



Impressum

Swiss Federal Audit Office

Monbijoustrasse 45

3003 Berne, Switzerland

T +41 31 323 11 11

F +41 31 323 11 00

www.efk.admin.ch

info@efk.admin.ch



Annual Report 2010 on the Activity of the Swiss Federal Audit Office

Editorial

The Swiss Federal Audit Office, a politically neutral specialist authority, is the supreme financial supervisory body of the Confederation. Its aim is to advocate proper and lawful financial conduct by the Administration. In an age of results-oriented public management, it is increasingly committed to improving the effectiveness of government activity via comprehensive audits and analyses. The Swiss Federal Audit Office seeks to locate deficiencies and weaknesses by taking a critical view, and not only to achieve temporary improvements but also to fundamentally optimize government actions thanks to professional advocacy. Consequently, the Swiss Federal Audit Office focuses on dialogue with those audited in order to ensure its recommendations are willingly accepted.

During its audits, the Swiss Federal Audit Office found that the Federal Administration

carries out its duties in a highly dedicated and professional manner. The deficiencies listed in this report are not intended to call this opinion into question. I would like to take this opportunity to thank the Finance Delegation and the Federal Council, which understand the role of the Swiss Federal Audit Office as an independent, critical audit authority. I would also like to express my gratitude to the numerous employees in the audited offices who readily supported the work of the Swiss Federal Audit Office in the interests of the cause at hand. Finally, I would like to thank the employees of the Swiss Federal Audit Office, who go about their demanding work with dedication and motivation in the interests of taxpayers.

Bern, March 2011

Kurt Grüter



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Overview

The Swiss Federal Audit Office (SFAO) is the supreme audit institution of the Swiss Confederation. It is autonomous and independent and, pursuant to Art. 1 of the Federal Audit Office Act (SR 614.0), is bound only by the Constitution and the law. It supports the Federal Assembly in exercising overall supervision and the Federal Council in fulfilling its supervisory role. One of the core tasks of the SFAO is to audit the federal budget. The SFAO intervenes at all levels of budget execution, e.g. by conducting audits of annual financial statements, on-site audits of the administrative units, semi-governmental organisations and subsidised bodies within the scope of financial supervision or through preventative controls, before any liabilities are contracted. All federal government administrative units, subsidised bodies and organisations of all legal forms outside of the Federal Administration entrusted with the performance of public tasks by the Confederation are subject to financial supervision. As set out in Art. 5 of the Federal Audit Office Act, the SFAO executes financial supervision according to the criteria of regularity, legality and economic efficiency. Using efficiency audits and evaluations, the SFAO seeks to contribute to the development of New Public Management and raise the effectiveness of programmes. The audit mandates are selected on the basis of risk criteria. The audits cover the Internal Control System (ICS), risk management and various aspects of good governance.

In accordance with Art. 14 of the Federal Audit Office Act, the SFAO submits a report annually to the parliamentary Finance Delegation and the Federal Council on the scope and highlights of its audit work, key findings and evaluations and on open audit recommendations. Chapter 1 of the present report looks at the key audit points of financial supervision, broken down by federal government fields of activity. In addition to financial supervision, the SFAO also holds various audit mandates of financial statements, the most important one being that of the State Accounts of the Confederation. Chapter 2 summarises the main findings of this audit and comments on the audit findings at the social security institutions, the Federal Institutes of Technology and other organisations. Chapter 3 gives an overview of the audit work carried out at international organisations by the SFAO for Switzerland. Chapter 4 provides information on the status of implementation of earlier recommendations. Chapter 5 looks at other services offered by the SFAO, such as issuing opinions in the legislative procedure, participation in technical committees and communication of best practices. Chapter 6 gives an overview of the SFAO's network of relationships with other supervisory bodies and professional associations, with whom it can share a wealth of ideas and experience. Chapter 7 contains a profile of the SFAO.

The numerous findings and indications of potential for optimisation might give rise to the impression that the Federal Administration's work is unprofessional. This is not the case. By its nature, the report is supposed to enumerate deficiencies. Within the framework of its audits, the SFAO repeatedly noted that the employees of the Confederation work in an often difficult environment with a high degree of commitment, professional ethics, and professionalism. The findings below refer to events and circumstances from the years 2009 and 2010 noted in the course of audits in the year under review. These are audits submitted to the parliamentary Finance Delegation between February 2010 and January 2011. At the time of compilation of this report, the extent to which the identified irregularities had been rectified and the SFAO's recommendations already implemented could not yet be determined. The follow-up audits provide an opportunity to evaluate the current status on a case-by-case basis.

Audit key points of financial supervision

As part of its financial supervision, the SFAO carried out numerous audits that were included in the annual programme on the basis of risk considerations. The audit results commented below have already been noted by the parliamentary Finance Delegation. Various audits from the 2010 annual programme are still being processed and will be included in next year's annual report. The complete list of audits is contained in Annex 1. The discussion below will look at the key points of the SFAO's supervisory activity.

1.1 Transportation

The SFAO carried out various audits in the transportation sector. Key areas were the major railway projects, the Swiss Federal Railways, the national roads, exhaust maintenance for road vehicles, and the loan granted to Swissair in 2001.

1.1.1 Rail transportation

The SFAO plays an attendant role in the financial supervision of the New Rail Link through the Alps (**NRLA**). The audits of the SFAO and the Federal Office of Transport (FOT), the external auditors under company law and the contractors' internal supervisory bodies are coordinated. At the SFAO's initiative, this coordination and information platform was set up for all control bodies. This has helped to improve the efficiency of supervision and foster the "unité de doctrine". The audits of the various supervisory bodies are evaluated by the SFAO, providing indications for its own

risk analysis and for use in quality assurance. The 2010 audit planning considered the main risks. Each control body is responsible for preparing the risk analysis and the audit plan as well as for conducting the audit. The coordination meeting with the various control bodies also showed that neither duplication nor audit gaps existed. With an evaluation of the FOT's status reports, the SFAO can give the parliamentary Delegation for the Supervision of the New Rail Link through the Alps (DSN) indications on key points and developments.

The SFAO audited the **conclusion of the remaining work and the warranty monitoring of the Lötschberg Base Tunnel**. The audit looked at whether the transfer of the business records including rights and duties from the former construction company BLS AlpTransit AG to the successor BLS Netz AG was done properly. In particular, the audit looked at contract management and warranty monitoring on the basis of ongoing business. 75 million francs are planned for the remaining work. The results of the audit were favourable. Performance of the remaining work and monitoring of the warranties are ensured.

At the FOT, the SFAO audited contract fulfilment relating to **connections to the high-speed transport network**. It noted that the FOT carries out project supervision at the level of the authorities. The projects are carried out in accordance with the agreements. Insufficient funding was noted in the case of the "Bern-Neuchâtel-Pontarlier Expansion" project. The SFAO has therefore recommended that the FOT cover the unsecured remaining costs by

obtaining loans from the Confederation and the cantons before construction starts. In order to monitor and certify the lawful use of the loans, the FOT should demand information from the contractors on the services encumbered by the loan and carry out periodic audits of the contractors. Moreover, application of the railway construction index and the requirements for contract management should be reformulated, and the loan commitments should at the same time be monitored in accordance with the requirements of the Federal Budget Act. The FOT has committed to implementing the recommendations by the end of March 2011.

At the **Swiss Federal Railways**, the SFAO audited the **plausibility of internal cost allocations and application of the user-pays principle**. Ultimately, cost allocations are crucial for the funding of services by taxpayers or clients. The SFAO noted that the cost allocations are determined in accordance with planned operating expenses, which do not comply with the user-pays principle. By introducing differentiated cost allocation keys, services that cannot be settled directly should be allocated to the various areas in a manner more appropriate to the subject matter and the user-pays principle starting in 2011. According to the corporate cost allocation newly implemented in the 2011–2016 corporate plan, the annual burden of Swiss Federal Railways Infrastructure is 8% or five million francs less than according to previous practice. In the SFAO's view, the concept goes in the right direction. Whether the new keys can already ensure an optimal balance of settlement costs, precision of the results, and transparency remains to be seen. The Swiss Federal Railways intend to monitor the cost allocation parameters on an ongoing basis and adjust them where necessary.



The Ordinance on Licensing and Funding of Railway Infrastructure entered into force on 1 January 2010. It demands that in the future, no funding costs of the company may be allocated at the expense of Swiss Federal Railways Infrastructure. In cooperation with the FOT, the Swiss Federal Railways have disclosed the calculation scheme for the individual cost rates. The track price system is currently being revised. The associated track price structure will have a major financial policy impact, since prices that are too low must ultimately be compensated by higher contributions by the Confederation. Accordingly, the rate calculations should be structured such that they can also be confirmed by internal accounting figures. The Swiss Federal Railways have agreed to implement the formulated recommendations.



1.1.2 Road traffic

At the Federal Roads Office (FEDRO), the SFAO audited the *maintenance and expansion projects for motorways*. The question often arises why construction work on the national roads and the disruptions it entails take so long in comparison with other countries. Using time coordination of expansion and maintenance as well as lane rents and other measures, FEDRO wants to reduce construction times. The SFAO noted that FEDRO is paying adequate attention to cost efficiency in the project planning and implementation of the redesign and maintenance measures for national roads. The requirements for cost-effective planning and implementation of maintenance and expansion of the national roads are not yet complete, however. The SFAO therefore recommended that FEDRO rapidly complete all relevant manuals so that the norms and standards can be applied consistently. Expansion projects on the national roads should, where possible, be carried out at the same time as maintenance work. Where urgent measures are needed,

the leeway provided under procurement law should be utilised to the greatest extent in favour of competition in the announcement and awarding of contracts. On economic grounds, contract sections cannot be split arbitrarily and allocated to several individual contractors. The SFAO believes FEDRO's justifications for the assignment of contract sections is transparent and comprehensible. As a successful incentive system for reducing construction time, FEDRO will use lane rents. Depending on the surface and duration of the blocked road, the contractor pays a rent. The SFAO has recommended considering the introduction of a lane rent for all maintenance and expansion projects in future as part of maintenance planning. FEDRO agreed with the findings and recommendations of the SFAO and intends to implement the recommended measures.

In the five FEDRO branches, the SFAO audited *compensation payments and quality assurance for surface maintenance work*. The SFAO recommended analysing the tasks, competences, and responsibilities prior to advertising the planning services and to set out important administrative aspects in the planning contract. Where time or expertise is short, the use of external experts should be considered in a timely manner. According to the guidance on investment controlling for national road construction, the project managers are supposed to reflect the contract for work in a sufficiently detailed project structure plan. The SFAO noted that appropriate feedback, which would make it easier for project managers to discover weaknesses, cost drivers, and optimisation potential, is lacking. By the end of 2010,

FEDRO intends to create the preconditions for better support for the project managers by means of a new database. The projects developed by the cantons had to be critically evaluated by all FEDRO branches and harmonised with FEDRO's planning targets, which resulted in reductions of service. In light of planning security, project supervision, and operating costs, the SFAO recommended reducing the multiplicity of norms and standards and immediately putting the specialised manuals into force. To strengthen management and steering instruments, invoices should moreover be refused which do not document the services in a transparent and comprehensible manner. The method of entering services rendered, the conditions for partial payments, and the procedure in the event of administrative lapses should be clearly set out in the contract for work. In the case of surface work commissioned by the branches (representatives of the owner), quality assurance is the responsibility of the mandated control body (e.g. owner laboratory). Uncertainties exist only in the case of work carried out by the territorial entities (operators) or commissioned by them. The technical responsibilities of these entities is sometimes unclear. The SFAO therefore recommended ensuring that the surface quality of national roads be uniform throughout and that the operators likewise demonstrably comply with the norms and standards of FEDRO. FEDRO intends to implement the recommendations.

A further audit looked at **traffic guidance systems and tunnel facilities on national roads**. The SFAO evaluated whether the processes for determining and approving equipment needs are complied with and whether the needs are determined correctly and employed economically. The results of the audit were good. Especially the processes of FEDRO's maintenance planning ensure that the needs are determined and approved correctly. The cantons' processes for determining and approving needs in the completion of road networks differ from those used in maintenance planning. There is potential for optimisation especially in respect of these projects. The SFAO recommended that FEDRO ensure that the harmonisation of systems appropriately take account of the various interests for the portfolio, the project management, and the object management in the formulation of needs. Although the responsibility for network completion lies with the cantons, it should be ensured that the requirements arising from system harmonisation be complied with. By procuring certain facility components centrally, the compatibility of the systems can be ensured and potential economies of scale can be utilised. Initial procurements must ensure that no dependencies from a single system supplier arise over the long term. FEDRO has promised to implement the recommendations and has already realised some of the measures.

As part of an evaluation, the SFAO audited the **costs and benefits of exhaust maintenance and controls for road vehicles**. In light of the great technical progress, the SFAO concluded that, in the case of new vehicles, the interval for exhaust maintenance can be extended without any negative impact on air quality. The annual costs for the mandatory exhaust maintenance amount to a total of 165 million francs. Polluting emissions due to traffic have declined by between 40 and 80 percent since 1980, depending on the pollutant. The new exhaust after-treatment systems for motor vehicles have a greater cleaning capacity and better reliability than earlier systems. Exhaust defects are found in only 5% of today's petroleum-fuelled cars. In light of this positive development, the SFAO recommended extending the maintenance interval for petroleum cars with on-board diagnostics. In the case of newly circulated cars with manufacturer guarantees, the first mandatory exhaust maintenance may furthermore be undertaken one year later than is currently the case. Moreover, the exhaust maintenance should be coordinated better with the service dates required by the vehicle manufacturers. The SFAO expects that these recommendations will reduce the burden of car owners without causing higher emissions or poorer air quality. The savings potential is approximately 20 million francs per year and will increase in the coming years. FEDRO and FOEN as well as the traffic and environmental organisations agree with these recommendations. The Swiss Motor Trade Association, however, has expressed its scepticism about extending the maintenance interval (see the published report at www.efk.admin.ch).

