



2012 Annual Report
Netherlands Court of Audit

28 March 2013



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2012 Annual Report

In its 2012 Annual Report, the Netherlands Court of Audit reports on the results of its work in 2012 and on the resources used for this purpose. This report also contains interviews with various members of our staff, who talk about their work for the Court.

As in previous years, a digital version of this report will be published on our website (see www.courtsofaudit.nl/english/2012_Annual_report). Simply click on the links for detailed background information, tables and figures.

PREFACE

The tale of the three A's

The past five years have been a succession of episodes of unrest. There has been unrest about the banks and the state of government finances among the eurozone countries, and also about the enduring state of economic stagnation (five years now, including a triple-dip recession), while businesses and households alike have harboured severe doubts about the future. At the same time, and partly as a result of the above factors, the need to reform the labour market, the housing market and the pension system has become ever more pressing.

These developments have unfolded on a scale and with an intensity that is quite simply unprecedented. In the Netherlands, the turbulence led to the fall of the government, fresh elections and the instatement of a new government. The new ministers and state secretaries, as well as the staff of ministries, ministerial departments and executive agencies, face an immense challenge.

Our own theatre of operation, the public sector, is undergoing tremendous upheaval. We do our best to investigate how all this unrest is affecting the operation and performance of the public sector, assess the results and report on our findings. Two vital questions underlie our work: can we form a picture of the results that have been achieved? And: what has been the impact on the general public, businesses and institutions?



Finding the answers to these questions is no easy matter. After all, virtually all the organisations that we audited during the past year proved to have little or no information on the results and effects of their core activities. It's a particularly intractable problem where there is a complex chain of actors, as we found in 2012 in our audit of the *performance of the criminal justice system*. The picture is the same in the audit report that we are publishing today, simultaneously with our annual report on 2012, on quality indicators in the care sector. The fact is that the vast majority of the 800 (yes, 800!) indicators are all about organisational structure and care processes, and that very few of them relate to the results of care. Even fewer bear any relationship with the experiences of patients.

Ten years ago, we published a report entitled *Tussen beleid en uitvoering* ('Between Policy and Implementation') on an audit of the results of the huge number of plans drawn up by ambitious (overambitious?) government bodies in all sorts of different policy fields. We found that the gap between the aims of government policies and their practical implementation constituted a serious risk to public confidence in the government.

In other words, there was already a gap between theory and practice. In the intervening period, not only has the need to narrow this gap become more urgent, the task has also grown more complex. As a result, politicians and citizens alike need to satisfy the Three **A's**:

The **A** for actions that speak louder than words: politicians need to dispel uncertainties by articulating clear policies and publishing clear reports on their effects.

The **A** for assuring public support: broad public support is vital if swingeing spending cuts and reforms are to be implemented on a sustainable basis. After all, such cuts and reforms are bound to have a substantial impact on the relationship between citizens and the government.

The **A** for the ability of citizens, businesses and public-sector organisations to handle change.

So how can this be done? The key lies in ensuring that government policies are implemented in a manner that is consistent with both current and future needs, and also in giving executive agencies (which include local authorities, who are bearing the brunt of the decentralisation burden) the time they need to do their work properly. Will they indeed be



given a chance to devote all their energy to performing their core activities in a more pragmatic, economical, service-driven and understandable way? And will they grasp the opportunity?

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We'll keep our finger on the pulse – and you posted!

Saskia J. Stuiveling



1 Summary of events in 2012

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Sustainable spending cuts and reforms

Government is of and for the people. Citizens, businesses and institutions must be confident that their government is trustworthy, takes good care of the money it raises in taxes, is clear about what it wishes to achieve, and delivers on its promises. These are by no means easy things to do, particularly at a time when the government is seeking to achieve two objectives at the same time, i.e. strengthening the economy and maintaining the national debt at a sustainable level. The latter requires a combination of spending cuts and reforms, both of which need to be performed in a responsible manner. Like its immediate predecessors, the present government has also announced a series of economy measures. It is the government's responsibility to make clear, every time it presents a new plan to parliament, what the precise consequences are going to be for businesses and households around the country. This is the only way of preventing misunderstandings about the social impact of the plans in question. And it's way the only way of ensuring that parliament can come up with an adequate response to the proposals.

Reporting

Another crucial factor, alongside sustainable spending cuts and reforms, is the way in which the government reports on its spending: what has it done with the tax and national insurance premiums it has collected? What objectives have been achieved? Which objectives have not? This is an area in which plenty of challenges abound. There is scope for a huge amount of progress to be made in terms of the government's ability to produce timely, detailed information on big spending areas such as healthcare and social security. These are also areas in which organisational structures are becoming increasingly complex and in which the risks to public finances are on the rise. The value of the explicit guarantees issued by the government has doubled in the space of five years, from 42% of GDP in 2008 to 77% of GDP in 2011. Alongside these explicit guarantees, the government also issues a large number of implicit guarantees, the bulk to firms in the financial industry.



Reorganisation of the civil service

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The reorganisation of the civil service is another key development. There are two sides to this particular coin: firstly, the central government is devolving a growing number of tasks to local and provincial councils. At the same time, more and more central government tasks are being performed jointly by a single organisation. The government has announced plans to transfer certain services involving youth care, work and care for the elderly and the chronically sick from central or provincial government (as the case may be) to the local authorities. The aggregate cost of all these services is over €16 billion. This delegation of responsibility should generate an estimated cost saving of €800 million in the long term (2012 estimate). Transferring certain tasks from one tier of government to another also means transferring money flows from one tier to another. We have already pointed out that, where money flows are concerned, the boundaries between central government and other tiers of government are becoming blurred. As a result, it is not always clear which tier is liable for which particular expenditure, which makes it hard to know who exactly to hold responsible. This is a highly undesirable situation: public funds may not end up in no-man's land.

The object of amalgamating certain public-sector tasks and responsibilities (the aim of the government's Compact Civil Service Programme and the Reform Agenda launched in its wake) is to produce a cheaper, leaner and smarter government. The government wants to achieve this aim inter alia by centralising a number of support services for ministries. As one of the first mergers undertaken as part of this process, most of the ministerial audit departments have already been amalgamated to form a single National Audit Authority.

Europe

The various European countries affected by the sovereign debt crisis, including the Netherlands, have been working together as well as they can to overcome the crisis. On the strength of our own responsibility, we have asked parliament and the Minister of Finance to pay special attention to the reports produced on the financing of country support programmes through the European Stability Mechanism (ESM). After all, whatever action the EU wishes to take, those responsible need to be thoroughly aware from the outset of the need for monitoring the action taken as this enables them to decide at a later stage whether it has had the intended effect. This is all about determining whether the policies in question have been efficient and effective. Thanks in part to the actions of a number of our European sister organisations, and to various actions of our own, progress was made in this area in 2012. Despite this, we are



still a long way from harmonising the reporting rules as they apply within the EU, which means that it remains well-nigh impossible for countries to form a full, reliable picture of each other's financial positions. This is not conducive to effective decision-making.

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Interview with Board member Kees Vendrik on the ESM and the efforts to devise an effective supervisory mechanism for monitoring this emergency fund: "It worked because everyone was swift to sign up to the idea. We very quickly formed a Board of auditors whose job it is to make sure that ESM funds are spent in a regular, lawful manner. The 17 eurozone countries gave the go-ahead last year."

"Bearing in mind that the fund consists of €700 billion worth of guarantees from the eurozone countries, you really need some sort of body that can monitor the way in which the money is spent, which takes an interest in the financial support programmes and which is capable of identifying whether the fund actually helps in stabilising the crisis. It's much more than simply a matter of producing financial statements," Board member Kees Vendrik explains.

The governing board of the ESM is made up of the finance ministers of the participating European countries. Since a permanent fund was created in the autumn of 2011, the Court of Audit has argued powerfully, in tandem with SAIs in the other eurozone countries, for transparent reporting procedures on the spending of the fund's resources. Kees Vendrik believes that the national SAIs do not have a mandate to this end, while the European Court of Auditors is also not an appropriate supervisory body, given that its remit covers the entire 27-state European Union.

"The Minister of Finance has responded well to the problem, together with his European colleagues. An effective supervisory mechanism was immediately put in place when the European Stability Mechanism was first established. Agreement was reached very quickly, after which the Treaty was amended and a clear set of rules formulated. This was a key moment."

"In the meantime, a board of auditors has been appointed to supervise the spending of ESM resources. The board has five members: one is from the European Court of Auditors, two are appointed on a rotating basis by the SAIs in the eurozone countries and the other two are independent members. One of the two independent members is Jules Muis, a Dutchman," Kees Vendrik comments. The board's first report, on



the period from 8 October (i.e. the date on which the ESM was created) to 31 December 2012, is likely to be published in the spring of 2013.

Financial support packages for other countries were also announced before 8 October 2012. These do not fall within the scope of the ESM. Kees Vendrik: "We have recommended to the Minister of Finance that the board of auditors' mandate be extended to the support programmes for Greece, Ireland and Portugal. The Minister has said that he is prepared to look into this."

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The importance of providing information

Democratic states operating under the rule of law depend on the flow of sufficient, accurate information from the government to the people and their representatives. This is particularly true in these exceptional economic circumstances. In the Netherlands, the Minister of Finance has learned lessons from the action taken in response to the situation surrounding two banks, ABN AMRO and ING, which took the Dutch parliament by complete surprise. The enactment of the Financial Institutions (Special Measures) Act (known as the 'Intervention Act' for short) has now given the Dutch central bank and the Minister of Finance new powers to intervene in good time if a financial institution gets into trouble. When a system-critical bank was recently nationalised, the Dutch House of Representatives was informed in good time. Although the government had no choice on this occasion but to do so on a confidential basis (after all, one cannot be too careful with sensitive information that may affect share prices), the members of the House of Representatives were not caught unawares in any event.

The Court of Audit in 2012

Based on the statutory definition of its responsibilities, the Court of Audit has for almost two centuries tried to help safeguard the much-needed stability of the Netherlands as a democratic state governed by the rule of law. Our aim is to follow the trend where useful, and to resist change where necessary. We are aware that our status as a High Council of State – a status we have enjoyed since 1814 – brings both opportunities and obligations with it. We have a number of unique powers to examine information held by central government and its associated bodies.

Improvement in our working methods

Our status also creates certain obligations in terms of our organisational structure and our working methods. Step by step, we are doing our best to constantly improve on both fronts. For example, we are sharing more and more of our information by publishing it on our website. Visitors to



our website (www.courtofaudit.nl/english) can simply click on links to access special files, for example on European funds flows, the action taken by the EU to combat the economic and financial crisis, 'passion for accountability' (in Dutch only), the credit crisis and development cooperation. The Ministry of Economic Affairs has decided (after consulting us) to adopt a similar approach, as may be seen on a special website focusing on sustainability, innovation and international issues (www.agentschap.nl/en). Our publications make increasing use of graphics to visualise our message as efficiently as possible. A single diagram often says much more than many pages of text.

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Political developments

Where possible, we geared our activities in 2012 to the political developments surrounding the fall of the previous government, the signing of the 'spring accord' and the process of forming and installing a new government. In the second quarter in particular, in anticipation of the start of the election campaign, we issued more publications than we had originally envisaged. The outgoing government asked us to investigate the cost of withdrawing from the F35 project. We discussed the progress of this audit with the Crown-appointed informateurs who were investigating the possibilities for forming a new government coalition. We also sent the informateurs a letter expressing our concerns about three general issues, i.e. the difficulty of keeping public-sector spending under control, the information on the risks to public finances and the shortage of good reporting information.

A new House of Representatives

We again published a Status Report for the new House of Representatives, i.e. a set of fact sheets on our 40 most recent audits, including an invitation to members of the House of Representatives to quickly obtain additional information from us. We also staged a master class on financial accounting for members of the House of Representatives and their assistants and staff.

Meetings with other organisations

Both the lower house of the Dutch parliament, i.e. the House of Representatives, and the upper house, i.e. the Senate, took an increasing interest in the results of our work. Our examinations of governance issues in central government extended over a number of domains. For example, we had many questions to ask about the preparations for the formation of a national police force. The supervision of housing corporations was another topic of debate. We organised a range of meetings addressed by both external and internal experts, on



topics such as the situation surrounding benefits for young disabled people, the 'single information, single audit' principle, the financial crisis and the healthcare system. In some cases, these meetings were held at the beginning or end of the working day, i.e. as working breakfasts or dinners.

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Partnerships with other parties

We stepped up our efforts to collaborate with other parties such as local audit offices, the Caribbean parts of the Kingdom of the Netherlands, the National Audit Authority, the Central Bureau of Statistics, the Netherlands Institute of Chartered Accountants and our European sister organisations. We launched a two-year programme of technical assistance for the Greek SAI. We made further progress with our programme for the Serbian SAI and signed a partnership agreement with the Iraqi SAI.

Internal developments

Apart from the activities described in this summary, which were geared primarily towards the outside world, we also worked on other, more internally oriented, activities that are part of the constant process of bringing our working methods into line with the latest thinking. These vary from the implementation – where necessary and possible – of the global audit guidelines adopted by the International Organisation of Supreme Audit Institutions (INTOSAI), to experiments with new types of audits in our 'Innovation Lab' and changes in our internal organisation. The aim of the latter is to create a leaner, smarter and more flexible organisation, without of course losing track of the need to exercise full care and attention when performing audits. In 2012, for example, we adopted a more dynamic approach to our audit planning, launched a pilot deregulation scheme (which means working less according to a preset plan, but still being able to give a full account of our actions), scrapped the post of deputy director, and made plans to give our auditors greater responsibility for quality control. Finally, we set in motion a project that is designed to concentrate staff workspaces in our main building on Lange Voorhout in The Hague. This process is driven in part by our commitment to contribute to the spending cuts announced by the Dutch government.



2 The Netherlands Court of Audit as a High Council of State

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The institutional status of the Netherlands Court of Audit

The Netherlands Court of Audit is a High Council of State. High Councils of State are defined by the Constitution and operate independently from the Dutch government. Other High Councils of State are the two houses of parliament, i.e. the House of Representatives and the Senate, the Council of State, the National Ombudsman and the Chancery of the Netherlands Orders of Knighthood.

