

# Kingdom Relations (IV) and the BES Fund (H)

Report on the Annual Report 2023

2024



Netherlands  
Court of Audit

# Preface

The Netherlands Court of Audit performs annual audits of the accounts ministers render in their annual reports on their expenditure, operational management and policies. The key questions in the annual 'Accountability Audit' are:

- were public funds obtained, spent and justified in accordance with the rules in the past year?
- was the ministries' operational management organised correctly?
- did the policy conducted have the intended results?

To answer these questions, we investigate per budget chapter whether the respective ministers have their affairs in order. In accordance with our statutory task, we express opinions on the financial information and the quality of operational management information in the ministries' annual reports and on the quality of operational management itself. If the Court of Audit issues a statement of approval on the central government accounts and the central government trial balance, parliament can grant the ministers discharge for each budget chapter. Appendix 2 contains a detailed description of our Accountability Audit.

This report relates to the *Annual Report 2023* of Kingdom Relations (IV) and the BES Fund (H). Our other publications relating to the 2023 Accountability Audit are available (in Dutch) at [www.rekenkamer.nl/onderwerpen/verantwoordingsonderzoek2023](http://www.rekenkamer.nl/onderwerpen/verantwoordingsonderzoek2023). Our report on the 2023 Accountability Audit as a whole, *State of Central Government Accounts 2023*, is also available on the site.

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# 1. Our conclusions

The Netherlands in the Caribbean consists of the countries Aruba, Curaçao and St Maarten and 3 public bodies, Bonaire, St Eustatius and Saba. The islands Bonaire, St Eustatius and Saba constitute the Caribbean Netherlands and are part of the country of the Netherlands. The European Netherlands provides funding to the Caribbean Netherlands, €30 million of which is mobilised through the Caribbean Netherlands envelope ('CN envelope'). A significant proportion of the CN envelope is spent on projects to achieve the government's ambitions in the coalition agreement. Lack of coordination and agreement, however, conceals the additional impact of this extra funding. Shared Service Organization Caribbean Netherlands ('SSO-CN'), by contrast, has made such good progress with its IT management that it has been able to resolve the shortcoming detected earlier. Finally, the financial reporting information in the *Annual Report 2023 of Kingdom Relations* and the BES Fund meets at aggregated level the requirements set for it.

## Impact of additional funding cannot be determined

Additional funding of €30 million was awarded to the Caribbean Netherlands in 2023. Most of the money in the CN envelope was applied to increase the general-purpose grant and to combat poverty. The Minister of the Interior and Kingdom Relations (BZK) had wanted the additional funding to achieve results that otherwise would not have been possible. Other ministries have therefore supplemented this project financing with funds from their own budgets. Based on our audit of the process to allocate the CN envelope, in our opinion all projects financed in full or in part from the CN envelope probably contributed to one or more of the CN envelope's goals. The impact of the additional €30 million, however, cannot be isolated.

## Satisfactory improvement in SSO-CN's IT management

The government bodies that perform public tasks on the BES islands are units of the National Office of the Caribbean Netherlands (RCN). SSO-CN helps these government bodies implement policy. We found that SSO-CN had raised its IT management to a satisfactory level and had thus resolved the shortcoming.

## Summary financial opinion on the Annual Report 2023 on Kingdom Relations



At aggregate level, the financial reporting information on Kingdom Relations in the *Annual Report 2023* satisfies the requirements set for it, and complies with the Government Accounts Act 2016 and the Central Government Budget Regulations.

## Summary financial opinion on the Annual Report 2023 on the BES Fund



At aggregate level, the financial reporting information on the BES Fund in the *Annual Report 2023* satisfies the requirements set for it, and complies with the Government Accounts Act 2016 and the Central Government Budget Regulations.

## Shortcoming at Kingdom Relations and in the BES Fund

Resolved shortcoming	2020	2021	2022	2023
1. IT management, SSO-CN		✗	✗	✓

- ✗ Shortcoming
- ✗ Severe shortcoming
- ✓ Resolved: measures taken to resolve shortcoming have worked
- ▶ The minister made progress in de past year to resolve the shortcoming
- || The minister made little progress in the past year to resolve the shortcoming

### Further in this report

- Chapter 2 Facts and figures
- Chapter 3 Financial information
- Chapter 4 Operational management
- Chapter 5 Policy outcomes
- Chapter 6 Response of the minister and the Court of Audit’s afterword

## 2.

# Facts and figures

### **Aruba, Curaçao and St Maarten**

Funds from the Kingdom Relations budget chapter are allocated to the Caribbean countries of Aruba, Curaçao and St Maarten. These islands are constituent countries of the Kingdom of the Netherlands. Agreements on when the countries in the Kingdom work together or assist each other are laid down in the Charter for the Kingdom of the Netherlands. One of the Minister of BZK's responsibilities is to strengthen the rule of law in the Caribbean countries.<sup>1</sup> Aruba, Curaçao and St Maarten accordingly each have their own court of audit.

### **Bonaire, St Eustatius and Saba**

Money from the BES Fund is awarded to the public bodies that make up the Caribbean Netherlands: Bonaire, St Eustatius and Saba (BES). These islands are public bodies, comparable but not equivalent to municipalities in the European Netherlands. The Minister of BZK coordinates government-wide activities on the islands and oversees their financial situation. Government bodies that perform tasks for the BES islands are units of the National Office of the Caribbean Netherlands (RCN). The Minister of BZK is tasked with this office's management.

## **2.1 Kingdom Relations**

Expenditure from the Kingdom Relations budget chapter amounted to €156 million in 2023. This is equal to 0% of total government expenditure for the year. Expenditure commitments were also entered into to an amount of €141 million. Revenue amounted to €89 million.

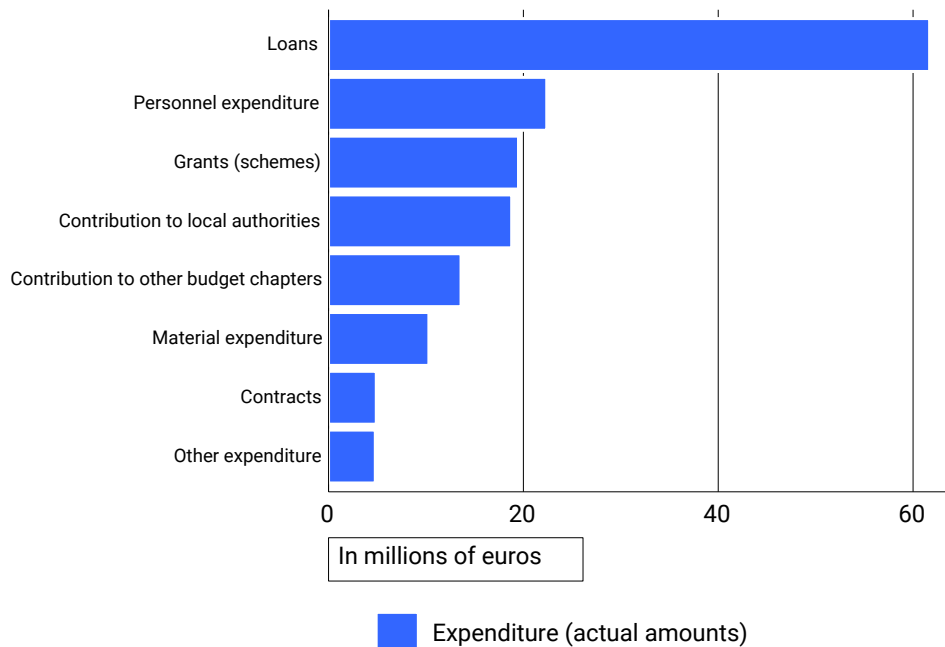
**Table 1 Kingdom Relations (IV) in millions of euros**

	2021	2022	2023
Expenditure commitments	930	187	141
Expenditure	793	375	156
Revenue	52	104	89

Expiry of a loan to Aruba in 2023 prompted the decline in expenditure last year.

**Figure 1 Kingdom Relations expenditure in 2023**

**Most money from the KR budget is applied as loans**



The categorisation of financial instruments is based on information provided by the Ministry of Finance. The Court of Audit has not audited this information.

A significant proportion of Kingdom Relations' 2023 expenditure consisted of loans to the Caribbean countries. A large proportion of the grants was awarded to the Temporary Work Organization (TWO) for reforms on Aruba, Curaçao and St Maarten.

## 2.2 BES Fund

The BES Fund is comparable to the Municipalities Fund in the European Netherlands. It is awarded by the Minister of BZK as a general-purpose grant, not as a source of funding for specific policies. Table 2 summarises the BES Fund's expenditure commitments, expenditures and revenues.

