Annual activity report 2018
[abridged version]

Brussels, July 2019
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This abridged version of the annual activity report outlines the use of the resources allocated in 2018 to the Court of Audit of Belgium to carry out its missions. The full annual activity report is available in Dutch and French.

1 The Court of Audit in 2018

The Court of Audit is composed of a French and a Dutch chamber, which together form the General Assembly. Each chamber consists of a president, four councillors and a secretary general.

The Court as of 4 May 2019.

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<th>General Assembly</th>
<th>Dutch Chamber</th>
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<td>President</td>
<td>Hilde François</td>
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<td>Chief Secretary General</td>
<td>Jozef Van Ingelgem</td>
<td>Secretary General</td>
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(*) The House of Representatives appointed Walter Schroons as councillor, effective 1 October 2018, following the retirement of Jozef Beckers. On 14 November 2018, the House appointed Florence Thys to succeed Councillor Didier Claissé, who passed away on 15 June 2018.

The General Assembly is competent for matters concerning the Federal State, the Brussels Capital Region, the Joint Community Commission (Brussels Capital Region), the German-speaking Community, the public bodies dependent on it, as well as for interpreting European and federal law.

The French Chamber has exclusive competence over matters concerning the French Community, the French Community Commission (Brussels Capital Region), the Walloon Region, the public bodies dependent on it and the Walloon provinces.

The Dutch Chamber has exclusive competence over matters concerning the Flemish Community, the Flemish Region, the public bodies dependent on it and the Flemish provinces.

2 Quantitative Data

In 2018, the Court employed 509 staff members on average (the law sets a maximum of 620), of which about two-thirds are auditors and assistant auditors. The last third of the staff holds supporting functions.
In addition to financial audits related to the general accounts, the accounts of government bodies and departments as well as the accounts of accounting officers, the Court issued 40 budget analysis reports in 2018, 22 special audit reports, 35 articles in its Annual Comments and eight opinions with regard to the budgetary impact of draft legislation for the federal and regional parliaments and provincial councils.

During the same year, the Court audited or certified 233 accounts of public bodies, services or agencies, nine accounts of state universities and verified the periodic reporting on 3,023 accounts of accounting officers.

In 2018, the Court carried out five audits at the request of parliamentary assemblies. Seven members of Parliament made use of their individual right of access to documents and information.

The Court of Audit answered two advice requests from the executive authorities in 2018.

3 Impact of the Audits

In its annual activity report the Court also pays attention to the impact of its audits. It examines the way its publications are perceived and monitors the implementation of its recommendations. This allows the Court to increase the quality of the information provided to parliaments and at the same time to improve its means of action. All reports are available on its website, either in French or in Dutch for most regional issues, and in both languages for the federal matters and Brussels regional issues.

It can be mentioned in this respect that the Court’s representatives attended 57 hearings in the different parliaments in 2018 to answer questions on its budget reviews, Annual Comments and special reports.

4 International Relations

In cooperation with the European Court of Auditors (ECA), the Belgian Court of Audit takes part in audits of the European Union expenditure. It participates in the activities of organisations of Supreme Audit Institutions (SAIs) and welcomes foreign delegations.

4.1 European Court of Auditors

In 2018, the ECA carried out six audits in Belgium, with the Belgian Court of Audit acting as observer. All audits related to the so-called statement of assurance (‘DAS - déclaration d’assurance’).

The Belgian Member of the European Court of Auditors – Mrs Annemie Turtelboom since mid-2018 – visited the Court of Audit on 3 December 2018. The meeting focused on the European
Court of Auditors’ annual report and the opinions and reports for which she is responsible. Common points of interest and possible synergies were sought, such as joint training and initiatives, for example in the field of data analysis.

4.2 Contact Committee of the Supreme Audit Institutions of the European Union

Next to the cooperation in auditing matters, the ECA also provides the SAIs of the member states of the European Union with a consultative structure to discuss topics of common interest. Within this framework the Contact Committee of SAI presidents met in October 2018 in Dubrovnik. Liaison officers of the SAIs also convened in Malta in May 2018. Representatives of the Court also attended a symposium organised in the framework of the presidency of the Council of the European Union in Vienna (September 2018) and a seminar on European Public Sector Accounting Standards (EPSAS project).