Our mission

The mission of the Netherlands Court of Audit is to assess and improve the regularity, efficiency, effectiveness and integrity of the operation of the State of the Netherlands and the institutions associated with it. It also examines whether the Netherlands is acting in compliance with its obligations under international agreements. As part of this process, it passes on its audit findings, as well as its accumulated experience, to the government, parliament and the organisations responsible for its auditees. This information consists of audit findings, opinions and recommendations on the organisation, management and policy of these bodies, and is, as a rule, also available to the public.

Another of the Court's tasks is to foster sound public administration by working and sharing information with other parties both at home and abroad.

The Court sees quality, reliability and utility as the hallmarks of its products, and independence, efficiency and effectiveness as the hallmarks of its working methods. It strives to be a transparent organisation that continually invests in the quality of its staff and working methods.

Our scope of operation

Our remit within the public sector covers both central government (i.e. the ministries) and organisations and agencies that operate at arm's length from central government. These include autonomous administrative authorities performing a public duty and



public-private partnerships (PPPs) that are funded, either in full or in part, with public money. Schools, benefit agencies and police forces are all examples of organisations that operate at arm's length from central government. National road construction is one of the areas in which PPPs are active.

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By law, local authorities (i.e. provincial councils, municipal councils and district water boards) are responsible for auditing their own finances. Both provincial and municipal councils have their own audit offices.

We are however entitled to audit the books of private individuals, businesses, provincial councils, municipal councils and other organisations that receive grants and subsidies from the European Union (EU). These audits are intended to ascertain whether EU funds have been spent properly. In practice, private individuals and local authorities often voluntarily agree to assist us with audits on other topics when asked to do so.

The scope of our tasks and powers is one of the subjects of the dialogue we are pursuing with the Ministry of Finance in connection with the review of the Government Accounts Act 2001.

Our stakeholders

Our audits play an important role in Dutch democracy. Various parties benefit from our findings:

- The two houses of the Dutch parliament. Our audits contain reliable, valuable information that members of parliament can use in order to reach a decision on the performance of a particular minister. The lower house in particular, the House of Representatives, needs this information to discharge its responsibilities for approving the government budget and exercising political scrutiny. The House of Representatives regularly requests us to perform audits of issues on which it is keen to obtain more information.
- The government. Ministers are interested in our audits because the findings enable them to make targeted and carefully researched improvements in policy planning and policy implementation, and to report on such improvements. The effect is to enhance the regularity, efficiency and effectiveness of government policy. In some cases, we also perform audits at a minister's request.
- Society at large. At the end of the day, it is the general public, businesses and institutions that feel the actual effects of the government policies that are planned and delivered with the money the government collects from them in taxes. This also applies, for



example, to the money the government has spent in responding to the financial crisis, which is why society at large also benefits from our audits of public spending.

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Our strategy

Good public administration and improving the learning ability of public administration are two key themes in our work. Together, they form the cornerstone of the new strategy we adopted in 2010, entitled 'decisive and transparent', for the period up to 2015.

We have selected a number of audit themes for the new strategy period that have 'government performance' as their common denominator. We will focus on the impact of government policies in the following areas: people (i.e. healthcare, education and development cooperation), the Netherlands (i.e. competitiveness, integration, infrastructure and security) and the planet (i.e. climate and energy).

With regard to the 'performance' of the State and the institutions associated with it, we will focus on two themes, i.e. 'staff' and 'property'. We will audit these themes alongside the routine regularity audits we carry out as part of the annual process of auditing central government accounts.

We will pay systematic attention during the current strategy period to:

- the sustainability of public finances: is the government taking sufficient action to safeguard the long-term health of public finances? Is this action having the desired effect?
- the information status of the House of Representatives: do ministers properly inform members of parliament about the results of their policies?
- the fragmentation of policy-making and policy implementation: have adequate measures been taken to supervise arm's-length institutions that are associated with the State?
- Europe: is the spending of EU funds adequately supervised?
- integrity: are ministries doing enough to ensure that their civil servants are of unimpeachable character and reliability?

Corporate social responsibility

Our strategy is more than just the sum of the audits listed in our Activity Programme. We also consider our own operation and performance and the accessibility of our knowledge. Our corporate social responsibility policy (CSR) is therefore a specific aspect of our strategy. In concrete terms, this means that:



- we deliberately concentrate on activities with added value for people, planet and profit in order to enhance social well-being in the long term;
- we maintain a relationship with stakeholders based on transparency and dialogue.

Our organisational structure

The Court of Audit's Board comprises five members, three of whom are appointed for life. The three life members are Saskia J. Stuiveling (President), Kees Vendrik and Arno Visser. The latter joined the Board on 15 January 2013 as the successor to Gerrit de Jong, who retired on 1 December 2012 after spending 10 years on the Board. There are also two extraordinary Board members, i.e. Paul Doop and Mark van Twist. The Board takes decisions by consensus.

The Secretary-General, Ellen van Schoten, is responsible for the management of the Court's staff. In 2012, the management team comprised the five Directors and was chaired by the Secretary-General. It is responsible for the quality of staffing and the implementation of the Court's strategy and Activity Programme.

How much progress have we made in putting our strategy into practice?

Our current strategy runs from 2010 to 2015. As we passed the halfway point of the strategy period in 2012, we decided to assess how much progress had been made in putting the strategy into practice. Our 'mid-term review' centred on two questions:

1. Are we doing the right things?
2. Are we doing things right?

Are we doing the right things?

We performed an audit in order to answer this question, looking at how the Court's work centres on the effectiveness of its audits and how this aspect is perceived by outsiders. The audit findings underline the importance of having a clear picture of one's objectives, being alert to opportunities as these arise during the course of an audit, and taking a flexible approach to such opportunities during the audit. The audit also showed that we have made progress in this area in recent years.

Are we doing things right?

As far as the second question is concerned, we have produced publications on a large number of topics identified in the strategy. These include healthcare (e.g. on controlling healthcare expenditure), the sustainability of public finance (e.g. the Spending Cuts Monitor and the



report on the State Balance Sheet) and energy (e.g. on energy-saving ambitions and results).

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We have also produced a large number of publications about the information status of the House of Representatives, which is one of the key elements of our strategy. The Status Reports published in 2010 and 2012 for the new members of parliament are good examples of such publications.

Not only are a growing number of products have short production times, we are also performing all sorts of activities aimed at boosting our effectiveness. For example, we organised a number of 'diners peasants', produced posters and videos and launched new websites (e.g. on our 'passion for public accountability'). These help not only to make us more flexible and respond to relevant trends, but also to distribute products that are more closely aligned with our customers' needs.

The mid-term review also indicated a number of areas of concern on which we need to work during the remainder of the strategy period. For example, a number of the topics listed in the strategy have not yet received sufficient attention. This applies, for example, to 'climate' and 'property' as themes. These are points to which we will be devoting extra attention in the next couple of years.

As a second point of concern, only in a limited number of audits have we addressed the issue of the intended effects of the policy in question, i.e. it is clear what the policy is intended to achieve, and has the policy been successful? Although this is something we did in audits such as those on subsidy reviews, the management of healthcare spending, and energy-saving measures, this aspect needs to play a prominent role in many more of our audits.

Our activity programme for 2012 and 2013

We adopt a new Activity Programme every year, to enable us to implement our strategy. Our Activity Programme for 2012 lists the audit projects we intended to publish in 2012. These audits are discussed in the following chapter.

We recently adopted our Activity Programme for 2013. We review our Activity Programme three times a year and adjust it where necessary. Every four months, we decide which particular projects we will be starting in the coming four months, thus enabling us to ensure that our



plans are commensurate with our capacity. Any changes in the Activity Programme are posted on our website.

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Anniversary year coming up in 2014

Apart from celebrating our 200th anniversary in 2014, we will also be chairing EUROSAI, the federation of European national audit offices, during the period from 2014 up to the end of 2017. The programme for 2014 began to take shape in 2012. Among the events that we will be staging are activities to mark the 200th anniversary of our foundation, the EUROSAI Congress in June 2014, and the Young EUROSAI Conference for young members of staff from the European SAIs (i.e. up to the age of 35) in November 2013. Below follows a summary of the activities performed in this connection in 2012.

200th anniversary celebrations

In celebrating our 200th anniversary, we would like to focus on what we stand for and engage with society at large. That means looking back over the past 200 years, but also looking forward to the future. In 2012, we developed a programme of activities targeted at Dutch society, schoolchildren and students.

Innovation is a key aspect of our work. We are particularly interested in new methods of presentation and in new ways of boosting the practical impact of our audit findings. We want the activities we organise to celebrate our 200th anniversary to have a lasting impact and to help secure lasting changes in our working methods. We will be joining forces with other parties, such as local and provincial audit offices, students, and national and local committees formed to celebrate 200 years of the Kingdom of the Netherlands. Together with an NGO disseminating information on the democratic constitutional state, we will be producing a special edition of a newspaper for schools focusing on the work of audit offices and containing a 'Devise an Audit' challenge for schools. Finally, students from the Royal Academy of Art in The Hague will be producing a visual history of the Court of Audit, based on recommendations from a number of historians.

EUROSAI

We will be acting as the president of EUROSAI for a period of three years starting in 2014. EUROSAI is a federation of the SAIs of 50 European countries, plus the European Court of Auditors. We will be assuming the presidency of EUROSAI at the 9th EUROSAI Congress, which will be held in The Hague from 15 to 19 June 2014. The conference theme is innovation, notably:



1. innovation in the public sector;
2. innovation at SAIs;
3. innovation in audits.

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The Congress itself will also feature a number of novelties, including interactive workshops in which all the delegates will have a role to play. The plenary sessions will be held in the Fokker terminal in The Hague, which will be restyled specially for the occasion by the Royal Academy of Art. We will be organising a conference for young SAI staff from all over Europe in November 2013. The venue for this Young EUROSAI Conference will be the Shipping and Transport College in Rotterdam. The results of the Young EUROSAI Conference will provide some of the input for the main EUROSAI Congress in June 2014.

We produced an introductory film in support of our candidacy for the presidency of EUROSAI and the organisation of the EUROSAI Congress in June 2014.

Organisational changes in 2012

Impact, innovation and quality are the key words in relation to the Court's organisational structure and the changes made to it. In addition to adapting our organisation, we also need to cut costs at the same time.

**Interview with Ellen van Schoten, the Court's Secretary-General.
"Organisational changes are all about impact, innovation and quality."**

"We want to make our audit reports more accessible – we're particularly interested in following the latest trends in the presentation of graphic information. There are other areas, too, in which we try and innovate as much as possible. For example, we're currently making more use of open data and are also seeking to present more of our audit findings in the form of web-based products. Finding the right mix is a challenge. It's all about innovation and quality," explains Ellen van Schoten. As the Secretary-General, she is responsible for managing the Court's staff.

"Our primary process is – and will remain – performing high-quality audits. That also means ensuring that all the stakeholders in any audit are fully aware of the findings, so that the audit actually leads to concrete change. That's an aspect to which we're planning to devote more energy and is reflected, for example, by the video reports we produced on our audit of aid donations for Haiti, and also by the special websites we've produced on the credit crisis, the governance of the EU and the Joint Strike Fighter. We're now more responsive to the impact of



our audits. It's all about things like visibility, a flexible response to unfolding events, and improving the government's learning ability. For our staff, it also means finding a new balance in their work," Ellen van Schoten remarks.

"This is something you see in the way we respond to the events in the world around us. Our Activity Programme is now more flexible, and we check every four months to see whether it might need adapting. We want to be more responsive, and are receiving more and more audit requests from ministers and members of parliament. We're also doing more short-term audits. We're trying to strike the right balance between our own audit strategy, the external demand for audits, and developments that have a bearing on our work and in relation to which we have added value to offer."

"Of course, we're also aware of everything that's happening in relation to open data. The question is: how can we make use of it? How can we find a link with our role in the reporting process? It's a big challenge. How can we best present reporting information? Shouldn't we also look at information flows in the policy-making process at the same time? Should we perhaps be involved in the production of reporting information early on in the policy process? What we want to do is establish a closer link between these two domains. It means deciding, at an early stage in the process, how you intend to use the information in question."

Looking ahead to the future, Ellen van Schoten is keen to make greater use of the opportunities offered by public participation. "How can we involve the general public in our scrutinising role? The fact is that we work on behalf of society at large, which is entitled to expect the government to deal efficiently with the money it raises in taxes."

In the meantime, there's no getting away from spending cuts: "The Court does indeed have a duty to do its best to save money. We're not planning to make cuts in our core activities, so where can we make savings? It's about redesigning our internal processes, to make them smarter and more efficient. This is of course an area we've been working on for some time now."



3 Audits performed in 2012

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Introduction

Members of parliament, ministers and a wide range of organisations and institutions all took a growing interest in our work in 2012. This chapter contains detailed information on the audits we performed in 2012 and the way in which we disseminated our audit findings. We also invited a number of audit managers to comment on their own specific audits.

List of audits and projects performed in 2012

We performed a large number of audits in 2012. We published 49 audit reports, including 24 as part of our audit of the national accounts (i.e. State of Central Government Accounts 2012, plus 23 audit reports on the ministry annual accounts). We sent 26 letters to the House of Representatives and published and updated a wide range of web-based reports and products.

Three audit reports were published at the request of the House of Representatives and/or a government minister. The reports in question were those into the transfer to local authorities of the budget for exceptional medical expenses assistance (performed at the request of the State Secretary Health, Welfare and Sport), into the cost of withdrawing from the JSF project (at the request of the Minister of Defence) and the letter on changes in the development cooperation budget (published in response to a motion tabled by Representative Van Ojik et al.).

Two 'review audits' were published, one about the detention, treatment and care of young offenders and the other about the prevention of intracommunity VAT fraud. We looked at whether the government had acted on the recommendations made in our original audit reports, published in 2007 and 2009 respectively, and also at whether the responsible ministers had kept their promises.

The Activity Programme for 2012 contains a list of the audits that had been planned for 2012. The reports and publications issued in 2012 are all listed in the List of Audits Performed in 2012 (the Dutch version of which has been posted on our website).



