

EIDGENÖSSISCHE FINANZKONTROLLE  
CONTRÔLE FÉDÉRAL DES FINANCES  
CONTROLLO FEDERALE DELLE FINANZE  
SWISS FEDERAL AUDIT OFFICE



# 2014 ANNUAL REPORT

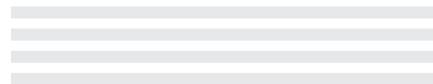


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## “A NEW CHAPTER IN THE HISTORY OF THE SFAO”

**In 2004, the Swiss Federal Audit Office (SFAO) published the sum total of five audit reports.** Ten years later, there were 43 reports. Access to around half of them – 21 to be precise – was obtained via the Freedom of Information Act, which is increasingly being used by the press. While this trend is positive, it is not without consequences.

**For the Federal Administration first of all. With each new report that we publish, the same chorus of comments can be heard: nothing works in Bern!**

However, it is evident on reading our reports that things are not all that bad. But actually who takes the time to read them? Initially, therefore, the publication of these documents can indeed cause the public to lose confidence in the Federal Administration. We wish to say it loud and clear here: this distrust is unwarranted. Most of the federal offices correct their errors and make improvements. Take the AHV Central Compensation Office in Geneva, for example, or the Federal Office for Migration. Both of these took radical measures to remedy their weaknesses. This also has to be said, and the Federal Administration has to be allowed to make mistakes.

**This new transparency is far from easy for SFAO employees too.** They face resistance from those audited, who naturally are not particularly happy about this publicity. Who would gladly work under public scrutiny at all times? It is clearly a new stress factor for us, but it is also a challenge. We want to produce clear and concise reports that can present

complex problems simply, and all in the specified timeframes. This is still an ongoing learning process; it is fascinating and will also mark the history of our institution.

**The SFAO's history shows in a captivating manner the surprising impact the various crises have had on the institution.**

Without going right back to the beginning, when the first “Audit Office” was created in 1877, we can recall that our current law dates back to 1967. It resulted from the notorious Mirage III fighter jet affair. Article 15 of the FAOA, which stipulates that the SFAO has to inform the Federal Council and the Finance Delegation immediately of serious matters it finds, is itself the direct result of another affair, that of the P26 secret army. Finally, the considerable independence that the SFAO has had since 1999 is linked to the recommendations of another parliamentary investigation committee, which looked at the Federal Pension Fund.

**Last December, the parliamentary group that examined the termination of the INSIEME project wrote a new chapter in this history<sup>1</sup>. What can we learn from this report?**

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<sup>1</sup> The report is available on the Swiss Parliament website. <http://www.parlament.ch/organe-mitglieder/kommissionen/aufsichtskommissionen/finanzkommissionen/Documents/bericht-insieme-fk-gpk-2014-11-21-f.pdf>



First of all, it is a wake-up call. The Federal Audit Office Act contains important tools and we have to use them better and more frequently. The SFAO thus has to inform the Federal Council and the Finance Delegation immediately of unusual incidents or significant shortcomings it finds. Likewise, when an office contests a key SFAO recommendation, the matter must be transmitted to the Department Head, who ultimately has to decide. Finally, the SFAO has to present the significant recommendations that were not implemented in the specified timeframes, just like we have done in this annual report<sup>2</sup>. This status report is also brought to the attention of the Federal Council. The good news is that the parliamentary report on INSIEME commends the SFAO's way of proceeding, as it has been making much more intensive use of the individual tools since 2014.

**From 2015, the SFAO will also improve the transparency of the work performed by the federal offices' finance inspectorates.** These previously lesser well known internal audit services currently employ around 80 people in the central government. In 2014, certain reports from the internal auditors of the Federal Department of Defence, Civil Protection and Sport and the Federal Office for Agriculture, for instance, were published in application of the Freedom of Information Act. The SFAO takes the results of the audits conducted by these services into account in its work, but without formally referring to them. In the future, our annual report will highlight their main findings and recommendations.

Our relations with the highest institutions of our federal state will have to be strengthened in the future. The SFAO assists the Federal Assembly and the Federal Council by law. Over time, this collaboration has essentially centred on

the Finance Delegation, with which the SFAO works perfectly well in an environment of mutual trust. As recommended in the INSIEME report, we are looking forward to stepping up our cooperation with both the Federal Council and the management-related parliamentary committees.

Finally, I would just like to give you a reminder before you start to read our annual report. It reveals deficiencies and weaknesses. As already mentioned, that is in the nature of things. Just like any large organisation, be it in the public or private sector, the Federal Administration is not infallible. What is important is recognising errors, learning from them and improving. The SFAO knows that it can make a considerable contribution to this learning process. It is with that in mind that it will spontaneously publish over 50 audit reports in 2015.

Michel Huissoud

A BIG THANK-YOU TO EVERYONE  
WITHIN THE SFAO AND  
EXTERNALLY WHO WILL HELP US  
TO ACHIEVE OUR OBJECTIVES.

<sup>2</sup> These recommendations are listed in part two of this annual report on page 57.

This year, the SFAO gave a free hand to the cartoonist **Mix & Remix** to illustrate its Annual Report.

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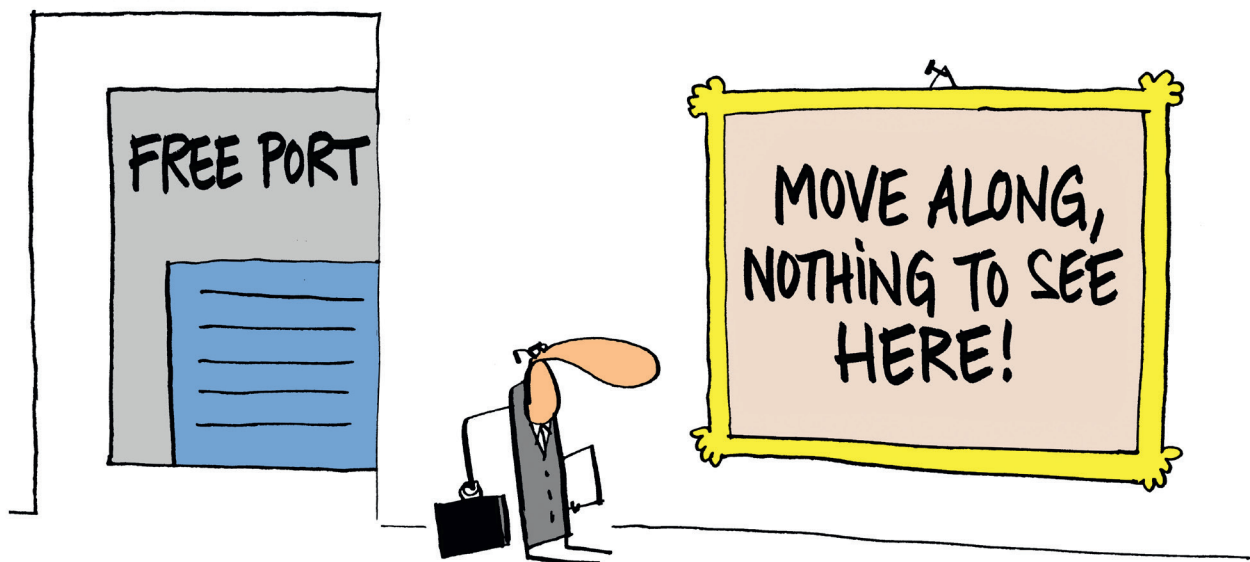




# PART 1

# THE MAIN FINANCIAL SUPERVISION RESULTS FOR 2014

# PART 1: THE MAIN RESULTS



MIX & REMIX

The SFAO audit of inspection activities in free ports and open customs warehouses as seen by Mix & Remix.



# 1. TAXES: VAT COLLECTION, TAX-RELATED IT AND FREE PORTS

The Federal Tax Administration (FTA) has regularly been the subject of press articles for over three years, particularly because of the abandonment of the INSIEME project. The last item regarding this matter was the report of the parliamentary working group dated 21 November 2014<sup>3</sup>. It recommended among other things that the SFAO intervene more and also more systematically with the Federal Council and the parliamentary authorities when it finds serious problems.

The SFAO stated its position on these recommendations on 24 February 2015, accepting them. In practice, the SFAO implemented most of the proposals with the arrival of its new management team at the start of 2014. Regarding its supervision of the FTA, for example, the SFAO already informed the Federal Council directly on 6 October about the results of two audits conducted on the Main VAT Division<sup>4</sup>. The findings were published at the end of December.

## A. IRREGULARITIES IN THE COLLECTION OF VAT? NO

The FTA was hit by a new affair at the end of the spring, when there were suspicions of irregularities at the Main VAT Division. The SFAO received several reports. The results of a survey conducted by the Federal Personnel Association were largely reported by the media. The survey referred to shortcomings within the VAT External Audit Division. An investigation was immediately initiated and ran in parallel to another SFAO audit already under way on the division's internal control system (ICS)<sup>5</sup>.

The good news is that, contrary to the criticisms of the Federal Personnel Association, VAT is collected properly by the FTA. The SFAO verified the cases reported and found no differences in the treatment of taxpayers.

### Progress regarding internal controls

On another positive note, the SFAO welcomes the obvious progress made with the Main VAT Division's internal control system (ICS) following the critical audits of 2010 and 2012. The ICS is on track. For example, external audits are selected and attributed in a pertinent manner based on the risks involved. The audits are now duly registered in the ICS and documented.

Some shortcomings remain. Risk management should be applied in all units of the Main VAT Division, as is the case with anti-fraud. The SFAO also noted that decisions should be made and signed by two people in complex cases. Moreover, access to sensitive data should be examined periodically. For the FTA's management, several SFAO recommendations concerning its ICS will be implemented with the new Fiscal IT programme, which is the successor to INSIEME (see below).

### VAT inspectors under pressure

During the SFAO's investigations, major collaboration problems were found within the External Audit Division. This division has almost 190 employees, 170 of whom are tax experts who conduct onsite audits of 360,000 companies subject to VAT. Following an excessive amount of passiveness on the part of his predecessors, the new Director of the FTA reacted and took the action necessary for calm to be restored in the division.

<sup>3</sup> The report can be found on the Swiss Parliament website. <http://www.parlament.ch/fi/organe-mitglieder/kommissionen/aufsichtskommissionen/finanzkommissionen/Documents/bericht-insieme-fk-gpk-2014-11-21-f.pdf>

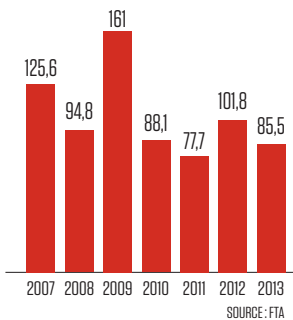
<sup>4</sup> According to Article 15 paragraph 3 of the FAOA, the SFAO has to inform the head of the federal department concerned and the Head of the Federal Department of Finance in the event of "anomalies or deficiencies of fundamental significance or considerable financial importance". If the facts concern the Federal Department of Finance, the Swiss President or Vice President is notified.

<sup>5</sup> The audit reports for audit mandate 14297 and audit mandate 14555 are available on the SFAO's website. <http://www.sfao.admin.ch/>

# PART 1: THE MAIN RESULTS

## 1. TAXES

**Net VAT receipts**  
External Audit Division  
In CHF mn



At present, the SFAO is concerned about the increased burden for the External Audit Division's inspectors in terms of administrative and statistics work, particularly since the entry into force of the VAT reform in 2010. Despite fluctuations, the division's receipts have fallen quite a lot (see adjacent figure). Consequently, it is necessary to consider whether the legal framework created with the 2010 VAT revision is truly feasible. Would it adversely affect the division's efficiency? The SFAO would like to address this question and will assess the effects of this reform in 2015<sup>6</sup>.

## B. POST-INSIEME AT THE FTA

After the INSIEME project was abandoned in September 2012, the FTA launched its new Fiscal IT programme, which aims to replace its obsolete IT applications and modernise its work processes by 2019. It has a credit of CHF 85.2 million and the Federal Office of Information Technology, Systems and Telecommunication (FOITT) is closely involved. At the Federal Council's request, Fiscal IT was audited by the SFAO as a key federal IT project<sup>7</sup>. The findings were published at the end of May<sup>8</sup>.

At the end of 2013, at the time of its audit, the SFAO found that most of the 29 projects under the Fiscal IT programme were behind schedule. Some of the explanations received to justify this situation – particularly procurement problems or the early application of HERMES 5 requirements were comprehensible – for the SFAO<sup>9</sup>. Important fundamental documents were still incomplete, as was the IT architecture concept. In this respect, differences of opinion arose between the specialists at the FTA and FOITT. Despite the tight deadlines, the SFAO recommended that the parties quickly reach an agreement so as not to jeopardise the project.

The allocation of funds also gave rise to heated debate both at project level and between the programme managers, especially since the programme budget was based on approximate figures at the time of the discussions. The SFAO recommended updating the figures.

### A tense atmosphere for Fiscal IT

Despite the mixed findings, the SFAO is aware that the project environment was tense at the time of the audit. The negative image left behind by INSIEME is penalising the new project. The work overload constitutes a major risk for the entire programme, as several people working on Fiscal IT are involved in analysing the abandonment of INSIEME. Moreover, there is considerable external pressure on the programme leadership. In its report, the SFAO emphasised a final point, i.e. the organisation, management and supervision of the Fiscal IT project are healthy.

<sup>6</sup> The annual programme for 2015 is available on the SFAO's website. <http://www.sfao.admin.ch>

<sup>7</sup> The Federal Council defined four initial key ICT projects on 16 April 2013. These include the Fiscal IT programme, as well as the SNAP-EESSI programme (electronic exchange of social security information), the UCC programme (renewal of the Confederation's telephone network) and the IVZ programme (vehicle licensing information system). The results of the audits of the key ICT projects SNAP-EESSI and IVZ are presented below. <http://www.sfao.admin.ch>

<sup>8</sup> The audit report for audit mandate 13506 is available on the SFAO's website. <http://www.sfao.admin.ch/>

<sup>9</sup> HERMES is the project management method used by the Confederation, the cantons and the communes, as well as by private-sector companies in the area of information and communication technologies. The fifth version of it was launched in April 2013. HERMES belongs to the Federal Administration.



