

# 163rd General Report of the Belgian Court of Audit, presented to the House of Representatives on November 6, 2006.

## Summary

### 1 Federal Government budget implementation

#### Filing of the Federal Government general account with the Court

As was the case for the Federal Government budget implementation account for 2004, the account for the year 2005, which is part of a draft law final budget settlement, was introduced within the time stated in the law. The Treasury account for the year 2005 was also sent within a period that allowed the Court to report in this Book of observations. As for last year, the statement of changes in fixed assets and the summary account for the year 2005 were not sent so that not all components of the Federal Government general account could be checked.

#### Budgetary balance

The net budgetary balance, that is the balance of current transactions and the capital transactions plus the expenditure for the financing of the EU, transfer payments to the Ageing Fund (Fonds de vieillissement/Zilverfonds) and the payment for the amortisation of the Fund for Railway Infrastructure (Fonds de l'infrastructure ferroviaire/Fonds voor spoorweginfrastructuur), was originally estimated at -3.985,6 million euros. It now reaches -3.514,8 million euros.

#### Revenue

##### *Total revenue*

The total tax revenue collected in 2005 was 5,7 % higher than the preceding year ; this rate thus exceeds the economic growth rate. The increase is mainly attributable to the income tax on wages and VAT as well as registration duties, advance payments and the deduction at source on income derived from securities.

Government revenue is partly transferred to other authorities, with the result that the Federal Government receives no more than half of it. The part left for Government goes down every year. Taking account of certain adjustments indispensable to gain a better insight into the real development of revenue breakdown, financial resources allocated to the communities and regions are nearing those of the Federal Government; added to this, whereas public funding of Social Security accounted for 15 % of Government revenue allocation in 2000, it now reached nearly 18 % in 2005.

##### *Revenue allocated to the budget of means and resources*

Irrespective of revenue on loans, the share of revenue allocated to the Federal Government in the budget of means and resources for 2005 decreased by 5 % because of a decrease in revenue on capital investment. In previous years it had been exceptionally high in this respect.

In 2005, main capital revenue was made up of offsettings as a result of the recovery of retirement pension costs from the SNCB Holding and the Antwerp municipal port authority (*Gemeentelijk Havenbedrijf Antwerpen*), worth about 500 million euros.

Non tax current revenue increased mainly because of the collection of revenue from the securitization of fiscal debt amounting to 443 million euros.

In this Book, the Court examined the securitization process conducted in 2005, which involved fiscal debt in the field of income tax for an overall value of nearly 9,5 thousand million euros.

It also provided comments on the numerical result of some anti-evasion measures on the basis of an assessment made in early 2006 by the State Secretary for Finance (modernisation and anti-evasion measures).

The Court also checked how accounting officers in several departments treated non tax revenue. It noticed in particular that in most cases debt due to the State were not recorded at the time of the accrued right as laid down by law but only at the time of collection.

### *Transferred revenue*

Several provisions provide for mandatory levies on VAT revenue, designed for ensuring the funding of the communities and social security as well as, to a lesser extent, of the European Union, the integrated police and the Committee of regulation for electricity and gas. These mandatory levies come close to the VAT total net revenue.

The Court found out that while the Federal Government kept more than 15% of VAT revenue in 2003, it now still had only 3,6 % of VAT revenue in 2005. In this same year, during an eight month period, these levies even exceeded VAT net revenue, so that the Treasury had to find alternative resources to meet this funding gap.

In total, the tax share allocated to communities and regions increased by 5,12 % in 2005. The refinancing operation of the communities led to a higher share of VAT revenue allocated to them.

Various tax revenue feeds the social security sector : in 2005, these levies and allocations amounted to nearly 9.4 thousand million euros, up 12,9 % from last year.

### Expenditure

#### *General trend*

Budget expenditure in 2005 totalled 71.627,4 million euros, with 69.954,6 million euros charged to the 2005 budget appropriations and 1.672,8 million euros charged to appropriations carried over from the year 2004.

Primary budget expenditure, excluding depreciation cost, interest burden and transfers within the public sector (among others payments to the Ageing Fund and transfers to the railway

infrastructure Fund) reached 33.797,1 million euros. Compared with 2004, primary budget expenditure increased by 8,1 %.

Over half of primary expenditure was carried out by social departments (in particular, departments for Social Security and Pensions).

Capital transfers in 2005 decreased largely compared with 2004 because the Ageing Fund received fewer funds.

This Fund's resources reached 13,5 thousand million euros as at 31 December 2005, mainly because of the collection of the receipts from the one-off statement of payments in discharge and interest on investments.

#### *Filing of the accounting officers' accounts*

The Court noticed that structural problems were responsible for the late transmission of the accounting officers' accounts. This is so mainly at the Justice department (late internal check carried out by central services), at the department for Foreign Affairs, Foreign Trade and Development Cooperation (accounting officers were still to be appointed for some 120 diplomatic and consular missions) and the National Defence ministry (partial reduction in the late transmission of accounts from central accounting offices).

#### *Specific audits on certain budgetary programmes*

The standard laid down for Development Cooperation expenditure was met in 2005. This figure included the non structural expenditure.

At the ministry of National Defence, 42 % of capital expenditure was used. No decrease in staff expenditure was found.

Following judiciary decisions and the sentence delivered against the Belgian State by the European Court of Justice, Government is obliged to repay unduly collected contributions for the Fund for animal health. On a total amount estimated at 120 million euros, only 7,3 million euros contributions were repaid in 2005.

The computerization plan of the scientific and cultural heritage of Federal Scientific Institutions initially scheduled for a 10 year period due to start from 2005 on and with resources amounting to 147,7 million euros was only partly carried out.

