

## Guidebook

# Strengthening Financial Oversight in the Security Sector

Nicolas Masson, Lena Andersson  
and Mohammed Salah Aldin



## DCAF

a centre for security,  
development and  
the rule of law



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## About DCAF

The Geneva Centre for the Democratic Control of Armed Forces (DCAF) promotes good governance and reform of the security sector. The Centre conducts research on good practices, encourages the development of appropriate norms at the national and international levels, makes policy recommendations and provides in-country advice and assistance programmes. DCAF's partners include governments, parliaments, civil society, international organisations and security services such as police, judiciary, intelligence agencies, border security services and the military.

Further information on DCAF is available at:  
[www.dcaf.ch](http://www.dcaf.ch)

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## Publisher

Geneva Centre for the Democratic Control  
of Armed Forces (DCAF)  
Rue de Chantepoulet 11  
P.O. Box 1360  
1211 Geneva 1  
Switzerland  
Tel: +41 (22) 741 77 00  
Fax: +41 (22) 741 77 05  
[www.dcaf.ch](http://www.dcaf.ch)

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## Authors

- Nicolas Masson, Ramallah
- Lena Andersson, Malmö
- Mohammed Salah Aldin, Ramallah

## Editorial Board

The Editorial Board for the series of booklets on financial oversight in the security sector comprises international and regional experts representing civil society, legislative and executive authorities and security forces. The current members of the Editorial Board are:

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## Editing

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Intissar Abu Khalaf, Ramallah

## Design and Layout

Al-Nasher Advertising and PR Agency

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# Introduction to the Toolkit

Legislating for the security sector is a complex and difficult task. Many lawmakers thus find it tempting to copy legislation from other countries. This expedites the drafting process, especially when the texts are available in the language of the lawmaker, but more often than not, the result is poor legislation.

Even after being amended, the copied laws are often out of date before coming into effect. They may no longer be in line with international standards or they may not fully respond to the requirements of the local political and societal context. Copied laws are sometimes inconsistent with the national legislation in place.

In some cases, there is simply no model law available in the region for the type of legislation that is needed. This has been the case in the Arab region, where the security sector has only recently begun to be publicly debated. It is thus difficult to find good model laws for democratic policing or for parliamentary oversight of intelligence services.

It is therefore not surprising that many lawmakers in the Arab region have felt frustrated, confused, and overwhelmed by the task of drafting legislation for the security sector. They found it difficult to access international norms and standards because little or no resources were available in Arabic. Many of them did not know where to search for model laws and several were about to give up. Some eventually turned to DCAF for assistance.

The idea of a practical toolkit for legislators in the Arab region came when practitioners began looking for a selection of standards, norms and model laws in Arabic that would help them draft new legislation. Experts from the Arab region and DCAF thus decided to work together and develop some practical tools.

## Who is this toolkit for?

This toolkit is primarily addressed to all those who intend to create new or develop existing security sector legislation. This includes parliamentarians, civil servants, legal experts and nongovernmental

organisations. The toolkit may also be helpful to security officials and, as a reference tool, to researchers and students interested in security sector legislation.

## What is in this toolkit?

The bilingual toolkit contains a number of booklets in English and Arabic that provide norms and standards, guidebooks as well as practical examples of model laws in various areas of security sector legislation.

The following series have been published or are being processed:

- Police legislation
- Intelligence legislation
- Military Justice legislation
- Status of Forces Agreements

Additional series will be added as the needs arise. The existing series can easily be expanded through the addition of new booklets, based on demand from the Arab region.

For the latest status of publications please visit: [www.dcaf.ch/publications](http://www.dcaf.ch/publications)

## What is the purpose of this toolkit?

The toolkit seeks to assist lawmakers in the Arab region in responding to citizens' expectations. Arab citizens demand professional service from police and security forces, which should be effective, efficient and responsive to their needs. They want police and security organisations and their members to abide by the law and human right norms and to be accountable for their performance and conduct. The toolkit thus promotes international standards in security sector legislation, such as democratic oversight, good governance and transparency.

The toolkit offers easy access in Arabic and English to international norms as well as examples of legislation outside the Arab region. This allows to compare between different experiences and practices.

## **Strengthening Financial Oversight in the Security Sector**

The scarcity of Arab literature on security sector legislation has been problematic for Arab lawmakers. The toolkit seeks to address this deficiency. One of its aims is to reduce time lawmakers spend on searching for information, thus allowing them to concentrate on their main task. With more information becoming available in Arabic, many citizens and civil society groups may find it easier to articulate their vision of the type of police and security service they want and to contribute to the development of a modern and strong legal framework for the security sector.

### **Why is it important to have a strong legal framework for the security sector?**

A sound legal framework is a precondition for effective, efficient and accountable security sector governance because it:

- Defines the role and mission of the different security organisations;
- Defines the prerogatives and limits the power of security organisations and their members;
- Defines the role and powers of institutions, which control and oversee security organisations;
- Provides a basis for accountability, as it draws a clear line between legal and illegal behaviour;
- Enhances public trust and strengthens legitimacy of government and its security forces.

For all these reasons, security sector reform often starts with a complete review and overhaul of the national security sector legislation. The point is to identify and address contradictions and the lack of clarity regarding roles and mandates of the different institutions.

# 1. Introduction to the guidebook

## Learning objectives of this section

After reading this section, readers should be able to:

- ✓ understand the aim of the guidebook and who it is for;
- ✓ define what financial oversight in the security sector is;
- ✓ be aware of the main actors in financial oversight in the security sector;
- ✓ identify the main actors in the security sector;
- ✓ identify the main actors in financial oversight in the security sector; and
- ✓ understand why financial oversight in the security sector is important.

## What is the aim of this guidebook?

The aim of this guidebook is to provide readers with an introduction to the main principles, mechanisms and actors of financial oversight in the security sector. It also functions as a resource for training, capacity building and reform for financial oversight organisations.

The guidebook allows readers to:

- understand what financial oversight in the security sector is;
- identify the formal and non-formal actors of financial oversight in the security sector;
- describe how security and defence budgeting is conducted;
- understand how actors can interact in order to enhance transparency and accountability in security sector governance; and
- explain why sound financial management of the security sector contributes to the social and economic development of society.

## What does this guidebook contain?

The main focus of the guidebook is to detail the role parliament can play in financial oversight in the security sector. In addition, it provides practical advice to other formal and non-formal actors involved in this field. Section 1 explains what financial oversight means and why financial oversight is important for ensuring good governance in the security sector. Section 2 introduces the main principles, concepts and approaches to security and defence budgeting. Section 3 focuses on the specific role of parliament in ensuring financial oversight in the security sector. Section 4 identifies opportunities for parliament to strengthen its financial oversight capacity through the development of relations with other formal and non-formal oversight actors of the security sector. Finally, section 5 describes further actions to take to strengthen financial oversight in the security sector.

## Who is this guidebook for?

This guidebook is for people interested in financial oversight in the security sector. People who may benefit from the information in this guidebook include:

- parliamentarians and their staffers who are involved in financial oversight and budget control activities;
- members of audit institutions and civil society who provide their expertise and support in financial oversight activities;
- strategic-level members of the security and defence institutions in charge of preparing and executing budgets;
- representatives of ministries and executive authorities who oversee preparation and execution of security and defence budgets;
- teachers and students who wish to have a general introduction to financial oversight in the security sector.

The material in this guidebook is presented in a descriptive way, in the form of a series of simple questions and answers. It also includes learning objectives for each section.

### What is financial oversight in the security sector?

Financial oversight in the security sector is a tool for ensuring that public funds allocated by the state for the security of the people are spent in a transparent and accountable manner.

Effective financial oversight in the security sector ensures that:

- formal and informal oversight institutions systematically monitor how the armed, police and security forces make use of public funds;
- parliamentary, judiciary and audit authorities detect, investigate and address flaws and violations by security and defence actors of financial accountability laws, regulations and policies;
- administrative or criminal proceedings are enacted against security and defence personnel found guilty of corruption; and
- civil society and academic centres conduct inclusive public debates and research to estimate the costs of the country's past and future human, economic and security needs.

### Who are the actors involved in financial oversight in the security sector?

The actors involved in financial oversight are of two types: formal or informal. Formal actors, such as the government and its ministries, have a specific legal mandate and the primary responsibility to ensure financial oversight in the security sector. However, informal actors, such as the media, human rights organisations and think tanks, increasingly complement the work of these formal oversight actors.

Formal actors who have a role of financial oversight in the security sector primarily include:

- **Internal control officers and auditors working in core security and justice institutions.** These include inspectors general, internal auditors or armed forces-specific ombudsmen, whose role is to strengthen internal control procedures, conduct internal audit and investigations into cases of misuse of funds, financial fraud or mismanagement by the security and armed forces.
- **Ministries.** These comprise the Ministry of Finance (or Treasury) and its Budget

Department, the Ministry of Defence, the Ministry of the Interior, the Ministry of Justice and the Ministry of Planning. These ministries prepare the budget to be allocated to core security and justice providers and control the execution of this budget. In addition, their primary duties include formulating the national security policies and estimating their costs, and managing and checking expenditures of the core security and justice providers. They all report to the Council of Ministers and in some cases the Office of the President.

- **Parliament and its specialised committees.** These include elected members of parliament and relevant committees. The committees may include the Defence Committee, the Security and Interior Committee, the Budget and Finance Committee, and if applicable the Public Account Committee. Members of parliament are responsible for establishing the legal framework to enhance financial accountability of the security institutions. Through the committees, the members of parliament have the capacity to oversee the security expenditures and to conduct investigations over alleged misuses of public funds.
- **Supreme Audit Institutions (SAIs).** These are the national bodies responsible for carrying out external and independent audits of the security sector institutions. They scrutinise security sector spending and provide an independent opinion on how the core security providers and their oversight and management bodies use resources in their operations.

Informal actors who have a role of financial oversight in the security sector primarily include:

- **Civil society organisations.** These are think tanks, academic and research centres, human rights and similar organisations. They can:
  - monitor the state's expenditures for security and defence;
  - conduct independent analyses of the budget and its security components;
  - check whether the budgets for security and defence support the stated national security priorities;
  - lobby in favour of making security and

defence budgeting processes more transparent and accountable;

- expose cases of corruption or misuses of funds by security and defence officers; and
- provide training for civil servants and authorities on financial management of the security sector.

- **Media institutions.** These include press councils, the written press, audio-visual and web-based outlets and media development organisations. The media can:
  - conduct investigative research on the financial management of the security institutions;
  - raise awareness among citizens about the security and defence budgeting processes;
  - provide critical and independent information on the use of public funds for security and defence purposes; and
  - publicise audit reports covering expenditures for security and defence.