At the end of 2014, an SFAO team commenced a follow-up audit. The findings will be available early in 2015.

## C. DUTY-FREE AREAS: CHECKS TO BE STEPPED UP

The SFAO is also able to address topics that are more original at times. SFAO experts have looked into duty-free areas, a field that is still largely unknown and unexplored by the federal authorities.

These duty-free areas are booming and are apparently worth more than CHF 100 billion at present. Federal jargon talks about duty-free warehouses and open customs warehouses. Duty-free warehouses, which are more commonly referred to as free ports, have been around for almost a century, whereas open customs warehouses are a recent addition. In 2013, there were around ten free ports and 245 open customs warehouses. All of them are subject to supervision by the Federal Customs Administration (FCA).

The effectiveness of this supervision was assessed by the SFAO over a 12-month period<sup>10</sup>. A duty-free area means among other things that the Confederation does not collect any taxes on the items stored there. Enormous stakes are in play. Taking just the open customs warehouses, the amount of suspended duties and taxes is close to a billion francs according to the estimates published by the SFAO. Input on this figure had never been obtained by the authorities until now.

So what can be said about the supervision of these duty-free areas? The SFAO believes that the current control system is deficient and is unable to ensure that illegal activity is restricted. This applies both to the granting or renewal of a licence to operate a free port or open customs warehouse and to the onsite checks carried out by Swiss Customs agents. Hence, it is telling that the SFAO did not obtain precise data from the FCA on the checks carried out and their results. The SFAO sees an explanation for this: the customs offices have too much leeway relative to the Directorate General of Customs as well as different practices when it comes to checks.

### **Long-term storage of precious metals and works of art**

The SFAO also addressed the thorny issue of companies that store works of art and precious metals. Some of these violate the spirit of the law. A customs area implies a credible number of incoming and outgoing movements. However, it can be seen in certain cases that extremely valuable goods are stored for long periods, sometimes more than ten years, for tax optimisation reasons. The FCA is aware of the problem internally.

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<sup>10</sup> The audit report for audit mandate 12490 is available on the SFAO's website.  
<http://www.sfao.admin.ch/>

In the SFAO's opinion, these deficiencies need to be remedied. In particular, the Federal Council has to clarify the role of these warehouses "without movements" so as to prevent a reputational risk for Switzerland. In a similar vein, a national strategy for these duty-free areas should also be drawn up. Finally, it remains to be seen whether the effects of the Customs Act, which came into force in May 2007, justify not revising the Anti-Money Laundering Act with regard to high-value-added goods.

## IN THE SPOTLIGHT

### STATE FINANCIAL STATEMENTS: RESERVATIONS CONCERNING THE INTERNAL CONTROL SYSTEM

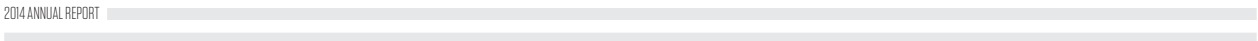
Reviewing the state financial statements is traditionally one of the SFAO's tasks. The state financial statements are prepared in accordance with the International Public Sector Accounting Standards (IPSAS). The 2013 closing accounts saw the application of a new SFAO audit concept which had been established a year earlier. An audit report was published in June 2014\*. Based on its findings, the SFAO confirmed that the state financial statements for 2013 were in compliance with the statutory requirements and the provisions of Article 126 of the Federal Constitution concerning budget management (debt brake). It thus recommended that the Finance Committees of both chambers approve them.

During its work on the state financial statements, the SFAO found that various administrative units of the Confederation have not yet implemented an internal control system (ICS) in line with the directives of the Federal Finance Administration (FFA). It expressed a reservation with regard to this. The weaknesses are to be found essentially in the area of road construction and maintenance and SAP data access management.

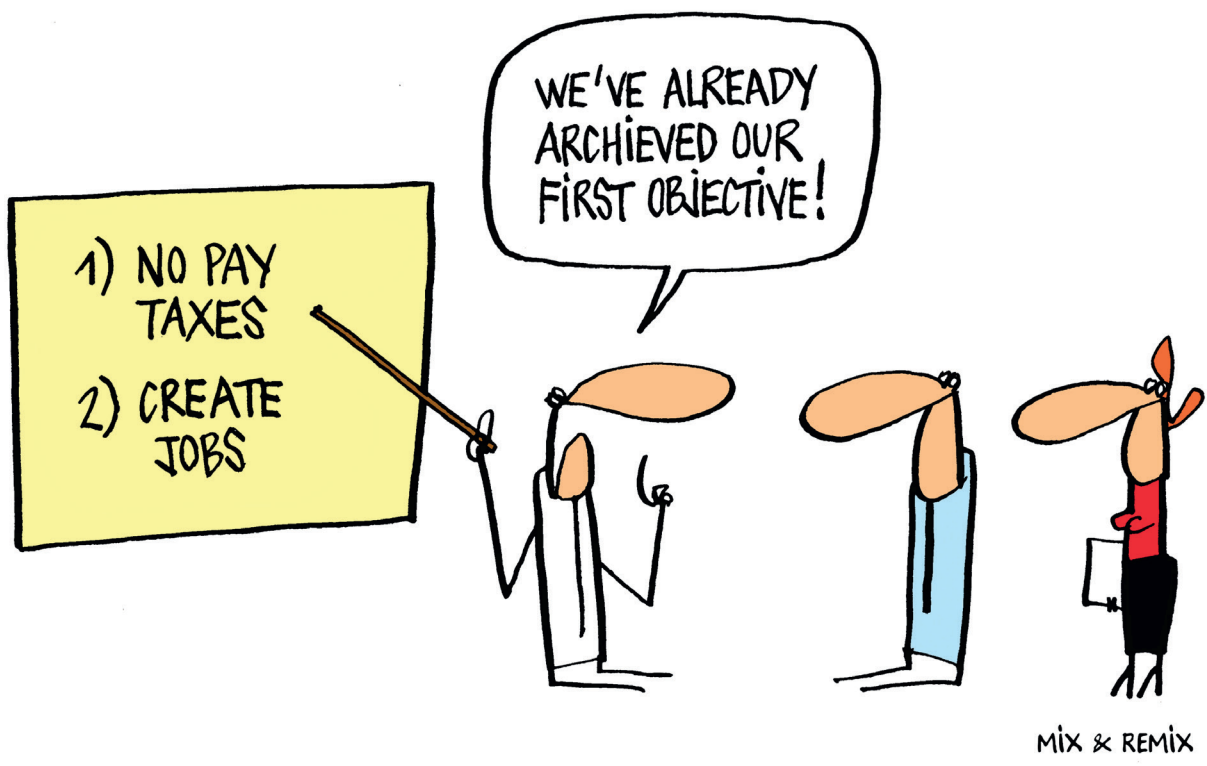
It is not the SFAO's task to check the cantons' taxation and the collection of direct federal tax. Interestingly, effective since 1 January 2014, the cantonal audit offices have the task of conducting audits and presenting their findings to the Federal Tax Administration (FTA) and the SFAO.

As a sideline to this work, the SFAO went to the Federal Council in December 2014 to draw its attention to the costs associated with the new way of recognising armaments in the Confederation's statement of financial position. The SFAO fears that the impact of this new project bears no relation to the expected benefits. The same reservation applies to the project for preparing consolidated financial statements for the Confederation.

\* The audit report for audit mandate 14098 is available on the SFAO's website. <http://www.sfao.admin.ch>



# PART 1: THE MAIN RESULTS



The SFAO audit of the supervision over direct federal tax exemptions as seen by Mix & Remix.



## 2. ECONOMY: PROMOTION OF THE ECONOMY, TOURISM AND AGRICULTURE

### A. PROMOTION OF THE ECONOMY AND CORPORATE TAX RELIEF MEASURES

Looking solely at direct federal tax, the Confederation foregoes a portion of its tax receipts to create and maintain jobs as well as to stimulate investment in Switzerland by foreign companies. Together with the cantons, the State Secretariat for Economic Affairs (SECO) is responsible for these tax relief decisions for economic development purposes.

According to the figures published by SECO<sup>11</sup>, companies entitled to tax relief generated profits of CHF 102.4 billion between 2007 and 2011. For its part, the Confederation forewent CHF 7.3 billion in tax, i.e. over a billion francs per year. This would have made it possible to create 8,362 jobs and maintain 2,406. Switzerland would thus have attracted investments of almost CHF 4.3 billion in the regions chosen by the Federal Council for this type of tax relief.

#### Five years of investigations and monitoring

The SFAO commenced an extensive review of tax relief supervision in 2010 in a bid to examine the control procedures at both federal and cantonal level for tax relief decisions and their monitoring (Bonny decree-like relief measures). Three audit reports have been written on these issues, with the last being delivered by the SFAO at the start of December<sup>12</sup>.

The SFAO was pleased with this project. Twelve of the fourteen recommendations made during previous audits have been implemented by SECO. Moreover, SECO has improved its tax relief decision-making system and the supervision of such decisions, which include important elements such as the business plans of companies receiving relief. SECO has also introduced a supervisory and controlling concept for all of its work on these tax decisions.

#### Cantonal checks not uniform

In contrast, the situation in the cantons is less satisfactory. The SFAO visited several cantons (Fribourg, Neuchâtel, Vaud, Glaris and Uri) at the time of its audit. The way of supervising relief measures and compliance with the conditions for granting them varies, going from a quick and overly superficial review of the data in a company's annual report to genuine plausibility tests on the data provided by the companies. The problem is that SECO receives little information on the nature and extent of this work. The SFAO recommended that it establish minimum standards or a guide on good practices, and SECO has undertaken to do so.

When a company receiving tax relief ceases its activity before the end of the relief period, the Confederation and the cantons can invoke a revocation clause and claim payment of the uncollected tax. The SFAO is surprised that the effects of such a revocation are not systematically predefined in SECO's relief decisions. As a result, the cantons have scope for interpretation when calculating the amount to be reimbursed in the event of non-compliance with the relief conditions. A practical framework would be welcome here.

<sup>11</sup> The annual tax relief statistics are available on SECO's website. <http://www.seco.admin.ch/themen/05116/05118/05298/index.html?lang=en>

<sup>12</sup> The audit report for audit mandate 14225 is available on the SFAO's website. <http://www.sfao.admin.ch/>

### Transparency of tax relief figures

SECO has given its assurance that several grievances identified by the SFAO in its work were discussed during the revision of the Ordinance on the Granting of Tax Relief in Application of Regional Policy. The consultation on this ordinance, which commenced at the start of 2015, should produce its results in the course of the year.

The third series of corporate tax reforms (CTR III) is another starting point for implementing the SFAO's recommendations. The checks at cantonal level have to be improved. This requirement is also based on the audit of the data used to calculate the equalization between the Confederation and the cantons. Every year, the SFAO finds errors at different levels regarding the cantonal data provided to the Confederation. However, these are then corrected<sup>13</sup>. A revision of the Federal Act on the Harmonisation of Direct Taxation at Cantonal and Communal Levels (DTHA) is desirable to strengthen supervision of cantonal practices. Such a revision would logically fit into the current CTR III project, and that is what the SFAO has proposed.

### The implementation of a major recommendation is nearing completion

In 2010, the SFAO recommended transparency for the direct federal tax relief figures<sup>14</sup>. This sum of over a billion francs a year is a subsidy for economic development and should appear transparently in the Confederation's financial statements. In its letter of 13 January 2011, the Federal Finance Administration (FFA) confirmed that this information would be in the state financial statements and the Federal Council report on subsidies.

During an exchange with the SFAO at the start of 2015, the FFA reaffirmed that this information would be included. For the first time, there should thus be a clear statement showing the extent of the tax incentives available to legal entities based on the "Bonny Ordinance" and the new regional policy.

For the SFAO, the forthcoming revision of the Ordinance on the Granting of Tax Relief is an opportunity to prescribe the principle of transparency. SECO also wishes to set an absolute ceiling for the amount of tax that can be covered by a relief measure in order to prevent excessive tax relief. The SFAO welcomes this idea.

#### IN THE SPOTLIGHT

#### AUDITS THAT PAY OFF FOR TAXPAYERS

The SFAO's work has direct consequences for taxpaying citizens. Here are two concrete examples: A thorny issue that was identified by SFAO experts three years ago was resolved in 2014\*. It concerned a foreign company that did not comply with all of the conditions for tax relief. It is now reimbursing direct federal tax of more than CHF 200 million.

On a different scale, an audit on procurement procedures and organisation in the area of the Armed Forces made it possible to recover almost CHF 380,000\*\*. It concerned an error in an order for material for garments to protect against the cold. The supplier had paid two refund instalments by the start of 2014.

\* The audit report for audit mandate 11406 is available on the SFAO's website. <http://www.sfao.admin.ch>

\*\* The audit report for audit mandate 13087 has been submitted to the Finance Delegation.

<sup>13</sup> The latest report, for audit mandate 14208, was posted on the SFAO's website on 2 December 2014.

<sup>14</sup> The audit report for audit mandate 10434 has been submitted to the Finance Delegation.



## B. PROMOTION OF SWITZERLAND AS A TOURIST LOCATION

Another way of promoting the Swiss economy is to promote our country's image as a tourist location. Switzerland Tourism is responsible for doing this. The Confederation gives it a significant global budget. It has thus been allocated CHF 222 million over four years within the framework of an agreement on policy control, reporting and monitoring for 2012 to 2015 (2012-2015 agreement) entered into with SECO, which in return supervises the activities of Switzerland Tourism.

The SFAO has concluded that Switzerland Tourism functions well. Its structures are functional and transparent. Its receipts are rising, especially thanks to new strategic partnerships, and its expenditure is under control.

Switzerland Tourism was in the press on several occasions in 2013 and 2014, with articles mentioning suspicions of conflicts of interest in the awarding of contracts. Back in 2012, three whistle-blowers transmitted information to the SFAO, and this was included in its work on auditing financial supervision. The findings were published in December 2014<sup>15</sup>.

The grievances brought by these whistle-blowers or mentioned in the media were not confirmed by the SFAO's investigation.

