

SUMMARY FOR AN INTERNATIONAL AUDIENCE

Report to the Walloon Parliament

Financial analysis of intermunicipal associations coming under the supervision of the Walloon Region – Second three-year report regarding the 2020-2022 accounts



The Belgian Court of Audit sent to the Walloon Parliament its second three-year report relating to the financial analysis of intermunicipal associations coming under the supervision of the Walloon Region. The report summarises the certifications of the intermunicipal associations' statutory and consolidated annual accounts for 2020-2022, issued by the company auditors. The Court also analysed their financial situation over the same period and made a set of recommendations on the content and the modalities for submitting the documents, as provided for in the Walloon Local Democracy and Decentralisation Code.

The Court based its analysis on the annual accounts, the management reports of the board of directors, the certification reports issued by the company auditors and the specific reports on the acquisition of equity shares submitted directly by the intermunicipal associations and the Walloon Public Service Interior and Social Action.

The Court presents the following findings on the company auditors' reports:

- IGRETEC did not file with the National Bank of Belgium, nor did it submit to the Court, the certification report on its 2020 consolidated annual accounts. Consequently, the Court does not have the company auditors' opinion on these accounts.
- The company auditors expressed a qualified opinion on Enodia's consolidated annual accounts for 2020 and 2022. The other intermunicipal associations required to prepare consolidated accounts received a certification report with an unqualified opinion for the three years under review. The same applies to Enodia's 2021 consolidated accounts.
- Out of the 80 intermunicipal associations, the company auditors expressed a qualified opinion on 14% of the 2020 statutory accounts and 9% of the 2021 and 2022 statutory accounts.

The Court's sector analysis showed that the 'waste', 'miscellaneous' and 'medical-social' sectors, particularly the 'rest homes' and 'medical care' sub-sectors, are more exposed to financial risks due to their losses. As a result, the associates have to intervene regularly to make up these losses.

Out of the 80 intermunicipal associations, 11 – mainly from the 'medical-social', 'waste', 'miscellaneous' and 'finance' sectors – are more exposed to financial risks. They have a negative cash position, a substantial debt, insufficient self-financing capacity and losses at

the end of the financial year. Without the intervention of their associates, their financial situation would require drastic savings, reorganisation or restructuring.

Regarding the analysis of the specific reports on the acquisition of equity shares, the Court first pointed out that almost one out of five intermunicipal associations having acquired equity shares did not submit a report for each financial year under review. As a result, the Court recommends that they be submitted. Second, the Court once again found that a decree defining the content and the formal requirements of those specific reports has still not been adopted, resulting in a lack of uniformity in the reports received. In addition, more than 75% of the reports submitted lack a date and/or signature. Finally, as the purpose of these reports is to inform the general assembly, the Court recommends that they include all financial fixed assets, regardless of their amount, so that they can be reconciled with the annual accounts. Among the reports analysed, discrepancies with the annual accounts were found in 16% of the reports for 2020, 20% of the reports for 2021 and 25% of the reports for 2022.

In conclusion, the Court of Audit noted that out of the seven intermunicipal holdings required to present consolidated accounts, Enodia is the most exposed to financial risks.