community and reactions to them, developments in Jihad propaganda on the Internet, responses to significant events of the 'Arab Spring', the killing of al-Qaeda leaders, the terrorist attacks by Anders Breivik, and the tense situation in the Middle East. However, in 2011 the BIS found no instance of radical interpretation of Islam in the Czech Muslims'

opinion mainstream . In the past, isolated attitudes with radical context occurred in the Muslim community, but the community as a whole continued to adhere to a restrained religious character, especially in comparison with the situation in some countries of Western Europe.

An important security risk, however, is dissemination of Jihadist propaganda on the Internet, the authors of which profess allegiance to al-Qaeda. Besides use of modern information technology, these authors attempted to concentrate psychological manipulation more precisely. Their target group became very young Muslims living in the West. It is not yet possible to evaluate exactly the success of this type of propaganda, but in view of the growing number of isolated extremists for whom the Internet has been the main radicalizing stimulus we may expect that a large number of persons will continue to be influenced in this way.

The most important event in 2011 affecting the Islamic movement, terrorist organizations, and the degree of their influence was the 'Arab Spring'. The fall of former regimes in some countries of the Arab world and newly-arisen instability created space for possible strengthening of the positions of Islamist and terrorist groups.

Events in various Arab countries had a direct impact on opinions and attitudes of most Muslims living in Europe. However, the original optimistic expectations of liberal-thinking Arabs gradually changed to disillusion and fears of strengthening of fundamentalist and Salafist movements in the countries of their origins. The impact of the ideological influence of these movements increased also among European Muslims. These changes have not ended yet; therefore possible consequences evaluation of strengthening of Islamist groups' influence on the security situation in Europe is still ongoing.

Reactions to the killing of two important representatives of the al-Qaeda Jihad organization were more unequivocal. The killing of the symbol of al-Qaeda, Osama bin Laden, provoked anti-American moods not only in Islamic countries but also among some Muslims in the Czech Republic. The announced act of revenge has not yet occurred, with certain local exceptions, mainly in Pakistan.

Responses to the death of Anwar al-Awlaki, spiritual leader of al-Qaeda in the Arabian peninsula, have been less intense. However, al-Awlaki was a key ideologist of the Jihad who actively supported dissemination of the ideas of al-Qaeda. Within these activities he participated in the establishment of the English-language web magazine *Inspire* for young Muslims in America and Europe.

In 2011 the BIS shared in international cooperation in investigating the terrorist attack by Anders Breivik in Norway. Breivik is an example of an isolated terrorist who was partly inspired by the modus operandi of some terrorist organizations. He became radicalized and used well-known procedures of terrorist groups to plan killings in the name of extremist ideology. Not previously known to any security forces either in Norway or elsewhere, Breivik tried unsuccessfully to acquire further support for his intentions also outside Norway. The probability that someone will decide to imitate Breivik is not negligible.

The initial anti-Islamic reaction to the terrorist attacks in Norway, which were at first erroneously considered to be the work of Islamist extremists, confirmed European Muslims in their conviction that they are not welcomed in Europe. This fact and Breivik's motivation – fanatical hatred of immigrants especially from the Islamic world – heightened the radicalizing potential of European Muslims in general.

A situation that could be dangerous for the Czech Republic as well as for other countries is the tension in the Middle East associated with the international community's dispute with Iran over its controversial nuclear programme, which escalated several times during 2011. If the conflict between

the parties involved further deepens one cannot rule out an asymmetrical reaction by Iran in the form of targeted terrorist attacks.

2.6 Proliferation of Weapons of Mass Destruction and Their Carriers, of Conventional Weapons and Explosives

In 2011 companies from countries under sanction such as Iran and North Korea showed interest in supply of goods from the Czech Republic that are subject to international control regimes⁴ or to Czech national legislation.⁵ Efforts to acquire dual-use goods, in some cases via re-exports through third countries, pertained mainly to machinery and sets of equipment that can be used for development and production of weapons of mass destruction, for example in Iran and North Korea.

The primary measure taken to reduce such risks was consistent evaluation of requests for and preparation of transactions involving items of dual use, military materiel, weapons, and explosives, and consistent adherence to legislative rules for trading in goods that can be abused. Assessment of requested machinery and other goods was repeatedly hindered by the difficulty of unequivocal determination whether a particular piece of equipment is a controlled item. For some types of exported machinery which, according to their parameters do not fall into this category, one cannot rule out the possibility that in the target country they will be assembled into machinery having the parameters of a controlled item and exploitable for weapons of mass destruction.

