

PRESS RELEASE

June 2024

Report to the Flemish Parliament

Court of Audit publishes Flemish accounts report for 2023

The Court of Audit reports on its audit of the general account of the Flemish Community in three certification reports on the various sub-accounts, which must be read in conjunction with each other. The Court of Audit again refrained from issuing a statement on the economic annual accounts due to uncertainties and missing or insufficiently substantiated data in the balance sheet. The budget account and the ESA reporting of the Flemish Community received an unqualified opinion. The Court also reports on its audit of the ESA consolidated accounts of the Flemish state government, where it once again formulated an unqualified opinion. The Flemish government ended the 2023 financial year with a deficit of 2.4 billion euros and a consolidated debt of 39.5 billion euros. The Court of Audit also pointed out the poor quality of the policy and budget explanatory notes, the many carry-overs to 2024 of unused commitment appropriations and a number of important bottlenecks in the financing of the municipalities.

Opinion of the Court of Audit

The Court of Audit issued an opinion on the three sub-accounts of the general account of the Flemish Community (the annual accounts, the budget account and the ESA account). As in previous years, it refrained from issuing a statement on the business economic annual accounts, because the balance sheet still contains major uncertainties regarding the civil engineering works (bridges, roads, sea locks, etc.), the plots and buildings and the art heritage. In the opinion of the Court of Audit, the Flemish budget account and the ESA account (consisting of the economic regrouping of the budget transactions, the calculation of the contribution to the budget balance and the associated explanatory notes) provide a true picture of the underlying transactions in 2023.

The Court of Audit also formulates an unqualified opinion on the ESR consolidated accounts of the Flemish state government.

Financing deficit

The financing deficit of the Flemish state government, the balance of government revenues and expenditures adjusted for European comparability, amounted to 2.4 billion euros in 2023. The consolidated debt further increased from 36.5 to 39.5 billion euros, mainly due to the additional loans to cover the budget deficit. According to the Court of Audit, the manageability of the consolidated debt remains an important point of attention.

Aspects of policy implementation

In the accounts report for 2023, the Court of Audit assesses the quality of the policy and budget explanatory notes (PBE) Flemish Government published together with the budget account to provide more transparency about the policy pursued. The Court found these to be of moderate quality, both in form and content. For example, there is still too little attention for the impulse policy (the resilience recovery budget) and the linking of policy to figures.

Carry-over of policy credits

Every year, Flemish government carries over many unused commitment appropriations to the following year, thus deviating from the one-year principle of the budget. Fewer transfers were made at the end of 2022, mainly due to the termination of the resilience recovery provision, but at the end of 2023 transfers increased again, to 3.7 billion euros. This mainly concerns unused credits for participations, REPowerEU and the climate fund.

Financing the municipalities with the Municipal Fund and related transfers

Finally, the Court of Audit pays attention to the current financing of the municipalities with the municipal fund and related resource transfers. It noted that numerous adjustments have expanded the municipal fund since 2002 with additional allocations, each with its own rules and payment calendars, which has made the distribution of the 3.6 billion euros in resources from this fund more difficult and less transparent. In recent years, 1.0 billion euros in additional transfers to municipalities have also been created outside the municipal fund, against the decree objective of simplification. The Court of Audit detected important bottlenecks in the current operation of the municipal fund and the many side transfers, including the unlimited guarantee scheme, whereby the legislator guarantees the municipalities that with each adjustment to the municipal fund they will receive an amount that is at least as large as that from the old scheme, and the insufficiently substantiated amounts of special financing for the central and provincial cities. Finally, the link with the current situation is unclear for some of the many secondary transfers outside the municipal fund.

Response from the minister

The Flemish Minister of Finance and Budget replied on June 21 that his administration is committed to the ongoing projects and that it will continue to do so in the coming years. The minister points out that the elements that form part of the Court of Audit's withholding statement for the business economic annual accounts concern a complex matter in which financial services and substantive services of different entities must work together. In particular, the valuation of civil engineering works is a process that takes place over several years and any missing art collections will also be included in the accounts in the coming years. He asks to consult with the Court of Audit to further clarify the requirements and preconditions for a substantiated balance sheet.

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 *Flemish accounts report for 2023* 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.