

# Abstract

## Public Accounts Book 2006

*The Court's audit of the general accounts 2006 confirmed the trend already outlined in the last few years: the Flemish Government achieved a positive budget outcome, allowing it once again in 2006 to achieve further public debt reduction, which is one of its major policy objectives. For the first time since 2001 the Flemish Minister for Finance and Budget did send the account in due time. The audit, however, revealed differences with the underlying states, so that the account had to be adjusted. In its accounts book the Court also assessed how the Flemish authority implemented the recent reorganisation of its public legal bodies from a budgetary and accounting point of view. It found that this reorganisation showed a profound pragmatism, an ad hoc approach, a lack of consistency and a complicated timeframe. The Court also found that the use of credit cards at Flemish universities was not often supported by documents, that the school infrastructure of the Flemish Community education system was not used uniformly and that the VRT (Flemish radio and television channel) did not issue an adequate regulation for the expense system in relation to restaurant, representation and hotel charges.*

## Positive budget outcome

According to the budget execution account the Flemish Community showed a positive budget outcome of 583.234 millions euros in 2006. The budgetary year was closed with a cash surplus of 498 millions euros. Thanks i.a. to this cash surplus, the Flemish Government was able to decrease direct debt by 476 millions euros, reducing it to an amount of 428 millions euros. Debt is thus now about half of what it was originally as a result of the successive decreases in previous years. But counterbalancing this is a yearly increase in the guaranteed debt, above all for the Flemish public institutions and the Plc Bam and Liefkenshoektunnel. At the end of 2006 the debt burden went up to 7.044 millions euros from 6.979 millions euros. No concrete standards had yet been developed for the budget and cash balances. Thus the Court cannot really decide upon the merits of the 2006 budget execution. In that year 20,244 millions euros were collected by the Flemish Community as general and earmarked revenue, that is 99,2% of the budgeted amount. The Flemish Community paid out 19.660 millions euros in operating appropriations, that is 89,9% of the budgeted amount. After a slight decrease of outstanding commitments (implicit debt) for the first time in 2005, it went up again in 2006.

## Separate management bodies (DAB) and Flemish Public Legal bodies (VOR)

In 2006, contrary to previous years, DAB's accounts with revenue amounting to 1,075 millions euros and expenses amounting to 1,257 millions euros were submitted in due time. The accounts auditing did not

reveal any major shortcomings worth mentioning. The Flemish public institutions' budget increased slightly in 2006 (revenue of 8.186 millions EUROS and expenditure of 7.641 millions EUROS). Allocations increased to a total amount of 5.330 millions EUROS while VORs had an underspend of 545 millions EUROS as at end of 2006. The accounts were submitted even later than in 2005. No less than 33 accounts were only sent in September or later to the Court and 10 accounts were sent in 2008.

### **Hermes Fund and Kind en Gezin (Childhood and family)**

As part of the accounts auditing the Court examined the accounts receivable with the Fund for accompanying economic policy (Flankerend Economisch Beleid (the so-called "Hermes Fund"). It found that this fund was still without essential components of a valid internal control system. It also looked into the subsidisation of after-school reception at Kind en Gezin. It pointed out i.a. that this body failed to remedy many of the noted internal control deficiencies and that the manual subsidies calculation was highly risky.

### **General account**

The Flemish Community general account for 2006 was submitted in due time. The audit, however, revealed differences with the underlying states (i.a. among DABs and Flemish public institutions), which made an adjustment of the account and of the 2006 pre-draft of accounts' decree necessary.

### **Better administrative Policy**

In his accounts book for 2006 the Court reported about several fresh thematic financial audits. Initially it evaluated the budget and accounting handling of the legal succession with the Flemish public legal bodies following the implementation of the Better Administrative Policy. It found that the political decision-making came late and therefore made a pragmatic phased approach necessary. The pragmatic, ad hoc approach of the legal succession adopted by the Flemish Government created risks of legal uncertainty and contributed to a lack of transparency. Moreover it sometimes lacked consistency. Legal succession was made complex and entailed overlapping in the execution accounts of legal predecessors and setting-up of legal successors because the times of removal of legal predecessors and implementation of legal successors did not coincide. For many agencies no budget was submitted to the Flemish Parliament in the first operating year. The central steering and the accompaniment of the transitional process in budgetary and accounting fields were limited, more particularly with regard to the Flemish public legal bodies. In any case the Flemish Authority did not act in compliance with the prescriptions of the company law with regard to company reorganisation from a point of view of accuracy.

### **Central Funding Body**

The Court expressed a fairly positive opinion about the Central Funding Body operation. It seemed to play a useful role for the Flemish Community as a whole: it prevented the accumulation of VOR cash balances or deficits and entailed better cashiers' operating conditions and a better management of investment undertakings. The Court's sampling indicated that the Central Funding Body abided by the prescribed procedures, even when they sometimes lacked transparency. It did not appear clearly whether the operation was always assigned the right basic resource funds and whether the speciality rule was abided by for the various Central Funding Body accounts. The Central Funding Body ensured its account debt balance remained within the limits of the debt tolerance level. However, the transition to the Central Funding Body had a temporary negative influence in 2006. Moreover payment of the allocation was late in 2006 and 2007.

### **Credit cards**

The procedure for justifying expenses by way of advance payments or credit cards at Flemish universities were varying strongly from university to university and were rarely exhaustive and accurate. Nor did universities always check the strict implementation of its own rules and procedures. While workers generally were having valid supporting documents for their need to obtain advances to pay professional costs, the post justification of the use of credit cards to cover professional costs was sometimes weak or not provided. Universities do not always impose the same justification requirements. Differences exist in the field of restaurant charges.

### **School infrastructure used by third parties**

The Community education sector regularly makes its infrastructure available to associations but regulatory provisions are not implemented evenly across all schools. Besides, regulatory provisions are not always exhaustive. The use by third parties of school infrastructure generated about 4.1 millions euros for the benefit of school federations in 2006. Although the regulation instructs the governing boards of school federations to apply a uniform tariff structure on the basis of a motivated price-setting, there is in reality little uniformity. The Court also noticed that sometimes agreements or fire and civil liability insurance policies were inexistent, that hiring revenue was not timely booked and that cash payments were often used. Finally 8% of sample files contained errors.

### **VRT's expense accounts**

VRT issued few regulations in relation to restaurant, representation and hotel charges in the frame of an expense scheme. It only issued a regulation for costs incurred by the employer himself and even then essential provisions were missing. The Court was of the opinion that a detailed regulation was needed. Due to a lack of sufficient regulation, evidence or information was also regularly missing.