1.1.3 Settlement of the loan to Swissair

After the **grounding of Swissair** in 2001, the federal government financed Swissair's reduced flight operations until the end of March 2002. Swissair undertook to account for the federal loan used and to use the federal funds only to allow flight operations to continue and to permit such operations to be handed over in the proper manner to a new national airline. The supplementary agreement also stipulated that the balance remaining after paying off the loan was "not a mass claim but a normal third-class claim". Under this loan agreement, Swissair was paid 1.15 billion francs. Part of this amount was used by Swissair as a liquidity reserve and did not have to be used within the meaning of public loan agreements. This portion is not a legacy liability but a mass liability not included in the schedule of claims and can be reclaimed by the federal government in full. The prior elimination of the mass liability, however, requires the loan to be settled and is itself a prerequisite for the legacy liability included in the schedule of claims to be reliably estimated.

This loan settlement exists since April 2009, closing with a balance of 9.4 million francs against the federal government. The SFAO subsequently announced a need to re-examine the situation on 23 April 2009, which it is entitled and obliged to do under Art. 8(1)(c) of the Federal Audit Office Act. At the SFAO's request, the liquidator made the required documents available. Since a significant part of the demanded documents has still not been received, important items could not be audited in the year under review. Furthermore, the liquidator is rightly assuming that, if agreement cannot be reached in the settlement, the existence and extent of a federal claim would be decided in public law proceedings before the Federal Administrative Court.



1.2 Education and research

In the ETH Domain, the SFAO not only audits the financial statements (see point 2.5), but also exercises financial supervision. At **ETH Zurich**, the SFAO conducted an **IT audit** in 2009, in order to evaluate goal achievement and cost effectiveness of information and communication technology (ICT). An ICT strategy has been in place since 2005. One third of the implementation of 39 derived measures has been realised. From 2007, however, further processing of the measures as well as revision and further development of the ICT strategy appear to have come to a standstill. Important strategy goals such as cost transparency and assessment of needs with respect to research data are still pending. The departments with their institutions, professorships, and in some cases also laboratories are very autonomous in many areas, including ICT. While key IT services are available, their use is not mandatory. This is also true in regard to procurement of IT resources, for which framework agreements exist. A certain level of autonomy in the

research areas is justified. In the case of IT resources such as workstations, storage, or high performance computers, however, the arguments for operating own systems are not convincing. With its current IT organisation, ETH Zurich is unable to document the total costs of IT without gaps. Requirements imposed by the Executive Board on key topics such as the requirement to use specific workstations could lead to an improvement. Similarly, the classification of data, archiving of research data, decentralised data protection, continuation of service in the event of disaster, and control activities should also be administered in a uniform manner. The Executive Board agreed with the recommendations and largely implemented them already in 2010.

At **ETH Lausanne**, the SFAO examined **human resources** and the construction projects. While the audit results were good in the domain of human resources, the SFAO made critical findings with respect to **real estate management**. The entire construction programme amounts to 700 million francs. Focus areas of the audit were the realisation of the Rolex Learning Center and two other construction projects. The SFAO noted gaps in planning and logistics, processes, financial management of the projects, and awarding of contracts. In the case of projects with private-public partnerships and sponsoring, the SFAO believes it indispensable for the project organisation to

be adjusted accordingly, the processes to be supplemented, and the ICS to be strengthened. The SFAO therefore recommended preparing requirements for uniform documentation of the evaluation reports and not to begin any construction work until a contract for work has been signed and the financial resources have been secured. During and immediately after the audit, the Executive Board took measures to this effect.

At the Federal Office for Professional Education and Technology (OPET), the SFAO audited the **Commission for Technology and Innovation (CTI)**. The goal of this audit was an evaluation of the ICS, a follow-up of the 2006 audit, and an assessment whether the promotion subsidies were administered properly and lawfully. The SFAO noted that the recommendations from 2006 had been implemented or made obsolete by the reorganisation of CTI. The SFAO recommended making the promotion contracts more precise and complying with the signature rules also with respect to these contracts. The payments must be made in accordance with progress achieved. Lawful subsidy payments and financial requirements are the priority responsibilities of the new official commission. OPET and CTI must develop a future-oriented solution together with the Federal Finance Administration. The findings and recommendations of the SFAO were taken note of, and appropriate measures have been initiated.



1.3 Social security and health

At the Federal Social Insurance Office (FSIO), the SFAO audited the process for federal supervision, the payment and calculation of the federal share of **supplementary benefits to the Old-age and Survivors' Insurance (AHV) and Disability Insurance (IV)** as well as the processing of **contributions to charitable institutions**. In 2008, the supplementary benefits paid by the Confederation and the cantons combined to the 263,700 recipients amounted to 3.7 billion francs. The new financing mechanism, which entered into force with the division of responsibilities between the Confederation and the cantons in 2008, resulted in an increase of the federal contribution from 0.7 billion francs in 2007 to 1.2 billion francs in 2008. The SFAO noted that the advances and final payments to the cantons in 2008 were settled correctly. The calculation of the percentage of the federal share of contributions for each canton is transparent and comprehensible.

In the case of settlement of **contributions to the charitable organisations** (Pro Senectute, Pro Infirmis and Pro Juventute), the SFAO noted that compensation for implementation costs is administered in different ways, which leads to unequal treatment of these organisations. Additionally, the FSIO circular for this purpose is obsolete. The SFAO therefore recommended revising or repealing the circular from the year 1984. The payments to the three charitable organisations should be set out in a uniform and transparent manner and audited periodically on site.

In a further audit at the FSIO, the SFAO analysed the organisation, procedure and ICS for exercising **optimal supervision of the AHV compensation funds**. The SFAO noted that the controls are based primarily on the detailed analysis of the report of the external auditors. The FSIO does not yet have a clear supervision strategy. There has been no stocktaking of the legal, operational, financial and reputation risks nor of the organisational measures. Based on the findings and recommendations of the SFAO, the FSIO initiated the first steps. Legal changes as part of the next AHV revision are also planned.

In the **asylum sector**, the SFAO audited the financial supervision by the Federal Office for Migration (FOM) of subsidies to the cantons. The SFAO noted that the FOM has set up a useful financial supervision to ensure implementation of the new system of subsidies to the cantons. With the help of a systematic and documented process, the FOM acknowledges the deviations noted between the information gathered in the Central Migration Information System (ZEMIS) and the information in the cantonal databases. The errors to be corrected are notified to the competent offices. In the refugee sector, the data are still transmitted manually. Automation of the subsequently made corrections would improve the efficiency of the calculation procedure for subsidies. The SFAO also noted that the FOM carries out its risk-based inspections strictly and systematically. The inspections could, however, be further improved with a systematic comparison of the ZEMIS data with external sources, such as the individual statistical data of the Federal Statistical Office (FSO) or the cantonal databases. The FOM states that the FSO is prohibited by law from transmitting individual data. The draft revision of the Asylum Act provides for an expansion of access to individual data to include the FSO.

The results of the audit at the **Federal Office of Public Health (FOPH)** was positive overall in the areas of financial management, purchase of pandemic vaccinations, supervision of military insurance, renovation of the Federal Rehabilitation Clinic in Novaggio and other projects. The SFAO noted that the construction investments in the amount of 25 million francs for the **Novaggio clinic** could not be concluded as planned in 2005, but probably only in the year 2014. The federal contribution amounts to 13 million francs. The contribution agreement of the Confederation has meanwhile been extended twice. The SFAO believes that contracts with such long terms should be avoided. The SFAO noted that the various **prevention programmes** (AIDS, tobacco and alcohol prevention, drugs) are administered properly. Temporary employees at the expense of credits for material assets are employed for these programmes. The relevant approvals were granted by the Federal Council. In 2009, the personnel costs for these programmes amounted to 2.6 million francs. The SFAO believes that in the case of prevention programmes which de facto represent a permanent task of the FOPH, the employees should be funded using credits for human resources. The FOPH agrees with the SFAO recommendations and has instituted measures to this effect.

The SFAO was mandated by the National Council Control Committee to examine the **supervision of implementation of health insurance**. The focus of the examination was the procedure for premium approval in compulsory health insurance. Currently, 81 Swiss insurers offer social health insurance; nearly half of the Swiss population is ensured with one of the three largest insurance groups (Helsana Group, CSS Holding, and Groupe Mutuel). Slightly more than one third of the total health care costs in Switzerland in the amount of approximately 60 billion francs are financed via basic insurance. In 2009, the premium income amounted to 20.1 billion francs, and the cost sharing of insured persons (excess and franchise) amounted to 3.4 billion francs.

The supervision of insurance by the FOPH is based on extensive data. The current requirements allow the health insurer to create hidden reserves with securities, which may currently be posted at their acquisition value and entered in the balance sheet. The premium approval process encompasses both a technical and a material review of the premiums submitted by the health insurers for the coming year. The SFAO noted that the approval process is transparent and comprehensible. Under the Health Insurance Act, the cantons have the opportunity to comment prior to approval of the premiums. The FOPH focuses on the solvency of the insurer as a whole and less on the cantonal view. In light of the long time to market and the numerous uncertainties, it is not surprising that there is a large volatility

between the forecast and the effective course of business. As a consequence, the premiums cannot always be defined to cover costs, so that the health insurers post losses and must use their reserves. In the coming years, this development causes insurers to catch up by raising premiums.

The SFAO determined that the interventions by FOPH had only a minor impact on the premium amounts and also on the reserves of the insurers. The premiums approved by the FOPH, which differ according to canton and region, are comprehensible in light of the available information. As a qualification, however, the SFAO asks itself whether the FOPH might have had to intervene earlier or more decisively in the case of some insurers. Basic insurance expenses are funded on a pay-as-you-go basis and must sustain themselves. To ensure solvency, the insurers must maintain a contingency reserve. Depending on the number of insured members, the legal requirement provides a minimum graded contingency reserve as a percentage of the premiums owed to the insurer. The imputed reserves for each canton are not provided by law. Nevertheless, the insurers' premium calculations take account of the cost development, which differs for each canton, as well as the reserve ratio for all of Switzerland. A "cantonalisation" of these imputed reserves would probably entail that the insurers would determine different reserve ratios. In a canton with few insured persons, the reserve ratio would be higher than in a canton with many insured persons. The SFAO recommended that the Federal Council

define a strategy for supervision and premium approval. The premium approval procedure should be simplified, and the premiums should in future be approved on the basis of a few meaningful indicators. The supervision concept should be more risk-oriented. Additionally, the SFAO supports the FOPH's efforts to update the obligations, tasks, and responsibilities of the health insurers' external auditors and to harmonise them with its own supervisory activities. The FOPH agreed with the SFAO's findings and recommendations and plans to redesign the supervision of health insurance and strengthen it at the same time (see the report at www.efk.admin.ch).

In a broadly based evaluation, the SFAO examined the question of whether **Tarmed** (Tarif médical) has achieved its objectives. Tarmed is used to invoice services in the health care sector in the amount of seven billion francs. The tariff thus has an impact on the social insurance services and indirectly also the public budgets. Tarmed represented a great improvement. Out-patient medical services are invoiced according to uniform criteria throughout Switzerland. However, the SFAO determined that the tariff is in some areas based on missing or obsolete calculation bases. The correspondence between Tarmed, the prices of medical care, and actual costs is not ensured. For instance, time targets for medical services are determined unsystematically. Various productivity factors are unclear. Various tariff point values are not due to cantonal cost differences, but rather to historical reasons. A fundamental conflict of goals exists between the financial upgrading of basic care providers and cost neutrality. Shortly before the 2004 version of Tarmed, improvements were undertaken for the benefit of specialists. The income differences between technical specialists and basic care providers have consequently increased instead of decreased. Since the Tarmed 2010 revision project has been blocked for years, there is a danger that

necessary corrections are being delayed. The requirement of unanimity of the tariff partners has led to complete paralysis. The Health Insurance Act provides that a fee-for-service tariff applicable to all of Switzerland must be approved by the Federal Council and be both cost effective and fair. The SFAO does not call the autonomy of the tariff partners in question, but it does deem it necessary to strengthen the role of the Confederation. In particular, the Federal Council should make better use of its lawmaking powers and set up principles for adjusting the tariffs. Where tariff partners are unable to reach agreement, the Federal Council should impose provisional tariff solutions. Finally, oversight by patients should be facilitated by means of more transparent and simpler invoices. The opinions on the recommendations have varied. While Santésuisse, the Conference of Cantonal Health Directors, the Federal Statistical Office, and the Price Supervisor welcome the recommendations and suggest improvements, the Swiss Medical Association (FMH) and the FOPH have been critical. The most significant difference of opinion concerns the recommendation to strengthen the role of the Confederation if no agreement between the tariff partners can be reached (see also the report at www.efk.admin.ch).



1.4 Agriculture

In the agriculture sector, the SFAO examined in particular agricultural research, direct payments, and supervision of the dairy industry by the competent federal office.