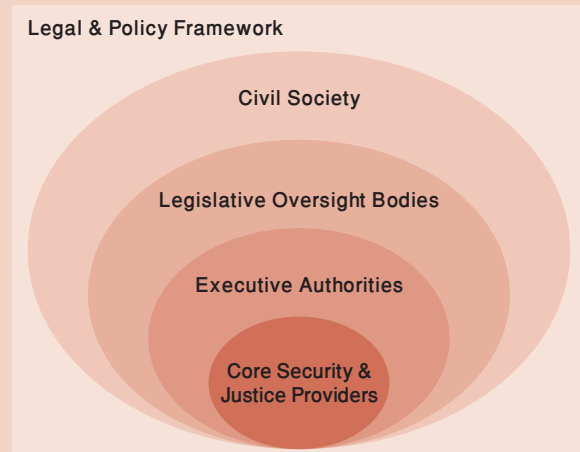
### **Why is financial oversight in the security sector important?**

Financial oversight in the security sector is important because it holds service providers in the field of security and defence accountable for their use of public funds. Properly enacted, it ensures that:

- resources are allocated according to the security needs of the citizens;
- expenditures for security and defence are made in a transparent and efficient manner;
- core security and justice providers do not act as a state within the state and remain financially accountable to their oversight institutions and affordable for society; and
- public funds allocated for security and defence do not infringe on programmes aiming at reducing poverty and promoting sustainable social and economic development.

Financial oversight institutions scrutinise the security and defence budgeting processes. The following section will provide an overview of the various phases of security and defence budgeting and the role financial oversight institutions play at each of these phases.

### **Box 1. What is the security sector?**



The security sector consists of the core security and justice providers and their management and oversight institutions. The legal and policy framework regulates their tasks, authorities and structures.

#### **Core security and justice providers:**

- Security forces (armed forces, police, intelligence and security services, but also liberation armies and insurgency groups)
- Justice and law enforcement institutions (courts, prosecution services, prisons, traditional justice systems)

#### **Management and oversight institutions:**

- Executive management and oversight bodies (Presidency, Council of Ministers, ministries of defence, interior, justice and finance)
- Legislative management and oversight bodies (Parliament and its committees, ombudspersons)
- Informal oversight institutions (civil society organisations, media, research and advocacy organisations)

## 2. Understanding budgeting for the security sector

### Learning objectives of this section

After reading this section, readers should be able to:

- ✓ explain what a budget is;
- ✓ describe what are the stages of the annual budget cycle;
- ✓ understand the roles of the different actors involved in the budget cycle;
- ✓ identify what is covered by the security and defence budgeting;
- ✓ understand what is medium-term security and defence budgeting; and
- ✓ explain how performance-oriented budgeting can be applied to the security sector.

### What is a budget?

A budget is an itemised document that includes the foreseen expenditures, revenues, deficit, surplus and debt expected to accrue over one fiscal year. The yearly state budget presents the government's financial plans in all sectors of the state's activity for the duration of one fiscal year.

The Organisation for Economic Cooperation and Development (OECD) defines the role of the budget as follows:

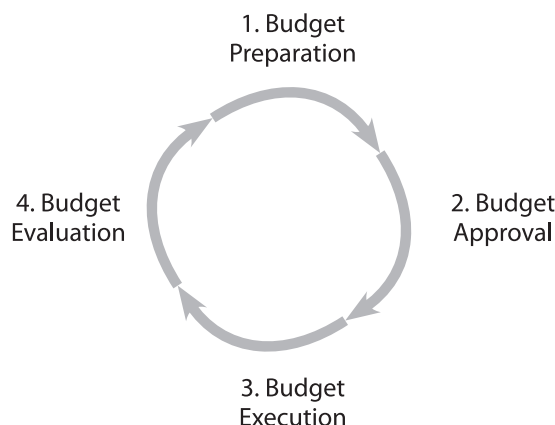
"The budget is the government's key policy document. It should be comprehensive, encompassing all government revenue and expenditure, so that the necessary trade-offs between different policy options can be assessed."<sup>1</sup>

As such, the budget is not a mere financial tool. It is a comprehensive policy statement, which provides an overview of the foreseen financial expenses related to security and defence, among all other state services.

The annual budget cycle, which is described below, allows for financial oversight at each of its four main phases.

### What is an annual budget cycle?

The annual budget cycle consists of four phases during which decisions are made regarding the state budget:



The following describes how the security and defence spending is developed at each of these four phases of the annual budget cycle. It also describes who are the actors at each phase and what their roles are.

**1. The preparation phase.** During the budget preparation phase, the state budget is debated and drafted by the executive authorities. The budget's security and defence components are developed by the core security and justice providers and their oversight and management bodies (see Box 1).

The key actors in this phase are the core security and justice providers and the ministries that have financial oversight functions - mainly the Ministry of Finance, Ministry of the Interior, the Ministry of Planning and the Ministry of Justice. Their duties include:

- reviewing spending of the preceding fiscal year;
- setting spending policies and objectives for the following year;
- planning for mid-term and long-term budgeting periods;

- reconciling the budget with the government’s larger fiscal priorities and capacities; and
- drafting the budget document and distributing and explaining it to parliament.

**2. The approval phase.** During the budget approval phase, the government’s draft budget is submitted to parliament. According to best practice,<sup>2</sup> this is done at least three months prior to the start of the fiscal year. This then leaves enough time for parliament and its specialised committees to scrutinise the budget document, amend it where applicable and enact it.

The key actors in this phase are the parliamentary budget and finance committee, specialised committees (e.g. the security, defence and intelligence committees) and the parliament plenary. Their duties include:

- reviewing the budget document proposal;
- amending the budget document as a result of negotiations with the executive; and eventually
- enacting the budget document into law.

**3. The execution phase.** During the budget execution phase, the executive authorities and the spending agencies (e.g. core security and justice providers and their executive management and oversight bodies) spend the funds allocated to their operations.

The key actors in this phase are the core security and justice providers and their management and oversight bodies, such as the Ministry of Finance. Their duties include:

- implementing the budget law;
- managing resources; and
- producing outputs and services.

**4. The evaluation phase.** During the budget evaluation phase, Supreme Audit Institutions, parliament and civil society organisations perform audits and evaluations of the public spending agencies. This includes audits and evaluations of the security and defence institutions.

The key actors are the Ministry of Finance and other line ministries, parliament, audit institutions and civil society organisations. Their duties include:

- providing expert examination to check whether the executed budget has complied with legal, financial and performance principles;
- auditing of security sector institutions and their programmes; and
- reporting to parliament, the executive and citizens.

### **Box 2. The five principles of good budgeting**

- 1. Comprehensiveness.** The budget must cover all the fiscal operations of government, encompassing all public expenditure and revenues. This will also enable full and informed debate on the tradeoffs between different policy options.
- 2. Predictability.** Spending agencies should have certainty about their allocations in the medium term to enable them to plan ahead. Stable funding flows support departmental planning and efficient and effective delivery.
- 3. Contestability.** No item in the budget should have an automatic claim to funding. All policy and attached funding should be regularly reviewed and evaluated in order to ensure prioritization and optimal performance of spending agencies.
- 4. Transparency.** All relevant information required for sound budgetary decision-making should be available in an accessible format, and in a timely and systematic fashion. Budget information needs to be accurate, reliable and comprehensive.
- 5. Periodicity.** The budget should cover a fixed period of time (typically of one year). The process of compiling the budget should follow a clear and reliable schedule that is agreed upon and published in advance.

Source: “Effective Financial Scrutiny: The Role of Parliament in Public Finance”, in *World Bank: Parliamentary Staff Training Program*, 19, <http://www.parliamentarystrengthening.org/budgetmodule/index.html>

## Strengthening Financial Oversight in the Security Sector

### How does the state's budget cover security and defence spending?

The state's yearly budget document entails specific items outlining the foreseen amount of money to be spent by the core security and justice providers for delivering security to the people.

Specific departments or sections in the security and defence institutions are in charge of converting strategic plans into itemised, quantifiable budget inputs. These budget inputs usually include:

- personnel expenditure such as salaries, allowances, bonuses and gratuities;
- administrative expenses such as subsistence and travel, transport, membership fees and registration, study expenses and communications;
- stores including ammunition and explosives, spares and components for normal maintenance, construction and building material, office supplies, fuel and clothing amongst many others;
- equipment such as vehicles, weapons, machinery and furniture;
- rental of land and buildings; and
- professional and specialist services such as consultation, outsourced services and research and development.<sup>3</sup>

**Table 1. Which security and defence institutions do the different budget items in the state budget cover?**

Budget item	Institutions
Defence	<ul style="list-style-type: none"> <li>• The armed forces. This includes peacekeeping forces deployed abroad.</li> <li>• Civil administration of the military sector. This includes the Ministry of Defence and other government agencies engaged in defence activities, such as arms production, imports and exports.</li> <li>• Paramilitary forces. These are non-regular armed forces that are judged to be trained, equipped and available for military operations, like gendarmerie or border guards. (This may appear in the budget of Defence or Interior Ministry.)</li> </ul>
Law enforcement	<ul style="list-style-type: none"> <li>• The police and other forces responsible for public order and law enforcement.</li> <li>• Civilian administration of police and other public order forces (administered by the Interior or Home Affairs Ministry).</li> </ul>
Border management/ Customs	<ul style="list-style-type: none"> <li>• Border guards and customs administration.</li> </ul>
Correction	<ul style="list-style-type: none"> <li>• Administration of prisons. (This may appear in the budget of the Ministry of the Interior or the Ministry of Justice.)</li> </ul>
Intelligence	<ul style="list-style-type: none"> <li>• Intelligence services. These may be military or civilian. Usually a variety of agencies perform intelligence activities and they may appear under the budget of the ministries of Defence, the Interior or Justice or as independent services directly subordinated to the Executive.</li> </ul>
Civil emergencies	<ul style="list-style-type: none"> <li>• Civil defence. Agencies responsible for emergency situations, special communications, strategic infrastructure protection, protection of high officials and the like.</li> </ul>
Strategic management of security	<ul style="list-style-type: none"> <li>• Supreme Council for Defence or National Security Council. This may be an administratively independent institution or an advisory department under the chief of the Executive.</li> </ul>

Adapted from Teodora Fuior, "Budget Analysis", in DCAF-UNDP: Public Oversight of the Security Sector. A Handbook for Civil Society Organisations (Geneva, DCAF-UNDP, 2008).