Similarly, certain projects relating to the computerization and the modernisation of the Civil Service Department as well as the reform of State accounting (the so-called FEDCOM scheme) started late and appropriations voted were not used.

#### *Appropriation commitments and expenditure subject to prior approval*

No major illegal transaction against the law or irregularity were found out by the Court as far as commitments and expenditure subject to prior approval in budgetary year 2005 are concerned. Files documentation though is sometimes deficient or inexistent.

A thorough legality audit of certain appropriation commitments at the department for Foreign Affairs, External Trade and Development Cooperation revealed a certain number of infringements to the statutory and regulatory provisions regarding public procurement. The Court issued several structural recommendations. The department promised it would give a follow-up in the future.

## **2 Government agencies with separate management**

About half of the 2005 accounts of Government agencies with separate management were not sent for review to the Court.

Several Government agencies were very late in sending their accounts. For instance, the National Institute of Forensic Matters and Criminology did not send any account since 1998 and the State Labour Institution sent its accounts for the period 1991-1999 in the course of 2005.

When checking the accounts of Government agencies with separate management, shortcomings were noticed in the accounting and financial administration. Findings concerned mainly the International Press Centre, Selor (recruitment agency for Government officials), the Royal Museum of the Army and Military History, the State Labour Institution (Régie du travail pénitentiaire/Regie van de gevangenisarbeid) and the newly set up Defense catering and hotel business Service.

## **3 Public service institutions**

In its former Book, the Court had pointed out that there was no sufficient abiding by the statutory and regulatory time limits within which accounts of public service institutions had to be transmitted and approved. Generally speaking, the Court did not find any clear improvement in the compliance with statutory or regulatory time limits as far as drafting, approval and transmission of annual accounts of Federal Public Departments are concerned.

The recommendations issued in its 162nd Book were thus still valid :

- The administrative procedure to follow for drafting and approving the accounts to be sent to the Court should be speeded up ;
- The Budget Minister should consider a reshuffling of the general organisation with respect to the drafting and the lay-out of these institutions accounts in agreement with the Committee for the standardisation of the accounting of social security public institutions so as to ensure a better compliance with the time limits laid down.
- Statutory auditors should audit the accounts in due time.

As far as the state-owned Buildings Management Service (Régie des bâtiments/Regie der Gebouwen), the National Institute for Sickness and Invalidity Insurance (INAMI/RIZIV) and the Auxiliary Fund for Sickness and Invalidity Insurance (CAAMI/HKZ) were concerned, they were all responsible for delays in transmission between 3 and 5 years so that the Court suggested several concrete measures to help reduce the backlog and ensure a rendering of accounts within the time stated.

When auditing the accounts of public service institutions, the Court highlighted the lack of completeness, clarity and reliability of the accounts and called into question the legality of certain transactions. The main findings from the audit of the 2003 or 2004 accounts of nine institutions are reported in this Book.

In addition to its routine audit of accounts, the Court also examined the accounting organisation and the internal control system of the Institute for Veterans – National Institute for War Disabled, War Veterans and War Victims (IV – INIG) as well as the Asylum Seekers Reception Federal Office (FEDASIL). It drew a list of all shortcomings noticed and issued several recommendations.

As far as the State-owned Buildings Management Service is concerned, the Court insisted once again on the need to update the chart of accounts, which dates back to the eighties and contains inconsistencies so much so that it does not give representational faithfulness of the financial situation, and even less so as far as the value of buildings in the portfolio in the hands of the Service are concerned.

#### **4 Social Security**

Overall revenue increased in 2005 for the scheme for wage earners as well as for the self-employed. In both cases, this increase is attributable to the increase in the alternative financing and in the contributions revenue.

There is a relatively limited growth in expenditure on public health activities compared with the year 2004, which amounted to 2.85% on the basis of provisional figures. The retirement pension and unemployment benefits increased by 2,96 % and 2,5 %.

The National Institute for Sickness and Invalidity Insurance (INAMI) is more than three years late with the transmission of its accounts. The main reason is the late determination of the standardized application base which is applicable for the breakdown of the overall annual budget objective of the health care insurance among the competent agencies.

In 2005, advances paid by INAMI to the competent agencies on the basis of their budgeted expenditure exceeded their real needs. Their cash surplus exceeded the authorized limit as early as from November 2005.

#### **5 Special audits**

In addition to the audits publicized separately since the previous Book' s edition and summarized in part V, the Court also carried out several other audits which are dealt with in part IV of this Book.

The follow-up to two Court's publications issued in 2001, *Tax control on real professional expenses and Consumer and fair trade practices*, was evaluated.

In the field of human resources, the following audit results were summarized :

- *Determination of the pecuniary seniority of permanent staff and staff working under contract of the Federal Government Departments and Federal Government agencies ;*

- *Administrative and pecuniary career of the staff of the Royal Museum of the Army and Military History ;*
- *Pension Department for civil servants (SdPSP) – Effects of the Copernicus reform on retirement pensions ;*
- *Management of human resources of the Institute for Male/Female equality ;*
- *Audit of retirement pensions of staff members of Arts Education directed or subsidised by the French Community.*

The results of other audits relating to matters of a general nature are also dealt with in this Book :

- *Use of the Treasury accounts and Treasury suspense accounts ;*
- *Budget and management control executive services of Federal Government Departments*
- *State-owned buildings Management Service – Justice Palace in Antwerp : agreements concluded with a third investing party*
- *Official foreign travel expenses charged to the Government general expenditure budget*
- *Revenue accounts of the Fund for Survival Pensions (FPS).*