Agricultural research funded by the Confederation is characterised by a large number of actors. The SFAO analysed this research branch, which is fed by various sources. Agroscope, which consists of three research institutes and is headed by the Federal Office for Agriculture (FOAG) plays a key role in this regard. Additional actors and sponsors include the various Swiss universities, other institutions of higher education, the Swiss National Science Foundation, and the Commission for Technology and Innovation. The FOAG is advised by an Agricultural Research Council. From the FOAG and Agroscope alone, about 70 million francs flow to agricultural research each year. The SFAO determined that the FOAG has significantly improved the steering of Agroscope. It has instruments that deliver useful information for achieving the goals of its

research activities. It is more difficult, however, to gain an overview of agricultural research as soon as one goes beyond the FOAG and Agroscope. There is a lack of strategic vision and an overview of the financial resources. The strengths and weaknesses of Swiss research cannot be identified. Accordingly, it is nearly impossible to pick out the competitive and future-oriented research areas that should be developed or strengthened in a targeted manner. This is a risk of suboptimal resource allocation. The SFAO has recommended that the Federal Department of Economic Affairs strengthen the function of the Agricultural Research Council, which should develop a research concept for all actors. The FOAG should compile an overview of the available financial resources, so that the Research Council can express its views on priorities. Additionally, Agroscope should distinguish between research aimed at political decision-making and client-oriented research. To better steer Agroscope, the indicators for measuring research quality should be harmonised more closely with those of academic research. The FOAG and the Research Council want to implement the recommendations (see the published report at www.efk.admin.ch).

In the field of **direct payments**, the internal finance inspectorate of the FOAG examined the agricultural services of the 26 cantons in the years 2008 and 2009 based on audits that had been performed by the SFAO or the financial inspectorate in 2007. In 2008, two billion francs were made in general direct payments and more than half a billion in ecological direct payments. The audit showed that the cantons by and large fulfilled their responsibilities with respect to general direct payments. The financial flows were comprehensible and

most differences could be clarified. However, it was determined that the inspections which the cantons are required to carry out under Art. 66 of the Direct Payment Ordinance were not systematic enough in one quarter of the cantons. The SFAO believes that the FOAG's supervision must take greater account of this aspect. The financial inspectorate will carry out follow-up inspections on implementation of the recommendations.

The SFAO audited the appropriateness and legality of FOAG supervision of the **dairy industry**. The audit focused on the transitional rules and the special measures in connection with the lifting of the milk quotas. The SFAO confirmed that the FOAG's supervision of the dairy industry is appropriate and lawful. The procedure used by the FOAG when approving surplus volumes is comprehensible and is in line with the comments set out in the Federal Council's message on agricultural policy in 2007. The SFAO found no indications of unjustified or excessive grants of surplus volumes. The SFAO determined that the FOAG effectively supervises allowances for cheese-making milk and feeding without silage. The approach and the selection of audit objects are risk-oriented and do not give rise to comments. Compliance with the contractual terms between the producers and processors, however, is difficult to monitor. The law provides for payments to producers. But the payment is made to the processors, since implementation of the legal provisions has turned out to be impractical. For the FOAG, this gives rise to the risk that the allowances do not reach the producers as envisaged by the law and hence that the Confederation is not discharged in a legally binding manner. The FOAG agreed with the findings and intends to evaluate by the end of

2011 to what extent the settlement risk can be minimised within the framework of a potential generally binding declaration on standard milk purchase agreements by the industry organisation. The SFAO also called upon the FOAG to book loan repayments in conformity with the law and to openly disclose credit overruns in the 2010 State Accounts of the Confederation (see the report at www.efk.admin.ch).

At the **Federal Veterinary Office (FVO)**, the SFAO conducted an IT audit. The audit showed that the FVO has a good IT infrastructure and the requisite specialised applications for supporting the most important business processes. At the time of the audit, the FVO realised two complex IT projects, namely introduction of a new information system for the public veterinary service and expansion of the application for applying for and registering animal experiments. These applications entail added value in the form of enhanced efficiency and effectiveness for the Confederation and especially the cantons. With the information system, veterinary measures can be planned and coordinated better between the cantons and the Confederation. In this way, the challenges of the current animal epidemic situation can be dealt with better, and quality assurance of food products of animal origin can be carried out more efficiently. The SFAO has made various recommendations, especially on strategic IT planning, distribution of responsibilities and assignment of roles, IT controlling, and procurement questions.



1.5 National defence

Various audits in the 2010 annual programme relating to national defence are still underway. Audits in the real estate and IT sector of the Federal Department of Defence, Civil Protection and Sport (DDPS) were completed. At armasuisse Real Estate, the SFAO audited **aspects of portfolio and facility management as well as area cost management**. The audit indicated that the revised process architecture has created good conditions for efficient and transparent real estate management. For applying the processes in a goal-oriented manner, however, there is still a lack of clear knowledge of the future needs of the various renters of the DDPS as well as the effective service procurements and occupation of the areas. With respect to value preservation, armasuisse Real Estate has received considerably fewer resources over the past decades than would have been necessary for maintenance. The existing substance can no longer be adequately maintained given the currently available resources.

So that the Armed Forces continue to have the buildings and facilities needed for their mandate and in order to avoid bad investments, investment focuses should be established at selected, secured locations with good quality of use and long-term use potential. In the case of locations that no longer meet these criteria, repairs are reduced primarily to maintenance of usability. This approach will lead to a decrease in the core inventory and thus the closure of existing locations. Aspects of cost effectiveness should take precedence over regional policy criteria.

The SFAO determined that the data and information relating to the DDPS real estate portfolio have steadily improved. Ascertainment of the status quo is not yet concluded, however. With regard to the individual rental properties, information was missing on the procurement of services (maintenance, energy, cleaning) and effective occupation of the objects. Moreover, questions remained unanswered as to what extent the services ordered from the Armed Forces Logistics Organisation (AFLO) were effectively performed and which areas of operational facilities are affected by the gaps in service. Weaknesses, cost drivers, and optimisation potential can thus hardly be uncovered in a targeted manner. The benefit of facility management must however be that too expensive, fallow or hardly used areas can be identified at any time so that appropriate solutions can be found. Only in that way can areas be actively reduced, rental agreements cancelled in a timely manner, and, where

appropriate, marketable objects sold off. The SFAO therefore recommended creating the preconditions as rapidly as possible so that service procurements and effective occupation can be compiled in detail and periodically. armasuisse Real Estate agreed with these recommendations.

At armasuisse, the SFAO audited the **SAP environment and the authorisation processes**. SAP is software used for book-keeping, purchasing, human resources, and other tasks. At the beginning of 2009, the Chief of the Armed Forces and the Chief of Armaments signed a joint declaration of intent. This document set out the rules, responsibilities, and competences for the joint attainment of the objective of process harmonisation and consolidation of the existing system landscape in the SAP environment. For the SFAO, this was an important, albeit legally not binding document. It determined that the integrated quantity and value flows for the armament procurement process had to be delayed by one year until 2013. The assumption of responsibility by armasuisse for this procurement process might be adversely affected by the area of defence, since that process is run on the defence SAP system. The SFAO recommended carrying out a situation assessment. The technical consolidation of the SAP systems must be reviewed sufficiently. There is a risk that technical restrictions in the SAP standard limit the necessary business management functions.

The WTO tender in 2009 will give rise to future costs of about 150 million francs between 2010 and 2015. Since 2007, work with a volume of 110 million francs has already been carried out with the same offerers. The SFAO critically called the cost effectiveness, controlling, and transparency of these expenditures into question. Moreover, the expenditures were allocated mainly via the credit lines for armament procurement. This makes it questionable whether an overall steering of IT expenditures can be identified sufficiently. The SFAO also recommended defining and implementing the authorisation concept in collaboration with the person responsible for the ICS. This would strengthen line responsibility and integration in the business processes. armasuisse intends to implement the SFAO's recommendations.



1.6 Foreign relations

The audits in connection with **foreign relations** took up considerable auditing resources of the SFAO. Not only were representations abroad audited, but also development cooperation, Eastern European aid, and various projects such as the world exposition in Shanghai and the Francophonie Summit in Montreux.

Switzerland is represented in **Pakistan** with an embassy as well as an SDC office in Islamabad and a consulate general in **Karachi**. The head of mission is also accredited in Afghanistan. The SFAO audited the security concept and the construction measures in the embassy in Islamabad. The precarious security situation starting in 2007 required a new security concept, implementation of which was completed in May 2010. A Pakistani company was mandated to guard the building complex as well as the SDC offices and the service residences of the embassy and SDC personnel around the clock, 365 days a year. A former officer of the Pakistani army is responsible for security in the interior of the embassy complex. He is supported by Pakistani staff and has a highly developed electronic surveillance system.

The annual costs for these security measures amount to 450,000 francs. In addition, there are expenses for special security installations inside and outside the embassy amounting to 350,000 francs as well as for the acquisition of two armoured vehicles totalling 380,000 francs. The construction costs for the embassy back in 1993 amounted to 12.5 million francs. The first construction faults soon became apparent. The Federal Office for Buildings and Logistics (FBL) was forced to undertake repairs of the entire building shells. On this occasion, the technical installations were also updated, and maintenance work of all sorts was undertaken. The costs of the work carried out in 2009 amounted to 6.5 million francs. The costs of remedying the defects are thus fully charged to the Confederation.

The SFAO audited the **Swiss Business Hubs** in Sao Paulo and Chicago. In especially important, traditional, and emerging markets, the Confederation maintains export bases. The offerings of these Swiss Business Hubs include information, advice, marketing, and intervention with authorities. Most hubs are affiliated with the official network of representations of the Federal Department of Foreign Affairs (FDFA). In **Sao Paulo**, the SFAO analysed finances and accounting in the years 2007 to 2009. The activities of the business hub were subject to noticeable fluctuations and declined strongly especially in 2008. The data for 2009 indicate a clear turnaround. The audit showed that numerous errors occurred in the accounting for services. The Confederation

assumed costs that actually should have been charged to the Business Network Switzerland (OSEC). With the adjustment to the ICS, increased monitoring of the person responsible on site, and clear directives for accounting and the annual financial statements, the situation would be improved.

The audit in **Chicago** showed that the deficiencies identified at the business hubs in Moscow and Sao Paulo were not remedied. Several points in the agreement between the FDFA and the OSEC dated 13 February 2008 were not complied with. The FDFA must remind the staff at the locations in question that the financial requirements of the FDFA also apply fully to the revenue and expenditures of the business hub. The FDFA is also authorised to review whether the booking processes comply with the directives for accounting and the annual financial statements that apply to the Swiss representations. The North American business hub network is distributed among six cities, which causes high travel and communication costs. This decentralised organisation must be called into question in order to achieve synergies and cost savings. Between 2007 and 2009, the average annual deficit was more than 880,000 francs. Moreover, most of the revenue is generated by a single large convention in California. The Swiss private sector places only few orders. The OSEC has analysed the organisation of the business hub in North America and wants to assess the situation together with the FDFA in the first half of 2011, in order to remedy the weaknesses.

At the Swiss Agency for Development and Cooperation (SDC), the SFAO audited the advances and resource accounting of the cooperation offices in the area of **regional cooperation**. These representations were set up by the SDC in important focus countries of the "South" as well as important programme countries of the "East" and are responsible on site for the overall management of the respective country programmes of Swiss development cooperation. The audit showed that the requirements are complied with. Due to the ongoing reorganisation of the SDC, various projects are still underway. For instance, the division of responsibilities between headquarters and the cooperation offices is being revised. The processes between headquarters and the cooperation offices are documented, implemented, and monitored. This ensures that a uniform approach is taken. The monitoring and steering of projects falls within the responsibility of the cooperation offices. Quality assurance is carried out by means of uniformly defined and structured reports, which are evaluated by the responsible programme officers at headquarters. In the case of deviations from the target state, interventions are made in ongoing projects. The audit reports of the cooperation offices are systematically collected. In some cases, verification is the responsibility of the programme manager and the project assistants, with the participation of management where there are major deviations. Each year, the cooperation offices must communicate the implementation status of the recommendations. Potential for improvement exists with respect to the documentation of the internally conducted inspections. In the cooperation offices, the SDC is undertaking to improve the

ICS, and the new standard software is intended to harmonise all accounts, which should substantially improve accounting.

In **cooperation with Eastern Europe**, the SFAO audited the money flows and asked the question where the money goes and how much of the authorised resources flow to project management and administration. In 2008, the SDC and the State Secretariat for Economic Affairs (SECO) paid 158 million francs for cooperation with Eastern Europe, not counting payments made as part of Switzerland's contribution to enlargement. Switzerland is involved in 13 countries. It supports a total of 350 projects of different kinds and in different areas with a very broad financial bandwidth. Implementation, management, and project support are accordingly very different, which makes generally valid statements difficult. The actual project work is carried out by Swiss and international aid organisations, consulting and engineering offices, international organisations, as well as local governmental and non-governmental organisations. The evaluation of the money flows with respect to the 30.4 million francs used in 2008 in the countries of Kyrgyzstan, Macedonia and Serbia showed that 84% of the funds flow to the projects. The remaining 16% constitute administrative expenses of the SDC, SECO, and the implementing offices, most of which is allocated to project support. The analysis showed no indication of an excessively high share of administrative costs for cooperation in Eastern Europe. What is interesting is also the finding that an average of 31% of the funds are disbursed in Switzerland (see also the report at www.efk.admin.ch).

On 5 March 2010, the Federal Council decided to outsource its investment activities within the framework of **economic development cooperation to SIFEM AG** (Swiss Investment Fund for Emerging Markets). Based on this fundamental decision, the Federal Department of Economic Affairs applied on 17 September 2010 to the Federal Council for the stages of implementation and the necessary contractual bases for purchasing and recapitalising of SIFEM AG by the Confederation. With the credits authorised by Parliament in the 2011 budget, SIFEM AG will become a development financing company controlled and capitalised by the Confederation. The SFAO audited the implementation of this new financing company. It determined that SECO has taken the necessary measures so that the project can be carried out in a legally and financially correct manner. The booking and activation of these operations will be audited within the framework of the audit of the 2011 State Accounts of the Confederation. The SFAO recommended that SECO prepare a supervision concept on all controlling and reporting activities that are transferred to the SIFEM AG board of directors by the Federal Council. At the same time, it demanded that the supervision of the management company by SECO and the SFAO be contractually assured. Finally, it recommended that the management mandate for the next period from 2013 to 2016 be publicly advertised.

