



National Academy for Finance and  
Economics  
*Ministry of Finance*

## Managerial accountability in the Netherlands



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# Topics today

1. Personal introduction and background
2. General overview managerial accountability in The Netherlands
3. Dutch context: decentralisation & centralisation
  1. delegation of authorities, responsibilities and budgets
  2. system of regular reporting
  3. systems of checks and balances
4. Example in real life (joining a course → who is doing what?)
5. Time for questions and feed back



## Summary of the Dutch system

Main item: "System based on trust with reports, checks and balances"

1. Managers feel they are responsible;
2. Managers are responsible;
3. Managers make their own choices within the approved budgets and according to the budgetary principles and rules.



# Managerial Accountability: the Dutch context

- Focus today on central government level → 11 line ministries (incl. 42 agencies)
- Responsibilities delegated 'far down' within organisations!
- Managers responsible for budget formulation, execution, reporting, staff, Information and Communication Technology, auditing, etc
- Focus of budget execution: paradigm of 'paper money versus real money'

Budget decisions: **centralised** in budget memoranda (based on paper)

Budget execution: **decentralised responsibility at line ministries**

Treasury: **centralised and decentralised** ('hybrid') → Financial Management and Control via different Information Technology -systems



# Division of responsibilities - accountability

1. Dual role Minister of Finance (line minister and cabinet's treasurer)
2. 'Managers' responsible for decisions and for budgets
  - directors
  - heads of departments
  - projectleaders
  - 'coordinators' within departments responsible for staff and budgets
  - that means many decentralised spending units
3. Managers responsible for budgets: according to approved budgets
  - programme expenditures (policy)
  - staff, changing salaries, buying goods/services, etc.
4. Sound financial management control system
  - regular reporting
  - clear budgetary rules: solve own budgetary problems (within own budget)
  - system of hard and soft controls also programmed in IT-systems



# Manager's responsibility in budget and payment process

For all phases of budget cycle:

1. budget preparation (year t+1)
  2. budget execution (year t)
  3. budget reporting (year t-1)
- reporting about budget execution → monthly (trial balances)
  - daily contact with Ministry of Finance about budget figures (re-allocations via IBOS-IT system)
  - risk based ex-ante, throughput and ex-post controls
  - ex-post audit by Court of Audit
  - fixed official moments and documents in budget process

