

Abstract

Public accounts book 2002-2005

In its latest accounts' book for the years 2002-2005, the Court of Audit pointed out that the Flemish Community's general accounts for the years 2002 and 2003 were again sent late but unlike the 2001 accounts these accounts were fairly accurate and complete. The Flemish Government closed its 2002 and 2003 accounts with a surplus and according to the figures already available now the same would be true for the years 2004 and 2005. These positive results allowed the Flemish Community to reach one of its main policy objectives, namely to halve the debt amount. The Court, however, put these results into perspective as these figures were also the product of several internal transactions. The Court has also reason to fear that as the Flemish Community is now in the process of a gradual reorganisation of its services this could lead to less transparency and possible delays in the rendering of the accounts.

Positive budget results

The Flemish Community (government agencies not included) showed a positive budget result of 224, 160, 474 and 1081 million EUR (revenue less expenditure) respectively for the years 2002, 2003, 2004 and 2005. Cash surplus for these budgetary years were respectively 226, 471, 96 and 330 million EUR. Thanks to this cash surplus it was able to pay off direct debt for an amount of 1000 million EUR. On the face of it, this seems fairly satisfactory; the Court, however, pointed out that internal transactions contributed to this outcome. The debt repayment is not only attributable to a positive cash surplus but also and above all to the taking over of the so-called ALESH debt by the Flemish housing company VHM. Moreover each year the Flemish Community granted more guarantees for debt incurred by Flemish government agencies or other bodies.

Revenue

The Flemish Community collected 16, 17, 18 and nearly 20 thousand million EUR in overall and allocated revenue (excluding debt revenue) respectively for the years 2002, 2003, 2004 and 2005. The revenue collection percentage was each year nearly equivalent to the budgeted amounts (ranging from 97.8 to 101.4%).

Use of appropriation

There were over 17.4, 18.3, 19.4 and 19.6 thousand million EUR operational appropriations and the Flemish Community authorized 15.7, 16.7, 17.5 and 18.0 thousand million respectively for the years 2002, 2003, 2004 and 2005. The use of all operational appropriations

exceeded thus in general largely 90%. As far as differentiated appropriations are concerned the commitments amounts as at year end increased till 2004 and this raised a charge on future authorization appropriations. In 2005 this trend inverted.

Flemish agencies

The introduction of a new accounting system raised problems related to the timely rendering of accounts by the Flemish agencies with separate management. The account-rendering for 2004 was more in line with the time laid down. In the process of checking the accounts, the precarious financial situation of Antwerp airport and several incomplete balance sheets came out conspicuously. The Flemish public agencies' overall budget amount increased sharply in 2004, mainly due to the taking over of the so-called ALESH debt by the Flemish housing company VHM. The allocation to these bodies also increased dramatically in 2004 but the total balance for that year was on the whole negative. The Flemish public agencies accounts-rendering did not raise any problems, with the exception of the accounts of the Community education department. The audit also focused on the financial situation of the Flemish opera (Vlopera) and revealed the deficient account receivables administration with Hermesfonds and Toerisme Vlaanderen and VHM's end-of-year commitments.

General account

The general accounts for the years 2002 and 2003 were sent two years late but unlike the year 2001 they were fairly correct and complete. The Court had only to add minor changes to the preliminary draft of the final budget settlement.

Financial audits

The Court's accounts book does not only contain figures but also several results from recent topical financial examinations. The Court has reason to fear that the gradual implementation of the Flemish Community's reorganisation could contribute to less transparency and the late rendering of the accounts. A favourable trend was observed with the cash, debt and guarantee management which showed a significant improvement since 2001. Moreover the Flemish Community calculated the implicit debt without using fixed standards. In 2005 a working definition of the implicit debt was worked out but it cannot be fully implemented because most Flemish public agencies lack a fully reliable commitments' accounting system. Besides, the cost price of social housing under a public-private partnership arrangement (PPS) seems to stand a price comparison with other alternatives on this market; Flemish authorities had little idea how many soils were polluted or the cost for restoration of polluted soils; in addition, the inventory administration of Flemish minister's private offices and general secretariats is liable for improvement.

ICT-outsourcing

Finally, at Flemish Parliament's request, the Court examined the fresh ICT outsourcing contract concluded in September 2003 between the Flemish Community department MVG and an ICT service provider. This second ICT outsourcing contract complied with the legislation on public procurement and included a better risk coverage for MVG. The contract suffered some delay in a transitory stage but it generally contributed to a higher level of operational service provided and a higher customers' satisfaction rate. The Flemish Government, however, failed to materialize several of its assumptions such as a reversal of outsourcing. It has become nearly impossible to revert to a reinsourcing process due to a disrupted ICT organisation within MVG in recent years and the failure of MVG staff availability system in favour of the ICT service provider to ensure enough ICT know-how within MVG. The new agreement could not either fully materialise the principle of mandatory result commitment and led in practice to many resource commitments for outsourcing contracts.