The **13th Francophonie Summit** took place from 20 to 24 October 2010 in Montreux. After the original host country had to cancel, Switzerland was asked by Canada and the International Organisation of La Francophonie (IOF) to make itself available as the host for this event. The Federal Council mandated the FDFA to organise the event. Financing was budgeted at 30 million francs. The SFAO audited the bases for deciding on the credit proposal. The budget preparation was entrusted to an external contractor, with whom the Confederation concluded a contract for organising the event in the amount of 16.8 million francs. In light of the short period between the Federal Council's decision and the date of the summit, no public tender was carried out. There were also practically no public tenders for the selection of final service providers. Although the way in which the final service providers were selected did not violate any contractual provisions, the SFAO believes that the services should have been publicly advertised. The Confederation made advance payments to the organiser in the amount of 13.9 million francs. These advances made up 83% of the total contractually agreed amount of 16.8 million francs and covered 100% of operating costs. The SFAO believes these advance payments were unreasonable. The police of the Canton of Vaud took over the coordination and operational management of security issues. The budget of ten million francs was divided among the Cantons of Vaud and Geneva, the DDPS, and various private actors. The final accounts are being audited by the SFAO.

The SFAO audited the financial management of the **Shanghai Expo in 2010**. The Federal Council's message required that Swiss private industry fund an estimated 1/5 of the budget for the Swiss pavilion, which amounts to approximately four million francs. Presence Switzerland undertook great efforts and contacted about 80 potential sponsors. 19 companies responded positively to the call and secured 6.7 million francs to cover the project costs. 5.2 million francs were paid in cash and 1.5 million francs in kind. By the end of July 2010, however, only 4.1 million francs had been paid in. The SFAO determined that only few sponsors kept to the contractually agreed deadlines. Since some of the sponsor contributions arrived with major delays, Presence Switzerland was forced to charge certain costs to the "Presence Switzerland abroad" credit. In this way, 2.6 million francs were brought in for 2009, in order to cover the construction costs of the Swiss pavilion. This option was provided for by the Federal Council's message, but only in the event that the sponsor contributions should fail to reach four million francs. The final accounts will still be audited by the SFAO.



1.7 Finance and taxation

The audit results of the **Federal Treasury** of the Federal Finance Administration (FFA) were good. In the selected processes as well as the ICS, the workflows are transparent, and the material documentation is available and comprehensible. The organisation meets operational requirements. As a focus, the audit also looked at various approaches to risk policy, such as business processing, investment strategy, derivative financial instruments, but also the correct posting of transactions in the Confederation's State Accounts. The SFAO found that the investment policy is oriented toward minimising risks. It recommended setting out the monitoring of guarantees for derivative and forward transactions and to include the competent independent third-party office (Risk Control) in the monitoring of counterparty risks. Additionally, the SFAO recommended better regulation and documentation of liquidity management. The SFAO also believes that policymakers should reassess

the management of foreign currency risks and document it in writing. Art. 70a of the Federal Budget Ordinance requires currency risks to be hedged under certain conditions. The SFAO has determined the costs of such hedging and has concluded that the policy of currency hedging should be reconsidered. An adjustment of the Federal Budget Ordinance may be necessary.

The SFAO has the legal mandate to review the quality of data for the calculation of the **equalisation of resources and burdens**. It audited cantons and federal offices. With the exception of the data on companies that benefit from tax relief in respect of the direct federal tax, no significant errors or weakness were found. The inspections of the individual data conducted by the Federal Tax Administration (FTA) were implemented in a useful and systematic way. Plausibility and traceability were improved. The most important findings concerned the Cantons of Schwyz and Vaud. On the basis of the audit conducted in the Canton of Schwyz, the data on net assets had to be strongly corrected. The Canton of Vaud supplied data that were seriously flawed with respect to all indicators of equalisation of resources. The only data not affected were those concerning the income of natural persons taxed at source. The worst errors concerned companies benefiting from tax relief. The quality assurance expert group on "New Financial Equalisation and Division of Responsibilities between the Confederation and the Cantons" made a general reservation with regard to the Vaud data for this category of companies. The 2005 to 2007 data for legal persons benefiting from tax relief must be reviewed again. Where necessary, a subsequent correction of the equalisation of resources must take place (see also the report at www.efk.admin.ch).

Based on the data from the 2007 equalisation of resources, the SFAO determined that the **tax relief in respect of the direct federal tax** granted to businesses within the framework of regional policy (Bonny resolution) ended up being much more extensive than the cantons' reports to SECO. Most of this tax relief was allocated to service companies close to production. The tax relief was especially extensive in the Cantons of Vaud and Neuchâtel, where – in contrast to the other 14 cantons – the competences are not allocated to the government, but rather to the cantonal department of finance. Pursuant to the legal provisions, tax relief exceeding 50% should be the exception. In the mentioned cantons, this was not the case. The extent of the tax losses is difficult to estimate, however. First, the annual tax relief is subject to substantial fluctuation, and second, the tax relief is sometimes only theoretical, since various businesses would not have come to Switzerland in the first place without it. The regional policy law in force since the beginning of 2008 is significantly more restrictive on the question of tax relief. Multinational companies no longer benefit from these promotional measures. Tax relief is now only granted if at least 100 jobs are created. However, the rules under the old regime still apply until 2017.

At the federal level, there is no coordinated strategy for verifying tax relief. Neither SECO nor the FTA intervene at the cantonal level to verify correct execution of tax relief. SECO, which was sceptical toward this promotional instrument from the beginning, points out the differences in interest between the Confederation and the cantons and claims it is unable to evaluate the fiscal aspects. The FTA, in turn, believes the supervision of the regional policy instrument is the responsibility of SECO. The SFAO calls upon the two departments to agree

on the supervisory duties and competences, to promptly define a supervision strategy, and to implement it in order to put an end to the differing interpretations of the cantonal tax authorities.

The SFAO audited supervision by the **Swiss Federal Tax Administration (FTA) of the assessment and collection of the direct federal tax**. The FTA oversees the uniform and correct implementation of assessment and collection, which the Federal Law on Direct Federal Tax delegates to the cantons. This supervisory function is exercised in a multi-faceted environment, since each canton employs its own organisation, resources, and means to fulfil the delegated tasks. Already in 2007, the SFAO recommended that the supervision be risk-oriented and that the expectations regarding the inspectors should be set out in written instructions. Two years later, the SFAO determined that the situation has not improved substantially. The FTA cites chronic overwork in its core areas of responsibility and does not share the SFAO's view concerning the scope of risk analysis and its impact on the inspection activities in the cantons. The SFAO believes that, in an environment with canton-specific risks and varying competences and tasks of the cantonal audit offices, efficient supervision is only possible if a risk analysis of all processes relating to the direct federal tax is performed for each individual canton. While internal instructions were created in 2009, they are still incomplete. In its opinion, the FTA refers to cantonal sovereignty and cantonal supervisory duties. The SFAO believes that the FTA has the sole responsibility for supervision with regard to the direct federal tax (see also the complete report at www.efk.admin.ch).

At their request, the SFAO offers the cantonal audit offices its assistance in audits relating to the **direct federal tax**. It supported the audit office of the Canton of Fribourg in its audit of the organisation of the cantonal tax authority, the tax assessment, and collection procedure, as well as settlement of the tax delivered to the Confederation. The correctness of the assessments was not audited. The FTA bears responsibility in this area. The result of the inspections was good. The collection statements submitted to the FTA as of 31 December 2009 corresponded to the accounting of the cantonal tax authority. The specialist support provided by the SFAO was appreciated by the audit office.

The SFAO assessed whether the FTA is prepared to take maximum advantage of the **Swiss Tax Reporting project of the Swiss Tax Conference** and what the impact is on the side of the Confederation. Also of interest were the project organisation, the status, the further steps, and the critical success factors of the project as well as the security of the chosen instrument. The project was launched in 2007 by the Swiss Tax Conference. It facilitates the electronic exchange of reports among all tax authorities and the AHV/IV across the three levels of the state. Using a data exchange platform, all participants are connected via the internet with the necessary security precautions. From November 2009 to the end of March 2010, a pilot trial with 80,000 reports was successfully carried out. Five cantons and the FTA took part in the pilot trial. Regular operations have been running since the beginning of April 2010, as well as further development toward the envisaged final implementation. The Swiss Tax Reporting project has thus passed its "trial by fire". All cantons and the FTA have pledged to participate actively in the Swiss Tax Reporting system. In its final implementation, about 1.5 million tax reports per year should be exchanged. One of the main advantages of this solution is that the tax authorities of all three levels of the state, i.e. also the communes, can be integrated in the reporting flow. Swiss Tax Reporting is an important eGovernment project.

It cannot yet be gauged to what extent the FTA's supervisory activities will be able to benefit from the new reporting procedure and what effective potential can be derived from it. So far, the anticipated cost-benefit ratio and the impact on the Confederation's tax revenue can likewise not yet be assessed conclusively. The heavily improved cooperation among the tax authorities will not necessarily lead to higher revenue for the Confederation. However, it will have a positive impact on the reliability of tax assessments and deliver valuable indicators for the risk-oriented supervision of the Confederation's taxes.

With the redesign of the processes within the framework of the strategic project for the replacement and integration of various central IT systems (INSIEME), the FTA has the opportunity to close inspection gaps relating to the fiscal revenue of the Confederation arising from lacking or insufficient information. On the basis of a risk analysis, information needs that have not yet been included or that are newly identified could be included in the project. The FTA intends to analyse the potential in this regard as part of the INSIEME project.

At the FTA, the SFAO also verified implementation of the recommendations arising from the evaluation conducted in 2005 on the **control of value added tax**. The FTA seized various measures to implement the recommendations. As part of the planned development of a strategy for the enforcement of the value added tax, the SFAO believes that the question must also be answered as to how the FTA wants to position itself vis-à-vis taxpayers. Based on the goals of the VAT reform, political initiatives, and the report by the Federal Council on improvement of the value added tax, the focus is on two main objectives for the controls. First, tax losses are to be avoided; second, the equal treatment of taxpayers is to be ensured. Expectations also include the trustworthy treatment of the vast majority of taxpayers and the targeted prosecution of economic crimes. In the view of the SFAO, this framework gives the FTA the potential for innovative approaches to the future orientation of VAT enforcement. For instance, a strategy would be conceivable that aims to increase the willingness of taxpayers to correctly and voluntarily meet their tax obligations. Such a strategy, based more on the idea of prevention, would be better suited to the model of trust which constitutes the basis of a self-assessment tax system. The implementation of such a strategy could in particular lead to an expansion of the information and inquiry system as well as to a concentration of control resources on especially risky cases. The FTA agreed with the recommendations.



1.8 Other fields of activity of the federal government

At the Federal Office for the Environment (FOEN), the SFAO examined the **data bases and the cost-benefit ratio of CO₂ reduction measures**. Switzerland ratified in the Kyoto Protocol in 2003 and thereby committed itself to a reduction of its greenhouse gas emissions by a total of 8% in the first commitment period from 2008 to 2012. The legal framework for implementation of Switzerland's international climate protection obligation is the CO₂ Act. As of the beginning of 2013, both the Kyoto Protocol and the CO₂ Act must be replaced. In accordance with the Kyoto Protocol, new reduction targets and associated measures are being defined for the next commitment period from 2013–2020. In February 2008, the Federal Council initiated a revision of the CO₂ Act for the time after 2012. To support this work, the SFAO's examination focused on instruments and measures to reduce CO₂ emissions in Switzerland. For the 2013–2020 commitment period, there is currently an overarching CO₂ reduction target which is based on the EU requirements. The Kyoto Protocol also provides for sanctions in the event of non-compliance

with the reduction commitment. For the time after 2012, further-reaching reduction targets and measures must therefore be adopted. In November 2008, the Federal Council circulated a proposal in this regard for consultations. The objective is to be attained with a combination of instruments and measures. On the one hand, technical measures for buildings and vehicles are to be implemented which have a high potential for reduction and can make a large contribution to reducing CO₂ emissions. On the other hand, the CO₂ incentive tax on fuels, which is partially earmarked for building renovations and represents a core element of the Swiss climate strategy, as well as emissions trading are to supplement voluntary and other CO₂-reducing measures..

Switzerland maintains an extensive database on various topics and is also continuously updating and refining it. In addition, there are numerous studies on the future development of greenhouse gas emissions and energy demand, which are regularly adjusted. Published research reports on the potential, effectiveness, and cost-benefit analyses of CO₂ reduction measures may, in the broadest sense, be considered realistic and robust. Uncertainties exist, on the one hand, in relation to the reliability of the assumptions made, and on the other hand, implementation problems can often be incorporated only to a limited extent in the scenarios and target values. Declared CO₂ reduction potentials can therefore only

be considered as upper thresholds which can be achieved in the best case. Secured calculations and findings may only be generated after the fact, however. The SFAO has therefore recommended that the FOEN transparently declare the basic parameters, assumptions, and results in the studies for determining the potential of CO₂ reduction measures. The information on time duration and time units during which a programme has achieved or should achieve CO₂ reductions should be standardised. A special climate monitoring system for improving the estimates and assessment of sectoral developments of CO₂ emissions in Switzerland should be further pursued, since this can serve as a basis for improved evaluation of measures, and since erroneous developments can be caught and redirected at an early stage. The FOEN welcomed the SFAO's recommendations and announced an immediate implementation of the recommendations (see report at www.efk.admin.ch).