### What is medium-term security and defence budgeting?

Medium-term security and defence budgeting links the financial management of the core security and justice providers with the state's security and defence policy formulation and planning processes.

The aim of medium-term security and defence budgeting is to forecast the financial needs of the state's core security and justice providers within a medium-term timeframe of generally two to five years.

Medium-term security and defence budgeting helps to align individual security and defence actors' financial plans with the state's own revenue forecasts. In such a framework, public resources are then allocated to individual spending agencies in consideration of the state's medium-term budget estimates. This should happen in consistency with the overall fiscal objectives of the state.

Medium-term security and defence budgeting is often necessary due to:

- periodic reviews of the state's strategic and security environment;
- the level of financial resources available;
- changes in the potential security threats facing society in the medium-term;
- unforeseen costly operations such as peacekeeping programmes or warfare; and
- increased needs in other public sectors such as health, education or social development.

In many developing countries, medium-term security and defence budgeting takes place within the framework of medium-term expenditure frameworks (see Box 3).

### Box 3. Medium-term expenditure frameworks (MTEFs)

Medium-term expenditure frameworks (MTEFs) offer an integrated approach to policy, planning, and budgeting. They allow countries to estimate expenditures over three years from the present.

The objectives of MTEFs are to link medium-term strategic planning and the annual budget process in such a way as to tailor expenditures to clearly established priorities and available resources.

Applied to the core security and justice providers, MTEFs imply the following steps:

- adopting a clear vision for the core security and justice providers;
- identifying and obtaining consensus on their objectives and priorities;
- assessing which activities are pertinent to the achievement of these objectives and priorities;
- estimating the costs for performing such activities; and
- obtaining approval for the spending of the funds.

See: World Bank, *Public Expenditure Management Handbook*, Washington, 1998, <http://www1.worldbank.org/publicsector/pe/handbook/pem98.pdf>

### How does medium-term security and defence budgeting relate to national security policy development?

Medium-term security and defence budgeting is often linked with the development of a national security policy (also known as a national security strategy). A government can develop a national security policy to respond to the changing internal and external security challenges faced by the state.

Within the framework of a national security policy formulation process, medium-term budgeting allows for planning the optimal use of resources. It also contributes to putting a ceiling on what the state can afford to spend on security and defence in the medium-term perspective.

### Box 4. What is a national security policy?

A national security policy is a high-level policy framework that describes how a country provides security for the state and its citizens. It fulfills various functions, such as:

- ensuring that the government addresses all threats in a comprehensive manner;
- defining criteria of effectiveness of the core security and justice providers;
- guiding the implementation of the specific strategies of the state's security and defence agencies;
- building domestic consensus; and
- enhancing regional and international confidence and cooperation on security and defence matters.

Adapted from: *DCAF Background: National Security Policy* (Geneva, DCAF, November 2005), p.1, <http://www.dcaf.ch/Publications/National-Security-Policy>

### Box 5. Reviewing defence acquisition and contracting processes in the framework of the National Security Strategy: the case of the United States

In its 2010 National Security Strategy, the White House announced that it would strengthen financial oversight mechanisms in the defence sector:

“We will scrutinize our programs and terminate or restructure those that are outdated, duplicative, ineffective, or wasteful. The result will be more relevant, capable, and effective programs and systems that our military wants and needs. We are also reforming Federal contracting and strengthening contracting practices and management oversight with a goal of saving Federal agencies \$40 billion a year.”

Source: National Security Strategy, (Washington, The White House, May 2010), pp. 34-5.

### What is results-oriented security and defence budgeting?

Results-oriented budgeting (also referred to as performance-oriented budgeting) is a budgeting method through which the revenues and costs related to specific state actors are measured against the concrete results expected from these actors. This method of budgeting ensures that core security and justice providers give value for money (see Box 6) to taxpayers.

Results-oriented budgeting allows the operating costs of the security and defence institutions to be weighed against the outputs and outcomes of their work. Hence, it is important for security sector institutions to:

- set measurable output and outcome goals to their operations;
- define in what ways the outputs and outcomes of their operations are going to be assessed; and
- factor these expected outputs and outcomes in their budget documents.

### Box 6. Value for money

Value for money in the security sector means that the services provided by the core security and justice providers are worth the money taxpayers spend on them. It ensures that these services are in line with the taxpayers' needs and priorities with regards to security.

The three basic questions that need to be asked in order to test the value for money are:

- **Economic resource management:** Did the security and defence institutions acquire the necessary resources (finance, personnel, buildings, equipment, etc.) to carry out an activity at the least cost?
- **Efficiency:** Did the activities of the security and defence institutions achieve maximum output/results from their given level of resources?
- **Effectiveness:** Did the security and defence institutions realise the stated policy goals within the allocated budget?

Adapted from: Hans Born, Phillip Fluri, Anders Johnsson, *Parliamentary Oversight of the Security Sector: Principles, Mechanisms and Practices, Handbook for Parliamentarians* (Geneva, DCAF, 2003), p. 132.

**Box 7. Results-oriented budgeting for the security sector: defining inputs, outputs and outcomes**

- **Inputs.** These refer to resources an organisation obtains or receives in order to perform its operations. For example, the equipment necessary for the police to perform law-enforcement tasks, such as radar for detecting speeding vehicles.
- **Outputs.** These refer to the measurable results of the work of the core security and justice providers. For example, the number of speeding drivers apprehended by the police during a targeted police operation. Outputs are often referred to as results. Outputs tend to be easier to measure than outcomes.
- **Outcomes.** These refer to what is ultimately achieved by a given operation, for example, a safer traffic environment for road users and pedestrians. Outcomes are often referred to as effects or impacts. Outcomes are a broader performance metric than outputs, and are harder to measure. Moreover, it is more difficult to measure to what extent an institution has contributed to reaching the outcome of an operation.

See also: "Final Glossary", in *Budget Practices and Procedures Database* (Paris, OECD, 2007), p. 5.

**What are the advantages of results-oriented budgeting for the security sector?**

Through the results-oriented budgeting method, executive authorities, security and defence institutions set measurable objectives for their operations. Results-oriented budgeting complements the more traditional line-item budgeting method which focuses exclusively on inputs, and allows:

- placing a stronger emphasis on the services the security institutions are expected to deliver in return for receiving public funds;
- identifying what resources security and defence institutions need to conduct their operations;
- raising questions regarding the link between

requested resources and formulated objectives;

- facilitating the allocation of budget resources to those activities/programmes that have proved to deliver the best results and to generate good effects;
- promoting a holistic view on security-related activities and programmes of the government; and
- providing a tool for monitoring the cost-effectiveness of the security operations with clear performance objectives and performance indicators.

The table below presents samples of performance objectives and performance indicators as they can be used when applying the results-oriented budgeting method.

**Table 2. Performance objectives and budget indicators: application to police policy objectives**

Policy objective	Performance objectives	Performance indicators
Less crime committed	Reducing assaults in public places by 25% in the budget year.	<ul style="list-style-type: none"> <li>• Number of assaults in public places reported to the police this year compared to last year.</li> </ul>
More crime resolved	At least 27% of the number of reported crimes shall be handed over to prosecutor's office.	<ul style="list-style-type: none"> <li>• Number of crimes reported to the police that are handed over to the prosecutor's office in relation to the number of crimes reported.</li> </ul>
Visibility and accessibility of the police	At least 85% of the citizens that are in contact with the police shall be satisfied with service times when dealing with the police.	<ul style="list-style-type: none"> <li>• Response time on the switchboard number.</li> <li>• Waiting period for issuing of passports.</li> <li>• Office turnaround time for issuing weapon licenses.</li> </ul>

# 3. Strengthening financial oversight in the security sector: the role of parliament

## Learning objectives of this section

After reading this section, readers should be able to:

- ✓ understand the role of parliament in financial oversight in the security sector;
- ✓ define the work of parliament at each of the annual budget stages;
- ✓ describe what are the parliamentary tools of financial oversight;
- ✓ explain the functions and structures of parliamentary committees involved in financial oversight; and
- ✓ identify and address the main challenges to parliamentary financial oversight.

## What is the role of parliament in financial oversight in the security sector?

The role of parliament is to ensure that the security needs and interests of the citizens are taken into account in the security and defence budget process. It is also parliament's role to hold the executive authorities accountable for their use of public funds.

Financial oversight in the security sector engages parliament in two of its core functions: legislation and oversight. These two core functions are described in more detail as follows:

- **Legislative function.** Parliament establishes and amends the legal framework for financial accountability of the security and defence institutions (see Box 8). Furthermore, parliament enacts the yearly budget document in the form of a law. Parliament also passes laws governing the management of the security institutions' human and material resources and the mandates of their oversight bodies.
- **Oversight function.** Parliament scrutinises the budget of the security institutions.

In many countries, parliament and its specialised committees have the right to amend the budget document prior to its approval. Many parliaments regularly discuss in plenary sessions whether the funding requests submitted by the government are appropriate. This also involves comparing these requests to the threats to national security and the country's fiscal condition. Parliaments can also question the spending policies of the security institutions. To do so, they can organise public hearing sessions during which the officials in charge of specific security expenditures can be required to explain why and how these expenditures should take place.

## Box 8. What does the legal framework for financial accountability of the security sector include?

Financial accountability laws provide a framework for the management of public money and public property. These laws mainly include:

- the state's constitution, which defines the separation of powers and the oversight role of parliament;
- financial administration laws, which provide rules to govern the financial transactions of public funds;
- financial accountability laws, which aim at increasing the transparency of government spending mechanisms;
- laws establishing ministries with specific financial oversight functions, such as the ministry of finance;
- laws establishing the supreme audit institution or auditor-general;
- anti-corruption laws; and
- the state budget, which is enacted by parliament and has therefore the value of a law.

### Which parliamentary committees are involved in financial oversight in the security sector?

Parliamentary financial oversight in the security sector can require the involvement of several parliamentary committees. The following two types of parliamentary committees are involved:

Committees with financial expertise. These are the specialised bodies of parliament that make recommendations to the parliament plenary on the management of public resources. They give advice to parliamentarians on how to ensure that laws or decisions pertaining to the national budget and public expenses are properly enforced.

Committees with defence and/or security expertise. Parliamentary security and defence committees (see Box 9) are specialised bodies of parliament. They specialise in issues related to the armed forces, national security and foreign affairs, internal affairs and intelligence. They give advice and make recommendations to the parliament plenary. This advice concerns laws or decisions pertaining to national defence and the security of citizens, which might have an impact on the state's finances.

