

PRESS RELEASE

July 2014

Report to the Flemish Parliament

General accounts 2013 of the Flemish Community



The Court of Audit reviewed the general accounts 2013 of the Flemish Community filed at the end of March 2014 by the Flemish Minister of Finance and Budget. On the one hand, the audit lead to a number of observations about the implementation of the budget and the business information around the balance and the income statement. On the other hand, the Court commented the ESA-consolidated implementation rates 2013 of the Flemish government. It drafted consolidated figures for this purpose.

General accounts

On 24 March 2014, the Flemish Minister of Finance and Budget filed the 2013 general accounts on time with the Court of Audit. This general accounts pertain to the Flemish ministries and the separately managed public services, which deal more or less autonomously with their budget, although they don't enjoy a legal personality. Besides the traditional implementation rates of the budget, the documents also offer some business insights thanks to the balance and the income statement.

Observations on the implementation of the budget

With regard to the implementation of the budget, the Court of Audit noted, among other things, that not all budgetary revenue and expenditure items were correctly allocated to the year in which they were earned or incurred. Some charges were also specifically assigned in function of the due date of the payment. For instance, an advance to the MINA Fund for its operation during 2014 was wrongfully assigned to 2013. The VAPH (Flemish agency for physically impaired persons) booked an overflow endowment of 78.8 million euros in 2013 to balance 2012 grants repayments. Begin 2014, the department of Mobility and Public Works wrongfully assigned to the 2014 budget about 45 million euros of invoices for supplies received in 2013. Such assignement errors are distorting the actual results of 2013 and the financing balance.

The Court of Audit also observed that the reporting of the budget implementation provides a lot of accounting-related information, but very few explanations. The implementation account consists of merely tables of figures. However, a substantive discussion and analysis regarding those figures are missing.

Observations on the business information

The Court of Audit noticed, among other things, that the balance sheet of the Flemish Government shows an artificially inflated net book value of the tangible fixed assets amounting to 28,509 million euros, due to a lack of adequate depreciation. The outdated valuation rules exempt from depreciation the most important tangible fixed assets, i.e. the civil engineering works (22,387 million euros). The inventory of the fixed assets in the accounting system is confined to a mere registration of investments. As a result, it contains insufficient detailed information which is necessary for a sound management of the fixed assets. On the one hand, a number of financial fixed assets have been overvalued in the books, compared to their intrinsic value. On the other hand, the debt of 176.5 million euros towards BAM (Antwerp transportation authority) is missing. However, an uncollectable debt of 59.3 million euros on the VMSW (social housing agency) has not yet been written off.

The income statement shows a positive operating income of 1,465.1 million euros. The financial assets section took into consideration the many observations the Court of Audit made concerning the 2012 accounts. The corrections had a positive impact of 470.9 million euros.

ESA-consolidated account

The Department of Finance and Budget submitted the ESA-consolidated implementation rates 2013 of the Flemish government to the Court of Audit. The Flemish government used those figures to calculate the financing balance of 2014, which amounts to + 187.1 million euros. That is the relevant figure in the context of the European Growth and Stability pact. The Court of Audit noticed nevertheless that it is only a temporary result, since a number of legal entities included into the consolidation have not yet delivered final annual accounts for 2013. Furthermore, the scope of consolidation does not contain all entities of the Flemish state government. Especially universities and colleges are missing.

The Minister's reaction

On 26 June 2014, the Flemish Minister of Finance and Budget commented some observations of the Court of Audit. He promised a few rectifications in the 2014 general accounts and in the next Cash, Debt and Guarantee Management report. However, the Minister did not react to a great number of observations.

Information for the press

The Court of Audit exerts an external control on the financial operations of the Federal State, the Communities, the Regions and the provinces. It contributes to improving public governance by transmitting to the parliamentary assemblies, to the managers and to the audited services any useful and reliable information resulting from a contradictory examination. As a collateral body of the Parliament, the Court performs its missions independently of the authorities it controls.

The report on the public accounts of 2013 of the Flemish Community has been sent to the Flemish Parliament. The full version (in Dutch) and this press release can be found on the Court's (www.rekenhof.be).