

Feedback mechanism from ex-post legislative audits in the Netherlands from a parliamentary view

1. Introduction

The question in this presentation is: how does the feedback mechanism from ex-post legislative audits function in the Netherlands from a parliamentary view? What is the institutional design and what is the behavior and functioning of different stakeholders in this system. In order to answer this question I will give you an impression of the broader context in which ex-post legislative audits in the Netherlands function. Part of this context is a little history about the steps that took us where we are nowadays.

Box 1 The Netherlands parliamentary system (in a representative democracy).

The official name of the Netherlands parliament is 'The States General'. Like most EU- and OECD countries the Netherlands parliament consists of two chambers:

- Senate, or in the Dutch way addressed as 'The First Chamber' (*Eerste Kamer*) having 75 members;
- House of Representatives, or usually addressed as 'The Second Chamber' (*Tweede Kamer*), holding 150 members.

Senators are elected by the 12 provincial parliaments. Last elections for the provincial state councils (and indirectly for the Senate) were held in March 2011. The House of Representatives consists of 150 members and are directly elected. Last national elections were held on 9 June 2010.

The House has much more influence and power than the Senate. Although every bill in the Netherlands has to be enacted not only by the House, but also by the Senate, the Senate has not the right to amend a bill. They can only reject the whole proposed bill, which seldom happens. The Senate only assembles one day a week on Tuesdays.

The House on the other hand has the right of amendment and the right of initiative. This means that they can change bills (proposed by government) or even propose a bill by their own initiative, if government won't. Laws by initiative are quite rare, but nevertheless every year about 10 laws are enacted on initiative of the House itself. The House has not the right of initiative on budget bills. Government proposes the yearly budget bills as well as the supplementary budget bills.

The proposition in this session is that the feedback mechanism from ex-post legislative audits and reviews to the subsequent year's budget deliberations is a weak link in all parliamentary systems. A key question for parliamentary budget officials is how they can use the results from the legislative audit process to better inform ex ante analysis?

¹ Eduard A.J. Groen is Head of the Department of Social and Financial Affairs, also clerk of the Public Expenditure Committee, in the Netherlands House of Representatives.

Rick Stapenhurst, Ricardo Pelizzo and Mitchel O'brien introduced in their paper² a schema for examining principal institutions for ex-post budget review and oversight by legislatures. They observed that several broad models exist, with some variations across parliaments. Central is the existence of a supreme audit institution and either a dedicated committee or an oversight mandate spread across one or more departmental committees. That is also the case in the Netherlands. The supreme audit institution (the Netherlands Court of Audit - in Dutch: *Algemene Rekenkamer*) is parliaments' best friend. A three-headed board, one of whom holds the post of President, is staffed by 300 experts. The Public Expenditure Committee is their primary liaison to parliament. In this presentation about ex-post legislative audits I will make a distinction between the role of government, supreme audit institution and parliament.

In my presentation I will focus on this key question, especially into relation the experiments and achievements in the last five years, the lessons we learned from these experiments in respect to the budget infrastructure and renewals that are underway.

2. Accountability developments in the Netherlands: the context

My proposition is that the interest in ex-post legislative audits is growing stronger and stronger in the Netherlands, but that this is only possible because the base of the budget infrastructure is solid and sound. To reach that goal took us some ten to fifteen years time in the Netherlands.

2.1. Phases of renewal

What do I mean by the base of the budget infrastructure being solid and sound? An essential condition for a system of good ex-post legislative audits is that *all along the line* there is no doubt about the regularity and no doubt about the good management of public spending. In the Netherlands we reached that goal in the nineties. In the eighties the situation was quite different. A major operation ("Accounting system operation": in Dutch "*Operatie comptabel bestel*") was needed to better the situation³. A operation in which the government, guided by the minister of Finance, the Supreme Audit Institution of the Netherlands and parliament, guided by the Public Expenditure Committee - all three for their own sake and together - managed to improve the situation in the period 1985 to 1993 to a high level. As a result all the annual fiscal reports were then delivered on time (the target in that period was September in fiscal year X+1) and all of the ministries annual reports got a positive accountants declaration, that is to say that irregularities (non

² Rick Stapenhurst, Riccardo Pelizzo and Mitchel O'Brien (2012) Ex post financial oversight: legislative audit, public accounts committees...and parliamentary budget offices? To be published in: OECD Journal on budgeting (work in progress).

