Audit of the implementation of the statutory mandate and the strategic objectives and supervision of the State Secretariat for Economic Affairs
Swiss Export Risk Insurance and SECO

Key facts

Swiss Export Risk Insurance (SERV) is a public-law institution of the Confederation. Its two main objectives are the creation and retention of jobs in Switzerland and the promotion of Switzerland as a business location by making it easier for the Swiss export economy to engage in international competition. SERV is subject to the supervision of the Federal Council, although the State Secretariat for Economic Affairs (SECO) is responsible for carrying out the supervision.

As of 31 December 2015, SERV had insurance policies amounting to CHF 6.3 billion, corresponding to around 3% of Swiss export sales in 2015. In addition, there were insurance commitments in principle amounting to CHF 4.3 billion.

The Swiss Federal Audit Office (SFAO) checked whether or not SERV fulfils its public tasks in a transparent and compliant manner. At the same time, the Internal Audit Division of SECO examined SECO's supervision of SERV in a separate report[1].

Good representation of specialist know-how in the management bodies

The SFAO found that specialist know-how is represented both in the board of directors and in management. Both bodies cooperate intensively with one another and the important topics are treated regularly. However, the board of directors is very active operationally, which is quite unusual for a strategic management body. The SFAO recommends expanding the overly restrictive withdrawal arrangements in the business regulations.

IT and client structure as operative risks

The financial risk management of SERV is appropriately designed. However, there is no general overview of other risks (operational, strategic and reputational risks). The SFAO found that risks are present in particular in the IT sector. In addition to the dependence on the main system administrator which has in the meantime become defunct, the temporary inefficient administrative processes during the gradual replacement of the "Navision" main system should be mentioned.

The SFAO sees a further risk in the current client structure. In 2015, at least 75% of the inflow of premiums was generated with four clients. The leads to financial dependency and harbours the risk of an undesirable balance of power. The SFAO is aware that influence on customer composition is limited. It is therefore all the more important to monitor the corresponding risks well and to place high requirements on the control environment.

[1] DBIR SECO, Audit report on supervision by Section for Export Promotion/Location Promotion on SERV, ref. 2016-10, of 23 November 2016

Supervisory instruments with different degrees of effectiveness

The SFAO believes that the quarterly controlling and cockpit discussions and the liability scope defined by the Federal Council are expedient supervisory instruments. In contrast, it is currently difficult to measure the achievement of the strategic objectives of the Federal Council, as not all the objectives are quantified.

Because SERV is not under the control of the financial market supervisory authority, the SFAO recommends a regular independent review of the actuarial models and calculations. Compliance with the objectives in line with the SERV Act was evaluated in 2010. SECO's Internal Audit Division made a recommendation on the allocation of future evaluation reports. In its report on supervision, it arrived at a largely positive result.

Caution when restricting functions or circumventing processes

The SFAO considers the functional separation between "Credit & Country Risk Analysis", "Client Advisory & Underwriting" and "Asset & Claims" to be positive. This functional separation will also remain in the newly planned organisational chart for 2017. However, the SFAO noted that "Legal & Compliance", which will report to line management in the future, should not be compromised in its effectiveness.

The SFAO mainly audited the underwriting process. It considers its organisation, the process and the documentation to be appropriate to ensure task completion in compliance with the legal framework.

The SFAO audited one claims case which did not run according to the documented process and was instead dealt with by the board of directors and management directly. After thorough clarification with SERV and SECO, the SFAO believes that the procedure and the decision of the board of directors were justifiable in this special case for reasons to do with minimising damages. However, it pointed out that the internal directives and processes should be supplemented accordingly.

Regular auditor selection and optimisation potential in procurement

SERV's capital is calculated conservatively. Aside from the risk-bearing capital as cover for the overall insurance liability, another more cautious scenario is covered with the core capital. The accounting and valuation principles do not provide much leeway for the formation of hidden reserves. The Act does not comment on the accumulation of reserves. The SFAO believes SERV's accounting to be appropriate. Contrary to what is set out in the law, the auditor was not officially selected by the Federal Council at least every three years. The SFAO issued a recommendation on that.

Since 1 August 2010, SERV has been listed in the annex to the Government and Administration Organisation Ordinance as a legally autonomous organisation and is thereby subject to the articles listed in chapter 3 of the Ordinance on Public Procurement (PPO). The first call for tender according to the rules of public procurement law was taking place at the time of the SFAO's audit. The organisation of procurement is under development. On the topic of procurement, the SFAO made three recommendations, namely on planning, economic efficiency and documentation.

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