### **Delay of more than three years in procurement procedures**

Improvements nevertheless have to be made in the area of procurements and external contracts, where Switzerland Tourism spends almost CHF 30 million every year. The SFAO found that Switzerland Tourism took until September 2013 to note that it became subject to the provisions of the Public Procurement Ordinance on 1 April 2010.

Initial corrective action has been taken, but this sensitive area requires better supervision. It is a question of creating a procurement service, including IT procurement in the standard procurement procedures and having employees and external agents sign declarations of impartiality. Switzerland Tourism supports this idea, even if it fears an increase in the administrative burden, which would affect its means for attracting new tourists to Switzerland.

Switzerland Tourism also has to take a critical look at its relationship with STC Switzerland Travel AG (STC), of which it is a shareholder<sup>16</sup>. Each year, STC receives a flat-rate payment of CHF 2.18 million as well as maximum remuneration of CHF 420,000 for its services. This annual flat-rate payment is not based on any benchmark and the service mandates have never been put out to tender. The SFAO is of the opinion that Switzerland Tourism has to put the mandates awarded to STC out to tender. Switzerland Tourism has said that will be the case in 2016.

<sup>15</sup> The audit report for audit mandate 14240 is available on the SFAO's website.  
<http://www.sfao.admin.ch>

<sup>16</sup> The other shareholders of STC are Swiss Federal Railways, the Swiss Hotel Association and five private railway companies. STC functions as a contact centre for Switzerland Tourism clients.

### C. PROMOTION OF AGRICULTURE AND SALES OF AGRICULTURAL PRODUCTS

At the national level, the Federal Council and Federal Assembly renewed unwavering support for the farming community in the spring of 2013. Between 2014 and 2017, the agricultural policy programme will thus distribute almost CHF 13.83 billion, with CHF 11.26 billion of that merely for the direct payments system.

2014 therefore gave the SFAO the opportunity to examine two aspects of the implementation of the agricultural policy (audit mandate 14-17). It looked at the supervision of direct payments for agriculture, as well as sales promotion grants for agricultural products<sup>17</sup>.

#### The quality of the supervision process has to be improved

Direct payments are at the heart of audit mandate 14-17. Every year, the Confederation distributes almost CHF 3 billion in public funds to support farmers.

High-level supervision of these payments is a task for the Federal Office for Agriculture (FOAG), with the indispensable assistance of the cantons. This federal supervision was contested in the past. It now seems to be better accepted, and significant measures have been taken to ensure its effectiveness.

In the future, supervision work at the cantonal level should be better integrated into the whole process. In some cases, but fortunately not many, the cantonal auditors remain too close to the field. A risk of losing independence exists. The only way of preserving this is to create an independent audit body at cantonal level. This SFAO recommendation is being undermined by a resources issue.

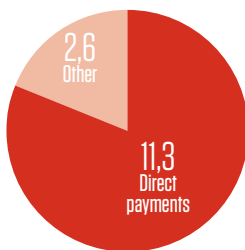
However, this matter of independence is not the only thing. It is also necessary to standardise the working processes between the FOAG and the cantons, documentation and its quality, as well as monitoring of the recommendations made at federal level for the attention of the cantons. The FOAG largely supports this.

#### The impact of promotion grants remains a mystery

The Confederation also helps Switzerland's farmers promote and sell their agricultural products both at home and abroad. They have been granted approximately CHF 56 million through around thirty promotion and marketing organisations. The products that are assisted the most in terms of selling and promotion are cheese, meat, milk, fruit and potatoes.

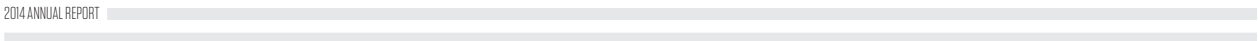
The SFAO's audit made it possible to highlight two key matters that the FOAG has agreed to examine. Firstly, how effective are these grants? It is impossible to say. As it happens, the analyses as they currently stand do not factor in the impact on the market. That is why the SFAO has recommended conducting such an analysis, if possible over a period of four years. Secondly, grants need to be focused on product ranges with the highest rate of return for Swiss agriculture, which is not necessarily the case at present.

Agricultural policy 2014-2017  
(In CHF bn)

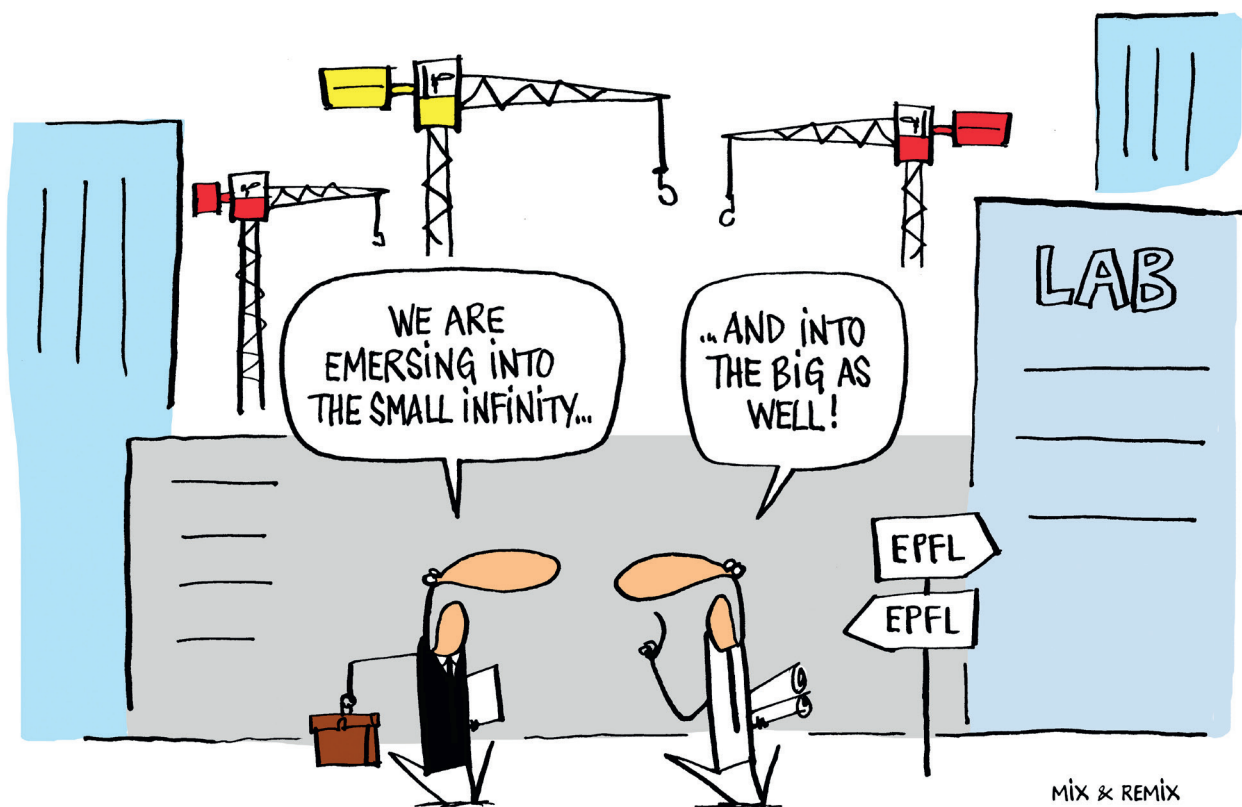


SOURCE: FOAG

<sup>17</sup> The audit reports for audit mandate 14357 and audit mandate 14251 were not published by the SFAO.



# PART 1: THE MAIN RESULTS



MIX & REMIX

The SFAO audit over the financial report of the Ecole polytechnique fédérale de Lausanne (EPFL) as seen by Mix & Remix.

## 3. EDUCATION AND RESEARCH: FEDERAL INSTITUTES OF TECHNOLOGY AND INNOVATION

### A. COMMOTION CONCERNING THE COMMISSION FOR TECHNOLOGY AND INNOVATION

A budget of CHF 150 million in 2014: that is how much the Confederation attributes to the Commission for Technology and Innovation (CTI), which is responsible for building bridges between research and the market, and encouraging the spread of innovation from Switzerland's higher education institutions. Since the summer of 2014, articles in the press have been criticising conflicts between individuals and conflicts of interest in the awarding of contracts. On 19 November 2014, following the departure of the Director of the CTI Secretariat, the Federal Council decided to turn the CTI into an establishment under public law<sup>18</sup>. This decision is in line with the SFAO's recommendations. A law is now being prepared.

Well before the affair went public, the SFAO had done initial audit work at the CTI at the end of 2013, when recurring weaknesses were found in the institution's governance as well as problems in the IT sector. Then came anonymous denunciations and a request from the General Secretariat of the Federal Department of Economic Affairs, Education and Research (EAER) to clarify the situation in the "start-ups and entrepreneurship" area of the CTI. A new audit was thus commenced. The findings of both audits are now public<sup>19</sup>.

#### Governance of the institution in question

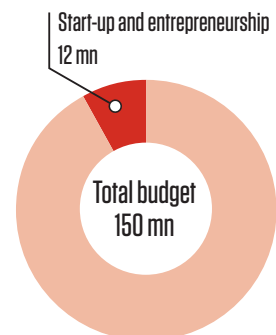
The SFAO initially looked at the CTI's organisation, processes and internal control system, as well as its CTIanalytics project. It appeared that there was something uncontrolled and chaotic in the project's organisation, particularly with regard to the use of four external agents, the absence of internal skills and resources, and poor risk management.

But at the time, the SFAO experts also noted the ambiguity of conflicting interests between members of the Commission and agents as well as between external and internal employees of the Secretariat in the area of procurement and contracts. On that basis, the SFAO commenced a second audit of the "start-ups and entrepreneurship" area, which has an annual budget of CHF 12 million. The aim was to examine the awarding of contracts and business relationships.

Two concrete cases were examined. In the first case, the SFAO concluded that the economic independence of two people and their company was no longer ensured with regard to the CTI. Between 2002 and 2014, these people and their consulting firm received almost CHF 3 million for coaching services related to the launch of start-ups. These contracts were renewed annually by the CTI Board without putting them out to tender. The only explanation received by the SFAO was that the services provided were apparently above average.

In the second case, a person accumulated multiple mandates, with contracts partly tangled up between one another. The CTI lost control of these mandates, and the SFAO did not find information on the use of these financial resources at the CTI Secretariat. It is incomprehensible as well as a violation of the Subsidies Act (SubA).

CTI funds  
(in CHF mn)



SOURCE: CTI

<sup>18</sup> See the press release on the website of the Federal Department of Economic Affairs, Education and Research.  
[https://www.wbf.admin.ch/fr/documentation/informations-destinees-aux-medias/communiqués-de-presse/?tx\\_rsspicker\\_pi\\_list%5Boid%5D=55317&tx\\_rsspicker\\_pi\\_list%5Bview%5D=single](https://www.wbf.admin.ch/fr/documentation/informations-destinees-aux-medias/communiqués-de-presse/?tx_rsspicker_pi_list%5Boid%5D=55317&tx_rsspicker_pi_list%5Bview%5D=single)

<sup>19</sup> The audit report for audit mandate 13473 was obtained in September under the Freedom of Information Act (FoIA) and is available on the SFAO's website together with the audit report for audit mandate 14554, which was published in December.

### Fundamental review of structures

These severe shortcomings are the result of governance problems that the SFAO pointed out already in its first audit. The CTI Board and the coaches see the Secretariat's requirements and decisions as bureaucratic interference. The General Secretariat of the EAER increasingly had to get involved in order for decisions to be made. Finally, aside from poor communication and a vague division of powers, it was widely known that the President and the Director of the CTI did not get along with one another.

This situation caused the SFAO to go to the Federal Council. On 8 October 2014, it wrote that it was necessary to completely overhaul the CTI's structures in order to secure its future<sup>20</sup>.

Today, the SFAO supports the action taken by the EAER. The CTI Board is no longer to intervene with the Secretariat's activities and instead has to respect the structures and the hierarchy. Pragmatic measures can be envisaged to quickly improve the roles of the President, the Board and the Secretariat's management. Without this, the EAER will have to bear the consequences with regard to the persons concerned.

## B. THE PROPERTY BOOM OF THE SWISS FEDERAL INSTITUTES OF TECHNOLOGY IS NOT WITHOUT RISKS

The SFAO audits all of the accounts of the Swiss Federal Institutes of Technology Domain (ETH) every year<sup>21</sup>. A question arose in 2013. How broad is the consolidation scope of the two institutes' separate accounts? The reason for this question is the considerable rise – particularly at the Swiss Federal Institute of Technology Lausanne (EPFL) – in real estate, foundations and other entities around these institutions. That is why in 2014 the SFAO started an in-depth analysis of this EPFL environment, which is surging. The work will continue in 2015.

### Need to respect the rules of the ETH Board

Several findings and recommendations have been made to date<sup>22</sup>. Among other things, the SFAO has reminded the EPFL management of the need to stop depositing assets of the institute with entities that are external from a legal viewpoint.

Within the scope of the Campus Biotech project, the audit revealed the existence of a first lease for CHF 6 million p.a., excluding taxes and charges, for a period of 30 years from 28 June 2013. This contract was signed individually by the EPFL President, which contravenes the applicable provisions of the ETH Board. For the future, the SFAO recommended that the EPFL not sign any more leases of such significance in that manner, what is more, without the prior approval of the President of the ETH Board. This recommendation has been accepted by the EPFL management.

### Significant risks for the state financial statements

Similar questions arose during an audit on the impact of the EPFL Innovation Park project on the Confederation's accounts<sup>23</sup>. Originally, this public-private partnership (PPP) project envisaged the construction of a building for the creation of start-ups. There are now seven privately owned buildings for an investment of approximately CHF 135 million excluding VAT.

<sup>20</sup> According to Article 15 paragraph 3 of the FAOA, the SFAO has to inform the head of the federal department concerned and the Head of the Federal Department of Finance in the event of "anomalies or deficiencies of fundamental significance or considerable financial importance". If the facts concern the Federal Department of Finance, the Swiss President or Vice President is notified.

<sup>21</sup> Aside from the domain itself, this includes the ETH Board, the two institutes in Lausanne and Zurich, as well as the four affiliated research institutions.

<sup>22</sup> This audit of the financial statements of EPFL (audit mandate 14059) was reported to EPFL's Office of the President. Comments are also made in the audit report for audit mandate 14098 concerning the state financial statements.

