

COMMENTARY #1

Series: Transparent and Accountable security and intelligence services

# PUBLIC MONEY SPENT SECRETLY:

## WHO CONTROLS THE FINANCES OF THE SECURITY AND INTELLIGENCE SERVICES?

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The reform of the security intelligence services and the transformation of the Security and Counterintelligence Directorate (UBK) into an independent National Security Agency (ANB) has been one of the most topical issues over the past 2019. The adoption of legislation and the formal-legal transformation has yet to be operationalized through the full functional independence of the ANB and the introduction of professional standards in its operations. The process of passing a new Law on the Intelligence Agency, which is expected to "complete" reforms in this sector, has already begun. In the whole process, most attention was paid to the prevention of abuse of wiretapping systems, which is understandable given that the reason for the reform was precisely [the past violations](#) of the rights and freedoms of citizens.

Given the risk of abuse, it should be borne in mind that any abuse involves certain resources, such as the purchase of equipment without explanation of its purpose, or employees who perform tasks on the party's behalf or other tasks and receive salary. [The abuses of the UBK's official safe](#) have ended in court, stressing the need to revise financial control and oversight systems.

Specialized **parliamentary committees** are an important element of democratic control over the security and intelligence services. However, the finances of the services have so far not been the subject of interest of the MPs, although the Assembly is the one that has the "power of the money bag", i.e. it approves the budget of all institutions. The possibility of the competent supervisory committee to require data on the "execution of the Agency's Budget and that the procedure for using the special fund's money was legally determined with establishment of the NSA" is positive, although it should not be forgotten that there were no legal restrictions on the Committee's access to this information even before. However, MPs should not be expected to be financial inspectors who detect every crime, but to discuss funding priorities and their compliance with security risks, seek an explanation for unusually high expenses, and provide an appropriate legal framework for financial governance and prevention of corruption.

The key role in external financial control should be played by the **State Audit Office**. Auditors have access to all documents regardless of the degree of secrecy, and the institution employs professionals who are specialized in detecting financial irregularities. However, the security services have not been the focus of this important institution.

The last audit in the Ministry of Interior (while UBK was an integral part) was conducted in 2016 on the harmonization of the manner and the procedures for awarding the public procurement contracts in 2015, for which [a qualified opinion](#) that points to numerous remarks has been expressed. At the same time, the implementation of the recommendations from the previous audit from 2014, on the efficiency and effectiveness of the financial management and control system and internal audit at the Ministry of Interior, was checked and it was concluded that activities have been partially undertaken. As for the Intelligence Agency, the audit has not been conducted for 13 years, i.e. since [2007](#).

#### WHY IS FINANCIAL OVERSIGHT OF THE SECURITY SERVICES NECESSARY?

- Generally accepted democratic principles require detailed supervision and accountability for the use of public money, and the security and intelligence services are no exception;
- The covert nature of intelligence work significantly limits control by the media and NGOs. Most of their procurements are not subject to public procurement laws that apply to other institutions;
- An analysis of financial performance provides insight into the operation of the service. Costs may reveal funding for illegal activities or focus on the work of individual sectors and programs;
- The security and intelligence services have secret budgets that are spent according to special rules and for special purposes.

Despite the importance of the State Audit Office for the accountability of public money, its functioning has been severely undermined since the termination of the mandate of the Chief state auditor in 2017. Political parties could not agree on a new head of the SAO for more than a year, until December 2019, and since then the deputy's mandate expired and the institution was left to function without an authorized signatory. Independent oversight and control bodies must have fully functional and financial independence, as well as all other conditions for smooth operation.

No less important is the [public internal financial control](#), i.e. the **financial management** and the **internal audit**. [The Intelligence Agency](#) has one internal auditor and in the last few years 4-5 internal audits are conducted annually. There are two internal auditors in the Ministry of Interior, but UBK has been left out of such activities for a long time. This should be one of the lessons learned for the National Security Agency, where internal audits should become a regular practice. To be successful, the organizational unit for internal control needs to be placed at a high

level in the organizational structure, and professional staff able to respond to the task should be hired. Although the term audit is often associated with the audit of financial operations, audit can also mean the audit of the success of various projects, programs, and strategies, compliance with legislation, etc. It is this component that needs to be further strengthened, especially when it comes to internal audit.

Actors with competences in the framework of financial control and supervision should cooperate with each other, because the ultimate goal is effective, efficient, and accountable operation with public money that is spent secretly. Findings from financial control and oversight should help management structures eliminate system inconsistencies and strive for greater professionalization of these institutions.

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