³ Postma, J.K.T. (2004) The Accounting System Operation: laborious, time-consuming but successful. In: Tijsseling, I.C. and P.G.J. van Uden (2004), Made in Holland. Dutch Public Finance: lessons and experiences. SDU Publishers. National Academy for Finance and Economy. The Hague.

conformity to the total the legal budget of the minister and of the total of the government budget) were less than 1 percent.

At the end of the nineties the system was further perfected: it was decided to accelerate the financial reporting procedure and to speed up the ministries delivering of the yearly fiscal reports to parliament. Since 2001 the present status was achieved: the year following to the fiscal year the reports are delivered to parliament the third Wednesday in May (year X+1, so within five months after closing the fiscal year). This has the advantage that the House of Representatives is able to debate the results of the annual audits before the third Tuesday in September, that is the date that the government presents its annual budget for the coming year (year X+2); consequently the governments plans and spending bills can be examined on the third Tuesday in September in the light of the previous year's accounts.

In the nineties the policy content of the budget was also being altered in the light of the international renewal wave on performance based budgeting. The ministerial budgets not only show how much money will be spend on what measures, but also with what aim in mind, what to achieve and what to produce as the desired effects in society. The new standards were also regulated in the "Law on the budget system 2001" (my translation to the English language ("*Comptabiliteitswet 2001*" in the Dutch language). The performance-oriented budget reform was named *Van Beleidsbegroting Tot Beleidsverantwoording (VBTB)*. In English: From Policy Budgets to Policy Accountability (FPBTPA).

The system of budgeting and auditing in the Netherlands was professionalized at a still higher level since the year 2000. The "Law on the budget system 2001" since then regulates by formal law that all ministers deliver their yearly fiscal reports to the minister of Finance before the first of March and that the ministers will deliver their yearly fiscal reports, together with a comprehensive policy report of the cabinet, to parliament on the third Wednesday in May. This is a very special day since then in the parliamentary year: Accountability-day. Within a week after Accountability-day there will be a full day debate about the topics in the set reports with the prime minister, the vice prime minister(s) and the minister of Finance. This plenary debate is followed the weeks thereafter with scrutiny sessions in the committees with appropriate ministers.

The system only works if all of the actors do their own job in a right and proper way, and if they cooperate. The system is complex because the evaluations by the government itself, the investigations by the supreme audit institution and parliamentary investigations and inquiries had their own justification and rhythm.

Several efforts were made to connect all the other legislative ex-post audits cleverly into the budgeting and accounting cycle. Since 2001 the renewed Regulation on Periodical Evaluations (based on the Law on the Budget system 2001) contains an obligation for ministers to evaluate systematically and periodical all budget articles in their spending bills.

2.2. Cycles of ex-post legislative audits

There are two main reasons for evaluating and auditing: accountability to the taxpayer and learning in favor of future decisions. In this respect there are different cycles in this process.

Perhaps the major accountability cycle in a parliamentary democracy is the cycle of elections. In theory elections follow on each other every four years in the Netherlands. I call this the “election accountability cycle”. In the battle for votes it is important that all parties can rely on good facts and figures about the results of former policies. These facts and figures are also of uttermost importance to the new government that will take power.

Box 2 The budget formulation process in the Netherlands

The budget formulation process in the Netherlands operates in two very distinct phases. The first phase occurs when a new government takes power and it establishes its overall budgetary policy for its term of office. This is done in explicit terms, rather than being a general statement of intent. The second phase then occurs annually, as the government’s overall budgetary policy is translated into operational terms for all of the government’s various activities⁴.