At the **Federal Office of Information Technology, Systems and Telecommunication (FOITT)**, the SFAO assessed whether the FOITT operations centre ensured properly functioning operations. The objective was also to establish an overview of the organisational structure as well as the services and service performance. The FOITT operations centre is one of the largest IT service providers in Switzerland. The range of platforms, systems, and applications is very large. Automation of operations and control thereof is far advanced. The FOITT is strong when major synergies can be achieved. In the case of individual solutions, the effort and costs are great. About 280 people work in the operations centre. Some of them have very specific knowledge. Broken down by individual tasks, however, only a very limited number of experts are available in some cases. This gives rise to a latent risk that should be kept in mind by the FOITT management. The FOITT is only able to generate noticeable synergies if clients are willing to adopt the existing standards and adjust their needs to the possibilities. Because of the legal requirements and the protection of earlier investments, however, this is sometimes difficult. The SFAO indicated potential for improvement with respect to the remedy of system-wide breakdowns. At the same time, it recommended taking the view of the end user more into account when analysing breakdowns of complex applications.

In December 2009, the SFAO conducted a further audit of the **Schengen/Dublin programme**. Thanks to the extraordinary efforts of the staff of the Federal Department of Justice and Police (FDJP), it was possible to implement the politically prioritized association agreement with the EU by providing the required IT solution in a timely manner. The operational entry into effect of the agreement was on 12 December 2008, and on 20 March 2009 for the airports. The most urgent part of the programme was thus concluded. The credit line, which was raised from 101 million to 141 million francs in 2008 and which runs until the end of 2012, is administered centrally by the FDJP General Secretariat. The programme expenditures in 2008 were 32.6 million francs. At the time of the audit, it was still uncertain whether the EU would continue the SIS II project (a second version of the Schengen Information System) or whether the existing system would be further developed. A recognised risk in the Schengen/Dublin programme lies in the staffing bottlenecks and the high number of external staff members, especially at the internal IT service provider. The SFAO therefore recommended ensuring a system for specialised substitutions as well as knowledge transfer from external to internal staff members.

At the Federal Office for Buildings and Logistics (FBL), the SFAO audited **aspects of the rental segment and the introduction of accounting for services**. The SFAO aimed to determine to what extent the rental segment is administered in compliance with the requirements of the new accounting model and is incorporated in the internal controls. It determined that the FBL has invoiced services for all real estate according to a clearly defined renter model since 2010. The prerequisites for analysing and optimising all cost-relevant processes relating to a building should be created by April 2011. The internal settlement process is conceived in a useful way. With a view to optimal use of the operational infrastructure and potential cost savings, the SFAO recommended paying full attention not only to the type of use, but also to the degree of use of the areas. The FBL gave its assurance that the key data concerning the occupied office areas and the occupation costs would be published at the end of 2010 and that the current and target values of the workspaces as well as the reserves would be agreed with the user organisations.

The SFAO assured itself that the risks concerning all activities are compiled and evaluated in a process-related manner. The organisation and the processes for managing risks allow for rapid adjustment of the workflows and responsibilities in the event of deviations. In the view of the FBL, the user organisations provide only incomplete information concerning facts that would be necessary for achieving the overarching goals. The FBL states that cost awareness in the rental segment is still capable of improvement. The SFAO therefore recom-

mended that users be regularly called upon to provide information on savings relating to the area costs and that the area requirements of the various users be compared with each other. The FBL pledged to implement these recommendations.

At the **General Secretariats of the FDFA, FDHA, FDJP, FDF, and DETEC**, the SFAO conducted a horizontal audit of procurements. The SFAO determined that the requirements under procurement law are only partially met. The General Secretariats have a role model and leadership function in the departments. It is therefore especially important that these offices comply with procurement law. Among other recommendations, the SFAO recommended that needs be clarified better and that the risks should be identified and monitored in a more systematic way. In some cases, procurements whose amounts exceeded the WTO threshold were awarded using partial orders under an invitation procedure or directly based on the exemption clause in article 13 of the ordinance. This exemption clause was repeatedly invoked without justification. Too little attention was paid to the four principles of procurement law, namely transparency, cost effectiveness, equal treatment, and competition. The SFAO recommended adjusting the processes and preparing instructions that are actually enforced. The project "Federal Contract Management" is intended to help recognise and utilise synergies in future. The response to the recommendations was positive. The appropriate measures will be introduced and implemented without delay (see the report at www.efk.admin.ch).

In 2009, the SFAO conducted a horizontal audit of the **Business Continuity Management** of nine federal offices. From April to October 2010, a further horizontal audit was conducted at four federal institutes (Swiss Federal Nuclear Safety Inspectorate, Swiss Federal Institute of Intellectual Property, Swiss Financial Market Supervisory Authority, Swiss Agency for Therapeutic Products), Swiss Post, and the Swiss Federal Railways. The focus was on the question whether the federal institutes and enterprises have emergency plans to ensure continued operations and timely restoration of the critical business functions in the event of crisis or disasters. The SFAO determined that, in most cases, the audited institutes and enterprises document their Business Continuity Management well and also implement it in practice. All organisations have crisis staffs, and crisis management has also been defined. Only those who regularly practice what is set out in the emergency plans will be able to demonstrate the fitness necessary in an emergency to overcome a crisis in a timely manner. Most of the audited organisations conduct tests in various areas. Corporate strategies, the will of the management, and process-oriented action based on certifications according to international standards contribute substantially to a Business Continuity Management that works in practice. The closeness to clients in an open market also appears to be a significant factor.

Audits of financial statements

Based on various federal laws and ordinances, the SFAO exercises the external audit mandate for institutes, funds and affiliated organisations. These SFAO mandates are in the public interest and also allow for synergies with the financial supervision. Through these audits, the SFAO obtains detailed information on the organisations subject to financial supervision in accordance with the Federal Audit Office Act. The most important mandate is the audit of the Confederation's State Accounts.

2.1 State Accounts of the Swiss Confederation

The SFAO confirmed that the State Accounts of the Swiss Confederation for 2009 meet the legal requirements and the provisions of Art. 126 of the Federal Constitution on financial management (debt cap). The SFAO has thus recommended that the Finance Committees of both chambers ratify the State Accounts. In its report, which is published on its website www.efk.admin.ch, it notes its various findings, namely the audit gap relating to the direct federal tax, the lack of activation of loans relating to promotion of housing construction and ownership, the method for calculating provisions for repayment claims arising from the anticipatory tax, the delimitation of basic contributions for the promotion of institutions of higher education, the processing of advances for the Fund for Large-Scale Railway Projects, and the recoverability of loans to unemployment insurance. In its last report, the SFAO recommended

that the notes to the State Accounts should in future also include and comment on the investment appraisal in a separate chapter. With the Message on the 2009 State Accounts, the Federal Finance Administration has implemented this recommendation.

2.2 Fund for Large-Scale Railway Projects

The 2009 annual financial statements of the Fund for Large-Scale Railway Projects (FinöV Fund) are based on the transitional provisions to the Federal Constitution ratified by the people and the cantons in November 1998 on the construction and funding of public transport infrastructure projects. According to these provisions, the large-scale railway projects are the New Rail Link through the Alps (NRLA), Rail 2000, the link from Eastern and Western Switzerland to the European high-speed network, and railway noise abatement. The projects are funded by the capacity- and consumption-linked heavy goods vehicle tax, the mineral oil tax, the VAT per mil and financing from the Confederation. The fund is in the form of a legally dependent fund with its own accounting (special account), and its financing and withdrawals for projects are shown in a transparent manner. Based on its audits, the SFAO has determined that the accounting and annual financial statements for 2008 of the FinöV Fund have been conducted in an orderly manner and in compliance with the legal and regulatory requirements. The SFAO has recommended that the Finance Committees of both chambers ratify the special account of the FinöV Fund for the 2009 financial year.

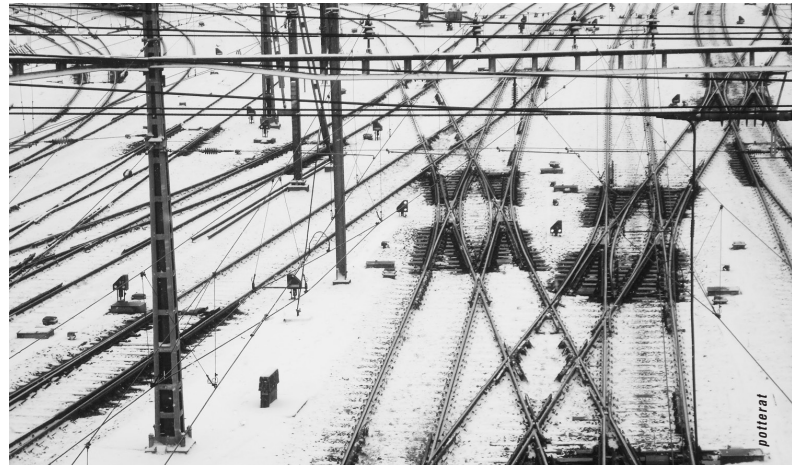
2.3 Infrastructure Fund

The Infrastructure Fund is used to finance urban transport, the national roads network and main roads in mountainous and outlying regions.

The fund is in the form of a legally dependent fund with its own accounting (special account).

This comprises an income statement, a balance sheet and a liquidity statement. In a federal resolution of 4 October 2006, the Federal Assembly approved a credit line of 20.8 billion francs. The competent federal offices can make the relevant commitments and secure the contributions. Once the projects for clearing bottlenecks on the national roads and for the co-financing of urban programmes are presented, the Federal Assembly will rule periodically on releasing the tranches required for their implementation. The SFAO found that the books were kept in an orderly fashion and that the 2009 annual financial statements meet the legal and regulatory requirements.

It recommended that the Finance Committees of both chambers approve the accounts of the Infrastructure Fund. It noted, however, that the national roads under construction are activated in the amount of about 1.1 billion francs in accordance with the Infrastructure Fund Act, even though they must be cancelled from the books at the expense of an expenditure account after they have been completed, and that they are therefore not realisable for the Fund. Due to the ownership situation, the national roads under construction are also simultaneously activated in the accounts of the Confederation.





2.4 Social security institutions

Pursuant to Art. 9 of the Ordinance on the Administration of the Old-Age and Survivors' Insurance Compensation Fund of 2 December 1996, the SFAO audited the annual financial statements of the **Compensation Fund of the Old-Age and Survivors' Insurance (AHV), the Fund for loss of earned income (EO) and the accounts of the Disability Insurance (IV)** for the financial year ended 31 December 2009. The SFAO recommended that the Board of Directors of the AHV Fund and the Federal Council approve the accounts.

Pursuant to Art. 68 of the Federal Act on Old-Age and Survivors' Insurance and Art. 159 of the AHV Ordinance, the Federal Compensation Fund in Bern and the Swiss Compensation Fund in Geneva – both entrusted with implementing the AHV – are audited annually with a main audit and a financial statements audit. The scope is based on the directives issued by the Federal Social Insurance Office on the auditing of the AHV compensation funds.

The SFAO is entrusted with the auditing of the Confederation's compensation funds. The reports are sent to the audited compensation funds and the Federal Social Insurance Office, which exercises supervision of all compensation funds. In 2009, the Federal Compensation Fund reported contribution income for AHV/IV/EO in the amount of approximately 1.3 billion francs. In the same areas, benefit payments in the amount of about 2.1 billion francs were made. These figures are compensated via the AHV compensation fund. The SFAO confirmed that the legal provisions were adhered to and that the supplementary directives of the Federal Social Insurance Office had been observed. With entry into effect of the Federal Law on Family Allowances on 1 January 2009, the Federal Compensation Fund now operates a Family Compensation Fund for the Federal Administration and affiliated organisations. In its first financial year 2009, the Compensation Fund paid allowances in the amount of 193 million francs. The SFAO confirmed that the legal provisions were complied with.

The **unemployment insurance compensation fund (ALV Fund)** is run by SECO. The ALV Fund consolidates the 26 public and 11 private unemployment funds and makes payments to the cantonal offices. In 2009, the ALV Fund posted income of 6.2 billion francs and expenses of 7.6 billion francs. The accounts closed with net expenses of 1.5 billion francs. The negative equity capital at the end of 2009 was 4.6 billion francs, and the Federal Treasury loans amounted to 5.6 billion francs. To improve the financial balance of the ALV, a partial revision of the

Unemployment Insurance Act (AVIG) was prepared. The people adopted this partial revision in the referendum of 26 September 2010. The new law enters into force on 1 April 2011. As the external auditors of the ALV Fund, the SFAO audited the 2009 annual financial statements. The SFAO advised the Supervisory Committee, for the attention of the Federal Council, to approve the 2009 annual financial statements.

2.5 State enterprises and public agencies

The consolidated **2009 annual financial statement of the ETH Domain**, the Federal Institutes of Technology in Lausanne and Zurich, the ETH Board and the four research institutes were audited by the SFAO on the basis of Art. 35a of the Federal Act on the Swiss Federal Institutes of Technology. The consolidated financial statements meet the legal requirements. The SFAO unreservedly recommended the 2009 annual financial statements for approval. The accounting and annual financial statements met the legal requirements. The comments and recommendations concerning bookkeeping and accounting, process organisation, and internal control were received, and appropriate measures are being planned. The quality of the consolidated annual financial statement is comparable to that of previous years; as a consequence of the first-time preparation of the consolidated accounts of the Confederation, the Special Account of the ETH Domain also had to be adjusted accordingly.



Swissmedic, the Swiss Agency for Therapeutic Products, is a federal institution under public law affiliated to the Federal Department of Home Affairs (FDHA). Its legal basis is the Federal Act on Medicines and Medical Devices (Therapeutic Products Act). The SFAO has been appointed the external auditor by the Federal Council. The accounting and the annual financial statements for 2009 met the International Financial Reporting Standards (IFRS) and comply with the Therapeutic Products Act. The SFAO thus recommended that the Institute Council approve the 2009 financial statements.

The SFAO also audited the 2009 financial statements of the **Swiss Federal Institute of Intellectual Property, the Swiss National Science Foundation, the Federal Alcohol Administration, the Swiss Financial Market Supervisory Authority, and the Building Foundation for International Organisations (FIPOI)**. The SFAO unreservedly recommended these financial statements for approval. The accounting and annual financial statements met the legal requirements. The complete list of the SFAO's audit mandates is given in Annex 1.

