





National Academy for Finance and  
Economics  
*Ministry of Finance*

## Treasury and Budget control in the Netherlands

Pempal TCOP Workshop,  
Kiev, April 2013

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### The Netherlands: Low lands

- Small country: 41.526 km<sup>2</sup>
- 17 million people
- High population density
- 33% under sea level
- 24 Water boards
- State
- 12 provinces
- 408 municipalities





## Queen and cabinet (ministers)



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## Responsibilities of the ministers

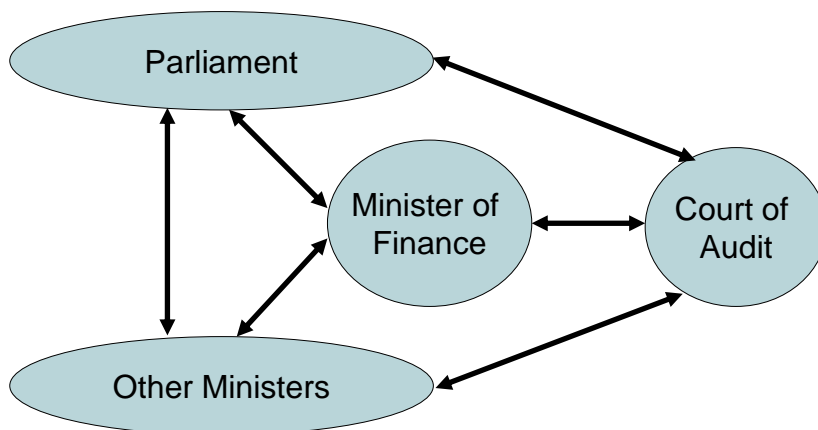
- Each minister is fully responsible for his/her own budget
- Role of Ministry of Finance: co-ordination and oversight (supervision)
  - Special powers in case of budget change:
    - MoF needs to be informed as quickly as possible
    - every change to be agreed with MoF
    - approve appointment of financial affairs director line ministry
- Each minister has to organise internal checks and balances according to the organic budget law

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## Role of Minister of Finance

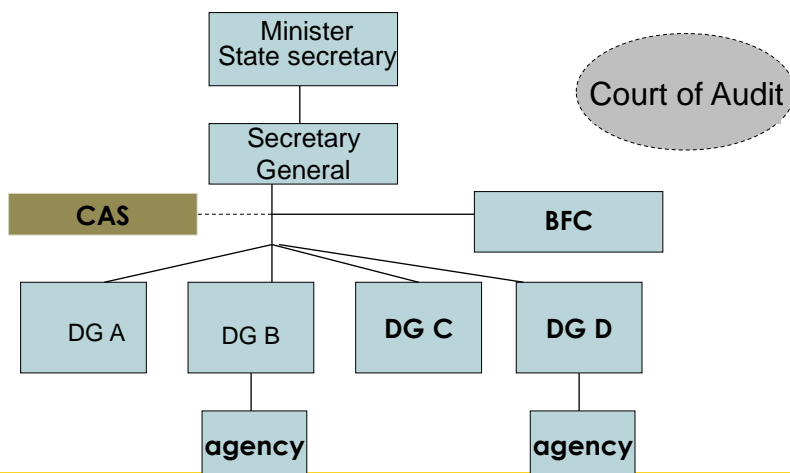


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## Organisational structure of a ministry



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## Line ministries: Checks and balances

"Lines of defense" :

1. Management
  - Mandate
2. Controller
  - Central: BFC
  - Decentralized controllers
3. Internal audit function
4. External auditor



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## Line ministries: BFC directorates Budget and Financial Control

- Independent positioning (next to the secretary general)
- Countervailing power
- Quantity and quality
- The "right" to review all policy proposals

### Task:

- Advice about budgetary complications of proposals
- Ministerial budget
- Monitoring implementation of the budget
- Financial management

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## Tasks BFC directorate

1. Financial administration
2. Administrative organisation/internal control and departmental legislation
3. Budget cycle
4. Planning & control cycle
5. Policy control
6. Supervision of agencies
7. Evaluations



## Central audit service (CAS)

- Conducts audits on behalf of the ministries
- Organisationally part of the Ministry of Finance
- Operates functionally independent
- Examines whether principles of sound financial management were applied, whether the annual accounts are reliable and whether transactions have been realised legitimately
- Annual report to the (line) minister includes audit opinion
- Copies of the report to Ministry of Finance and Court of Audit
- Internal auditing: audits on request of the (highest) management
- Audit and advice to the managers
- Report to the involved management



## CAS and Court of audit

- Audit Committee in each ministry (with external members)
  - Discusses issues of financial control
  - Approves the internal audit plan of CAS for that ministry
- Independent position CAS achieved by:
  - Organisational positioning directly beneath senior management
  - Laws and procedures
  - Strong professional association of public and private auditors
- Court of Audit relies heavily on findings of CAS, but has an own responsibility as external auditor
- Reviews by CoA can be executed fast and relatively easy
- Court of Audit reports directly to Parliament



## Budget control: corner stones Dutch Fiscal policy

1. Independent forecasts by CPB Netherlands Bureau for Economic Policy Analysis
2. Separation revenues and expenditures
3. Expenditure ceilings
4. Revenue Framework
5. One decision-making moment
6. Budget discipline rules



## Budget calendar

BR					←	→									
							SM					PR		AM	
				PA											
Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	

	Budget preparation T+1 (2014)		Budget execution T (2013)		Account and discharge T-1 (2012)
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BR = Budget Requirements  
PA = Provisional Account t-1  
SM = Spring Memorandum t  
PR = Preliminary Results t

AM = Autumn Memorandum t  
← → = discussion in cabinet  
📅 = Budget Memorandum (september)  
📅 = Annual Account (May)



