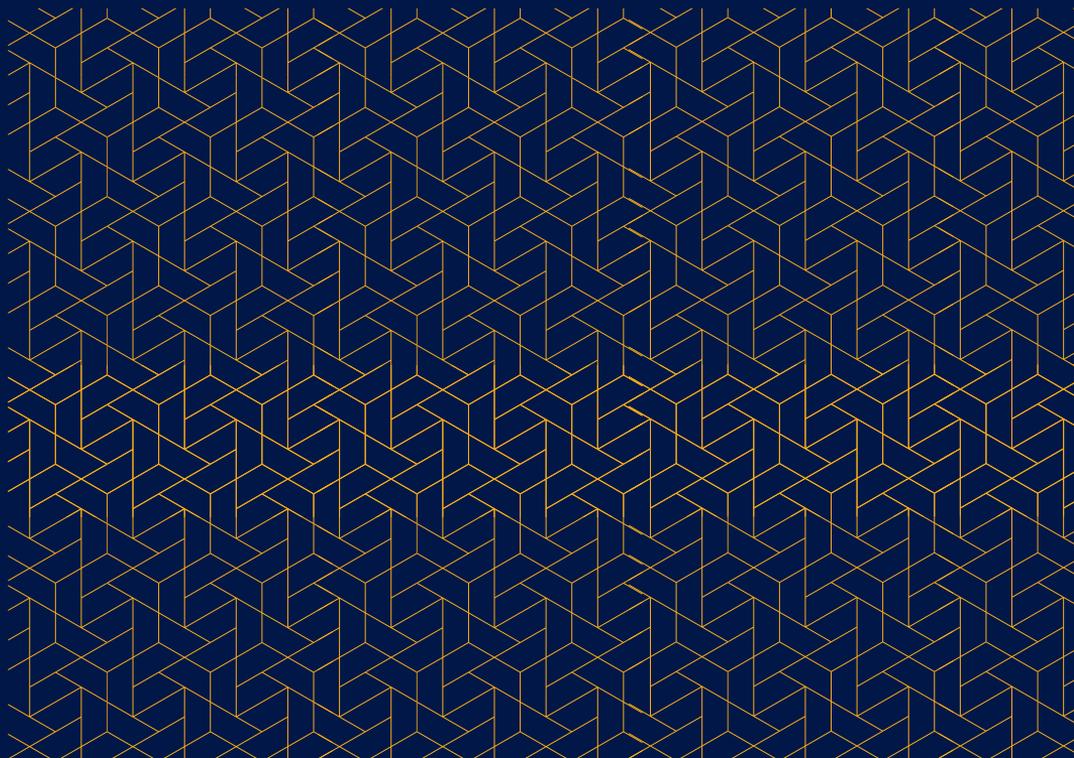


**THEMATIC BRIEF**

**INTELLIGENCE  
BUDGET CYCLES**



## **About this Thematic Brief**

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DCAF – Geneva Centre for Security Sector Governance

Maison de la Paix

Chemin Eugène-Rigot 2E

CH-1202 Geneva, Switzerland

Tel: +41 22 730 94 00

[info@dcaf.ch](mailto:info@dcaf.ch)

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

Twitter @DCAF\_Geneva

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## List of Abbreviations and Acronyms

<b>ABW</b>	Internal Security Agency - Agencja Bezpieczeństwa Wewnętrznego (Poland)
<b>BBF</b>	Budgetary Baseline Figure (United Kingdom)
<b>BfV</b>	Federal Office for the Protection of the Constitution - Bundesamt für Verfassungsschutz (Germany)
<b>BHO</b>	Federal Budget Regulation - Bundeshaushaltsordnung (Germany)
<b>BND</b>	Federal Intelligence Service - Bundesnachrichtendienst (Germany)
<b>CVFS</b>	Special Funds Verification Committee - Commission de vérification des fonds spéciaux (France)
<b>DBA</b>	Draft Budgetary Act - Projekt Ustawy Budżetowej (Poland)
<b>DGSE</b>	General Directorate for External Security - Direction générale de la sécurité extérieure (France)
<b>DGSI</b>	General Directorate for Internal Security - Direction générale de la sécurité intérieure (France)
<b>DNRED</b>	National Directorate for Customs Intelligence and Investigations - Direction nationale du renseignement et des enquêtes douanières (France)
<b>DPR</b>	Parliamentary Delegation for Intelligence - Délégation parlementaire au renseignement (France)
<b>DRM</b>	Directorate of Military Intelligence - Direction du renseignement militaire (France)
<b>DRSD</b>	Defence Directorate of Security Intelligence - Direction du renseignement et de la sécurité de la défense (France)
<b>IBC</b>	Intelligence budget cycle
<b>JSF</b>	Joint Security Fund (United Kingdom)
<b>LPM</b>	Military Programming Law - Loi de programmation militaire (France)
<b>MAD</b>	Military Counterintelligence Service - Militärischer Abschirmdienst (Germany)
<b>MoD</b>	Ministry of Defence
<b>MoEFR</b>	Ministry of Economy, Finance and Recovery - Ministère de l'Économie des Finances et de la Relance (France)

<b>Mol</b>	Ministry of Interior
<b>NAO</b>	National Audit Office (United Kingdom)
<b>NIK</b>	Supreme Audit Office - Najwyższa Izba Kontroli (Poland)
<b>NSC</b>	National Security Council (United Kingdom)
<b>PkGr</b>	Parliamentary Oversight Panel - Parlamentarisches Kontrollgremium (Germany)
<b>PLF</b>	Draft Budgetary Law - Projet de loi de finances (France)
<b>SAI</b>	Supreme Audit Institution - Bundesrechnungshof (Germany)
<b>SIA</b>	Single Intelligence Account (United Kingdom)
<b>SKW</b>	Military Counterintelligence Service - Służba Kontrwywiadu Wojskowego (Poland)
<b>SOF</b>	Special operational fund - Fundusz Operacyjny (Poland)
<b>SWW</b>	Military Foreign Intelligence Service - Służba Wywiadu Wojskowego (Poland)
<b>TRACFIN</b>	Financial Intelligence and Investigations Service - Traitement du renseignement et action contre les circuits financiers clandestins (France)
<b>VertGr</b>	Parliamentary Trust Panel - Vertrauensgremium (Germany)

## Introduction

The intelligence budget cycle (IBC) describes the process through which funds (budgets) for the operation of intelligence services are formed, approved, implemented (spent), and reviewed (controlled). The IBC includes four distinct stages (phases): the generation of the budget (formation); authorization procedures (approval); expenditure (implementation); and control (review). The IBC is subject to a complex array of oversight and control mechanisms, which, among others, aim to reduce corruption risks and increase spending efficiency.

In Euro-Atlantic countries, the IBC generally corresponds to the standard budget cycles for government agencies in that it is normally guided by the same legal principles, laws, and procedures. As with the budget cycles of other government agencies, IBCs are subject to various internal and external oversight and control measures, most notably by parliament and national audit institutions. Given the clandestine nature of the work of intelligence agencies, Euro-Atlantic countries have sought to develop processes and procedures to balance the need for budgetary transparency with the need to maintain operational secrecy. For example, while oversight and control of budget cycles is normally ensured through clear and transparent budget processes, IBCs are frequently subject to special procedures that limit transparency. In practice, this means that while governments sometimes publish the total budgets of intelligence agencies,<sup>1</sup> they do not, as with other government bodies, provide details of individual budget lines. Furthermore, bodies responsible for oversight and control of the IBC, including parliament and national audit offices, often employ specific restrictive procedures and structures with security-cleared personnel to ensure that sensitive information concerning the services' budgets remains confidential.