**Table 2** *BES Fund (H) in millions of euros*

	2021	2022	2023
Expenditure commitments	52	67	88
Expenditures	52	67	88
Revenues	52	67	88

The increase in expenditure commitments and expenditures in 2023 was due chiefly to an increase in the general-purpose grant. The public bodies also received ad hoc funding from various ministries in order to implement the Nature and Environment Policy Plan for the Caribbean Netherlands and to combat poverty.



# 3.

## Financial information

This chapter discusses our findings on the financial reporting information in the *Annual Report 2023* of Kingdom Relations and the BES Fund.

We express an opinion on both the regularity and the reliability and orderliness of the financial reporting information. A financial transaction, such as an expenditure, is *regular* if it meets relevant Dutch and European regulations. Transactions that do not meet these regulations are regularity errors. If it cannot be established whether a transaction meets the regulations, we refer to it as a regularity uncertainty.

Financial reporting information in the annual report is *reliable* if it reflects actual balances and transactions, such as expenditure commitments, expenditures and revenues. Information is orderly if it is prepared in an orderly manner.

We present our opinion on the *Annual Report 2023* at aggregate level in § 3.1 and at article level in § 3.2. This is consistent with parliament's right to approve the budget.

### **Summary financial opinion on the Annual Report 2023 on Kingdom Relations**



At aggregate level, the financial reporting information on Kingdom Relations in the *Annual Report 2023* satisfies the requirements set for it, and complies with the Government Accounts Act 2016 and the Central Government Budget Regulations.

## Summary financial opinion on the Annual Report 2023 on the BES Fund



At aggregate level, the financial reporting information on the BES Fund in the *Annual Report 2023* satisfies the requirements set for it, and complies with the Government Accounts Act 2016 and the Central Government Budget Regulations.

### 3.1 Opinion on the financial reporting information at aggregate level

#### 3.1.1 Kingdom Relations

This section presents our opinion on the financial reporting information at aggregate level.

At aggregate level, the financial reporting information on Kingdom Relations in the *Annual Report 2023* is:

- regular,
- reliable and orderly.

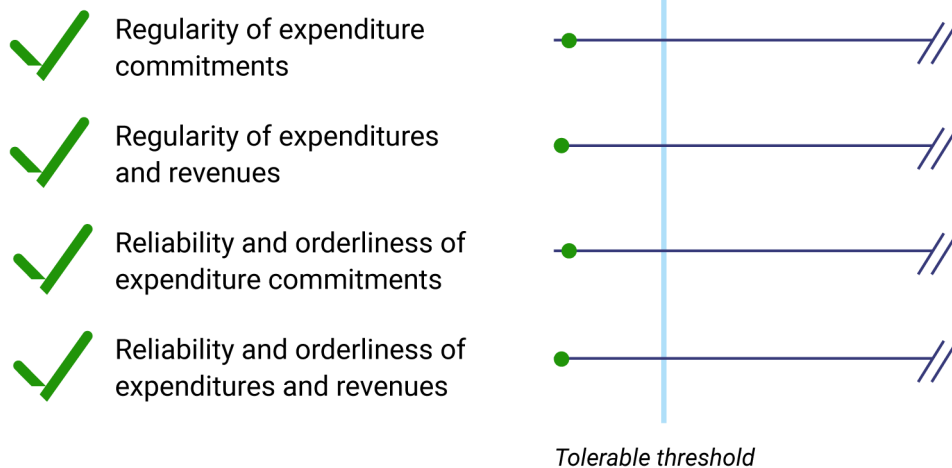
This opinion is subject to parliament's approval of the final budget act to reconcile all estimated expenditures, expenditure commitments and revenues from the Kingdom Relations budget (IV) with actual amounts.

We examined the following funds flows and financial balances:

- expenditure commitments,
- expenditures and revenues,
- trial balance,
- advance payments settled.

We applied a tolerable threshold for each of these amounts at aggregate level. If the amount of errors and uncertainties in a funds flow or financial balance was higher than the tolerable threshold we report that the limit has been exceeded. The figure below shows the funds flows and financial balances relative to the tolerable threshold (red and green dot respectively). Detailed information on the errors and uncertainties detected in expenditure commitments and in expenditures and revenues is presented in appendix 1.

### At aggregate level



### 3.1.2 BES Fund

This section presents our opinion on the financial reporting information at aggregate level.

At aggregate level, the financial reporting information on the BES Fund in the *Annual Report 2023* is:

- regular,
- reliable and orderly and is in accordance with the reporting standards.

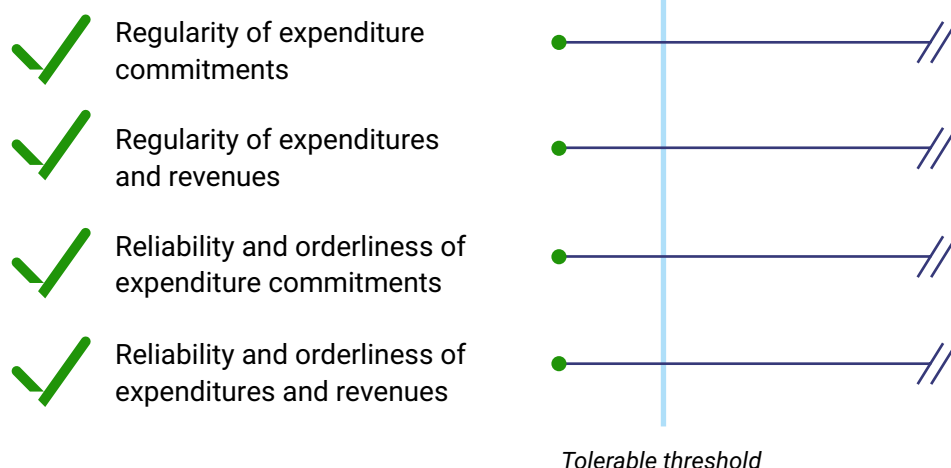
This opinion is subject to parliament's approval of the final budget act to reconcile all estimated expenditures, expenditure commitments and revenues from the BES Fund budget (H) with actual amounts.

We examined the following funds flows and financial balances:

- expenditure commitments,
- expenditures and revenues,
- trial balance,
- advance payments settled.

We applied a tolerable threshold for each of these amounts at aggregate level. If the amount of errors and uncertainties in a funds flow or financial balance exceeded the tolerable threshold we report that the limit has been exceeded. The figure below shows the funds flows and financial balances relative to the tolerable threshold (red and green dot respectively).

### At aggregate level



## 3.2 Opinion on the financial reporting information at article level

### 3.2.1 Kingdom relations

This section presents our opinion on the financial reporting information at article level.

At article level, the financial reporting information on Kingdom Relations in the *Annual Report 2023* is:

- regular;
- reliable and orderly and is in accordance with the reporting standards.

### 3.2.2 BES Fund

As the BES Fund consists of 1 article, for our opinion at article level we refer to our opinion at aggregate level in § 3.1.2.

# 4. Operational management

This chapter discusses our findings on operational management. We briefly describe changes since 2022 and consider several significant developments in operational management (§ 4.1). We then express an opinion on those parts of operational management that we investigated (§ 4.2). In the following sections, we consider the resolved shortcomings in more detail and look at key risks and considerations. We close the chapter with our findings on the preparation of the operational management information that the minister of BZK provides in the *Annual Report 2023* (§ 4.5).

## 4.1 Developments in operational management

### **National Office of the Caribbean Netherlands**

The public bodies of Bonaire, St Eustatius and Saba are constituent parts of the European Netherlands. The islands implement policies and projects financed by central government ministries. The Minister of BZK is tasked with coordinating government-wide measures in the Caribbean Netherlands and promoting overall policy coherence (Netherlands Court of Audit, 2021). Ministries are represented in the Caribbean Netherlands by units of the National Office of the Caribbean Netherlands (RCN). RCN acts as a link between central government and the islands. SSO-CN, an RCN unit, supports the ministries in the Caribbean Netherlands by providing facilities, ICT, personnel services, etc. The Court of Audit has been critical of SSO-CN's performance for several years. This year we found that SSO-CN had made good progress in 2023 by taking measures to improve information security and IT management and that the quality of procurement management was satisfactory.

### Minister of BZK's coordinating role

Under section 211.1 of the Public Bodies (Bonaire, St Eustatius and Saba) Act (WolBES), the Minister of BZK is responsible for coordinating government policy in the Caribbean Netherlands. In other words, the minister is responsible for policy coherence and policy ministers are responsible for the formulation of their own policies. In practice, the Minister of BZK has to plot a delicate course between the ministries' individual responsibilities and his own responsibility for the effectiveness and efficiency of government policy in the Caribbean Netherlands as a whole. To succeed, he has to rely on the willingness of other ministers because they implement government policy in the Caribbean Netherlands. We also see that money alone is not always the answer. Policy ministries often make ad hoc investments but their budgets do not provide for long-term upkeep. An example of this that we draw attention to is the funding of the Nature and Environment Policy Plan (NMBP). The coalition agreement provides €35 million over 4 years but funds have not been reserved for subsequent years.