## Dealing with windfalls and overspendings

Budget control based on the budget discipline rules

- Status rules: part of coalition agreement, no law
- Main rule: "Compensate within your own budget"
- Budget overruns must be prevented and if occur reported to MoF
- Every budget overrun must be compensated elsewhere (within same budget chapter)



## Budget management information system (IBOS)

- only budget figures; no money transfers
- communication MoF  $\leftrightarrow$  11 line ministries
- forecasts versus realisation
- explanation of mutations
- insight in liabilities (intended and realized)
- on a multi annual basis (t, t+4)
- two sided (ministries do proposals)
- approx. 100 users
- reports for users and for Ministry of Finance

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## Budget vs. Cash controls: the Dutch case

- Fiscal rules
- Decentralised management and budget responsibility
- Checks and balances, realised by strong financial function, independent audit function and CoA
- Predictability of (tax)revenues, level of prosperity and credit rating enables a good position on capital and cash markets for funding state debt
- Hybrid treasury model

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## The principles of the system

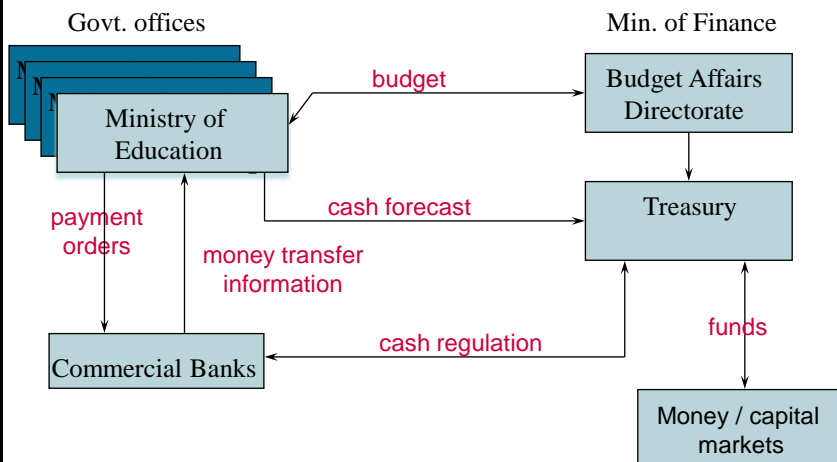
- Centralised cash policy and debt management
- Decentralised cash management
- No money on bank accounts
- Zero balancing
- Using infrastructure of commercial banks
- Current account administration with MoF

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## Dutch (hybrid) treasury model



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## Treasury

DSTA (Dutch State Treasury Agency) is responsible for:

- a. the management and funding of the State debt
- b. organization of treasury banking for the public sector
- c. the payment systems for the central government

State debt: Position at the end of February 2013:  
Total € 340 billion (DSL, DTC)



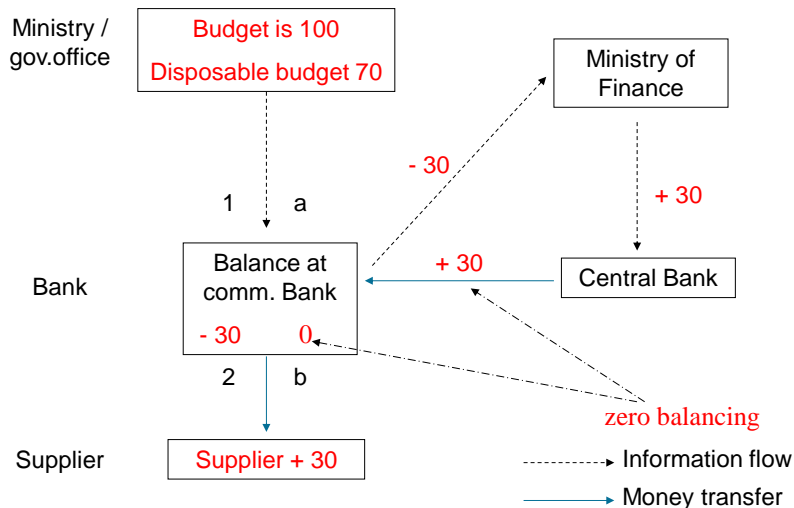
## Centralised treasury for:

- Line ministries (11)
- Agencies (45)
- Non-governmental agencies/legal entities with a statutory task (approx. 200 like police regions, universities)
- As from 2013 also: 408 municipalities  
provinces (12) and shared tasks  
organizations (300)





## Zero balancing; example payments of 30

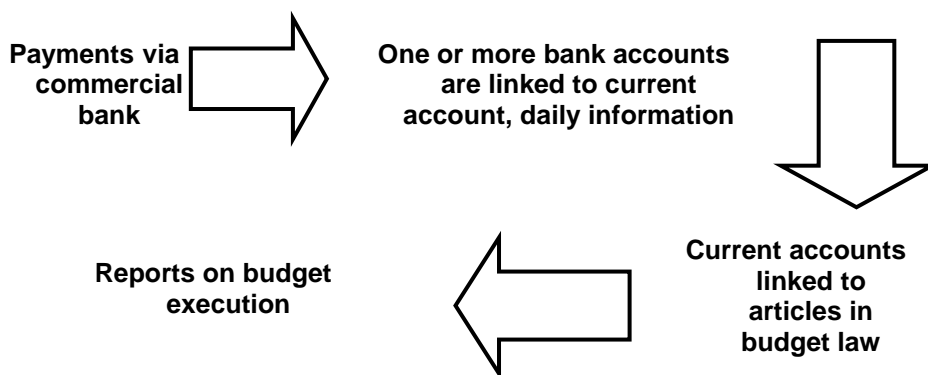


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## From bank to budget



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## Questions?

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