Therefore findings concerning end users and the purpose of usage of the exported goods were of crucial importance. The end user in Iran was capable of planning clever paths of transactions to acquire goods, in which firms from various countries fulfilled only partial tasks without knowing the whole customer-supplier chain. Another factor hindering identification of the true path of transactions consisted in Internet offers and requests from companies for which it was difficult to clearly determine the identity of their true operator. The BIS passed on information about requests for goods of dual use utilizable for development and production of weapons of mass destruction to its entitled addressees.

A new aspect in trading with Iran consisted in sanctions imposed by the United Nations Security Council together with measures formulated in an order of the European Commission concerning financing of such trading. Added to the gradually-expanding list of sanctioned Iranian banks that were totally excluded from financial transactions in 2011 were e.g. Ansar Bank and Mehr Bank of Tehran, and Onerbank ZAO headquartered in Minsk which is controlled by other Iranian banks. Adoption of sanctions against the Europäisch-Iranische Handelsbank headquartered in Hamburg was another important measure from the standpoint of transactions with European countries. Near the end of the year the United States, Canada, and Great Britain substantially restricted trading also with the Central Bank of Iran.

There was an ongoing interest in special components usable for production of military Unmanned Aerial Vehicles. Trading in materiel, components, and spare parts for Unmanned Aerial Vehicles is not allowed in cases where it might be abused in military programmes of high-risk countries. Information acquired indicated that in this area, too, deliveries were not to be made to high-risk parties directly, but via cover companies.

⁴ The Czech Republic is a member of 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.

⁵ E.g. the law on foreign trade in military materiel and the law implementing the European Communities regime for control of export of dual-use goods and technologies.

Conventional Weapons, Military Materiel, and Explosives

In 2011 some high-risk countries from Sub-Saharan Africa, Southeast Asia, and Middle East showed interest in conventional weapons and military materiel including military explosives. Exports of weapons and military materiel to embargoed countries, into which China was still subsumed, were not possible.

In the area of foreign trade in military materiel, the BIS shared actively in proceedings for granting permits and licences. The goal was to minimize risks associated with exports to countries that did not provide sufficient guarantees that they would not exploit items received, especially military materiel with lethal effects, for excessive stockpiling, repression of the population, or re-exports to high-risk and sanctioned countries.

In the framework of licensing proceedings, the BIS made comments on particular requests and also drew attention to possible problems associated with mediating, transit, and transfer of goods in transactions with military materiel. In particular the BIS strove to achieve consistent fulfilment of all the Czech Republic's commitments resulting from international treaties, especially in the area of particular brokering operations.

In 2011 the BIS also concerned itself with abuse of explosives intended for civilian (industrial) usage, e.g. in association with domestic production of explosive booby traps. A major event in this area was the bomb attack by Anders Behring Breivik. This incident confirmed that explosive systems can be produced relatively easily from raw materials the sale of which is not controlled and which are commonly available on the market in the Czech Republic and other countries of the European Union. Common usage of such raw materials is probably also the reason why, in considerations of possible controls and restrictions given, e.g. in the Proposal for a Regulation of the European Parliament and of the Council on the marketing and use of explosives precursors, there has not been prepared any unequivocal provision for or stipulation of an effective procedure yet.

3. Protection of Classified Information

Administrative Security

Within the framework of administrative security and protection of classified information, an expert statement was prepared for the internal needs of the BIS, documents were assessed from the standpoint of stipulating their degree of secrecy according to Act No. 412/2005 Coll., and an explanation of the list of classified information within the powers and responsibilities of the BIS and of relevant internal regulations was submitted.

During 2011 more than fifty archive inspections were carried out associated with checking of the files service. The inspections were focused above all on physical completeness of classified documents, correctness of their appurtenances, and precision in records keeping in administrative aids. No serious deficiencies were found, nor any threat to administrative security.

Security of Information and Communications Systems

The security of information systems of the BIS that process classified information satisfies the requirements of Act No. 412/2005 Coll. and related legal regulations. All the systems have a valid certificate from the National Security Authority which is renewed at regular intervals.

In addition, for each information system security operational guidelines for users stipulating the users' responsibilities and obligations were updated, as were rules which must be followed in the systems. All users are trained in security operational procedures at regular yearly intervals, and new employees complete entry training pertaining to rules of work with classified information in information systems used by the BIS immediately upon being hired.

Physical Security

In the area of physical security, measures were taken aimed at improving systems for access to and operation of buildings, technical protection, and physical guarding of BIS buildings for the purpose of protecting classified information in accordance with Act No. 412/2005 Coll. and the related Executive Order of the National Security Authority No. 528/2005 Coll.