## 4.2 Opinion on operational management

This section presents our opinion on Kingdom Relations' operational management.

Those parts of Kingdom Relations' operational management that we examined satisfied the applicable requirements in 2023.

### Shortcoming at Kingdom Relations and in the BES Fund

Resolved shortcoming	2020	2021	2022	2023
1. IT management, SSO-CN		✗	✗	✓

✗ Shortcoming

✗ Severe shortcoming

✓ Resolved: measures taken to resolve shortcoming have worked

▶ The minister made progress in the past year to resolve the shortcoming

|| The minister made little progress in the past year to resolve the shortcoming

## 4.3 Resolved shortcomings

### 4.3.1 Improvement in SSO-CN's IT management and information security

The Minister of BZK improved information security at Shared Service Organization Caribbean Netherlands (SSO-CN) in 2023; information security had been raised to a satisfactory level by the end of 2023. IT management in general had also been improved and was effective in 2023.

Information security protects a government organisation's operational management from ransomware, cyber espionage and other digital threats. Information security at ministries and other government bodies must meet the standards of the Civil Service Information Security Baseline (IBO).

IT management in general ensures that IT processes work correctly, that data are reliable and treated in confidence and that applications are available. This is achieved by means of general IT controls (GITCs).

We have referred to SSO-CN's information security as a shortcoming since the 2014 Accountability Audit. In our 2021 Accountability Audit we placed our information security findings in the wider context of IT management, in which there had also been shortcomings. Last year, the process to access IT systems (user administration) was not yet in order and we could not determine whether IT management functioned correctly.

#### *Information security in order*

We found improvements in all the aspects of information security that we examined in 2023. For example, management documentation was in order, the multiyear information security plan had been completed and risk management policy had been finalised. With the measures taken in 2023, SSO-CN has raised information security to an appropriate level.

#### *Satisfactory improvements in IT management*

The architecture of some of the general IT controls was improved last year. We saw significant progress in change management and password management. There were still certain shortcomings in other areas, however, especially in user control. The GITCs were effective in 2023, with 1 exception: user control was effective as from 1 October 2023. User control in the SAP application was not effective. This was because far too many user rights had been granted. The shortcomings in SAP did

not lead to irregular payments or other irregularities, but excessive user rights were quickly withdrawn (most at the end of 2023, the remainder in January 2024). This finding therefore does not detract from our opinion that IT management has improved.

#### *SSO-CN has made good progress*

We conclude that SSO-CN made good progress in 2023 implementing recommended improvements. The shortcomings we had previously found in information security and IT management have been completely eliminated. We consider the shortcomings to be resolved.

## **4.4 Significant operational management risks and considerations**

### **4.4.1 Little progress in SZW unit's financial management of benefit payments**

The SZW unit's financial management of benefit payments in the Caribbean Netherlands is still not in order. This is a persistent problem. The unit provides social insurance and other benefits on behalf of the Ministry of Social Affairs and Employment (SZW). We found a modest improvement last year. A plan has been drawn up to tackle the problems systematically. More people have been appointed to implement the plan. This is a promising development. To raise financial management to an acceptable level, the Ministry of SZW must continue its efforts and step up the pace. Structural improvements will ultimately increase the regularity of benefit payments in the Caribbean Netherlands. This is also highlighted in our *Report on the Annual Report 2023 of the Ministry of Social Affairs and Employment* (Netherlands Court of Audit, 2024).

### **4.4.2 SSO-CN's procurement management in order**

The policy and implementing organisations active on Bonaire, St Eustatius and Saba are often supported by the Shared Service Organization Caribbean Netherlands (SSO-CN). SSO-CN provides a wide range of services and supports processes in the fields of P&O, finances, procurement, accommodation, facility services, communication and IT.

#### *Local procurement strengthens local economy*

As a government agency, SSO-CN is part of the government-wide procurement system. In the system, procurement managers prepare framework agreements for a variety of categories, from work clothes to transport and accommodation. Procurement through a framework agreement is not obligatory. SSO-CN encourages local procurement, partly because it creates jobs in the Caribbean Netherlands. If an organisation like SSO-CN did not procure locally it would damage the local economy. Certain procurement packages



have little if any competition in the Caribbean Netherlands as only a handful of businesses are in a position to tender for contracts. Local procurement sometimes clashes with the principle of non-discrimination laid down in the Public Procurement Act 2012 because Dutch and European businesses are not invited to submit tenders. However, local procurement is fully in keeping with the proportionality principle: the contractor's choice is proportionate to the nature of the contract award.

#### *SSO-CN implements the key controls set for procurement management*

We checked a number of key controls of procurement management for compliance with contract laws and regulations, such as correct and complete contract register, performance of periodic spend analyses and the organisation of internal control. We found that internal controls inadequately clarified which laws and regulations applied to a procurement. Given the grounds for exception, such as local procurement as referred to above, it should be specifically stated when a procurement contract can depart from laws and regulations. SSO-CN works in a complex environment procuring goods and services for many organisational units; its procurement officers continuously have to balance efficiency against regularity. Legal advice and assistance from the director responsible for coordination in the Ministry of BZK's procurement unit would help the officers strike the right balance.

## **4.5 Preparation of operational management information**

This section presents the results of our examination of the preparation of operational management information.

We checked the reliability of the preparation of operational management information on Kingdom Relations in the *Annual Report 2023*. We found no indication that preparation of the information had not been reliable.

We also examined whether operational management information was consistent with financial reporting information. We concluded that operational management information was consistent with financial reporting information.

# 5.

# Policy outcomes

This chapter considers the findings of our audit of the Minister of the Interior and Kingdom Relations' policy outcomes. For the Accountability Audit, we investigated the theme of 'additional funds'. In § 5.1 we look at the additional funds awarded to the Caribbean Netherlands since the 2021 coalition agreement. In § 5.2 we report our findings on additional funds in the CN envelope. Overarching findings on additional funds are presented in *State of Central Government Accounts 2023*. We then look back at previous audits (§ 5.3) before closing this chapter with our audit findings on the preparation of operational management information in the *Annual Report 2023* of Kingdom Relations and the BES Fund in § 5.4.

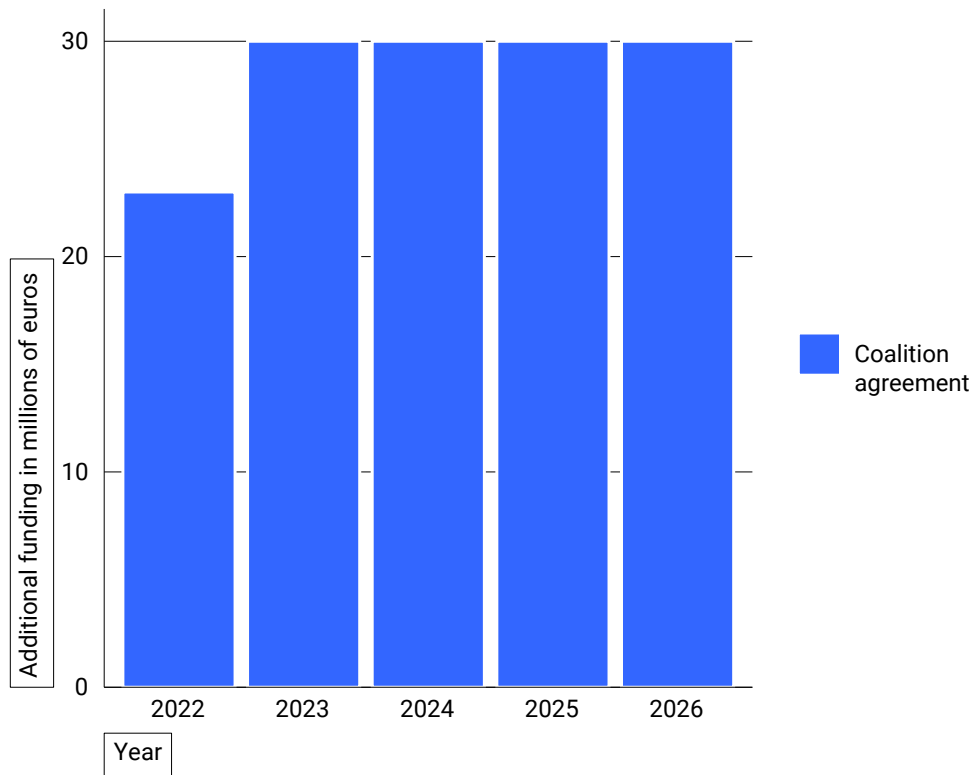
## 5.1 Insight into additional funding

Policy results are the outcome of human and financial resources. The government has provided the Caribbean Netherlands with additional funding for these resources. Agreements on the use of the additional funds were made in the 2021 coalition agreement. We investigated how the additional funds had been spent.

