

PRESS RELEASE

20 March 2024

Report to the Flemish Parliament

Consultancy assignments by the Flemish government

At the Flemish Parliament's request, the Court of Audit examined consultancy assignment expenditure in the current legislature. Different statements by the ministers about the size of that expenditure appear to be a consequence of the way in which they filter accounting information. Examination of the award procedures, especially in negotiated procedures without prior announcement, indicated a number of inadequacies. Neither did Flemish government always properly document its government contracts.

Reconciliation of expenses

Since mid-2021, the Flemish Community has been using three new, specific economic accounts to record and settle consultancy assignments. In previous years, consultancy assignments were recorded in two more general economic accounts.

The amount of 42.3 million euros reported by the Minister of Budget relates to all expenditure charged to the three specific economic accounts for consultancy in 2022. This is the first full annual figure recorded since the new specific accounts came into use. The Minister of Budget therefore reported an annual figure and not the total of consultancy expenditure over the entire legislature.

The Minister of Welfare reported the total amount of expenditure charged from January 2019 to March 2023 on the general as well as specific economic accounts for consultancy. However, she did not take into account that the old economic accounts also recorded expenditure other than consultancy expenditure. As a result, the amount of 1.5 billion euros is an overestimation of the actual consultancy expenditure.

For the reporting by the Prime Minister, the various entities of the Ministry of the Flemish Community have substantively cleared expenditure accounts. However, the Court of Audit found that they completed this exercise in very different ways. Various arguments are put forward for this: the lack of a clear definition of consultancy, the insufficiently specific accounting system, too tight a timing for the clearing exercise, etc. All this has led to the end result of 636.5 million euros giving a distorted picture of actual consultancy expenditure.

As to the share of the Big Four consultancy expenditure firms, the Prime Minister stated that payments amounted to 31.2 million euros for the period 2019 to March 31, 2023. However, that amount does not only include consultancy expenditure, but also, for example, expenditure on audit assignments (including auditing European subsidy flows) totaling 3.1 million euros. According to the accounts of the Flemish Community, 43.4 million euros went to the Big Four offices, which is 12.2 million euros more than according to the minister. The difference mainly concerns audit tasks that Audit Flanders outsources to external parties.

Assigning consultancy contracts

Based on a sample of 200 invoices, the Court of Audit examined which procedures Flemish government used to assign consultancy contracts. In some cases entities could no longer find the file documents requested by the Court. This affects transparency of the assignment procedure and complicates internal management as well as external control. In a limited number of files (approximately 5%), Flemish government wrongly did not apply government procurement regulations or did not sufficiently justify the non-application. In approximately 37%, government used a tender procedure that did not require prior announcement and allowed it to choose which entrepreneurs it consulted or invited to submit a tender. Flemish government appears to have generally applied the competition principle, but for government contracts of limited value (estimated lower than 30,000 euros excl. VAT) in approximately one third of the contracts it was unable to demonstrate that minimal competition had been organized. Flemish government repeatedly assigned similar or subsequent government contracts to the incumbent service provider.

A further investigation of 25 procurement procedures indicated some carelessness in assigning government contracts. These include strict compliance with application conditions and the obligation to state reasons for procedures that allow for negotiations, the way in which Flemish government determined and tested selection and award criteria, the care with which it investigated tender regularity or documented that investigation. Although the carelessness concerns various placement procedures, they appeared to be a particular point of attention in negotiation procedures without prior announcement.

Response from the Flemish government

The Flemish government indicated that the analysis by the Court of Audit places the figures for consultancy expenditure in their correct context and confirmed the need for a formal definition of what should be understood by consultancy. The government also stated it continually invests in measures that should contribute to correct compliance with government procurement regulations, such as the role of the Facilities Department as a knowledge point for government procurement and sole purchasing centre, and in employees educating and training. These measures will strengthen and expand in the future.

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 audit report on the *Consultancy assignments by 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.