

PRESS RELEASE

July 2019

Report to the Flemish Parliament

The Court of Audit publishes the 2018 account report on the Flemish government

The Court of Audit has submitted its audit report on the general and consolidated accounts 2018 of the Flemish government to the Flemish Parliament. The Flemish government was able to show a better result than budgeted. However, the Flemish accounts also contain a number of issues this year that the Court of Audit has been repeating for years and the Flemish Government still does not provide enough substantive information with the reported figures.

Account settlement

In recent years, the Flemish administration has worked to settle its accounts earlier and to better integrate the various financial accounting documents. Thanks to these efforts, the Flemish Government was able to approve the final general and consolidated accounts 2018 on 17 May 2019, within the deadlines that the Flemish Codex for Public Finance dictates from the budget year 2020 onwards.

Results

The Flemish government has closed its 2018 consolidated account with a negative balance of claims of 744.1 million euros. This balance is the difference between receipts and expenditures of the Flemish government and all entities that belong to its scope of consolidation. The settlement of the Flemish share on the federally collected receipts for the years 2015-2017 weighs on this balance. After all, through an overestimation of the autonomy factor, Flanders had previously received 1 billion euros too much. Flanders had to repay the full amount in 2018. Partly for this reason, the Flemish government also calculated an adjusted claim balance, which did not include this settlement. The adjusted claim balance for 2018 amounts to 367.4 million euros, which is 362.7 million euros better than budgeted. The total consolidated debt of the Flemish government at the end of 2018 amounted to just over 23 billion euros, or 4.2% of Belgian GDP.

Improvement processes

The Court of Audit repeated a number of comments from the reports for previous years in the 2018 account report. It has been able to establish that the administration has started some important improvement processes, but that their elaboration and implementation takes time.

Annual booking limitation and consolidation

With the 2018 consolidated accounts, the precise limitation of what should be booked to the account of the financial year remains a problem. As in previous years, the Flemish government did not charge all receipts and expenditures (purchases, investments and subsidies) to the year to which they relate. In comparison with 2017, it has thus shifted an additional 110.7 million euros. Especially the charging of the balances of subsidies remains a

problem. The administration intends to eliminate the limitation problem with regard to subsidies when drawing up the initial budget for 2020. Elimination of mutual transactions between the Flemish Community and the Flemish legal entities also remains difficult.

Business accounting

A number of comments only relate to the business balance and profit and loss account of the Flemish government. In 2018, for example, the valuation rules for civil engineering works and land and buildings remained based on outdated regulation, which distorts their book value. The Flemish government also continues to value its participations at the acquisition value, even if their net asset value permanently deviates from their book value. Furthermore, it does not always carry out impairments for bad debts. The Court estimates that an additional impairment of 165.3 million euros is needed for this. Finally, the Flemish government has not set up any accounting provision for risks and costs to date, even if its inclusion in the balance sheet would provide a more accurate picture of the potential liabilities arising from pending disputes.

Explanation

The Flemish government has not explained any significant commitments it has entered into with long-term budgetary consequences. Nor did it report on guarantees granted and the risks that this entails for the budget. The annual report and the 2018 financial statements of the Flemish Community generally give only a limited interpretation and commentary on the budget implementation account. The annual report does contain explanations of the business balance sheet and income statement, but no substantive discussions or analyses of budget implementation. The updated monitoring report provides a brief explanation of the ESA consolidation and the calculation of the claims balance. How policy and payment appropriations are used in terms of content and what has been achieved with them is hardly discussed. In the context of its information assignment, the Court of Audit therefore provides some commentary on the use of appropriations and the realization of revenue.

Response of the minister

The Flemish minister of Finance and Budget responded on 21 June to the Court's comments. She stressed the structural improvements on which the administration is focusing, with a view to the certification of the general and consolidated accounts from the 2020 financial year onwards, and elaborated on some specific points, such as the large amount of outstanding commitments for the Participation Company Flanders and the non-booking of facilities. The minister did not respond to the request for more substantive explanation of the policy implemented.

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 *2018 account report on the Flemish government* has been sent to the Flemish Parliament. The full version and this press release can be found on the Court's website: www.courtofaudit.be.