<sup>23</sup> The audit report for audit mandate 13299 has been submitted to the Finance Delegation.





In the long term, the Innovation Park leases and tenancy agreements will nevertheless lead to considerable risks for the Confederation. The risk of ownership actually lies with EPFL. In the event of a downturn in the property market, the impact of this on EPFL would also have financial repercussions for the Confederation. The return of the buildings to the federal property portfolio would mean investor compensation, which would be subject to *subsequent* approval by Parliament.

The SFAO believes that EPFL should in the future submit this type of project to the ETH Board, together with an analysis of the financial impact on the accounts of the institute as well as those of the Confederation. More broadly, it is also a question of commencing a reflection at federal level on PPP financing and the supervision of such projects by the Confederation via the ETH Board, the Federal Finance Administration (FFA), the Federal Office for Buildings and Logistics (FOBL) and the State Secretariat for Education, Research and Innovation (SERI).

However, these findings should not hide the fact that the tender procedure within the framework of the realisation of the Innovation Park went well. EPFL was involved in the definition and execution of the construction project, in coordination with the investors and the construction consortium.

## C. PROFESSORS' SECONDARY OCCUPATIONS AND INCOME: EVERYTHING REMAINS TO BE DONE

In terms of higher education institutions, the SFAO found that several of its recommendations concerning the income from professors' secondary occupations were not implemented<sup>24</sup>. These recommendations aim to strengthen supervision and transparency in this area and prevent conflicts of interest. They should have been implemented in 2012. Nothing concrete has been done to date. Those involved in this sector – both at federal level and at the level of the higher education institutions – argue that the measures proposed by the SFAO would conflict with the independence of the cantons and that the current supervision is sufficient.

<sup>24</sup> The audit report for audit mandate 7308 is available on the SFAO's website.  
<http://www.sfao.admin.ch>

# PART 1: THE MAIN RESULTS



The SFAO audit over the Central compensation Office OASI / DI / APG as seen by Mix & Remix.

## 4. HEALTH AND SOCIAL WELFARE: TARIFF CODIFICATION AND PENSIONS

### A. TENDING TO THE CODIFICATION OF HOSPITAL TREATMENTS

Switzerland wishes to boost the competition between hospitals and keep the costs of these treatments under control. To do so, a new tariff system for hospital treatments was introduced in 2012. Swiss Diagnosis Related Groups (SwissDRG) are central to this billing system for acute somatic services. Effective since 2014, all health insurers have to have the infrastructure necessary to process this new type of bill.

The establishment of the system is thus recent. The SFAO took this into account in the course of its work which was published in February 2015<sup>25</sup>. Its aim was first to anticipate any problems and detect possible improvements. A complete analysis of the new hospital financing method will be conducted by the Federal Office of Public Health (FOPH) by 2018.

#### No unnecessary duplication in checks

In practice, Swiss hospitals “codify” their bills according to the SwissDRG, i.e. based on pathology groups, which determines a flat-rate payment. It is up to the health insurers to check these bills and their economic nature. SwissDRG bills account for only 1.5% of the almost 90 million bills verified by the health insurers. That is not much, but the average amount of these bills is high at approximately CHF 4,300, versus CHF 300 for a standard bill.

The cantons finance 55% of the inpatient services provided by public or private hospitals, versus 45% for the health insurers. Only three cantons also check SwissDRG bills, albeit more superficially. Unlike the health insurers, the cantons do not actually have access to patients’ medical details.

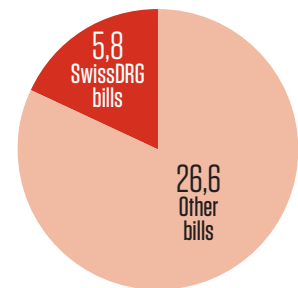
The SFAO made a reassuring discovery during its investigation in that it found no blatant overlaps between the checking activities of the health insurers and those of the cantons.

#### Designation of a conciliation body

Those involved, i.e. hospitals, health insurers and the cantons, believe that the quality of bill codification is good at present. The health insurers’ checks led to 0.5% of bill corrections in favour of or against hospitals. The only problem according to the SFAO is that there is still no way of saying whether this low percentage of corrections is genuinely due to high-quality codification or, more embarrassingly, to checks with too many shortcomings.

During their work, the SFAO experts became aware of an agreement between a university hospital and a health insurer. This agreement gives the insurer discounts if it does not exceed a certain quota of unwarranted requests for clarification regarding SwissDRG bills. It is impossible to know at the moment if this practice, which people with a one-track mind could consider as a form of “remuneration” for not checking, is unique or whether other hospitals also do likewise.

Volume of hospital bills  
 (In CHF bn)



SOURCES: SANTÉSUISSE, calculations SFAO

<sup>25</sup> The evaluation report for audit mandate 14367 is available on the SFAO’s website.  
<http://www.sfao.admin.ch/>

## 4. HEALTH AND SOCIAL WELFARE

Finally, the SFAO anticipates a potential problem in the event of disagreements between hospitals and health insurers regarding the codification of bills. As it happens, there is nowhere for arbitrating these conflicts. That is why the SFAO has suggested that the FOPH designate a conciliation body in order to render a final decision on these issues. Also in the case of corrections, it is important for hospitals to document these decisions and transmit them both to the health insurers and to the cantonal bodies.

### **An old recommendation has not yet been implemented**

In 2009, the National Council Control Committee criticised the fact that the definition of economic efficiency, one of the three criteria for accepting the coverage of treatment, is insufficient. It recommended to the Federal Council that it provide substance to the criteria governing the treatment coverage procedure and make it operational. The SFAO found that this problem has a specific impact in the area of acute care hospital services. The SFAO therefore reiterated its recommendation of 2009. The Swiss Conference of the Cantonal Ministers of Public Health supports this important recommendation. In its position statement, the FOPH indicated that the work is progressing. The results are expected at the end of 2015.

## B. CENTRAL COMPENSATION OFFICE IN TURMOIL

The SFAO paid particular attention to the Central Compensation Office (CCO), which is based in Geneva. For the first time in April 2014, the SFAO management had to inform the Federal Council of serious deficiencies and anomalies in the area of procurement and IT<sup>26</sup>.

What are we talking about? An audit was conducted in the spring of 2014<sup>27</sup> following several denunciations received from whistle-blowers and the transmission of a CCO internal audit report to the SFAO in October 2013. The SFAO believed it necessary to examine the integration of IT services, previously provided by the FOITT, within the CCO. This integration led to the creation of the Corporate Governance and Information Technology Division. This was supposed to bring significant improvements, i.e. better internal communication, better quality and security for operations and better IT governance.

These objectives had not been achieved when the SFAO visited. Considerable delays were found, even though the priority was wisely given to the continuity of operations. For the record, the CCO manages the accounts of the compensation funds for pensions from old-age and survivors' insurance (AHV), disability insurance (IV) and compensation for loss of earnings (EO). In 2013, it granted almost 800,000 monthly pensions and other benefits worth a total of CHF 10.5 billion.

### **Non-compliance with the Public Procurement Act**

However, the SFAO's findings do not stop there. The CCO had been buying goods and services for years without having a delegation of powers from the Federal Office for Buildings and Logistics (FOBL). Many contracts were placed by external CCO employees and outside of the framework set by the Public Procurement Act (PPA).

<sup>26</sup> According to Article 15 paragraph 3 of the FAOA, the SFAO has to inform the head of the federal department concerned and the Head of the Federal Department of Finance in the event of "anomalies or deficiencies of fundamental significance or considerable financial importance". If the facts concern the Federal Department of Finance, the Swiss President or Vice President is notified.

<sup>27</sup> The audit report for audit mandate 14504 is available on the SFAO's website. <http://www.sfao.admin.ch>



Fortunately, and contrary to the media allegations, no cases of corruption or favouritism were found during the SFAO's audit. This conclusion was corroborated by two administrative investigations conducted by Ernst & Young at the request of the Federal Finance Administration (FFA), the results of which were published in the summer of 2014<sup>28</sup>.

The appointment of a new director of the CCO in April 2014 sent out an encouraging signal in a gloomy working environment. More fundamentally, the SFAO experts recommend that the CCO's Internal Inspectorate be linked to the Director of the FFA in order to take account of the Central Compensation Office's special subordination to the Federal Finance Administration. The FFA agreed to take this recommendation into account in its deliberations. The SFAO, for its part, will follow this case in 2015.

## C. AN IT PROJECT AT A CROSSROADS

Switzerland is working together with the European Union (EU) on a huge IT project concerning the exchange of information between social security institutions. Called SNAP-EESSI, this project aims to replace the exchange of documents in hard copy with electronic exchanges. The Federal Council asked the SFAO to assess the status of this project, its progress and the risks threatening its completion<sup>29</sup>. The audit report was published in September 2014<sup>30</sup>.

In Switzerland, the Federal Social Insurance Office (FSIO) obtained a credit of approximately CHF 10.6 million for the SNAP-EESSI project. On paper, the programme and its management are going well. But it is being forced to wait. In the SFAO's opinion, it is impossible to say whether this programme can be completed in the timeframe initially planned and whether the funds will be sufficient.

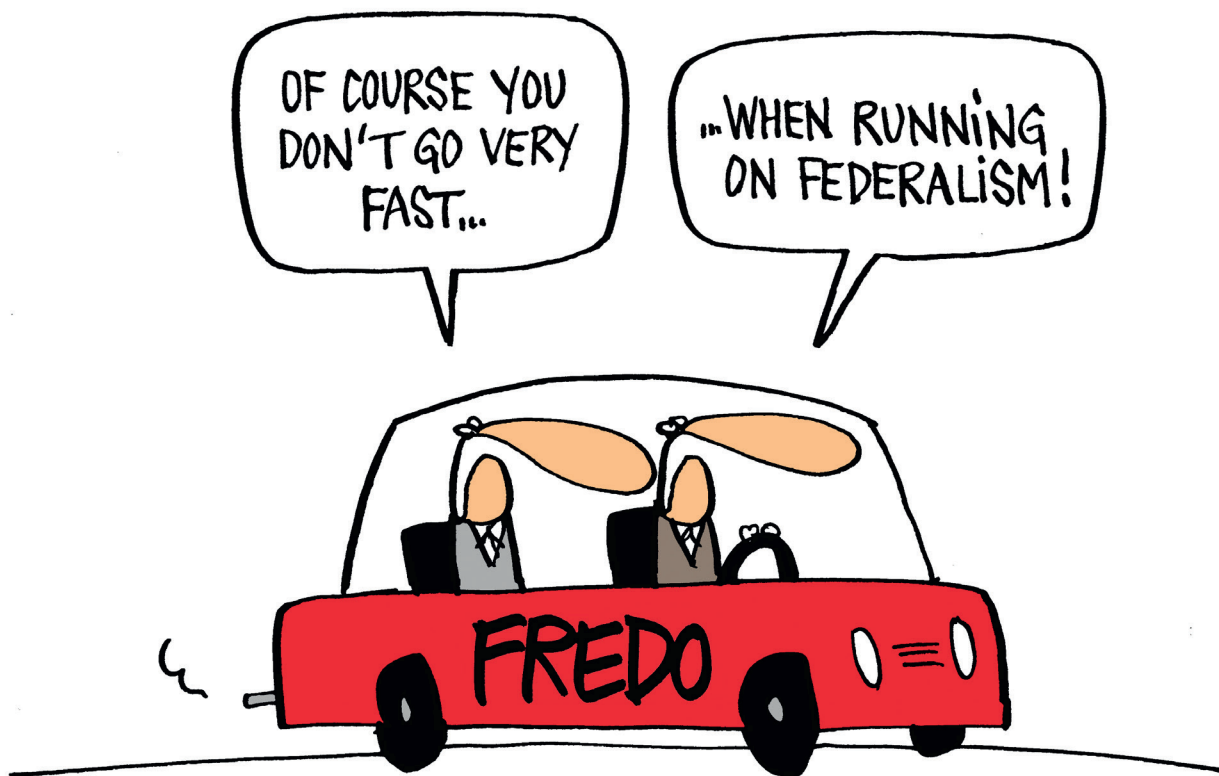
The reason is simple. The conditions for its development cannot be controlled by the FSIO. Initially planned for 2012, the implementation of SNAP-EESSI was pushed back to 2014 by the EU, before being postponed indefinitely.

<sup>28</sup> For further information, see the FFA's press release and the two reports mentioned. <http://www.admin.ch/aktuell/00089/?lang=fr&msgid=53656>

<sup>29</sup> The Federal Council defined four initial key IT projects on 16 April 2013.

<sup>30</sup> The audit report for audit mandate 13505 is available on the SFAO's website. <http://www.sfao.admin.ch/>

# PART 1: THE MAIN RESULTS



MIX & REMIX

The SFAO audit over an ICT project at FEDRO as seen by Mix & Remix.

## 5. MOTORWAYS: CUMBERSOME IT AND PURCHASES WITHOUT ANY FRAMEWORK

The SFAO continued its audits at the Federal Roads Office (FEDRO) in 2014. For the record, problems had been identified with the IT application TDcost back in 2013. Its development and the investments in this project made FEDRO dependent on a supplier and on a subcontractor<sup>31</sup>.

Two lines of action were on the 2014 agenda. Firstly, there was the IT project that makes it possible to manage vehicle licensing information in Switzerland. This was a request from the Federal Council, as the IT programme was on the list of key federal projects dated April 2013<sup>32</sup>. Secondly, the SFAO looked at the issue of contracts for purchases of goods and services by FEDRO's procurement office.

The two audit reports were published in September and November, respectively. While the first one was an ordinary SFAO publication, access to the second one was obtained thanks to a journalist's request based on the Freedom of Information Act (FoIA)<sup>33</sup>.

### A. AN IT PROJECT THAT IS A VICTIM OF FEDERALISM

Two years behind schedule and an overrun of CHF 13 million: that is one of the conclusions of the SFAO experts who examined the vehicle licensing information system (IVZ). This system is supposed to replace the current software (MOFAD), which has been in use for more than 30 years.