In between elections the annual cycle takes place. That is the “yearly accountability cycle” in which accountability-day has its place. In this paper I will focus on the “yearly accountability cycle”, but I will mention some developments in the other cycles.

My proposition is that auditing and evaluating has no sense if the base is not solid. As I mentioned before, the regularity and management of spending public funds is not a problem anymore in the Netherlands. Of course it always takes action to maintain the high level.

The real challenge is that it seems very difficult to get grip on the ex-post legislative evaluation process. Of course reasons are obvious: learning from failures in a political context is not favorite in practice. Nevertheless, from a theoretical and practical point of view, since the eighties structural improvements are being made in this field. Since 2001 ministers are obliged to evaluate all different policies in the budget every five years. In 2006 the regulation was altered: not every five years, but tuned in to the “policy life cycle” to make best use of the audit results. For financial instruments like grants (a budget of totally 6 billion euro in 2010, for some 633 different grants) every subsidy regulation must be evaluated every five years.

Some institutions, like the planning agencies in the Netherlands, deliver studies that look back for a longer period of time. The findings of these ex-post evaluations can be used in

⁴ Blondal, J. and J.K. Kromann Kristensen (2002) Budgeting and Management in the Netherlands. In: OECD Journal on budgeting, 2002, Vol. 1, No. 3

both cycles. For instance the recent study⁵ of the Netherlands Institute for Social Research (*in Dutch: Sociaal en Cultureel Planbureau*), focused on some specific output results (value for money) of policies in the fields of health, education, police and the justice system in the period 1995-2010. By the way, this study was severely criticized by stakeholders in these policy areas, because this study showed that billions of extra money did not lead to better results. Some politicians concluded: budget cuts should not harm results either. The supreme audit institution of the Netherlands (Netherlands Court of Audit) published their regularity audits on a yearly basis and next to it they publish some twenty performance audits and value for money audits. Also the CPB Netherlands Bureau of Economic Policy Analysis (Centraal Planbureau), which is primarily engaged in preparing the fiscal forecasts for the government sometimes perform ex-post legislative audits. In February 2012 for instance, the CPB published a widely discusses ex-post legislative audit on the effects and costs of grants for childcare facilities in the period 2005-2009. This audit was performed on request of the minister of Social Affairs and Employment.

3. The accountability pyramid

In order to describe the state of affairs of the ex-post legislative audits in the Netherlands, the best way is to begin with the audits that should be executed by the ministers. The capacity spend on ex-post legislative audits by civil servants of the ministries and of the research institutes and experts instructed by them, gives shape to the base of the pyramid. The total capacity of this internal controlling system is much bigger than the capacity of the supreme audit institution and of parliament. Of course parliament has the ultimate controlling power, but its power is only effective if it can rely on the internal controlling capacities of the ministries and on the assessment capacities of the supreme audit institution.

3.1. Government: the role of ministers, ministries and planning

In the first place I will deal with the role of the government. In the yearly accountability cycle the annual reports of the ministers play a major role. The ministers have to justify on every line item in the budget: what they have achieved, what they have done and what money they have spend. And it is expected that the ministers put conclusions to it. These conclusions should be input for new (ex ante) budget proposals. The reports are sent to parliament on the third Wednesday of May. Complementary to the annual reports which deals with all the line-items (or budget article) in the budget, the ministers are obliged to send periodical to parliament ex-post legislative audits of the line-items in their budget. On the website of the Ministry of Finance all the ex-post legislative audits since 2006 are published in a list⁶ (to download). In 2006 (4), in 2007 (15), in 2008 (12), in 2009 (13), in 2010 (10). Not all the line-items in the budget are evaluated at the same time, but scheduled over a period of time. This schedule is reported in the Budget Memorandum to parliament and parliament could influence the schedule (but actually this is not what happens). There are quality standards in the regulation based on the "Law on budgeting

⁵ Kam, F. and B. Kuhry (2012) Value for our taxes? Price and quality of public services. The Netherlands Institute for Social Research. The Hague.

