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BETREFT Audit of NATO expenditure

Madam President,

In recent years we have informed the House of Representatives every year of our observations on the audit of NATO expenditure. ¹We observed that NATO was taking its first tentative steps towards more transparent accounts of its expenditure. We would like to assist NATO in this by analysing its funds flows. This letter first considers the current view provided of NATO's financial management and then presents our proposal to map out its funds flows.

Annual meeting of NATO member SAIs

The supreme audit institutions (SAIs) of the NATO member states met to discuss the annual report of the *International Board of Auditors for NATO (IBAN)* on 14 May 2013. IBAN audits all NATO's expenditure, which totalled more than €11 billion in 2012.²

Financial management remains a matter of concern

As in previous years the SAIs expressed their concern about the high number of qualified opinions. It is not clear precisely what happened with nearly a third of the funds; of the 44 opinions on the accuracy of the annual accounts, 13 were qualified

¹ House of Representatives, 2007-2008, appendix to RU07000022; House of Representatives, 2009-2010, 28 676, no. 91; House of Representatives, 2010-2011, 28 676, no. 115; House of Representatives, 2011-2012, 28 676, no. 136; and House of Representatives, 2012-2013, 28 676, no. 164.

² *International Board of Auditors for NATO – Annual Activities Report 2012.*



and one was adverse. IBAN expressed its concerns about this outcome in its annual report and acknowledged the need to make improvements. The SAIs agree with IBAN and look upon the proposed improvements as an important factor in the reforms NATO is currently implementing. 2/3

Modest steps towards greater accountability

We think NATO should keep and present transparent accounts of its use of the member states' contributions. NATO recently appointed a *Head of Financial Reporting* to report to NATO committees on financial matters. We remain in favour, however, of appointing a *Chief Financial Officer* (CFO) to the North Atlantic Council. A CFO would be better placed to put affairs in order because the position would have more power and would be in direct contact with the North Atlantic Council.

Last year NATO decided to take a modest step towards making its accounts public. With effect from 2013, NATO will publish its audit reports as a matter of principle unless they include sensitive information. To date, however, no audit reports have been published in accordance with this policy. Nor does NATO publish the annual financial statements underlying its audit reports. In our opinion, insisting on this should be given highest priority.

NATO world map

NATO has made some progress improving its financial management and transparency but still has a lot of work to do. We are now taking the initiative to explain NATO's funds flows – its income and expenses – so that taxpayers can see where the money is spent and gain an insight into value *for money* at NATO.

We will reconstruct and present NATO's funds flows on an interactive world map. The data underlying the map will be derived from public sources; from the outset, we will adhere to the principle of *open spending*. In the longer term, we will seek to present a world map of funds flows using *open data* provided by the NATO organisations and the member states. We can then present an up to date overview of the alliance's public funding and performance.

Financial and organisational transparency is part of an important social trend that governments and international organisations such as NATO cannot ignore if they wish to retain public support. More and more importance is being attached both nationally and internationally to user-friendly, interactive information on what



public money is being spent on and what results are being achieved with it.³ A good example of this trend is www.recovery.gov. Such initiatives complement the *Open Government Initiative*, which 20 of the 28 NATO member states have joined.⁴ These initiatives also agree with the principles of good public administration as defined by the United Nations and others.⁵

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We are working on the initiative in close consultation with the Ministries of Defence and of Foreign Affairs. The world map will be a working document that we will discuss with the relevant parties at NATO, the other NATO member states and fellow SAIs.

In conclusion

We expect to publish a first version of the world map to coincide with the Parliamentary Assembly in The Hague in 2014. We will continue to follow developments in NATO expenditure and the Parliamentary Assembly. Your critical stance in the Assembly will remain of utmost importance to improve NATO's financial management.

We will send a copy of this letter to the President of the Senate and to the Ministers of Defence and of Foreign Affairs.

Netherlands Court of Audit

Saskia J. Stuiveling
president

Ellen M.A. van Schoten
secretary

³ See the foreword to our report, State of Central Government Accounts (House of Representatives, 2012-2013, 33 605, no. 2).

⁴ See <http://www.opengovpartnership.org>

⁵ See, for example, <http://www.unescap.org/pdd/prs/ProjectActivities/Ongoing/gg/governance.pdf>.