

## PRESS RELEASE

June 2018

### Report to the Flemish Parliament

### *The Court of Audit publishes its report on the public accounts for 2017*

*The Belgian Court of Audit has sent to the Flemish Parliament its report on the 2017 general and fiscal accounts of the Flemish government. These accounts still contain shortcomings that the Court of Audit has been pointing out for years. The Court has also found that the Flemish government continues to provide insufficient comments on the reported figures.*

#### **Collaboration**

In accordance with the 2003 general provisions and the Flemish accounting decree, the Court of Audit annually verifies the accounts of the Flemish Community and its public institutions. Over the past year, the Flemish government has made considerable efforts to further improve its budget, accounts and annual reports. As a result, it was able to submit the 2017 general and consolidated accounts to the Flemish Parliament much sooner than in previous years. By collaborating with several other parties, the Court of Audit was able to submit its report on the public accounts to the Parliament in due time, i.e. by the end of June, notwithstanding a tight schedule.

#### **Flemish financing balance**

The financing balance is the difference between the revenue and expenditure of all entities classified within the public sector category according to the ESA. In Flanders, the financing balance 2017 amounts to EUR 1.08 billion. It has improved considerably compared to previous years, especially thanks to the swift enrolment of the additional percentage tax and the under-use of certain budget appropriations.

#### **Corrections**

Some aspects of the Flemish government's accounts do not give a true and fair view of the actual situation. The Court has already made several remarks in this regard over the past years. Although the impact on the financing balance itself is limited (+EUR 106.3 million), the cumulative impact on the general balance is considerable (-EUR 1,128.9 million).

#### **Annual limit**

As in previous years, the Flemish government failed to charge important expenses on the proper year (2017). For example, it charged over EUR 1 billion revenue and expenditure on the following financial year (EUR 904.7 million expenditure, EUR 92.5 million central government revenues and EUR 95.9 million legal entities expenditure). Those include the subsidies which the Flemish government still registered on a cash basis in 2017, while awaiting the advice of the Flemish advisory committee on accounting standards (*Vlaamse Adviescommissie Boekhoudkundige Normen*). The government promised to deal with the problem when it would draw up the budget in 2019.

### **Write-off**

As the Court has already pointed out, bad debt write-off is still not being made in due time. The Flemish government does not always perform the proper write-downs so that the collectible debts may be overestimated by approximately EUR 338.7 million in 2017.

### **Flemish government's assets**

The Flemish government balance sheet does not give a true and fair view because of the EUR 25 billion civil engineering works that have not been written off. The government has committed to adapting in January 2019 this aspect of the valuation rules according to the advice of the Flemish advisory committee on accounting standards. With regard to the Flemish economic balance sheet and the profit and loss account, the Court of Audit also observes that the Flemish government evaluates the financial fixed assets using the purchase value instead of the intrinsic value, which may be a lot higher. Finally, Flanders fails to set up a provision for liabilities and charges, although that would improve the true and fair view of potential liabilities such as those resulting from legal decisions against the Flemish government.

### **Information**

Regarding the accounts 2017, the Court of Audit has also found that too few explanatory comments accompany the figures, making it complicated for the Flemish Parliament to assess how the budget and its policy intentions are implemented. The situation has somewhat improved compared to last year, but insufficiently. Therefore, the Court of Audit provided extra information in its own report. Finally, it pointed out that several budget appropriations approved in 2017, such as the subsidies intended for residential care centres, service vouchers and hydraulic works (*Waterwegen en Zeekanaal*) or the road infrastructure *Oosterweelverbinding*, had barely been used.

### **The Minister's reaction**

The minister agrees with some Court of Audit's corrections and announces improvements for a number of shortcomings (such as the evaluation of the tangible fixed assets), but not for all of them. For instance, providing more explanatory comments on the budget implementation as well as depreciations and provisions is not under consideration.

### **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 report on the public accounts of 2017 has been sent to the Flemish Parliament. The full version (in Dutch) and this press release can be found on the Court's website ([www.courtofaudit.be](http://www.courtofaudit.be)).