Comprehensive report on the audit of the 2019 federal financial statements
Federal Finance Administration

Key facts

The annual surplus in the 2019 federal financial statements was CHF 5,953 million, comprised of operating revenue of CHF 73,094 million and operating expenses of CHF 69,072 million. The negative financial result was CHF 746 million and the financial interest result was CHF 2,677 million. Tax revenue accounted for CHF 69,892 million, or 96%, of total operating revenue. Transfer expenses accounted for CHF 54,941 million, or 80%, of total operating expenses, while own operating expenses represented CHF 14,004 million, or 20%. The remaining CHF 128 million was attributable to the net expense for special financing.

The COVID-19 pandemic has no impact on the 2019 federal accounts. The negative economic consequences only started with the rapid spread of the coronavirus from January 2020.

The SFAO recommends approving the 2019 federal financial statements despite restrictions

The Federal Assembly decides on approving Switzerland's state financial statements (federal financial statements) every year. It has to have confidence that an independent review body has 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 24 March 2020, the SFAO recommended approving the 2019 federal financial statements despite restrictions.

The SFAO is bound by law to check the internal control system (ICS). Consequently, it also issues an opinion regarding the existence of the ICS every year. The SFAO confirmed this for fiscal 2019.

This year, the auditors' report was published for the first time simultaneously with the federal financial statements and integrated into Volume 1.

The model for calculating the withholding tax provision was changed, but not its booking

According to the Federal Tax Administration (FTA), there has been a change in the method used by tax partners to request refunds. The Federal Finance Administration (FFA) and the FTA have therefore decided to use a new model for calculating the withholding tax provision in the 2019 financial statements. The model is appropriate and, despite a few weaknesses, provides the best possible estimate of the withholding tax provision as at the end of 2019. At 31 December 2019, the provision amounted to just under CHF 21 billion. As part of a restatement, the previous year's figures were also correctly increased by CHF 8 billion with retroactive effect from 1 January 2018.

There are still differences of opinion with the FFA regarding the legal conformity of the change in the provision of CHF 1,500 million in the 2019 financing statement. In the SFAO's view, changes in provisions do not fall within the definition of current receipts and expenditure according to the Federal Budget Act (FBA). Therefore the inclusion in the financing statement is not in compliance with the FBA. The SFAO restricted its audit opinion in this regard. The differences of opinion should be clarified as part of the implementation of the Hegglin motion[1]. The necessary measures are currently being prepared. In the meantime, the SFAO will maintain this restriction.

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

The Confederation's funds – the railway infrastructure fund (RIF) and the motorway and urban transportation fund – are not included in the federal financial statements due to Article 5 of the FBA. This means that a comprehensive assessment of the asset and debt situation is not possible at the level of the federal financial statements. The net assets/equity in the federal financial statements would be CHF 7 billion lower without the outsourcing of the RIF. A recommendation by the SFAO to amend Article 5 of the FBA in favour of a consolidated presentation in the federal financial statements was rejected by the FFA due to the undesirable impact on the debt brake.

The cantons assess and collect direct federal tax. They deliver Confederation's share to it (more than CHF 23 billion in 2019). The cantonal audit offices are responsible for conducting audits in this area every year. The cantonal audit offices' individual reports on the 2018 receipts contained no negative observations deemed significant for the federal financial statements overall. The SFAO has no authority to check the cantons' reporting in this regard.

Doubts about the quality of the tax registers and assessments led to a parliamentary initiative being submitted[2]. The aim of this initiative is to strengthen the auditing and supervisory powers in the Federal Act on Direct Federal Taxation so that the SFAO can issue an audit opinion on the Confederation's entire receipts in future.

Financial impact of the COVID-19 crisis

Any consequences of the COVID-19 pandemic are not to be taken into account until the 2020 federal financial statements. The financial support provided to the affected industries will lead to a significant outflow of funds in the coming years. It is not yet possible to reliably quantify this outflow. On the one hand, the value of the guarantees granted by the Federal Government will have a bearing. On the other hand, various balance sheet items of the FTA and the Federal Customs Administration will have to be reassessed as at 31 December 2020. The necessary information must be obtained well in advance. In addition, the risk has increased that further guarantees will have to be provided in the near future for oceangoing vessels[3].

Original text in German

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1 Peter Hegglin (CVP/ZG), "For accounting standards that reflect the actual financial and revenue situation" (16.4018), available on the website parlament.ch.

2 "Strengthening the auditing and supervisory powers in the Federal Act on Direct Federal Taxation" (18.469), submitted by the Finance Commission NC.

3 As at 31 December 2019, 20 oceangoing vessels benefited from federal guarantees to secure their loans – a total of CHF 365 million.