⁶ www.rijksbegroting.nl/algemeen/overzichten,Beleidsdoorlichtingen.html

and auditing 2001" for this evaluations, and it should always be accompanied by an independent quality assurance of an expert (independent body or university, etc.). These evaluations are scheduled in a given period. The idea is that the results of these ex-post legislative audits are being discussed in parliament for their own sake, and if parliament wishes, also in relation to the annual reports. But that is up to parliament.

Box 3 The structure of the budget in the Netherlands

For historical reasons, the Dutch budget is divided into three separate sectors. These are: *i)* the "core" budget sector; *ii)* the health care sector; and *iii)* the social security and labour market sector. The separation of the latter two sectors from the "core" budget sector is in part due to the fact that they have their own dedicated financing sources. The latter two sectors are each the responsibility of a single minister respectively. The "core" budget sector, however, is the responsibility of a number of ministers. Each minister is politically responsible for his own budget and presents it to Parliament himself. All in all, 23 separate budget bills are presented to Parliament. Officials emphasized, however, that for budget formulation purposes, all of these are considered one and that their separation causes no problems⁷. The Netherlands Court of Audit has powers to audit all expenditures in the "core" budget sector, and limited powers in the other two sectors. The dimension of the public expenditures of the "core" sector was 237 billion euro in 2010.

In the "election accountability cycle", government will take care of analyses (based on ex-post legislative audits and forecasts) that are meant to prepare political parties, and the forthcoming government as well, for major decisions in the light of multi-year fixed expenditure frameworks to give transparency and stability in the budget decision process. Political parties use these evaluations in their negotiations to constitute the coalition of a new government after elections. Before last elections some twenty "reconsideration audits" (in Dutch: *Heroverwegingen*) mapped out the possibilities to reduce the budget with a total of 35 billion euro. Also the already mentioned CPB Netherlands Bureau for Economic Policy Analysis has been costing political parties' commitments before elections and coalition agreements after elections.

3.2. The role of the supreme audit institution

In the midst of the "accountability pyramid", in between government and parliament is the supreme audit institution. In the Netherlands the supreme audit institution is an independent high college of state, safeguarded by the Constitutional Law. This "Netherlands Court of Audit" has the statutory duty to audit the accounting records of the ministries each year. In fact this institution assesses the internal auditing of the budgets done by the accountants or the audit-bureaus of the ministries. Another important task of the Dutch Supreme Audit Institution is to investigate if public money is spent to good effect. That is to

⁷ Blondal, J. and J.K. Kromann Kristensen (2002) Budgeting and Management in the Netherlands. In: OECD Journal on budgeting, 2002, Vol. 1, No. 3

say: the best possible result has to be achieved with the least amount of the taxpayers' money. Often there are multiple reasons that a policy doesn't produce the desired effect. The Netherlands Court of Audit presents the findings of its regularity audits on Accountability-day, the third Wednesday in May every year.

Complementary to these findings in the annually regularity audits, this supreme audit institution sends in the course of the year some twenty "value for money" audits to parliament. The previous years the Netherlands Court of Audit also send reports to parliament about specific policy areas to help parliament to maintain an overview of developments in the field of public expenditures and risks for the state. Examples are studies on the real estate sector of government, public spending of European funds, the risks of public securities and bonds. These "value for money" and other reports are carefully examined by the members of the appropriate committees, debated on, and used to hold government to account. Also the supreme audit institution sends follow-up reports to parliament to see what government has done with former recommendations. These findings are also thoroughly examined by parliament and debated on. The Netherlands Court of Audit is always willing to inform parliamentary commissions behind closed doors about the background of their findings. Many parliamentarians consider the supreme audit institutions as parliaments' best friend. The Public Expenditure Committee plays an intermediary role in the contacts of parliament with the Netherlands Court of Audit.

Although the Netherlands Court of Audit is independent and has its own strategy and research agenda, they are susceptible to perform ex-post legislative audits on request of parliament. This occurs once or twice a year. If members of Parliament want to propose a request to the supreme audit institution, the Rules of Procedure prescribes that the Public Expenditure Committee puts and advice to it before plenary decision making about the request.