The figure below shows how Kingdom Relations allocated the additional funds.

**Figure 2** Additional funds provided by the fourth Rutte government (2022-2026)

As from 2023 the Caribbean Netherlands will receive €30 million in additional funding on a structural basis



Additional funding from the coalition agreement is not usually added directly to the relevant ministry's budget. It is first reserved as a supplementary item in the Ministry of Finance's budget for measures that still have to be formulated. A ministry then makes a reasoned expenditure proposal to the Ministry of Finance. If the proposal meets with the Ministry of Finance's approval, the funds are transferred to the relevant ministry's budget. The table below shows the outcomes of the additional funding that the Minister of BZK reported to parliament.

**Table 3** Outcomes of the additional funding reported by the Minister of BZK (amounts in 2022 + 2023 in millions of euros)

Measure/goal	Source	Recognised as Supplementary Item for 2022 and 2023	Transferred to BZK budget for 2022 and 2023	Outcome/application reported by minister
CN envelope	Coalition agreement	€53	€53	Additional funding for existing resources and projects.

The section below considers the CN envelope’s policy outcomes.

## 5.2 CN envelope’s additional funding

For this year’s Accountability Audit, we examined the Minister of BZK’s policy on the CN envelope. The minister’s objective is to have the CN envelope boost living standards in the Caribbean Netherlands. It is an instrument to reach Sustainable Development Goal 1: no poverty.

### 5.2.1 Impact of additional funding difficult to isolate

The Caribbean Netherlands consists of 3 islands that have been constituent parts of the Netherlands as public bodies since 2010: Bonaire, St Eustatius and Saba. In the coalition agreement of the fourth Rutte government (VVD, D66, CDA and Christian Union, 2021), the governing parties agreed to invest an additional €30 million per annum in the Caribbean Netherlands. The government set 3 main goals: a stronger labour market on the islands, orderly financing of the public bodies’ basic services, and more affordable living standards. The coalition agreement did not quantify the goals.

The €30 million for the Caribbean Netherlands (the ‘CN envelope’) are in addition to the overall government funding in place since 2022-2023. The joint expenditure in the Caribbean Netherlands of all ministries (totalling €546 million in 2023) plus the BES Fund (€87 million in 2023 (BZK, 2024a)).

The additional funding has been spent on a variety of initiatives and projects in the Caribbean Netherlands. We investigated the 3 largest projects that had concrete, measurable goals. We conclude that the projects contributed as planned to the third main goal in the coalition agreement: more affordable living standards for the residents of the Caribbean Netherlands. In 1 case, the annual funding from the CN envelope had been applied to make an existing subsidy permanent.

We wonder whether the additional funding from the CN envelope has had an additional impact on top of existing plans and policies. We could not determine, for instance, whether the projects would have been carried out without additional funding from the CN envelope. Furthermore, we found that the Minister of BZK would not evaluate the contribution made by the additional investments from the CN envelope, despite pledging to do so in the 2023 and 2024 Kingdom Relations budgets (IV).

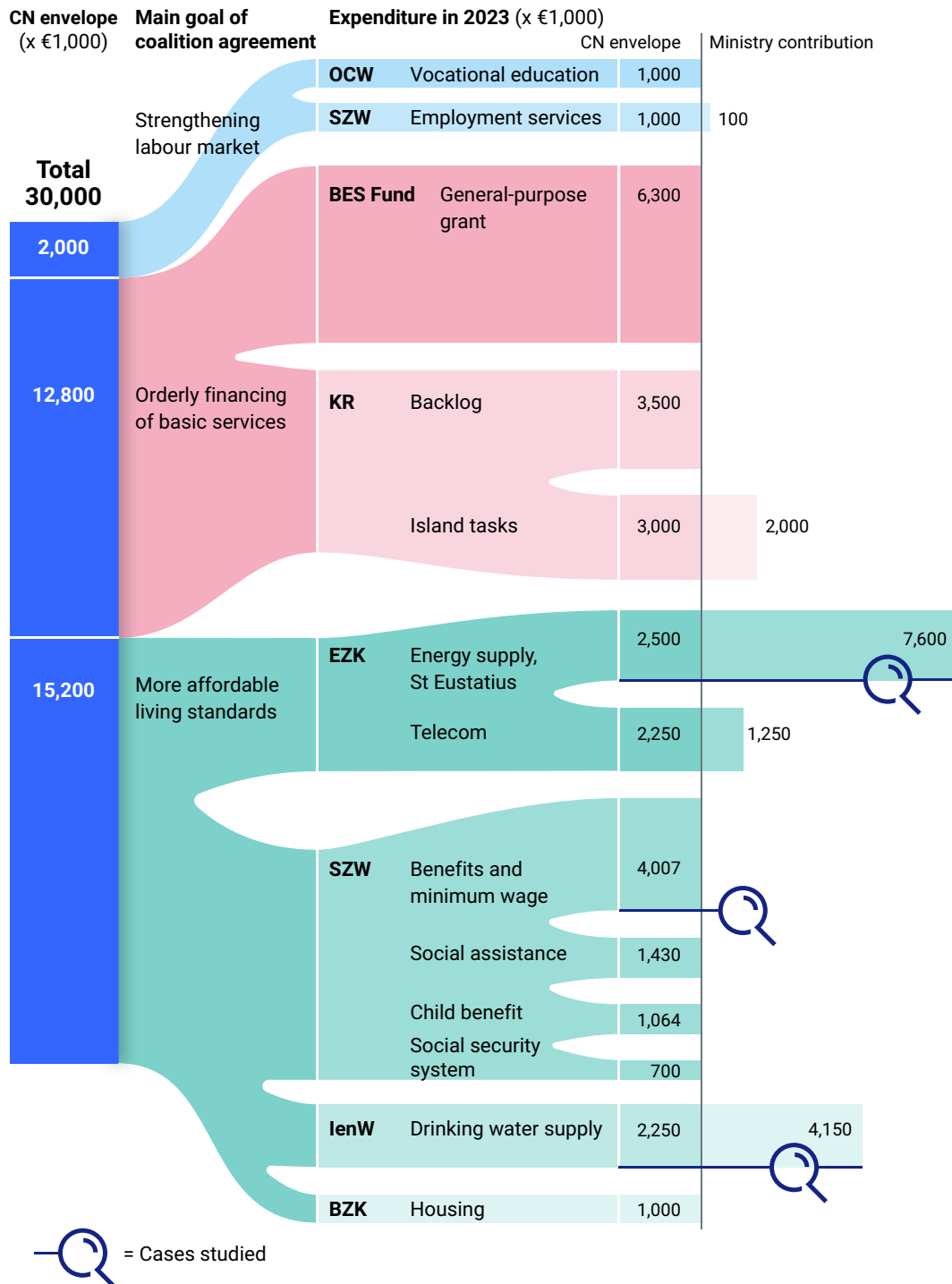
### **5.2.2 Additional funding allocated to 7 budgets**

At the beginning of 2022, the coalition agreement reserved €30 million in a supplementary budget item in order to achieve the government's ambitions in the Caribbean Netherlands. The Ministry of BZK is responsible for coordination of Kingdom Relations. In this capacity, he allocated the funds to several sub-budgets. The allocation was made in a series of rounds between the Ministry of BZK and other ministries entitled to funding from the CN envelope. Most of the money in the CN envelope was allocated to the priority themes of tackling poverty and increasing the general-purpose grant.<sup>2</sup> Smaller projects were also funded. Allocation of the €30 million is not static; in 2022 and 2023, for instance, one-off funding was provided for sustainability projects and from 2024 onwards the funds awarded from the CN envelope to the Ministry of SZW will increase year on year and will be supplemented with a contribution from SZW to boost incomes in the Caribbean Netherlands.

The €30 million in the CN envelope was ultimately allocated to 7 budgets and 13 projects.

**Figure 3** Expenditure from the CN envelope and supplementary funding from ministry budgets in 2023<sup>3</sup>

€12.8 million from the CN envelope was spent on orderly financing of basic services and €15.2 million on measures to make life more affordable



We studied the goals of 3 projects and asked whether the intended results had been achieved in 2023. The cases concerned the €2.5 million contribution to a sustainable energy supply on St Eustatius (EZK, 2022), the €2.25 million contribution to affordable drinking water by means of a reduced tariff (I&W, 2022), and the contribution of more than €4 million to increase the minimum wage and minimum benefits in the Caribbean Netherlands (SZW, 2022). In total, the projects we studied were awarded €8.75 million, nearly 30% of the CN envelope.

The projects were financed differently: sustainable energy and affordable drinking water were financed by means of grants to utility companies. The statutory minimum wage and minimum benefits were raised by means of direct payments to beneficiaries.