In terms of figures, IVZ will enable 2,500 users – police force, customs, public administration, etc. – to process 12 million pieces of data and carry out 3 million searches per day. The total volume of data collected to date is almost 2.5 terabytes. According to FEDRO, and after a final delay of five months decided during the SFAO's audit, IVZ will have cost more than CHF 30 million. It is due to be launched in April 2015.

#### **Preliminary analyses not exacting enough**

There are several reasons for this partial failure. Originally, preliminary studies showed that, like an equivalent system used in Germany, a centralised database for the whole of Switzerland was the wisest approach from an economical and technical viewpoint. But that approach was not chosen. As a result, the IVZ project has an extremely complex organisation, particularly because of the specific powers of the Confederation and of the cantons. In other words, the problems for the future IVZ were caused more by federalism than federal IT itself.

The analysis of IVZ's predecessor, MOFAD, and its 1.7 million lines of code was also done in an overly superficial manner. Consequently, the work involved was underestimated, which the SFAO believes could have been avoided. In view of the project's complexity and scope, the final costs and duration are not surprising.

Having said this, the final costs are in line with what has been done. The project leaders are following its progress and the latent risks in a proper manner.

<sup>31</sup> For further information, see the SFAO's annual report for 2013, which is on its website. <http://www.sfao.admin.ch>

<sup>32</sup> The Federal Council defined four initial key IT projects on 16 April 2013.

<sup>33</sup> Both reports are freely accessible on the SFAO's website. <http://www.sfao.admin.ch>

### B. DIRECT CONTRACTS ARE SUBJECT TO STRICT RULES

Another area in which the SFAO is always interested is the procurement of goods and services by the Federal Administration. 315 mandates awarded by FEDRO's Central Services between 2011 and 2012 were examined. 293, worth a total of CHF 40.2 million, or almost two thirds of the full amount under review (CHF 62 million), were granted without being put out to tender.

This proportion is problematic. The Public Procurement Act (PPA) certainly authorises exceptions when awarding direct contracts<sup>34</sup>, for example if only one company can supply the goods or services required or in urgent situations. There is a blatant discrepancy here. The SFAO is thus calling for greater competition when awarding these contracts for the procurement of goods and services.

Finally, FEDRO's internal procedure for whistle-blowers does not guarantee its employees the full independence required for this type of procedure. The organisation of this internal procedure is not in compliance with the Federal Personnel Act (FPA). In actual fact, whistle-blowers, including FEDRO employees, also have to have the possibility of reporting directly to the SFAO.

### C. TWO SFAO RECOMMENDATIONS ARE STILL PENDING AT FEDRO

The SFAO has found that two important recommendations made to FEDRO management back in 2010 are struggling to be implemented<sup>35</sup>. Both of them concern the control system for the operating and safety equipment for Swiss roads and tunnels ("Systemarchitektur Schweiz" or SA-CH). After a follow-up audit, the SFAO doubts that it will be possible for one of these two recommendations to be completed by the end of 2015. Regarding the second one, the implementation timeframe has been extended. For the SFAO, combining different technical systems seems fundamentally problematic in FEDRO's project.

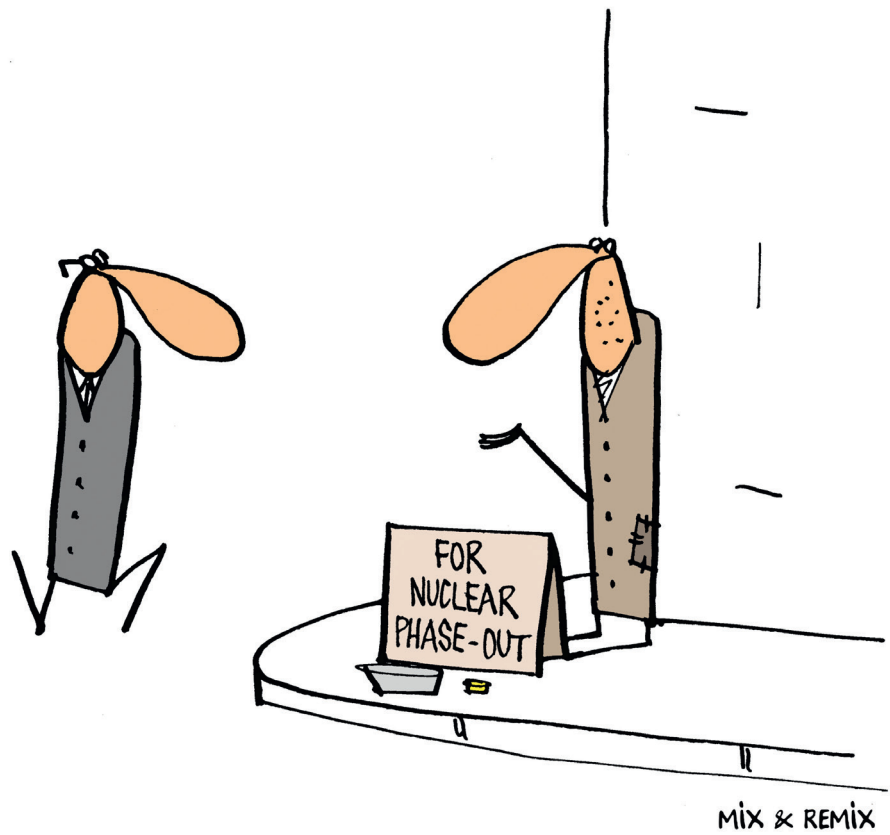
<sup>34</sup> According to the PPA, any contract exceeding CHF 230,000 has to be put out to tender. An invitation to tender with at least three companies is possible for contracts exceeding CHF 150,000 for services or CHF 50,000 for goods.

<sup>35</sup> Audit report 10048 was completed in August 2010 and was submitted to the Finance Delegation.





# PART 1: THE MAIN RESULTS



The SFAO audit over Decommissioning and Disposal funds for nuclear installations as seen by Mix & Remix.



## 6. ENERGY: HAVING FUTURE GENERATIONS FINANCE THE WITHDRAWAL FROM NUCLEAR POWER?

### A. POST-NUCLEAR POWER AND THE FINANCIAL RISKS FOR THE CONFEDERATION

As chance would have it, although its audit work commenced at the end of 2013, the SFAO published a report on nuclear power on 26 November 2014<sup>36</sup>. That was when the Federal Assembly attacked the 2050 energy strategy dossier. The SFAO's audit covered two funds that will pay for the post-nuclear era. One has to enable nuclear waste to be managed and the other the decommissioning of nuclear power plants. These funds are currently financed by the contributions from nuclear power plant operators. According to Swiss electricity grid operators, it will be necessary to find a total of more than CHF 20.7 billion eventually<sup>37</sup>.

The issue is straightforward for the SFAO. What are the legal and financial risks of the post-nuclear era for the Confederation, particularly with regard to these two funds? After more than a year of work, the SFAO concluded that these risks were high. It is worried, and that is why it went to the Federal Council and the Federal Department of the Environment, Transport, Energy and Communications (DETEC) on 31 October 2014, even before publishing its report<sup>38</sup>.

So what is the problem? It lies in the estimate of the final costs, as this estimate has a direct impact on the amount of the contributions paid by the operators of these nuclear power plants. It is all based on an overly optimistic scenario. Certain factors are not taken into account (legal uncertainties, appeals, increase in technology costs, etc.). Consequently, other scenarios have to be defined and the most realistic has to be chosen, which could also imply an increase in the operators' contributions.

Mindful of the stakes, the Federal Council revised the Ordinance on the Decommissioning Fund and the Disposal Fund for Nuclear Installations (DDFO) in June 2014. That was a first step in the right direction.

#### **Influence of operators and lack of independence**

Another area of concern is the overlapping responsibilities between the representatives of the Confederation and those of the electricity grid operators in the management and supervisory bodies of the two funds. The operators have too much of an influence. Consequently, it is necessary to create an independent public institution with independent people from both the operators and the Confederation.

Swisselectric, the organisation of Swiss electricity grid operators, criticised the SFAO's work on the grounds that the audit assumptions are incorrect and that the risk for the Confederation is overestimated. The DETEC, for its part, agreed to integrate the SFAO's recommendations in the next revision of the DDFO.

The SFAO believes that the difference of opinion between the electricity grid operators and the DETEC demonstrates how difficult it is to have joint management of the post-nuclear era and that it is necessary to create an independent body quickly.

<sup>36</sup> The audit report for audit mandate 14172 is available on the SFAO's website.  
<http://www.sfao.admin.ch/>

<sup>37</sup> See the website of Swissnuclear in this regard.  
<http://www.swissnuclear.ch/en/>

<sup>38</sup> According to Article 15 paragraph 3 of the FAOA, the SFAO has to inform the head of the federal de-partment concerned and the Head of the Federal Department of Finance in the event of "anomalies or deficiencies of fundamental significance or considerable financial importance". If the facts concern the Federal Department of Finance, the Swiss President or Vice President is notified.

# PART 1: THE MAIN RESULTS



MIX & REMIX

The SFAO audit of the ICT project  
"Land Forces Command Information System"  
as seen by Mix & Remix.

## 7. ARMED FORCES: ANY END TO THE IT QUAGMIRE IN SIGHT?

### A. PERSISTENT DIFFICULTIES FOR MILITARY IT

For almost ten years now, the Swiss Armed Forces' Land Forces have been struggling to get their command information system project (Land Forces CIS) in good working order. Acquired for CHF 702 million within the framework of the 2006 and 2007 armament programs, this project also received an additional CHF 34 million for the procurement of real estate. It has seemed clear since 2012 that only some of the objectives initially set for the Land Forces CIS are achievable, and even those will not be achieved until 2018 at the earliest. The objectives have thus been lowered, at least temporarily<sup>39</sup>.

The SFAO audited this slimmed-down version of the Land Forces CIS at the request of the Finance Delegation. Its report was published at the end of 2014. While the project is still suffering from past errors – not least its reputation among the general public – it has to be said that this new phase of the programme is progressing correctly. The project management is good and the staff motivated.

There are still difficulties associated with the complexity of the future operation and its use by a militia army, not to mention the fact that, according to the SFAO, weaknesses remain in terms of staff resources in key positions. At present, for example, risk management is performed by the project leader, which is not ideal. The SFAO believes that these functions have to be separated, but the Federal Department of Defence, Civil Protection and Sport (DDPS) claims this is impossible due to a lack of resources.

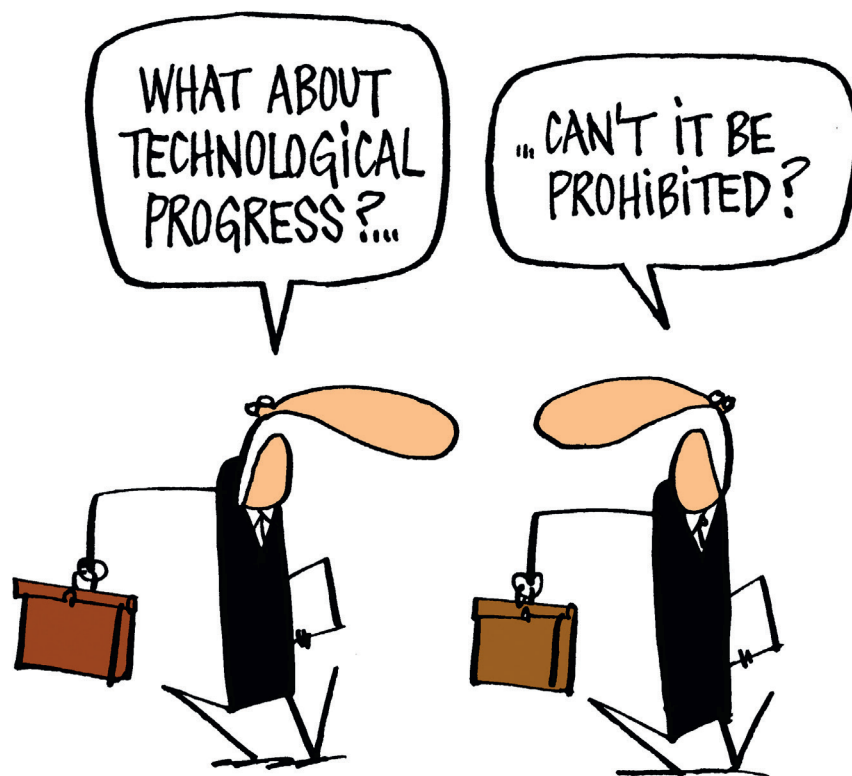
#### IN THE SPOTLIGHT

#### MAJOR SECURITY MEASURES, BUT TO BE WATCHED

The Federal Council has granted the Federal Department of Foreign Affairs (FDFA) three credits worth a total of CHF 21.4 million since 2004 in order to strengthen the security measures for international organisation. Budget overruns occurred in certain cases, such as the Centre William Rappard in Geneva. The project originally envisaged costs of CHF 8 million, versus current estimates of approximately CHF 13.5 million\*. The SFAO suggested that the FDFA should in the future improve its supervision of such projects and clarify the related powers between the FDFA, the Building Foundation for International Organisations and the international organisations themselves. The FDFA has taken these recommendations on board.

\* The audit report for audit mandate 14478 is available on the SFAO's website. <http://www.sfao.admin.ch>

<sup>39</sup> Originally, Land Forces CIS was supposed to include every group vehicle in its system. This objective has now been lowered to company level on a temporary basis.



MIX & REMIX

The SFAO audit of the ICT project "Interception System Switzerland" (telephone tapping) as seen by Mix & Remix.



## 8. JUSTICE AND POLICE: AN IT PROJECT REVIVED

### A. THE WALLS WILL SOON HAVE EARS

Recently in the history of federal IT, the Interception System Switzerland (ISS) programme was the second project already under way, after INSIEME, to be abandoned by the federal authorities. A major difference was that this failure amounted to CHF 17 million, versus CHF 115.9 million for INSIEME. Another difference is that some of the work carried out as part of ISS 1.0 can be reused for ISS 2.0, whose launch was announced in September 2013.

The SFAO experts focused on the project ISS 2.0. Their mandate did not include the errors made in the past. Just like the federal authorities, they found that the current telephone tapping system is notoriously obsolete.