The Court is also a member of the working group on VAT, the network on fiscal policy, the Network Europe 2020, the workgroup on combating fraud and protecting the EU financial interests, and the workgroup for updating the information on public procurement.

The Anti VAT Fraud Strategy working group focuses on two themes. A subgroup looks into the specific mechanism of the Reverse Charge Mechanism, which consists of reversing the VAT liability. A second subgroup focuses on the Mini One Stop Shop (Moss), a measure to simplify VAT rules for suppliers offering services against payment to individuals in other EU Member States. The Court of Audit is active in the latter subgroup. At its last meeting (Vienna, April 2018), this subgroup discussed the exchange of data between the SAIs of the European Union in the field of e-commerce and the Moss.

The audit of public procurement has long been on the agenda of SAIs. A working group, with the active participation of the Court of Audit, has provided the auditors with a set of tools, including: a reference manual that also includes summaries of the most important and recent judgements of the European Court of Justice; a procurement performance model that includes audit questions developed as benchmarks for assessing the performance of the procurement function in public sector organisations; checklists to be used when auditing public procurement processes; summaries of audit reports published by SAIs.

4.3 European Commission

In 2018, a delegation from the European Commission visited the Court of Audit for the first time as part of its fact-finding mission concerning the European Semester, a cycle of economic and budgetary policy coordination within the European Union.

The purpose of the visit (October 2018) was to prepare the country report on Belgium in view of the European Council’s recommendations. The Commission delegation referred to a recommendation made by the Council to Belgium on 13 July 2018 to improve the efficiency
and composition of public expenditure at all levels of government in order to free up margins for public investment, in particular by carrying out spending reviews.

After the publication of the country report on Belgium, a Commission delegation presented the report to the Court of Audit. The Commission intends to visit the Court of Audit once a year as part of the European Semester.

4.4 Training within the EU Context
Members of the Court of Audit’s staff participated in several training courses organised in a European context, including on the audit of programmes financed and investments co-financed by the European Union, cost-benefit assessment, data mining and analysis.

4.5 Organisations of Supreme Audit Institutions

1. INTOSAI
As a member, the Court of Audit took part in the activities of the subcommittee on internal control standards of INTOSAI, in particular a working group on the review of internal audit-related standards. Court representatives attended the plenary meeting in Warsaw (September 2018).

In 2018, representatives of the Court of Audit also participated in a conference on international peer reviews between SAIs (June 2018, Bratislava).

2. EUROSAI
The Court of Audit took part in the activities of a strategic working group that aims to strengthen professional cooperation between SAIs. In 2018, a seminar was organised on audit methods, to which members of the Court actively contributed (Warsaw, October 2018).

The Court of Audit also participates in the activities of the IT Working Group and the IT Self-Assessment & IT Audit Self-Assessment subgroup. A staff member co-moderated an IT Audit Self-Assessment at the SAI of France.

In addition, the Court of Audit contributes to the activities of the Working Group on Environmental Auditing (WGEA). A staff member participated in the seminar on environmental governance from an audit perspective. In 2018, a joint audit on the energy efficiency of public buildings, in which the Dutch Chamber of the Court concurred, was finalised.

3. Aisccuf
Since 1994 the Court has been treasurer of the Association of Supreme Audit Institutions that have in common the use of the French language (Association des institutions supérieures
Representatives of the Court attended a meeting of the executive board (Tunis, March 2018) and the general assembly (Niamey, November 2018).

4.6 Audit of International Organisations or Projects
A councillor of the Belgian Court of Audit chaired the board of auditors of OCCAr (Organisation for Joint Armament Cooperation) for more than 10 years. The Court is one of the external auditors of the Airbus A400M programme.

At the end of 2018, the Court of Audit was appointed as the external auditor of the international organisation The Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies for the purpose of auditing the accounts 2019 to 2021. This organisation is based in Vienna and has more than 40 participating States.

5 Bilateral Relations
Representatives of the Court of Audit had a high-level meeting with the SAI of the Netherlands (September 2018, The Hague).

The Court of Audit hosted several foreign delegations, including the SAI of South Korea and the Parliament and SAI of Georgia.