Required documentation for offices and buildings of the BIS was updated on an ongoing basis. Checks were made for compliance with requirements for storage of classified information, and installed security elements were inspected.

Crisis Management

In the area of protection of classified information during crisis situations, plans for securing buildings and areas that are parts of Security Projects were updated as well as the BIS Crisis Plan, and preparations were made for its complete revision

4. Cooperation with Intelligence Services of the Czech Republic and Other State Authorities

4.1. Cooperation with Intelligence Services of the Czech Republic

In 2011 cooperation and exchange of information continued among the BIS, the Office for Foreign Relations and Information, and the Military Intelligence, especially in the areas of the fight against terrorism, counterespionage, and proliferation of weapons of mass destruction and their carriers.

In the fight against terrorism the BIS worked on an ongoing basis in 2011 with other intelligence services of the Czech Republic, above all as part of the Joint Intelligence Group of the Office of the Government. In cooperation with the Office for Foreign Relations and Information and with the Military Intelligence, the BIS continues to fulfil tasks resulting from the Government Resolution No. 1060 of 13 September 2006 for coordination of activities of intelligence services of the Czech Republic in evaluating information important for national security, with special focus on the fight against terrorism.

4.2. Cooperation with the Police of the Czech Republic

Cooperation with the Police of the Czech Republic in various regions took place mainly in the form of exchanges of information about persons under surveillance from the environments of organized crime and illegal migration. The BIS was also an active participant in regular meetings of the National Contact Point for Terrorism, which works under the aegis of the Police of the Czech Republic.

In 2011 the BIS provided intelligence support to the Department for Uncovering Organized Crime (ÚOOZ), e.g. in uncovering illegal activities of some former and current police officers, attorneys, and state representatives.

Findings were discussed with various offices of the Department for Uncovering Financial Crime (ÚOKFK), above all in the areas of dysfunction of State administration and municipal governments and infiltration of organized crime into State administration. Findings concerning some ways for illegal transfers of money and particular persons under surveillance are also regularly discussed in the framework of this cooperation.

The issues of falsified and changed travel documents, formal marriages, contrived certifications of studies, and abuse of the procedure of invitation were handled with the Foreign Police Service.

Cooperation of the BIS and the Department of Informational Crime consisted mainly in exchange of some operational findings and in coordination of a joint procedure for investigating incidents falling into the area of common interest.

4.3. Cooperation with Other State Authorities and Institutions

Based on Act No. 412/2005 Coll., on protection of classified information and on security clearances, the BIS works closely with the National Security Authority (NBÚ). This mainly involves investigations requested by the National Security Authority in the framework of proceedings concerning personnel and industrial security and security clearance.

The NBÚ was newly established as the guarantor of security of Czech cyberspace and critical infrastructure. Last year the BIS and the NBÚ began cooperating in these areas as well.

In issues concerning illegal and legal migration the BIS cooperates closely with the Ministry of the Interior's Department of Asylum and Migration Policy. The discussions concentrate above all on current trends and risks that illegal or legal migration might pose for the Czech Republic.

Occasional consultations occur with employees of various levels of courts and state prosecutors' offices concerning dysfunction of State administration. In 2011 consultations were also focused on possibilities for systematic and legislative changes that would contribute to elimination of undesirable phenomena in the judicial system.

Regular coordination and consultation concerning accreditation of foreign diplomats and of workers in other professions takes place with the Ministry of Foreign Affairs.

The BIS cooperates on a long-term basis with other authorities, for example with authorities of the Customs Administration both at the level of the Directorate General of Customs and at the level of individual customs offices, with the License Administration of the Ministry of Industry and Trade, and with the State Office for Nuclear Safety and its subordinate organizations.

The BIS also cooperated with the Czech National Office of the Computer Security Incident Response Team (CSIRT.CZ) in identifying security weaknesses in information systems of State authorities.

4.4. Cooperation in the Area of Education

Traditionally the broadest cooperation in the area of education is with authorities under the Ministry of the Interior and the Police of the Czech Republic. This involves mainly cooperation with the Police Academy of the Czech Republic, with the Police Colleges of the Ministry of the Interior, and, in the area of practical training, with specialized units of the Police of the Czech Republic.

In the area of training and preparation for service the BIS also cooperates very intensively with units under the Ministry of Defence and the Directorate General of Customs (GŘC).

