

PRESS RELEASE
November 4, 2016

Report to the Flemish Parliament
Implementation of Economy and Budget Measures 2015

The Court of Audit's investigation has determined that the 1.15 billion euros in economy measures of the Flemish government are not clearly laid out in the budget documentation. The Court has therefore launched an in-depth investigation on the specification and implementation of these measures. This investigation has shown that the Flemish government's specification of the measures was inadequate and their follow-up lacked uniformity. Consequently, the Flemish government's reporting on the implementation of the economy measures was also unsatisfactory. The various administrative departments claim to have complied with the economy measures, arguing it was impossible for them to exceed the appropriations, that were set out in the automatic accounting system. The Court of Audit makes some observations in this respect and recommends the Flemish Parliament to demand clarification from the Flemish government.

Investigation

The Court of Audit came to the conclusion that the Flemish budget for 2015 did not clearly lay out all the economy measures that the Flemish government had promised in its general report on the budget. The various departments also failed to adequately specify the measures in their programme reports. Therefore, the Court of Audit decided to launch an in-depth investigation into that specification in the context of its assessment of the implementation of the 2015 budget. Furthermore, the Court attempted to create an overview of the degree of follow-up and implementation shown by the Flemish government and determined whether the implemented measures were structural.

2015 budget measures

During the 2015 budget draft the Flemish government opted for a balanced budget, which would require the implementation of 1.15 billion euros in structural economy measures. Due to a few economic setbacks the Flemish government was unable to maintain a balanced budget by the budgetary adjustment in April 2015, but did intend to limit the budgetary deficit through 349.5 million euros in new budgetary measures, including 155.8 million euros in additional cutbacks on expenses, both structural and singular.

Specification of the measures

The general report on the 2015 budget only specified 349 million of the promised 1.15 billion euros in economic measures and did so very vaguely. The distribution across the various departments was not communicated until the budget meeting in the Flemish parliament. At the start of the investigation, the Court of Audit requested detailed central figures from the Ministry of Finance and the Budget. However, the approach taken by the various departments to provide information lacked uniformity and transparency. Furthermore, the departments categorized the measures differently from what was outlined in the programme reports. The Court of Audit could not find complete uniformity between the data from the budget documentation, the programme reports and the information

provided by the departments. Eventually the Court was able to reach a general overview of the economy measures, despite its inability to determine the exact figures for some of the categories of economy measures.

Follow-up of the actual measures

The Court of Audit could not determine any specific central follow-up of actual economy measures by the Ministry of Finance and the Budget, since follow-up was mainly decentralised and conducted by the various departments. According to the Ministry of Finance and Budget, this was due to a certain degree of freedom for the various departments in their implementation and monitoring. Consequently, the follow-up intensity tended to differ between the departments. Furthermore, the lack of clear specification further hampered the follow-up.

Implementation of the economic measures

The administration assumed that the measures were in fact implemented, given the fact that it is generally impossible to exceed appropriations in the accounting system. For most of the measures, the Court of Audit found no indication that they were not implemented. However, the Court did notice that the budget adjustment or reappropriations reversed a number of important cutbacks throughout 2015 and in doing so dismantled some of the original economy measures, such as the taxation of the renovation grants and the decrease of the interest-rate subsidies for the Vlaamse Maatschappij voor Sociaal Wonen, the Flemish social housing agency, and the Vlaams Woningfonds, the Flemish housing fund. The Court of Audit also questions whether the inability of departments to exceed their appropriations means that the economy goals were reached, since appropriations can be changed manually and bills can be postponed until the next budgetary year. Additionally, an increase in the use of appropriated funds can limit the actual implementation of an economy measure. Furthermore, not all entities within the Flemish government make use of the central accounting system. Finally, it is unclear whether the decreased funding for the autonomous entities has actually caused a decrease in their expenses. In that respect, the Court has conducted a specific investigation into the cutbacks of the VRT, the national public-service broadcaster for the Flemish Region and Community. The Court determined that the highly aggregated nature of the VRT's communication of information made it difficult for the Court to link the figures in their financial statement to the budgets and implementation figures. It was, however, possible to determine uniformity between the business plan and the economic and budgetary accounts. The funding cost has decreased for the Flemish government and the VRT attained the predetermined staff outflow all but completely.

Structural nature of the cutbacks

The general report for the initial budget assumed that all economic measures were structural. However, that was not the case with the elimination of the competitiveness clause and the taxation of renovation grants. The budget adjustment distinguished between singular and structural measures. The departments indicated that most of the implemented measures were structural.

Response from the minister

The Flemish Minister of Finance and the Budget has provided the Court of Audit with a coordinated response on October 18th, 2016. His response included a statement that the initial budget was not intended to contain exclusively structural measures and that central follow-up was, in fact, conducted. He claims that the fact that not all economy measures were implemented, was a deliberate decision in order to adapt the predetermined cutbacks

to changed circumstances or technical difficulties. Finally, the minister pointed out that the 2017 budget draft will include measures that will improve communication and reporting on the budgetary measures.

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 *Implementation of Economy and Budget Measures 2015* has been sent to the Flemish Parliament. The report and the press release can be found on the Court's website (www.courtsofaudit.be).