The SAI of Georgia and the Court of Audit signed a cooperation agreement, which provides for a general framework for the exchange of information and the organisation of thematic synergies. In recent years, the Court of Audit signed similar agreements with the SAIs of the Russian Federation and Kazakhstan.

6 External Representation
Court members and auditors also maintain good relations with higher education institutions and are often requested to give presentations or lectures (Universities of Leuven, Louvain-la-Neuve, Antwerp, Ghent, and others). The main topics are public finances, internal control, performance auditing, policy assessment and public accounting.

7 Feature article: 20 Years of Performance Auditing by the Court of Audit

Twenty years ago, the law supplemented Article 5 of the Act on the Court of Audit with the following provision: ‘The Court of Audit shall ex post audit the proper use of public funds; it shall ensure that the principles of economy, effectiveness and efficiency are respected.’
The International Organisation of Supreme Audit Institutions (INTOSAI) has developed standards (ISSAIs) to enable Supreme Audit Institutions to carry out independent and efficient audits. ISSAI 300 compiles the principles of performance auditing. To this effect, the Court of Audit developed various procedural and audit manuals. These manuals transpose into practice the INTOSAI standards, and constitute the guiding principle for ensuring the proper conduct and quality of the preparation, implementation, reporting and follow-up of the Court’s performance audits.

The Court’s audits result in an opinion. Opinions imply that the facts (what is) are confronted with a norm (what should be). A standard represents the desired situation against which the existing situation is assessed. The normative frameworks used by the Court must be objective and documented. They are also communicated in advance to the audited entities.

In 2011, the Court developed a survey or synthesis of the standards it uses to assess the effectiveness and efficiency of public services and public policy. The standards can be divided into four categories: the functioning of public bodies, the framework within which public bodies operate, the results of government policy, the ministerial accountability to Parliament. This synthesis is a (dynamic) working tool and a source of inspiration for future audits.

In its 2010–2014 strategic plan, the Court explicitly stated the intention to stimulate effective public management, in particular by drafting reports that pay more attention to public policy performance/results. According to the current 2015–2019 strategic plan, the Court aims to provide a reference for parliamentary debate and policy development through its reports.

In addition, politics and public management have been evolving in response to societal trends and challenges, which induce a dynamic in terms of risks and values of good governance. The Court is therefore preparing an update of the synthesis of standards. The synthesis has already been complemented by specific standards for stakeholder mapping, stakeholder management during project implementation and evaluation and reorientation of stakeholder management. Quality control standards have therefore been added to the summary and structured according to six principles: audit selectivity (audits based on documented choices), independence, agility and professionalism of auditors, collaboration with other public services and control and audit bodies, and reporting on the functioning of the Court. The functioning of a board of directors is also a new focus. Good governance can be assessed using various criteria, grouped under the name corporate governance for public companies, as developed by the OECD. The standards applied by the Court of Audit related to the development of ownership policy by the public authorities shareholders and to the composition and functioning of the Board of Directors and the advisory committees. As regards the evaluation of the results of public policy, standards relating to the quality of public services have been included.
**Types of Audit**

The Court of Audit has significant independence and autonomy to determine its audit policy and the subjects of its audits. At the same time, within the limits of its material powers, each legislative assembly may request the Court of Audit to carry out an audit.

Carrying out a direct performance audit requires that objectives, indicators and target values are clearly defined, as well as the availability of the data necessary to assess the implementation or results. If not so, the Court of Audit focuses its attention on the conditions for performance (indirect audit), either by assessing the quality of risk control (internal control) or by examining the management system put in place (governance). Conducting compliance audits also contributes to improving public management.

**Training and Recruitment**

The Court prepared at a very early stage for its new mission through a collaborative project with the SAI of the Netherlands. This initiative was soon complemented by training for staff on the review of the economy, effectiveness and efficiency of policies (management control; internal control and audit; measuring, monitoring and evaluating performance, etc.).

In order to establish training programmes, a reflection was organised to identify the skills expected at the different stages of the career. A training plan was developed so that the real skills of the auditors approached those expected. An initial training programme is organised for the new recruited auditors. It provides the basic knowledge, including the techniques necessary to carry out performance audits. Another training programme is then established to enable auditors already in office to acquire additional knowledge (performance audit, process analysis, internal control, interview techniques, quantitative analysis, qualitative analysis, etc.). In order to improve training, this programme is continuously evaluated.