International organisations

Pursuant to Art. 6 of the Federal Audit Office Act, the SFAO carries out the control mandates at international organisations. It audits the accounts of three special organisations of the United Nations: the World Intellectual Property Organization (WIPO) in Geneva, the International Telecommunication Union (ITU) in Geneva and the Universal Postal Union (UPU) in Bern. The SFAO is thus a member of the United Nations Panel of External Auditors. The other members of the Panel are the Supreme Audit Institutions (SAIs) of China, Germany (Chair), France, India, Canada, Pakistan, the Philippines, South Africa and the UK. Only State supervisory bodies that are members of INTOSAI may classify as UN auditors. The Panel seeks to coordinate the auditing within the UN system and exchange information and findings with a view to achieving uniform audit procedures and audit standards. Since its foundation the Panel has discussed a number of topics on accounting and auditing and formulated recommendations. The focus has been on reporting of the financial situation, audit strategies, IT audits, control systems, internal audits, HR and procurement, development co-operation, the introduction of IPSAS standards and efficiency audits. The SFAO's commitment within this international committee offers it a useful exchange with other SAIs, safeguards the "unité de doctrine" for supervision of the UN system and allows it to develop valuable relationships. In addition, the know-how obtained can be used in its own audit work.

The audit findings are submitted to the responsible committee at the relevant organisation. Also in the year under review, the SFAO recommended that the Member States' delegates accept the annual financial statements. In addition, it has conducted various special audits related to IT and construction and it evaluated the work of the internal audits.

In 2010, the SFAO also performed the following mandates for Switzerland:

- *Intergovernmental Organisation for International Carriage by Rail (OTIF) in Bern: the Federal Council entrusted this mandate to the Deputy Director of the SFAO;*
- *European Free Trade Association (EFTA) in Geneva and Brussels: the SFAO is Switzerland's member on the Supervisory Committee;*
- *Eurocontrol: the SFAO is on the Supervisory Committee;*
- *World Meteorological Organisation (WMO): the SFAO is on the Supervisory Committee.*

Open audit recommendations and notifications

4.1 Implementation of the SFAO's recommendations

Each recommendation made by the SFAO is recorded and its implementation is monitored within the scope of controlling. As part of follow-up audits, the SFAO can thus ascertain whether the recommendations have actually been implemented. In the annual report, such follow-up audits are also noted separately, in order to emphasise the central importance of implementation of the recommendations made.

4.2 Open audit recommendations as per Art. 14 of the Federal Audit Office Act

The open audit recommendations in accordance with Art. 14 of the Federal Audit Office Act refer to recommendations not yet implemented in the audited agencies. Such open recommendations at the end of a financial year exist if an administrative unit has recognised the deficiency and the proposed measures but has failed to act upon them within the time set by the SFAO. However, this need not be mentioned in the annual report if, for example, the administrative unit has advertised for a position in its financial department but has not yet filled the vacancy. Likewise, an open recommendation need not be reported if the deadline for its implementation has not yet expired by the end of the year under review or the follow-up audit has not yet been conducted.

The SFAO made numerous recommendations in the year under review. The recommendations were accepted by the audited entities and have been implemented or scheduled in good time. The SFAO will monitor the status of implementation in follow-up audits. There is currently no need for action on the part of the Federal Council or Parliament.

4.3 Notifications as per Art. 15 of the Federal Audit Office Act

Should the SFAO identify particular occurrences or deficiencies of fundamental or considerable financial importance, it shall in accordance with Art. 15(3) of the Federal Audit Office Act inform the head of the department in charge as well as the head of the Federal Department of Finance (FDF). Should the ascertained deficiencies concern the financial management of an administrative unit of the FDF, the President of the Federal Council shall be notified. At the same time the SFAO shall inform the parliamentary Finance Delegation. Examples of such particular occurrences are offences with major losses or fundamental deficiencies in the ICS. If the accounting or bookkeeping is not found to be in order or legal provisions have been systematically ignored, this classifies as a deficiency of fundamental importance. The SFAO did not make any notifications in the year under review.

4.4 Duty to report, right to notify, and protection of employees

Pursuant to the Federal Council's decision in 2003, the SFAO is the official contact office for persons wishing to draw the authorities' attention to irregularities. This offer is not only directed at employees of the Federal Administration, but rather is made available to all persons who have information concerning irregularities relating to the activities of the state.

Each year, the SFAO receives several reports, of which about a dozen have sufficient content and facilitate an actual improvement in financial supervision, extending even to initiation of criminal investigations. These figures are far below those in the private sector or other countries which have also instituted a reporting office. A reporting office can only be successful if it is sufficiently well-known and the persons concerned need not fear any disadvantages. Since 2003, only a single fact sheet on combating corruption has been distributed to all administrative units.

In regard to acts of retribution, Art. 22a of the Federal Personnel Act (SR 172.220.01) has achieved a substantial improvement for employees effective 1 January 2011. Pursuant to this provision, someone who in good faith submits a notification or report to the competent offices or who testifies as a witness may not be disadvantaged in his or her professional position. Combined with the change to Art. 14 of the Federal Personnel Act, which provides for nullification of termination of an employment relationship in the event of a notification or report, this rule crucially improves the situation of the person concerned. Persons who stand up for an improvement of the integrity of administrative activity should indeed be protected. Persons do not enjoy protection who, instead of submitting the report to the competent offices, turn to the public and especially the press.

Entry into force of the new provisions in the Federal Personnel Act has made a large-scale awareness-raising campaign possible. All employees of the Confederation personally receive information to this effect by mail. In future, they are obligated to report all misdemeanours subject to ex officio prosecution that they note in their official activities or that are brought to their attention. They also have the right to report other irregularities to the SFAO that they note during their official activities or that are brought to their attention. Such irregularities occur for instance in the case of poor project management, wasteful use of resources, or unnecessary expenditures. Employees may also inform the SFAO if they are not familiar with the qualification under criminal law or if additional clarifications would have to be undertaken under the circumstances.

This legal revision does not apply to the decentralised administrative units, if their staff is not subject to the Federal Personnel Act. The duty to report, the right to notify, and the protection of persons reporting irregularities in particular do not apply to most of the decentralised authorities for economic and security supervision. For instance, the employees of the Swiss Financial Market Supervisory Authority (FINMA), the Audit Supervisory Authority (RAB), swiss-medic, and the Swiss Federal Nuclear Safety Inspectorate (ENSI) are not subject to the Federal Personnel Act. The Federal Council should remedy this unsatisfactory situation as soon as possible.



Legislative procedures and opinions

In addition to audits, Art. 7 of the Federal Audit Office Act also tasks the SFAO with the preparation of opinions on proposed laws and ordinances. The SFAO therefore gives its opinions and advice already during the preparation of laws in areas important to financial supervision.

5.1 Revision of the Federal Audit Office Act

In responding to Motion 07.3282 on general supervision in direct federal taxation, the Federal Council on 26 May 2010 empowered the SFAO to carry out a consultation procedure. The proposal seeks in particular to close the current audit gap in direct federal taxation, which is why a revision to the Federal Audit Office Act was envisaged, granting the SFAO the auditing powers over the income tax collected on a regional level. According to this proposal, the SFAO would have conducted audits if the cantonal audit offices were unable or unwilling to exercise financial supervision of direct federal taxation. Today, no independent financial supervisory body is responsible for audits in this area. The State Accounts of the Confederation thus disclose 17 billion francs in direct federal tax money that cannot be audited by the SFAO. This amounts to about one third of the entire federal budget.

In light of the critical reception of the consultation draft by the individual parties and associations, a majority of the cantonal governments, and by the Conference of Finance Directors, the Federal Council has decided not to revise the Federal Audit Office Act and thus to refrain from granting the SFAO these auditing powers. Instead, the existing audit gap is intended to be closed by amending the Federal Law on Direct Federal Tax. The focus is on a statutory solution that obligates the cantons to annually audit the proper accounting of the direct federal tax by their respective audit offices and to certify this to the FTA and the SFAO. In its audit certificate for the State Accounts, the SFAO would note that it was not responsible for auditing the direct federal tax. It would instead rely on the certification reports of the cantonal audit offices. At the same time, the supervision of the FTA would be strengthened.

5.2 Opinions and consultations

In the year under review, there were more than 60 consultations with the federal offices; in a dozen cases, the SFAO provided recommendations for substantive changes. Most cases involved minor imprecisions such as correcting the workflows between the SFAO and the Federal Council or Parliament, reporting by the SFAO, and the distinction between financial supervision under the Federal Audit Office Act and mandates as an external auditor. The revisions of the Federal Personnel Ordinance and also of the Government and Administrative Organisation Ordinance concerned the SFAO as an institution. A key question arising from

implementation of the Corporate Governance report arose in particular with respect to the type of external auditor for spun-off entities. For instance, the SFAO determined that various public agencies, especially smaller ones, were treated as if they were a publically listed company in regard to their external auditor. The SFAO does not see a need for such competition-inhibiting rules and preferential treatment of the major accountancy firms.

Moreover, the SFAO is in continuous contact with the Federal Finance Administration and dealt with questions during the year under review especially concerning accounting for third-party funds and co-financing as well as various exemptions to the no-offsetting principle. The accountants' manual is continuously updated, and the SFAO is invited to comment prior to entry into effect of changes.

5.3 Participation in specialist committees

The SFAO is a member of the New Public Management steering group (steering with performance contract and global budget) and is on the Federal Procurement Commission and the Expert Group for Quality Assurance in Equalisation of Resources and Compensation of Burdens in fiscal equalisation. It plays an active role in the interdepartmental anti-corruption study group (see also point 4.4). The SFAO contributes its experience to these committees and draws attention to the audit requirements; however, its role is merely consultative, so as not to jeopardise its neutral and independent stance.

5.4 Communication of best practices

In the year under review, the SFAO published an audit letter. The audit letter discussed the rules for internal records, the introduction of a change journal for wage processing, the authorisation concept for SAP, and the moves of high-level federal employees to the private sector. The audit letters are available on the SFAO website at www.efk.admin.ch.

For several years now, the SFAO has also organised a course for federal employees working in supervision. The goal of this three-day course is to professionalise these activities. The participants work in various areas such as social insurances, the environment, and customs, which makes an educational exchange of experiences possible.

5.5 Publication of the financial supervision reports

SFAO's reporting primarily serves the purpose of supporting the administrative unit concerned as well as the supervisory activities of the Federal Council and Parliament. Pursuant to Art. 14(2) of the Federal Audit Office Act, the SFAO decides on publication of reports after they have been dealt with by the parliamentary Finance Delegation. The SFAO is certainly aware of the public interest in the results of the audits. It regularly publishes reports whose contents are expected to be of public or general interest. On the other hand, the SFAO must also be able to conduct audits in sensitive situations and in matters of state security where the results of such audits should not be made available to the public at large. In the year under review, a total of six requests pursuant to the Federal Law on Freedom of Information

in the Administration (Freedom of Information Act, SR 152.3) were submitted to the SFAO. Four requests were processed in their entirety with eleven hours of work, so that no fees were charged. For two additional requests, the SFAO informed the requesting journalists as required by law of the anticipated fees, since their processing would require a great amount of work. Pursuant to Art. 17 of the Freedom of Information Act, access to official documents is in principle subject to a fee, unless processing of the request requires only minor effort. Arbitration proceedings and proceedings in the first instance are free of charge.

In one of the documents, personal data could in some cases not be properly anonymised. If one nevertheless desires to make the document accessible, the persons concerned must be heard so that they may give their consent. Since some of these persons reside abroad, additional expenses are incurred for correspondence. The second case concerns a document classified as confidential. The requesting party is aware of this, but nevertheless desires access to the document. The law provides for a review of the classified document, which in this case entails a major expenditure of time for the administrative unit concerned. In both cases, the requesting parties initiated arbitration proceedings with the Federal Data Protection and Information Commissioner before the material decision on rejecting the request or giving restricted access was even taken. The arbitration proceedings were applied for solely based on the information concerning the fees necessary to make access to the desired information possible.

Art. 14(2) of the Federal Audit Office Act must in principle be seen as a special norm according to Art. 4(b) of the Freedom of Information Act, so that the SFAO may without further ado deny access to audit reports. This should in particular be possible if the prospect of access is so modest on grounds of data protection or state security that the requisite resources for treating the request is disproportionate to the information available under data protection and information protection law. Auditors under private law are subject to criminally sanctioned professional confidentiality, which in particular also applies vis-à-vis the general meeting of shareholders. The rule indicates the interest in allowing the auditor to inform the competent board of directors openly about all possible issues of fact. It is the responsibility of the board of directors, however, to inform the shareholders in an appropriate manner. The SFAO, by comparison, always informs the parliamentary Finance Delegation and the heads of the departments concerned. And with its annual report, the SFAO furthermore informs the general public of all important audits and interesting findings.

The SFAO and other supervisory bodies

The SFAO cooperates with the cantonal auditors and the Confederation's internal financial inspectorates, plays an active role in Swiss professional organisations and associations, seeks to exchange information with SAIs in other countries and participates in study groups of the international audit organisations INTOSAI and EUROSAI with one and the same goal: to improve the quality of auditing.

6.1 Cantonal financial audits

The Swiss Conference of Financial Auditors is an annual meeting of those responsible for the cantonal financial supervisory bodies. At the 2010 meeting, the Conference discussed research and education as well as agriculture. The focus was on supervision of universities of applied sciences.

A number of joint study groups work on audit areas of common tasks between the Confederation and the cantons and present these at the annual conference. The SFAO conducts joint audits annually with the cantonal financial auditors. These help to establish a common understanding and advance the level of professionalism of financial auditing in the Swiss federal system.