Interest of institutions of higher learning in cooperation in the area of college-level instruction continues. This is provided by instructors from the BIS and takes place at the Institute for Informational Studies and Library Science of the Charles University Faculty of Arts as well as at Masaryk University in Brno.

5. Cooperation with Intelligence Services of Foreign Countries

In the area of cooperation with intelligence services of foreign countries, in 2011 the BIS confirmed its position as an active and reliable service that is appreciated by most cooperating intelligence services as a strategic partner. Close partners for the BIS in intelligence diplomacy remain above all intelligence services of the Euro-Atlantic space, especially the USA and member states of the European Union.

5.1. Bilateral Cooperation

With the consent of the Government of the Czech Republic, the BIS is entitled to cooperate bilaterally with 97 intelligence services from 63 countries of the world. There were active contacts with 57 foreign partner services.

Intensive exchanges of findings traditionally involved the services of neighbouring countries, other countries of the European Union, and NATO countries. As in the past, the main topics of broad international contacts were the fight against terrorism, counterespionage, proliferation, organized crime, and extremism. Cybersecurity was a new topic for many countries.

Cooperation with partner intelligence services includes both regular exchange of operational and analytical findings and ad hoc operational collaboration.

The BIS also engaged in successful operational collaboration with traditional long-term partners outside the Euro-Atlantic space.

5.2. Multilateral Cooperation

The Counter-Terrorist Group

In the framework of the Counter-Terrorist Group (CTG) the BIS participated in several expert meetings. Its own expert activity took the form of seminars and projects, but also meetings at the level of the heads of anti-terrorist agencies. Discussion was focused especially on problems of radicalization, use of the internet by terrorists, the 'Arab Spring', and the impact of the death of Osama bin Laden on the structure of al-Qaeda and its influence on the current threat level.

NATO

After a period of changes in 2010, the North Atlantic Treaty Organization entered a phase of consolidation in 2011. The activities of NATO newly-established committees and authorities became stabilized. For the first time the document called Joint Threat Evaluation was prepared. This was found to be a very beneficial key achievement. An analogous document will be prepared in coming years as well.

6. Oversight and audit

According to Section 12 of Act No. 153/1994 Coll., activities of the BIS are subject to supervision by the Government and Parliament. The Government's oversight is based on its entitlement to assign tasks to the BIS within the latter's legal powers and responsibilities and to evaluate their fulfilment. This control is also closely related to the fact that the Government is responsible for the activities of the BIS and coordinates them. Act No. 154/1994 Coll. also provides for supervising of the BIS by Parliament. According to its Section 18, the BIS is under control of the House of Deputies, which establishes a special body for this purpose (the Permanent Commission for Controlling the Activities of the Security Information Service). The specific scope of powers of this body is stipulated in Sections 19 and 20 of the said Act.

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

Fulfilment of tasks of the BIS related to use 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 by Act No. 166/1993 on the Supreme Audit Office as amended.

External supervision of the BIS is carried out by authorities and institutions which, according to relevant legal regulations, have the right to monitor various particular activities.

In 2011 this supervision was effected on the basis of Act No. 258/2000 Coll. on protection of public health, Act No. 582/1991 Coll. on organization and implementation of social security, Act No. 187/2006 Coll. on sick pay, Executive Order No. 195/2005 Coll. dealing with conditions for the origin and dissemination of infectious diseases and hygienic requirements for operation of health-care facilities and institutions of social care, and Act No. 123/2000 Coll. on medical supplies.

6.1. External Oversight

In 2011 there were a total of ten external audits focused on payments for social security and health insurance and fulfilment of tasks pertaining to sick pay and retirement pensions for employees of the BIS, on adherence to hygienic norms, on the technical condition of health equipment, and on regular checking of the technical condition of instruments and equipment. The inspections revealed one defect in payment of social security insurance, which was immediately corrected.

6.2. Internal Audit

In 2011 seven inspections were carried out with focus on awarding of public contracts, improvement of the operational and financial performance of the BIS, stocktaking of assets (real estate owned by the BIS), and adherence to principles in the area of the BIS dining facilities. The inspections did not find any fundamental problems.

A total of 69 internal checks focused on efficiency and effectiveness of various work sites, management of allocated budget funds, use of budgeted funds, and adherence to budget discipline, as well as on assessment of the technical condition of vehicles, their usage, and keeping of records associated with BIS vehicles, and on the state of guarding of BIS buildings were also carried out.

The condition of buildings and their usage, carrying out of repairs and maintenance work, water management, and ecology were also inspected

The audits found no serious violation of internal regulations. Minor deficiencies were corrected within the stipulated time periods in the framework of measures taken for rectification.

