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*Government finances in order; concerns about operational activities*

**Stuivering: 'The Cabinet is not prepared: Time for implementation!'**

**Resolving the sticking points in the implementation of policy will require extra time and attention from the Rutte/Asscher Cabinet and the House of Representatives. Those in charge of the Ministries of Defence, Finance, Health, Welfare and Sport (VWS) and Social Affairs and Employment (SZW) are facing particular issues with implementation. As a result of outdated IT systems, the Tax and Customs Administration is struggling to cope with changes in tax rules. The Ministry of Defence has insufficient working equipment to ensure proper training for its broad package of tasks, alongside its existing missions. Solving the problems that arose after the introduction of drawing rights for personal care budgets will demand flexibility and realism from parliament and the Cabinet, in order to enable particularly the Social Insurance Bank (SVB), care administration offices and municipalities to resolve the issues. The Cabinet bears political responsibility for carrying out public tasks in an effective manner. And this is precisely the area where efforts are now required. All the above points are included in the *Accountability Survey 2014* of the Netherlands Court of Audit, which was presented to the House of Representatives by its President, Saskia Stuivering, on 20 May 2015.**

**Netherlands Court of Audit approves central government accounts**

The Netherlands Court of Audit is responsible for checking the income and expenditure of national government. For the year 2014, these were adjudged to be regular. Errors and uncertainties remained well within the bounds of permissibility. The Netherlands Court of Audit has therefore approved the

**Problems with implementation due to time constraints and budget cuts**

In its report entitled *The State of Central Government Accountability*, the Netherlands Court of Audit states that the time has come for the Rutte/Asscher Cabinet to implement its policies with regard to government finances. The Accountability Survey reveals that in many areas of national government, there are



frictions between political ambitions on the one hand, and the available time, resources and people on the other hand. One example of this is the extent to which the parallel processes of decentralization and budget cuts have put pressure on implementation.

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### **Focus on IT has not yet resulted in improvements in implementation**

The government and public services are becoming ever more reliant on information technology, both in terms of their direct communication channels with citizens and their internal operations. The Tax and Customs Administration, the Ministry of Defence and the National Police in particular are all currently facing significant challenges in the realm of IT, challenging policy ambitions and structural reorganizations. The reliance on external professionals represents a particular Achilles' heel in this regard. The Netherlands Court of Audit notes that, on the one hand, government ministries, the Cabinet and parliament are to an ever increasing extent turning to information technology for solutions. Yet on the other hand, no clear improvements have as yet been made in the management of IT projects in terms of throughput times and budget discipline.

#### **Focus areas of fraud and decentralization investigated once again**

At the request of the House of Representatives, the Netherlands Court of Audit focused specific attention on the areas of fraud and decentralization once again this year. The Cabinet, too, made these areas the subject of special attention in its annual reports. As for the decentralization processes, the Netherlands Court of Audit notes that the focus in 2014 was primarily on realizing the 1-1-2015 deadline. Now, however, the time for implementation is upon us. As far as fraud is concerned, the knowledge of those involved in

### **Risks associated with IT at Tax and Customs Administration; both continuity and renewal required**

The Tax and Customs Administration is experiencing larger problems than had previously been assumed, including outdated computer systems. This became clear partly after the service, under the leadership of the current state secretary, undertook efforts to become more transparent concerning the risks and challenges that it faces. Due to the age and complexity of its IT systems, any changes to laws and regulations jeopardize the continuity of service at the Tax and Customs Administration, also posing risks to tax collection processes. In 2014, the Tax and Customs Administration collected €235.6 billion in taxes and contributions, and distributed €9.7 billion in benefits. The Tax and Customs Administration works with about twelve hundred different applications, including one widely used program that is 37 years old.



The Tax and Customs Administration faces two challenges. The first is to ensure continuity of service. Secondly, the service itself and the processes and systems that it uses must be modernized. Being able to guarantee continuity of service is an important first prerequisite. Short-term and long-term renewal represent significant tasks for the Tax and Customs Administration. Parliament has added to these challenges by introducing more taxes as well as passing legislation that provides for all kinds of exceptions. This renders implementation even more of a challenge. At the same time, like other public services, the service has had to contend with budget cuts imposed on it. The plans of parliament and the Cabinet to revise the tax system could bring an opportunity to achieve a more workable system. However, for this to be done successfully, the Tax and Customs Administration will need to be given enough time for proper implementation.