With the above in mind – and to ensure that intelligence services act in accordance with the rule of law while remaining operationally effective – the procedures, principles, and laws governing IBCs have to strike a careful balance between transparency and confidentiality. Achieving this balance is all the more important for intelligence services undergoing reform, particularly in transition countries, where historically confidentiality has often come at the cost of transparency.

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1 The publishing of the total budgets of intelligence agencies is a recent development in the Euro-Atlantic area. For example, the first formal public disclosure of intelligence spending in the United States occurred in February 2011. It came in the wake of the 9/11 Commission's recommendation that the intelligence community declassify its budget. Enacted in the 2007 US Public Law 110-53, it called for the Director of National Intelligence to disclose the 'aggregate amount of funds appropriated by Congress' for intelligence efforts. For more information, see: <https://www.govinfo.gov/app/details/PLAW-110publ53#:~:text=An%20act%20to%20provide%20for,Attacks%20Upon%20the%20United%20States>.

This Thematic Brief explores the means through which four Euro-Atlantic countries - namely France, Germany, Poland, and the United Kingdom - have sought to strike such a balance. It is divided into six sections. The first provides a brief overview of the intelligence agencies active in France, Germany, Poland, and the United Kingdom, along with their funding mechanisms. The second explores the role of public finance principles and intelligence tasking in guiding the formation of intelligence budgets. The subsequent sections examine the four stages of the IBC: budget formation (Section 3); approval (Section 4); implementation (expenditure) (Section 5); and review (Section 6). Each of these sections outline corresponding oversight measures, as well as the institutions responsible for implementing these. The Brief concludes with a set of recommendations on how to increase the transparency, efficiency, and oversight of IBCs.

## **1. National Intelligence Communities: Structures and Sources of Funding**

In the Euro-Atlantic area, intelligence agencies are an integral part of the broader government structure. Thus, as with other security or defence actors, such as the police or armed forces, their operations are financed from the state budget. This section provides a brief overview of the structure of intelligence communities in France, Germany, Poland, and the United Kingdom, along with their budget sources.

The French intelligence community consists of six agencies. Three are subordinate to the Ministry of Defence (MoD) - the General Directorate for External Security (Direction générale de la sécurité extérieure, DGSE), the Directorate of Military Intelligence (Direction du renseignement militaire, DRM), and the Defence Directorate of Security Intelligence (Direction du renseignement et de la sécurité de la défense, DRSD); one to the Ministry of Interior (MoI) - the General Directorate for Internal Security (Direction générale de la sécurité intérieure, DGSI); and two to the Ministry of Economy, Finance and Recovery (MoEFR) - the National Directorate for Customs Intelligence and Investigations (Direction nationale du renseignement et des enquêtes douanières, DNRED) and the Financial Intelligence and Investigations Service (Traitement du renseignement et action contre les circuits financiers clandestins, TRACFIN). Reflecting their ministerial subordinate, the DGSE, DRM, and DRSD are funded from the budget of the MoD; the DGSI from the budget of the MoI; and the DNRED and TRACFIN from the budget of the MoEFR. In addition to these, the aforementioned agencies may also be funded from so-called 'special funds'. Intelligence agencies may submit requests for special funds to the National Coordinator for Intelligence and the Fight Against Terrorism, a direct subordinate of the President of the Republic, for his or her arbitration and final decision.

The Germany intelligence community consists of three federal-level intelligence agencies and a state-level intelligence service - the State Office for the Protection of the Constitution (Landesbehörde für Verfassungsschutz). The federal-level intelligence agencies comprise the Federal Intelligence Service (Bundesnachrichtendienst, BND), the Military Counterintelligence Service (Militärischer Abschirmdienst, MAD), and the Federal Office for the Protection of the Constitution (Bundesamt für Verfassungsschutz, BfV). The BND is subordinated to the Federal Chancellery, the MAD to the MoD, and the BfV to the Mol. As such, each is funded from the budget of the respective ministry to which they are subordinated.<sup>2</sup>

In Poland, each of the four intelligence services - namely the Foreign Intelligence Agency (Agencja Wywiadu, AW), the Internal Security Agency (Agencja Bezpieczeństwa Wewnętrznego, ABW), the Military Foreign Intelligence Service (Służba Wywiadu Wojskowego, SWW), and the Military Counterintelligence Service (Służba Kontrwywiadu Wojskowego, SKW) - has the formal status of a central state administration office, and their budgets form part of the state budget. The AW and ABW receive funds directly from the state budget as so-called 'first-level disposers'. As 'second-level disposers', the SWW and SKW are financed from the budget of the Ministry of National Defence. As a result, the AW and ABW have full autonomy in managing their budgets in accordance with the provisions of the budget act for a given year, while the SWW and the SKW must manage their budgets within the confines of the budget of the Ministry of National Defence.

The British intelligence community consists of three main intelligence services: the Security Service (MI5), subordinated to the Home Office (Mol); the Secret Intelligence Service (MI6), subordinated to the Foreign, Commonwealth and Development Office (Ministry of Foreign Affairs); and the Government Communications Headquarters (GCHQ), also subordinated to the Foreign, Commonwealth and Development Office. In contrast to the individual funding allocations in France, Germany, and Poland, all three services in the United Kingdom are funded through a mechanism called the Single Intelligence Account (SIA). This mechanism is controlled by the government through the Cabinet of Ministers and the amount allocated covers all three services. During budget cycles, intelligence agencies may also apply for funds from the Joint Security Fund (JSF). The JSF is a shared fund held jointly with the Foreign, Commonwealth and Development Office (Ministry

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2 It should be noted that while the budget of BND is part of the budget of the Federal Chancellery and is debated as part of Einzelplan 04, the BND also has a separate chapter in the Einzelplan 04. Therefore, the BND has its own budget only in so far as it is a subchapter of the overall budget of the Federal Chancellery. For more information, see chapter 0414, page 24f at: [https://www.bundeshaushalt.de/fileadmin/de.bundeshaushalt/content\\_de/dokumente/2020/soll/epl04.pdf](https://www.bundeshaushalt.de/fileadmin/de.bundeshaushalt/content_de/dokumente/2020/soll/epl04.pdf)

of Foreign Affairs) and the MoD; it is intended for joint projects and operations that often involve unforeseen expenditure.

The above section demonstrates that while there are many procedural similarities among the four agencies, there are also noticeable differences. For example, in contrast to France, Germany, and Poland, the UK intelligence services draw funds from a common account (SIA). For its part, the Polish AW and ABW have their own budgets, whereas the budgets of the SWW and SKW are part of the aggregate budget of the MoD. The budgets of the French DGSE, DRM, and DRSD are also part of the MoD's budget; however, the DGSI's budget forms part of the aggregate budget of the MoI, and the budgets of the DNRED and TRACFIN are part of the MoEFR's budget. In Germany, the three federal-level services are also funded from the budget of the respective ministry to which they are subordinated. These differences, while subtle, can have a significant impact on the nature of individual intelligence budget processes.