In 2011 regular internal checks were also carried out by the department for protection of classified information; see Section 3 above (Protection of Classified Information).

7. Maintenance of Discipline, Handling of Requests and of Complaints

Investigations in Matters of Complaints and Notifications

As compared with 2010, the number of notifications, complaints, and suggestions handled by the BIS Inspection Department grew by about 50%. A substantial growth in notifications from citizens was evident after publication of the Annual Report of the BIS for 2010, whereas most of the submissions involved information submitted as evidence and allegations of improper activities of courts at various levels in particular cases pertaining mainly to the complainants themselves.

Investigations of Suspicion of Conduct Having the Traits of a Misdemeanour, Suspicions of Disciplinary Infractions and Other Suspicions of Infractions

This category includes among other things investigation of traffic accidents involving members of the BIS, the facts of which were investigated by appropriate authorities of the Police of the Czech Republic. The BIS inspection department supplements these investigations with findings substantial for decisions of police officials that cannot be provided by police units.

Cases of suspicion of a disciplinary infraction or of conduct having the traits of a misdemeanour committed by a member of the BIS were forwarded for disciplinary proceedings according to provisions of Chapter IV, Part 12 (Sections 186-189) of Act No. 361/2003 Coll. on the employment of members of security forces as amended.

Almost half of the total number of cases investigated pertained to transportation, i.e. for example traffic accidents involving the Service`s or private vehicles, damage to BIS vehicles, and suspicion of other violation of the law on traffic on land transportation routes (primarily exceeding the speed limit).

Activities of the BIS Police Authority

In cases where a member of the BIS is suspected of having committed a crime, members of the inspection department have the position of a police authority in the sense of Section 12, Paragraph 2 of the Code of Criminal Procedure. In 2011 the BIS police authority was active in several cases, some of which were concluded during the year within time periods specified by law. At the time of processing materials for this report several mutually-connected property offences were under investigation.

8. Budget

The budget of the BIS in 2011 was stipulated by Act No. 433/2010 on the state budget of the Czech Republic for 2011, which set binding amounts for the BIS chapter: income of CZK 138,000,000 and expenditures of CZK 1,166,001,000.

In comparison with the previous period there was a decline in total revenues. It was caused by a reduction in amounts paid for social security tied to a decline in expenditures for salaries. In other revenues there was no substantial change, neither in their structure nor in their volume. These were mainly the usual regular revenues from activities of the BIS itself and only to a minimal extent from sale of permanently unneeded assets.

During the course of the year the budget for expenditures was only minimally modified. The changes resulted from three budget measures taken in favour of the Ministry of the Interior, the Police of the Czech Republic, and the Directorate General of the Fire Rescue Service for support services they provide in certain areas to the BIS and based on long-term agreements on cooperation. After implementation of these budget measures the modified budget for expenditures was CZK 1,161,641,000 as of 31 December 2011.

Actual expenditures during 2011 were CZK 1,123,104,000, which represents a reduction of about 5% from the previous year, resulting from the lower budget for salaries and also from active measures taken by the BIS especially in the area of personnel.

For the functioning of an intelligence service a high-quality personnel base is a key element, and for this reason expenditures for salaries and the associated obligatory social security and health insurance payments and other benefits formed the most important part of regular expenditures. In the case of expenditures for officers' salaries, an order of the Government for 2011 resulted in a reduction of rates by 10%, and salaries of employees were reduced by the same proportion. In addition, the active restrictive measures of the BIS in the area of personnel continued, meaning a reduction in the number of systematized positions staffing.

Other regular expenditures are mainly standard expenses for services, fuel, and electrical power serving for the every day performance of the organization. Expenditures for repairs and maintenance were aimed at assuring operability of the Service and an appropriate technical conditions of property and buildings of the BIS. Expenditures for certain types of special equipment are also included.

Expenditures for information and communications technology and for vehicle fleet modernization were beneath the needed level and in minimal scope.

A certain increase occurred in expenditures associated with security and protection of classified information according to Act No. 412/2005 Coll., because many items of security equipment and systems were nearing the end of their lifetime. Requirements placed on protection of classified information in an intelligence service are at a different order of magnitude than in other organizational units of the state and will continue to be mirrored in all areas of expenditures in the future.

A detailed breakdown of the financial results 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 2011, which is submitted to the Ministry of Finance and for discussion to the Security Committee of the House of Deputies of the Parliament of the Czech Republic.