Extra projects commissioned

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A number of audits and projects were performed in 2012 that had not originally been included in the Activity Programme for 2012. There were various reasons for this. In certain cases, members of parliament or ministers asked us to perform a particular audit. Our policy is to comply with such requests. As an additional factor, 2012 was an unforeseen election year and this generated a number of projects that we performed on behalf of the House of Representatives, the lower house of the Dutch parliament. We also produced a web-based dossier on using open data to account for international humanitarian relief. This dossier was presented to Board member Gerrit de Jong when he retired in November 2012.

The following were among the extra audits and projects commissioned in response to topical developments:

- Public external audits in the ESM Treaty (letter to the House of Representatives and other activities).
- Recommendations on new budget structure for the Ministry of Infrastructure and the Environment (letter to the House of Representatives).
- Status Report 2012 (for new members of parliament).
- Letter to the informateurs.
- Stichting Depositogarantiefonds not obliged to engage in treasury banking under terms of draft order (letter to the House of Representatives).
- Accountability and supervision of the performance and impact of arm's-length institutions (Background Document 2012).
- Cost of withdrawing from the Joint Strike Fighter project (audit performed at special request).
- Web dossier on accounting for international humanitarian relief (as a farewell gift for Gerrit de Jong).
- Budget for development cooperation and climate (letter to the House of Representatives; audit performed at special request).
- Property management plan for the Ministry of Defence (letter to the House of Representatives, brought forward).

Audits postponed in 2012

A number of audits listed in the Activity Programme were postponed in 2012. This was due in part to the fact that certain audits took longer than planned, but also to the fact that the extra projects commissioned in 2012 led to delays in other audits. Certain audits were dropped as a result of topical developments, as when the fall of the Dutch government (and hence the impending installation of a new government) precluded the need to perform an audit that had originally been scheduled.



The following publications, which had been planned for 2012, were postponed to 2013:

- The administrative cost of teaching hours in secondary vocational education (published on 17 January 2013).
- Spending cuts at executive agencies (published on 24 January 2013).
- Sustainable fisheries: impact assessment (published on 7 February 2013).
- An overview of inspections by the Netherlands Food and Consumer Product Safety Authority (scheduled for publication in 2013).
- Compliance with and effects of EU policy: the quality of surface water in Natura 2000 areas (scheduled for publication in 2013).
- The quality of primary and secondary school premises (scheduled for publication in 2014).
- Learning from water safety projects (scheduled for publication in 2013).
- Tax benefits with adverse environmental effects (scheduled for publication in 2013).
- Contracts and the management of DBFMO (Design, Build, Finance, Maintain and Operate) projects (scheduled for publication in 2013).
- Quality assurance in higher education in the Netherlands and Flanders (follow-up audit performed as joint audit with the Belgian Court of Audit; scheduled for publication in 2013).
- Central government personnel: encouraging civil servants to continue in work as long as possible (part of the 2012 regularity audits).

Following the fall of the previous Dutch government, an audit entitled *Bestuursafspraken en decentralisatie* ('Administrative agreements and decentralisation') was cancelled on the grounds that it was no longer topical. The audit of the civil service reforms was performed as part of the 2011 regularity audit of the state of central government accounts; we will not be publishing a separate audit report on this audit.

Performance audits

One of the Court's job is to assess whether central government is performing properly, i.e. whether the policies pursued by government ministers are both efficient and effective.

To this end, we performed the performance audits listed in the following list of audits (including both estimates and actual figures). The list also contains information on the amount of time taken up by the audits, including both prior estimates of the amount of time to be spent and the amount of time actually spent in practice (in days).



Performance audits: assessing policy planning and implementation and whether they are consistent with each other	No. of days scheduled in 2012 and previous years	No. of days actually spent in 2012 and previous years
Performance of the criminal justice system	916	960
Detention, treatment and care of young people in young offenders' institutions: a review	102	143
Letter to the House of Representatives on a new budget structure for Infrastructure and the Environment (added to Activity Programme)	35	31
Evaluation of policy effectiveness in central government	245	265
Municipal youth and family centres <i>A joint audit performed in conjunction with municipal audit offices</i>	475	548
Gas hub: benefits, needs and risks <i>The Netherlands as the European gas transmission hub</i>	490	492
Public organisations and private activities <i>Background study</i>	383	387
Monitoring development cooperation policy <i>2011 figures</i>	120	98
Funds flows in higher professional education in 2010 <i>State of affairs at three colleges of higher professional education</i>	102	107
Budget for decentralisation of exceptional medical expenses assistance <i>Audit of the calculation (follow-up audit, added to the Activity Programme)</i>	TBA	153
Combating alcohol and tobacco duty fraud <i>EU policy: compliance and effects (the figures for the amount of time planned and actually spent include the time spent on a project relating to the quality of the surface water in Natura 2000 areas; the report on the latter project will be published in 2013)</i>	904	896
Q2 update of web dossier on EU governance	170	244
Status Report 2012 (added to the Activity Programme)	286	173
Accounting for bilateral development aid <i>Case study of sectoral budget support for Uganda</i>	50	96
Enforcement of the European Waste Shipment Regulation	280	335
Q3 update of web dossier on EU governance	55	61
Adaptation to climate change: strategy and policy <i>(Originally planned as a review, but in the event published as a full audit report)</i>	50	165
Central Government and Dutch Caribbean: fulfilment of agreements	100	106
European public procurement	200	193
Letters accompanying the 2013 budgets	100	50
Total number of days spent on performance audits	5,063	5,503



Total numbers of days spent on performance and regularity audits	16,140	17,655
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Regularity audits

The Court of Audit also audits whether central government is operating properly. In other words, we assess whether the government uses the tax revenue collected from citizens and businesses in a lawful or 'regular' manner, as it is called. We report the findings of our audits of the regularity of government revenue and expenditure in the reports we publish every year on the central government accounts. We also audit the operational management of institutions associated with the State, and perform a number of specific audit programmes.

To this end, we performed a number of regularity audits in 2012. These are listed in the following table, together with the estimates and actual figures for the amount of time spent on them. The list also contains information on the amount of time taken up by the audits, i.e. prior estimates and the amount of time actually spent in practice (in days).

Regularity audits: assessing budgets, accounts, supervision and whether they are consistent with each other	No. of days scheduled in 2012 and previous years	No. of days actually spent in 2012 and previous years
EU Trend Report 2012 <i>Developments in the financial management of the European Union</i>	478	444
Monitoring the replacement of the F-16 <i>Situation in December 2011; deployability of F-16s and developments concerning the Joint Strike Fighter</i>	280	338
Audit reports on 2011 ministry annual reports	7,218	7,481
Report on Dutch EU Member State Declaration 2011	603	648
Data security and positions with access to confidential information (background study)	520	744
Accountability and supervision of the performance and impact of arm's-length institutions (web publication)	600	783
Central government personnel: strategy and planning	195	287
Q2 update of web dossier on credit crisis	208	309
Autonomous Administrative Authorities Framework Act Scope and implementation	85	152
Risks to public finances <i>Insight and control</i>	350	283
Intra-Community VAT fraud; Review	70	74
Letter to the House of Representatives	20	25
Audit of NATO expenditure		



Joint Strike Fighter exit costs (audit performed at special request, added to the Activity Programme)	100	168
Q3 update of web dossier on credit crisis	50	30
Accounting for Haiti aid funds 2011	150	133
Q4 update of web dossier on spatial planning	100	83
Letter to the House of Representatives on the Property Plan for the Ministry of Defence (added to the Activity Programme)	50	125
Letter to the House of Representatives on the budget for development cooperation and climate and security operations (audit performed at special request, added to the Activity Programme)	TBA	45
Total number of days spent on regularity audits	11,077	12,152
Total numbers of days spent on performance and regularity audits	16,140	17,655

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Explanatory note on the figures for time spent (estimated and actual)

In certain cases, there is a discrepancy between the number of days actually spent on a publication and the number quoted in the audit plan. In some instances, it became clear during the course of an audit that more time was needed than had originally been estimated. In other instances, an audit was broadened in scope or extended in depth and in other cases audit data needed to be updated at the last minute or more time was needed to collect the relevant audit data. In a couple of instances, the scope of an audit was restricted as a result of changing political realities.

Spotlight on five audits

We post our audit reports on our website as soon as they have been published. This report on 2012 contains interviews with five of our audit managers, in which they look back on their audits.

- **Performance of the criminal justice system**

In this particular audit, we looked at the number of violent and property offences that entered, were dealt with by and left the criminal justice system and sought to ascertain, in particular, why certain offences were not dealt with by the system. We found that the criminal justice system was not performing properly: there is a shortage of accurate information on the inflow and outflow of cases. The outflow of cases is both undesirable and inefficient.

**Taking a fresh look at the problem**

As auditors Lenemieke Goossens and Paul Mantelaers see it, there's every reason for examining the entire 'product chain' when you look at a given problem. Lenemieke and Paul produced the audit report on the performance of the criminal justice system.

"It's another way of looking at a particular issue. All sorts of organisations are involved in the criminal justice chain, from the police, the public prosecution department and the courts to prisons and the probation service. All these organisations need to be aware of what's going on at other points in the chain, so that cases pass smoothly and efficiently from one link to another. What we found was that the members of the chain generally don't look at things in this way. Each organisation caters for its own needs and requirements and doesn't concern itself about what's going on in the rest of the chain," Lenemieke Goossens and Paul Mantelaers explain.

Initially, the organisations in the chain were critical about the audit, and questioned its value. "During one of the progress meetings, we were criticised for looking at the chain too much through an accountant's eyes. But you really do need to take a mathematical approach in order to properly analyse the case flow. As a result, the members of the chain gradually started to realise during the audit that things could be done differently, better and more efficiently."

● Risks to public finances

Despite the fact that the risks to public finances have increased in recent years, they have not been analysed comprehensively and on a regular basis. Since the outbreak of the credit crisis, explicit government guarantees nearly doubled, from 42% of GDP in 2008 to 77% in 2011 (about €465 billion). The government has also given implicit guarantees to financial institutions.

In the wake of the Court's audit of the State balance sheet, the House of Representatives asked for more information on the risks. The members of the House felt that they were unable to gauge the risks to which the public finances were exposed, their potential consequences should they materialise, and how the risks could be controlled. The report, entitled 'Risks to public finances', is a first step towards a better understanding. The Court has produced a series of eight posters showing how certain shocks and developments (such as the ageing population or a financial crisis) are capable of affecting the public finances through existing



channels (guarantees, for example), what their maximum impact is and what measures can be taken to control them.

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Working together with financial experts

"The idea behind the posters is to paint an easy-to-understand picture of a complex subject matter – the public finances," explains Mark Smolenaars, who is in charge of the Finance and Government-wide Audit Sectors and who was directly involved in the Risks to Public Finances project. "Looking at the public finances from a risk-based perspective casts them in a totally different light. What we want to do is to paint a rough picture of the potential financial risks. Our conclusion is based inter alia on information from existing public sources of financial data."

The auditors working on the audit of the risks to public finances worked in close collaboration with a team of financial experts. "We discussed the audit and our findings with a panel of around 30 specialists, including experts from the public and private sectors and university researchers." Mark Smolenaars describes the project as atypical for the Court of Audit: "On this occasion, it was not about how policy is implemented. Instead, we wanted to build up a helicopter view by gaining access to information. And we wanted to use the available information to look further ahead in the longer term, by asking ourselves what it means for the State balance sheet in the future."

The team of auditors are enthusiastic about their investigation into the comprehensibility and management of public finances. "We are now planning to take the same approach in relation to international money flows. We want to analyse the risk profile of international guarantee schemes, such as those operated by the ECB, the IMF and the EU, and show how they could potentially affect the Netherlands," Mark Smolenaars concludes.

● **JSF exit costs**

The Ministry of Defence currently has a fleet of F-16s which must eventually be replaced. Since 2002, the Netherlands has therefore been taking part in an international cooperation programme for the development of a new fighter aircraft, the Joint Strike Fighter (JSF). The House of Representatives adopted a motion calling on the minister to abandon the JSF programme and purchase the F-16's successor 'off the shelf' when the time comes. The Minister of Defence asked the Court of Audit to study the financial consequences of the various policy options.



Looking at value for money: cost and functionality

The Joint Strike Fighter (JSF) is an old friend of the Court of Audit. As audit manager Luuk Krijnen recounts, "we've been dealing with the JSF for a long time. It's been the subject of a number of audit projects since 1999 and has been under regular review since 2005." The Minister of Defence asked the Court to investigate the consequences in the event of the Netherlands deciding either to continue with the JSF programme or to abandon the programme, whether in full or in part.

Luuk Krijnen: "The auditors took a broad perspective, looking at more than just the financial cost. Our aim in assessing every option was to look at the balance between cost and functionality – value for money. That's where the Court really can make a big contribution. We used the time factor to place these two variables in perspective, and then constructed our report around these three lines."

The audit team concluded that every option led to a dead end. It was not possible simply to continue with the programme as before, because there was not enough money available. Raising the budget would have a dramatic impact on the rest of the armed forces. Reducing the number of aircraft would lessen the strength of the air force. Abandoning the project and then buying the JSF 'off the shelf' would work out as a far more expensive option and buying another type of aircraft would also affect the air force's strike ability. Everything hinges on what the Ministry of Defence wishes to achieve: every choice is a question of military ambition.

One of the agreements in the coalition accord signed by the new government is that the Ministry of Defence should draw up a new 'long-term strategy for the armed forces', including a standpoint on the replacement of the F-16. The Court of Audit has been asked to validate this strategy. In other words, there's still plenty of work for us to do on this topic. We will continue to monitor the progress of the project and will be producing a web dossier containing all our information on the replacement of the F-16," Luuk Krijnen explains.

- **Status Report 2012 and Letters on the 2013 budget**

The term 'status report' comes from the building industry. A status report identifies shortcomings in a building before renovation work begins. It is a kind of baseline measurement, a snapshot of problem areas. Every new government works with an already existing building, renovating and refurbishing it in accordance with its own particular wishes. This can lead to improvements, but it can also cause new



weaknesses before the existing ones have been repaired. Parliament and the Court of Audit therefore have to be doubly vigilant. Our Status Report is a tool to reinforce that vigilance so that the House of Representatives, the government and the Court know what they have to watch out for in the years ahead.