## 2. The Intelligence Budget Cycle: The Role of Public Finance Principles and Intelligence Tasking

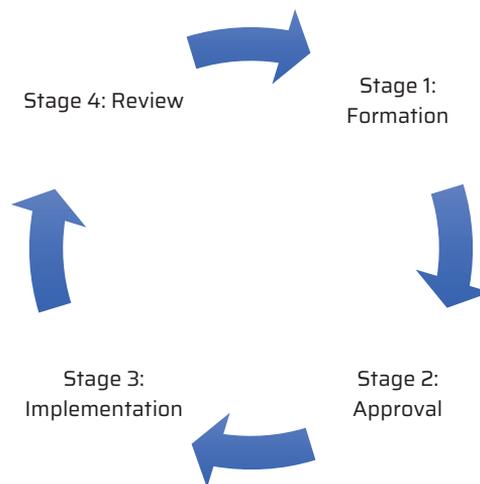
As with budget cycles for all government bodies, the IBC has four distinct stages (phases): formation, approval, implementation, and review (see Diagram 1). In the Euro-Atlantic area, the formation stage - during which budget estimates for intelligence services are drafted - is guided by intelligence requirements and priorities.<sup>3</sup> Such priorities can stem from various security-related policy and strategy documents (such as the national security strategy, security threat assessment, counterterrorism strategy, national cybersecurity policy, national counterproliferation strategy, and similar documents). Once budget estimates are drafted, they are subject to debate and approval by legislatures, with the parliamentary committees concerned often playing a role during this phase. In general, budgets are approved through the adoption of a budgetary law. During the implementation phase, funds are distributed to the services and spent accordingly. As part of the review phase, intelligence services submit a financial accounting report for the fiscal period in question. An external audit

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3 It should be noted that IBCs may vary from country to country. For example, some countries designate the establishment of intelligence requirements and priorities as the first phase of the IBC, while others will merge the formation, submission, and approval of the budget into one phase. Furthermore, while intelligence budgeting is normally linked to a predetermined fiscal period, given long-term budget complexities and the demands of planning, many countries favour a multi-year budgeting framework. This allows the intelligence services, as it does other public institutions, to align their own ambitions with national mid- and long-term fiscal policies.

is also carried out subsequently, normally by national audit offices. In contrast to the previous three phases, it is important to note that this stage of the IBC is best understood as a continuous process, with internal controllers and service-level accounting officers working to ensure that all phases of the budget cycle (from formation and approval to implementation) comply with relevant national policies, governance principles, and legal provisions.

**Diagram 1. The intelligence budget cycle (IBC)**



## Public finance principles

As intelligence agencies are considered part of the broader government structure, there are generally no specific administrative principles guiding IBCs. In Euro-Atlantic countries, the budget formation stage is therefore guided by public finance principles, which act to ensure that intelligence budgets are in line with national fiscal policies, standards, and regulations. This section outlines the public finance principles applied to intelligence budgets in France, Germany, Poland, and the United Kingdom, respectively. It should be noted that while certain principles, such as ‘unity’, unequivocally apply to intelligence budgeting, others, such as budget transparency, may not. Furthermore, while this section demonstrates that public procurement principles are similar across France, Germany, Poland, and the United Kingdom, notable exceptions exist – for example, the United Kingdom’s inclusion of the principle of ‘objectivity’.

In France, the following principles are applicable to the management of public funds, including with respect to the formation, approval, and implementation of budgets for intelligence services:

- **Sincerity:** All financial operations must be included in the budget; the expenditures and incomes must not be deliberately under or overestimated.
- **Unity:** All expenditures and incomes must be mentioned in one document.
- **Universality:** Income must be used to finance operation costs and investment expenditures; accountability rules must be respected.
- **Annual:** The budget is approved for a 12-month period, from 1 January to 31 December.
- **Balance:** A budget must balance income and expenditure, and operational costs and investment.<sup>4</sup>

In Germany, the formation, approval, and implementation of budgets for intelligence services is guided by eleven public finance principles as outlined in the relevant laws and regulations.<sup>5</sup> These include:

- **Unity and completeness:** All income and expenditure must be included; no income or expenditure can occur outside the budget.
- **Balance:** The budget must balance (income must equal expenditure).
- **Annual:** A budget must cover a one-year period.
- **Prior compilation:** A new budget must be compiled before the current annual budget period ends.
- **Prohibition to ‘pack’ the budget:** A budget cannot include income or expenditure that is not functionally linked to the mandate of the respective institution or that goes beyond the budget period.
- **Economy and frugality:** All expenditures must achieve their goal in the most economic manner.
- **Undirected income:** Income must be available to cover all expenditure and, unless specific legal reasons are available,

4 OECD. Budgeting in France. OECD Journal on Budgeting. Volume 2018/2, 2018, p. 14-15. Available at: <https://www.oecd.org/gov/budgeting/Budgeting-in-France.pdf>

5 These are the Grundgesetz (German Constitution, GG); the Haushaltsgrundsätze-gesetz, (the Budgetary Principles Act, HGrG); the Bundeshaushaltsordnung (Federal Budget Regulation, BHO); and the Bundesministerium der Finanzen, Das System der öffentlichen Haushalte, 2015, p. 7ff. Available at: [https://www.bundesfinanzministerium.de/Content/DE/Standardartikel/Themen/Oeffentliche\\_Finanzen/Bundeshaushalt/Haushaltsrecht\\_und\\_Haushaltssystematik/das-system-der-oeffentlichen-haushalte-anl.pdf?\\_\\_blob=publicationFile&v=5](https://www.bundesfinanzministerium.de/Content/DE/Standardartikel/Themen/Oeffentliche_Finanzen/Bundeshaushalt/Haushaltsrecht_und_Haushaltssystematik/das-system-der-oeffentlichen-haushalte-anl.pdf?__blob=publicationFile&v=5)

specific income cannot be designated to cover a specific expenditure.

- **Budget maturity:** A budget must only cover income and expenditure that occur during the budget period.
- **Gross principle:** All income and expenditure must be listed separately; expenditure cannot be subtracted from income.
- **Individual estimate:** Income lines must include a source, and expenditure lines must outline the reason for the purchase.
- **Budget truth and clarity:** All budget lines must be clearly formulated, and all budget lines must provide a truthful representation of the budget.

For their part, Polish intelligence agencies plan their budgets according to the general principles set out in the Public Finance Act, applicable to all public institutions. These include:

- **Universality:** All income and expenditure must be included; no income or expenditure can occur outside the budget.
- **Material unity:** All revenue should match expenditure so that public finances cannot be used to finance expenditures listed by name, unless a separate statute stipulates otherwise.
- **Formal unity:** The budget must be contained within one, comprehensive legal act.
- **Formal transparency:** Citizens have the right to access information concerning the formation, approval, and implementation of the budget.
- **Material transparency:** Citizens must be able to understand information concerning the formation, approval, and implementation of the budget.
- **Specification:** All income, revenues, expenditure, and expenses must be clearly formulated through the budgetary classification process.
- **Annual:** The budget must cover a one-year period.
- **Equilibrium:** The budget must balance (income must equal expenditure).<sup>6</sup>

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6 Urszula K. Zawadzka-Pąk. Polish Financial Law. Eds. Jerzy Banasiuk. 2014 (Poland: Temida 2, Faculty of Law, University of Białystok). p. 46. Available at: [https://repozytorium.uwb.edu.pl/jspui/bitstream/11320/6132/1/Polish\\_Financial\\_Law.pdf](https://repozytorium.uwb.edu.pl/jspui/bitstream/11320/6132/1/Polish_Financial_Law.pdf)

In the United Kingdom, all government departments, including intelligence agencies, are subject to the principles for managing public funds.<sup>7</sup> As laid down by the Treasury Office (Ministry of Finance) in the document 'Managing Public Money' of May 2021, these principles include the following:<sup>8</sup>

- **Honesty**
- **Impartiality**
- **Openness**
- **Accountability**
- **Accuracy**
- **Fairness**
- **Integrity**
- **Transparency**
- **Objectivity**
- **Reliability**

## Intelligence tasking

In Euro-Atlantic countries, the budget formation stage is preceded by a process referred to as intelligence tasking, which acts to ensure that intelligence agencies operate in accordance with the requirements and priorities established by democratically elected governments. This section examines the process through which intelligence priorities are defined in France, Poland, Germany, and the United Kingdom, respectively.

