

## Abstract

# The Belgian Court of Audit issues its 162nd General Report

The Belgian Court of Audit has presented its 162<sup>nd</sup> General Report to the House of Representatives. The Report essentially comments on the 2004 budget implementation. Revenue and expenditure are commented more extensively by department or by budget component where needed. It pays particular attention to the Social Security sector, staff matters and the progress of the reform of government departments.

### Accounts 2004: a new concept

The 162<sup>nd</sup> General Report deals mainly with the 2004 State revenue and expenditure. Thanks to a recovery plan agreed with the minister of Finance, most parts of the 2004 general account of the State were submitted in time. As a result, the Court's annual "Book" now meets its constitutional objective in an optimal way as it provides full information on the budget implementation of the previous year. The Court's thematic audits which are not related to a specific budgetary year are published separately as usual.

### Budget implementation

The total tax revenue collected in Belgium in 2004 was more than 6.5% higher than in 2003, as a result of the favourable economic growth. Nevertheless, the share of the (tax and non-tax) revenue for the federal State decreased by 5%. This is mainly due to the fact that in 2004, a smaller amount of exceptional capital revenue was entered than the year before, with e.g. the sale of Credibe assets or the takeover of Belgacom's pension fund. Moreover, the share of the VAT revenue allocated to the State decreased because a larger share of this revenue was allocated to the Social Security scheme.

Nevertheless, 1.2 thousand million euros were registered as unexpected non-tax revenue because the State took over the pension obligations of BIAC and Belgocontrol and sold most of its shares in BIAC and Belgacom. These revenues were committed to the "Old Age Fund" (Zilverfonds/Fonds de vieillissement), which in total received 12 thousand million euros as of end 2004. However, the Fund resources are invested in Government debt, so that when the "Old Age Fund" will really be used to compensate the additional cost associated with the ageing of the population, these bonds will have to be reimbursed to the Fund with cash assets, resulting in a slower decrease of the consolidated Government debt.

Further, the Revenue Office does not book the claims relating to most types of tax revenue when they are issued, as should be, but only when they are collected. As a result, the budget implementation account does not reflect correctly the outstanding claims.

As far as expenditure is concerned, most government departments nearly used their total budgets. However, in the Justice department, the implementation of the Phenix project designed for the computerization of the courts and tribunals is lagging behind schedule. As to the Defence department, it used hardly 32% of the funds earmarked for equipment and infrastructure renewal. Also, the expenditure for the Cooperation and Development, which went down to 0.41% of GNI in 2004 and the financing of research, which remained below the European average figure, are behind the schedule proposed by the Government. Moreover, the share of staff expenditure in the budget of the Defence department reached 61%, while it should not exceed 50% in the medium term so as to provide the resources needed for operating and investment expenditure. The Health department budget did not suffice to ensure the repayment of contributions initially collected by the animal health fund (Dierengezondheidsfonds/ Fonds pour la santé animale) and ruled to be illegal. This backlog means that Government will have to pay a considerable amount of late penalties.

### **Missing accounts**

Contrary to the budget implementation account and the Treasury account, a series of other 2004 accounts were not submitted or were submitted too late. The Government fixed assets variations account was produced too late for all components of the general account to be examined on time.

As far as autonomous public institutions are concerned, no improvement was recorded: as at 15th September 2005, 33 out of 45 institutions failed to submit their 2004 account, 22 institutions were late with their 2003 account and 12 institutions had not even sent their 2002 account.

The overall performance improved slightly for the government services with separate management but many accounts still lag behind or are incomplete.

### **Social Security**

Compared to 2003, Social Security revenue from contributions in the workers' scheme went up by 2% in 2004. This can be due to an increase of the total wage bill, although it is partly balanced by the introduction of contribution cuts. The Court of Audit, however, pointed out that there were also decreases in revenue because the new wage and worktime controls of the Social Security department, as considered in the introduction of the "multifunctional declaration", were still behind. The Court estimates the amount of contribution arrears to be booked for the years 2003 and 2004 at about 265 million euro. The Social Security department confirms this comment but will only book an amount of 146.7 million euro of arrears for both years in the first semester of 2005.

On the other hand, the expenditure for pensions and unemployment benefits went up respectively by 2,56% and 5,17%. The expenditure for medical care even increased by 9,02%, so that the global budget objective was exceeded by 3,15%. The budget for medical care was therefore surpassed by 479,26 million euros. The expenditure for medical care accounts for nearly three quarters of this overrun. The austerity measures laid down in the budget, which among others were assumed to result from

an increased use of generic medicines, turned out to be insufficiently effective. The remaining part of the overexpenditure can be attributed, in about equal proportion, to additional costs in the maximum invoice scheme, to doctors and to the convalescent homes or outpatient centres. Due to the high expenditure of the medical care, the so-called Global Management in the Social Security workers' scheme showed a deficit in 2004.

The "alternative funding" of medical care showed a strong increase in 2004 both in the workers' and in the self-employed schemes. This is due, among others, to the fact that the government share in the funding of the Hospital Day Price, formerly charged to the National Health department, has been included, from 2004 on, in the alternative funding and because the VAT-revenue share allocated to the alternative funding was increased. The Court, however, noticed that the payment of the budget twelfth for hospitals due for the month December 2004 was carried forward to January 2005. This operation reduced the Social Security budget burden by 107,8 million euros in 2004 but is bound to encumber the 2005 budget by a same amount.

As far as public institutions of Social Security are concerned, the Court also noticed a belated drawing up of budgets and accounts. This came out following an examination into the compliance of administration contracts in which the objectives and the mutual obligations of Government and those institutions are stipulated. The Court wants to emphasize that a timely submission of the accounts is essential for the Court itself to exercise its oversight and to inform Parliament properly.

### **Human resources**

At the federal police, it was noticed a.o. that many contractual staff members forming part of the administrative and logistics service were admitted to the permanent staff without any legal ground. Moreover, recruitment and selection procedures as well as staff transfer regulations have been regularly disregarded and a more efficient staff management is hampered by a deficient computer system.

Regarding the prisons, staff transfers are dictated more by individual preferences than by the needs of the service. The planning of the needs is particularly inadequate. For instance, there is no staff plan. The follow-up of staff productivity shows shortcomings. The cost of the various policy measures cannot be adequately followed up because nearly all staff funds were allocated to two budget lines only.

As far as the National Institute for Criminalistics and Criminology is concerned, the effective staff number largely exceeds the formal staff plan and contractual personnel is used for permanent assignments; this is against the regulations.

At the Royal Institute of Art Heritage, staff members charge services as subcontractors, while they also perform similar services as employees of the institute which is not allowed.

### **Reforms of government departments**

The reforms of federal government departments (Copernicus plan) continue, but policy councils have not yet been set up, so that optimal compatibility between the

political and administrative level as contemplated by the reforms has not yet been ensured. As far as the internal control structures are concerned, some progress was booked. For instance, administrative processes in most government departments were mapped and control measures were worked out accordingly, but these measures were not coupled with existing risk analyses. No internal audit service that meets the new regulatory measures was set up in any government department.