6.2 Internal financial inspectorates at the federal level

13 federal offices have an internal financial inspectorate as set out in Art. 11 of the Federal Audit Office Act. These audit services are responsible for scrutinising financial conduct. In most cases they report to the managing director of their respective offices, although they have complete independence and autonomy in fulfilling their audit tasks. For the managing director, they are an effective and appropriate management support tool, also supporting the SFAO at the same time. Art. 11 sets out the requirements to be met by such a financial inspectorate. Meanwhile, the SFAO takes charge of technical supervision; specifically, it assesses the inspectorate's effectiveness in fulfilling its tasks and also ensures that the staff of the inspectorates of the central Federal Administration receive appropriate training and continuing education. Thus, in general, the SFAO's internal training offering is also available to the financial inspectorates.

Regular meetings between the SFAO and financial inspectorates have helped to promote greater understanding and coordination between those responsible for the various financial inspectorates. For example, the project has been completed to introduce an audit software application that will save time and

money in the determination of requirements, software rollout and training organisation. Contact was also stepped up with the internal auditors of Swiss Post and the Swiss Federal Railways, who also have the status of a financial inspectorate within the meaning of Art. 11 of the Federal Audit Office Act.

6.3 Supreme audit institutions in other countries

Since the 1950s the SFAO has been a member of the International Organisation of Supreme Audit Institutions (INTOSAI), which is divided into Regional Groups. The Regional Group for Europe, the European Organisation of Supreme Audit Institutions (EUROSAI), was founded in June 1989 and currently comprises the SAIs of 47 European States. The SFAO has been a member of this Regional Group since its creation. The Director of the SFAO has been a member of the Governing Board since 2005.

From 22 to 27 November 2010, the 20th INTOSAI Congress took place in Johannesburg with approximately 600 participants from around the world. A strategic plan for the years 2011 to 2016 was adopted at the Congress. The focus areas of the new plan are in particular strengthening the independence of the SAIs, implementation of ISSAI (International Standards of Supreme Audit Institutions), expansion of the fight against corruption, and more intensive exchange of experiences and information among the courts of audit. The two

main topics of the Congress were the value and benefits of SAIs as well as environmental auditing and sustainable development. The results of the Congress were set out in the 2010 Johannesburg Accords. The next Congress will take place in China in 2013.

The SFAO is involved in two EUROSAI Working Groups. It holds the chair of the *IT Working Group*, which has developed a series of self-assessment tools for IT and IT audits that have been successfully deployed in several European countries. The SFAO has successfully moderated workshops in France, Poland, and Finland. The SFAO is also a member of the *Environmental Working Group*, chaired by Norway, which organises joint audits and training events with concrete experiences and case studies.

Delegations of the *European Court of Auditors* and the *Spanish Court of Audit* visited the SFAO to learn about Switzerland's supervisory system and federal cooperation. Together with the SAIs of Germany and Denmark, the SFAO participated in the *peer review of the Austrian Court of Audit*. The final report was submitted at the end of 2010.

The *Regional Courts of Audit* and the *Federal Court of Audit of Germany* regularly hold conferences on issues of topical interest in financial auditing. The Chair of the Court of Audit of Austria, Germany's member of the European Court of Auditors and the Director of the SFAO are regularly invited to these conferences in order to cultivate a cross-border exchange of information and experiences.

In recent years, the audits of *EU programmes* by the European Court of Auditors, in which the SFAO also takes part, have increased.

6.4 Professional organisations

Representatives of the SFAO are members of the leading professional organisations. This allows the SFAO to participate in creating the future standards for the profession, gives it access to the methodologies and tools used by other audit specialists, and provides a network of subject field experts when dealing with special issues. The SFAO is particularly active in the field of IT audits with ISACA (Information Systems Audit and Control Association) and the Swiss Institute of Certified Accountants and Tax Consultants. The SFAO holds the chair of the Swiss Evaluation Society (SEVAL). Through the SFAO's involvement in these leading professional associations, it also helps to ensure ongoing quality assurance and the harmonisation of working methods.

Introduction to the Swiss Federal Audit Office

The institutional position and tasks of the SFAO are laid down in the Federal Audit Office Act. The Federal Council appoints the Director for a six-year term of office. This appointment is ratified by the Federal Assembly. The current Director's tenure expires at the end of 2013. The staff of the SFAO are appointed by the Director within the framework of the employment law of the general Federal Administration. The Federal Council forwards the SFAO's annual budget unaltered to the Federal Assembly. The parliamentary Finance Delegation inspects the SFAO's proposal and forwards it to the Finance Committees of both chambers.

7.1 Institutional position and tasks

Pursuant to Art. 1 of the Federal Audit Office Act, the SFAO is the **supreme audit institution of the Swiss Confederation**. It supports the Federal Council in its supervision of the Administration and, at the same time, the Federal Parliament in exercising superintendence over the Federal Administration and the administration of justice. The SFAO operates autonomously in both preparing the annual audit programme and in designing the individual audits and drawing up the reports.

As set out in Art. 5 of the Federal Audit Office Act, it executes supervision of finance according to the criteria of regularity, legality and performance. Using efficiency audits and evaluations, the SFAO seeks to contribute to developing New Public Management and raise the effectiveness of State programmes. The agencies audited are selected on the basis of risk criteria.

The SFAO's **supervisory mission** covers all of the Confederation's areas of activity of relevance to finance. One of the SFAO's core tasks concerns the some 40 mandatory audits, particularly the audit of the State Accounts of the Confederation and the various special accounts, the AHV fund, the unemployment insurance, the data for equalisation of resources and burdens, the net tax rate for VAT, and numerous mandates with international organisations. It conducts its second core task – financial supervision – by means of numerous special audits, whether in the area of procurement, IT or subsidies. Increasing importance is attached to evaluations and horizontal audits. The scope of audit extends beyond the Federal Administration to also include all subsidised bodies, the sponsors of public tasks and the federal companies.

The SFAO systematically conducts **evaluations and horizontal audits**. Evaluations are conducted with a view to improving the implementation and impact of state measures by issuing a series of recommendations. Horizontal audits compare various administrative units with each other in order to determine the best approach to solving tasks. The reports are available at www.efk.admin.ch.

The Audit Supervision Act provides for the registration of the public-sector financial auditors as audit firms provided that they meet the requirements of the law. The SFAO has been approved as an audit expert since September 2009. Various employees of the SFAO are personally registered as audit experts. This registration is not necessary for the SFAO to carry out the mandates assigned to it by the Federal Council or by law as an auditor. But approval as an audit expert is a sign that the SFAO meets the statutory quality requirements and has sufficiently qualified personnel. It also makes the SFAO more attractive on the labour market.



7.2 Employees

The SFAO conducts its audits on a risk-oriented basis and according to the standards set by the Swiss Institute of Certified Accountants and Tax Consultants and international professional associations. In the year under review it had a budget of 20 million francs and a workforce of some 90 employees. The organisational chart in Annex 3 shows a two-dimensional matrix organisation with six mandate domains and six competence centres. The heads of the audit domains promote the viewpoint of the audited agencies. The audit experts are each assigned to one of the competence centres for financial audits, construction matters and procurement audits, IT and evaluations. The job of the heads of these competence centres is to maintain and expand the knowledge required for their competence centre and to assure the quality of the audits. The SFAO has an experienced workforce that is particularly well qualified in the entire area of auditing and evaluation and in the tasks, processes and structures of the Federal Administration. A combination of knowledge, professional experience and social skills forms the basis for the successful performance of financial

supervision, serving to ensure continual optimisation within the public sector, for the benefit of the citizens. The SFAO thus places great importance on training and continuous education. In January of each year it organises a 10-day internal training and continuing education session for staff of the SFAO and the internal financial inspectorates at the federal level as well as some of the cantonal financial auditors. Participants are expected to absorb and communicate the knowledge thus gained and use this in the interests of their legal mandate. The knowledge carriers must keep abreast of developments in their specific areas and share this information with the SFAO. Some of the SFAO's main sources of knowledge are other countries' SAIs, professional

associations and chartered accountants. For individual audits, the SFAO may also call upon the expertise of external consultants, either because it lacks the specific knowledge or if reinforcements are required on account of time constraints. In all cases, project management and responsibility lie with the SFAO, which also takes charge of knowledge transfer.

7.3 Finance

The SFAO had expenses of 20.4 million francs in the year under review, with a return of 1.3 million francs. The details of income and expenses were as follows:

Expenses and income

	2009 accounts in thousand francs	2010 budget	2010 accounts in thousand	Deviation from the budget	
					in %
Expenses	19 977	21 392	20 412	- 979	- 4.6
Personnel expenses	16 826	17 257	17 109	- 148	- 0.9
Rent	1 112	1 093	1 084	- 9	- 0.8
IT expenses	733	1 045	654	- 391	- 37.5
Consulting expenses	645	995	649	- 346	- 34.8
Other operating expenses	629	952	881	- 72	- 7.5
Write-downs	33	50	37	- 13	- 26.8
Contribution to reserves	-	112	112	0	0
Income	1 381	1 130	1 320	190	16.8
Remunerations	1 239	1 120	1 291	171	15.3
Other income	20	10	29	19	186.1
Drawdown from reserves	122	-	-	0	0

The 2010 accounts show a credit of one million francs with respect to the budget.

This results primarily from IT and consulting expenses, which comprise experts' fees and educational and training spending. The SFAO uses approximately 0.3 per mil of the federal budget for its resources.

The SFAO has its own Fees Ordinance for the audit mandates it conducts under public law. It charges for the time spent on financial statements audits in accordance with the fees of the Federal Finance Administration, which are based on the labour costs of the relevant salary categories. These fees amounted to 1.3 million francs. Financial supervision is not included, however, as this is a sovereign task.

7.4 Risks

The potential risks that the SFAO has identified for itself include wilful misinformation, technical errors, loss of independence, loss or disclosure of confidential information and poor execution of the legal mandate. In its annual risk assessment, and based on its ICS, the SFAO concluded that the probability of such risks occurring as well as the loss of image and financial consequences of such risks are low.

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2010 Annual Report Annex 1

Overview of the audits of authorities and courts, within the federal departments and at other operations, affiliated and international organisations

Annex 1 contains the audits submitted to the parliamentary Finance Delegation between February 2010 and January 2011.

Federal Criminal Court

- Audit of financial management

Federal Chancellery

- Audit of hosting costs of <http://www.ch.ch>

Federal Department of Foreign Affairs

General Secretariat

- Interim audit of the world exposition in Shanghai
- Process analysis of the Francophonie Summit in Montreux

Directorate of International Law

- Audit of financial management

Swiss representations abroad

- Financial supervisory audit at the representation in Lima
- Financial supervisory and construction audit at the representation in Harare
- Financial supervisory and construction audit at the representation in Islamabad
- Financial supervisory audit at the Swiss Business Hub in Sao Paulo
- Financial supervisory audit at the Swiss Business Hub in Chicago

A1

Swiss Agency for Development and Cooperation

- Audit of advances and resource accounting of the cooperation offices
- Cooperation with Eastern Europe: Where does the money go and how great are the administrative costs?

Federal Department of Home Affairs

General Secretariat

- Audit of foundation supervision and financial management

Federal Office of Culture

- Swiss National Library: IT steering and monitoring

Swiss Federal Archives

- Audit of accounts of the EU project PLANETS

Federal Office of Public Health

- Audit of achievement of objectives by Tarmed
- Evaluation of premium approval and supervision of health insurers
- Audit of financial management

Federal Social Insurance Office

- Supervision of supplementary benefits and contributions to charitable organisations
- Supervision of AHV compensation funds

State Secretariat for Education and Research

- Audit of subsidies in the university sector, in education and in national research
- Audit of Swissnex in Boston
- Human resources audit

A1

Federal Department of Justice and Police

General Secretariat

- Audit of IT implementation of Schengen/Dublin agreement

Federal Office of Police

- Audit of financial management
- Audit of 2009 expenditures in the Observation and Investigations/Special Operations units

Federal Office for Migration

- Special charge as well as guarantee and repayment duty in the asylum sector
- Implementation of the new financial supervision concept in the asylum sector

Federal Department of Defence, Civil Protection and Sport

Federal Intelligence Service

- Audit of financial management of the 2009 annual financial statements

armasuisse – Central Services

- SAP environment: Situation analysis

armasuisse – Real Estate

- Audit of aspects of portfolio and facility management, assessment of cost management

A1

Federal Department of Finance

General Secretariat

- Audit of financial processes and Internal Control System

Federal Finance Administration

- Audit of 2009 State Account
- Audit of financial management relating to the Federal Treasury
- Audit of archiving of old data of REFICO SAP R/3
- Audit of data quality for equalisation of resources and burdens
- Audit of federal financial transactions

Federal Employees' Savings Bank

- Audit of the 2009 annual financial statements

Central Compensation Office

- Audit of the 2009 annual financial statements of the AHV compensation fund

Federal Compensation Fund

- 2009 main audit
- IT audit of the AKIS industry solution
- Audit of the 2009 annual financial statements

Swiss Compensation Fund

- 2009 main audit
- Audit of the 2009 annual financial statements

Federal Tax Administration

- Direct federal tax: Audit of supervision of the cantons
- Control of value added tax: Audit of implementation of recommendations
- Control of tax collection – Joint audit with the Canton of Fribourg
- Swiss Tax Reporting project: Status of implementation and impact on FTA

Swiss Federal Customs Administration

- Swiss Border Guard: Audit of financial processes under new management structures
- Audit of financial management of the Geneva and Lugano customs districts
- Audit of the 2009 annual financial statements

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Federal Office for Buildings and Logistics

- Appropriateness of FOBL transfer prices
- Follow-up audit in the Federal MediaCenter service centre
- Introduction of accounting for services in rental segment