Intelligence tasking can be understood as the process of setting key intelligence requirements and priorities that define intelligence agency spending and the collection and analysis of intelligence. Intelligence priorities are usually set by the executive branch of government and relate closely to a state's foreign and defence policies. A statement of intelligence priorities is generally encapsulated in a document that is approved by government ministers or the head of the executive,

7 HM Treasury. *Managing Public Money*. 2021 (London: Crown Publishing). Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/994901/MPM\\_Spring\\_21\\_without\\_annexes\\_180621.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/994901/MPM_Spring_21_without_annexes_180621.pdf)

8 In contrast to the other countries examined in this Brief, the United Kingdom does not provide definitions of the principles used for the management of public funds. It does, however, note that the principles must be '...carried out in the spirit of, as well as to the letter of, the law in the public interest to high ethical standards achieving value for money'. For more information, see: HM Treasury. *Managing Public Money*. 2021 (London: Crown Publishing).

and is based on the commonly held notion that intelligence agencies should operate on the basis of priorities set by democratically elected governments. This link between intelligence priorities and budget formation ensures that intelligence agencies' expenditures correspond to executive-approved activities and operations, explicitly concerning national security. To this end, intelligence requirements and priorities should be established well before the formation of intelligence budgets. This acts as an important safeguard measure to reduce the risk of intelligence agencies wasting resources and to maintain a focus on matters of strategic importance (priorities).

In France, the process of defining intelligence priorities varies depending on the ministry to which individual intelligence agencies are subordinated. For example, the annual budget of intelligence services that fall under the MoD – namely the DGSE, the DRM, and the DRSD – is based on the Military Programming Law (Loi de programmation militaire, LPM), which covers a five-year period. The LPM was introduced in the 1960s as a means of ensuring medium- to long-term defence planning; it includes key intelligence requirements and priorities for military intelligence agencies. However, as the LPM does not have a normative character, it must be transposed each year into the Draft Budgetary Law (Projet de loi de finances, PLF). Since the provisions within the PLF can nevertheless be modified during a given year, a subsequent Budget Regulation Law (Loi de règlement du budget, LRB) sets the final amount of revenue expenditure, including for military intelligence agencies, for the year in question. As a result, the effectiveness of the LPM depends in large part on the will of the government to respect its provisions.

In Poland, intelligence priorities for a given year are defined by the Prime Minister in their annual guidelines for each intelligence service. If a Minister for Coordination of Intelligence and Security Services is appointed, these guidelines are prepared by him or her, and then signed by the Prime Minister. They are then reviewed by the governmental Committee for Intelligence and Security Services (hereinafter referred to as 'Kolegium'), also chaired by the Prime Minister, as well as the Parliamentary Committee for Intelligence and Security Services. On the basis of these guidelines, each service prepares an annual activity plan, approved by the Prime Minister, after the opinion of the Kolegium. For the two intelligence services that fall under the jurisdiction of the MoD – namely the SWW and the SKW – the Minister of Defence also participates in the preparation of the guidelines. While the guidelines do not directly influence the amount of funds allocated to individual services, they constitute the basis for requesting additional funds above the limit specified by the Ministry of Finance.

In Germany, intelligence priorities for the BND, MAD, and BfV are defined by the Federal Government of Germany, in consultation with the Federal Cabinet and the respective ministries to which they are subordinated. These priorities are contained within a specific document ('Auftragsprofil der Bundesregierung'). The Federal Chancellery is responsible for coordinating the content and regular updates of this document, which includes a ranking of countries according to their priority for intelligence gathering as well as specific intelligence interests for each country and priorities for intelligence gathering and analysis of cross-cutting issues such as terrorism or proliferation. The BND, MAD, and BfV then allocate both intelligence-gathering resources as well as analytical capacities according to the priorities set by this document.

In the United Kingdom, the National Security Council (NSC), an executive body within the Cabinet of Ministers, is responsible for determining intelligence priorities on an annual basis. These intelligence priorities are contained within the Intelligence Coverage and Effects (ICE) plan, which is drafted by the National Security Secretariat and then approved by the NSC. Although intelligence services are not formally represented in the NSC, the heads of individual services sit on the council as advisors. Based on discussions within the NSC, intelligence services are tasked with producing annual business plans (budgets). For example, if the NSC, in consultation with the heads of the services, agrees that the greatest threat to national security comes from cyber warfare, then the services may allocate additional funds to protecting critical infrastructure. Budget calculations are therefore based on the manpower, infrastructure, and investment needed to deal with the intelligence priorities established by the NSC. While budget calculations reflect intelligence priorities, they may be adjusted during the budget cycle to reflect new security priorities or challenges.

### **3. Budget Formation**

The previous section has elaborated on the role that intelligence priorities play in the initial stage of the formation of intelligence budgets. This section will consider the technical process of forming intelligence budgets in France, Germany, Poland, and the United Kingdom, respectively.

In France, during the second semester of each year - following the elaboration of intelligence priorities contained within the five-year LPM (currently in force for 2019-2025) - the Directorate of Administration of the DGSE, the largest French intelligence service in terms of personnel and budget, collates the annual budgetary needs of all directorates of the service; these are then submitted, in the form of a draft document, to the Director General of the DGSE for approval. This document is subsequently forwarded to the MoD

for further consideration, approval, and inclusion in the PLF, which is then submitted by the government to the National Assembly and the Senate. The process is the same for the DRM and the DRSD, both of which fall under the jurisdiction of the MoD. As with the DGSE, the budgets of the DRM and DRSD are linked with three programmes: 1) Programme 144 on 'Environment and Prospective', which comprises three strategic functions –the most important being 'to collect and assess the intelligence of defence interests';<sup>9</sup> 2) Programme 212 on 'Personnel Expenses'; and 3) Programme 129 on 'Coordination of Government Work', which encompasses special funds. While the allocation of special funds is not disclosed, most of these funds are generally attributed to DGSE as it is the only service permitted to conduct clandestine operations overseas.

