

## AUDIT

# Comprehensive report on the audit of the 2023 federal financial statements

Federal Finance Administration

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## KEY FACTS

The 2023 federal financial statements ended the year with a surplus of CHF 877 million. Current receipts totalled CHF 78,605 million. Current expenditure amounted to CHF 75,203 million. This resulted in self-financing of CHF 3,402 million. This interim total was reported for the first time in the 2023 annual financial statements, following the implementation of the revision of the Financial Budget Act to simplify and optimise budget management.<sup>1</sup> Depreciation and amortisation of tangible and intangible fixed assets (3,002 mn), depreciation of investment contributions (1,229 mn) and other valuation changes under administrative assets (704 mn) need to be subtracted from this figure. The positive result from financial interests (2,410 mn) is also taken into account, which ultimately produces the annual result.

Tax receipts were the largest item under current receipts, totalling CHF 74,784 million, i.e. 95%. Nontax receipts amounted to CHF 3,821 million, i.e. 5%. Transfer expenditure (62,379 mn) accounted for the largest share of current expenditure, representing around 83% like the previous year. Federal operating expenditure (11,529 mn) accounted for just over 15% of current expenditure, versus 16% a year earlier. The remaining CHF 1,295 million of current expenditure was financial expenditure.

The Federal Department of Finance reported a negative overall fiscal balance of CHF 1,431 million. The calculation is based on current receipts and expenditure in accordance with the annual financial statements. Then net investments of CHF 4,833 million (investment receipts less investment expenditure in the ordinary budget) are subtracted. The overall fiscal balance is not shown in the federal financial statements, in accordance with the applicable accounting standards (IPSAS).

The proof of compliance with the debt brake showed a structural financing deficit of CHF 434 million for 2023. This was debited to the compensation account, which had a positive balance of CHF 20,043 million at the end of 2023. The amortisation account had a negative balance of CHF 27,216 million at the end of 2023. This shortfall has to be made up by 2035, or 2039 at the latest.

## The SFAO recommends approving the 2023 federal financial statements

The Swiss Federal Audit Office (SFAO) audits the federal financial statements in accordance with recognised auditing principles. When approving Switzerland's state financial statements (federal financial statements) each year, the Federal Assembly can rely on the fact that an independent audit body has audited the accounts. In its report of 27 March 2024, the SFAO recommended to the Federal Assembly that it approve the 2023 financial statements. The previous restriction due to the difference of opinion between the Federal Finance Administration and the SFAO regarding the inclusion of changes in provisions in the financing statement was clarified. Receipts and expenditure have been more broadly defined since the revision of the Financial Budget Act.

The SFAO is bound by law to review the internal control system (ICS). Based on the audits in this regard, it issues an opinion on the existence of the ICS every year. The SFAO confirmed this for fiscal 2023. With regard to general IT checks for which the Federal Office of Information Technology, Systems and Telecommunication is responsible, there is still a need for action in terms of access rights to databases.

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<sup>1</sup> The revision was carried out in response to the Hegglin motion (16.4018): For accounting standards that reflect the actual financial and revenue situation, Council of States, 14.12.2016.

## **The 2023 federal financial statements were marked by the implementation of the legislative revision**

The revised provisions entered into force on 1 January 2022. They were applied retroactively for the first time for the 2023 annual financial statements. Consequently, the 2022 figures were corrected as if the new provisions had been applied already for the preceding annual financial statements.

The application of the new provisions primarily impacted the compensation account and the amortisation account. The positive balance of the compensation account was reduced by CHF 1,449 million. The negative balance of the amortisation account increased by CHF 3,774 million. In particular, provisions and accruals and deferrals became retroactively subject to the debt brake. The adjustments were carried out correctly.

## **Direct federal tax is now recognised on an accrual basis**

Direct federal tax receipts are now recognised on an accrual basis, which means that revenue is recognised when the cantons invoice taxpayers. As this change was applied with retroactive effect, the 2022 figures were also presented using the new method. The introduction of accrual accounting caused the balance sheet total to increase by just over CHF 5 billion. As a result of the changeover, revenue can be recognised closer to the time at which it is accrued, which is to be welcomed. However, IPSAS-compliant accounting is still not feasible, partly due to the Swiss tax environment: tax data is distributed across three levels of government (federal, cantonal and communal).