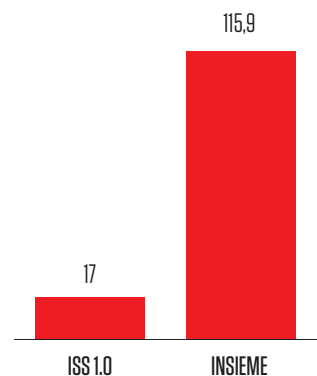
#### Ensure the continuity of the tapping system at all costs

What can be said about ISS 2.0? Firstly something positive: the project management has been revised and functions well. Indicating a strong political will, it is under the responsibility of the General Secretariat of the Federal Department of Justice and Police (FDJP). The stakeholders – federal and cantonal police forces, criminal prosecution authorities, etc. – are involved in monitoring.

The SFAO expressed only two reservations. The first concerns the difficulty in delimiting the scope of surveillance. New requests from users could slow down the development of ISS 2.0 and make it more complex. Another problem is that it is difficult to determine at present the quantity and type of data that will be processed by ISS 2.0. This is an important matter in view of the surge in Voice over IP. Consequently, it would be wise not to give too broad a scope to ISS 2.0 and to provide for a buffer system to deal with peaks in the volume of data to be processed. The SFAO believes that this strategic orientation has not been sufficiently factored into the current project.

Finally, the SFAO recommends that the FDJP prepare emergency plans when moving to the new ISS 2.0 system in order to ensure the continuity of telephone tapping for the criminal prosecution authorities.

IT projects in turmoil  
 (in CHF mn)



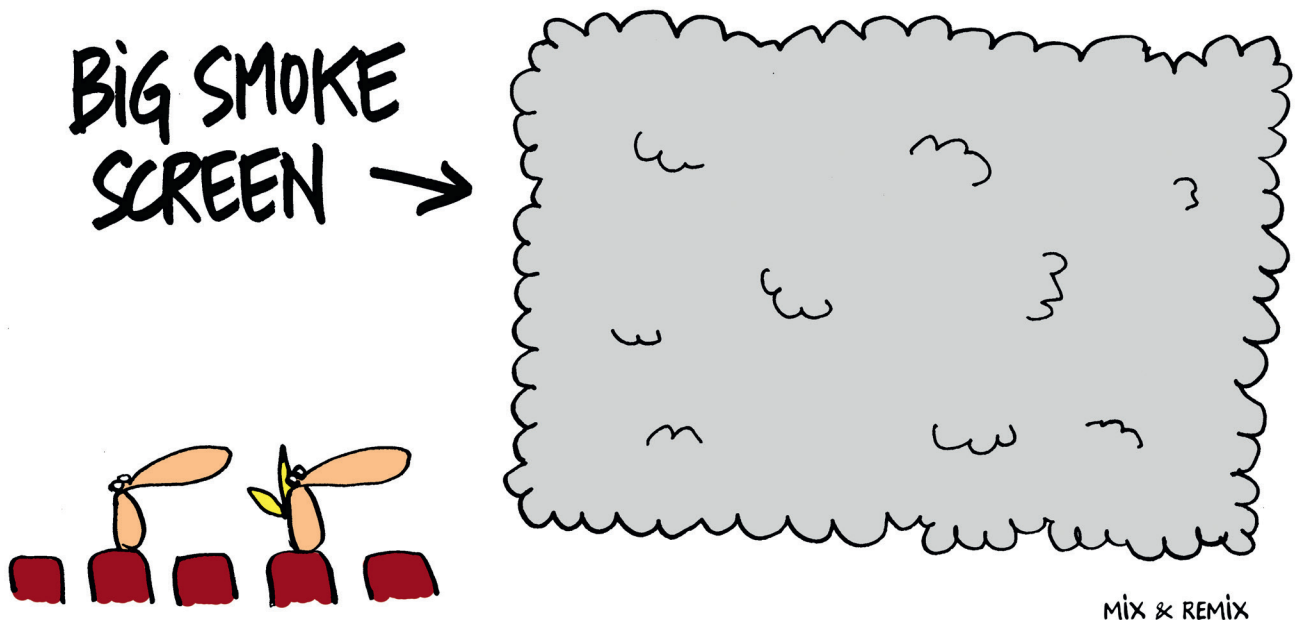
SOURCES: FDJP, SFAO

#### IN THE SPOTLIGHT

#### EXPLORATION OF ECONOMIC CRIME

With the assistance of the former Ticino prosecutor Paolo Bernasconi, the SFAO organised four discussion sessions on white-collar crime before the summer of 2014. They will lead to a summary report in the first half of 2015. Conducted on an exploratory basis, these discussions brought together around 40 specialists, particularly prosecutors, senior federal and cantonal officials, corruption specialists, auditors, bankers and insurers. They enabled the SFAO to devise future audit topics. Examples that will be on the agenda for the SFAO's next programme include the roles of the commercial register and the supervision of foundations in Switzerland.

# PART 1: THE MAIN RESULTS



The SFAO audit over the National Film Archive Foundation ("Cinémathèque Suisse")  
as seen by Mix & Remix.





## 9. CULTURE

### A. THE PENTHAZ FILM DEPOSITORY: WHAT PURCHASES FOR WHAT STRATEGY?

The future research centre and archive of the National Film Archive Foundation (“Cinémathèque Suisse”) in Penthaz, canton of Vaud, is to open its doors in 2018. At the moment, its archives are closed and unavailable for researchers and other users. Costing almost CHF 50 million, the federal building is under construction.

The SFAO audited this project run jointly by the Federal Office for Buildings and Logistics (FOBL) and the Federal Office of Culture (FOC)<sup>40</sup>. On a positive note, it was found that the organisation of the project, its realisation and the purchases made during the project were dealt with properly by the FOBL.

The situation is more complicated at the FOC and at the National Film Archive Foundation. The FOC granted two special credits of CHF 19.2 million in 2009 and 2011, with around CHF 12 million allocated to investments associated with the work at the Penthaz archive. The FOC would be supposed to monitor the acquisitions of the National Film Archive, but precise information on the use of certain funds is not available and certain National Film Archive purchases were not in line with the applicable standards.

It appears to the SFAO that the National Film Archive, its Foundation Board and management do not pay enough heed to significant concepts in the area of procurement, e.g. competition, transparency, equal treatment and profitability. Moreover, there is no strategy for film digitisation and archiving, which would actually be one justification for the future Penthaz centre. Without a definition of the needs and a clear view of what is – or is not – to be archived, it does not make much sense to define the financing a priori and thus to anticipate expenditure. For the record, the National Film Archive has the unique feature of storing all of the films shown in Switzerland.

The SFAO believes that all expenditure should be stopped in the absence of more precise information on this strategy for film digitisation and archiving, especially since the Federal Assembly is due to decide on these financial aspects in 2015 within the framework of the Federal Council’s culture dispatch (2016-2020)<sup>41</sup>.

#### IN THE SPOTLIGHT

#### THE ARAB SPRING AND SWITZERLAND’S COMMITMENT

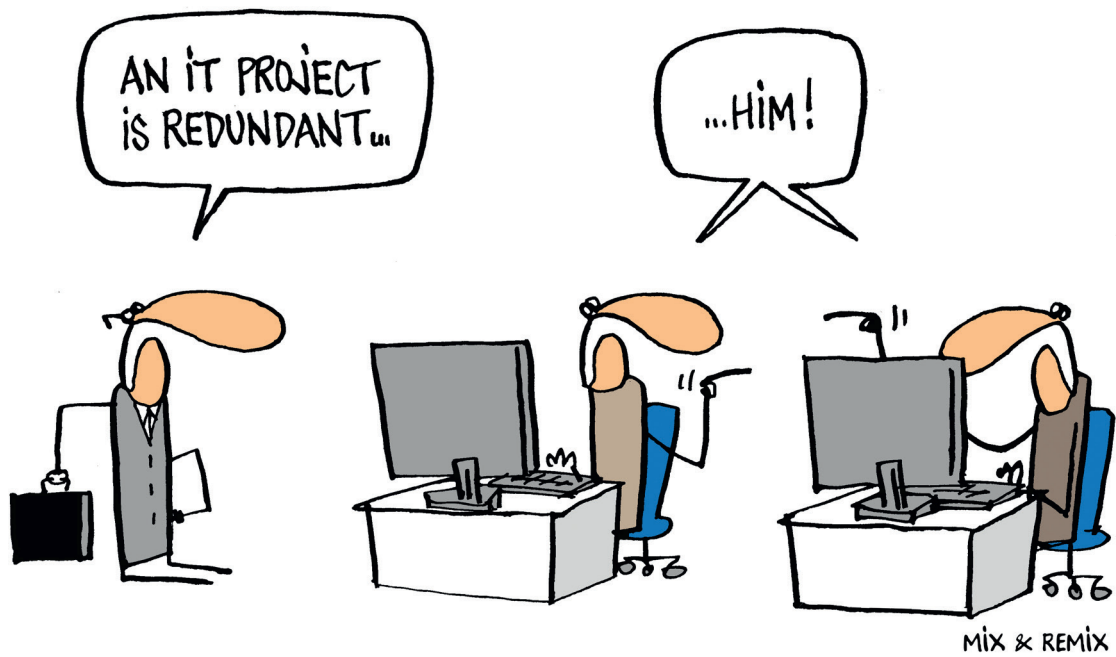
On 11 March 2011, the Federal Council launched a development and cooperation programme in Northern Africa. It is run by the Swiss Agency for Development and Cooperation (SDC), with the assistance of the Federal Department of Foreign Affairs (FDFA), the EAER and the FDJP. The programme covers Tunisia, Egypt, Libya and Morocco. CHF 135.28 million had been spent by the end of 2013, which was less than the budget initially planned. Three years on, the SFAO found in its audit\* that the management of the programme was too fragmented. The roles and responsibilities of the various federal offices are not clearly defined. According to those involved, the project seems too vast and the topics – a total of 16 – too diffuse. The specification of country strategies would make sense, particularly against the backdrop of the significant differences between the countries in Northern Africa. The number of topics should be reduced if the programme is pursued. In Tunisia, the SFAO found that federal employees were managing 72 projects, for example. The management of these projects does not warrant criticism, but the excessively high number gives rise to scepticism with regard to a decisive impact everywhere.

\* The audit report for audit mandate 14375 is available on the SFAO’s website. <http://www.sfao.admin.ch>

<sup>40</sup> The audit report for audit mandate 13386 was submitted to the Finance Delegation in September 2014.

<sup>41</sup> For further information, see the Federal Council press release dated 28 November 2014. <https://www.news.admin.ch/message/index.html?lang=fr&msgid=55445>

# PART 1: THE MAIN RESULTS



Two SFAO audits on key ICT projects  
as seen by Mix & Remix.



## 10. IT PROJECTS: CONTENT MANAGEMENT AT ISSUE

Today, content management systems (CMS) are part of the classical IT projects of large organisations such as the Federal Administration. These systems manage the publication of intranet and internet content, for example. The Federal Council instructed the SFAO to audit two CMS, one operated by the Federal Office of Information Technology, Systems and Telecommunication (FOITT) and the other by the Federal Department of Defence, Civil Protection and Sport (DDPS).

### A. A HARMFUL LACK OF SYNERGY

At the FOITT, the current CMS based on the software IMPERIA is obsolete. Introduced almost ten years ago, it offers services for the publication of thousands of intranet and internet pages at the Confederation. Changing it is thus a matter of urgency. That is the aim of the programme CMS.nextgen, which will cost more than CHF 5 million. However, the SFAO noted that the exact cost is still vague<sup>42</sup>. It regrets that the project was commenced without first examining the various options possible.

The Armed Forces Command Support Organisation wanted to replace its CMS, which dates back to 2007. Following some delays, the case was finally taken up by the DDPS General Secretariat in June 2013. The current project includes a basic contract worth CHF 7.3 million for changing the software, integrating ten peripheral systems and operating the system for five years, as well as transforming 35 websites and over 79,000 intranet and internet pages. An option costing CHF 148 million would make it possible to extend the operating period to 13 years and propose this CMS to the entire Federal Administration. The DDPS has had to appoint external staff. 26 service level agreements worth CHF 5.9 million have been awarded. Two of these were awarded directly, which was not fully in compliance with the legal provisions<sup>43</sup>. For the SFAO, it is doubtful whether the current project can be completed by the end of 2016 as planned.

Furthermore, these two CMS projects have very similar aims. The same products and the same suppliers have been chosen. Consequently, the question was whether it would have been more appropriate to launch only one project, or indeed to merge the two projects that are under way. The SFAO believes that the Confederation missed an opportunity to coordinate twin projects. Unfortunately, these two had progressed too far by the time of the audit for a merger to be feasible. The Federal Council accepted the SFAO's recommendations. In the future, it will seek to identify and exploit such synergies at an earlier stage.

<sup>42</sup> The audit report for audit mandate 14559 is available on the SFAO's website.  
<http://www.sfao.admin.ch/>

<sup>43</sup> The audit report for audit mandate 14560 is available on the SFAO's website.  
<http://www.sfao.admin.ch/>

### B. IMPORTANT RECOMMENDATIONS STILL PENDING

In February 2009, within the framework of an audit at the FOITT, the SFAO made several recommendations concerning the network security policy (NSP) of the Swiss Conference on Informatics. With common standards, this NSP should strengthen the security of IT exchanges between the Confederation and the cantons, as well as between the cantons. Among other measures, the SFAO recommended to the FOITT that it ensure the quality of security with periodical audits of its cantonal partners. Despite some progress, the SFAO believes that the recommendation has not yet been fully implemented.

During an audit at the Federal Statistical Office (FSO)<sup>44</sup>, the SFAO followed up on the recommendations made in 2012. One of these concerned the establishment of appropriate business continuity management (BCM). Among other things, this recommendation called for the definition of several scenarios to enable operations to be maintained (risk analysis, preventive measures, priority activities, etc.). The FSO has not yet implemented this recommendation sufficiently.