In Germany, the budgets of the three federal intelligence services are compiled from the bottom up – that is, from the smallest working unit upwards – within general budgetary limits outlined by the Federal Ministry of Finance of Germany, through negotiations with the various federal ministries, for the upcoming budget year. Each hierarchical level of service has a function in compiling the necessary expenditure data, which is then transferred upwards, where it is collated into an aggregate budget of the service and transferred from the head of the service to the respective government ministry to which the service belongs. The budgets are based on mid- and long-term planning, and take into account details of actual spending for the previous year; the current budget; projected spending for the following year; as well as a long-term (five-year) spending projection.<sup>10</sup>

In Poland, the Ministry of Finance begins the formation of intelligence budgets by providing intelligence agencies with a suggested estimate of their respective budgets. This is presented in the form of budget assumptions – the amounts of which usually correspond to those realized in the previous year's budget, increased by the rate of inflation. Thereafter, the chief accountant of each service elaborates a draft budget under the supervision of the head of the respective service. The draft budgets are then submitted to the Ministry of Finance, which either accepts them or negotiates certain adjustments. For example, if the needs of a service, resulting from the adopted work plan (approved by the Prime Minister, on the basis of annual guidelines issued by him or her), require increased funds for specific purposes,

9 Components of this programme related to estate and technical investments are also used by the services.

10 See, for example, the current version of the published long-term financial plan: Bundesministerium für Finanzen. 2020. 'Eckwertebeschluss der Bundesregierung zum Regierungsentwurf des Bundeshaushaltes 2021 und zum Finanzplan 2020 – 2024.' March. Available at: [https://www.bundesfinanzministerium.de/Content/DE/Pressemitteilungen/Finanzpolitik/2020/03/2020-03-18-pm-eckwertebeschluss-uebersicht.pdf?\\_\\_blob=publicationFile&v=4](https://www.bundesfinanzministerium.de/Content/DE/Pressemitteilungen/Finanzpolitik/2020/03/2020-03-18-pm-eckwertebeschluss-uebersicht.pdf?__blob=publicationFile&v=4).

the Ministry of Finance will negotiate with the service and involve, if necessary, the Prime Minister or Minister for the Coordination of Intelligence and Security Services. The output of these negotiations is the Draft Budgetary Act (Projekt Ustawy Budżetowej, DBA), which includes the budgets of the intelligence services. As the SWW and SKW are funded from the budget of the MoD, the MoD also has the option of reallocating certain funds within the confines of the overall MoD budget to meet their specific needs.

The heads of each of Poland's four intelligence agencies are responsible for the internal structure of the budgets, which determine the amounts of individual types of expenditure; however, the budgets contain mostly so-called 'fixed' expenses (primarily for the purposes of paying salaries), which the individual agencies are unable to influence. These 'fixed' amounts are also specified in separate regulations and cannot be exceeded. In addition to regular budget allocations, Polish intelligence services may also draw upon the so-called 'special operational fund' (Fundusz Operacyjny, SOF). The SOF is intended to finance clandestine operations and other secret activities that require intelligence services to protect specific operations that are in the interests of national security. The amount of this fund is secret, as is its structure and the purpose of its expenses. This fund is not shown in the draft budget but is included in the total amount of one of the budget lines.

In the United Kingdom, as with all other government bodies, the budgets of intelligence services are calculated on a three-year cycle. The calculations are based on the manpower, infrastructure, and investment needed to meet government priorities as established by the NSC. They include all running costs, capital costs, and major development needs of each service, and may reference changes in legislation leading to increased costs for the service (such as increased taxes on flights). Once they have been formulated, these figures are then collated and discussed by the senior Board of Directors of each service, including the respective heads of finance. The Board of Directors will also consider any other budgetary factors (such as increases in pay or pensions). The output of these discussions is referred to as the Budgetary Baseline Figure (BBF), and one is produced for each service. Calculations leading to the BBF are carried out in close consultation with the Treasury Office (Ministry of Finance) and other departments that work closely with the intelligence services - such as the Home Office (Ministry of Interior), the Foreign, Commonwealth and Development Office (Ministry of Foreign Affairs), the MoD, law enforcement agencies, and the Cabinet Office. Such deliberations ensure that the services consider wider government policy and any financial restrictions placed on government departments. They also provide a platform to consider longer term capital projects, such as the building of new premises, that require separate funding outside

of the three-year budgetary cycle. For the purposes of transparency, it is important that such projects are considered separately from the BBF as this ensures that they are open to greater external scrutiny. Through these functions, the Treasury Office performs a critical oversight role by ensuring that the BBFs of each service fall within government spending limits and follow the principles of good governance and value for money. The treasury acts independently of the services and is not influenced by their particular operations or internal procedures. In turn, the Cabinet Secretary (the UK's most senior civil servant) scrutinizes proposals and compares them with other government departments before the plans are discussed by the Cabinet of Ministers. At this point, the three intelligence services compare their BBFs and discuss priorities. This phase of the budget formation stage is crucial to ensure that the services work in harmony and do not duplicate expenditure, and that the decision of one service does not adversely impact another.

Following the inter-agency discussions, the services agree on a proposal for their individual three-year allocations. They then enter into formal negotiations with the Treasury Office. These negotiations are generally collective (i.e. involve all three services), although they can be conducted on an individual basis if there is a particular area unique to one service. During these discussions, individual ministers to which the services are subordinated will lobby cabinet colleagues to ensure that the services they represent get the best possible allocation. While the services are not involved in the final decision on allocation, they play a crucial role in determining what the allocation looks like and have the freedom to request funding in a largely generic manner. The final allocations include a fairly detailed breakdown under administrative headings such as 'estate costs' and 'salaries', and operational headings such as 'counterterrorism'.

In addition to regular budget allocations, intelligence agencies may also apply for funds from the JSF. The JSF is a fund held jointly with the Foreign, Commonwealth and Development Office (Ministry of Foreign Affairs) and the MoD, and is intended for joint projects and operations that often involve unforeseen expenditure.

## **4. Budget Approval**

Following the formation of the budget, the second stage of the IBC concerns the process through which the budget is approved. This process normally involves the executive and legislative branches of government, and is intended to ensure that the budgets reflect government priorities, do not fund operations or activities beyond the mandate of intelligence services, and involve, where possible, the broadest array of stakeholders in the adoption process.

In France, following the approval of the draft budget by the Director Generals of the three services falling under the jurisdiction of the MoD, the draft budgets are forwarded to the MoD for further consideration, approval, and inclusion in the PLF. The PLF is then submitted by the government to the National Assembly (parliament) and the Senate. During this stage, members of parliament and senators discuss the PLF and have the authority to amend it. After a consensus is reached on the status of the PLF, members of parliament and senators vote for or against it. However, as most members of these two legislative bodies belong to the same political factions as the ministers who present the PLF, the vote is generally positive and the PLF – despite the technical intricacies and wide dispersion of funding, which contribute to a lack of or clarity regarding the intelligence budget – is adopted. The approval process is the same for the DGSI, which is subordinated to the Mol, except that the Director General submits the draft budget to the Mol for consideration, approval, and inclusion in the PLF, rather than the MoD. In the case of the DNRED and TRACFIN, their draft budgets are submitted to the MoEFR.