While recruiting auditors, the Court recently paid more attention to specific audit capabilities (public management, organisational control, audit techniques). But the profiles are permanently updated: candidates should now also have excellent knowledge and skills in methods and techniques of quantitative and qualitative analysis.

**Selection of Audit Topics**

In its mission statement, the Court states that the selection of audit topics is mainly based on a regular risk analysis and the concerns of parliamentary assemblies. The selected audit themes must also cover all aspects of public sector action in a diversified and balanced way.

The selection is based on four specific dimensions: risk analysis, financial and societal significance, added value, compliance with legal obligations and coverage of the audit scope. To streamline and objectify this process, the Court’s services draw up each year a list of audit themes that they prioritise on the basis of a multi-criteria analysis. The various areas of the
audit scope are subject to an in-depth examination using several sources of documentation (budgets, policy statements, parliamentary documents, documents from the administration, press articles, scientific literature, official statistics, Ombudsman's reports, policy evaluation) and, where appropriate, preliminary interviews with political actors or the entity under examination.

This process is explained in a manual intended to help staff members and departments conducting performance audits to select such audit topics in a documented and professional manner. The manual covers both aspects of the general organisation and procedure and the monitoring and analysis of preparatory risks, as well as aspects relating to the selection procedure itself for the selection of audit topics.

**Debate with the Auditee**

The principle of debate with the auditee derives from international standards. In Belgium, the debate prior to informing parliamentary assemblies is formalised and gives rise to an exchange of letters. The results of this debate are included in the report sent to Parliament.

The procedure manual provides more details on the form that this debate should take. It identifies two phases: the first with the audited service on the basis of the preliminary draft report, and the second with the minister on the basis of the draft report.

Using two phases has its advantages. This modus operandi makes it possible to send the Minister a text that is almost identical to the one that will be sent to Parliament, since the audit team has had the opportunity to incorporate the relevant remarks of the audited department. This approach also makes it easier to integrate the (rare) cases where the audited service and the minister have different opinions on the same topic.

Nevertheless, the implementation of two phases considerably increases the time required to produce the final report transmitted to Parliament. In this context, a 2010 survey by the European Court of Auditors shows that the average duration of the debate procedure in Belgium is one of the longest. As a result, the report may no longer be relevant. In addition, in many cases, the minister forwards the draft report to the administration and replicates the comments of the latter to establish his or her own response. In this case, two phases do not bring any real added value.

**Internal follow-up of audit recommendations**

Most audit reports contain recommendations addressed to both policy-makers and entities responsible for implementing the policy and they aim at remedying breaches and deficiencies.

In accordance with international auditing standards (ISSAIs), the Court internally monitors the implementation of these recommendations as part of its monitoring activities and through
specific monitoring reports. The follow-up of audit recommendations is an essential element of the Court’s objective to improve the functioning of public sector authorities.

Monitoring audit results means examining their impact on both Parliament and the administration, the Court’s primary target groups. Maximising this impact is an important objective of the Court in its 2015–2019 strategic plan. The follow-up of recommendations and the measurement of audit impact are complex and less obvious than they appear. The causal relationship between audit recommendations and changes in the audited entity or in the audited policy is often unclear. The impact may either be underestimated or overestimated when policy changes are allocated to an audit report while they have a different origin. The changes induced by a Court’s report rarely occur all at once, but rather are a long-term process. Conceptual impact means that audit results make their way and influence visions, frameworks and theories over a longer period of time, not only with the audited entity, but also with other bodies.

**Developments in the Performance Audit Approach**

The above discussion has already shown that the conduct of performance audits has changed significantly since 1998. Initially, performance audits focused on the internal management of public bodies and checked whether the conditions for an effective policy were in place without commenting on the effectiveness itself. The Court’s 2015–2019 strategic plan took the process a step further. It calls for greater emphasis in audits on the results of policies and the responsibility to justify the use of public funds. It is not always easy to separate performance audits from other forms of audit. These are generally joint audits dealing with aspects of compliance, management and performance to varying degrees.

