

Abstract

Public Accounts Book 2004/2005

Controls over the general accounts for 2004 and 2005 confirmed the trends already outlined by the Court of Audit in its previous accounts book : both general accounts show a positive budget outcome, allowing the Flemish Government to achieve one of its major policy objectives, i.e. further public debt reduction. The Court, however, noticed that a series of internal transactions also contributed to this positive outcome. In 2007, the Flemish Minister for Finance and Budget also completed the accounts rendering catching-up process as scheduled. He submitted the 2006 general account in time. Besides an examination of the accounts the accounts book 2004/2005 also contains several findings from the Court's financial audit. The Court, on the one hand, pointed out that the payment exemption of part of the payroll tax on the salary of university researchers was recorded and enforced in disparate ways. On the other hand, it highlighted major differences in the ways the Flemish Institute for entrepreneurship (VIZO) supported regional vocational trainings (the so-called syntras).

Outcome

The Flemish Community (government agencies not included) showed in 2004 and 2005 a positive budget outcome amounting to 474 and 969 million euro (revenue minus expenditure). It also closed the budgetary years with a cash surplus respectively of 96 and 330 million euro. Thanks to this cash surplus, the Flemish Government was able in the course of two years to decrease direct debt by 812 million euro, reducing it to an amount of 904 million euro. Debt is thus down to a low level. On the face of it, this is positive. The Court, however, pointed out that internal transactions also contributed to this outcome. The debt decrease is not only attributable to a positive cash surplus, but also and above all to the taking over of the debt of the Amortization Fund for Social Housing Loans ('ALESH') by the Flemish Housing Company ('VHM'). Moreover, each year, the Flemish Community extended the guarantees given in support of the debt incurred by the Flemish government agencies and other bodies. This debt increased from 6.360 million euro at the end of 2003 to 6.979 million euro at the end of 2005.

Revenue

In 2004 and 2005 the Flemish Community collected respectively 18,396 and 19,650 million euro as general government receipts and earmarked revenue (exclusive loan proceeds). The percentage of collected receipts was very near the estimated budget amounts (97,8%) for 2004. In 2005 it even exceeded the budget percentage (101,4%).

Use of appropriations

The Flemish Community paid 17.9 and 18.7 thousand million euro respectively for 2004 and 2005 on a total amount of 20 and 20.5 thousand million euro as policy appropriations. The percentage of used appropriations accounted thus respectively for 89,7% and 91,1%. As far as differentiated appropriations are concerned up to 2004 commitments exceeded the amount effectively paid, so that the amount of outstanding payments at end of year increased gradually. The higher percentage of use of payment appropriations in 2005 induced, however, an opposite trend, with – for the first time in years – a decrease in the outstanding commitments (implicit debt) by 11.4%.

Flemish Agencies

The Flemish Agencies with separate management incurred 1.42 and 1.36 thousand million euro expenditure respectively in 2004 and 2005 and in 2005 they were still confronted with the problem of late rendering of accounts, although the delay was less acute than in the

previous years. The control of the accounts revealed mainly what follows: a careless registration of third parties' moneys by the Land Fund ('Grondfonds'), an unclear internal control at the pilot ('Loodswezen') and Fleet ('Vloot') services, the limitations of the core control of the Flemish Infrastructure Fund ('Vlaams infrastructuurfonds') and the still undivided 1989 balance of the 'Flemish Institute for non-movable heritage ('Vlaams Instituut voor Onroerend Erfgoed'). The total budgetary amount of the Flemish government agencies increased sharply in 2004 (8.9 thousand million euro), mostly attributable to the taking over of the Amortization Fund for Social Housing Loans ('ALESH') debt by the Flemish Housing company ('VHM'), but dropped again in 2005 (7.7 thousand million euro expenditure). Government allocation of funds kept going up, while the negative balance of 2004 was turned into a 116.7 million surplus in 2005. The accounts rendering was very late mainly in 2005. The control of the accounts revealed mainly what follows : the justification of the one-off payment of the expenditure of the Funding Fund for Debt Reduction and One-off Investment Expenditure ('FFEU'), the unclear alternative funding of the Cultural Infrastructure Fund ('Fonds Culturele Infrastructuur'), the delay in aid payments by the Hermes Fund, the incomplete processing of outstanding claims and debt of the Flemish Agricultural Investment Fund ('Vlaams Landbouwinvesteringsfonds'), the claims of the navigation company ('Scheepvaart') on the Flemish Infrastructure Fund, the incomplete rendering of accounts for 2005 by Export Flanders ('Export Vlaanderen') and 'Flanders Investment and Trade', the Flemish employment agency ('VDAB') appropriation adjustment that was not implemented into decrees, the incompleteness of obligations taken over from the Navigation and Sea canal public ltd company ('NV Waterwegen en Zeekanaal'), the systematic incompleteness of the accounts of Community Education ('Gemeenschapsonderwijs'), the negative operational result of the Flemish radio and television broadcasting company ('Vlaamse Radio- en Televisieomroep') and the actual operational deficit of the Flemish Transport Company ('Vlaamse Vervoersmaatschappij') and the latter's claims set off against the debt due by the Flemish Region.

General accounts

The delay in the submission of the general accounts for the years 2004 and 2005 was shorter than for the previous general accounts (it was respectively 14 and 6 months). In so doing the Flemish Minister for Finance and Budget complies with the catching-up process schedule. The Court noticed many departures from the underlying accounts most of all for the 2005 account. In the meantime, the Minister already adjusted the 2004 account and the 2004 pre-draft end settlement decree to take account of the Court's observations. Finally the Court pointed out again that the Flemish authority departed from the legislation with regard to accrual accounting.

Financial audit

The accounts book contains not only figures but also several findings from a financial audit carried out recently by the Court. It noticed that universities booked and enforced the proceeds of a tax exemption measure in favour of university scientific research in differing ways. It also highlighted big variations in the way the Flemish Institute for entrepreneurship supports the regional trainings (so-called syntras) financially. Above all, the additional support, outside the funding decree framework, lacks transparency and varies in size and nature from year to year.