In Germany, the federal parliament (Bundestag) approves the budgets of the three federal intelligence services. While the Budget Committee debates and approves the budget details of all federal government ministries, the details of the budgets of the three services are debated and authorized by a special sub-committee of the budget committee, the Parliamentary Trust Panel (Vertrauensgremium, VertGr).<sup>11</sup> All parties represented in the federal parliament are also represented in the panel, providing them with the opportunity to have a say in the process and to scrutinize the budget.<sup>12</sup> The work of the VertGr is regulated by Article 10a Section 2 of the Federal Budget Regulation (Bundeshaushaltsordnung, BHO).<sup>13</sup> This section affords the members of the VertGr the same rights as the Federal Budget Committee and the Parliamentary Oversight Panel (Parlamentarisches Kontrollgremium, PkGr), meaning they are able to access classified information.<sup>14</sup> Once the budget details have been debated and approved by the VertGr, they report the total budget sums for each service to the

11 Deutscher Bundestag. Vertrauensgremium. Available at: [https://www.bundestag.de/ausschuesse/weitere\\_gremien/vertrauensgremium](https://www.bundestag.de/ausschuesse/weitere_gremien/vertrauensgremium)

12 In the current VertGr, only one party – the Alternative für Deutschland (AfD) – is not represented as it did not manage to obtain the number of parliamentary votes required to get a member appointed to the subcommittee. See: Deutscher Bundestag. 2020. Keine Mehrheit für AfD-Kandidaten zur Besetzung von Gremien. September. Available at: <https://www.bundestag.de/dokumente/textarchiv/2020/kw37-de-wahlen1-790836>.

13 Bundeshaushaltsordnung (BHO). § 10a Geheimhaltungsbedürftige Angelegenheiten. Available at: [https://www.gesetze-im-internet.de/bho/\\_10a.html](https://www.gesetze-im-internet.de/bho/_10a.html)

14 The PkGr exercises oversight of all operations of the federal services. The PkGr and the VertGr report to each other, and its members have the mutual right to take part as observers in the sessions of the respective committees.

Federal Budget Committee. The budgets are then authorized by the committee and the federal parliament.<sup>15</sup> As with the budget cycle of all other federal government authorities, the Supreme Audit Institution (Bundesrechnungshof, SAI) is also involved in the approval process. The SAI is formally consulted while the overall budget is being drafted and is responsible for checking the budget against previous years for any irregularities.<sup>16</sup> Following the approval of the budget by the federal parliament, the total sum of the budget for each service is published as part of the overall public budget of the respective government ministry under which the service operates.<sup>17</sup> Nevertheless, while the total sums of the budgets of the federal services are available to the public, the individual budget line items are confidential.

In Poland, the DBA, which includes the budgets of each intelligence service, is subject to the decision of the Kolegium, prior to its approval by the Council of Ministers. The Kolegium may propose amendments to the DBA, although in practice this is extremely rare. Once the DBA has been agreed to by the Kolegium, it is submitted to the Council of Ministers for approval. It is then sent to the Sejm (the lower house of parliament), where the Committee for Intelligence and Security Services issues opinions, after which it is approved through three parliamentary plenary deliberations (readings). As part of the review process, the budgets of intelligence agencies are also scrutinized by the Committee during a closed (secret) session. The committee, at the request of the services or on its own initiative, may submit a request to the Sejm to increase the planned amount of expenditure for a specific purpose, which is not uncommon.

During the approval process for the DBA, the committee is also provided with information on the amount, structure, and purpose of planned expenditures from the SOF. This provides an important means of exercising oversight over use of the SOF, a fund which is otherwise highly classified and therefore subjected to minimal oversight. Nevertheless, in the interests of national security, committee members are not provided with operational materials and

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15 The full membership of the federal parliament only authorizes the complete budget of the federal government; it does not debate the individual budgets of the various ministries, offices, or authorities.

16 The most recent report of the SAI concerning the budget of the Federal Chancellery, which includes the BND, can be accessed here: <https://www.bundesrechnungshof.de/de/veroeffentlichungen/produkte/beratungsberichte/entwicklung-einzelplaene/2020/04>.

17 See, for example, the current public budget of the BND: Gesetzentwurf der Bundesregierung. Deutscher Bundestag. 2020. Entwurf eines Gesetzes über die Feststellung des Bundeshaushaltsplans für das Haushaltsjahr 2021 (Haushaltsgesetz 2021), Einzelplan 04, Bundeskanzlerin und Bundeskanzleramt, Bundesnachrichtendienst. 25 September, Section 4, p. 28. Available at: <https://dip21.bundestag.de/dip21/btd/19/226/1922600.pdf>.

information. As a result, assessing the reliability and purposefulness of expenditures related to the implementation of covert operations from the SOF remains contentious.

Prior to the adoption of the DBA by the Sejm, the Public Finance Committee provides a final opinion. As part of this procedure, the budget for each intelligence service is reviewed once again, with the public invited to take part in these discussions. In the interests of national security, however, information related to the use of the SOF is not discussed. Following the adoption of the DBA by the Sejm, it is subject to approval by the Senate. This procedure is somewhat symbolic in that the Senate has no powers of control over the government. Nevertheless, during this final phase, parts of the state budget, including the agencies' budgets (except those related to use of the SOF or that concern classified information), are debated by the Senate's Justice and Human Rights Committee during a public meeting. While their opinion is not binding, it provides a crucial means through which civil society can be involved in the IBC. Following approval by the Senate, the DBA is signed by the president and becomes law.

In the United Kingdom, the draft budgets for each service are submitted to the Cabinet of Ministers following the approval of the Treasury Office. The cabinet then assesses whether the budgets reflect government priorities as established by the NSC. The cabinet's oversight role is somewhat limited, however, due to the lack of detailed information provided in the draft budgets, as well as the relatively small size of the budgets in comparison with other government departments.<sup>18</sup> Once the cabinet has approved the budgets, it presents its spending plans to the parliament as part of the total UK state budget. However, only the total proposed expenditure for the three services is provided to parliament in the form of the SIA. Although the SIA covers expenditure for a period of three years, approval from parliament is sought on an annual basis for each yearly proportion of the three-year budget. This provides for some flexibility in the three-year budget cycle, as the annual budgets may differ as long as the total sum matches the SIA for the period in question. At the end of the three-year cycle, unused money is either returned to the treasury for reallocation or carried over to the following year. In practice, the parliament rarely disagrees with the cabinet's proposal for the SIA, and in general there is very little transparency in how the budgets are approved.

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18 The current budget of the services is estimated to be GBP 2.5 billion, while for the same period the budget for the Department for Digital, Culture, Media and Sport was GBP 7.1 billion and the overall government expenditure is about GBP 750 billion (excluding large capital projects). The SIA accounts for only approximately 0.4 per cent of government expenditure.

## 5. Budget Implementation

The previous sections have considered the process through which intelligence budgets are formed (drafted) and approved. This section will examine the process of budget implementation (expenditure) in France, Germany, Poland, and the United Kingdom, respectively - referencing corresponding oversight and control measures, where applicable.

In France, the process through which intelligence budgets are implemented varies depending on the ministry to which the service is subordinated. Within the DGSE, which falls under the MoD, the Directorate of Administration is responsible for internal distribution and implementation. The DGSE's current Director of Administration is an alumnus of the National School of Administration and therefore trained in the management of public funds. The process is similar in the DRM and DRSD, both of which also fall under the jurisdiction of the MoD.

The special funds budget is directly distributed and supervised by the National Coordinator for Intelligence and the Fight Against Terrorism, a subordinate of the President of the Republic, to whom different agencies can request the use of special funds. Within each service, internal control over budget expenditure is normally the responsibility of the respective administrative department. External oversight is generally performed by the members of parliament and the senators belonging to the Defence, Intelligence, and Foreign Affairs Committees of the Senate and National Assembly. Their function is, however, limited by the technical complexities inherent to the budget law and the dispersion of funds dedicated, on the one hand, to different ministries (the MoD, Mol, and MoEFR) and, on the other, to different finance programmes.