Federal Office of Information Technology, Systems and Telecommunication

- Audit of operations centre: Securing operations

Federal Personnel Office

- Audit of the 2009 annual financial statements of the Support Fund for Federal Employees
- Audit of legal and technical implementation of family allowances at FPO
- Audit of financial management: Truth and fairness of 2009 annual financial statements

Federal Department of Economic Affairs

State Secretariat for Economic Affairs

- Audit of IT strategy and organisation
- Human resources audit
- SME Portal – Audit of organisation, processes and operations
- Audit of the establishment of the Swiss Investment Fund for Emerging Markets SIFEM AG
- Audit of tax relief within the framework of regional policy

Unemployment insurance

- Audit of the 2009 financial account statements
- Labour market statistics and audit of LAMDA X application

Federal Office for Professional Education and Technology

- Audit of subsidies of the Commission for Technology and Innovation CTI
- Audit of IT governance
- Audit of supervisory activities for universities of applied sciences

Federal Office for Agriculture

- Analysis of steering of agricultural research
- Conclusions from the internal Finance Inspectorate's audits on direct payments
- Audit of supervision of dairy industry

A1

Federal Veterinary Office

- IT strategy, organisation and project management

Federal Office for National Economic Supply

- Audit of financial management

Competition Commission

- Audit of financial management

Federal Department of the Environment, Transport, Energy and Communications

Federal Office of Transport

- Audit of the 2009 annual financial statements of the Fund for Large-Scale Railway Projects
- Audit of corporate allocations within the Swiss Federal Railways
- Credit control for connections to high-speed network

Federal Roads Office

- Audit of the 2009 annual financial statements of the Infrastructure Fund
- Maintenance and expansion projects for motorways
- Compensation payments and quality assurance for surface maintenance
- Traffic guidance systems and tunnel facilities on national roads
- Costs and benefits of exhaust maintenance for road vehicles

Federal Office of Communications

- Audit of financial management

Federal Office for the Environment

- Cost-benefit ratio of CO₂ reduction measures
- Controlling of recommendations in the waste sector

Federal Office for Spatial Development

- Audit of financial management

Swiss Federal Nuclear Safety Inspectorate

- Audit of procurement of goods and services

A1

Inter-office and inter-departmental inspections

- Aid to Eastern Europe: Audit of financial flows at SDC and SECO
 - SAP authorisations, New Accounting Model NAM – Finances part
 - Procurement of goods and services in the General Secretariats of FDFA, FDHA, FDJP, FDF and DETEC
 - Disaster preparedness: Business Continuity Management in the decentralised Federal Administration and the federal enterprises

Foundations, institutes, funds and special organisations

Building Foundation for International Organisations in Geneva

- Audit of the 2009 annual financial statements

Marcel Benoist Foundation

- Audit of the 2009 annual financial statements

Pro Arte

- Audit of the 2009 annual financial statements

Pro Helvetia

- Audit of the 2009 annual financial statements

Future for Swiss Itinerant Communities

- Audit of the 2009 annual financial statements

Centre of Accreditation and Quality Assurance of the Swiss Universities

- Audit of the 2009 annual financial statements

Swiss Coordination Centre for Research in Education, Aarau

- Audit of the 2009 annual financial statements

Rectors' Conference of the Swiss Universities

- Audit of the 2009 annual financial statements
- SciexNMSch project: Swiss contribution to EU enlargement

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Swiss National Science Foundation

- Audit of the 2009 annual financial statements

Swiss University Conference, Bern

- Audit of the 2009 annual financial statements

Swissmedic

- Audit of the 2009 annual financial statements

ETH Domain

- Audit of the 2009 consolidated financial statements
- Audit of real estate accounting of the federal buildings in the ETH Domain

ETH Board

- Audit of the 2009 annual financial statements

Swiss Federal Institute of Technology Zurich

- Audit of IT services
- Audit of the 2009 annual financial statements

Swiss Federal Institute of Technology Lausanne

- Audit of construction projects
- Human resources audit
- Audit of the 2009 annual financial statements

Federal Institute for Forest, Snow and Landscape Research

- Audit of the 2009 annual financial statements

Federal Laboratories for Materials Science and Technology

- Audit of the 2009 annual financial statements

Swiss Federal Institute of Aquatic Science and Technology

- Audit of the 2009 annual financial statements

Paul Scherrer Institute

- Audit of the 2009 annual financial statements

Swiss National Museum

- Process audits and outsourcing of finances

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Federal Audit Oversight Authority

- Audit of the 2009 annual financial statements

Swiss Federal Institute of Intellectual Property

- Audit of 2009 project accounts for Vietnam, Azerbaijan and Ghana
- Audit of the 2009/2010 annual financial statements

Social Fund for Defence and Civil Protection

- Audit of the 2009 annual financial statements

Swiss IT Conference, Basel

- Audit of the 2009 annual financial statements

Federal Alcohol Administration

- Audit of the 2009 annual financial statements

Swiss Financial Market Supervisory Authority FINMA

- Audit of the 2009 annual financial statements

Swiss Federal Institute for Vocational Education and Training

- Audit of achievement of objectives and financial management

Swiss Landscape Fund

- Audit of the 2009 annual financial statements

Fund for Forest and Timber Research

- Audit of the 2009 annual financial statements

Swiss National Park Foundation

- Audit of the 2009 annual financial statements

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International organisations

Intergovernmental Organisation for International Carriage by Rail

- Audit of the 2009 annual financial statements

Universal Postal Union

- Audit of the 2009 annual financial statements
- Audit of the 2009 annual financial statements of the pension scheme and insurance fund
- Audit of the 2009 annual financial statements of the fund for improvement of service quality

International Telecommunication Union

- Audit of the 2009 annual financial statements of the ITU
- Audit of the 2009 annual financial statements of the closed pension scheme
- Audit of the 2009 annual financial statements of the health insurance scheme

World Intellectual Property Organisation

- Audit of the 2009 annual financial statements of the WIPO
- Audit of the 2009 annual financial statements of the closed pension scheme

International Commission for the Regulation of the Rhine

- Audit of 2007/2008 annual financial statements

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2010 Annual Report Annex 2

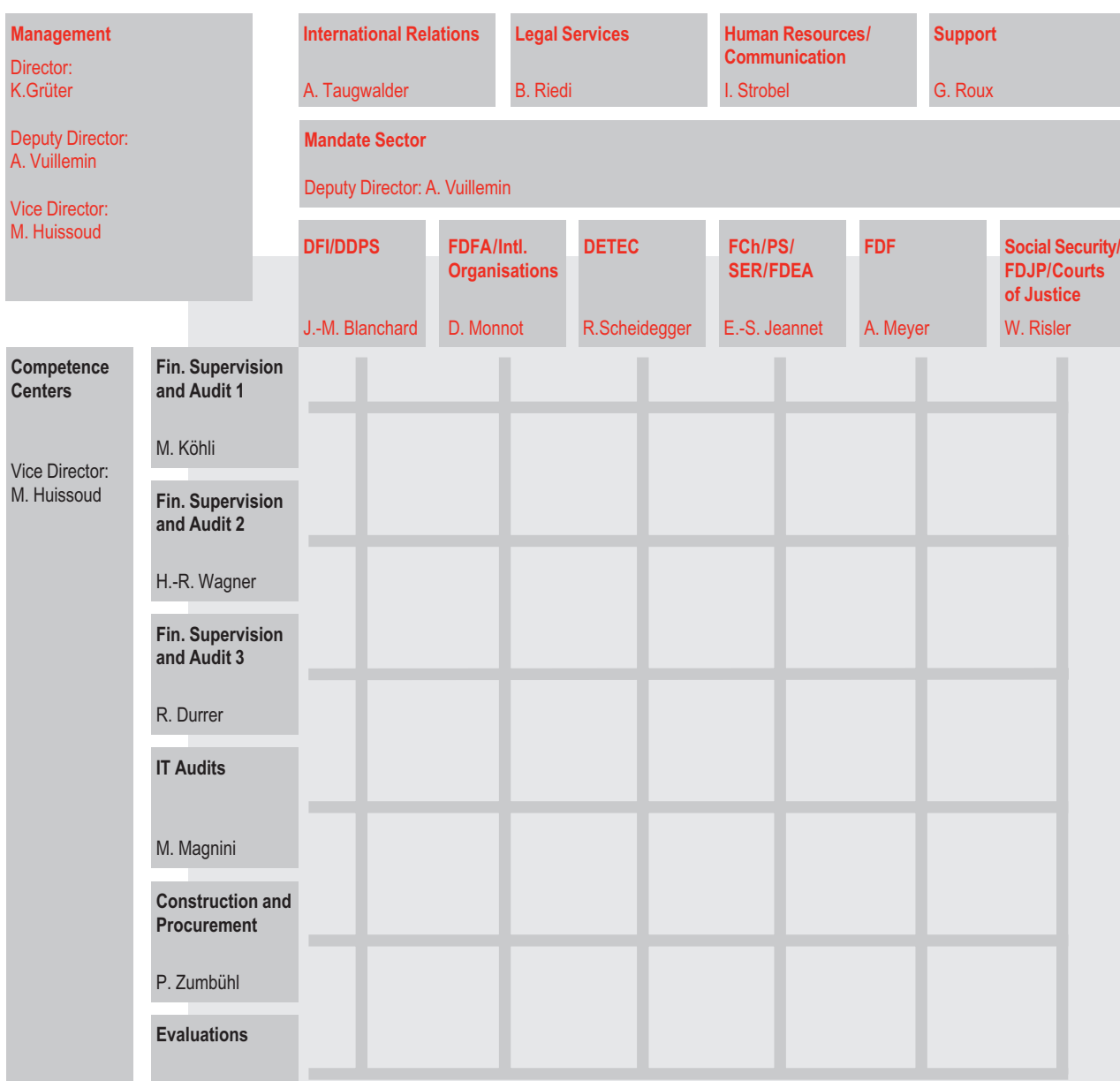
Financial Inspectorates (Internal Audit) of the central and decentralised Federal Administration in accordance with Art. 11 of the Federal Auditing Act

- Internal Audit of the FDFA
- Financial Inspectorate of the State Secretariat for Education and Research
- Internal Audit of the ETH Board
- Financial Inspectorate of the Federal Department of Justice and Police
- Financial Inspectorate of the DDPS
- Internal Inspectorate of the Central Compensation Office
- Financial Inspectorate of the Federal Tax Administration
- Inspectorate of the Federal Customs Administration
- Financial Inspectorate of the Federal Office for Buildings and Logistics
- Internal Audit of SECO
- Financial Inspectorate of the Federal Office for Agriculture
- Audit of the Federal Office of Transport
- Financial Inspectorate of the Federal Roads Office

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2010 Annual Report Annex 3

Organisational Chart



Abbreviations

A B C D E F

AFLO	Armed Forces Logistics Organisation
AHV	Old-age and Survivors' Insurance
ALV	Unemployment Insurance
AVIG	Unemployment Insurance Act
BGÖ	Freedom of Information Act
BPG	Federal Personnel Act
CTI	Commission for Technology and Innovation
DBG	Direct Federal Tax Act
DDPS	Federal Department of Defence, Civil Protection and Sport
DETEC	Federal Department of the Environment, Transport, Energy and Communications
DSN	Delegation for the Supervision of the New Rail Link through the Alps
EFTA	European Free Trade Association
ENSI	Swiss Federal Nuclear Safety Inspectorate
EO	Fund for loss of earned income
ETH	Swiss Federal Institute of Technology
EUROSAI	European Organisation of Supreme Audit Institutions
FAOA	Federal Audit Office Act
FDEA	Federal Department of Economic Affairs
FDF	Federal Department of Finance
FDFA	Federal Department of Foreign Affairs
FDHA	Federal Department of Home Affairs
FDJP	Federal Department of Justice and Police
FEDRO	Federal Roads Office
FFA	Federal Finance Administration
FINMA	Swiss Financial Market Supervisory Authority
FinöV	Fund for Large-Scale Railway Projects
FIPOI	Building Foundation for International Organisations
FITC	Federal IT Council
FOAG	Federal Office for Agriculture
FBL	Federal Office for Buildings and Logistics
FOC	Federal Office of Culture
FOEN	Federal Office for the Environment
FOITT	Federal Office of Information Technology, Systems and Telecommunication
FOM	Federal Office for Migration
FOPH	Federal Office of Public Health

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FOT	Federal Office of Transport
FSUIT	Federal Strategy Unit for IT
FSIO	Federal Social Insurance Office
FSO	Federal Statistical Office
FTA	Federal Tax Administration
FVO	Federal Veterinary Office

G I N O R S U W Z

GRECO	Group of States against Corruption
ICS	Internal Control System
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standard
INTOSAI	International Organization of Supreme Audit Institutions
IOF	International Organisation of La Francophonie
IPSAS	International Public Sector Accounting Standards
ISACA	Information Systems Audit and Control Association
ISSAI	International Standards of Supreme Audit Institutions
ITU	International Telecommunication Union
IV	Invalidity Insurance
NRLA	New Rail Link through the Alps
NAM	The Confederation's New Accounting Model
OPET	Federal Office for Professional Education and Technology
OSEC	Business Network Switzerland
OTIF	Intergovernmental Organisation for International Carriage by Rail
RAB	Audit Supervisory Authority
RUAG	Swiss technology group in Aerospace, Defence and Technology
SAI	Supreme Audit Institution
SAP	A standard financial accounting software system
SDC	Swiss Agency for Development and Cooperation
SECO	State Secretariat for Economic Affairs
SEVAL	Swiss Evaluation Society
SFOE	Swiss Federal Office of Energy
SIS II	A second version of the Schengen Information System
SOGC	Swiss Official Gazette of Commerce
SR	Classified Compilation of Federal Legislation
swissmedic	Swiss Agency for Therapeutic Products
UPU	Universal Postal Union
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization
WTO	World Trade Organization
ZEMIS	Central Migration Information System