#### Box 9. What is the role of parliamentary security and defence committees?

Areas of activity of the parliamentary security and defence committees include:

- developing legislation for the defence and security sector;
- advising on budgets and monitoring expenditures;
- reviewing government defence policy and security strategy;
- consulting on international commitments and treaties to be ratified by parliament;
- advising parliament on the use of force and the deployment of troops abroad;
- monitoring defence procurement;
- reviewing senior appointments; and
- monitoring personnel policy and human rights.

Source: *Building Integrity and Reducing Corruption in Defence: A Compendium of Best Practices* (Geneva, NATO-DCAF, 2010), p. 222.

The following provides an overview of the role of parliament in the preparation, approval, execution and evaluation of the state's budget, with an emphasis on security and defence.

### What is the role of parliament during the budget preparation phase?

The executive generally leads the budget approval phase without formal involvement by parliament. Yet, budget preparation does not have to happen behind closed doors. It is increasingly becoming part of open debates involving parliamentarians and civil society representatives. Parliamentary involvement in the budget preparation phase takes place during plenary debates. These debates are often motivated by discussions within the political parties represented in parliament. These debates can influence budget preparation in the cases where:

- budget preparation is part of a broader planning process such as a national security policy development;
- major changes in the state's security environment require parliamentary involvement in planning; or
- action by lawmakers is necessary because of revealed flaws in previous financial management and cases of corruption within core security and justice providers and their oversight and management bodies.

Parliament's involvement at the budget preparation phase can include the review of a pre-budget report released by the government. The OECD recommends that the pre-budget report should highlight "the government's long-term economic and fiscal policy objectives and the government's economic and fiscal policy intentions for the forthcoming budget and, at least, the following two fiscal years."<sup>4</sup>

### What is the role of parliament during the budget approval phase?

Parliament has a key role during the budget approval phase. It receives the budget document from the executive and reviews it. The degree to which parliament can amend the budget and its various components, including security and defence, before enacting it into law varies from country to country. This is dependent upon the

## Strengthening Financial Oversight in the Security Sector

power conferred to parliament by the country's constitution. Hence, the power of parliament and its specialised parliamentary committees and subcommittees varies from unrestricted to very restricted, as the following examples show:

- **Unrestricted powers.** In Sweden and Finland, parliaments have the right to amend any budget items, including the ones concerning security and defence. They can do so even if this results in increasing the total amount of expenditures or creating new budget items. Compared to most other parliaments, the US Congress has the most power to decide to transfer funds within the budget to reflect changes in priorities.
- **Restricted powers.** In cases like Switzerland and Spain, parliaments can make amendments to the budget but without modifying the total amount of expenditures budgeted.
- **Limited powers.** Parliaments in the UK and Canada can only decrease budgeted expenditures.

In a majority of countries, the national budget, including its security and defence components, is approved by parliament with minor changes only. In a few countries such as South Africa, New Zealand and Australia, the parliament's vote on the budget law is considered as a vote of confidence in the government.

**Table 3. What are the different countries' parliamentary committee structures for dealing with the security and defence budget?**

Country	Committee structure for dealing with the security and defence budget
France	A single committee deals with all budget-related matters. Sectoral committees may make recommendations, but the budget committee does not have to follow them. Members of the respective sectoral committees join the budget committee when appropriations relating to their sectors are being discussed.
Sweden	The parties and the members of parliament are free to submit counterproposals to the government's budget proposals, including on security issues. All counterproposals as well as the government's budget proposals are considered in the parliamentary committees (e.g. the defense and security committee for issues related to national defense and security). The finance committee adapts the proposals and compiles them into one proposed budget, which is subject to a final debate and voting in the chamber.
Italy	A single budget committee deals with budget aggregates. Sectoral committees, such as the Committee for the Safety of the Republic, deal with appropriations for each respective sector.
Netherlands	No budget committee is in place. Sectoral committees deal with appropriations for each respective sector. A special ad hoc budget committee can be put in place but would offer only technical assistance to the sectoral committees as they discuss their respective parts of the budget.
India	The Committee of Public Accounts is constituted by parliament each year to scrutinise the government's appropriations and the reports of the Comptroller General.

### What are the sequences of review by parliament during the budget approval phase?

The budget approval phase includes several sequences of review within parliament. This budget review process can last three to four months in average. Generally at this stage, only the budget or finance committee is involved. Yet, it can request the cooperation and inputs of other specialised (or sectoral) committees, such as the security and defence committee.

Depending on the power and time conferred to the specialised committees, they usually make observations and suggest amendments to the budget and finance committee. The budget or finance committee then prepares its consolidated report to the parliament’s plenary.

This process is shown in Table 4.

#### Box 10. Unrestricted power to amend the security and defence budget: Members of Parliament’s initiatives in Finland

After the government has submitted its budget proposal, Finnish parliamentary members can submit budgetary initiatives within a period of ten days. In a budgetary initiative, a member can propose that an appropriation in the government’s budget proposal be increased or reduced or that a new appropriation be added for a specific purpose.

For parliament to vote on a proposed amendment, it must be presented again when the plenary session discusses the budget at the end of the fiscal year. In recent years between 900 and 1,500 budgetary initiatives have been submitted each year.

Source: <http://web.eduskunta.fi/Resource.php/parliament/index.htm>

**Table 4. The sequence of security and defence budget scrutiny**

Sequence	Actions
1. Examination	The budget or finance committee examines the security budget submitted by the executive.
2. Amendment	The budget or finance committee coordinates with specialised committees and makes comments about the proposed budget document.
3. Submission	The head of the parliamentary budget or finance committee submits the consolidated budget report to the plenary.
4. Response	The government formally responds to parliament. This does not imply that the budget committee’s remarks will be enacted.

### What is the role of parliament during the budget execution phase?

The role of parliament during the budget execution phase is to ensure that the executive authorities properly implement the budget. Parliament does so by monitoring the actual spending during the fiscal year.

Given the nature of their work, the security and defence institutions are likely to generate budget adjustment decisions during the fiscal year. These adjustments might be due to sudden changes in the security environment, such as emerging conflicts, involvement in peacekeeping operations, or natural disasters.

In such cases, parliament authorises supplementary budget proposals and exerts scrutiny over budget adjustments or requests to use contingency funds.

### What are the parliamentary tools of oversight during the budget execution phase?

Parliaments use several tools to oversee budget execution. With regards to security and defence spending, the most common parliamentary tools of oversight are the following:

- **Questions and interpellations.** Parliaments conduct plenary debates on security and defence issues. These debates can occur

especially in times where international relations and major events like a war or political, environmental and economic crises. Such events imply significant modifications in legislation or allocations of funds. At this stage, parliament members and committees can:

- query government officials, such as the minister of the interior or the minister of defence, about their plans and policy intentions in their respective fields of operation;
  - debate and pass motions regarding the security and defence budget amendments, discuss audit reports on budget execution; and
  - suggest or request specific audits from the Supreme Audit Institution.
- **Parliamentary committee hearings.** Parliamentary committee hearings are a crucial instrument of parliamentary financial oversight. For instance, specialised committees at the US Congress hold frequent hearings addressing issues of defence procurement, ranging from the sustainability of defence budgets to problems with defence contracting. Depending on the sensitivity of the topics discussed, such hearings can be open to the public or held behind closed doors. When it is declared that some parts of the security and defence budgets must remain secret, members of parliamentary committees performing hearings can be subjected to vetting (see Box 11).

Parliamentary committee hearings allow:

- conducting inquiries into specific matters related to the financial management of security and defence institutions
- scrutinising government activity, including appropriations of funds for security or defence related operations; and
- calling the Government or the security and defence institutions to account for their use of public funds.

Recent trends have promoted greater transparency and openness of parliament to the public on topics handled during plenary sessions or committee hearings. For example, the Australian Parliament's committees systematically publish their reports in an online register.

### Box 11. Vetting parliamentary staff mandated with oversight of security and defence institutions

Countries like Germany require the vetting of members of the parliamentary defence and intelligence committees. Vetting procedures aim at screening public officers prior to accessing sensitive security-related information. According to these procedures, one or only a few members of parliament, the chairman of the security committee, as well as auditors responsible for auditing bodies with classified information, are allowed to access classified documents.

This ensures that at least some level of financial oversight is executed even for highly classified security and defence budgets.

*Adapted from DCAF Backgrounder: Vetting and the Security Sector, (Geneva, DCAF, October 2006).*

- **Ad hoc parliamentary commissions of inquiry.** Parliaments can form ad hoc commissions of inquiry bringing together members of parliament with specialised knowledge. The ad hoc parliamentary commission of inquiry can take evidence in the field or on oath from ministers or civil servants from the concerned ministries. In some cases, high-ranked military officers or police commanders can be questioned about their uses of public funds in the framework of their operations. In cases of sensitive security-related testimonies, the committee can choose to sit behind closed doors and to respect the strictest rules of confidentiality.
- **Public inquiries.** In the UK and the Republic of Ireland, executive authorities can also choose to form a public commission of inquiry on any action conducted by the government.



### Box 12. Public inquiries on defence spending: the case of the United Kingdom

In July 2009, the then British Prime Minister Gordon Brown announced the establishment of a public inquiry into the UK's involvement in the war in Iraq. Gordon Brown had been the Chancellor of the Exchequer during the first phase of the Iraq war.

In the course of the Iraqi Inquiry hearings in early 2010, Gordon Brown, stated that the UK's defence spending had gradually increased during each year of the war. He thereby denied holding back on the supply of equipment to the UK armed forces during his previous mandate as a Chancellor. In the electoral run-up to parliamentary elections, the opposition criticised these statements and managed to prove that the UK's defence costs had not increased.

These revelations brought the Prime Minister to send an explicative letter to the Iraq Inquiry committee, in which he provided a detailed outline of the UK's defence spending during the Iraq conflict. However, eventually Gordon Brown retracted his claim that spending on defence had increased every year during the Iraq war.

Gordon Brown's letter to the Iraq Inquiry Commission is available at: [www.iraqinquiry.org.uk/news/100318-pmletter.aspx](http://www.iraqinquiry.org.uk/news/100318-pmletter.aspx)

Source: "The Iraq Inquiry", [http://aphnew.aph.gov.au/Parliamentary\\_Business/Committees/House\\_of\\_Representatives\\_Committees?url=/pjcis/adminexp7/report.htm](http://aphnew.aph.gov.au/Parliamentary_Business/Committees/House_of_Representatives_Committees?url=/pjcis/adminexp7/report.htm)

### What is the role of parliament during the budget evaluation phase?

At the budget evaluation phase, parliament examines the findings of the auditor general or independent audit institution over public finances. This can trigger further parliamentary hearings, which allow parliament to:

- recommend reforms in the financial management of security and defence institutions;
- take these recommendations into consideration for future budget decisions;

- further increase government accountability, especially in the fields of security and defence; and
- recommend criminal inquiries or disciplinary measures against corrupt officials.

