Comprehensive report on the audit of the 2020 federal financial statements
Federal Finance Administration

Key facts

The deficit in the 2020 federal financial statements was CHF 16.9 billion. It resulted from operating revenue of CHF 70,648 million and operating expenses of CHF 88,227 million. Added to this was the negative financial result of CHF 627 million and the result from financial interests of CHF 1,349 million. CHF 67,237 million or 95% of the operating revenue was tax revenue.

The COVID-19-related extraordinary expenses amounted to CHF 16,889 million (19% of the operating expenses). CHF 56,119 million (64% of the operating expenses) stemmed from transfer expenses. Operating expenses amounted to CHF 15,054 million (17%). A further CHF 164 million was attributable to the net expense for special financing.

The SFAO recommends approving the 2020 federal financial statements despite a restriction

Switzerland's state financial statements (federal financial statements) are approved each year by the Federal Assembly. 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 a recommendation as to whether the federal financial statements are to be approved or not. In its report of 26 March 2021, the SFAO recommended to the Federal Assembly that it approve the 2020 federal financial statements despite restrictions.

The SFAO is bound by law to review the internal control system (ICS). Based on this review, it also issues an opinion regarding the existence of the ICS every year. The SFAO confirmed this for fiscal 2020.

CHF 16.9 billion for extraordinary COVID-19 measures

The 2020 federal financial statements contained a total of CHF 17.2 billion for measures to mitigate the impact of the COVID-19 pandemic on society and the economy. Of this amount, CHF 16.9 billion was booked under extraordinary expenses, the remaining CHF 326 million was recorded in the ordinary budget. These expenses were partially offset within ordinary credits. In order to record the 2020 expenses on an accrual basis, significant estimates had to be used for various measures and, in particular, for the determination of the default risk for the COVID-19 joint and several sureties.

The expected defaults are taken into account with a provision of CHF 2.3 billion in the 2020 federal financial statements. The various estimates are subject to considerable uncertainties. Depending on the development of the pandemic, large fluctuations in the estimated amounts are possible.

The model for calculating the withholding tax provision had to be adjusted

A provision must be recognised on the reporting date for withholding tax refund claims outstanding on this date. As at 31 December 2020, it stood at CHF 18.9 billion, a year-on-year decrease of CHF 1.9 billion. The model for calculating the provision has been used since the 2019 federal financial statements. However, the results of the model for the 2020 financial statements were not comprehensible in terms of their amount. Therefore, adjustments were unavoidable to arrive at the best possible estimate. Further measures to improve the model are being evaluated by the Federal Finance Administration (FFA) and the Federal Tax Administration (FTA).

The difference of opinion with the FFA regarding the legal conformity of the provision change of CHF 1.9 billion in the 2020 financing statement remains[1]. The SFAO maintains its position that changes in provisions do not fall under the definition of current receipts and expenditure set out in the Federal Financial Budget Act (FBA). With the amendment to the Financial Budget Act to simplify and optimise budget management[2], this difference will be adjusted, most probably for the 2023 federal financial statements. Until then, the SFAO will adhere to the restriction.

Statutory requirements impact the federal financial statements

In accordance with Article 5 of the FBA, the federal rail infrastructure fund (RIF) and the federal motorway and urban transportation fund are not included in the federal financial statements. A comprehensive assessment of the asset and debt situation is therefore not possible at the level of the federal financial statements. The net assets/equity in the federal financial statements would be CHF 6.5 billion lower without the outsourcing of the RIF. The applicable Article 5 of the FBA should not be amended in view of the unintended effects on the debt brake.

Direct federal tax is assessed and collected by the cantons, which then pay the Confederation its share. In 2020, this amounted to more than CHF 24 billion. 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.

Original text in German

[1] Since the audit of the 2017 federal financial statements, the SFAO has issued a restriction regarding the recording of the provision change in the financing statement. The cumulative amount at the end of 2020 totalled CHF 1.9 billion.

[2] 19.071 Business of the Federal Council