In the "election accountability cycle", the supreme audit institution supported parliament and the political parties (last elections in 2010 for the first time) with an overview of former findings in the fields of the twenty "reconsideration audits" prepared by the government. As pointed out before, before last elections the government prepared some twenty "reconsideration audits" to map out possibilities to reduce the budget with a total of 35 billion euro. In this way knowledge from relevant ex-post legislative audits accomplished by the Netherlands Court of Audit, were conveniently arranged and put to the attention of parliament (and to the political parties involved in forming a new government).

3.3. The role of parliament

On top of the "accountability pyramid" is parliament. Parliament in the Netherlands is bicameral, with a House of Representatives (150 members directly elected, on a 4-year cycle) and a Senate (75 members indirectly elected by twelve provincial councils). The House of Representatives play a dominant role in scrutinizing the budget. The legislative committees in the House of Representatives are strong and are indeed the "engine room" of

the parliamentary work where the in-depth and technical debates takes place. And of course parliament has the powers of political sanctions towards government if necessary.

3.3.1. Parliamentary Inquiry

As a matter of fact parliament itself has the strongest instrument in the accountability pyramid to scrutinize policies and also to scrutinize the budget: the instrument of parliamentary inquiry. This instrument gives parliament the power to hear every official or citizen in the Netherlands under legal conditions. Of course this heavy instrument is only practiced when really necessary. At this very moment (February 2012) the Parliamentary Inquiry committee on the Financial System in the Netherlands is finishing the work they started in May 2011 (the Inquiry committee hopes to report to parliament in March 2012). This inquiry supplements a parliamentary investigation (done by a “ normal” temporary parliamentary committee) about the financial crisis that began in 2009 and reported in 2010. Because not all the answers were satisfactory, parliament decided to have a parliamentary inquiry also, to further investigate the “banking-crisis” and to hear people under oath.

3.3.2. Scrutinizing the annual reports

In the yearly cycle since 2001 parliament (the House of Representatives⁸) pays great attention to the annual reports of the ministries. As soon as possible after Accountability-day (in some years the next day, in other years the next week) a plenary debate will take place between the prime minister and the party leaders. In the weeks to follow all ministers are received separately in the committees in parliament to scrutinize the annual reports and to discuss the discharge. The Public Expenditure Committee reminds the other committees on the importance of profound examinations of the reports and the use of the findings of the supreme audit institution.

The ex-post legislative audits ministers send to parliament supplementary to the annual reports are not given very special attention in previous years by the committees in parliament. This is partly due to the quality of these audits. An evaluation of the instrument ex-post legislative audits itself, done by the Ministry of Finance in 2004, showed that the quality was to improve, because to many administrators “ the only motivation was the obligation”. When ex-post legislative audits add little, interest in their conclusions and recommendations decreases.

3.3.3. Regulation on parliamentary monitoring (the budgets) of Great Projects

A special way to monitor public expenditures is the Regulation on Great Projects⁹. Parliament can appoint specific complex dossiers that are characterized by vast amounts of public spending over a long range of years. For example: the acquisition of military

⁸ The Senate pays no special attention to the annual reports.

⁹ The Regulation on Great Projects is improved in 2006. The regulation exists since 1986. The regulation has been updated several times.

equipment like new generation aircrafts and battleships, the building of complex and interrelated new main infrastructural works, the acquisition of a national network of nature areas. In 2012 parliament has appointed 10 Great projects. Government is obliged to inform parliament every half year with the latest information. The Public Expenditure Committee advises parliament when members of Parliament (most of the time this will be a proposal of a committee) want to appoint a dossier to a new Great Project. The Rules of Procedure prescribes that the Public Expenditure Committee puts and advice to the proposal before plenary decision. The Public Expenditure Committee informs parliament every year in writing on Accountability-day about the proceedings and peculiarities of the Great Projects.