<sup>44</sup> The audit report for audit mandate 14421 is available on the SFAO's website.  
<http://www.sfao.admin.ch/>

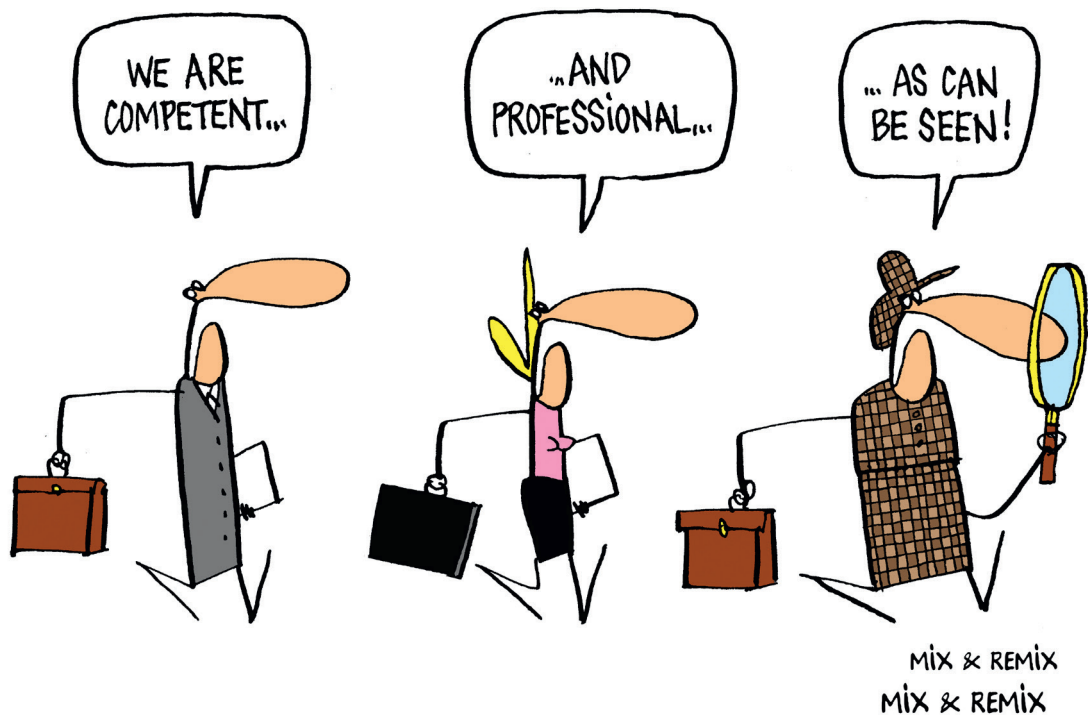






## PART 2

# FINANCIAL SUPERVISION MEANS AND FIGURES



The SFAO as seen by Mix & Remix.





# 1. FINANCIAL SUPERVISION: OBJECTIVES, RESOURCES AND SCOPE

## A. OBJECTIVES

The Swiss Federal Audit Office (SFAO) is the supreme financial supervisory body of the Swiss Confederation<sup>45</sup>. It assists the Federal Assembly with its supreme supervision of the Federal Council and its supervision of the Federal Administration. Its audit scope covers:

- The Federal Administration and its central and decentralised units
- Parliamentary Services
- The recipients of financial aids and grants
- Public bodies, institutions and organisations that the Confederation has charged with performing public tasks
- Enterprises in which the Confederation has a majority shareholding
- Federal Courts, the Swiss Financial Market Supervisory Authority (FINMA) and the Federal Audit Oversight Authority (FAOA), if this comes under supreme supervision by the Federal Assembly<sup>46</sup>

SFAO audits focus on management. The SFAO's resources are allocated first and foremost to financial supervision, particularly performance audits and evaluations.

The SFAO also takes on audit body mandates if they allow for synergies with its financial supervision, if they are interesting by their very nature, if they are desirable from a political viewpoint or if they are in the public interest.

The SFAO cooperates with the Confederation's finance inspectorates. It works to strengthen them, and to ensure the quality of their work and their independence.

The SFAO works with the cantonal audit offices, particularly within the framework of the new fiscal equalization system.

The SFAO coordinates the audits of audit bodies in order to prevent overlaps and shortcomings that are unacceptable for audits. It coordinates its programmes with the finance inspectorates and the parliamentary supervisory authorities. However, this coordination reaches its limits, e.g. when the audit methods and mandates diverge too much or when the parliamentary supervisory committees change the priorities because of what is in the news.

<sup>45</sup> Federal Act of 28 June 1967 on the Swiss Federal Audit Office (FAOA).

<sup>46</sup> The only exceptions are as follows: the Swiss National Bank and the Swiss Broadcasting Corporation (SRG SSR) are not subject to supervision by the SFAO. However, the Head of the Federal Department of the Environment, Transport, Energy and Communications (DETEC) can instruct the SFAO to perform special audits at the SRG SSR. With the exception of its military insurance sector, the Swiss Accident Insurance Fund (SUVA) is not subject to SFAO supervision either.



## 1. FINANCIAL SUPERVISION

### B. FROM AUDITING THE ACCOUNTS TO BROADER SUPERVISION

The SFAO checks the Confederations' accounts every year. However, its external auditor mandates also cover:

- The compensation funds for old-age and survivors' insurance (AHV), disability insurance (IV), compensation for loss of earnings (EO) and unemployment insurance (ALV)
- The fund for major railway projects
- The infrastructure fund
- The Swiss Federal Institutes of Technology Domain
- The Swiss National Science Foundation
- The Swiss Alcohol Board
- Swissmedic
- The Swiss Federal Institute of Intellectual Property
- The Swiss Federal Institute of Metrology
- FINMA and the Federal Audit Oversight Authority
- The Universal Postal Union and the World Meteorological Organization

Financial supervision does not deal solely with accounting consistency, but also covers issues to do with substantive legality, economics, profitability and the effectiveness of expenditure. In this regard, the SFAO checks whether resources are used economically and whether expenditure achieves the desired effect<sup>47</sup>. Finally, the Federal Council and Parliament, thanks to its Finance Delegation, can give the SFAO special mandates.

The financial supervision audit reports help the Finance Delegation to perform its supreme supervision of the Federal Administration. If need be, it can go to the Federal Council.

### C. QUALITY ASSURANCE AND RESOURCES

Proof of a constantly improving administration for the community, financial supervision is based on know-how, professional experience and social skills. Just like a private audit firm, the SFAO is duly registered with the FAOA.

The SFAO attaches great importance to training and continuing professional development for its employees. Courses are organised in January for the staff of the SFAO, the Confederation's finance inspectorates and, to some extent, those of the cantonal audit offices. Its employees are required to enhance their knowledge in their area and pass this on within the SFAO.

For 2015, Parliament gave the SFAO credits of almost CHF 25.6 million. SFAO employees will carry out almost 90% of the annual programme. The remaining 10% will be performed by duly mandated external employees<sup>48</sup> working under the responsibility and management of the SFAO.

<sup>47</sup> Article 5 of the Federal Audit Office Act.

<sup>48</sup> Article 3 of the Federal Audit Office Act.

## D. MAIN AUDIT AREAS

Based on its statutory mandate, strategy and annual objectives, the SFAO has defined the following main focus areas for its annual programme:

### **State financial statements**

Parliament has to be able to ensure that the federal financial statements have been verified by an independent auditor, i.e. the SFAO, before they are approved and that the figures correctly reflect the Confederation's financial situation. The finance inspectorates are involved in auditing the accounts in the individual units. The audit findings are then delivered to the Finance Committees in an attestation report and to the Federal Finance Administration in a detailed explanatory report, which the SFAO also submits to the Finance Delegation.

### **Swiss Federal Institutes of Technology**

The SFAO audits the annual accounts of the ETH Domain, i.e. the accounts of the ETH Board, the two institutes of technology and the four research institutions. The auditing of the ETH Domain's various accounts facilitates the performance of more in-depth audits in terms of financial supervision.

### **Social security funds**

The SFAO executes mandates to audit the AHV, IV, EO and unemployment insurance compensation funds, as well as the Federal Compensation Office and the Swiss Compensation Office.

### **Alpine crossings**

The SFAO is tasked with performing supreme financial supervision and coordinating the various audit services and supervisory bodies for the construction of transalpine rail crossings. Each audit body assumes responsibility for its own audits. The SFAO ensures that there are no overlaps or gaps. The SFAO also conducts its own audits, particularly on work sites, and verifies the accounts of the fund for major railway projects.

### **Fiscal equalization**

Effective since 2008, the SFAO has been auditing the calculation basis as well as the determination of resource equalization and cost compensation indices in the 26 cantons and at the federal offices. An error in the baseline data or the processing of such data could have a considerable financial impact for the cantons and the Confederation. The aim is to verify that the tax data of all of the cantons over a four-year period is transferred correctly.

### **IT audits**

The SFAO traditionally audits federal IT. Checking numerous applications' profitability, operation, development and information security accounts for a significant share of its annual programme.

### **Key IT projects**

In March 2013, the Federal Council charged the SFAO with auditing and monitoring key IT projects within the Confederation. These are projects which cost more than CHF 30 million or are of strategic importance. A dozen such projects are thus audited every year.



## 1. FINANCIAL SUPERVISION

### **Performance audits and evaluations**

For the SFAO, an evaluation involves systematically and objectively analysing and assessing the concept, realisation and impact of public subsidies, policies, programmes and projects. A performance audit is limited to implementation and analyses the relationship between financial resources (input) and the products or services financed (output). New evaluation projects are put in concrete form using various suitability criteria and are preceded by a concept phase. During evaluations, the participation of the relevant stakeholders and target groups is of paramount importance for the SFAO. An evaluation's success depends on it.

### **Subsidy audits**

The SFAO is obliged to verify that the Confederation's contributions are used legally, correctly and economically. Audits of the competent offices and recipients are planned, particularly in the areas of culture, development assistance, the economy, science, the environment and health. These audits also cause the SFAO to verify projects abroad, e.g. within the framework of development assistance or the contribution to EU enlargement.

### **Construction and procurement audits**

The SFAO carries out special construction and procurement audits. It can check specifications or projects before they are approved. The audits are conducted during the construction phase, but primarily at an early stage, as that gives greater leeway in the event of adjustments.

Environmental issues as well as public-private partnerships (PPP) and building automation systems are becoming increasingly important. The audits cover critical needs analysis, sustainable task execution and lifecycle costs.

With regard to the core procurement area, the SFAO examines both economic criteria and compliance with the legal requirements. In the case of suppliers that have a monopoly, it also verifies that they have not abused that position. Finally, the SFAO checks that there are smooth relations between internal service providers and those who use these services within the administration.

### **Administrative unit governance audits**

The decision to conduct an audit in the administrative units is based on risk analysis. The deciding factors are the financial volume, new or changed tasks, the complexity of processes, governance, the findings from previous audits, IT and political importance.



### **Federal government companies**

The SFAO's audits of federal government companies help Parliament with its supreme financial supervision tasks and target specific risks.

### **International organisations**

The SFAO performs several mandates at international organisations. These traditionally fall to Switzerland – e.g. the Universal Postal Union based in Bern and the World Meteorological Organization, based in Geneva – or have to be taken on by Switzerland on a rotating basis as a member of the corresponding organisation. With regard to auditing the accounts of the UN's specialised agencies, the SFAO is part of the United Nations' nine-member panel of external auditors. This provides a forum for the mutual exchange of experience with foreign audit authorities.



## 2. THE SFAO: ORGANISATIONAL CHART



Brigitte Christ,  
Vice Director

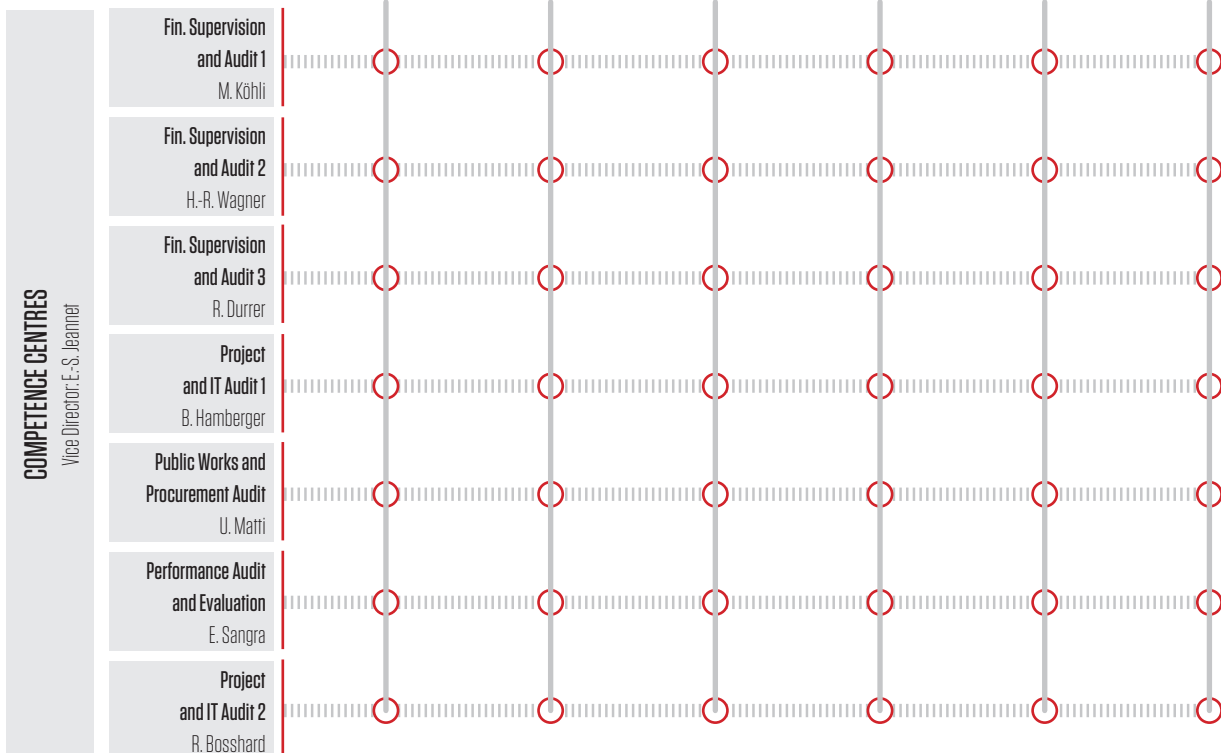


Michel Huissoud,  
Director



Eric-Serge Jeannet,  
Vice-director

Human Resources and Backoffice G. Tschofen		Legal Service and Public Relations P. Marti		Central Services G. Roux	
<b>MANDATE SECTOR</b> Vice Director: B. Christ					
DHA / DDPS J.-M. Blanchard	DFA / Int. Organisations D. Monnot	DETEC R. Scheidegger	PS / FC / Fch / EAER G. Demaurex	FDF A. Meyer	FDJP / Publ.Health / Social Security / Courts of Justice W. Risler





## 3. THE SFAO: FACTS AND FIGURES

### A. HUMAN RESOURCES

In 2014, the SFAO had a budget of CHF 23 million. Its income amounted to around CHF 2 million.