### Box 13. Parliamentary evaluation of intelligence budgets: the case of Australia

In Australia, the parliamentary standing Joint Committee on Intelligence and Security has a statutory obligation to review the financial statements for all six agencies of the Australian Intelligence Community.

In May 2010, the committee released a public report in which it outlined the results of the hearings it conducted with the Australian Intelligence Agencies.

Among other elements, the report described the budget growth of the Australian Security Intelligence Organisation (ASIO), which is one of the six national intelligence agencies. The committee report indicated that the intelligence agency would grow from 584 staff in 2001 to 1860 staff in 2011. The agency's revenue from government increased correspondingly, from A\$66 million in 2001 to A\$417 million in 2008.

After the report was published, the Australian Government announced that it would perform an in-depth review of the work of the intelligence community "to ensure its effectiveness in supporting the policy and operational needs of the government".

Officials declared that the A\$3 million needed for performing the review would be taken from the overall budget of ASIO.

Source: *Review of Administration and Expenditure No. 7 - Australian Intelligence Agencies*. <http://armedservices.house.gov>

**Table 5. Approaches to national security and budget evaluation by different countries' parliaments**

The following table describes the approaches taken by the parliaments of different countries to national security and defence budget review.

Country	National security and defence budget reviews by parliament
Australia	In December 2009, the Joint Committee of Public Accounts and Audit (JCPAA) at the Australian Parliament published its first pilot Major Projects Report. The report presented an assessment of 15 major equipment acquisition projects and the related financial reporting procedures by the state's Department of Defence during the 2007-2008 exercise. The review includes information relating to the cost, schedule and capability performance of individual military projects during the past fiscal year.
France	In 2009, the Finance, General Economy and Planning Committee at the National Assembly took part in the parliamentary evaluation work towards adopting two major national defence documents. This parliamentary evaluation work resulted in the adoption of the 2010 Operational Budget of the Armed Forces and the new Law for Military Planning (2009-2014).
United States	In 2010, the Armed Service Committee at the House of Representatives presented a report entitled 'House Armed Services Committee Panel on Defence Acquisition Reform Findings and Recommendations'. The report was an assessment of how well the U.S. defence acquisition system was doing in delivering value to the soldiers and the taxpayers. The panel concluded that the acquisition system of the Department of Defence (DoD) should have a performance management structure in place. It revealed the DoD's inability to provide accurate and timely financial information to the House. The report stated that the DoD did not adequately manage its acquisition programs and was therefore unable to conduct true acquisition reforms.  <a href="http://armedservices.house.gov/">http://armedservices.house.gov/</a>

**How do the parliamentary committees evaluate security and defence budgets?**

In certain countries, specialised parliamentary committees are required by law to conduct regular reviews of the administration, expenditure and financial statements of core security and

justice providers. For example, the Australian Intelligence Services Act of 2011 confers the Joint Committee on Intelligence and Security the right to question the minister or the heads of the intelligence agencies on their use of funds. Table 6 presents a non-exhaustive list of questions, which a parliamentary committee can ask.

**Table 6. What are examples of questions that parliamentary committees can ask during the budget evaluation phase?**

Topic	Questions
Spending	<ul style="list-style-type: none"> <li>• Are all sources of funding accounted for?</li> <li>• Are the purchases and procurements of equipment, the payment of salaries, and sales of arms fully regulated by law?</li> <li>• Are the purchases and procurements announced through tenders published in the press?</li> <li>• Are there professional standard operating procedures for spending agencies , and for institutions entrusted with resources to be spent on security?</li> <li>• Do the spending agencies and institutions implement their programmes in accordance with pre-set plans and strategies?</li> <li>• What safeguards ensure that the spending agencies and institutions follow these professional standards?</li> <li>• Is the proportion of different types of expenditure realistic and appropriate?</li> <li>• Have investments in equipment, programmes or assets been made with the money allocated?</li> </ul>
Results	<ul style="list-style-type: none"> <li>• Have the goods and services purchased by the spending agencies and institutions been listed?</li> <li>• Have there been justifications for investments and major procurements?</li> <li>• What is the reference document presenting the goods or services delivered?</li> <li>• Are there procedures in place to evaluate the performance of the security and military forces and to assess their efficiency?</li> <li>• Do spending agencies and institutions publish their performance results?</li> </ul>
Effects and impact	<ul style="list-style-type: none"> <li>• How do the effects and impacts of security policies conducted by the spending agencies relate to established policy statements and goals?</li> <li>• Have performance indicators been developed in order to evaluate the effects and impacts of these security policies?</li> <li>• Is there an analysis made of the extent to which the institution’s operation has contributed to the effects and impacts?</li> <li>• Are there procedures in place to evaluate the performance of the security and armed forces in terms of effectiveness?</li> </ul>

**What are the challenges for parliamentary financial oversight in the security sector?**

Parliaments face numerous challenges in ensuring effective financial oversight in the security sector. Among the most important challenges are:

- 1. Lack of political will among executive authorities.** In many contexts, a long

experience of military or one-party rule, coupled with limited democratic practice and strong executives make financial oversight by parliament virtually impossible. In these contexts, ruling elites are unlikely to show the necessary political will to promote increased parliamentary oversight of security and defence expenditures.

**What can parliamentarians do in the absence of political will for financial oversight among executive authorities?**

In absence of political will, parliamentarians can:

- organise and participate in working group discussions and workshops on parliamentary oversight in financial oversight in the security sector;
- foster plenary debates about the necessity to weigh military spending against the social and development needs of society;
- encourage government to adhere to international instruments and organisations specialised in public financial management, such as the OECD or the INTOSAI; and
- seek the assistance of other actors, such as civil society and the media, in raising awareness about the importance of parliamentary oversight of the security sector.

- 2. Absence of a clear constitutional and legal framework.** The constitution and additional laws usually confer to parliamentarians the right to oversee security and defence budget and spending. The absence of such clear constitutional and legal framework constrains parliament from playing an effective financial oversight role. In certain countries, parliament may be too weak to promote legal reforms that lead to an increase in financial accountability of the security and defence institutions.

**What can parliamentarians do in the absence of a clear constitutional and legal framework?**

In the absence of a constitutional and legal framework, parliamentarians can:

- suggest amendments to the constitution;
- encourage the passing of new laws ensuring financial oversight in the security sector; and
- monitor the implementation of such laws.

- 3. Lack of access to information.** Often, executive authorities invoke confidentiality as a pretext to avoid subjecting the security and defence institutions to parliament. Because they are deemed sensitive, funding sources and expenditures of security and defence institutions can remain off-budget and out of reach of parliamentary scrutiny. In such contexts, parliamentary access to the financial records of security and defence institutions remains restricted.

**What can parliamentarians do in the absence of information?**

In the case of a lack of parliamentary and public access to information related to financial management of the security and defence institutions, parliamentarians can:

- encourage plenary parliamentary discussions about the use of off-budget funds in the fields of security and defence;
- conduct periodic hearings to hold senior security officials accountable for their institution's financial practices;
- use their authority as leverage and propose reducing or refusing yearly budget allocations as an incentive for security officials to increase transparency;
- the adoption of access to information laws as an incentive to increase transparent financial management of the security sector; and
- enact laws and regulations for the protection of whistleblowers operating inside the security sector institutions.

**Box 14. Parliamentary access to intelligence information in the United States**

The United States Congress has attempted to expand its legal authority to better access intelligence information. Three congressional intelligence oversight committees are vested with oversight of the US intelligence spending. They are the:

- House Permanent Select Committee on Intelligence
- Oversight and Investigations Subcommittee and
- Senate Select Committee on Intelligence.

However, there are still notable exceptions to the powers of congressional committees' to access information. Specifically, they cannot access information that would reveal:

- the identities of the sources;
- the means by which the intelligence community obtained and analysed the information;
- 'raw' intelligence deserving further analysis; and
- written intelligence products "tailored to the specific needs of the President and other high-level executive branch policymakers".

Source: "Congress as a Consumer of Intelligence Information", in *Report for Congress* (Washington, Congressional Research Service, 14 December 2005), p. 5, <http://www.fas.org/sgp/crs/intel/congress.pdf>.

**What can parliamentarians do in the absence of impact and performance indicators?**

In case of unavailability of impact and performance indicators, parliamentarians can:

- encourage executive authorities to adopt medium-term and performance oriented budgeting for the security and defence institutions;
- participate in adopting clear definitions of what the inputs, outputs and outcomes of the security and defence operations are; and
- promote public discussions contributing to assessing citizens' needs and priorities in terms of security.

**5. Lack of expertise and resources among financial oversight institutions.** In many contexts, the work of financial oversight and audit institutions can be undermined by scarce financial resources and the lack of expertise of their staffers. For instance, parliamentary committee members might lack the necessary skills and experience in how to conduct hearing sessions with security and defence officials. Also, parliament and state audit institutions might not have enough educated and trained staff to conduct their activities.

**4. Unavailability of impact and performance indicators.** In transitional and developing contexts, parliamentarians might lack crucial data to assess the impact and performance of the core security and justice providers. Measurable outputs produced by security and defence institutions might become available only after years of performance. Parliamentarians face many difficulties in estimating the cost-effectiveness of the security and defence institutions against clear financial benchmarks and indicators of service delivery to the citizens.

### What can parliamentarians do in the absence of expertise and resources among financial oversight institutions?

In the case of a lack of expertise among financial oversight institutions, parliamentarians can:

- encourage training and capacity-building of parliamentary members and specialised parliamentary staffers in financial oversight in the security sector;
- lobby for the government to allocate additional funds for developing the institutional capacity of financial oversight institutions; and
- convince international donors to strengthen their parliamentary support and capacity-building programmes.

### What can parliamentarians do in the absence of harmonisation of donor aid support with local needs?

In contexts where there is a lack of harmonisation of donor aid support, parliamentarians can:

- participate in coordination meetings and mechanisms set up by international donors with local executive authorities;
- foster debates about the necessity for the donor community to respect its commitments under international treaties such as the Paris Declaration on Aid Effectiveness; and
- insist for international aid mechanisms to be overseen by local financial oversight institutions.

## 6. Lack of harmonisation of donor aid support with local needs and priorities.

In contexts where local authorities depend on external financial support, it is important that donor aid programmes meet the needs and priorities of society. Yet, parliaments of the receiving countries are often not consulted when these priorities are defined. Executive authorities and security and defence institutions frequently bypass parliamentary oversight when they mobilise and allocate donor resources for their security and defence operations.