Apart from publishing our Status Report, we also produced nine letters highlighting certain aspects of the ministry budgets for members of parliament. These were sent to the House of Representatives immediately after Budget Day.

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Helping to ensure that the new House of Representatives is well-informed

"The question is whether the members of parliament actually appreciate the Court's work and make use of our findings." One of the projects managed by audit specialist Rudi Turksema was the composition of the letters on the ministry budgets that are sent to the House of Representatives in the wake of Budget Day. He also coordinated the preparation of the Status Report for 2012, a set of fact sheets with information on 37 policy fields produced for the new members of parliament.

This year, the budgets were one of the subjects reviewed by the Court. "Our work focuses mainly on the accounts and financial reports produced at the end of the budgetary and accounting cycle. However, you can't produce a good set of accounts without starting with a good budget. That's why we deliberately decided this year to look at the 'front' of the process. After all, a member of parliament needs to have access to a budget in order to take effective decisions, ask a minister for extra information, or request certain additional activities." Budget Day was the start of a hectic but fascinating period for Rudi and his colleagues. Within a short space of time, they were required to audit eight different budgets and report their findings in the form of letters to parliament. "We operate in close harmony with our contacts at the ministries and with the secretary-general of the House of Representatives. These contacts and of course our own experience with regularity audits help us to decide which topics the letters on the budgets should focus on."

● **Adaptation to climate change: national strategy and policy**

This audit was carried out at the request of EUROSAI, the European Organisation of Supreme Audit Institutions. They asked us to take part in a coordinated audit of the way in which European countries are adapting



to climate change. An audit of adaptation to climate change is relevant from a Dutch perspective owing to the issue's massive social importance and the international agreements to which the Netherlands has committed itself. The theme is also relevant as there is a risk that government expenditure on climate policy may place greater pressure on public finances in the future.

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A European audit means adding an extra dimension to your work

"Governments all over the world are trying to tackle the problem of climate change with a combination of mitigation – easing the severity of the problem – and adaptation, i.e. adjusting to the consequences," explains audit manager Willemien Roenhorst. Among the forms of adaptation used in the Netherlands are allocating more space to rivers, linking up nature conservation areas and issuing healthcare recommendations.

When Willemien Roenhorst first started work on the audit 18 months ago, it was a subject in which politicians took very little interest. Roenhorst was fascinated to see how things changed when a new government was installed just before the audit report was published. During the debate on the budget for the Ministry of Infrastructure and the Environment in November 2012, the State Secretary promised to publish a comprehensive policy document setting out the government's long-term strategy in terms of both adaptation and mitigation. During the most recent major conference on climate change, held in Doha in November 2011, the State Secretary made clear that 'adaptation was one of the spearheads of the Dutch national policy on climate change'. "As auditors, we are naturally very curious to hear what the government's long-term strategy is all about," Willemien Roenhorst comments. She has pleasant memories of working with other European SAIs. "The Dutch audit was given an extra dimension as part of a European project. We formulated the audit questions together. The differences and similarities between the countries involved in the project became more evident as the audit progressed. Although we discussed our findings with each other, each country still performs its own audit and draws conclusions that it believes are relevant to its own specific situation."

More than just audits

Apart from performing audits, we also take a special interest in the following four topics: quality control, innovation, contacts with other bodies, and communications.

**Quality control**

Our aim is to perform high-quality audits that meet the standards adopted by the International Organisation of Supreme Audit Institutions (INTOSAI). We use an internal quality control system. In part on the strength of agreements with other SAIs, we seek to raise the quality of our work with the aid of advice from internal experts and the use of quality assurance assessments.

Three control points

The internal control system for performance audits consists of three checks that are performed before an audit starts, during the course of the audit, and following its completion.

1. The Court's Performance Audit Information Centre acts as a source of advance information for auditors. It assesses the definition of the audit problem and the audit questions, and advises auditors on how to perform the audit with maximum effectiveness and efficiency.
2. During the course of the audit, a team of fellow auditors advises on its technical and strategic quality. This advice is based on a peer review.
3. Once the audit has been completed, the Quality Assurance and Control Division performs a quality assurance assessment. This involves assessing the clarity and readability of the draft audit report, as well as the validity, reliability, consistency and added value of the audit.

This approach was adjusted in October 2012, since when the final assessment of the draft audit report has been performed by the team of fellow auditors who perform the second check during the course of the audit. Constantly seeking as we are to boost the effectiveness of our internal quality control mechanisms, we have decided to embed the quality control process even more firmly in the audit process by intensifying the in-process dialogue between the audit team and the colleagues responsible for advising them and assessing the quality of the audit.

This has resulted in certain changes in the organisation of our quality control procedures, which should take effect in the course of 2013.

Endowment of chair in good governance in public-private partnerships

Our audit work generates expertise, which we seek to share among the community at large by giving lectures, writing articles and exchanging



information with universities. This is also our reason for sponsoring a chair at the University of Tilburg.

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The endowed chair in good governance in public-private partnerships at the University of Tilburg is held by Professor Cor van Montfort, who is one of our sector managers. In 2012 as in other years, Professor van Montfort was responsible for a range of publications in various academic journals and books. He also gave a number of guest lectures at academic conferences both in the Netherlands and abroad.

Activities have been performed under the aegis of the endowed chair involving both the dissemination and the collection of information. In 2012, all third-year students of public administration at the University of Tilburg were invited to attend an orientation day at the Court of Audit. Students taking a course in 'Governance between Government and Society' were also challenged to work with a model of 'public-private profiles' designed with the aid of the Court of Audit.

Innovation

The Court of Audit is on a permanent quest for innovation in both audit methods and communication. The Innovation Lab we set up in 2010 helps us experiment with the latest techniques and technological advances. We are also constantly searching for effective ways of ensuring that our audit findings are brought to the attention of the outside world. We are making more and more use of films, web dossiers and infographics in order to achieve this aim.

Innovation at the Court of Audit

We devoted considerable time and energy in 2012 to the development of new working methods. We introduced 21st-century working practices, adopted a different approach to audit planning and experimented with more open managerial procedures.

Open data

We started exploring the opportunities offered by open data in 2012. Where feasible, we would like to disseminate the data underlying our audits in the form of open data. This is a technique that we first introduced in two special websites: one on the credit crisis and the other on accounting for EU fund flows. We regard these as a new way of collecting – and hence making better use of – relevant data on the government's operation and performance. Our web dossier on 'accounting for international aid' shows what is already possible and indeed how this already works in practice.

**External communications and the press**

In the first instance, our audit findings and other insights are shared with parliament and the ministers and state secretaries concerned. Other stakeholders targeted by our external communications are ministries, universities and research centres, interest groups, the media and interested members of the public. All our audit reports and other products are freely accessible through our website.

The internet, newspapers, radio, television and books inform professional target groups and members of the public about the Court's products and work. In addition to being a key information channel, the media also help to raise awareness, both among politicians and in society at large, of the issues raised or studied by the Court.

House of Representatives and Senate

We always send copies of audit reports and other products we publish to the two houses of parliament, i.e. the House of Representatives and the Senate, and the ministers concerned. We organised 33 special briefings in 2012 to inform the House of our audit findings and recommendations. If ministers so wished, similar briefings were given to them on the publication of a report. We contributed in various ways to the induction programme for new members of parliament. We also played a role in a master class in budgetary and accounting techniques designed for new members of parliament and parliamentary staff.

We gave two similar briefings to the Senate in 2012 to inform Senators of our audit findings. In the wake of the Senate's plan to hold a parliamentary inquiry for the very first time (into the privatisation of government bodies), we organised a number of information sessions and temporarily seconded one of our auditors to the staff of the Senate. Board members were called to address the committee of inquiry.

Committee on Government Expenditure

The Committee on Government Expenditure is our first point of contact in the House of Representatives. Our Board meets the members of the Committee at least twice a year. The discussions cover such themes as budgets and accounts, the House's information status (also in relation to the question of the limits of our powers of audit) and any wishes that may have emerged in parliament regarding future audit topics.



The Committee on Government Expenditure was also closely involved in the procedure for selecting and appointing a new member of the Court's Board.

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Through the Committee on Government Expenditure and the secretaries of specialist parliamentary committees, we are in frequent contact with the House to discuss new audit requests and ongoing activities. At the request of the Standing Committee on Infrastructure and the Environment, we reported to the House of Representatives on the structure of the new infrastructure and environment budget. Members of parliament were informed, through letters and briefings, about the opportunities and shortcomings in relation to the accounts produced on the use of funds for the European Stability Mechanism (ESM, a European fund for emergency financial support). The House of Representatives used this information to press the European finance ministers to make more detailed arrangements.

Press, academia and society

We do our best to maintain a national and international network of professional contacts to receive input from academia and society at large. To this end, we also attend and organise conferences and symposiums. Members of the Board, the management team and project managers often give lectures, on request or on their own initiative. Speeches by Board members are also posted on our website.

High Councils of State and other advisory bodies

The Court of Audit is in contact with other High Councils of State, such as the Council of State and the National Ombudsman. We also maintain contact with advisory bodies such as the Scientific Council for Government Policy (WRR), the Social and Cultural Planning Office (SCP), the Netherlands Bureau for Economic Policy Analysis (CPB), Statistics Netherlands (CBS), Europa House, the Land Registry Office, Pro Demos and the Netherlands Environmental Assessment Agency. These contacts lead not only to the cross-fertilisation of ideas, but in a number of cases also to the exchange of staff, usually on a secondment basis.

Criticism of the Court of Audit

We are occasionally criticised by politicians or members of the public. We believe it is important to find out exactly what is at issue, as we can learn from criticism. In the vast majority of cases, we invite the person who has voiced the critical comments to a personal meeting. In 2012, for example, we were again criticised about a number of technical aspects of our 2011 audit report on the government's use of open standards and



open-source software. We wrote an open letter to our critic and subsequently had a meeting with a researcher from Delft University of Technology. The correspondence has been posted on our website.

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Use of new media

Our aim is to raise the effectiveness of our audits and other products by using new media and making effective use of graphics.

Last year, we made greater use of social media as a supplementary channel of communication with interested citizens and institutions. The number of people following us on Twitter doubled in 2012, taking the total to over 1,000. We also opened a page on Facebook. A growing number of video clips (video press releases) are now posted on the Court's YouTube channel, which has been restyled to give it a more professional look.

A large number of the audit reports we produced in the year under review incorporated images and film material as a clearer, simpler way of presenting our audit findings. For the first time, our audit team also shot films and took photographs during our audit of aid donations for Haiti. The resultant images were used in a short film produced to support our audit findings.

Interview with audit manager Herwig Cleuren. Apart from portraying the local population, the film he shot during the audit in Haiti also provided tangible evidence of the results of the relief operation: "Haiti – an on-site audit with an added dimension."

The three-minute video clip gives a good picture of what is in fact a complex audit, into the way in which aid money intended for the reconstruction of Haiti has been spent. "Our aim was not simply to audit the figures here in the Netherlands, but also to go and check out the local situation for ourselves. This gave us a clear picture of the results achieved by the operation, and also of the aid recipients themselves. The film contains footage illustrating both the success and the failure factors," explains auditor and cameraman Herwig Cleuren.

Early in 2010, the then Minister for Development Cooperation doubled the amount of aid for Haiti raised in the Netherlands during a major nationwide campaign. He made a promise during a television broadcast that the Court of Audit would 'look at how the money had been spent.' Dutch aid agencies had a budget of around €112 million at their disposal, for spending on emergency relief and reconstruction.

This was no run-of-the-mill audit, given that auditors from the Dutch



Court of Audit do not have a free rein in Haiti to knock on any door and talk to whoever they want to. "We partnered up with local NGOs. Haiti's had more than its fair share of disasters – and the next catastrophe is just round the corner. The relief effort has been huge – people have put in a tremendous amount of work in all sorts of areas. But despite this, just about everything is in short supply."

"We spent a long time thinking about how we could best produce a clear picture of our audit findings and decided to produce this film as an experiment. The problem was that we didn't have enough money to bring along a full audit team. We did the filming ourselves and regarded it as an integral part of our audit technique," Herwig Cleuren explains. Herwig's team looked at improvements that could be made, both to the way in which aid is spent and to accounting mechanisms. "We took a critical but constructive approach, and decided to devote plenty of space to potential process improvements." The audit was performed in 2012 and the audit report was published in the same year. "We are planning to continue to monitor the financial statements produced on the Dutch aid to Haiti until 2014."

Court staff use a wide range of social media. They are used not just to enhance our internal information-sharing, but also to support our audit process. In 2012, we worked on an iPad app for accessing our audit reports on a tablet. We also want to make greater use of web-based applications for presenting our findings. We completed a number of web-based products in 2012 and will be using our experiences with them to streamline the way in which we produce and deploy these products.

Websites and web dossiers in 2012

Our website is an important source of information on our work. More and more of our information is published in the form of web-based products. We launched two new web dossiers in 2012, one on the credit crisis (<http://kredietcrisis.rekenkamer.nl/en/interventies>) and another on EU budget accountability (<http://www.eu-accountability.nl/eu#>).

We also published a large number of new web dossiers on our website, including on:

- EU governance to combat the economic and financial crisis (available in both Dutch and English);
- IntoSAINT, a tool designed to help foreign SAIs in formulating a policy on ethical standards of behaviour for their staff (in English);
- a joint project we are working on together with the Greek SAI (in English);



- accounting for international aid, with information on open data, development cooperation and accounts; plus a format for achieving greater transparency about money flows in relation to humanitarian aid.
- Our theme-oriented websites and web files were regularly updated in 2012.

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Frequently consulted website publications in 2012

Due to a technical problem, we are unable to give any figures on the number of visits to our website in the final quarter of 2012. As a further complication, our website was brought into line with the law on cookies in December 2012, and this has certain ramifications for the compilation of statistics. These factors have distorted the statistics on website visits in the final quarter of 2012. The following data relate to the period from January to the end of September 2012. The following website publications were frequently consulted:

- Performance of the criminal justice system
- Central government personnel: strategy and planning
- Learning from subsidy reviews
- Municipal youth and family centres
- State of Central Government Accounts 2011

Between January and the end of September 2012, a total of 68,050 (unique) visitors visited our website, up from 65,718 in the same period in 2011.

