

PRESS RELEASE

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Report to the Flemish Parliament

Report of the Court of Audit on the public accounts for 2014

The Belgian Court of Audit sent its report on the 2014 public accounts to the Flemish Parliament on 28 October 2015. This report examines how the different entities of the Flemish public services, ministries and autonomised agencies justified their expenses for 2014. It is also an opportunity for the Court to inform the Flemish Parliament about the results of a series of thorough audits carried out within the scope of accounts auditing. It wishes to provide the Flemish MP's with the necessary information to evaluate the results of the financial policy and management of the Flemish government.

The 2015 report

In this report the Court of Audit submits in October its findings on the accounts audit of the Flemish ministries, autonomised agencies and legal persons to the Flemish Parliament. The 2014 accounts are the first ones for which the Flemish government had to apply the new European System of Accounts ESA2010, which becomes consequently a red lead in the report.

Consolidated image of the budget implementation

In the first chapter the Court of Audit provides a Flanders-wide image of the budget implementation in 2014, mainly in figures. It also shows the transition from the total budgetary receipts and expenses system to the ESA consolidated receipts and expenses scheme and analyses its constitution. According to the Court of Audits calculations, the adjusted structural financing balance, i.e. the difference between the consolidated receipts and expenses of the Flemish government, is actually -664,9 million euros for 2014. End 2014, the consolidated gross debt of the Flemish government added up to 18.763,1 million euros.

Budget implementation per policy area

The second chapter examines the budget implementation 2014 for each policy area of the Flemish government. For the most important entities, it attuned closely to the estimate. For some areas, the Court of Audit draws attention to specific audit results in a number of separate paragraphs. For example, it encourages once more the department Finances and Budget to pay invoices in time. It also points out that the project financing for a VMM (Environment Agency) construction project does not meet the policy objective and that choosing the real estate certificate system resulted in a larger amount to be financed because of a higher interest than a classic financing.

When it comes to the policy area *Economy, Science and Innovation*, the Court of Audit draws for instance attention to the still slow renovation of the regionalised botanic garden in Meise. Regarding the policy area *Welfare, Public health and Family* (Welzijn, Volksgezondheid en Gezin), the Court of Audit again analysed the way the Flemish Carefund (*Vlaams Zorgfonds*) is investing. Since last year, the Flemish government has allowed a more risky portfolio build-up. For the department *Culture, Youth, Sports and Media* (Cultuur, Jeugd, Sport en Media), the fusion between the Flanders Opera and the Royal Ballet Flanders in 2014 was quite special. In this respect, the Court of Audit noticed that the dissimilarities in the personnel statutes complicate the work.

In spite of the efforts of the ministry, the department *Mobility and Public Works* (Mobiliteit en Openbare Werken) continues to generate considerable penalty interests because of late payments. On top of that, the total receivables of the *Flemish Infrastructure Fund* (Vlaams Infrastructuurfonds) keeps growing because of the difficulties experienced in setting damage claims and due to discussions with the federal tax administration. Finally, for the policy area *Space, Housing and Real Estate Heritage* (Ruimte, Wonen en Onroerend Erfgoed), the Court of Audit points out once more that the restoration subsidies are most insufficient to meet the current commitments, and that the continuously growing number of unperformed commitments seriously compromises the actual policy possibilities within the policy area Real Estate Heritage.

As a result, the Court of Audit has also conducted a number of in-depth examinations at a selection of public entities.

Application of ESA2010 by the Flemish public services

The Court of Audit investigated the application by the Flemish public services of ESA2010, which replaces ESA95 as the central framework for the social and economic statistics of the European Union since September 2014. The Court of Audit found that the internal organisation of the Flemish public services fell short to report to Europe in accordance with the ESA2010. Moreover, the public services work with their own scope of consolidation and do not include all of the entities in the ESA consolidation in time. Numerous corrections and explanations are missing in the ESA consolidated reporting to the Flemish Parliament, so the parliament has no true image of the information Europe receives on the Flemish public services.

Cash and debt management Flemish public services

The cash and debt management of the Flemish public services rests on a sound decree, which has yet to be elaborated. For example, the Flemish public services have not yet imposed a centralised debt management on the agencies. Other bottlenecks are the operability of the cash and debt management which, for instance, lacks a clear direction and a standards framework, as well as the reporting. The ministerial report to the Flemish Parliament for example contains insufficient consolidated information or information on PPP investments (*public-private partnership*). The Court of Audit is of the opinion that further centralisation of the liquidities management of the institutions has to be examined for each entity.

Budgetary impact of alternative financing projects

The current alternative financing projects raised the Flemish debt by 2.984,1 million euros end 2014. The completion of the current programmes for schools and road infrastructure will continue to raise the debt. The Flemish public services have not yet incorporated the investment costs and debts in their bookkeeping and annual accounts in accordance with the European directives. Given all of the completed projects, the financial impact of the penalties to be paid periodically runs for the Flemish public services from 2.310,3 million euros per term up to more than 4.181 million euros per term. The intended budgetary spread will actually weight on the multi-annual budgets for decades to come.