The Court of Audit strives to continuously improve its working methods and the quality of its audit reports. In response to this focus on policy outcomes, methods have evolved accordingly. Governments are collecting more and more data. This opens up new possibilities for auditing public sector bodies where both content and methods differ. Audits with a strong focus on policy outcomes are often accompanied by complex review methods and extensive statistical analysis of data. To further improve the quality of its audits, the Court has created DataLab, an internal unit of specialists in data management and analysis. Through DataLab, the Court intends to focus on specialisation, knowledge sharing and the development of new methods.

As performance audits focus on public sector action results, it is closer to the evaluation of public policies by borrowing its conceptual frameworks and methods. From a methodological point of view, the formulation of audit findings can be enriched by the perspective of the various stakeholders in the policy under consideration.

Performance audits are carried out in the context of a growing professionalisation of working methods. The Court of Audit has been able to significantly improve the quality of its reports using INTOSAI’s principles, standards and guidelines for performance auditing. This
professionalisation is materialised, among other things, in the selection of themes that are the subject of performance auditing. As its assignments were considerably expanding, the Court of Audit has adopted a method of selecting audit themes focusing foremost on activities with a higher risk of malfunctioning. This strategic business planning approach ensures optimal risk coverage and efficient use of resources.

Performance audits also evolve in a societal context characterised by greater concern about transparency and more interest in the work of the Court of Audit. In this context, professionalisation is also reflected in the effort made to ensure the readability of audits, guaranteed by the creation of specific units dedicated to the publication of reports. This evolution, which tends to avoid or explain technical or technocratic vocabulary, makes it possible to put more emphasis on the aims pursued and the improvements promoted.

**Upcoming Challenges**

The Court of Audit operates in a constantly changing society. This evolution requires the ability to adjust the practice of performance auditing in order to continuously improve the relevance and quality of the reports produced.

The expectations expressed by citizens, stakeholders and elected representatives regarding administrative transparency and the performance of public sector action encourage the design of audits that are increasingly better targeted and whose recommendations really offer added value to sound management of public sector bodies and effectiveness of the policies pursued. The question arises in particular as to whether it is sufficient to evaluate the policy by means of statistics and interviews with officials or whether the voice of the direct stakeholders should also be heard. This is why the Court may also question stakeholders outside the public sector authorities.

Successive State reforms in Belgium have changed the devolution of powers among the country’s various political entities. This situation requires taking into account the new specificities of the institutional landscape. Insofar as the policies pursued by the different levels of government may have similar or even identical concerns or target the same category of beneficiaries, the Court of Audit’s performance audits must be able to integrate this complexity. This is the case, for example, with regard to the implementation of the national sustainable development strategy involving federal and federated administrations.

The effects of European legislation on the policies pursued by Member States call for joint audit projects by several Supreme Audit Institutions. While the degree of international cooperation may vary according to the themes addressed, the Court of Audit pays particular attention to the dissemination of the experiences and good practices of the SAIs of the European Union.

The changing professional standards to which Supreme Audit Institutions are subject call for constant monitoring of methodological developments affecting the practice of performance
auditing. Similarly, the multiplication of actors in charge of audit missions within public services requires the setting up of information sharing and consultation on audit planning. These exchanges between institutions with control or audit competence aim to rationalise the use of their resources and avoid an excessive burden on the audited departments, in line with the philosophy of the single audit or single control chain.

Another challenge for the Court is to increase the impact of the reports through systematic follow-up of the recommendations made. The interest shown by parliamentary assemblies in the follow-up of the Court's recommendations constitutes an important factor to strengthen the impact of the Court's reports. As part of the follow-up to its social security audits, the Court has been reporting annually since 2012 on the status of implementation of the main recommendations in this area. Thus, Parliament is systematically informed of the follow-up (or not) given by ministers or public sector services and bodies to the Court's recommendations.

In other areas, the Court reports on an ad hoc basis on the follow-up of recommendations. Such reports take the form of either follow-up audits or articles in the Court's Annual Report. In order to be able to carry out this reporting more systematically on the follow-up of all recommendations made, it would be useful if ministers and entities responsible for implementing the policy (senior officials in public sector services and public bodies, etc.) were required to comment in their periodic policy notes on the follow-up of the Court's recommendations in their policy area.
A full version of this activity report in French or Dutch is available on the Court’s website:
www.courtofaudit.be.

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