We conclude that these 3 projects achieved their goals and therefore contributed to making life more affordable in the Caribbean Netherlands (see § 5.2.4).

### **5.2.3 Ministry contributions reduce insight into impact of CN envelope**

As the €30 million envelope was allocated to 13 projects, individual ministries received relatively little. The Minister of BZK also wanted the CN envelope's allocation to have an impact that would not be achieved without additional funding. He therefore asked the other ministries to top up the project funding allocated to them with contributions from their own budgets. More money was therefore available for the projects to make a telling contribution to the CN envelope's goals.

In other words, additional funding from the CN envelope challenged the ministries active in the Caribbean Netherlands to make their own investments in new projects. The CN envelope's leveraging of even more money is a welcome development, but the ministries' contributions were mixed in with the investments made under the coalition agreement. This makes it difficult to isolate the additional impact of the CN envelope.

### **5.2.4 Projects contribute to the CN envelope's goals**

An expenditure plan was drawn up for every project funded from the CN envelope. The expenditure plans did not have a prescribed form. The plans for the 3 projects we studied contained all the elements we use to assess expenditure plans. We found that the projects implemented by the Ministries of SZW, Information and Water Management (I&W) and Economic Affairs and Climate Policy (EZK) did indeed help achieve the CN envelope's goal of making life more affordable.

The Ministry of SZW achieved its goal of raising the minimum wage and minimum benefits according to plan. On Bonaire, the SZW unit is responsible for benefit payments. Our Accountability Audit revealed that there had been a shortcoming in this unit's financial management for many years. See also § 4.4.1.

The Minister of I&W applied the funds awarded for affordable drinking water to reduce the cost of drinking water for all residents of the Caribbean Netherlands. Locally-produced water was grant-funded and sold below cost. However, not all residents use mains water. On St Eustatius, for instance, only 40% of homes are connected to the mains supply. On Saba, a lot of bottled drinking water is imported and relatively little use is made of locally-produced drinking water.

Our study of the allocation of the CN envelope indicates that all projects funded in full or in part from the envelope probably contributed to one or more of the goals.

### **5.2.5 BZK does not evaluate additional funding from the CN envelope**

In April 2022 the House of Representatives submitted a motion calling on the Minister of BZK not to award funds from the CN envelope to projects that were already covered by ministers' regular budgets (Van den Berg and Kuiken, 2022). The House also called for the Ministry of BZK to draw up an integrated plan to manage the funds' expenditure. We found that the calls had not been met as the House had intended.

As the coordinating minister, the Minister of BZK informed the House in the 2023 and 2024 budgets that the effectiveness of all investments made from the CN envelope would be evaluated (BZK, 2022; BZK, 2023b). But the plans for a full evaluation never materialised. This does not mean there were no policy-based evaluations of projects funded from the CN envelope. 2 reports issued in 2023 contained detailed evaluations of the projects to tackle poverty and increase the minimum income on the one hand and the amount of the general-purpose grant on the other (IdeeVersa, 2023; Social Minimum Committee, 2023).<sup>4</sup> The ministries themselves also evaluate projects as a whole, including the additional funding from the CN envelope.

The evaluations give an impression of the impact of government policy in the Caribbean Netherlands as a whole but do not cast light on the effectiveness of the additional funding from the CN envelope. This is noteworthy given the additional investments the government is making in 2024. As from 2024, the government will invest an additional €30 million in the Caribbean Netherlands in order to improve living standards; as from 2025 the amount will rise to €32 million. Furthermore, €15 million has been awarded to St Eustatius and Saba in the form of 2 *Regio Deals*.



### 5.2.6 Conclusions and opinion

The 3 projects in our case studies were funded in part from the CN envelope. They had a positive impact on the affordability of life for residents of the Caribbean Netherlands (one of the CN envelope's goals). Based on the allocation of the CN envelope, in which each project's goals and target groups were defined in expenditure plans, all 13 projects funded in part from the CN envelope probably made a positive contribution to 1 or more of the CN envelope's goals.

We wonder, however, whether the additional funding from the CN envelope had an additional impact on top of existing plans and policies. The House of Representatives had specifically asked for this in the Van den Berg-Kuiken motion (Van den Berg and Kuiken, 2022). We cannot determine whether or not the 3 projects would have been carried out without funding from the CN envelope. The coordinating Minister of BZK, moreover, did not fully assess and/or evaluate the effectiveness of the additional investments from the CN envelope, as the House of Representatives had asked. Without this insight, lessons cannot be learned and future investments may be less efficient.

#### Opinion on policy outcomes

Our audit assessed whether the minister's policy met the applicable criteria. We express an opinion on a 5-point scale: good, adequate, poor, worrying, very worrying.

In our opinion, policy on the additional funding in the CN envelope is moderate.

#### Opinion



## 5.3 A lookback

### 5.3.1 Special purpose grants awarded to the Caribbean Netherlands

In 2021 we published an audit report entitled *Special purpose grants awarded to the Caribbean Netherlands*, in which we concluded that the Minister of BZK's efforts to strengthen the coherence of government policy in the Caribbean Netherlands and promote the public bodies' policy freedom were inadequate. We found shortcomings in the oversight of the special purpose grants' regularity, effectiveness and efficiency.

The special purpose grants provided more funding than the islands could spend. Earmarked money was therefore recognised in the accounts as surpluses, which the islands were unable to spend as they wished (Netherlands Court of Audit, 2021).

The Minister of BZK has taken giant strides in the past 3 years to improve coordination. Administrative agreements, for instance, have been made with the 3 islands. They include detailed arrangements on the division of island tasks and government tasks. Thanks in part to funds from the CN envelope, moreover, the general-purpose grant for all 3 public bodies has been increased. The Minister of BZK has thus strengthened the islands' policy freedom and reduced their reliance on ad hoc funding.

### **5.3.2 Intervention on St Eustatius**

Many of the problems outlined in *Special purpose grants awarded to the Caribbean Netherlands* (Netherlands Court of Audit, 2021) were still present on St Eustatius in 2022. For the 2022 Accountability Audit of Kingdom Relations, we investigated the progress of the administrative intervention on St Eustatius for the second time. When we published the *Report on the Annual Report 2022 of Kingdom Relations and the BES Fund* (Netherlands Court of Audit, 2023), the island council and island executive had just regained their financial powers subject to commitments to carry out financial reforms. We concluded that the criteria set for the restoration of the right to approve the budget had not been demonstrably met and that a lot of work still had to be done before they would be.

Stages 3.0 and 3.1 of the intervention on St Eustatius have now been completed. The island executive has regained its right to approve the budget and all other administrative powers have been transferred to the newly appointed Governor. The Minister of BZK assumes that the island executive's gross negligence of duty, which had initially led to the intervention, is largely a thing of the past. The Minister of BZK has not clarified, however, whether all criteria stipulated in the St Eustatius Provisions Restoration Act have been met (BZK, 2024b).

With the transfer of administrative powers, the Minister of BZK made a new agreement with St Eustatius on the division of administrative tasks between central government and the public body of St Eustatius. The Ministry of BZK will remain involved in affairs on St Eustatius and will continue to support the island. The general-purpose grant was increased in 2023, by \$1.8 million, and more money is available to perform island tasks and improve opportunities to put plans into practice (BZK, 2023c).

## 5.4 Preparation of policy information

This section presents our findings regarding the preparation of policy information.

We investigated whether the policy information in the *Annual Report 2023* of Kingdom Relations and the BES Fund had been prepared in a reliable manner.

The audit revealed no findings suggesting that preparation had not been reliable.

We also investigated whether policy information was consistent with financial reporting information. We conclude that policy information is consistent with financial reporting information.

# 6. Response of the minister and the Court of Audit's afterword

The Minister of BZK responded to our draft report, also on behalf of the State Secretary for Kingdom Relations and Digitalisation, on 25 April 2024. We summarise his response in this chapter. His full response is available (in Dutch) at [www.rekenkamer.nl/verantwoordingsonderzoek-2023](http://www.rekenkamer.nl/verantwoordingsonderzoek-2023). We close this chapter with our afterword.

## 6.1 Response of the Minister of the Interior and Kingdom Relations

The minister received our audit findings with great interest and responded to the conclusions and our findings on operational management, policy outcomes and the lookback. We have summarised his response below.

### **Operational management: coordination function of the Minister of BZK**

The Minister of BZK recognises the challenges we describe regarding the coordination of government policy in the Caribbean Netherlands. He concludes that the government has significantly strengthened the coordination function during its current term of office. At the same time, he also recognises the gap we describe between the policy ministries' responsibilities and BZK's coordination of central government policy. He is not convinced that an increase in the state secretary's responsibility would on balance improve government policy. The minister suggests that the Periodic Report (formerly known as the policy review) on article 4, Kingdom Relations, could pay specific attention to BZK's role in relation to the Caribbean part of the Kingdom (for instance by means of an additional review question).