### With whom should parliament build relations in order to strengthen financial oversight?

Given the complexity of financial oversight in the security sector, parliaments and their specialised committees may reach out to external audit and oversight actors to strengthen financial oversight in the security sector. These actors can be:

- Supreme Audit Institutions (SAIs), with which parliaments usually have a procedural relation; and/or
- civil society organisations (CSOs), research centres and think tanks, which might complement the work of parliament in several aspects related to the security budget.

The roles of SAIs and CSOs and their relations with parliament in strengthening financial oversight are discussed in detail in the following section.

## 4. Strengthening financial oversight in the security sector: the role of Supreme Audit Institutions (SAIs) and civil society

### Learning objectives of this section

After reading this section, readers should be able to:

- ✓ explain what Supreme Audit Institutions (SAIs) are;
- ✓ describe the role of Supreme Audit Institutions in financial oversight in the security sector;
- ✓ identify what the different types of security and budget audits are;
- ✓ explain the role of civil society organisations in financial oversight in the security sector; and
- ✓ discuss how to strengthen the relations between parliaments, Supreme Audit Institutions and civil society organisations.

### What are Supreme Audit Institutions (SAIs) and what is their role in financial oversight in the security sector?

Supreme Audit Institutions (SAIs) are the national bodies responsible for carrying out external and independent audits of public institutions.

Supreme Audit Institutions (sometimes called the Auditor General, the National Audit Office, the Budget Office, Court of Audit or Chamber of Account) are established by constitutional law as institutions independent from the executive, legislative and judicial branches.

Supreme Audit Institutions mandates are usually not limited to specific state institutions. Therefore, SAIs' guiding principles (see Box 15) should also apply to audits of the core security and justice providers and their management and oversight bodies.

The role of SAIs in financial oversight in the security sector is mainly to:

- verify the accuracy and reliability of the financial reports presented by the core security and justice providers and their management and oversight bodies;
- ensure that all financial operations in the field of security and defence are carried out in accordance with the prevailing laws and regulations;
- make representatives of the core security and justice providers and their management and oversight bodies accountable for the money they manage; and
- report flaws and cases of corruption to parliament and/or the judiciary.

### Box 15. Effective use of funds: guiding principles of Supreme Audit Institutions (SAIs)

The work of Supreme Audit Institutions (SAIs) is guided by the following fundamental principles:

- ensuring proper and effective use of public funds;
- developing sound financial management mechanisms;
- properly executing administrative activities; and
- communicating information to public authorities and the general public through publication of objective reports.

Source: *Lima Declaration of Guidelines on Auditing Precepts*, (INTOSAI, 1988), [http://www.issai.org/media\(622,1033\)/ISSAI\\_1\\_E.pdf](http://www.issai.org/media(622,1033)/ISSAI_1_E.pdf)

### What are the different models of Supreme Audit Institutions (SAIs)?

There are three major models of Supreme Audit Institutions. Each model has proved its capacity to strengthen the accountability of security sector institutions and their representatives. The three models are:

**1. Parliamentary audit model.** This model is also called the Westminster model since it is most frequently used in Anglo-Saxon countries. In this model, the SAI is directly linked to the financial accountability system of parliament (often to the parliamentary budget or public account committee). In such a system, the head of the SAI is called the auditor general and can be an officer of parliament.

#### Box 16. The parliamentary audit model and security and defence: the case of Peru

Peru's Contraloría General de la República ensures fiscal accountability of the security and armed forces. Among the four main constitutional objectives of the Contraloría, the third specifies its role in the financial oversight of the Peruvian core security and justice providers. Its role is:

"...to perform control in order to ensure that the funds dedicated to satisfy the logistical needs of the armed forces and national police be used exclusively to this end."

Source: « *La Contraloría General de la República* », República del Perú, [www.contraloria.gob.pe](http://www.contraloria.gob.pe).

**2. Judicial audit model.** This model is also called the Court model or Napoleonic model. It is the most frequent model of Supreme Audit Institutions (SAIs) in the Latin countries of Europe and in francophone countries in Africa and Asia. In this model, the SAI is an integral part of the judicial system. The SAI is a court that operates independently from the executive and legislative branches. It is therefore likely to have only limited relations with parliament. It is chaired by magistrates, who can conduct their own hearings and impose penalties or corrections. The main focus of the audit work is to verify the legality of the transactions that have taken place.

#### Box 17. The judicial audit model and the audit of security and defence: the case of France

In its annual report covering fiscal year 2009, the French Cour des Comptes released an audit report of the Ministry of Defence. The report pointed at serious dysfunctions of the Ministry's financial management of military projects. These were especially with regards to costly, long-term planning programmes.

The Cour des Comptes underlined the following loopholes in the financial management of public funds for defence purposes between 2003 and 2008:

- permanent inadequacies between necessary defence credits and available credits;
- recurrent engagement in procurement and equipment activities in the absence of available funds;
- failures in the planning and delivery of the most costly military programmes; and
- badly estimated or uncertain funding of future military programmes.

Source: « *Cour des Comptes* », in *Rapport Annuel 2010* (Paris, February 2010), pp. 41-3, [http://www.ccomptes.fr/fr/CC/documents/RPA/1\\_conduite-des-programmes-armement.pdf](http://www.ccomptes.fr/fr/CC/documents/RPA/1_conduite-des-programmes-armement.pdf)

**3. Collegiate audit model.** This model is in place in some European countries such as Germany and the Netherlands, as well as some countries in Asia. The basic structure of this model is very similar to that of the parliamentary model. The main differences between these two models are in the internal structure of the audit institution.

The most important difference is that in this model, the Supreme Audit Institution (SAI) has a governing board consisting of appointed members and is headed by a president.



**Box 18. The collegiate audit model and mishandled public funds for defence equipment: the case of Germany**

In 2009, German parliamentarians openly criticised the absence of financial oversight of the Government's defence procurement programmes. In particular, the parliamentarians submitted an inquiry about the objectives of the Ministry of Defence's unmanned aerial vehicle (drone) programme and its costs.

In response to the inquiry, the Government refused to provide the MPs with details about the cost of the German drone development programmes, and which companies were in charge of conducting these programmes.<sup>5</sup>

The issue was further addressed in the 2009 annual report of the German Supreme Audit Institution, the Bundesrechnungshof. The report revealed that the Ministry of Defence paid unnecessary running costs for a drone development project, which had been cancelled. The Ministry of Defence was found to have misused German taxpayers' money for up to 168 million Euro.

Based on this and other examples, the Bundesrechnungshof requested the Ministry of Defence to improve its contracting mechanisms in a way that ensures effective transactions and imposes reimbursement modalities when military development and procurement programmes are cancelled.<sup>6</sup>

The issue was also raised by the German press, where major outlets (such as the weekly magazines *Der Spiegel* and *Focus*) criticised the Ministry of Defence for wasting public funds.<sup>7</sup> The use of drones for combat and law enforcement operations has come under increased parliamentary and public scrutiny.<sup>8</sup>

**Box 19. What is the 1977 Lima Declaration of Guidelines on Auditing Precepts?**

The 1977 Lima Declaration of Guidelines on Auditing Precepts was adopted by the International Organisation of Supreme Audit Institutions (INTOSAI). The Declaration outlines standards and norms for the independent auditing of the government and its agencies. It establishes a comprehensive list of issues, goals and norms regulating the audit of public institutions. The Declaration notably states that:

- SAIs' audit powers should be embodied in the constitution and specific legislation;
- SAIs and SAIs' staff should be independent from influence by audited organisations;
- SAIs should have statutory relations with, and report annually to, parliament; and
- SAIs should have access to all documents and records held by public institutions.

**What are the different types of audits that Supreme Audit Institutions (SAIs) can conduct with security and defence institutions?**

SAIs can perform three main types of audits of security and defence institutions: financial, compliance and performance audits. These are described as follows:

- 1. Financial audit.** This is an audit of the financial records, accounts and expenditures of given security or defence institutions over a period of one fiscal year. The aim of a financial audit is to ensure the financial accountability of the audited institutions. Moreover, the financial audit expresses an audit opinion as to whether the financial statements of this institution give a true and fair view of the financial transactions it has performed.
- 2. Compliance audit.** This is an audit to assess whether the activities, financial transactions and operational expenditures of given security or defence institutions are in line with the prevailing budgetary and financial accountability laws. Compliance audits also assess whether audited security and defence institutions comply with resolutions and general standards and principles for sound financial management in the public sector.

**3. Performance audit (or value for money audit).** This is an audit to evaluate whether the human, financial or other resources of given security and defence institutions are in line with their stated policy objectives. Performance audits examine the efficiency and effectiveness of the operations conducted by these institutions. Performance audits can contribute to promoting good 'value for money' in the financial management of the security and defence institutions.

### What are the challenges to independent audits of the security and defence institutions?

Supreme Audit Institutions involved in audits of security and defence institutions can face many obstacles. The following presents the main obstacles SAIs can face and how they are addressed by key standards of the Lima Declaration:

- **Elements of the national budget exempt from scrutiny.** The ability of SAIs to perform audits of all public financial transactions, including those of the security and defence institutions, can be restricted by exemptions imposed by executive authorities on audits of certain components of the national budget. Even if audit institutions are established on solid legal bases, executive authorities and security and defence institutions might prevent SAIs from performing audits of their accounts.

#### What does the Lima Declaration state?

"All public financial operations, regardless of whether and how they are reflected in the national budget, shall be subject to audit by Supreme Audit Institutions. Excluding parts of financial management from the national budget shall not result in these parts being exempted from audit by the Supreme Audit Institution."

*Lima Declaration, Section 18, Article 3.*

- **Lack of clear and applicable legislation.** Some countries lack adequate legislation to ensure the independence and freedom of the SAI. In these contexts, SAIs can suffer from interferences from the executive, the political parties or specific ministries. Also,

many national laws fail to stipulate whether core security and justice providers can be subjected to independent audits.

#### What does the Lima Declaration state?

"The establishment of Supreme Audit Institutions and the necessary degree of their independence shall be laid down in the Constitution; details may be set out in legislation. In particular, adequate legal protection by a supreme court against any interference with a Supreme Audit Institution's independence and audit mandate shall be guaranteed."

*Lima Declaration, Section 5, para. 3.*

- **Lack of access to information.** SAIs might be deprived of access to timely and relevant information in general, and particularly, in relation to classified security documents. Information about how decisions to spend funds for security or defence purposes were motivated might remain confidential and not be made available for independent audits.