Visitors to our other websites

Website on credit crisis: 2,544 unique visitors

Website on accounting for EU fund flows: 530 unique visitors

Website on 'passion for public accountability': 3,582 unique visitors

Websites in 2013

In 2013, we will be refining our policy on the publication of digital products for the coming years. We will also be producing new web-based products, including a website with easy-to-understand information on our regularity audits.

Queries from the general public

We regularly receive questions and comments following the publication of an audit. Most of them are received digitally. In 2012, we received 87 questions from the general public by email. The vast majority of questions are from people who ask us to investigate specific issues such as the tax-deductibility of mortgage interest and the recent VAT increase.



A number of queries relate to specific audits: students and postgraduate researchers in particular tend to ask us for extra information on certain publications. We also receive queries about the financial impact of party manifestos or ideas mooted by members of the public, which we then refer to the Netherlands Bureau for Economic Policy Analysis (CPB). We are also occasionally asked to 'make a TV programme about' a given issue. These questions are in fact intended for the makers of a TV programme called De Rekenkamer ('The Court of Audit'), which has nothing to do with us.



4 Cooperation and knowledge-sharing at home and abroad

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Our work helps to raise the standard of public administration. One of the ways in which we do this, as is reflected by our mission statement, is by exchanging information with others and working together with other organisations at home and abroad. We are an active member of the Dutch, European and international associations of audit offices and are also working on various collaborative projects with other audit offices within the Kingdom of the Netherlands.

We play an active role in the European Union, with the aim of improving the standard of financial management throughout the Union. We also assist a number of SAIs, not only in non-EU European countries, but also in the rest of the world.

Provincial and local audit offices

We audit and express opinions on central government. Local and provincial audit offices audit local and provincial authorities. We continued our collaboration and exchanges with the Dutch Association of Audit Offices and Audit Office Committees (NVR) in 2012.

There are about 350 audit offices and audit office committees in the Netherlands. Some of these are attached to a single municipality or province (as is the case in the big cities), whilst others form part of a team working for a number of local authorities and provincial councils. There are five provincial audit offices and seven voluntary water board audit offices.

Joint projects

Dozens of local and provincial audit offices took part in joint meetings, round-table meetings, reviews, expert meetings and other forms of knowledge-sharing in 2012. Staff from the Court of Audit regularly attend meetings organised by provincial and local audit offices. In 2012, this form of collaboration centred on four specific themes.



Youth and Family Centres

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Since 2011 every municipality has had a Youth and Family Centre (CJG). CJGs are responsible for implementing all aspect of the municipalities' local youth policies. In 2011, 33 municipal audit offices and the Court of Audit carried out a joint audit of the CJGs. The audit looked at the organisational structure and financial management of CJGs in 42 municipalities, and also at cooperation among carers. The local audit offices reported individually to their own councils. Our own report, setting out the general findings, was presented to the House of Representatives in June 2012.

We learned a number of lessons from this first joint project that we can use in future collaborative projects.

Reintegration policy

2011 saw the launch of a project with four local audit offices to draw up a manual for auditing reintegration policies. The manual includes potential audit questions, audit standards and methods, and looks at good practices from previous audits. The executive committee of the Dutch Association of Audit Offices formally adopted the manual in February 2012. We presented the manual as part of a joint presentation with the Greater Amsterdam and Utrecht Audit Offices during the Association's national conference in April 2012.

Security regions

We embarked on an audit of security regions at the end of 2012. A security region is an area in which a number of municipalities pool their fire, disaster management, medical assistance, public order and security services. Democratic control was one of the aspects included in the audit. Our team of auditors seeks to remain in as close as possible contact with the relevant local audit offices. The audit report should be published in the third quarter of 2013.

Wadden Sea Fund

The Minister of the Infrastructure and the Environment transferred the management of the *Waddenfonds* ('Wadden Sea Fund') to the three northern provincial councils in 2012. As a result, our audit powers were also transferred to the audit office for the northern Netherlands and the joint audit office for the provinces of Flevoland, Noord-Holland, Utrecht and Zuid-Holland. We audited the management and transfer of the Wadden Sea Fund in a joint 'relay project' with the two provincial audit offices. We first published our own findings, after which the two provincial audit offices published their own audit reports. We together



organised a round-table meeting in the wake of the two publications, in order to discuss the threats and opportunities surrounding the decentralisation of the fund together with all the various stakeholders.

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Within the Kingdom of the Netherlands

Joint projects within the Kingdom

The Court of Audit contributes to the professional development of other audit institutions in the Kingdom of the Netherlands. We continued our partnership with Aruba and Curaçao in 2012: a variety of activities were undertaken in both countries in 2012. Our partnership with the Sint Maarten Audit Board is also starting to take shape.

Twinning with the Aruban audit office

We have been working in close cooperation with the Aruban audit office since 2007. Our role consists mainly of assisting with the audit of annual accounts. Aruba reached a milestone in 2012: for the first time in its history, all the annual accounts and the related audit reports for the period from 1986 to 2011 were presented to the island's parliament. We also assisted with an audit of the Aruban tax office's policy on ethical standards, an audit that was performed at the request of the Aruban parliament. Finally, we are helping the Aruban audit office with their staff training and development activities, and are also advising the Board.

Interview with audit manager Laura Hage, who spent three months in 2012 on secondment to the Aruban audit office: "It's all about getting to know the ropes, giving advice and redefining your limits."

Laura Hage spent three months on secondment to the Aruban audit office in 2012, as part of the partnership between the Dutch Court of Audit and the Aruban audit office. Aruba and its audit office needed to clear the backlog of work on old annual accounts. This resulted in Aruba's first ever 'Accountability Day' on 31 August 2012, when the annual accounts and the relevant audit reports for the period from 1986 to 2011 were presented to the Aruban parliament. Laura was a member of the audit team working on the annual accounts from 2008 to 2011 and also helped to design a risk analysis and monitoring mechanism after Accountability Day.

"Apart from being an instructive and valuable experience, it was also great fun," Laura comments. "I had a dual role to perform. Not only was I a member of the audit team, I was also a source of vital knowledge and experience that the Aruban auditors were very keen to use."



"I found all my colleagues at the Aruban audit office to be highly inquisitive people. They work hard to get the best results and are incredibly eager students, which meant that it was both highly rewarding and great fun helping them do their work and set new processes in motion. These have been the most enjoyable aspects of my time here."

Laura Hage had a tough time getting a grip on the situation in Aruba. "It's a totally different type of ball game here, and this is reflected by the subjects you deal with. They're much closer to the hearts of the local people than is the case with our own work back in the Netherlands." Laura cites the example of an order for refuse collection vehicles: the vehicles were not delivered to the right specifications, which meant that they couldn't get to all parts of the island. "The Dutch Court of Audit wouldn't look at an issue like this as it would be regarded as not having enough to do with ministerial accountability. Here on Aruba, however, keeping the streets clean is one of the government's responsibilities and it's an issue that scores high in terms of risk analysis. Working on issues such as this helped to keep me sharp, so that I didn't simply apply Dutch methods without thinking. It was a matter of staying aware of the Aruban context and aiming for the best of both worlds," Laura Hage explains.

Spending time on a foreign assignment also has consequences for your social life. "This experience has been good from both a professional and a personal viewpoint. Living and working in a different culture forces you to leave your comfort zone, adapt to new conditions and redefine your limits. It's been a tremendously enriching experience."

Twining with the Curaçao audit office

The Curaçao audit office wants to improve its operational management and efficiency audits. We worked on a number of joint projects in 2012 with this aim in mind.

We performed two projects at the Curaçao audit office in 2012: an efficiency project and a regularity project. In both cases, the projects involved a large amount of on-the-job training as well as some theoretical work. The main aim of the efficiency project was to deliver training and draw up proposals for projects that will be performed with our support at a future date. The work performed on the regularity project in 2012 consisted of planning an audit of policy information in the annual accounts, and improving the Curaçao audit office's network of external contacts.



Twinning with the audit office on Sint Maarten

The audit office on Sint Maarten is working on its internal organisation and the planning of regularity audits. We are assisting them in this process by taking part in various joint projects. The first auditors for the audit office on Sint Maarten were recruited in 2012 and one of them spent a number of weeks on a traineeship with us. We also provided assistance with the audit of the first set of annual accounts produced for Sint Maarten, most of our help being with the formulation of a project proposal. We have also been in regular contact with the members of the Board of the audit office on Sint Maarten.

International

The Court of Audit pursues an active international policy. The aim is, firstly, to learn from others and hence to improve both the quality and the effectiveness of our own work and, secondly, to foster good public administration and to boost the effectiveness of SAIs in other countries. Working in developing countries is an aspect of our policy on corporate social responsibility.

The total number of hours we spend on international activities each year is equivalent to 15 FTEs (of which 8 are externally funded). This accounts for about 5% of our capacity. International activities boost the personal knowledge and skills of our staff. They motivate our staff, bring them pleasure in their work and enhance the quality of our institute.

Interview with André van Ommeren, head of International Affairs at the Court of Audit: "Our international activities are all about learning and sharing experiences."

"Our aim is to be a learning organisation, and so it's helpful to have good contacts with our international sister organisations. Apart from wishing to learn from others, we are also keen to share our experiences with our peers," explains André van Ommeren, head of International Affairs at the Court of Audit. André reckons that the international aspect of the Court's work is all about working together with other people. "We see ourselves in a peer role – as colleagues, in other words. We can put our experience and expertise to good use by helping colleagues to solve their problems. Helping colleagues to improve their work is a source of huge pleasure and satisfaction."

"Because we are interested in two-way communication, i.e. in both gathering and disseminating information, we take part in international committees, attend bilateral meetings, undertake peer reviews, work on



institutional capacity-building projects with sister organisations, and act as external auditors for international organisations. The basis on which we select projects and committees to take part in, is our strategy for the period from 2010 to 2015."

"The peer reviews undertaken within the international SAI community are particularly interesting, as they're a good opportunity to subject yourself to screening by a sister organisation. It's a great learning experience," says André. Among the countries in which the Dutch Court of Audit took part in peer reviews in 2012 were India, Iceland and Peru. The Dutch Court was itself the subject of a peer review in 2007. "It should be our turn again in a couple of years' time," André expects.

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Official visits

We received a visit from the auditors general of the Norwegian audit office in May. We discussed the current situation regarding the implementation of the International Standards of Supreme Audit Institutions (ISSAIs) with them.

In October, we received a visit from the auditor general of the Macedonian audit office. Among the topics we discussed with her were the INTOSAI Self-Assessment Integrity Tool (IntoSAINT), the report on the Dutch EU member state declaration, and the EU Trend Report.

Support for audit institutions in other countries

We support other audit institutions wishing to improve the transparency of the public sector in their countries. We give priority to requests from aspirant members of the European Union (EU), countries in the Balkans, new EU neighbours, countries in the Arab region and developing countries. We were active in several countries in 2012, working for:

EU member states

We work with fellow SAIs through, inter alia, the Contact Committee, which is the forum for the annual meeting of the presidents of the EU SAIs and the President of the European Court of Auditors. Its objective is to improve the auditing of EU funds and the accounts produced on them.

We also work with the European Court of Auditors on the audit of the Report on the Dutch EU member state declaration 2012, which will be published in the spring of 2013.



European Stability Mechanism (ESM)

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The aim of the European Stability Mechanism (ESM) is to help EU member states overcome the financial crisis. When it was set up, it was agreed that a board of auditors would be created to audit the emergency fund's expenditure and publish a public report on the way in which the money had been spent. Thanks to the joint efforts of the European SAIs – in which the Dutch and German SAIs led the way – the text of the ESM Treaty was amended to incorporate a provision for the ESM's accounts to be audited by an external board of auditors. This board is the only body that is capable of issuing an impartial and transparent opinion on the actual results (i.e. the regularity and efficiency of the use that has been made of ESM funds) of the support operations funded by the ESM.

Greece

In the wake of the problems in Greece and the support given to Greece by the European Union, the European Commission asked a number of European SAIs to help their Greek sister organisation with its institutional development. In March 2012, the Dutch Court of Audit took part in a preliminary study of the technical assistance required by the Greek SAI in order to comply with international agreements and new legislation. A two-year project was then launched in June, as part of the EU's Task Force Greece programme. The Dutch Court of Audit is one of the leaders of this project, together with the Belgian, German and French SAIs, the European Court of Auditors and the IMF. We are coordinating the work of the various partners involved in the project, which centres on three areas:

- fostering a dialogue and a form of cooperation with the Greek parliament and strengthening relations with other key partners, such as the Ministry of Finance;
- planning and implementing an annual activity programme;
- training auditors working for the Greek SAI to carry out the new financial audits, and supervising them in this work.

A kick-off meeting was held in Athens in October. The meeting was attended by Kees Vendrik, one of our Board members, and also by members of the Greek national parliament and representatives of the Greek finance and justice ministries. Staff of the Dutch Court of Audit have spent the past few months working with their Greek colleagues on a new strategy for regularity audits.



European countries outside the EU

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In 2012 the Court of Audit was active in Kosovo, Serbia and Macedonia. We are helping the SAIs in these countries to comply with the EU requirements on audit institutions so that these countries can join the European Union in due course.

The main thrust of our work with the SAI in Kosovo has been on raising the quality of performance audits and implementing an IT strategy. This EU twinning project was launched in September 2012 and is due to last just over two years. In conjunction with the UK's National Audit Office, we are also providing support to the Serbian SAI. In addition to acting as the lead manager of this EU twinning project, we are helping to improve the organisational structure of the Serbian audit office, raise the quality of performance audits and implement an IT strategy. The project was launched in December and is intended to last for two years.

We also assisted the Macedonian SAI in 2012, helping to improve its relations with the Macedonian parliament.

EU neighbours

We were active in Armenia in 2012.