Rental costs management by the Flemish Facility Agency (AFB)

The *Flemish Facility Agency* (Agentschap Facilitair Bedrijf - AFB) can rely on clear policy objectives for facility services and on compact processes that are described in concrete terms in order to manage the real estate in particular. However, a selection of rental costs cases made by the Court showed that there is room for improvement concerning their management. There are three problems in this regard: incomplete files, insufficient knowledge and lack of standardisation as regards the rental agreements.

Financing balance of local Flemish authorities

Although Flanders committed itself to ensure that the local administrations reach their budgetary objectives, it did not take any specific measures to this end. Besides, several public entities according to the ESA are beyond its supervision. Flanders does not see as a priority an ESA follow-up of its local administrations results. Improving quality and deadlines as regards the local authorities' accounts must remain a point of focus, especially for the purpose of the National Accounts Institute reporting obligations towards Europe.

Processing flows and transparency within the Flemish tax service Vlabel

Uniformity in processing all taxes and levies within the *Flemish Tax Platform* (Vlaams Fiscaal Platform - VFP) is beneficial to efficiency, effectivity and customer orientation, so that the Court noticed no significant shortcomings as regards the processing or reporting by Vlabel. However, the information passed on to the accounting system Orafin by VFP still lacks accuracy, so that the reporting in this system is not always transparent. The transfer of the inheritance and land registration taxes to the Flemish authorities is problematic and causes some delays to tax enrolment and collection. Actions are being taken to clear the backlog.

Transparency and financial impact of PMV's activities

Despite a partial clustering of its extended services and activities, PMV (Flemish Participation Company) has a complex structure of branches and internal business units, whereas its investment activities are splitted up. Up to now, PMV has merely been able to achieve limited capital gains on its investments. As there are neither consolidated annual accounts, nor a transparent annual report about PMV, the Flemish Parliament does not receive any systematic well-structured justification of the group's activities, nor of the financial results or the capital gains.

Provisions for college students

Colleges greatly differ from one another as regards their administration, management, working and reporting on social measures, as well as on their scholarships granting policy. These differences are mainly due to their autonomy. Moreover, even within one single college, students are not necessarily assured to be treated equally, as there are no procedures or objective instructions.

Implementation of decrees against poverty and of debt mediation decrees

In 2009-2014, the Flemish government increased fourfold the budgetary means for debt mediation and fighting poverty. Nevertheless, the annual budget justifications merely give figures about the use of these means. The actions written down in the Flemish action plan against poverty 2015-2019 (ActiePlan Armoedebestrijding) are too vague to be measurable and do not include any budgetary forecast. There is clearly room for improvement as regards the implementation of the decree against poverty. For instance, the resources allocated to training and coaching initiatives are not spent efficiently. Moreover, there is a great risk that the local administrations cease to use these local resources against poverty from 2016 onwards because of their financial problems. Not all public social welfare centres (Openbare Centra voor Maatschappelijk Welzijn – OCMW) are willing to actively take part in the cooperation for debt mediation.

Project subsidies granted by the Welfare and Public Healthcare Agencies

The granting of subsidies by the agencies with legal status working in the field of Welfare, Public Healthcare and Family matters merely guarantees that all applicants are treated equally. And among other issues to address, there are the internal control on the use and payment of subsidies, the way the subsidies are charged in the budget and the reporting on project assessments.

Research Institute on Fish and Agriculture (ILVO): interactions with own funds

The Flemish government decided to split up the *Research Institute on Fish and Agriculture* (Instituut voor Landbouw- en Visserijonderzoek - ILVO) into an internal independent agency having its own funds and legal status and an internal independent agency without its own funds or legal status. Both are entrusted with different tasks and competences that are not clearly distributed. This decision gave rise to uncertainty and lack of efficiency in various fields. More often than not, the budget does not allow to identify the sub-entity that made this or that investment or working expenditure. Besides, the double structure of the Institute undermines a clear and consistent reporting on the costs, as well as the connection between the activities and the research projects.

Renovation grants and housing improvement and adaptation grants in Flanders

Housing in Flanders (Wonen-Vlaanderen) succeeded to address administratively the great number of requests for renovation grants and housing improvement and adaptation grants, except in time of massive increases of requests preceding announcements of regulation changes. The regulation itself shows some shortcomings. For instance, the target group definition is too vague, the process control - which is limited to quantitative indicators -

causes lots of problems, as well as the poor surveillance on the compliance with the provisions in force. As it is, Wonen-Vlaanderen hardly measures how far the objectives are achieved or how effective the grant allocation is organised. The renovation grants ceased to be subject to taxation in September 2014 and the implementation of the new regulation gave rise to much fumbling, creating a legal vacuum.

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 Flemish public accounts 2014 has been sent to the Flemish Parliament. The full version (in Dutch) and the press release can be found on the Court's website: www.courtofaudit.be.