

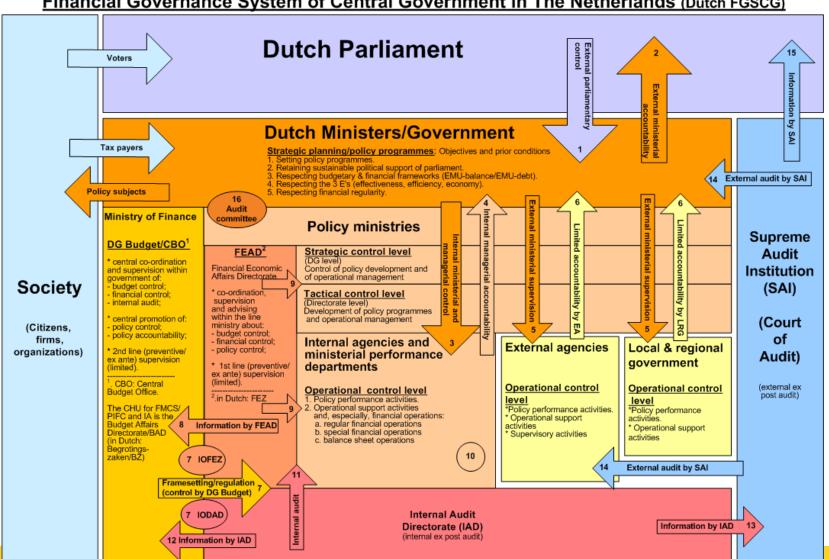
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Financial governance system central government in the Netherlands

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Financial Governance System of Central Government in The Netherlands (Dutch FGSCG)





Dutch Financial Governance System Central Government

Financial Management and Control System

- External control = parliamentary/political control
- Internal control = ministerial/political control and official/management control



External and internal control Five lines of defense

1. Management: control (1st line)

2. FEAD (fin. ontroller): advise, co-ordination and surveillance

(<u>2nd line</u>)

3. MoF/DG Budget (CHU): co-ordination by regulation and

surveillance (3rd line) (within central

government)

4. CGAS: internal audit (4th line)

5. SAI/CoA: external audit (5th line) (within central

government)



Internal control

Special aspects

Mandating of authorities

➤ Policy performance/execution: within or outside central

government

➤ Operational support management: within or outside central

government



Mandating of authorities

Acting on behalf of the minister = taking decisions and/or signing

Minister --> mandates

Official top management (strategic level: SG-DG's) --> mandates

Official middle management (tactical level: directors) --> mandates

Lower management (operational level of policy performance: heads of departments or of agencies)



Execution of policy and support

Policy programmes (primary processes)

Operational support management (secondary processes)

by:

by:

- **>** <u>internal</u> departments
- <u>internal</u> agencies
- > external agencies
- > regional and local governments (<u>external</u>).



Object of governance/control Activities and processes

> **Policy process**: policy programmes (policy objectives, target

groups, instruments, budget)

> **Support process:** PIMOFACH (dutch acronym)

Budget process (including budget accounting):

budget preparation – budget execution –

changing of budget- financial report/accounts

Financial process (including financial accounting):

expenditure and revenues (commitments -

payments - collecting revenues)

> Reporting process: management information and

political/external information

> Evaluation process: policy evaluation and support evaluation



Objectives of financial control

- Respecting <u>budgetary and financial frameworks</u>: EU-balance and EU-debt
- > Respecting the <u>3 E's</u>: effectiveness, efficiency and economy
- Respecting <u>financial regularity</u>



Standards of internal control

- ➤ COSO standards
- > INTOSAI standards
- Control environment
- Performance and risk management
- Information and communication
- Control activities
- Monitoring



Managerial accountability Counterpart of mandating of authorities

Internally:

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official lower management (operational level) -->
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accountable to

official middle management (tactical level) -->

accountable to

official top management (strategic level) -->

accountable to minister (political level)

Externally:

Minister --> accountable to parliament



Financial Economic Affairs Department

= financial controller within a ministry

- co-ordinates annual budget process and multi-annual fin. Estimates
- supervises the fiscal performance
- organises budget accounting and financial accounting
- advises Minister on all issues with mayor financial consequences
- co-ordinates the process of multi-annual policy evaluations
- organises the payment process



Position of MoF: CHU for FMC and IA

Co-ordination/harmonization

- ➤ budget process
- ➤ financial process
- > reporting process
- ➤ internal audit process

By way of:

Central regulations (frame setting, standardizing, time tables)

- ≽laws, decrees
- > ministerial regulations
- >manuals, guidelines, toolkits



Position of MoF: CHU for FMC and IA

Surveillance ex ante (ex ante control)

- Especially <u>budgetary</u> surveillance (including efficiency) during budget preparation (multi-annually) and budget performance/execution
- No <u>general</u> <u>financial surveillance</u> on financial transactions during the execution (neither ex ante, nor ex post)
- Only on some <u>special financial transactions</u> above certain tresholds.



Central Government Audit Service = Internal audit

Two main tasks:

- > law based task: financial and compliance audits
 - regularity of financial management
 - financial regularity of financial information in annual reports
 - realisation of policy information in annual reports

<u>Result</u>: report of audit findings and statement of assurance <u>Characteristic</u>: ex post financial control

- >consultative task: operational or performance audits about
 - policy execution (e.g. subsidy payments, loans, taxation)
 - operational support management (e.g. staff, procurements, ICT, housing)

Result: report of advise, sometimes a statement of assurance