### **Policy outcomes: CN envelope's additional funds**

The Minister of BZK says he was pleased to read that the 3 projects funded from the CN envelope that we audited had had a positive impact on the affordability of life for the residents of the Caribbean Netherlands. In general, he recognises himself in our comments. The minister is convinced that, thanks to funding from the coalition agreement, steps have been taken that otherwise would not have been. The boost from the fourth Rutte government's coalition agreement has increased both the general-purpose grant and the various benefits to previously unthinkable levels. The Minister of BZK also writes that a separate full evaluation of the funds in the CN envelope from the fourth Rutte government's coalition agreement is no longer meaningful because substantial sums have since been provided for the themes in the CN envelope. The minister admits that it is important to keep monitoring the main themes. In concrete terms, he writes that he will continue to monitor the measures taken by the government in response to the report issued by the Social Minimum Committee for the Caribbean Netherlands. Additionally, the minister says he will establish a maintenance system for the BES Fund comparable to the IV3 system for the Municipalities Fund.

Finally, the minister agrees with our conclusion that it is difficult to isolate the additional impact of the additional funding from the CN envelope because ministerial funding has been mixed in with the additional investments made under the coalition agreement. Besides the leverage effect, the reason for the ministerial contributions, according to the Minister of BZK, is to ensure that the CN funding is not spent on measures that might have been taken without the additional funding.

### **Lookback**

The Minister of BZK writes that the general-purpose grant was increased in the spring memorandum in order to reduce the countries' dependence on ad hoc funds and increase their policy freedom. The minister wishes to continue along these lines.

The minister also notes that the state secretary concluded in the explanatory memorandum to the royal decree of 13 March 2024 regarding the effective date of the provisions of section 16 of the Provisions Restoration (St Eustatius) Act that the criteria had been met in order to implement phases 1.0 to 2.2 and it could thus be concluded that gross neglect of duty on St Eustatius had come to an end and it was to be expected that the Governor could continue the progress already achieved and fulfil her duties and powers correctly.

## 6.2 Court of Audit's afterword

We welcome the Minister of BZK's suggestion that the Periodic Report (formerly the policy review) on article 4, Kingdom Relations, will pay specific attention to BZK's role in relation to the Caribbean part of the Kingdom (for instance by means of an extra review question).

The minister is pleased that the 3 projects funded from the CN envelope have had a positive impact on the affordability of life for the residents of the Caribbean Netherlands. We do indeed conclude that the 3 projects probably contributed to the government's goals. It is unsatisfactory, however, that the government and parliament have provided an additional €30 million but do not know what impact it has had.

We agree with the importance of monitoring the main themes, for instance the social minimum committee in the Caribbean Netherlands. We will continue to follow the establishment of a maintenance system for the BES Fund with interest.

The minister writes that the explanatory memorandum to the royal decree of 13 March 2024 regarding the effective date of the provisions of section 16 of the Provisions Restoration (St Eustatius) Act confirms that the criteria in the Act have been met. We find, however, that the public body's administrative organisation and internal control system will have to be strengthened further in the years ahead. We note that public administration on St Eustatius is vulnerable and improvements in financial management are still fragile. We therefore urge the minister to remain involved in the administration of St Eustatius and continue to extend a helping hand.

# Appendices

## Appendix 1 Kingdom Relations, errors and uncertainties in 2023

This appendix presents an infographic on the errors and uncertainties detected at aggregate level and at article level. With this information, we can express an opinion on the expenditure commitments, expenditures and revenues in Kingdom Relations' *Annual Report 2023*.

[www.rekenkamer.nl/verantwoordingsonderzoek-2023](http://www.rekenkamer.nl/verantwoordingsonderzoek-2023) presents a statement of all amounts audited and the errors and uncertainties we found in:

- expenditure commitments;
- expenditures and revenues;
- trail balances;
- settled advances;
- departmental agencies.

The infographic shows our opinion on 2 criteria: *regularity* and *reliability and orderliness*. The figure has the following elements:

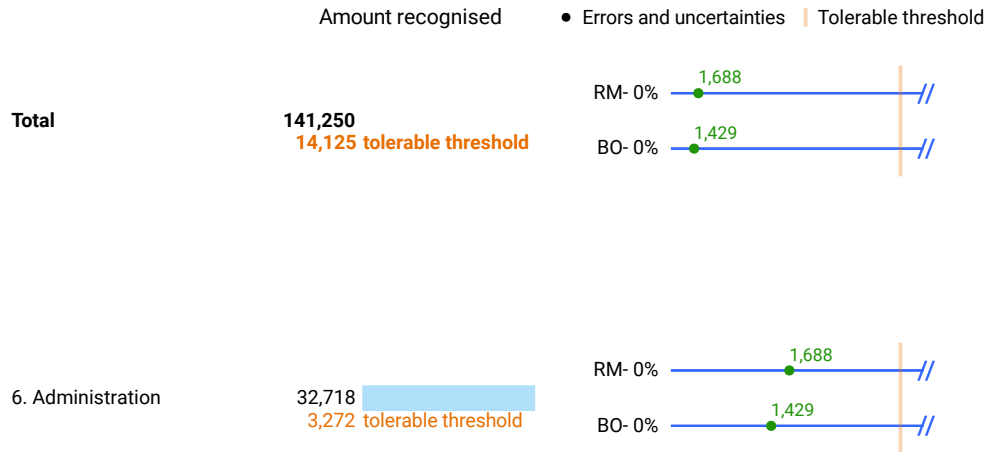
- Errors and uncertainties in the aggregate accounting statement are shown at the top.
- Budget articles with the highest proportion of detected errors and uncertainties are shown at the bottom. Budget articles in which we found no errors or uncertainties are not included in the infographic. The total amount at aggregated level is shown as well as the total amount recognised per budget article.

- The vertical dashed orange line represents the tolerable threshold.
- The light blue bar illustrates the financial size of the budget article relative to the total amount per budget.

**Kingdom Relations (IV)**

**Expenditure commitments**  
In thousands of euros

Regularity (RM)  
Reliability and orderliness (BO)





## Appendix 2 About the Accountability Audit

Our annual Accountability Audit examines the annual reports that ministers in the Netherlands submit to parliament on Accountability Day. We also audit the ministries' operational management and policy outcomes in each financial year. We record our findings and conclusions on the audits in a report on each annual report (section 7.14 (1), Government Accounts Act 2016).

We carry out our audits in accordance with the International Standards of Supreme Audit Institutions ('ISSAIs'). These standards are part of the INTOSAI Framework of Professional Pronouncements (IFPP; see <https://www.issai.org>). Our use of the ISSAIs takes account of the accounting rules and the design of the audit system in the Netherlands, in which the government's internal auditor, the Central Government Audit Service (ADR), issues an audit report on the annual reports. In accordance with the Government Accounts Act 2016, the Court of Audit basis its opinion wherever possible on the results of the ADR's work.

This appendix describes how we carry out our Accountability Audit. A detailed methodology of the audit is available (in Dutch) at [www.rekenkamer.nl/verantwoordingsonderzoek-2023](http://www.rekenkamer.nl/verantwoordingsonderzoek-2023).

### Financial information

The financial reporting information we audit consists of the central government account and central government trial balance in the *Central Government Annual Financial Report* and the annual reports prepared by the ministries (section 7.12 (1) (c), Government Accounts Act 2016). The Minister of Finance is responsible for the preparation of the *Central Government Annual Financial Report* (section 2.29 (3), Government Accounts Act 2016). The minister is responsible for the preparation of the ministry's own annual report (section 2.29 (2), Government Accounts Act 2016). The contents of the annual reports are stipulated in the Central Government Budget Regulations.

We audit whether:

- financial reporting information in the central government account and the central government trial balance is consistent with financial reporting information in the finance statements and trial balances in the ministries' annual reports (section 3.8 (2), Government Accounts Act 2016);
- financial reporting information in the ministries' annual reports meets statutory standards.

Based on our audit, we issue a statement of approval on the central government account and central government trial balance (section 7.14 (2), Government Accounts Act 2016). This statement is a precondition for parliament to discharge the ministers from liability for their financial management (section 2.40 (2), Government Accounts Act 2016).

We include the statement of approval in our report, *State of Central Government Accounts 2023*. *State of Central Government Accounts* also includes a review of the year audited. Our financial opinions are expressed by the Court of Audit's Board and are not equivalent to audit opinions expressed by an auditor. We can add a note to our report if we raise and maintain an objection in respect of financial management, material operational management or the reports related to them (section 7.22 (6), Government Accounts Act 2016).