# Survey 'budgetary products'

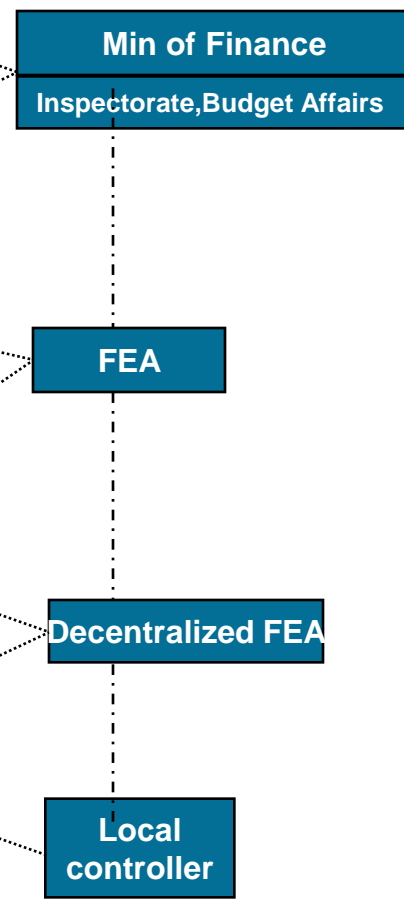
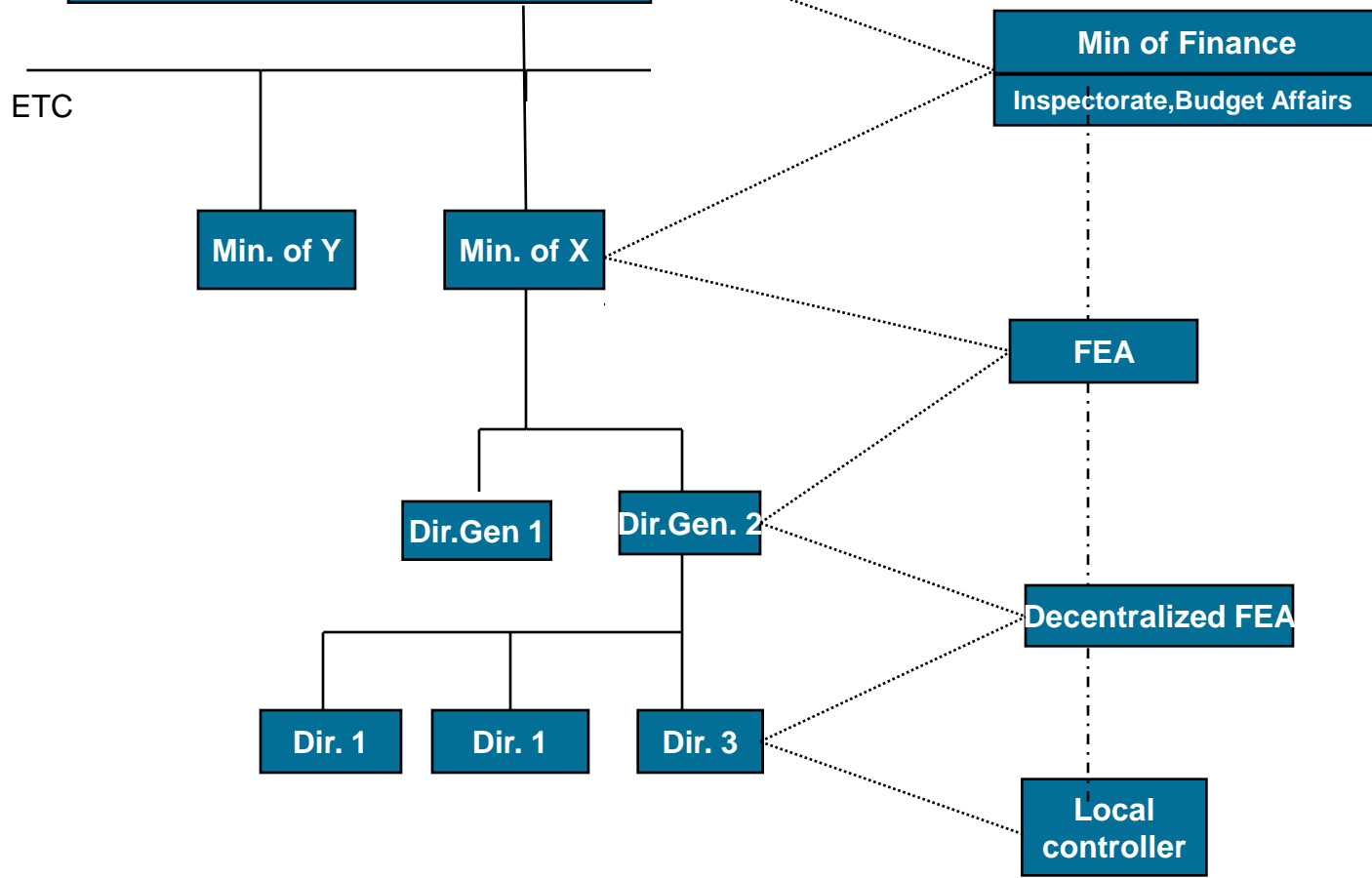
Laws, letters and memo's

Budgetary product	Provided by	Main purpose
<b><u>1. Budgetary laws</u></b>		
Draft budget bill/act	line ministries	Decisionmaking -->Legal approval
First amendatory law	line ministries	Decisionmaking -->Legal approval
Second amendatory law	line ministries	Decisionmaking -->Legal approval
Final act	line ministries	Decisionmaking -->Legal approval
<b><u>2. Budgetary letters</u></b>		
policy letters	line ministries	Policy proposals + budgetary claims
Letter of ceilings / Frameworkletter	Ministry of Finance	Internal decisionmaking within council of ministers
Letter of totals	Ministry of Finance	Internal decisionmaking within council of ministers
July letter	Ministry of Finance	Internal decisionmaking within council of ministers
August letter	Ministry of Finance	Internal decisionmaking within council of ministers
<b><u>3. Budgetary memo's</u></b>		
Spring memorandum (year t)	Ministry of Finance	Info to Parliament
Budget memorandum (t+1)	Ministry of Finance	Info to Parliament
Autumn memorandum (year t)	Ministry of Finance	Info to Parliament
Provisional account (t-1)	Ministry of Finance	Info to Parliament
National Financial Annual Report (FJR)	Ministry of Finance	Info to Parliament



# Council of Ministers

# The financial pillar







## Managerial accountability in practice

How is delegation of budget related authorities organised in a line-ministry?

