

Abstract

EXAMINATION OF GIMVINDUS ACCOUNTS FOR THE YEARS 2000 AND 2001

The report results from an examination cycle with its legal basis in article 13 of the 13 July 1994 decree concerning Flemish investment companies and the detailed rules for examining the investment companies' accounts were stipulated in a protocol agreement between the Flemish Region and the Court of Audit on 21 December 1994.

After it had been decided to wind up Gimvindus in 2000, the steel and textile fixed liabilities and current assets were transferred into two subsidiaries, respectively "Staal Vlaanderen" and "Textiel Vlaanderen". Also, Gimvindus' current liabilities, that is, the consortium debts due to the banks and the main part of the subordinated debt due to the Flemish Region were transferred to these companies. Subsequently, both companies were sold to the holding company "Participatiemaatschappij Vlaanderen" and the proceeds of the sale were transferred to the Flemish Region by a reduction on capital.

Besides, the subsidiary Werfinvest was wound up in 2001 after a take-over merger with Gimvindus.

The various operations involved in the liquidation of Gimvindus resulted in a reduced balance-sheet total of 6,5 billion BEF as at 31 December 2001 from 28,6 billion BEF as at 31 December 1999. The Court, however, has noticed that the liquidation was mainly carried out in a formal way. While the legal company Gimvindus treats this as a liquidation, the accounts of the Flemish Region consolidation group remain largely unchanged as at 31 December 2001.

Implementation

Although a commitment of results was primarily part of the contract, the contracting party did not fulfil - or delayed to fulfil - most of its commitments (service level aspects), usually because of the ineffectual response of the contracting authorities. Sometimes, action by the ministry was not taken.

Recommendations

The Court of Audit finds it therefore necessary to better prepare large contracts of that type and ensure a strict compliance with the laws concerning public procurement in the future.

The minister's reply

The Flemish Civil Service Minister is of the opinion that contacts with other actors in the IT sector show that in spite of its shortcomings, this contract was better and more comprehensive than most existing outsourcing contracts. According to him, the preparatory work was impaired because the action needed, such as a comprehensive inventory of the IT assets, could not be carried out at the time. The minister promised to devote maximum care to the preparation of the new ICT contract for which the procedure is already now underway. The minister admitted that the IT service provider, in spite of strict contract provisions and penalties, actually failed to achieve the expected service provision level. He, however, added that price corrections were according to him always enforced. The only measure left the ministry could have taken was a contract termination but this would have been counterproductive for the ministry.