The ADR audits all the annual reports of the ministries, funds and other budget chapters and issues separate audit reports on them. To organise the audit system as efficiently as possible and avoid double audit burdens, we make as much use as possible of the ADR's work when auditing the financial information (financial audit). We establish whether the ADR's audit work was carried out correctly and whether its findings led to the right conclusions. To this end, we review the ADR's audit and carry out additional checks of our own. Our tasks and the formulation of our opinion are laid down in the Government Accounts Act.

The Court of Audit expresses opinions on reliability, orderliness and regularity at aggregate level and at article level. Our opinions provide details on significant errors and uncertainties. An error or uncertainty can be significant on one of two grounds:

- the financial amount concerned, if the error or uncertainty is higher than the tolerable threshold;
- the nature of the error, regardless of the financial amount.

### **Operational management**

At each ministry, we audit:

- the orderliness and auditability of budget management (section 3.2, Government Accounts Act 2016);
- the efficiency, regularity, orderliness and auditability of financial management (section 3.3, Government Accounts Act 2016);
- the efficiency, regularity, orderliness and auditability of the acquisition, management and disposal of material resources (section 3.4, Government Accounts Act 2016);

- whether financial records are structured and kept in such a way as to be reliable and auditable (section 3.5, Government Accounts Act 2016);
- whether other aspects of operational management, such as information security, IT management, management control, oversight and supervision, meet applicable standards;
- whether non-financial reporting information relating to operational management meets the standards for reliable preparation, and does not conflict with financial reporting information (section 3.9, Government Accounts Act 2016).

The requirements that operational management must meet are worked out in secondary legislation and/or in assessment frameworks drawn up by the Court of Audit or other organisations. Where relevant, we state which standards framework we apply.

Assessment frameworks for shortcomings in IT management are audit-specific and differ per aspect of IT management covered by the Accountability Audit. In most cases, general IT controls (GITCs) are applied, whereby we, like the ADR, base the standards framework on the GITC framework. The GITC framework comprises an extensive set of standards for 6 aspects of IT management: change management, password management, user controls, security of components, back-up & recovery, and data manipulation/data fixes. Standards in the GITC framework can be supplemented with standards from professional practice, such as those included in the study report, *General management of IT services*, issued by NOREA, the professional association of IT auditors. The GITCs applied must be effective as to their structure, existence and operation.

We do not audit all aspects of operational management every year. Instead, we make a selection based on risk analysis and periodicity. If our audit detects a shortcoming in operational management, we report it as a shortcoming or serious shortcoming. Our reports provide information not only on shortcomings but also on significant risks and considerations.

We also report on the findings of our audits of the preparation of operational management information. We check the reliability of the information's preparation, more specifically the preparation process rather than the information itself.

Our Accountability Audit also examines whether or not operational management information conflicts with financial reporting information. The work we perform for our audit of the preparation of operational management information is summarised at [www.rekenkamer.nl/verantwoordingsonderzoek-2023](http://www.rekenkamer.nl/verantwoordingsonderzoek-2023).

## Policy outcomes

Our audit of policy outcomes focuses on whether citizens receive value for money and whether ministers inform parliament appropriately about policy outcomes. The selection of policy fields for our audit is based on risk analysis and societal relevance.

We audit:

- the effectiveness and efficiency of policy (section 7.16, Government Accounts Act 2016);
- whether non-financial reporting information meets the standards for reliable preparation and does not conflict with financial reporting information (section 3.9, Government Accounts Act 2016).

We report on the outcomes of the additional funding provided by the fourth Rutte government in § 5.1. The sources of the figures are:

*Figure 2, Additional funds provided by the fourth Rutte government (2022-2026)*

Coalition agreement, introductory memorandum fourth Rutte government, appendix 3, table 31 supplementary item (pp. 54-57) and appendix 3 (pp. 31-53, 58) fourth Rutte government (2022); Corona: autumn memorandum 2022, table 3.2 (p. 119) Finance (2022c), autumn memorandum 2023 table 2.2 (p. 92) Finance (2023c), Budget Memorandum 2024 table 24.1 (p. 374) Finance (2023b); Ukraine autumn memorandum 2022 table 4.1 (p. 120) Finance (2022c), autumn memorandum 2023 table 3.1 (p. 93) Finance (2023c). Budget Memorandum 2024 table 23 (p. 372) Finance (2023b).

*Table 3, Results of the additional funding reported by the Minister of BZK (amount for 2022 + 2023 in millions of euros)*

As the table relates to the results achieved, it includes only what was planned and budgeted for 2022 and 2023. The amounts shown are taken from the sources given for the figure in the paragraph above. The results in the table are a summary of the result reported by the minister in public sources. We drew on the following sources: Autumn memorandum 2023, Annual Report 2023, Budget 2023, and *Progress letter, Administrative agreements Caribbean Netherlands, 23 March 2023*.

Our audit of the additional funds in the CN envelope (§ 5.2) checked whether the implemented policy met applicable standards. We determined the extent to which the additional funds provided under the coalition agreement had produced additional results. To this end, we studied 3 cases, asking the following 2 audit questions:

- How was the additional funding for the 3 cases we selected allocated from the CN envelope and how was the funding application underpinned?
- What goals did the ministers concerned think the additional funding would achieve and is it likely that those results were achieved?

We applied the following standards for the audit. They were agreed in advance with the organisations we audited:

- The Minister of BZK has made clear agreements with other ministers on the reporting information they must provide, and the Minister of BZK has relevant, transparent, valid and reliable information on the results achieved in a particular period.
- The Minister of BZK informs parliament in a timely manner, in full and correctly of the results achieved and the use of the additional funding.
- The amount of the additional expenditure is underpinned by an expenditure plan containing concrete SMART-C goals and a clear theory of change.
- The policy's target group is documented and defined as clearly as possible and all actors involved in policy implementation know what is expected of them.
- The expenditure plan includes a P\*Q calculation to underpin the required funding, and expenditure is incurred to implement new policy.
- Expenditure is incurred according to plan, the set goals were achieved and/or are being achieved as planned and the additional funding actually benefits the intended target group.

We studied written information and interviewed the parties concerned. The interviewees were people involved in policy preparation and/or implementation at the Ministries of BZK, SZW, I&W and EZK. We verified the oral information we received against written sources (triangulation). Information on actual progress was obtained from publications, reports and other written sources. We mirrored the agreements made by the ministries against information shared with the House of Representatives.

On this basis, we expressed an opinion: good, adequate, moderate, worrying, very worrying. To form the opinion, we determined the effectiveness and efficiency of the policy conducted and its outcomes for citizens and businesses, with due regard for the context. The context can be the societal importance of the consequences or whether the government faced an unexpected crisis. Where the context is important, we state what standards we apply.

Besides our audit of the efficiency and effectiveness of policy, we audit whether the policy information in the annual report is reliably prepared. We look chiefly at the following sections of the annual report:

- the non-financial section of the notes to the budget articles;
- the consideration of the policy conducted (policy report);
- the compulsory appendices.

We further determine in our Accountability Audit whether policy information conflicts with financial reporting information. The work we carried out for our audit of the preparation of policy information is summarised at [www.rekenkamer.nl/verantwoordingsonderzoek-2023](http://www.rekenkamer.nl/verantwoordingsonderzoek-2023).

## Appendix 3 Literature

BZK (2022). *Adoption of the budget statements of Kingdom Relations (IV) and the BES Fund (H) for the year 2023*. House of Representatives, session 2022-2023, 36 200 (IV), no. 2. The Hague, Sdu.

BZK (2023a). *Progress letter on administrative agreements for the Caribbean Netherlands*. House of Representatives, session 2022-2023, 36 200 (IV), no. 58. The Hague, Sdu.

BZK (2023b). *Adoption of the budget statements of Kingdom Relations (IV) and the BES Fund (H) for the year 2023*. House of Representatives, session 2023–2024, 36 410 (IV), no. 2. The Hague, Sdu.

BZK (2023c). *St Eustatius Agreement 2024-2027*. House of Representatives, session 2023-2024, Appendix to parliamentary paper 36 410 (IV), no. 34. The Hague, Sdu.

BZK (2024a). *Annual Report and Final Budget Act, Kingdom Relations and the BES Fund 2023*. House of Representatives, session 2023-2024, (IV) no. 1. The Hague, Sdu.

BZK (2024b). *Twelfth progress report on the intervention on St Eustatius*. House of Representatives, session 2023-2024, 36410 (IV), no. 40. The Hague, Sdu.

EZK (2022). *Adoption of the budget statements of the Ministry of Economic Affairs and Climate Policy (XIII) for the year 2023*. House of Representatives, session 2022-2023, 36 200 (XIII), no. 1. The Hague, Sdu.

Finance (2022a). *Spring memorandum 2022 of the Minister of Finance*. House of Representatives, session 2021-2022, 36 120, no. 1. The Hague, Sdu.