Armenia

The aim of our partnership with the Armenian SAI is to improve and modernise its organisational structure and audit techniques. We gave a series of courses and supervised a pilot project relating to efficiency audits and IT. We received a visit from our Armenian colleagues at the start of 2012.

Arab region

We provided assistance to the national audit offices in Tunisia, Iraq and Kuwait in 2012.

Tunisia

We have been assisting the Tunisian SAI since 2007 in its efforts to achieve its objectives for institutional change, including the adoption of new tools for ethical standards and the need to comply with international standards and put a system of quality assurance in place. The new president of the Tunisian SAI paid us an introductory visit. In addition to being briefed on our work, he also visited the Dutch House of Representatives and the Ministry of Finance. In April, we gave an INTOSAIN'T workshop on ethical standards at the Tunisian SAI. We also carried out a mission on quality management.

*Iraq*

We have been helping our Iraqi sister organisation with the planning of efficiency audits since 2011. As part of this process, we received an introductory visit from the president of the Iraqi Supreme Board of Audit in June. We organised a workshop on performance audits to coincide with this visit; the workshop was attended by colleagues from the Iraqi SAI and World Bank observers. The visit concluded with the signing of a new partnership agreement, with a special emphasis on performance audits and the performance of a peer review in 2013. Various members of our staff worked together with their Iraqi counterparts on the further development of efficiency audits in 2012. This resulted in the production of a draft efficiency audit manual. The president of the Iraqi SAI offered to help us roll out IntoSAINT in the ARABOSAI region.

Kuwait

Preparations were made in 2012 for the signing of a partnership agreement with the Kuwaiti SAI. The agreement was subsequently signed in March 2013, during an official visit to the State Audit Bureau of Kuwait. During the course of this visit, we reached agreement with the Kuwaiti SAI on possible cooperation themes; these include IT, performance audits and audits of the gas and oil industry.

*Developing countries**AFROSAI E*

We are partners of AFROSAI E, an association of SAIs in the Anglophone region of the African continent. In conjunction with the Intosai Development Initiative (IDI), INTOSAI's development aid programme, we help them in bolstering the status of SAIs in their countries and hence in furthering the cause of good public administration, transparent public accountability, the effective management of scarce public resources and the campaign to fight fraud and corruption. In 2012, we were part of an international team that performed quality reviews in Botswana and Rwanda.

International knowledge-sharing

We actively seek to form partnerships with sister institutions in foreign countries. Our primary aim is to exchange information and expertise.

INTOSAI

Within the International Organisation of Supreme Audit Institutions (INTOSAI), we help strengthen the position of audit institutions worldwide



and share best practices. We do so by actively participating in a variety of international working groups and working meetings.

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IntoSAINT and integrity

In 2012, we worked on the development of IntoSAINT, a self-assessment tool for analysing an organisation's integrity and generating an improvement programme. It has practical value and is fit for immediate use by both audit institutions and auditees.

In conjunction with the Norwegian SAI, we organised an IntoSAINT workshop at the Mexican SAI in September. As a result of this workshop, our Mexican colleagues are now aware that 'integrity' means much more than combating fraud and corruption and that it takes relatively little effort to prevent unethical forms of conduct provided that an effective integrity system has been put in place. Our Mexican colleagues will be training their own counterparts in the Organisation of Latin American and Caribbean Supreme Audit Institutions, thus paving the way for the rollout of IntoSAINT in the rest of Latin America.

In December, we supervised IntoSAINT workshops at the Aruban and Vietnamese SAIs. During the same period, we organised a course for IntoSAINT moderators for the Arab Organisation of Supreme Audit Institutions (ARABOSAI). The aim of the latter is to build up a pool of trained moderators in each INTOSAI region who are capable of facilitating IntoSAINT workshops for other audit institutions. Acting in conjunction with the Tunisian and Kuwaiti SAIs, we familiarised colleagues in Iraq, Jordan, Egypt, Algeria, Tunisia, Kuwait, Qatar, Bahrain, Saudi Arabia, Oman and Yemen with the IntoSAINT workshop.

We presented our strategy for integrity audits at the first meeting of the EUROSAI task force on ethics and integrity in Lisbon. We also gave a presentation on IntoSAINT at the same meeting, which we repeated at a meeting of the OECD ethics and integrity network. We are now regarded as an authority on the subject of ethical standards of conduct in the public sector.

INTOSAI Capacity-Building Committee

The annual meeting of INTOSAI's Capacity-Building Committee was held in Tokyo. One of the agenda items was 'Human Resource Management, a guide for Supreme Audit Institutions'. This guide is a co-production with the UK's National Audit Office and will be available for distribution to other INTOSAI members in 2013.



INTOSAI Global Financial Crisis Task Force

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The INTOSAI Global Financial Crisis Task Force was set up in November 2008, under the presidency of the US Government Accountability Office. The aim of the task force is to share knowledge and experiences relating to the financial crisis among SAIs, so that SAIs are better placed to investigate the role played by government in relation to the financial sector in their own country. The Dutch Court of Audit was a member of a subgroup dealing with the following topic: 'Immediate Response and Management of the Crisis: Towards an SAI Perspective'. The final report containing the input of all the task force members was adopted in May 2012. A decision was taken last year to rename the task force as the 'INTOSAI Working Group on Financial Modernisation and Regulatory Reform'. One of the areas the working group will be looking at is how audit institutions can scrutinise financial supervision.

EUROSAI

In May, our Secretary-General gave a presentation at the 39th meeting of the EUROSAI Governing Board in Ankara, on the role played by SAIs in the fight against corruption. During this meeting, the Governing Board decided designated 'innovation' as the central theme of the 9th EUROSAI Congress, to be held in The Hague in 2014.

During the 7th EUROSAI OLACEFS meeting in Georgia, contacts were established with the Brazilian and Ecuadorean SIAs on the use of geographical information systems (GIS), with the Turkish and Mexican SAIs on IntoSAINT, and with the Georgian SAI on technical assistance with the latter's institutional development.

International peer reviews

A peer review is one of the tools used by audit institutions to improve their own performance and learning ability. In a peer review, audit institutions review the activities of a fellow audit institution and its compliance with international standards. In 2012, we took part in peer reviews of the SAIs in India, Iceland and Poland.



5 Operational management

We invest in the quality of our staff on an ongoing basis and constantly try to boost the efficiency and effectiveness of our work. Our aim in doing so is to attain the same standards by which we judge our auditees. Our operational management is designed to enable our auditors to perform their work as well as possible.

Personnel and organisation

As a knowledge-driven organisation, the transfer of knowledge, and the influx and retention of young staff and new knowledge are all vital aspects of our work. We have a policy of promoting the employability, mobility and development of our staff on a long-term basis. As the job market gets tighter and the average age of our staff rises, so these aspects will be key issues for us over the coming five years.

Interview with Nicole Markus: "We want to give our staff – our professionals – greater responsibility."

"If you believe in operating as a knowledge-driven institute, you've got to make sure, not just to share information, but also to collect information. You've got to work constantly on your own development. Having conducted a highly successful trial with a system of continuing professional development (CPD) in 2011, we decided to adopt the system throughout our organisation in 2012," says Nicole Markus, the Court's head of HRM.

CPD

"Of course, people tend to ask whether they're not working hard enough as it is, or why the system needs to be compulsory. But once people realise that CPD is vital for building the learning organisation we aspire to be, they become more and more enthusiastic about the idea. Every member of staff is expected to spend 40 hours a year on CPD. Apart from compulsory meetings on the current state of the Court, for example, there are also optional internal meetings and soap-box sessions during which you can find out about all sorts of topical issues. Staff who attend these meetings qualify for CPD points. You also get points if you coach a colleague or publish an article in a journal. This gives staff and their managers a good picture of the progress they're



making in terms of their professional development. And it's also a factor that can be taken into account during their annual performance appraisal interviews."

Nicole refers to the 'Learning Circle' that the Court has organised for many years now. The Learning Circle is designed for new members of staff, who come together for ten days during their first year with the Court to discuss a wide range of topical issues. "These meetings are not just about technical aspects of our work, working methods and audit processes, they're also about all sorts of secondary matters. We regard the Learning Circle as a vehicle for inculcating our corporate culture. Fortunately, we recruited just enough new members of staff in 2012 to allow us to start up a new Learning Circle."

Strategic staff planning

"We adopted a strategic staff planning tool in 2012, precisely because the job market is getting tighter and tighter. What we want to do is to build up a clear picture of our staff complement. We need to have more information on our staff and the work they perform. The new tool will help us to find the best possible match between our staff and the work they perform. We also need to find out whether staff lack certain vital skills – either now or in the future. We can use this information, for example, to adapt our staff training plan. The initial experiences gained in 2012 have been positive. We'll be fleshing out the bones in 2013."

Staff satisfaction survey

The staff satisfaction survey carried out in 2010 resulted in the formulation of three 'key concepts' in relation to our internal working methods in 2011: direction, space and results. These concepts were refined in 2012, and translated into the following principles:

- less control and more communication, cooperation and trust;*
- fewer systems and procedures and more mutual arrangements; more dialogue;*
- fewer support staff and a greater emphasis on the audit process.*

"The result is a clear sense of the direction in which we are heading as an organisation. We want to give staff more responsibility for their work. People have to be given the space they need and they need to behave accordingly. We already took a number of measures in this connection in 2012. For example, we decided to discontinue the post of deputy director with effect from 1 January 2013. We also started an experiment with a new method of work planning, based primarily on results and effectiveness. We're also trying out a system of reviewing our activity programme three times a year as a means of boosting our flexibility.



And we also need to build in a greater degree of flexibility into our underlying operating processes. As a final point, we're planning to reconsider our system of quality assurance."

"So how have our staff responded to these changes? Well, that's difficult to say for the time being. This is clearly a period of massive change. What I can say is that there would seem to be a general consensus that we've become faster and more topical – more responsive, as it were. There's a sharper focus on the impact of our work."

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Staffing levels in 2010-2012 (excluding Board members)

	2010	2011	2012
FTEs	277.05	276.3	272.4
No. of staff	305	301	297
Women		48%	49%
Men		52%	51%
Average age		45.9 years	46.2 years
Percentage of senior managerial posts held by women		22% (2 out of 9 posts)	33% (2 out of 6 posts)
Percentage of middle managerial posts held by women		37% (7 out of 19 posts)	37% (7 out of 19 posts)
Rate of absenteeism due to illness		3.3%	3.5%

Together with the other High Councils of State, we signed the Talent to the Top Charter in 2011. The target is to have women holding 30% of senior managerial posts and 50% of middle managerial posts by 2014. These are targets that we already virtually achieved in 2012.

We also sought to achieve greater staff diversity in terms of backgrounds and ages in 2012. We also stepped up our efforts to give opportunities to people with a disability. This factor is taken into consideration every time a new member of staff is recruited.

We employed one young disabled person receiving benefits under the Work and Employment Support (Young Disabled Persons) Act in 2012.

Staff changes in 2012

Death of former Board member Henk Koolen

Henk Koolen died on 27 January 2012 at the age of 82. Henk Koolen had been a member of the Court's Board from 1984 to 1990. When he first joined the Court in 1984, he already had an impressive military career behind him. He was a registered accountant who was passionate about his profession.



Retirement of Board member Gerrit de Jong

Gerrit de Jong left the Court in 2012. He had been a Board member for ten years and retired on 1 December 2012. Mr de Jong maintained in an interview in 2008 that the Court's work helped to instil a sense of confidence among the general public that the government was spending tax revenue in a useful way. "If there's any suggestion that the money is not being efficiently spent, they can rest assured that they'll get a visit from our auditors," he claimed. He was involved in a vast range of audits and was a keen advocate of local and provincial audit offices as well as of audit offices in the Caribbean part of the Kingdom. He took a special interest in audits involving development cooperation and organisations operating at arm's length from the government.

Appointment of Arno Visser as a new Board member

On 21 December 2012, the cabinet approved a recommendation from the House of Representatives to appoint Arno Visser (46) as a member of the Court's Board. Mr Visser's appointment is intended to fill the vacancy created by the retirement of Gerrit de Jong. Mr Visser had been an alderman in the town of Almere from 2008 to 2013 after representing the VVD (People's Party for Freedom and Democracy) in the House of Representatives from 2003 to 2006. He took a degree in general literature studies at the University of Groningen and previously worked as a consultant and press officer for the VVD's parliamentary party and also as a political consultant.

Appointment of Barbara Goezinne as audit director

Barbara Goezinne (42) was appointed as an audit director on 1 January 2012. She is responsible for audits that fall within the policy remit of the Ministry of Foreign Affairs, the Ministry of Defence, the Ministry of Education, Culture and Science, the Ministry of Social Affairs and Employment and the Ministry of Health, Welfare and Sport, as well as for audits relating to public-private partnerships. She joined the Court of Audit in 1997, first as an auditor but later held a variety of other posts. Before joining the Court of Audit, she had held academic posts at Rotterdam's Erasmus University. Barbara Goezinne studied public administration in Rotterdam and educational science at Leiden University.

Integrity

The integrity of the Court of Audit must be beyond reproach. The day-to-day conduct of our Board and staff is based on two key documents: our integrity policy for 2012-2015 and our code of conduct. We adopted our code of conduct in 2009, founded on the following eight values:



reliability, respect, objectivity, professionalism, impartiality, collegiality, restraint, sustainability.

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The main aim of our current policy on integrity is to 'promote a safe working environment'. We are doing our best to create the right conditions to enable staff to discuss questions of integrity freely and openly with their colleagues.

We wish to foster a corporate culture in which ethical dilemmas are discussed at an early stage. We regularly post articles about ethical dilemmas on our intranet. As part of a series entitled 'Integrity in action', we interviewed various members of staff about certain ethical dilemmas they had faced. We sought to define the moral of their experiences in terms of one or more of our ethical benchmarks (such as collegiality), and by doing so foster a dialogue on ethical standards of conduct.

There were a couple of instances in which members of staff consulted the integrity counsellors or standards of conduct counsellors. No official complaints were made during the year under review.

Interview with Integrity Coordinator Linda Strijker: "As a practical guide, the code of conduct helps us take the right decisions in our day-to-day work."