3.3.4. Parliaments own research agenda (ex-post legislative audits and future scans)

Since 2009 the House of Representatives decided to have an own research agenda. The reason to do so is because parliament wants to strengthen its information position to the government. Every year parliament selects three policy problems to investigate. The Public Expenditure Committee advises on the subjects proposed to investigate by temporary committees of parliament. These temporary committees obtain a research budget are supported by a parliamentary staff. Some of these parliamentary investigations are good examples of ex-post legislative audits. Last year parliamentary research committees investigated the performance and public spending on railway maintenance. In 2012 parliamentary committees will investigate the cost and public spending due to energy policy and climate policy, and also a parliamentary investigation to the cost and public spending on the building of houses. The reports of these special research committees of parliament gets a lot of attention and seems to be very effective as a parliamentary instrument to influence policies.

4. Experiment and lessons learned (2007 – 2011)

The last five years much energy was put into the ongoing cooperation (that began in the midst of the eighties) between parliament, government and the supreme audit institution in the Netherlands (the Netherlands Court of Audit) to make further improvements in the process of budgeting and auditing. Since 2005 the Public Expenditure Committee has send evaluations of the process to parliament itself every half year (evaluations of the (ex-post oriented) accountability process in May and June, and evaluations of the (ex-ante oriented) budgeting process in September till December. These evaluations gave rise to consultations and debates with the minister of Finance on the working of the system and of changes in the presentation of ministries budget laws and annual reports, in procedures and in behavior.

4.1. The experiment

In December 2007 government sent a letter to parliament to propose some renewals in the budgeting and accounting procedures. One of the driving forces on the side of government was to reduce costs in the administration. Simultaneously government wanted to inform parliament is a more effective (pointed and sharp) in the spending bills (and complementary also in the annual reports). This element of the experiment was tested with four ministries. Another renewal was the accountability speech of the prime minister in parliament and the

installation of a “ delivery-unit” at the office of the prime minister in order to monitor the results of the most important targets in the coalition agreement. On the side of parliament, the Public Expenditure Committee was asked to advise parliament on a selection of topics to discuss during the plenary Accountability debate in order to achieve focus and expressiveness.

An elementary element of the bundle of renewals was the obligation of every minister to send one ex-post legislative audit (on the level of a budget article) together with the annual report to parliament.

The experiment was evaluated half way and at the end of the three-year experimental period. The evaluation made up by government was compared with the evaluations of the Netherlands Court of Audit and of parliament. Several meetings were arranged to discuss the results: formal debates of the Public Expenditure Committee with the minister of Finance, but also sessions behind closed doors with civil servants of the ministry (technical briefings) and sessions behind closed doors with the Netherlands Court of Audit.

All three stakeholders agreed that it is not useful to have performance indicators for all policy fields (budget articles). In the period 2007-2010 the rule was “ comply-or-explain”. But even then many outcome indicators were not adequate. A strong wish from parliament was to have insight in some input again: budget spending on external personnel and budget spending on ICT. And parliament concluded not to appreciate having one ex-post legislative audit of a budget article per ministry. Parliament preferred to have these audits in the course of the year.

4.2. Observations

In fact the accountability debates are mainly policy debates. Because the regularity of the budget is nearly a hundred percent, and because foremost of the budgets are properly managed (with a few exceptions - headache dossiers for the ministers in case - that indeed will have parliamentary attention and attention from the press) parliament can afford to discuss political items, sometimes at the expense of really looking back and overseeing the results of a given policy in the year before.

In a sense the new ritual of Accountability-Day and parliamentary debate was a kind of revolution in the parliamentary habits in the Netherlands. Not only the parliamentarians had to find a way to deal with this new situation, but also the press and the public. I guess people expected too much from this new way of holding government to account. In fact this day and the debates that follow on that that day - completed after all of the scrutiny sessions in May and June, with a parliamentary vote on the discharge for the ministers on the last day before the summer recess – is part of a never ending task of parliament to hold government to account. In fact many members of parliament complained about the enormous weight of paper they received to scrutinize and to discuss. Many of them drowned in the overkill of information. And at the same time many of them couldn't easily find the information they were really looking for.