#### What does the Lima Declaration state?

"Supreme Audit Institutions shall have access to all records and documents relating to financial management and shall be empowered to request, orally or in writing, any information deemed necessary by the SAI."

*Lima Declaration, Section 10, Article 1.*

- **Lack of capacity and capabilities.** In many countries, staffers of the audit institutions lack technical qualifications and tools to perform their audit tasks. Audit institutions often suffer from a lack of financial and human resources, that further hampers their capacity to fulfil their mission.

**What does the Lima Declaration state?**

“Special attention shall be given to improving the theoretical and practical professional development of all members and audit staff of SAIs, through internal, university and international programmes(...). Professional development shall go beyond the traditional framework of legal, economic and accounting knowledge, and include other business management techniques, such as electronic data processing.”

*Lima Declaration, Section 14, Article 3.*

**How can the relations between the Supreme Audit Institutions (SAIs) and parliament be strengthened?**

The relations between the Supreme Audit Institution and parliament are usually laid down in the country’s constitution. The constitution normally requires the SAI to report its findings annually and independently to parliament and/or any other public bodies responsible for holding security and defence institutions accountable (an ad-hoc public inquiry for example).

Parliament should be sufficiently remote from the SAI to provide it with autonomy. At the same time, parliament must make sure that its interests in and involvement with the work of the SAIs contributes to strengthening financial oversight. If the relation between parliament and the SAI is too distant, parliament may ignore important audit findings, and the SAI avoid reporting to parliament.

In view of strengthening the relations between parliament and the SAI, the following steps could be taken:

- make sure that the supreme audit legislation guarantees the independence of audit institutions from both the government and parliament;
- develop clear appointment procedures for heads of SAIs in a way that assures broad confidence and support in parliament;
- delineate clear procedures for parliaments to deal with audit reports, including appointing specific parliamentary committees (security, defence, intelligence, budget committees, or a combination of all) to review the security budget;

- devise procedures to ensure that the appropriate parliamentary committee takes prompt actions based on the audit reports; and
- inform the SAI of parliamentary interests, including suggested topics and institutions to be audited, while leaving final decisions on audit priorities to the SAI.

**Box 20. What are the advantages of parliament involving external audit and oversight actors?**

By building stronger relations with audit institutions and civil society organisations, parliament can ensure:

- debate in the public domain of security issues in which citizens have the greatest interests;
- increase the participation of all citizens, including the most vulnerable layers of society, through public knowledge and understanding of the government’s security policies;
- provide citizens with first-hand information on how money is disbursed in the field of security through the attention and publicity given to the audit reports concerning the security sector institutions;
- assess governments’ and donor countries’ expenditures in the field of security in light of the performance of the security and justice providers; and
- take prompt corrective actions based on the audit reports that find misuses of funds by security institutions.

Increased civil society involvement and also using the capacity of external audit institutions can support and help compensate for any limitations in the capacity of parliament to execute financial oversight.

**What is the role of civil society organisations in financial oversight in the security sector?**

Civil society organisations have become important informal actors of financial oversight in the security sector. The increased involvement of

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civil society in examining the implementation of the executive's budget for example, contributes to holding core security and justice providers accountable to citizens. Civil society organisations

can assist the government and parliament in setting priorities for the spending of public funds according to the society's most urgent development needs.

**Table 7. Civil society organisations active in financial oversight: examples from around the world**

Country	Programmes
Brazil	The budget programme at the Instituto Brasileiro de Análises Sociais e Econômicas (IBASE) focuses on building the capacity of other groups to analyse budget information.
Croatia	The Institute of Public Finance (IPF) has developed into a leader in public finance and economic research, with strong ties to international networks.
India	Development Initiatives for Social and Human Action (DISHA) has used budget analysis as part of its effort to mobilise its members from the poorest communities to demand their rights.
Mexico	FUNDAR Centro de Análisis e Investigación promotes social justice and human rights by monitoring public policies and spending under the presidential budget. It also cooperates in the Latin American Budget Transparency Index.
South Africa	The Budget Information Service (BIS) monitors inclusion and democracy in post-apartheid government policies. BIS has built a strong reputation for solid analysis in various areas of budgeting, such as the areas of AIDS, children, education, local governments, and women.
Uganda	The Uganda Debt Network (UDN) is an NGO that conducts extensive budget analysis, advocacy, and anti-corruption activities. It is well known for its outspoken attitude and has built a strong reputation for linking local budget monitoring activities with national policies.
United States	The US based International Budget Partnership collaborates with a large and diverse network of civil society organisations around the world. Its aim is to fight poverty and improve governance by reforming government budget systems and influencing budget policies. Central to this work are efforts to make government budgeting more transparent and participatory, more responsive to national priorities, better able to resist corruption, and more efficient and effective.

Source: Paolo de Renzio and Warren Krafchick "Budget monitoring and policy influence", in *Overseas Development Institute: Briefing Paper 16*, (ODI Briefing Papers 16, March 2007), <http://www.odi.org.uk/resources/details.asp?id=80&title=budget-monitoring-policy-influence>.

### **Box 21. Civil society's role in financial oversight in the security sector: the case of the Pakistan Institute of Legislative Development and Transparency (PILDAT)**

Established in 2001, the Pakistan Institute of Legislative Development and Transparency (PILDAT) is an independent, non-partisan and non-profit organisation. PILDAT works to build the capacity of elected representatives and to facilitate greater participation of all segments of society in the democratic process in Pakistan.

In 2009, PILDAT published a background paper on How to Review the Defence Budget. This was within the framework of its broader programme, Research and Dialogue on Civil-Military Relations for Conflict Prevention in Pakistan.

In 2010, PILDAT launched a series of workshops with representatives of the business, media and civil society communities on 'How to influence the Budget in Pakistan'.

Civil society organisations (CSOs) can further contribute to strengthening financial oversight in the security sector by:

- **Promoting access to information.** In many developing and transition countries, civil society organisations are instrumental in promoting the development of freedom of information (Fol) legislation and monitoring its application. In many contexts, civil society organisations play a significant role in promoting administrative transparency and accountability. These efforts by civil society and media organisations help make information available for the effective oversight of the security sector budgetary process. Also, the involvement of armed and security forces helps strengthen broad acceptance of the principles of good financial governance of the security and defence sectors.

**Box 22. Civil society and armed forces negotiating access to security-related information: the case of Peru**

In Peru, the Peruvian Press Council participated in the drafting of a comprehensive access to information law. The Freedom of Information (Fol) law was drafted with a wide sector of civil society involvement. The process was also supported by the national ombudsman's office.

In a quite unique case, extensive consultations with the Peruvian armed forces were conducted. During several months, the Press Council and the armed forces negotiated and finally agreed on the national security exemptions in the Fol law, which was enacted in 2002. Furthermore, the Press Council also oversees the implementation of the Fol law.

As a result of this involvement, the Peruvian audit institution has specified its competency in overseeing the financial accounts and performance of the armed forces.

- **Mainstreaming gender into security budgeting.** Civil society organisations play an important role in overseeing security and defence budget allocations affecting vulnerable social groups like women. Women's organisations and human rights advocacy groups can demand accountability and transparency from the government with a view to promoting gender-oriented development projects. CSOs can also monitor and evaluate government spending and, should the need occur, work with policy-makers in altering such spending to be more gender sensitive. Finally, CSOs can work with their partners to advocate for greater gender-sensitive security sector budgeting in the future.

**Box 23. The Women's Budget Initiative in South Africa**

The Women's Budget Initiative (WBI) started in 1995 and entailed the collaboration of women parliamentarians and NGOs. The NGO partners were responsible for analysing the budget and the policies behind it for their gender impacts while the politicians would use the findings to influence the budget debate in parliament. Five annual commentaries on the gender impacts of the budget were published which influenced a similar initiative to begin within the Finance Ministry on a pilot basis. The WBI also produced a simplified set of publications called Money Matters targeting a broader audience as well as training materials for legislators and civil society activists in the Southern African sub-region.

Source: "Parliament, the Budget and Gender", Inter-Parliamentary Union, United Nations Development Programme, World Bank Institute and United Nations Fund for Women (Geneva, IPU, 2009).

**What are other ways of strengthening partnerships between parliaments, Supreme Audit Institutions (SAIs) and civil society organisations?**

Increased interaction between parliaments, Supreme Audit Institutions and civil society organisations is conducive to stronger financial

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oversight in the security sector. It allows for more comprehensive and participative security sector governance by:

- **Complementing the work of parliaments and Supreme Audit Institutions.** Civil society involvement in financial oversight in the security sector can help compensate for limited financial analysis capacity within parliament. The level of civil society contribution to financial oversight in the security sector can amount to full cooperation in the security sector audit process. Parliament may play a key role in selecting and/or balancing the inputs of civil society according to preset standards of professionalism and objectivity.
- **Reinforcing the system of checks and balances.** Encouraging civil society experts to examine SAI audit reports can allow members of the parliamentary budget or public account committee to receive a second opinion on the state's security budget. Possible weaknesses or loopholes in the auditor general's report can be tackled by complementary civil society input. Similarly, SAIs can use civil society advocacy groups to publicise their reports in case parliaments do not take them sufficiently into account.
- **Strengthening public participation in financial oversight.** Parliament can promote increased public participation in assessing security policies and operations. It can do this by seeking the assistance of financial, legal and human rights experts from local civil society organisations. Thereby, parliaments can gain additional advice on security sector oversight issues, and can build a more inclusive view of the appropriateness of financial management in security sector.

## 5. Further ways of strengthening financial oversight in the security sector

### Learning objectives of this section

After reading this section, readers should be able to:

- ✓ understand further ways to strengthen financial oversight in the security sector;
- ✓ describe the benefits of developing a comprehensive national legal framework for financial accountability;
- ✓ understand ways of promoting integrity self-assessment processes in security sector institutions; and
- ✓ understand and encourage best practices on the part of donors.

### What are the benefits of developing a comprehensive legal framework for financial accountability?

Good security sector governance requires establishing a clear legal framework for financial accountability and integrity. This allows:

- defining the roles, mandates and relations between the financial oversight institutions;
- setting limits to the prerogatives and powers of security and defence institutions in managing public money;
- providing a basis for accountability by defining what constitutes illegal financial behaviour;
- protecting whistleblowers who denounce corruption and misuses of public funds (see Box 25); and
- enhancing public trust and strengthening the legitimacy and integrity of the security sector institutions.

Usually, parliament establishes the legal framework for financial accountability. Yet, this cannot take place without the participation of the

executive, which sets detailed rules of integrity and takes effective action against misuses. Academic experts and civil society organisations can also denounce cases of corruption, advocate commensurate legal reforms and conduct public awareness campaigns aiming at improving the legal protection of so-called “whistleblowers” (see Box 24).