#### **Position of Defence Ministry is unsustainable**

The armed forces have just enough equipment and people at their disposal, but are continually stretched to capacity, partly due to operational issues. It has been necessary for the army to take multiple vehicles out of operation. Education and training with Chinook transport helicopters is running behind schedule due to restrictions on maintenance capacity and a shortage of spare parts. The Defence Ministry is currently devoting nearly all available F-16 flying hours to its mission against ISIS, meaning that there are very few hours left for training. Staff are no longer prepared to deal with the highest threat levels.

The Minister of Defence currently faces the task of improving the complex operations of the Ministry in order to gain an adequate and timely overview of the feasibility and affordability of its ambitions, and at the same time needs to address a great deal of long overdue 'maintenance' within the organization.

#### **More clarity about transfers to Europe is needed**

In the autumn of 2014, the European Commission asked the Netherlands to pay an additional (net) assessment of €642.7 million. The Netherlands Court of Audit supports the inclusion of transfers to the European Union by the Netherlands in the National Statement. The National Statement is an accountability document published by the Netherlands regarding how European funds are spent within that country. If the National Statement also included transfers to the European Union, it would provide a more comprehensive overview of the Netherlands' financial relationship with the EU. This would provide a more accurate picture of how the transfer amounts and any additional reassessments are calculated. This opinion is included in the Report on the National Statement that the Netherlands Court of Audit presented to the House of Representatives on 20 May 2015.



### **Introduction of drawing rights for personal care budgets runs into problems**

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The Netherlands Court of Audit notes that the introduction of drawing rights for personal care budgets has not been a smooth process. Decisions relating to laws and regulations were taken late. The transfer of data, which is crucial in order to make the correct payments to beneficiaries of personal care budgets and their caregivers, were not prepared properly. The required data were therefore received late by the Social Insurance Bank (SVB) and there were also delays in processing these data. Finally, the Ministries of Health, Welfare and Sport (VWS) and Social Affairs and Employment (SZW) and the SVB did not play the role that they ought to have during the implementation process. The Netherlands Court of Audit points out the shared interest that all the parties involved (ministries, SVB, Tax and Customs Administration, care administration offices and municipalities) have in solving these implementation problems. Those responsible for implementation and, in particular, the SVB would now first of all benefit from a more realistic timetable. This requires joint consensus and an up-to-date overview of the current issues.

#### **Policy in practice: 5 policy reviews vetted**

In its Accountability Survey, the Netherlands Court of Audit pays particular attention to the effectiveness of policy. Five policy reviews, in which ministries subject their own policies to scrutiny, have now themselves been the subject of scrutiny. The study shows that these reviews provide little insight into the effectiveness and efficiency of policy. Furthermore, ministers sometimes draw conclusions that are not in fact adequately supported by the findings of the investigation.

#### **Policy in practice: a study by the Netherlands Court of Audit**

One of our studies also shows that the effectiveness of policy is not always the subject of sufficient consideration. The Netherlands Court of Audit undertook an examination of six cases. One example is the €1.2 billion that the Ministry of Education, Culture and Science (OCW) has earmarked for the professional development of teachers. School boards are largely free to spend this money at their own discretion. Whether these government funds are actually being used by school boards for the intended purpose is unknown, as is the effect that this may be having on the quality of education. Methods need to change if the ambitious targets for 2020 are to be reached. The other subjects of policy in practice research by the Netherlands Court of Audit were: Ministry of Economic Affairs guarantee schemes for businesses; subsidies for electric vehicles; making better use of infrastructure; regulatory pressure in care for the disabled; and the quality of juvenile detention facilities.

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**Responses from members of the government and afterword by the Netherlands Court of Audit**

All ministers have responded to the findings of this study. Their comments can be found in full on [www.rekenkamer.nl/verantwoordingsonderzoek](http://www.rekenkamer.nl/verantwoordingsonderzoek)

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NOTE TO EDITORS

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