

PRESS RELEASE

July 2023

Report to the Flemish Parliament

Flemish accounts for 2022

Partly due to the financial consequences of the energy and Ukraine crisis, the Government of Flanders closed its consolidated account at the end of 2022 with a deficit of 2.1 billion euros, which is better than the deficit of 3.9 billion euros estimated in the budget adjustment. The Court of Audit formulated an unqualified opinion on these consolidated accounts. The Court saw steady improvements in accounting, but still formulated an abstention from the prudential balance sheet due to major uncertainties and missing or insufficiently substantiated data. It also pointed out to the Flemish Parliament that the accounts do not yet contain a coherent overview of the budgetary risks incurred by the Flemish government as a result of policy decisions, events and obligations that are not (yet) included in the accounts, but have budgetary consequences for the future.

Key figures

The Flemish Government has submitted the general accounts of the Flemish Community and the consolidated accounts for 2022 of the Flemish regional government to the Court of Audit for certification. The financial consequences of the energy and Ukraine crisis have also influenced the financial results of the Flemish government for the year 2022. The financing deficit, the balance of government revenues and expenditures adjusted for European comparability, improved from EUR 2.7 billion in 2021 to EUR 2.1 billion in 2022. Consolidated debt increased further from EUR 33.4 to EUR 36.5 billion, mainly by the additional loans to cover the budget deficit. According to the Court of Audit, the manageability of the consolidated debt remains an important point for attention. The balance sheet and the economic result were affected one-time by the valuation of the sea locks and the art collection of the Antwerp Museum of Fine Art. The balance sheet total increased in 2022 from 42.9 to 49.9 billion euros. The economic deficit of 3.9 billion euros at the end of 2021 was converted into a surplus of 1.1 billion euros in 2022.

Judgment by the Court of Audit

The Court of Audit issued an opinion on the three sub-accounts of the general account (the annual accounts, the budget account and the ESA account). Compared to the 2021 annual accounts, the Flemish Government has provided more information about the off-balance sheet commitments and the valuation rules for 2022. Nevertheless, as in previous years, the Court of Audit refrained from issuing a statement on the annual account because the balance sheet and explanatory notes still contain major uncertainties. For example, more than 1.6 billion euros of plots and buildings and an unknown amount of civil engineering works are still missing, although the sea locks have been included for 2.1 billion euros in 2022, albeit without sufficient substantiation. Part of the Flemish art collection is now also included in the account for 1.4 billion euros, but that amount is also insufficiently substantiated. The off-balance sheet commitments are also still insufficiently explained. These include important

public-private partnerships with major financial consequences in the coming years, outstanding commitments of Flemish legal entities that the Flemish Community has yet to fund and important pending dossiers on the consultation committee.

In contrast to last year, the Court of Audit formulated a qualified opinion on the budget implementation, because too many subsidies for the vaccination centers (246.2 million euros) and the job bonus (61.8 million euros) have been registered and too few for the subsidy applications for home batteries and renovation grants. For the same reasons, the Court of Audit also formulated a qualified opinion on the ESA account, which translates budget implementation into economic regrouping.

These discrepancies were corrected at the level of the consolidated accounts of the Flemish regional government, as a result of which the accounts could be approved without reservation by the Court of Audit.

Aspects of policy implementation 2022

Each year, the Court of Audit addresses a number of specific, socially relevant policy themes in a separate chapter of its accounts report. For example, the accounts report for 2022 evaluates the quality of the policy and budget explanatory notes that the Government of Flanders published with the budget implementation to provide more transparency about the policy pursued, as fair to good. However, the promised information therein about the implementation of the reform projects of the Flemish Resilience recovery plan is incomplete.

Traditionally, the Court of Audit also reports in its accounts report on the carry-over of policy appropriations to the following year. At the beginning of 2022, in derogation from the budgetary rules, almost EUR 4.4 billion was added to the voted commitment appropriations (7.9%) through budgetary funds and carry-over provisions. Mainly due to the phasing out of the recovery provision, the commitment appropriations carried forward to 2023 fell to EUR 2.2 billion.

Finally, the Court of Audit for the first time mapped out, albeit not exhaustively, the budgetary risks arising from future and conditional obligations and commitments of the Flemish government. These are less visible than the commitments and obligations in the accounts, which have a direct impact on the financing balance and debt. It stressed the importance of having quality and complete information on the budgetary challenges and risks that are already known today and that are likely to have a significant impact on future budgets and accounts. The Flemish government already provides high-quality and extensive reports on this at various times and in different ways, albeit often ad hoc and not systematically. When drawing up the budget, the multi-year estimate already looks five years ahead, but the annual accounts are still too limited and do not offer a broader insight into the financial or budgetary position of Flanders, because they do not deal much with policy, events, decisions and obligations that have not (yet) been included in the books and accounts, but entail budgetary risks for the future. The Court of Audit therefore concludes that the Flemish Parliament does not have a coherent, transparent and complete picture of the budgetary situation of the Flemish government when approving the annual accounts.

Response of the minister

The Flemish Minister of Finance and Budget responded constructively to the report on 26 June. He promised to ask his administration to take up the Court's offer to consult in order to solve some of the problem points and to make more readable reports. In addition, he discussed the status of the improvement projects (e.g. on year-end, inter-relationships and

valuation) that were started in recent years to systematically strengthen accounting and reporting.

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 audit report on the *Flemish accounts for 2022* has been sent to the Flemish Parliament. The full version and this press release can be found on the Court's website:

www.courtfaudit.be.