Comprehensive report on the audit of the 2016 federal financial statements

Federal Finance Administration

Key facts

The annual deficit in the 2016 federal financial statements was CHF 66 million, comprised of revenue of CHF 65,877 million and expenses of CHF 64,891 million. The negative financial result was -1,352 million and the extraordinary result was +300 million. Tax revenue accounted for CHF 63 098 million, or 96%, of total revenue. Transfer expenses accounted for CHF 51,695 million, or 80%, of total expenses, while operating expenses represented CHF 13,002 million, or 20%.

The Swiss Federal Audit Office recommends approving the 2016 federal financial statements

The Federal Assembly decides on approving Switzerland's state financial statements (federal financial statements) every year. It has to be able to ensure that an independent auditor audited the federal financial statements. The Swiss Federal Audit Office (SFAO) thus audits them in accordance with recognised auditing principles. It subsequently gives the Finance Committees of the two chambers a recommendation as to whether the federal financial statements are to be approved or not. In its report of 20 April 2017, the SFAO recommended approving the 2016 federal financial statements. The recommendation was based on the findings from the current audits.

The SFAO is additionally bound by law to check the internal control system (ICS). Consequently, it also issues an opinion regarding the existence of the ICS. The SFAO confirmed this for fiscal 2016. An effective ICS lays the foundation for preparing high-quality federal financial statements.

The development of various items is key for the federal financial statements

Parliament approved an amendment to the Withholding Tax Act on 30 September 2016. Consequently, the Federal Tax Administration (FTA) had to derecognise or refund interest on withholding tax arrears in the notification procedure. Overall, this legislative amendment resulted in expenses of CHF 483 million in the 2016 federal financial statements.

The Confederation has issued sureties of CHF 793 million in the area of oceangoing vessels. These sureties carry significant financial risks for the Confederation. Some of the sureties were recognised as a provision (215 million) to take account of the risk.

The free trade agreement/World Trade Organisation (FTA/WTO) accompanying measures special financing is financed annually with restricted revenue from import duties on agricultural products and foodstuffs. As at 31 December 2016, it amounted to more than CHF 4.6 billion. No funds from this special financing have been used to date. The impact of opening up the market will be examined mid-2017. A decision should be made on maintaining the special financing on that basis. In principle, it was for a fixed period up to 31 December 2016.

VAT was added to the radio and television reception fee until the end of April 2015. A Swiss Federal Supreme Court decision of 29 April 2015 put an end to this practice. Individual fee payers have taken legal action to obtain the retroactive payment of the tax charged. Proceedings are currently pending before the Swiss Federal Supreme Court. There is a risk that the Confederation will have to reimburse the invoiced VAT to all fee payers. The outcome of this case is still entirely open.

Statutory provisions are still of great significance for the federal financial statements

The loss carried forward by the railway infrastructure fund (RIF) amounted to around CHF 8.8 billion at the end of 2016 and corresponds to the Confederation's capitalised receivables from the RIF. These receivables can be repaid only with future revenue and the repayment is governed by law. From 1 January 2019, the RIF must use 50% of the restricted deposits from the heavy vehicle charge and mineral oil tax funds to repay the loan.

The Confederation recognised a loan of CHF 2.5 billion to the unemployment insurance fund (ALV fund) under non-administrative assets. According to the ALV fund's statement of financial position, the fund's negative net assets/equity amounted to around CHF 1.4 billion at the end of December 2016. The Confederation's loans are not fully covered. Consequently, the ALV fund can only use future surpluses to repay the loans.

The cantons assess and collect direct federal tax. They deliver its share to the Confederation (around 21 billion in 2016). The cantonal audit offices are responsible for conducting audits in this area every year. The SFAO has no authority to check the cantons' reporting in this regard. The cantonal audit offices' individual reports on 2015 receipts contained no negative observations deemed significant for the federal financial statements overall.

Efforts are consistently made to implement recommendations

The Federal Finance Administration (FFA) consistently implements the SFAO's recommendations. Only two from earlier years are still outstanding. One has to be completed by 31 December 2017 at the latest. It concerns correct data recording for the notes to the federal financial statements. Implementation of the other recommendation is under way. IPSAS-compliant recording of expenses for the Swiss Agency for Development and Cooperation (SDC) project payments should thus be ensured.

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