Finance (2022b). *Policy paper on the state of central government finances of the Minister of Finance*. House of Representatives, session 2022-2023, 36 200, no. 1. The Hague, Sdu.

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IdeeVersa (2023). *Final study report on island tasks and resources of the Caribbean Netherlands*.

I&W (2022). *Adoption of the budget statements of the Ministry of Infrastructure and Water Management for the year 2023*. House of Representatives, session 2022-2022, 36 200 (XII), no. 1. The Hague, Sdu.

Netherlands Court of Audit (2021). *Special purpose grants awarded to the Caribbean Netherlands*. House of Representatives, session 2021-2022, Appendix to parliamentary paper 35570 (VII), no. 103. The Hague, self-published.

Netherlands Court of Audit (2023). *Report on the Annual Report 2022 of Kingdom Relations (IV) and the BES Fund (H)*. House of Representatives, session 2022-2023. Appendix to parliamentary paper 36360 (IV), no. 2. The Hague, self-published.

Netherlands Court of Audit (2024). *Report on the Annual Report 2023 of the Ministry of Social Affairs and Employment (XV)*. The Hague, self-published.

Social Minimum Committee Caribbean Netherlands (2023). *A dignified existence: A social minimum that provides for a growing prospect of self-reliance*.

SZW (2022). *Adoption of the budget statements of the Ministry of Social Affairs and Employment for the year 2023*. House of Representatives, session 2022-2022, 36 200 (XV), no. 1. The Hague, Sdu

Van den Berg and Kuiken (2022). *Motion of MPs Van den Berg and Kuiken*, submitted during the joint committee BES debate, 23 March 2022. House of Representatives, session 2021–2022, 35 925 IV, no. 57.



VVD, D66, CDA and Christian Union (2021). *Coalition agreement Looking out for each other, looking ahead to the future*. The Hague, self-published.

**Laws and regulations**

Public Bodies (Bonaire, St Eustatius and Saba) Act. Act of 17 May 2020 regarding the public bodies of Bonaire, St Eustatius and Saba (WolBES).

## Appendix 4 Terms and definitions

### **Advance payment**

An advance payment is a prepayment for goods or services that must still be delivered. An advance payment can also be a prepayment on a grant, contribution or loan.

### **Annual report**

A minister reports on the policy conducted in a particular year in an annual report. Each annual report contains a policy report, an operational management section and annual accounts.

### **Budget fund**

A budget fund is a separate part of the central government budget that contains money for a specific purpose. Examples include the Municipalities Fund and the Provinces Fund. Central government awards municipalities and provinces money from these funds so that they can fulfil their duties.

### **Central Government Audit Service (ADR)**

The Central Government Audit Service is the internal auditor of central government. It audits the ministries' annual reports. The Court of Audit considers it to be an independent internal auditor. We rely on its work and use its findings in our Accountability Audit.

### **Central Government Budget Regulations**

The Minister of Finance draws up the Central Government Budget Regulations each year. They are the rules that central government budgets and annual reports must follow.

### **Departmental agency**

A ministerial entity that has more autonomy than other entities and keeps its own accounts, on an accruals basis, separately from the ministry's accounts. The minister remains responsible, however, for the budget and financial records.

### **Discharge**

Following Accountability Day, parliament approves the final budget act. By doing so it discharges the ministers from liability for financial management in the previous year.

## **Error**

We refer to an error if:

- the minister has not spent or received money in accordance with applicable laws and rules;
- the annual report discloses the source or application of money incorrectly or incompletely.

## **Expenditure commitment**

An expenditure commitment is an item of future expenditure, for which a minister has assumed a legal commitment.

## **Final budget variances**

The final budget act is the last act to be passed in the budget cycle. It reconciles budgeted expenditures, expenditure commitments and revenues with actual amounts. The final budget act is submitted to the House of Representatives at the same time as the annual report. See also Discharge.

## **Financial management**

A ministry's financial management comprises all decisions, acts and rules to manage the financial aspects of policy and operational management.

## **Financial reporting information**

The information in a ministry's annual report concerning financial aspects of policy and operational management.

## **Fraud**

Fraud is deliberate misrepresentation or unlawful appropriation of a financial or other benefit.

## **Government Accounts Act**

The Government Accounts Act regulates financial affairs within ministries and between ministries and parliament. It also lays down the tasks to be performed by the Court of Audit.

## **Guarantee**

A government guarantee is formal assurance that the government will fulfil certain conditions. It is a conditional financial commitment to a person or business. If a given situation or risk arises the government will make financial redress.

### **Information security**

The process of establishing the required security of information systems in terms of confidentiality, availability and integrity and the measures taken, maintained and managed by means of a coherent package of controls.

### **ISSAI (International Standards of Supreme Audit Institutions)**

The principles, standards and guidance issued by the International Organization of Supreme Audit Institutions (INTOSAI) to inspire and support supreme audit institutions. We carry out our audits in accordance with these standards.

### **IT management**

Internal control of key financial and non-financial systems.

### **Material management**

The maintenance and sustainment of a ministry's tangible and intangible assets. Material management begins the moment an asset is managed or taken into use and ends on its disposal.

### **Misuse and improper use**

Laws and regulations are misused when information is not disclosed on time or in full and as a result:

- a payment to the government is not paid in full or in part;
- a payment from the government is received erroneously;

Improper use is an action that agrees with the letter of the law but not the spirit.

### **Non-financial reporting information**

Information in an annual report on the non-financial aspects of policy and operational management.

### **Operational management**

Operational management relates to the organisation of a ministry's processes. It comprises all measures and procedures in place to ensure that a minister's policies are implemented as planned and revised where necessary.

### **Operational management section**

In the operational management section of an annual report, the minister reports on:

- whether budgeted funds were spent in accordance with the rules (regularly);
- the preparation of policy information;
- the conduct of financial management and material management;

- misuse and improper use, and the risk of fraud and corruption;
- other aspects of operational management, such as significant developments and improvements in operational management.

### **Orderly**

The figures in the annual report are orderly if the financial information was prepared in an orderly manner.

### **Policy information**

Policy information in the ministries' annual reports relates to the outcomes of policy, the measures taken to achieve them and what they cost. We also refer to policy information as non-financial information.

### **Preparation of information**

Information must be derived from files that are kept correctly, reliable accounting records and reliable third-party sources.

### **Regular**

A financial transaction, such as an expenditure, is regular if it satisfies applicable laws and regulations. If it does not, the transaction is classified as an error. If we cannot establish whether the transaction satisfies the rules, we refer to it as an uncertainty.

### **Reliable**

The figures in the annual report are reliable if they are consistent with actual financial balances and transactions.

### **Right to approve the budget**

One of parliament's tasks is to approve each ministry's budget. The House of Representatives and the Senate therefore decide how much money a minister can spend and on what.

### **Shortcoming**

If an audit reveals that a ministry's operational management process is not organised or carried out correctly, there is a shortcoming. If a significant amount of money is involved and/or the problem occurs in several places at the ministry, we refer to it as a severe shortcoming.

**Supplementary budget**

If a budget variance cannot wait until the spring or autumn memorandum, a minister can submit a supplementary budget. A minister cannot spend the money until the supplementary budget has been approved by the House of Representatives and the Senate.

**Tolerable threshold**

We apply tolerable thresholds to determine whether there are errors or uncertainties in an annual report. If an amount remains within the tolerable threshold, it has no consequences for our opinion. If it exceeds the tolerable threshold, the minister must state so in the operational management section of the annual report.

**Trial balance**

The trial balance is a statement of amounts that are still open at the end of the year, such as accounts receivable, advance payments, liabilities and open commitments.

**Uncertain**

Financial information is uncertain if we cannot establish whether expenditure commitments, expenditures and revenues are regular or are misstated in the annual report.

## Appendix 5 Endnotes

- 1 Because the ministers submit their budgets and annual reports to parliament, we refer in our report on the ministers' annual reports to the minister of the ministry concerned.
- 2 Central government awards the local authorities of the Caribbean Netherlands a general-purpose grant from the Municipalities Fund. They can apply the general-purpose grant at their own discretion. It is comparable to the general-purpose grant awarded to municipalities in the European Netherlands.
- 3 The figure shows only expenditure in 2023. Contributions from ministries in the previous year (i.e. in 2022) or planned for future years (i.e. 2024 and thereafter) are not shown. An exception is the expenditure by EZK that we audited, where the money from the CN envelope was appropriated as a grant in 2023 and the ministry will release it in 2022-2024.
- 4 Two audit reports were issued in September and October 2023 that evaluated the Minister of BZK's KR policy in detail. For the Minister of BZK, an audit report was issued on the amount and effectiveness of general-purpose grants and the funding of the public bodies' basic services. An audit report on subsistence level in the Caribbean Netherlands was issued a week later.

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