Three focus points:

- delegated responsibilities (deep down in ministry)
- delegated budgets, managers spend money, not 'the minister'
- system of checks and balances



# Supervision of the Ministry of Finance (MoF)

- 'Keep track' of decentralised responsibilities
- Inspectorate MoF has (unit) for every line ministry (75 people)
- Monitoring the budget deficit (surplus) on a monthly basis
- Amendment to the budget (execution) 2 times/year
- Approval MoF on all budgetary letters and proposals to Parliament (re-allocations)
- Approval MoF on appointing directors Financial Economic Affairs departments
- MoF is issuing and guarding budgetary principles and rules



# The Financial Economic Affairs department (FEA)

- One FEA-department in each line ministry
- External and internal role FEA
- FEA is direct counterpart for Inspectorate of the MoF, but are part of line minister (ministries own people!)
- Coordinating the budget process within the line ministry
  - 2 main roles/goals:
    - external = budget maximization
    - internal = budget optimization
- Professional judgement and advice on every policy and budget proposal
- Budget management and control



## FEA guarding internal budget process

1. Regular consults and meetings between FEA and the directorates (internally) planning and control cycle
2. Adequate internal control processes
3. Internal rules for budget discipline → budgetary ceilings, specific internal rules
4. Scrutinising budget and policy proposals (also quality assurance by FEA)



Example: “Joining a course → pay an amount” - 1

### Ex-ante control on the liability (1):

1. check whether the course is appropriate (developm. plan)
2. check availability of budget (budgets are decentralised)

### Ex-ante control (2)

3. enter into liability (check contract)
4. check authorisations/authographs on contract
5. administrate liability on a (sub)budget article (decentralised budget)



Example: “joining a course → pay an amount” - 2

Ongoing controls: administration and payment process:

6. check the invoice (check if the service is delivered?)
7. payment order to a (commercial) bank → by other person
8. register in current account administration
9. report about budget execution (realisation payments)



Example: “joining a course → pay an amount” - 3

### Ex-post controls

10. is the correct amount paid?
11. is paid from the correct budget? (check statement of account)
12. did the payment go to the right person?

### Characteristics:

13. ex-post control often by random samples
14. many checks during ‘regular internal audit process’ at end of the year (by Internal Audit Department & Court of Audit)



## Dutch (Hybrid) Treasury model

- Direct (decentralised) exchange of payments orders between spending units and bank.
- Direct interaction between bank and MoF
- Double information flow from the bank to both spending unit and MOF (monitoring).
- IT (electronic banking and security) developed and maintained by (commercial) banks → MoF pays for that
- Daily cash concentration (Macro advantage on interest)

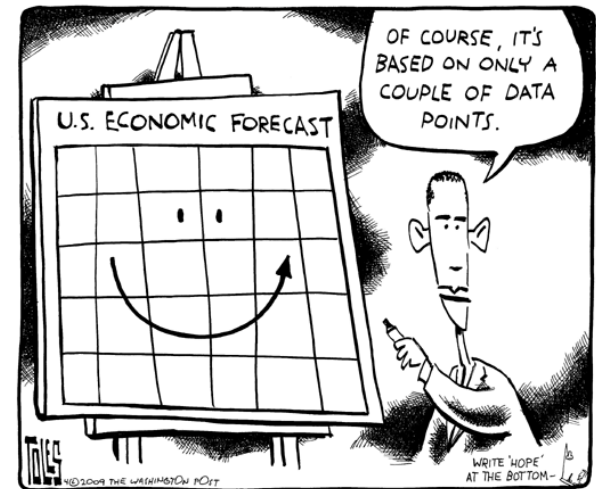




# Overview of Dutch Managerial Accountability

What has been covered today?

- Ministerial responsibilities
- Delegation of authorities and checks and balances
  - “Managers feel, are and ought to act responsible”
- Supervision by MoF, FEA departments and system of checks and balances internal audit departments and Court of Audit





# Any questions?

Thank you very much  
for your  
attention!!