

Report to the Flemish Parliament

The Belgian Court of Audit publishes its comments on the 2009 Flemish Community accounts

2008 marked the first time in years that the Flemish Government recorded a negative budget outturn. 2009 witnessed a sharp increase of this deficit due mostly to the economic and financial crisis. In 2009 the total Flemish debt increased sharply too and for the first time for long Flanders had recourse to the capital market. In its comments on the 2009 accounts the Belgian Court evidenced this trend. It also provided the Flemish Parliament with the main findings of its annual audit of the accounts submitted by the Flemish public legal bodies and universities. In addition it devoted particular attention to the ESA outstanding debt balance used as the norm for public finance position as well as to the impact of the Flemish support to banks facing liquidity problems due to the crisis.

Negative outturn

According to the 2009 budget execution account the Flemish authorities (non including the Flemish public legal bodies) recorded a negative budget outturn of -5,102.3 million EUR (revenue minus payments), against -1.591,5 million EUR in 2008 and positive outturns in the previous years. The lower budget outturn in 2009 resulted from a big expenditure increase compared with the previous years. The Flemish authorities closed their budget with a cash deficit of - 5,820.9 million EUR for the year 2009 against -1.111,9 million EUR in 2008 and surpluses in the previous years. This outturn is attributable to increasing cash expenditure and decreasing revenue in 2009.

Debt position

The Flemish authorities' outstanding debt increased sharply in 2009 due to the economic and financial crisis. In 2009 the Flemish authorities provided the Belgian bank KBC with a 3,500 million EUR support for which they did not have the financial reserves any more so that they had for the first time for long to call upon the financial market. As the Flemish authorities were unknown to the international financial market and were facing the ongoing tensions on the capital market, they could only get rather high interest rates. At the same time revenue decreased due to the crisis. Debt amounted in total to 6,109.8 million EUR at the end of 2009 against 287.7 million EUR in 2008.

Central revenue and expenditure

In 2009 the Flemish Community collected 22,020.4 million EUR as general and earmarked revenue (exclusive of loan proceeds). The revenue collection rate exceeded the projected amounts by 42.7 million EUR (realisation rate is 100,2%). The loan proceeds were lower by 368,8 million EUR than the projected figure (realization rate : 93,1%). Thanks to the first long term loans since the implementation of the Lambermont agreement revenue, inclusive of loan proceeds, increased by nearly 20%. Collection of revenue, however, remained lower than projected. The 2009 crisis affected mostly the tax on assets. Registration duties and gift taxes

fell down sharply in 2009. Out of a total of 28,374.4 million EUR operational appropriations the Flemish Community paid out 27,122.7 million EUR in 2009. The allocation rate of the total amount of operational appropriations was therefore 95,6%.

Separate management bodies (DAB) and Flemish public legal bodies (VOR)

There were 23 separate management bodies in 2009 and their budget volume accounted for 1,005.8 million EUR of revenue and 1010.2 million EUR of expenditure. The audit of their accounts gave rise to few observations. The VOR's budget volume amounted to a total of 8,615.0 million EUR of revenue and 8,709.3 million EUR of expenditure in 2009. As in 2008 VOR's total execution balance was negative in 2009 due to the use of the resources allocated by the Flemish Future Fund ("Vlaams Toekomstfonds") as crisis support. The 2009 accounts were still submitted late.

General account

The general account for 2009 was submitted in time and was found largely accurate by the Court. The Court, however, did not approve DABs' execution figures nor the figures of the treasury account due to errors found. The account of the patrimonial variation for 2009 was better than for 2008, but does not provide an accurate picture of the Flemish authorities' assets and liabilities situation.

Outstanding debt balance – European system of accounts (ESA)

The Court also reported on a few recent thematic financial audits it performed. It examined the estimate and the calculation of and the reporting on the outstanding debt balance that is used as budget norm. It also found that the Finance and Budget department could improve its estimate of this balance among others by better adjusting its calculation on the European consolidated accounting requirements. The internal autonomous Central Accounting Agency reported externally on the debt balance on the basis of a valid operating tool and reconciled it with the general account for 2009. Nevertheless, it still showed several shortcomings, among others because of unclearly delineated consolidated requirements. So far the Flemish authorities have not reported the consolidated annual figures to the Flemish Parliament. The Court concluded that the ESA outstanding debt balance is a useful indicator to monitor public finance, but is not enough as such to ensure public finance financial sustainability in the long term.

Support to the banks

Another audit on which the Court reported in its comments covers the actions taken by the Flemish authorities in 2009 to meet the urgent liquidity needs faced by several Belgian banks due to the financial crisis. The Court concluded that they had a negative influence on the Flemish authorities' cash and debt position and forced the authorities to enter into medium term loans. This led to a negative impact on the budget. Moreover there is for the time being a series of uncertainties around the way support was provided.

Other findings during the audit

In its comments the Court also devoted an article on the legal dismantling of the Flemish Agency Enterprise (“Ondernemen”) and the transfer of some of its assets, rights and obligations to the Hermes fund. According to the Court this caused much retroactivity and complexity that was hardly reported on in the annual accounts. The Court also mentioned that the Agency for innovation by science and technology (“Agentschap voor Innovatie door Wetenschap en Technologie”) drew up a deficient budget and ran into payment difficulties as a result. For want of a valid file follow-up and management reporting it cannot easily remedy or adjust the matter. Other comments relate among others to the Youth Well-being Fund (“Jongerenwelzijn”) which was not able to ensure the exhaustiveness of the collection of the family allowances for young people provided as support and to the new system for income-related independent child care facilities which coped with difficulties because of a quick start-off as well as the Central Accounting Agency which imposed the DAB Pilot services (“Loodswezen”) accounting instructions causing accounting and budgetary policy problems.

Prior approval, proceeds, grants, etc.

In its comments the Court gave an overview of its findings in relation with the prior approval of Flemish expenditure and with its audit of a selection of revenue items, more particularly suspense accounts, accounts for third parties’ moneys and several budgetary funds as well as European proceeds from the sale of publications. It also reported on its in-depth audits of minor regulated subsidies, more specially the health subsidies funded from the National Lottery proceeds. In this respect the major conclusions were that documents were missing in several grant applications and that various applicants ignored grant conditions.

Flemish universities

Finally the Court reported on the outcome of its audit of the application of the new universities’ accounting regulations by the Flemish universities. It noticed that the new decree leaves scope for interpretation or allows the universities to include their own rules for the valuation of assets, thereby endangering a uniform application. Universities did not always draw up sufficiently detailed rules for the valuation of assets and did not always abide by these rules. This situation led to disparate accounting and reporting ways for 2008. Further, the Court has its doubts about the accuracy and completeness of a range of headings in the 2008 reporting.