While the French legal system does not provide a structural or functional role for civil society organizations in overseeing budget implementation, the role of civil society arises from government's obligation to keep the public informed and the right of each citizen to request information from the government, enshrined in the freedom of information laws. Furthermore, various investigative journalists specializing in defence and intelligence matters sometimes publish articles on IBCs, often to criticize the opacity of the process. These include the online blog 'Intelligence Online' and the weekly satirical newspaper 'Le Canard enchaîné'.

In Germany, the budget implementation process is the same across all three federal-level intelligence services, and is directed from the top down - from the ministry, through the service leadership and various hierarchical levels, to the lowest organizational units. Each

higher hierarchical level authorizes, takes responsibility for, and controls the correct spending of the budget, and reports progress to the next higher hierarchical level. At each level, the head of the respective unit is responsible for approving spending requests and for spending documentation. Internal audits may also be instigated by the respective administrative departments of each service to ensure adequate internal oversight over budget implementation. In addition, external oversight over expenditures during the budget cycle of all three services is performed by the VertGr. Members of the committee can request information and interview members of the services, as well as receive audit reports of the SAI.<sup>19</sup> Furthermore, each member of the federal parliament can ask the federal government any questions concerning the services' budgets,<sup>20</sup> and the parliament can establish special investigative committees (Untersuchungsausschüsse).<sup>21</sup> If a special investigative committee deliberates on classified issues, its sessions will be classified and closed to the public.<sup>22</sup>

As with France, while the German legal system provides no structural or functional role for civil society organizations in overseeing budget implementation, freedom of information laws provide a means through which concerned citizens may request information from the government. Through freedom of information laws, each government authority involved in the budget cycle has an obligation to keep the public informed of their activities via press releases, and each citizen can request information from these bodies. While the government may restrict the content of the information released upon a citizen's request, particularly when the information may endanger state security, in these cases the government is required to justify the reasons for doing so. These justifications can then be contested in court. In addition, the Freedom of Information Law (Informationsfreiheitsgesetz, IFG)<sup>23</sup> ensures that certain information concerning the budgets and major decisions related to the activities of the services is reported on regularly by German media outlets.

19 The SAI audit reports are also sent to the PkGr, the ministry overseeing the respective service, and the ministry of finance, according to Article 10a, section 3 of the BHO.

20 However, parts of the federal government's response to the question of the respective parliamentarian may be restricted if they disclose information that is classified. In such cases, the federal government must justify in detail why the response is incomplete. In critical cases, this justification can be contested in court.

21 Request for the formation of such a committee has to be submitted by a fourth of all members of parliament.

22 Deutscher Bundestag, Untersuchungsausschüsse. Available at: <https://www.bundestag.de/resource/blob/190568/ce3840e6f7dbfe7052aa62debf812326/untersuchungsausschuesse-data.pdf>

23 Gesetz zur Regelung des Zugangs zu Informationen des Bundes. Available at: <https://www.gesetze-im-internet.de/ifg/>

In Poland, intelligence budget expenditures are based on service-level regulations (the AW and ABW Act, and the SWW and SKW Act) and in accordance with the general principles specified in the provisions of the Public Finance Act and the Public Procurement Act. Provisions contained within the Public Procurement Act, as well as internal regulations issued by the heads of individual agencies, allow for certain expenditures related to statutory tasks to be implemented secretly. In accordance with the provisions of the Public Finance Act, the internal oversight of budget outlays is exercised by the respective head of each service, who is responsible for establishing a management control system for this purpose. This system includes internal control units in the finance department and internal control units in organizational units, tasked with controlling the allocation of expenditures by the authorized organizational units. It also includes an audit department, as well as so-called 'soft' control elements, such as annual risk analysis and control plans, and the development of rules to ensure appropriate attitudes and behaviour among personnel. The chief accountant of each service plays a crucial role in the management control system, and assumes responsibility for control over budget execution. A common practice is also to establish a separate section (department) responsible for supervising the disbursement of operational funds by authorized organizational units. The management of the SOF is, however, based on internal regulations issued by the head of service, which are kept secret.

External oversight of budget implementation is exercised by the Ministry of Finance, to which the agencies are obligated to report on budget implementation on a monthly basis. In addition, the services are also obligated to submit a report on the activities of the previous year to the governmental Kolegium and the Sejm Committee for Intelligence and Security Services. The essence of this report concerns the implementation of the budget, with particular emphasis on expenditure from the SOF.

In the United Kingdom, following parliamentary approval of the SIA, funds are allocated and split between the three services in agreement with the heads of those services and the relevant ministers. The services are largely free to spend funds as they see fit within the broad allocated categories. The head of each service acts as the chief accounting officer, but the finance department is usually then responsible for allocating the funds to each directorate. Depending on the service, these may include a central directorate, operations, corporate services (such as human resources, security, recruitment, and training), estates, and science and technology departments. While each directorate expects the allocation to be roughly in line with their previous bid, they rarely receive the exact amount requested. Service-wide adjustments are made at this point. The funds are then allocated to individual departments and subsequently to teams for

use. In addition to funds from the SIA, the services may apply for and use funds from the JSF for joint projects and operations that often involve unforeseen expenditure.

Accounting specialists are integrated into operational teams to ensure that internal controls of expenditure are carried out as efficiently as possible. Furthermore, one to two staff members from the finance departments of each service are permanently placed within the department responsible for overseeing expenditure, and report back to the central finance department of the respective service. Their role is to ensure value for money and to maintain consistency in expenditure and financial planning. Under the 'need to know' principle, in order to ensure secrecy, these staff members will be aware of operations within the department but will not report such details back to the central finance department. Every team must provide a monthly report to the department responsible for overseeing expenditure, which should also highlight any significant trends in spending. In turn, the departments provide a report to the central finance department and to the Board of Directors.

In terms of the process for expenditure authorization, each level of management in the services has a different level of expenditure that they are able to authorize. For example, a team leader may be authorized to spend up to GBP 10,000 and a departmental head up to GBP 100,000. They may delegate this control down to the next level of seniority if they are away or if an operation is fast moving. There are, however, certain key rules that have to be followed to ensure value for money (for example, limits on hotel rates). Within the authorized limits, managers and staff are relatively free to spend money as they see fit. This acts to avoid patterns of spending that could be detected by hostile actors. To ensure value for money (via economies of scale), there are also restrictions on what funds can be spent on. For example, an individual team cannot purchase a motor vehicle unless it has consulted with the Department for Transport (Ministry of Transport).

External oversight over budget expenditure is primarily performed by the Cabinet Secretary. The Cabinet Secretary (the UK's most senior civil servant) is the principal accounting officer and is responsible for reviewing the effectiveness of the governance of the accounting and expenditure systems with the heads of service. He or she is also responsible for the SIA financial statement – a public document that is produced on an annual basis and gives some detail of expenditure at a general level. As the SIA is considered a matter of national security, the Cabinet Secretary also produces an annual financial statement that outlines the allocations across several broad headings.<sup>24</sup> These

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24 The publicly available financial statement goes into some detail about the total

oversight mechanisms are in fact interwoven as the cabinet requires the annual audit in order to complete the SIA financial statement. Since 2015, the security and intelligence expenditure has also formed part of the wider Strategic Defence Review with the MoD, which is prepared every three years.