"We adopted a new integrity policy in 2012, which will remain in force until 2015. Its main aim is to 'promote a safe working environment,'" says Linda Strijker. She has been the Court's Integrity Coordinator since January 2012. "We have organised all sorts of activities with a view to fostering a safe working climate. For example, we laid on workshops for individual departments about how staff can call each other to account on matters of behaviour."

The Court took a conscious decision to appoint an external integrity counsellor in 2012. "It's a pilot project that's due to run until the spring of 2013," Linda explains. "We found that very few people got in touch with our internal integrity counsellor. We want to see if there are still so few complaints now that people can report issues to an integrity counsellor outside the Court, or whether there is perhaps another explanation for the low level of complaints." A number of ministries are taking a keen interest in the pilot project. "Just like us, they're very curious about the results."

"The code of conduct is our practical guide, a tool that helps us take the right decisions in our day-to-day work. Not only is it a set of values that staff can use as a benchmark in their dealings with each other, it also



provides a reference point for our auditees. We're very curious to hear what they think of our code of conduct – and also whether they reckon we stick to our own standards. It would be great to receive critical comments about this aspect, so that we can then adjust the code where necessary."

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Internal communications

Our internal communications are designed to encourage the sharing of information and knowledge; promote interaction among the Board, management and staff; and increase the commitment of all members of staff to the organisation as a whole.

We organised various activities to this end in 2012. For example, lunchtime meetings were held between the Secretary-General and members of staff on matters arising from the staff satisfaction survey. We also organised internal meetings at which topical developments were discussed and audit managers presented recently published audit reports.

Every year, we organise an 'Update Day' for all members of Court staff. In 2012, we also held an extra 'Update Morning' in June.

We started publishing an on-line supplement to our staff magazine (Reken maar) last year. The on-line supplement consists of brief interviews with new members of staff and colleagues who are planning to do something special in the near future. We also posted video clips on the intranet with news about the latest developments at the Court.

Information systems and automation

Our policy on information systems and automation is based on three pillars: the use of new media, improving and replacing computer systems, storing retrieving and exchanging information.

In policy terms, 2012 was a year of transition.

We completed the implementation of the *Information Systems Framework for 2009-2011* and laid the foundations for a new ICT policy plan. Again, 2012 was a year of transition in policy terms.

An IT self-assessment workshop formed the cornerstone for the new policy plan. The workshop is based on a method devised by European SAIs for reviewing and refining their internal information systems at regular intervals. This particular workshop was held in June 2012 and resulted in the definition of four 'result areas' in which we will be



planning activities as part of the new *Information Systems Framework*. The latter will be adopted in the first quarter of 2013. The four result areas are: planning and control, the publication and presentation of audit findings, the work flow surrounding the final stage of an audit process, document management.

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Interview with Chantal Hakkaart, one of the team working on the Court's Sustainability Action Plan, on the subject of corporate social responsibility: "Sustainability is all about apples, light sensors, trains and video-conferences."

As in previous years, the Court's Sustainability Action Plan led to a number of tangible changes in 2012. These varied from the scrapping of deep-fried snacks in the staff canteen in favour of healthy apples, to a requirement for business trips of less than 700 km to be made by train. Plus of course the installation of light sensors in the offices and a 'follow-me system' for new printers. "Our activities in 2012 were all about awareness-raising and action," Chantal explains. She's in charge of our sustainability programme.

The Court first devised an action plan on sustainability a number of years ago. As in previous years, this resulted in a number of new activities in 2012. "We switched to a new catering company who operates on more sustainable lines and supplies healthier products (yes, that means no more deep-fried snacks for lunch!). And we also switched to biodegradable mugs for coffee, tea and water."

Energy-saving is a hot issue. "We're going to be making more efficient use of our office space. That's going to make quite a difference. We've also ordered new, energy-efficient computers that no longer come with a built-in hard-disk drive. Our new printers are fitted with a 'follow-me' system, which means that they don't start printing until the user holds a card in front of a card reader. We know from experience that this saves both energy and paper."

Unfortunately, Chantal also knows from experience just what a hard slog it can be. "We haven't achieved our objective of reducing energy consumption by 2% a year. In 2012, we actually consumed 4.7% more energy than in 2011. We also failed to further reduce our CO2 emissions in 2012. It's difficult to explain exactly where we went wrong, although we have been able to identify a couple of factors that affected both our energy consumption and our CO2 emissions in 2012. First of all, although we have indeed succeeded in making more efficient use of our office space, there has also been a significant increase in the number of



staff working in our main office in The Hague. The reason for this is the scrapping of the Court's outposts at the ministries. Also, certain changes were made to offices and the server room in order to comply with health and safety regulations: we had to install air-conditioning in the former and cooling in the latter. Finally, the harsh winter meant that we needed more heating in February, October, November and December than in the same months in 2011. In other words, we need to think very carefully about how to handle fluctuations in the level of emissions."

"Our company car is gas-fuelled. Staff needing to make a business trip abroad are obliged to travel by train if the distance is less than 700 km. They're allowed to fly only if they travel further than the 700 km threshold. We're also promoting the use of video-conferences, so that, in certain situations, there's no need for any travel in the first place."

"It's nice to see that our staff are also active in the community. At three primary schools in The Hague, staff are helping children with reading difficulties, in part in their own spare time. Community action is also becoming a feature of staff outings: a group of colleagues from one of the audit departments recently spent a day helping out at an old folks' home. These are all activities that form part of our sustainability programme."

Sustainability figures in 2010, 2011 and 2012

Aspect	2010	2011	2012	CO ₂ emissions in 2010 (in tonnes)	CO ₂ emissions in 2011 (in tonnes)	CO ₂ emissions in 2012 (in tonnes)
Electricity	970,577 kWh	941,310 kWh	987,656 kWh	14.6	14.1	14.8
Heat	4,219 GJ	2,998 GJ	3,476 GJ	84.4	60.0	69.5
Water	1,388 m ³	822 m ³	1,241 m ³	0.41	0.25	0.37
<i>Daily commutes</i> ¹						
By car	134,985 km	95,919 km	113,268 km	29	20	23.8
<i>Business travel</i>				217	140	165
By train	34,016 km	32,599 km	29,022 km			
By car	21,379 km	22,303 km	21,439 km			
By air (Europe)	420,138 km	82,674 km	80,579 km			
By air (rest of the world)	939,581 km	871,997 km	106,0117 km			

¹ It transpired early in 2013 that the comparative data on daily commutes by public transport were not reliable. These figures have not been included for this reason.



<i>Paper</i>							
Wood-free	9,812 kg	8,343 kg	7,737 kg	11.9	10.1	9.35	
<i>Total (excluding CO₂ compensation)</i>				357	245	282	
<i>CO₂ compensation (as agreed with Climate Neutral Group, air travel only)</i>				210	134	165	

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Management and control

Audit framework

Who audits the Court of Audit? We have an internal auditor from an external firm of auditors. We have a policy of changing our auditors every four years. The internal auditor is responsible for drawing up an audit plan, auditing our annual accounts and our financial and material management, and reporting his findings to the Board and the Secretary-General. The report is also discussed by the (external) audit committee.

The National Audit Authority uses our internal auditor's findings and performs any further audits it considers to be necessary. The internal auditor then reports to the Minister of the Interior and Kingdom Relations for the purpose of preparing the Annual Report and the Final Act amending Chapter IIB of the National Budget ('Other High Councils of State and Offices'). The Court of Audit, in turn, includes this Annual Report in its annual audit of the central government accounts.

Statement on operational management

We systematically review our primary process, our secondary processes and the related controls. We use monthly management information to assess whether we are discharging our duties in an efficient and regular (i.e. lawful) manner. We track the progress we are making in implementing our activity programme and achieving the targets we have set ourselves, in quarterly reports produced for internal purposes. Where necessary, we make adjustments in response to these reports. The following section discusses noteworthy issues in relation to our operational management.

Financial regularity

The margins of tolerance in terms of regularity were not exceeded in 2012. The annual accounts give a true and fair view of the state of affairs at the Court and its financial position.

**Production of non-financial information**

The management information systems met the relevant quality standards. No failures or breakdowns occurred in 2012 that jeopardised the accuracy, completeness, timeliness, continuity and confidentiality of non-financial information. The management information is reproducible. Quarterly reports were compiled in addition to the monthly management information reports. These quarterly reports have a dual purpose: firstly, they are designed to provide information on the impact of our activities and hence to allow lessons to be learned for the future. Secondly, they analyse the progress we are making in terms of implementing our activity programme. The information in the reports can be used for making adjustments to the activity programme and improving our working methods.

Financial management and material management

Despite the fact that management tools were used in the year under review to control our operating processes, there are a number of areas in which improvements can be made. The main ones are described below.

Supplementary internal controls

Performing extra internal controls in good time during the course of the year is something that remains a problem. Experience shows that these activities are sometimes overlooked due to other priorities or staff shortages.

Budget control

Although budget control improved in 2012 compared with 2011, there was still a big underspend in 2012. This was caused largely by delays in projects, such as the refurbishment of the Grootboek room in our main office building. In 2013, we will embark on the first round of the spending cuts to which we have committed ourselves, and will seek to make economies of €800,000 in total. As one of the main tools for achieving these economies, budget control will be a high-priority issue in 2013.

Open standards

The Court complies with article 3 (1) of the Civil Service Guidelines for the purchase of ICT products and services. We did not deviate from any open standards last year.

**Other aspects***Timely payment of creditors*

In 2012, we reached our target of paying at least 90% of incoming invoices within 30 days. Certain instances of non-timely payment were due to factors beyond our control, for example where the invoice in question was received well after the invoice date.

Reduction in number of workstations

The year 2011 saw the start of an operation to reduce the number of workstations. This work continued in 2012, when we scrapped a further 25 workstations at ministries over and above the 90 workstations at ministries that had already been discontinued in 2011. We will be making certain adjustments to our office building in Lange Voorhout in The Hague during the first half of 2013 to ensure that we finally achieve the desired ratio of 0.9 workstations per FTE by the end of the year. By scrapping a large number of our on-site workstations at ministries, we are making a year-on-year contribution of potentially more than €1 million to the government spending cuts. The operation will also help us to adopt 21st-century working practices.

Audit Committee

The Court of Audit has had an (external) Audit Committee since January 2006. The Audit Committee has two responsibilities:

- advising the President on her supervision of the Court's activities;
- advising the Secretary-General on the day-to-day running of the organisation.

Members of the Audit Committee

The members of the Audit Committee are:

- Jan Helderma RA (chairman, since 1 January 2012), a registered accountant, a member of various executive and supervisory boards and a member of the Monitoring Committee of Governance Principles of the Dutch Association of Insurers;
- Dr Benita Plesch (member, since 1 January 2010), a coach and consultant at Plesch bv and a chair and member of various boards and advisory committees;
- Mr Boudewijn Dessing (member, since 1 January 2011), a member of various supervisory councils, advisory boards and supervisory boards.



Meetings

The Audit Committee met six times in 2012:

- once with the President;
- once with all the members of the Board;
- three times with the internal auditor;
- once with the external auditor;
- twice with the Works Council;
- five times with the members of the management team; and
- once for a special single-issue meeting.

All the members of the Audit Committee were present at all meetings except one. The Audit Committee members receive an attendance allowance. The Audit Committee also performed a self-assessment and held a number of separate meetings with the Secretary-General in 2012.

Recommendations

The Audit Committee has produced a summary of its recommendations, advice and the topics it discussed in 2012.

Recommendations, advice and topics of discussion in 2012

2011 accounts

The Audit Committee discussed the reports drawn up by both the internal and the external auditor on the accounts for the 2011 financial year. The Audit Committee endorses the conclusions and main recommendations set out in the reports and notes that the Court's management has acted on the recommendations in the management letter. The Audit Committee also notes that improvements have been made in relation to reporting, for example in the way in which the areas targeted by the planned spending cuts have been linked to the changes in the government's auditing system. Finally, the Audit Committee believes that further improvements could be achieved if the Court reported more on the progress of its activity programme and on impact and results, as is already the case in the quarterly reports.

- *Audit plan for 2012*

The Audit Committee approved the audit plan drawn up by the internal auditor which, as requested by the Secretary-General, also discusses the implementation of the International Standards of Supreme Audit Institutions (ISSAIs), the presidency of EUROSAI and the preparations for the EUROSAI Congress in 2014. The Audit Committee endorses the internal auditor's findings as set out in the management letter on the 2012 interim review.



- *Other topics of discussion*

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Among the other topics discussed by the Audit Committee were a report on the quality of the 2010 review, the new rules on audit committees, the assessment of the 2011 regularity audit, the quarterly reports on the progress of the activity programme for 2012, result-centred working practices, the staff satisfaction survey, the external analysis and organisational changes.

In the light of the report on the quality of the 2010 review, the Audit Committee organised a special single-issue meeting and recommended drawing up a pragmatic and realistic plan of action for the adoption of the ISSAIs on financial audits. This plan of action was subsequently discussed by the Audit Committee. The Audit Committee made various recommendations on management by output and impact, in response to the quarterly reports.

A new set of rules on ministerial audit committees came into effect in 2012. The Court's Audit Committee produced an advisory report in 2012 on the role played by the Court of Audit in relation to the ministerial audit committees, and advised the Court to join forces with the National Audit Authority in this connection.

- *Appointment of members*

The Court's Board appointed Jan Helderma as the chair of the Audit Committee on 1 January 2012. Benita Plesch has been a member of the Audit Committee since 1 January 2010, and Boudewijn Dessing has been a member since 1 January 2011. Members of the Audit Committee serve a three-year term of office and may be reappointed once for a maximum period of three years. Benita Plesch was reappointed to the Audit Committee on 1 January 2013.

Finance

The Court of Audit had a budget of over €29 million in 2012. The bulk of this figure, i.e. €23 million, goes towards direct staff expenses, i.e. wages and salaries. The Court decided in 2012 to help the government bring public-sector expenditure under control. The Court pledged to reduce its spending by a cumulative sum of €1.9 million by 2018. In addition to this spending cut, we are also making drastic cuts in the number of on-site workstations at the ministries. This has already generated savings of over 100 workstations at the ministries concerned, representing a recurrent saving of over €1 million a year in central government expenditure. This is a saving that is not reflected in the Court's budget. We are planning to reduce the number of workstations at the Court in 2013, bringing the ratio down to 0.9 workstations per FTE.