### How can integrity self-assessment processes of security and defence institutions be promoted?

In many countries, executive authorities carry out their own analysis of corruption problems that affect the security and defence institutions. This is often part of government-wide anti-corruption campaigns. Self-assessment processes in security and defence institutions imply taking a broad approach to corruption and involve:

- describing the institutional relations between all actors in the security sector, including the core security and justice providers, their executive management and oversight bodies, parliament, state audit institutions and civil society;
- mapping the national legal and institutional framework, including all laws and institutions ensuring financial accountability;
- devising entry-points for the state’s adherence to international anti-corruption treaties, such as the UN Convention Against Corruption;
- identifying the highest corruption risk areas in the security and defence institutions;
- monitoring the implementation of codes of conduct to strengthen integrity in the behaviour of security and defence personnel; and
- improving transparent procedures in security and defence planning, budgeting, spending and procurement processes.

### Box 24. Recent trends towards adopting whistleblower protection legislation: the case of Canada

Since the early 1990s, Canadian civil society organisations and political parties have lobbied for the adoption of effective whistleblower protection legislation.

Adopted in 2005, the Public Servants Disclosure Protection Act (PSDPA) sets up an internal regime for the reporting of wrongdoing within the administration. However, the Act does nothing to protect whistleblowers and little to ensure that their allegations are investigated.

The Federal Accountability Initiative for Reform (FAIR), a charity consisting of Canadian members of parliament, academics and citizens, has lobbied for the adoption of whistleblower protection legislation. They have done this in order to promote transparency, accountability and integrity in the public service. FAIR has developed the following 5 essential test principles for judging whistleblower legislation. These are:

- full rights of free speech;
- the right to disclose all illegality and misconduct;
- no harassment against whistleblowers;
- a forum for adjudication (effective judicial process for whistleblowers); and
- mandatory corrective action by executive authorities against wrongdoers.

Despite these efforts, Canada still does not have effective laws to protect whistleblowers. However, the joint involvement of civil society organisations and members of parliament has nevertheless raised public awareness about the importance of protecting whistleblowers.

Adapted from: FAIR: *Protecting Whistleblowers Who Protect The Public Interest. The Canadian Experience*, <http://fairwhistleblower.ca/>

### Box 25. Tackling corruption in defence and security institutions: Transparency International's Integrity Self-Assessment Framework

Transparency International has established a framework for identifying corruption risks in defence and security institutions. According to this framework, corruption in defence and security can be:

- 1. Political.** This is when individuals or groups can influence the defence and security policy for specific personal or group interests;
- 2. Financial.** This is when defence and security budgets are misused or kept off-budget to serve private interests;
- 3. Operational.** This is when intervention or peacekeeping forces are themselves a source of corruption in the country they operate by encouraging local bribery and opaque contracting procedures;
- 4. Related to procurement.** This is when the process of acquiring equipment for security and defence institutions is not duly monitored; and
- 5. Related to security and defence personnel.** This is when the recruitment process and payroll management favour certain individuals instead of others.

Based on this framework, Transparency International has developed a questionnaire for security and defence institutions to self-assess the corruption risks they face. It has also devised ways for security and defence institutions to use surveys and metrics to track and monitor progress in their integrity-building processes.

See: *Building Integrity and Countering Corruption in Defence and Security: 20 Practical Reforms* (London, Transparency International, 2011), [http://www.transparency.org/news\\_room/in\\_focus/2011/defence\\_handbook\\_2011](http://www.transparency.org/news_room/in_focus/2011/defence_handbook_2011)



### How can best practices on the part of the donor community be encouraged?

Strengthening financial oversight in the security sector often requires joint efforts by developing countries and the donor community. In many developing countries, external actors and international aid programmes largely fund security sector governance and reform processes. Yet, external financial assistance to security sector reform often bypasses the recipient country's financial oversight institutions, such as parliament or the state audit bureau. This 'bypassing' has negative consequences and can prevent the recipient country from:

- developing their civil-democratic oversight processes;
- strengthening the institutional capabilities of formal actors of financial oversight; and
- building their capacity to devise their locally-owned priorities in security and defence issues.

However, donors have increasingly committed themselves to strengthening local accountability institutions. This has been achieved by donor countries through:

- ensuring that their financial support for domestic security sector governance and reform programmes is implemented with a view to strengthen a 'whole-of-government' (see Box 26) approach toward security sector reform;
- basing their aid coordination programmes on the principles of the 2005 Paris Declaration on Aid Effectiveness (see Box 27);
- providing transparent overviews of their financial aid policies in the field of security sector governance and reform;
- helping strengthen the procedures of developing countries for public financial management, such as: accounting, auditing, procurement and monitoring;
- supporting civil society initiatives that promote independent security budget analysis, monitoring of security operations and expenditures and access to information; and
- promoting the role of parliament, civil society and local media in fostering debates on the state's security policies and their costs.

### Box 26. What does a 'whole of government approach' (WGA) mean?

A 'whole-of-government' approach means involving the departments responsible for security, and political and economic affairs, as well as those responsible for development aid and humanitarian assistance in foreign and security policy-making and implementation, both at the policy and operational levels. WGA means that the state's political, security, economic and social spheres are interdependent. One benefit of this approach is that reforms in each area are supported and reproduced in other areas.

Adapted from: *Whole of Government Approaches to Fragile States* (Paris, OECD, 2006), [www.oecd.org/dataoecd/15/24/37826256.pdf](http://www.oecd.org/dataoecd/15/24/37826256.pdf)

### Box 27. The five core principles of the 2005 Paris Declaration on Aid Effectiveness

The Paris Declaration focuses on five mutually reinforcing Partnership Commitments principles:

- 1. Ownership.** Partner countries exercise effective leadership in implementing their development policies and strategies and co-ordinate development activities.
- 2. Alignment.** Donors base their overall support on partner countries' national development strategies, institutions and procedures.
- 3. Harmonisation.** Donors commit to make their actions more harmonised, transparent and collectively effective.
- 4. Managing for results.** Managing resources and improving locally-owned decision-making for results.
- 5. Mutual accountability.** Donors and partners are jointly accountable for development results.

### How can actors of financial oversight be trained?

Training and capacity-building programmes are essential to ensure that formal and informal actors of financial oversight become more efficient. Specialised local or international organisations are often available to provide training to these actors. These training programmes can target the following groups:

- **Parliament members.** Training and capacity-building should be targeted to raise parliament members awareness of financial oversight in the security sector and their responsibilities at each stage of the budget cycle;
- **Parliament staffers.** Training and capacity-building should be targeted to ensure that the support and advice parliament staffers provide to members of parliament is professional and comprehensive;
- **Supreme Audit Institution staffers.** Training and capacity-building should be targeted to raise SAI staffers technical competence in performing audits of security and defence institutions;
- **Civil society and media institutions.** Training and capacity-building should be targeted to maximise the quality of civil society and media institutions' participation in financial oversight processes.

Given the high level of interdependence between all actors of financial oversight in the security sector, training providers can consider ensuring that the training activities include all these stakeholders.

## **6. Conclusion**

In conclusion, this guidebook has provided an overview and introduction to the establishment, functioning and reform of financial oversight mechanisms in the security sector. It has presented the process of strengthening financial oversight and the necessity for the cooperation of formal and informal oversight actors, such as parliaments, audit institutions, civil society and the media.

DCAF remains available to support national efforts to establish or reform their financial oversight institutions and mechanisms in line with democratic values and international standards.

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<http://www1.worldbank.org/publicsector/pe/handbook/pem98.pdf>

## Useful Websites

- Commonwealth Parliamentary Association  
<http://www.cpahq.org>
- Congressional Budget Office, United States  
<http://www.cbo.gov>
- Geneva Centre for the Democratic Control of Armed Forces (DCAF) parliamentary programme  
<http://www.dcaf.ch/Programmes/Parliamentary-Oversight>
- Institute for Democracy in South Africa (IDASA)  
<http://www.idasa.org.za>
- International Budget Project  
<http://www.internationalbudget.org>
- International Organisation of Supreme Audit Institutions (INTOSAI)  
<http://www.intosai.org>
- Inter-Parliamentary Union  
<http://www.ipu.org>
- Organisation for Economic Co-operation and Development (OECD)  
<http://www.oecd.org>
- Parliamentary Budget Office, Uganda  
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- Parliamentary Centre  
<http://www.parlcent.ca>
- Pakistan Institute of Legislative Development and Transparency (PILDAT)  
<http://www.pildat.org/>
- Transparency International Defence & Security Programme  
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## Endnotes

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**DCAF Head Office, Geneva**

By Post:

Geneva Centre for the Democratic Control of Armed Forces (DCAF)

P.O.Box 1360

CH-1211 Geneva 1

Switzerland

For Visitors:

Rue de Chantepoulet 11

CH-1201 Geneva 1

Switzerland

Tel: +41 (0) 22 741 77 00

Fax: +41 (0) 22 741 77 05

[www.dcaf.ch](http://www.dcaf.ch)

**DCAF Beirut**

Gefinor Center - Block C - 6th Floor

Clemenceau Street

Beirut

Lebanon

Tel: +961 (0) 1 738 401

Fax: +961 (0) 1 738 402

**مكتب بيروت**

مركز جفينور - بلوك ج - الطابق السادس

شارع كليمنصو

بيروت

لبنان

تلفون: +٩٦١ (٠) ١ ٧٣٨ ٤٠١

فاكس: +٩٦١ (٠) ١ ٧٣٨ ٤٠٢

**DCAF Ramallah**

Al-Maaref Street 34

Ramallah / Al-Bireh

West Bank

Palestine

Tel: +972 (2) 295 6297

Fax: +972 (2) 295 6295

**مكتب رام الله**

شارع المعارف ٣٤

رام الله / البيرة

الضفة الغربية

فلسطين

تلفون: +٩٧٢ (٢) ٢٩٥ ٦٢٩٧

فاكس: +٩٧٢ (٢) ٢٩٥ ٦٢٩٥

**DCAF Tunis**

14, Rue Ibn Zohr – 1er étage

Cité Jardins

1082 Tunis

Tunisie

Tel: +216 71 786 755

Fax: +216 71 286 865

**مكتب تونس**

١٤ نهج ابن زهر

شقة عدد ١ - الطابق الأول

الحدائق ١٠٨٢

تونس

تلفون: +٢١٦ ٧١ ٧٨٦ ٧٥٥

فاكس: +٢١٦ ٧١ ٢٨٦ ٨٦٥