## 6. Budget Review

The previous section has outlined the process through which budgets are implemented and the mechanisms in place to monitor expenditures, ensure value for money, and reduce the risk of abuse of funds. It has emphasized the role played by internal control systems and external oversight bodies. The fourth and final phase in the IBC includes a process referred to as a 'budget review'. This phase is characterized by regular and extraordinary external audits. It can therefore be understood as a continuous process, ending with the submission by intelligence services of a financial accounting report for the fiscal period in question, and a subsequent external audit, normally carried out by national audit offices.

In France, for example, the Special Funds Verification Committee (Commission de vérification des fonds spéciaux, CVFS) oversees the auditing of the intelligence community's use of special funds. The CVFS is a sub-committee of the Parliamentary Delegation for Intelligence (Délégation parlementaire au renseignement, DPR) and comprises two MPs and two senators from the DPR. Each year, the CVFS compiles and presents to the other members of the DPR a report on the use of special funds by intelligence services. This report is then forwarded by the president of the DPR to the presidents and speakers of the National Assembly and Senate Finance Committees, as well as to the President of the Republic and the Prime Minister.

In parallel, the Inspectorate of Intelligence Services, which is an administrative body subordinated to the Prime Minister and administered by the National Coordinator for Intelligence and the Fight Against Terrorism Secretariat, can occasionally perform functions to control, audit, analyse, evaluate, and provide recommendations on the operations and activities of the six services within the French intelligence community.

In Germany, each federal-level intelligence service is subject to external audits by the SAI. The audits can be regular or extraordinary, with audit reports also provided to the VertGr. Extraordinary audit procedures are outlined in Article 19 of the law of the SAI.<sup>25</sup> This short

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budgets of the SIA and provides a breakdown of capital, staff, and estate costs, along with the cost of purchases.

25 Gesetz über den Bundesrechnungshof (Bundesrechnungshofgesetz - BRHG). § 19 Geheimhaltungsbedürftige Angelegenheiten. Available at: <http://www.gesetze-bundestag.de>

paragraph stipulates that the president or the vice president of the SAI must be involved in all audits conducted by the SAI of budgets subject to Article 10a of the BHO (including the budgets of all three intelligence services). If necessary, the SAI may also involve additional personnel to conduct the audits.<sup>26</sup> The audit results are, however, decided through the so-called three-person collegium (Dreierkollegium). The three-person collegium is comprised of the president or vice president of the SAI, the head of the respective audit unit, and the head of the respective department.<sup>27</sup> This narrower decision-making procedure within the SAI is necessary to ensure the confidentiality of the audit results as well as any confidential information that the auditors may have become aware of during the audit process.

In Poland, the implementation of the services' budget is subject to an annual audit carried out by the Supreme Audit Office (Najwyższa Izba Kontroli, NIK) as part of the state budget execution control. The results of this control are presented to the Sejm (parliament). The NIK also has the competence to conduct extraordinary audits of the financial documentation of each of the services, including those related to the implementation of classified activities financed from the SOF. The NIK has the right to view the full accounting documentation related to the fund's expenditure; however, it does not have access to the operational documentation.

In the United Kingdom, the National Audit Office (NAO), an independent parliamentary body, is responsible for auditing central government departments. It carries out audits of accounts, value for money, and how expenditure is administered. The NAO has staff permanently placed with the three main intelligence services, who have security clearance and work within the respective finance departments. Each year, each service must prepare a report of accounts that is scrutinized by the NAO and, in particular, the controller, who is head of the NAO. Further to the NAO, the Parliamentary Intelligence and Security Committee, a specialized intelligence oversight committee, also scrutinizes the annual accounts of intelligence services. It produces publicly available annual reports on the discharge of its functions, which include dedicated sections on administration and expenditure by intelligence services. These sections deal with issues such as

tze-im-internet.de/brhg\_1985/\_19.html

26 Within the SAI, Department VII, Division 1 is responsible for the audit of the federal services. See: <https://www.bundesrechnungshof.de/de/ueber-uns/institution/organisation/organisationsplan-brh>.

27 § 9 of the law of the SAI, available at: [http://www.gesetze-im-internet.de/brhg\\_1985/\\_9.html](http://www.gesetze-im-internet.de/brhg_1985/_9.html). This differs from audits of other government authorities for which decisions concerning the audit results are decided by the Great Senate, which involves a larger number of SAI officials, including all department heads. See § 13 of the law of the SAI: [http://www.gesetze-im-internet.de/brhg\\_1985/\\_13.html](http://www.gesetze-im-internet.de/brhg_1985/_13.html).

‘transparency’ and ‘efficiency and savings’, and provide declassified information on the means through which intelligence services aim to increase outputs and/or reduce costs.<sup>28</sup>

## Recommendations

Based on the above analysis, the following recommendations can be made:

- **Connect budget formation to intelligence requirements and priorities:** Short- and long-term budget formation for intelligence services should be explicitly guided by intelligence requirements and priorities. Such requirements and priorities should be set by the executive, not individual services, and relate closely to a state’s foreign and defence policies.
- **Ensure budget transparency whenever and wherever possible:** While respecting national security requirements for confidentiality, intelligence agencies should be encouraged to engage with civil society, either directly or through public relations, to raise awareness about how they spend public funds and the types of security challenges they are likely to face in the future. This could include making certain parts or aspects of intelligence budgets more accessible (transparent).
- **Provide for long- and short-term budget planning:** Budget cycles should be based on both short- and long-term planning. This ensures long-term stability while allowing flexibility during the fiscal year by taking into account changing conditions, as well as new demands on the services.
- **Develop the capacities of operational managers:** Operational managers and staff, not just members of the services’ finance departments, should be trained in financial management to ensure that public funds are spent as efficiently as possible.
- **Involve external auditors in the departments and services:** The placement of independent – and security-cleared – officers from national audit offices within finance department helps to ensure an independent audit of the services’ work.
- **Ensure inter-agency and inter-ministerial coordination during the budget formation:** The draft budgets of individual intelligence services should be developed in a collaborative manner and in consultation with other government departments. This helps ensure the coherence of activities and the rational spending of

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28 For more information, see p. 63-107: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/727949/ISC-Annual-Report-2016-17.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/727949/ISC-Annual-Report-2016-17.pdf).

funds. It also allows the services to consider wider government policy and any financial restrictions placed on government departments, and provides a platform to consider longer term capital projects that require separate funding outside of the regular budget cycle. This is particularly important in scientific and technical projects where consistency, economies of scale, and combined purchase power are important.

- **Ensure involvement of relevant parliamentary committees during all phases of the budget cycle:** Parliamentary committees should be involved in all stages of the IBC to provide additional assurances around scrutiny related to expenditure and oversight of the work of the services.
- **Decentralize financial management:** All intelligence staff, whether they participate in operations or otherwise, should be involved in financial management and responsible for the resources in their control? This promotes enhanced transparency within departments and allows problems to be identified early on. No single person or individual groups (teams or departments) should be in full control of the financial management process.





**DCAF** Geneva Centre  
for Security Sector  
Governance

DCAF Geneva Headquarters

P.O.Box 1360  
CH-1211 Geneva 1  
Switzerland

✉ [info@dcaf.ch](mailto:info@dcaf.ch)

☎ +41 (0) 22 730 9400

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

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