Concerning the use of a national flag as a pall:

In the Rite of Funerals, a pall is placed over the coffin when the body is received at the church. The white pall serves as an extension of the baptismal garment given to a deceased person at his or her baptism—a sign of the Christian dignity of the person. The use of the pall also signifies that all are equal in the eyes of God (see James 2:1-9). Since the Mass of Christian Burial makes constant allusion to baptism, the pall should be retained at Mass.

Often caskets are draped with a national flag. This use of a national flag signifies honors paid by the nation to one of its soldiers or veterans. Any national flags or the flags or insignia of associations to which the deceased belonged are to be removed from the coffin at the entrance of the church. They may be replaced after the coffin has been taken from the church. National flags or the flags or insignia of association to which the deceased belonged are more appropriately incorporated into the graveside rites.

In addition only Christian symbols may rest on or be placed near the coffin during the funeral liturgy. Any other symbols, for example, national flags, or flags or insignia of associations, have no place in the funeral liturgy.

Related References
Order of Christian Funerals, no. 38, 132.