My observation is that people expect too much of this special day, Accountability-day. This day and the first parliamentary debate to follow (Accountability-debate), form in a sense the symbolical top of the pyramid of auditing work in the governmental and political system in the Netherlands. Of course the ongoing work in the ministries, the supreme audit institute and parliament all year long, are also necessary and important. Accountability-day would not have any real function at all if it were not based on a solid system of budgeting, auditing and evaluating. At this point it is useful to stipulate the importance of good ex-post evaluations by all stakeholders in the system. The challenge is to connect and combine the other ex-post evaluations into the budgeting and accounting cycle.

5. 2012 and onwards: new developments and challenges

The new cabinet began its work in October 2010. During the debate on the coalition agreement with the prime minister also the accountability in the future was an important item. The opposition asked for the major targets government could be held to account for. The prime minister announced in a letter to parliament seventeen major policy reforms that should be thoroughly accounted for. Nevertheless, from the beginning there was a lot of debate about the facts and figures to start with. For instance on items like: how to count the extra policemen that are promised by the new cabinet: what is the starting point to measure and what was already in the budget? And of course the real item in terms of accountability is: what is the effect on safety. The first proof for the cabinet will be the Accountability-debate with the prime minister in May 2012.

5.1. “Accountable budgeting”

Forthcoming Accountability-day government will pay special attention on four items parliament selected in June 2011. The Public Expenditure Committee advised on the selection of these four topics to discuss during the plenary Accountability debate in order to achieve focus and expressiveness. New is that the Netherlands Court of Audit will support parliament with an overview of former findings in these four policy fields. Also the prime minister will especially focus in his “ Accountability-letter” he will send to parliament on Accountability-day.

Due to the evaluations of the experiment with improvements performance based budgeting (in the period 2007-2010), evaluations done by the Public Expenditure Committee and by government itself and involvement of the supreme audit institution, the system of performance based budgeting is modified again in 2011 (see box 4). Instead of the aim: what should we accomplish, the aim will be: what should *the minister* accomplish. Government wants to focus on the financial instruments in budgeting and accounting. The role of ex-post legislative audits is explicitly strengthened.

Box 4: renewals if the system of performance based budgeting in the Netherlands

The minister of Finance announced the renewals in the system of budgeting in his letter (on behalf of the cabinet) of 22 March 2011. The government (the cabinet) wants more compact spending bills and annual reports. Key element is that outcomes and outputs are strictly connected to the responsibilities of ministers. No more vague texts and only indicators when there is a direct connection between the financial instruments of a minister and the aimed results. The insight into the flexibility of the budgets (in order to describe the budgetary space for amendments) will be improved. Another change is that the input from the ministries (personnel, buildings, ICT, etc.) will be in a separate article (and not any longer in the policy budgets). The financial instruments in the budget will be leading. In his writing the minister also points out that the connection with the results of ex-post legislative audits will be strengthened. The conclusions of these audits will get a prominent place in the explaining in the spending bills and also in the annual reports. Another renewal is that in every spending there will be a recording of all subsidies and grants and also of all public funding of non-departmental public bodies. These renewals will be partly implemented in the spending bills for 2012 and completely implemented in the budgeting cycle for 2013.

The renewal of the performance-oriented budget is now labeled as “Accountable budgeting” (*Verantwoord Begroten; VB*) as a successor of “From Policy Budgets to Policy Accountability” (*Van Beleidsbegroting Tot Beleidsverantwoording: VBTB*)¹⁰.

5.1.1 Government

The challenge for government is to realize the announced renewals. Not only the ministry of Finance, as the coordinating minister, but all ministers have to make work of delivering more relevant indicators, and also in delivering more outstanding ex-post legislative audits than they assembled in the past ten to twenty years.

5.1.2 Supreme audit institution

The challenge for the Netherlands Court of Audit, as they formulate is themselves, is to broaden their powers to areas of non-departmental public bodies where public funding is spend, but where they have no access to the underlying accounts. For instance: in the world of public health, social security, banking and public housing agencies. These are all very different areas, but they have in common that it is not possible (by specific law) for the supreme audit institution.