Interview with René Borghouts, head of the Internal Budget Division: "We need to make sure that the quality of our financial management and control remains up to standard."

Under the coalition accord signed by the new government led by Prime Minister Rutte, the Court of Audit is expected to help the government in its efforts to bring the public finances under control. "We haven't actually been set a target," says René Borghouts, the Court's comptroller and head of its Internal Budget Division. "But we are of course ready to bear our share of the burden. That's why we've decided to pledge to do our best for the government. How exactly we're going to do this is something we're still looking into. We've launched a programme of organisational improvement aimed at making our support services and management more efficient."

The Court is having a long, hard think about its contribution to the government spending cuts. "There's a lot going on in the civil service at the moment: ministries and agencies are merging and shared service centres are being set up. Things are clearly on the move. Here at the Court of Audit, we need to make sure that the quality of our financial management and control remains up to standard. That's our main concern at present, particularly if you bear in mind that the National Audit Authority is also making swingeing cuts."

The Court has already mounted a big efficiency drive over the past few years. "For example, we have pooled our financial administration with other High Councils of State. We use the House of Representatives' accounting system and do the National Ombudsman's accounts. We're currently looking at other potential areas of cooperation. And it's not just a question of cutting costs. It's also a matter of continuity. Investment is also an important aspect: in many cases, cooperation only produces results if a number of parties are prepared to invest in it," René Borghouts adds.

Looking at the financial figures for the past few years, René Borghouts concludes that budget spending has been reasonably stable. "We're constantly re-examining the way we operate and making savings wherever we can. We try to keep our eye on small items of expenditure too, things like working lunches. It's sometimes a matter of finding a creative solution. For instance, we were recently on the lookout for adjustable desks for our new flexible workstations and found 200 suitable desks, in a brilliant state of repair, in the government's web shop for second-hand goods. The only thing we had to pay for were the transport costs."



Budget

The budget of the Netherlands Court of Audit falls under Chapter IIB of the National Budget, 'Other High Councils of State and Offices', and is the responsibility of the Minister of the Interior and Kingdom Relations.

See

<http://www.rijksbegroting.nl/2012/voorbereiding/begroting?hoofdstuk=40.28> (available in Dutch only).

Spending cuts in 2013-2018

Under the coalition agreement signed by the new government, the Court of Audit is expected to help put public finances in order. The government intends to achieve this by setting a general efficiency target. The government has included this target in the multiyear figures in the draft 2012 budget.

As a High Council of State, the Court of Audit operates independently from the government. We have drawn the government's attention to the effects of the Compact Civil Service operation on the ministry audit departments and the National Audit Authority. The operation may affect the duties the Court is required to perform by law. The Court already decided in 2012 to help the government in its efforts to put public finances in order by committing itself to certain spending cuts. These cuts will have attained a cumulative value of €1.9 million by 2018. At the end of December 2012, the Court received a letter from the then Minister of the Interior and Kingdom Relations calling for a further €1.2 million cuts in year-on-year spending. We are currently looking at ways and means of meeting this target.

Expenditure by central government and Court of Audit

The table below compares the expenditure incurred by the Court of Audit with the overall expenditure of central government.

Expenditure in 2007-2011 (in millions of euros)

	2007	2008	2009	2010	2011
Central government expenditure	159,266	209,380	246,697	237,569	236,693
Court expenditure	26.7	28.0	30.1	30.0	28.8
%	0.017	0.013	0.012	0.013	0.012

The Court's expenditure has either declined or remained relatively stable as a percentage of central government expenditure (the Court's main



audit field) in recent years. This has been in spite of a substantial rise in central government expenditure. Figures on central government expenditure in 2012 will not be available until after the publication of our *2012 Annual Report*.

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Actual revenue and expenditure in 2012

The Court's expenditure in 2012 was €701,000 less than budgeted. Its revenue was €29,000 less than budgeted.

Actual figures for 2011-2012 (in thousands of euros)

	Expenditure in 2011	Revenue in 2011	Expenditure in 2012	Revenue in 2012
Budget*	29,933	1,217	30,014	1,717
Actual	28,800	698	29,279	1,711
Variance	1,133	-519	735	-6

*As adopted under the Second Supplementary Budget Act.

The lower level of actual expenditure was caused mainly by delays affecting a number of projects, coupled with a lower level of actual expenditure than previously estimated. Among the contributory factors were the refurbishment of the Grootboek room in our office building, which was postponed until 2013, and the cancellation of an international activity that we had been planning to undertake in Vietnam. A number of EU tendering procedures also led to a lower level of expenditure than previously estimated. Finally, printing costs were lower due to the fact that our publications are now produced in smaller print runs, many reports are now printed in-house and parliamentary papers now cost less to produce.

Breakdown of expenditure and revenue

A detailed breakdown of expenditure and revenue is given in the table below. It shows how we spend the resources available to us and how much income is generated in each revenue category.

**Breakdown of expenditure (in thousands of euros)**

	Expenditure in 2011	Expenditure in 2012
Staff	22,910	23,260
Training	597	615
Office premises	1,752	1,598
Automation	1,081	1,465
Temporary external staff	1,211	1,046
Good and services	885	856
Travel and accommodation	364	439
Total	28,800	29,279

Breakdown of revenue (in thousands of euros)

	Revenue in 2011	Revenue in 2012
International projects	448	1,400
Secondments	126	299
Other forms of revenue	124	12
Total	698	1,711

The rise in staff expenditure is due to higher employer's contributions (such as pension premiums) and higher wages for healthcare insurance purposes (under the Healthcare Insurance Act). As far as automation costs are concerned, we replaced our workstations at the end of 2012 and also invested in new digital storage media in 2012. The higher level of expenditure on travel is a result of an increase in externally funded international activities. The latter did however generate a much higher level of revenue in 2012.

Cost in each category

Productive days are divided into three categories in the table below:

- audit projects, i.e. the number of days spent on audits that either have already led or will in the future lead to an external publication;
- international projects;
- other directly productive activities. This category includes audit days spent obtaining information and performing risk analyses for the purposes of our Activity Programme. It also includes days spent on audit methodology, internal development projects and contacts with other bodies.

**Production figures: cost (in thousands of euros)* and days**

	Days in 2011	Cost in 2011	Days in 2012	Cost in 2012
Audit projects	18,683	18,284	17,269	17,106
International projects	2,067	2,023	1,774	1,757
Other directly productive activities	8, 678	8,493	10,515	10,416
Total	29,428	28,800	29,558	29,279

* The cost per category is calculated by multiplying the precise cost per day by the number of days spent. The precise cost per day in 2012 was €990.56, rounded off to €991.

We invested more in other directly productive activities in 2012 than in previous years. We spent more time on monitoring activities, exploratory audits and development projects than in 2011.

Cost per day

The cost per audit day is calculated by comparing our aggregate expenditure with the number of productive days.

Cost

	2009	2010	2011	2012
Expenditure (in thousands of euros)	30,083	29,971	28,800	29,279
Productive days	28,726	27,825	29,428	29,558
Cost per day in €	1,047	1,077	979	991

Having succeeded in cutting the cost per day by 9% in 2011, we saw a slight rise in 2012, i.e. 1.2%. This was mainly due to higher wage costs.

Externally funded international projects

The support provided to our sister organisations must be self-financing as a minimum requirement.

- Staff expenses are charged in accordance with the scale of charges applied by the Minister of Finance for services to non-governmental organisations.
- The charge made for travel and accommodation expenses is based on the guidelines set by the Minister of the Interior and Kingdom Relations.



The following table shows whether the externally funded international projects we completed in 2012 were indeed cost-effective.

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Cost-effectiveness of international projects completed in 2012

Project	Actual number of days	Cost distributed over entire duration of project	Revenue	Cost-effectiveness
		In euros*	In euros	%
Macedonia, Parliament	42.75	44,834	44,801	99.9
Iraq, World Bank	105.43	87,588	79,094	90.3

*Staff costs and travel and accommodation expenses in 2012 and preceding years.

The cost-effectiveness of international projects completed in 2012 was generally satisfactory.

Temporary external staff

We engage the services of external consultants whenever this is necessary if we do not have enough resources, in terms of either expertise or capacity, to perform certain audits or international projects. We also make use of the capacity or expertise provided by external consultants to audit our annual accounts and assist with internal projects.

Temporary external staff (in euros)

	2011	2012
Audit projects	364,918	182,293
International projects	14,486	14,462
Communications	69,628	155,311
Internal auditor	43,385	80,922
Operational management	718,495	612,472
Total	1,210,912	1,045,460

Fewer external consultants were engaged on audit projects in 2012 than in 2011, when we hired external consultants specifically to perform an ICT audit of the police service that had been requested by parliament. The main reason for the higher level of spending on external communication consultants was the work performed on a number of web applications launched in 2012. The internal auditor was specifically asked to perform a number of audits in 2012.

A limited number of external consultants were engaged at more than the agreed maximum fee of €225 (plus VAT) in 2012. The consultants in question were labour law specialists engaged on short projects. A total of



12.5 hours were engaged at more than the maximum fee, for a total sum of €3,024. 67

Remuneration of Board members and management costs

The following table shows the remuneration of Board members in 2011 and 2012.

Taxable salary and pension (retirement pension and flexible pension) contributions for Board members in 2011 and 2012 (in euros)

Name	Post	Appointed on	Taxable salary in 2011	Pension contributions in 2011	Total remuneration in 2011	Taxable salary in 2012	Pension contributions in 2012	Total remuneration in 2012
Saskia J. Stuiveling	President	29 October 1984	143,574	29,384	172,958	144,267	33,580	177,847
Gerrit de Jong*	Member	1 May 2002	125,997	25,406	151,403	125,126	26,748	151,874
Kees Vendrik	Member	15 April 2011	83,345	21,385	104,730	125,988	32,428	158,416
Total			352,916	76,175	429,091	395,381	92,756	488,137

*In office until 1 December 2012.

The remuneration of the President and the members of the Board is based on the terms of the Council of State, Netherlands Court of Audit and National Ombudsman (Legal Status) Act of 6 November 2008. Board members each receive a gross monthly expense allowance of €569.79. The President receives a gross monthly expense allowance of €684.65.

See our website for details on Board members' outside interests.

Attendance allowances for extraordinary Board members and the chair and members of the Audit Committee

Our Board includes two extraordinary members whose task it is to assist with audits or stand in for Board members as the need arises. Where they stand in for Board members, they enjoy the same powers as the person they replace. The Audit Committee consists of three external members, one of whom chairs the committee.

Attendance allowances for extraordinary Board members and members of the Audit Committee

Name	Post	Appointed on	Attendance allowance for	Expenditure in 2011	Expenditure in 2012
Paul Doop	Extraordinary Board member	17 August 2004	2010	5,537	-
			2011	-	7,038
Professor Mark van Twist	Extraordinary Board member	17 August 2004	2011	7,144	-
Professor Jaap van Manen*	Chairman of the Audit	1 March	2011	2,956	-



	Committee	2006			
Jan Helderman RA	Chairman of the Audit Committee	1 January 2012	2012		3,712
Benita Plesch	Member of the Audit Committee	1 January 2010	2011	3,202	-
			2012	-	2,472
Boudewijn Dessing	Member of the Audit Committee	1 January 2011	2011	3,202	-
			2012		3,465
Total				26,802	16,687

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* Jan Helderman succeeded Jaap van Manen as the chairman of the Audit Committee on 1 January 2012.

The attendance allowances for 2010 and 2011 were both paid in 2011.

Remuneration of management team

The Court's management team in 2012 consisted of the Secretary-General and five Directors. The remuneration of the management team is shown in the following table.

Taxable salary and pension (i.e. retirement pension and flexible pension) contributions for members of the management team in 2011 and 2012 (in euros)

Name	Post	Appointed on	Taxable salary in 2011	Pension contributions in 2011	Total for 2011	Taxable salary in 2012	Pension contributions in 2012	Total for 2012
Ellen van Schoten RA	Secretary-General	1 October 2006	119,362	28,077	147,439	120,244	30,271	150,515
Thomas Meijer	Director	1 October 2009	113,072	25,776	138,848	112,864	29,192	142,056
Peter van der Knaap	Director	1 April 2004	100,623	24,344	124,967	101,394	26,243	127,637
Barbara Goezinne	Director	1 January 2012	-	-	0	91,579	22,480	114,059
Erik Polman*	Director	1 November 2007	96,568	22,470	119,038	-	-	-
Roel Praat	Director	20 May 2002	97,903	22,687	120,590	100,342	24,450	124,792
Marcel Houtkamp	Director	1 January 2009	86,256	21,567	107,823	88,133	24,474	112,607
Total			613,784	144,921	758,705	614,556	157,110	771,666

*Eric Polman was employed by the Court of Audit from 1 November 2007 until 15 November 2011.

Management team members each receive a gross monthly expense allowance of €267.06. The Secretary-General receives a gross monthly expense allowance of €569.79.



See our website for details on the outside interests of members of the management team.

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Board expenses

We have a policy of pursuing maximum transparency in relation to the costs incurred by the Board, including any expenses claimed and costs incurred by Board members, irrespective of their nature. The following table shows the expenses incurred by Board members for business travel in the Netherlands and abroad. 'Miscellaneous' expenses consist mainly of business lunches and dinners and accommodation expenses incurred during foreign visits. 'General Board expenses' consist of entertainment expenses incurred by the Board as a whole. These include the cost of the farewell reception organised to mark the retirement of Board member Gerrit de Jong.

Board expenses (in euros)

Name	Post	Total for 2011	Business travel in 2012	International travel in 2012	Miscellaneous expenses in 2012	Total for 2012
General Board expenses		5,557	138	-	16,762	16,900
Saskia J. Stuiveling	President	50,134	28,632	1,006	316	29,954
Gerrit de Jong	Member	7,386	5,571	13,984	1,715	21,270
Kees Vendrik	Member	8,352	6,009	1,865	154	8,028
Total		71,429	40,350	16,855	18,947	76,152