The Netherlands Court of Auditors is also very active in searching for innovative way to heighten the accountability performance of the public authorities. They do so by practicing and investing in internet opportunities and applications. They also help parliament by supervision and overview when budget structures get obscure and complex due to decentralization and the abandonment of responsibilities.

¹⁰ Debets, R (2007) Performance budgeting in the Netherlands. In: OECD Journal on budgeting, 2007, Vol. 7, No. 4.

A brand new initiative of the Netherlands Court of Audit is the *cost-cutting monitor*, an instrument by which the supreme audit institution checked in eight spending bills one of the cost-cutting measures of government to verify if all relevant information was available for parliament. These eight "package leaflets" (*bijsluiter*) as the name is, were used by parliamentarians in their scrutinizing the budget proposals.

5.1.3 Parliament

The challenge for parliament (as an institution) is to organize the process of scrutinizing the budget better. Before last elections the Public Expenditure Committee evaluated the experiment that started in 2007. One of the conclusions was that relevant information to parliament was diminished. As a countervailing power it is important that parliament guards its information position to fulfill its constitutional task. The Public Expenditure Committee helps to organize the parliamentary process to scrutinize the spending bills and the annual reports by advising the committees and parliament as an institution. The Public Expenditure Committee (PEC) and the other committees in parliament can rely on the support of clerks and of the Bureau for Research and Public Expenditures (BOR).

A new challenge is to support the committees in a more intensive parliamentary handling of ex-post legislative audits. This includes the explicit steering on the timing of the accomplishment of ex-post legislative audits in a four-year parliamentary period. In 2012 government will send 30 ex-post legislative audits to parliament. The Public Expenditure Committee will draw attention to the importance of the instrument ex-post legislative audits by writing to the committees and by recruiting fellow parliamentarians in these committees to fulfill a function as a *rapporteur* of a committee to examine the quality of the ex-post legislative audits. These *rapporteurs* can make use of the expertise of the staff of the committee(s).

6. Feedback mechanisms: will there be progress?

The question in this presentation is: how does the feedback mechanism from ex-post legislative audits function in the Netherlands from a parliamentary view? What is the institutional design and what is the behavior and functioning of different stakeholders in this system. A key question for parliamentary budget officials is also: how they can use the results from the legislative audit process to better inform ex ante analysis?

As I have tried to demonstrate that the good working of the feedback mechanism from ex-post legislative audits depends to a large extent on the existence of a solid base. The capacity building in that field grew steady in the last twenty years. There is a lot of experience and the instrument is supported by adequate regulation. The fact that ex-post legislative audits form a still greater role in the renewed "Accountable budgeting system" since 2011 is evidence for that.

To summarize some conclusions that would show progress from a parliamentary view if we could see these developments next years:

- More explicit policy conclusions by the ministers on the base of reporting in the annual reports; the ongoing support by the supreme audit institution to parliament in this respect and in-depth scrutiny sessions by the committees;
- Higher quality of the separate ex-post legislative audits of in-line budget items delivered by the ministries and also a better use of these audits (the government announced 30 specific audits to send to parliament in 2012) by parliament. A more prominent role of the supreme audit institution to assess these ex-post legislative audits is in discussion. The Public Expenditure Committee asked the Netherlands Court of Audit to consider this a future task. The Netherlands Court of Audit has, because of their independent status and role, an own strategy for a longer period of time and an own planning schema of audits;
- The Internet encourages innovations in the audit process. Government can open up relevant information to the budget process. This is partly a reversal of the information stream. Members of parliament have to collect information themselves at the ministries sites. Of course all legally prescribed information must be actively delivered to parliament. Another new development is the installation of websites by which citizens are able to follow the money from government to destinies and addressees.

The three stakeholders are in the joint operation of improving the system of budgeting and accounting since the eighties, so it is necessary that they keep each other sharp. This is an obligation in respect to their constitutional tasks.

The Hague, 22 February 2012. EAJG