	2012 financial statements	2013 financial statements	2014 budget	2014 financial statements	Difference vs. 2014 budget
<b>Expenses</b> (in thousands of CHF)	20,463	21,022	24,591	23,028	<b>-1,563 (-6.4%)</b>
<b>Revenue</b> (in thousands of CHF)	1,571	1,726	1,432	1,986	<b>554 (+38.7%)</b>

On 31 December 2014, it had a staff of 102 (91.2 FTEs), versus 95 (84.9 FTEs) a year earlier. Net employee turnover was 1%.

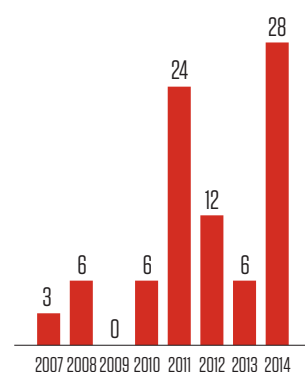
At the end of 2014, 27 women (26.5%) and 75 men (73.5%) worked for the SFAO. There were 79 native German speakers, 22 French speakers and one Italian speaker.

### B. REQUESTS FOR ACCESS TO INFORMATION (FREEDOM OF INFORMATION ACT)

The Federal Act on Freedom of Information in the Administration (FoIA) came into effect in 2007<sup>49</sup>. The SFAO was opposed to being subject to this law originally, but seven years on, this legislation has not hampered its work. In 2014, access was granted to 28 SFAO audit reports based on the FoIA.

Within the framework of the evaluation on the FoIA carried out by the Federal Department of Justice and Police (FDJP), the SFAO did not propose any derogation for its own documents. Since 2014, it systematically publishes the reports of public interest. Next year, it should have around 50 publications.

Requests based on the FoIA



NB: Several requests can concern a given audit report

SOURCE: SFAO

<sup>49</sup> The text of this law is available on this website.  
<http://www.admin.ch/opc/fr/classified-compilation/20022540/index.html>



## C. WHISTLE-BLOWERS

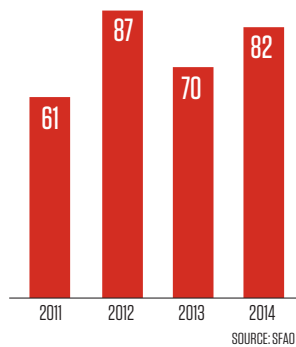
The SFAO is the Federal Administration's contact point for whistle-blowers. Effective since 2011, the Federal Personnel Act<sup>50</sup> makes provision for an obligation to denounce, a right to denounce and protection for federal employees who report serious matters.

In 2014, the SFAO's Legal Service received 82 impropriety reports, 42 of which were from federal employees. In two cases, the SFAO received more than a dozen reports.

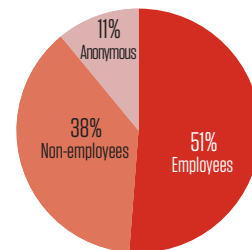
The SFAO is verifying this information. It is useful for audits that are under way and future audits planned by the SFAO, or triggers new investigations in the not too distant future.

In 2014, three reports were transmitted to the Office of the Attorney General of Switzerland (OAG).

**Reports received by the SFAO (2011-2014)**



**Source of denunciations in 2014**



SOURCE: SFAO

<sup>50</sup> See Article 22a of the Federal Personnel Act (FPA). <http://www.admin.ch/opc/fr/classified-compilation/20000738/index.html>





## D. REPORTS TO THE FEDERAL COUNCIL AND SIGNIFICANT RECOMMENDATIONS NOT YET IMPLEMENTED

The SFAO has to inform the Federal Council of its findings immediately if it finds anomalies or deficiencies of fundamental significance or considerable financial importance<sup>51</sup>. In 2014, it did this on five occasions.

Date	Audit object
4 April 2014	Central Compensation Office (CCO)
6 October 2014	Main VAT Division – Federal Tax Administration (FTA)
8 October 2014	Commission for Technology and Innovation (CTI)
31 October 2014	Funds for decommissioning and the management of nuclear waste
18 November 2014	Federal Office for Migration (FOM)

By the end of 2014, various SFAO recommendations accepted by the offices concerned had not been implemented by the promised completion date. Based on Article 14 paragraph 3 of the FAOA, the table below shows the most significant ones. These recommendations were discussed earlier in this report.

Office	Recommendation subject	Details
FFA	Transparency of tax relief figures	Chapter 2, section a
ETH/SUC/ SERI	Higher education professors' secondary occupations and income	Chapter 3, section c
FEDRO	Systemarchitektur Schweiz (SP-CH)	Chapter 5, section c
FOITT	Network security policy (NSP) and partnership with the cantons	Chapter 10, section b
FSO	Business continuity management (BCM)	Chapter 10, section b

<sup>51</sup> Article 15 paragraph 3 of the Federal Audit Office Act.  
<http://www.admin.ch/opc/fr/classified-compilation/19670112/index.html#a15>





# APPENDICES

LIST OF AUDITS 2014

LIST OF ABBREVIATIONS

# APPENDICES



# LIST OF AUDITS CONDUCTED IN 2014

## FEDERAL ASSEMBLY

- Audit of security and contracts in the IT field (14238)

## FEDERAL CHANCELLERY

- Audit of personnel management processes – part of the audit of the state financial statements (14324)
- Audit of the implementation and efficiency of the interdepartmental project GEVER (interdepartmental processes) (14239)
- Audit of hosting costs of www.ch.ch (14040)

## OFFICE OF THE ATTORNEY GENERAL OF SWITZERLAND

- Audit of financially relevant processes (13334)

## FEDERAL SUPREME COURT

- Transparency of IT costs (13376)

## FEDERAL DEPARTMENT OF FOREIGN AFFAIRS

- Switzerland's contributions to security measures for international organisations (14478)
- Operational audit of sales processes – part of the audit of the state financial statements (14465)
- Audit of the 2014 OSCE summit in Basel (14462)
- Audit of the SECO-SDC-FOM North Africa programme (Tunis representation) (14375)
- Effectiveness audit of the internal audit (13471)
- Operational audit of personnel processes – part of the audit of the state financial statements (13443)
- Operational audit of subsidy processes – part of the audit of the state financial statements (13297)
- Construction audit at representations abroad (Algiers, Algeria) (13267)

## SWISS AGENCY FOR DEVELOPMENT AND COOPERATION

- Audit of the effectiveness of the SDC branch offices' audit concept (14480)
- Audit of the financial management of SDC staff, mainly WP (13449)

## FEDERAL DEPARTMENT OF HOME AFFAIRS

### General Secretariat

- Secondary employment: audit of the approval process and legitimacy in selected administrative units (14264)

### Swiss Federal Archives

- Audit of financial management with focus on cost-effectiveness and ICT governance (13343)

### Federal Office of Culture

- Audit de projet des crédits Cinémathèque Suisse (13386)

### MeteoSwiss

- Audit of IT governance (14419)

### Federal Office of Public Health

- Operational audit of personnel processes – part of the audit of the state financial statements (14452)
- Evaluation of the verification of DRG hospital invoices by health insurers (14367)
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### Federal Social Insurance Office

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### State Secretariat for Migration

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### Federal Office for Civil Protection

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### armasuisse

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### Central Compensation Office

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### Federal Tax Administration

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### Federal Customs Administration

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### Federal IT Steering Unit

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### Federal Office of Information Technology, Systems and Telecommunication

- Audit of the key ICT project Content Management System Next Generation – CMS.nextgen (14559)
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### Federal Office of Personnel

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### Federal Office for Buildings and Logistics

- Audit of the process relating to architecture competitions for new builds (14183)



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### Federal Office for Agriculture

- Audit of the overall supervision of cantonal agricultural offices (14357)
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### Federal Office for National Economic Supply

- Audit of the consistency and efficiency of the implementation of the strategy for national economic supply (14230)

### Civilian Service

- Audit of the conformity and appropriateness of the organisation, processes and examination of the e-Zivi project (14358)

### State Secretariat for Education, Research and Innovation (SERI)

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### Commission for Technology and Innovation

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### General Secretariat

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### Federal Office of Civil Aviation

- Performance audit of the implementation of mineral oil tax measures (13083)

### Swiss Federal Office of Energy

- Procurement audit (14493)
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- Audit of the governance in the Decommissioning Fund and Disposal Fund (14172)

### Federal Roads Office

- Audit of the supervision of the special financing for road transportation (14384)
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### Federal Office of Communications

- Subsidy audit (13352)

### Federal Office for the Environment

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### Federal Office for Spatial Development

- Audit of the coordination of geo-information systems and their cost-effective implementation (14329)

### Swiss Federal Nuclear Safety Inspectorate

- Audit of personnel development and external mandates (14363)

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## Building Foundation for International Organisations in Geneva (FIPOI)

- Audit of 2013 accounts (14181)

## Swiss Federal Institute of Intellectual Property

- Audit of the supervision of collective copyright management organisations (14326)
- Audit of the 2013 financial statements for SECO cooperation projects (14325)
- Audit of 2013/14 accounts (14073)

## Swiss Federal Institute of Metrology (METAS)

- Audit of 2013 accounts (13379, 14262)

## Swiss Alcohol Board

- Audit of 2013 accounts (14082)

## Swiss Financial Market Supervisory Authority (FINMA)

- Audit of 2013 accounts (14084)

## Federal Audit Oversight Authority (FAOA)

- Audit of 2013 accounts (14069)
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## Swiss Federal Railways (SBB)

- Audit concerning the requirements on internal service charges (14371)

## Fund for major railway projects

- Audit of 2013 accounts (14076)

## Swiss National Park Foundation

- Audit of the accounts (14080)

## Swiss Investment Fund for Emerging Markets (SIFEM AG)

- Audit of SECO's supervision and the financial management of the newly established SIFEM AG (13224)

## Swiss Federal Institute for Vocational Education and Training

- Audit of the implementation of the 2013-2016 service-level agreement (14156)

## Switzerland Tourism

- Financial supervisory audit – Switzerland Tourism (14240)

## Swiss Association for Hotel Credit

- Audit of SECO's supervision and of the use of resources (13351)

## Swiss University Conference, Bern

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## Rectors' Conference of the Swiss Universities

- Audit of the newly founded institution - transition/closing (14429)
- Audit of the 2013 accounts of the EU enlargement contribution, Project Scientific Exchange Programme between Switzerland and the New Member States of the European Union (14071)
- Audit of 2013 accounts (14042)
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## Swiss Centre of Accreditation and Quality Assurance in Higher Education

- Audit of 2013 accounts (14041)

## Swiss Coordination Centre for Research in Education, Aarau

- Audit of 2013 accounts (14043)

## Swiss National Science Foundation

- Audit of 2013 accounts (14045)

## ETH Board

- Audit of 2013 accounts (14047)

## ETH Domain

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- Audit of 2013 accounts (14046)

## Federal Institute of Technology Zurich (ETH Zurich)

- Audit of 2013 accounts (14049)

## Swiss Federal Institute for Forest, Snow and Landscape Research

- Audit of 2013 accounts (14051)

## Swiss Federal Laboratories for Materials Science and Technology

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## Swiss Federal Institute of Aquatic Science and Technology

- Audit of 2013 accounts (14055)

## Paul Scherrer Institute

- Audit of the construction work on the major project SwissFEL (14432)
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## Federal Institute of Technology Lausanne (EPFL)

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### Compensation Fund for Unemployment Insurance

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- Audit of 2013 accounts (14068)

### Marcel Benoist Foundation

- Audit of 2013 accounts (14128)

### Pro Arte Foundation

- Audit of 2013 accounts (14129)

### Foundation for the Future of Swiss Travellers

- Audit of 2013 accounts (14131)

### Pro Helvetia

- Audit of 2013 accounts (14130)

### Swissmedic

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### Social Fund for Defence and Civil Protection

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- Audit of the annual financial statements (14307)

### Inter-Parliamentary Union (IPU)

- Audit of the annual financial statements (14275)

### Intergovernmental Organisation for International Carriage by Rail (OTIF)

- Audit of the annual financial statements (14179)

### World Meteorological Organization (WMO)

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### International Rhine Regulation

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### European Organization for Nuclear Research (CERN)

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## ABBREVIATIONS USED

<b>ALV</b>	Unemployment insurance	<b>EPFL</b>	Swiss Federal Institute of Technology Lausanne	<b>ICT</b>	Information and communication technologies
<b>IV</b>	Disability insurance	<b>FTE</b>	Full-time equivalent	<b>VAT</b>	Value added tax
<b>FTA</b>	Federal Tax Administration	<b>FINMA</b>	Swiss Financial Market Supervisory Authority	<b>EU</b>	European Union
<b>FCA</b>	Federal Customs Administration	<b>IFIAR</b>	International Forum of Independent Audit Regulators		
<b>FFA</b>	Federal Finance Administration		Direct federal tax		
<b>PVB</b>	Federal Personnel Association	<b>FAOA</b>	Federal Audit Office Act		
<b>EO</b>	Compensation for loss of earnings	<b>DTHA</b>	Federal Act on the Harmonisation of Direct Taxation at Cantonal and Communal Levels		
<b>FAOA</b>	Federal Audit Oversight Authority	<b>PPA</b>	Public Procurement Act		
<b>AHV</b>	Old-age and survivors' insurance	<b>SubA</b>	Subsidies Act		
<b>BCM</b>	Business Continuity Management	<b>FoIA</b>	Freedom of Information Act		
<b>CCO</b>	Central Compensation Office	<b>OAG</b>	Office of the Attorney General of Switzerland		
<b>SFAO</b>	Swiss Federal Audit Office	<b>NRLA</b>	New Rail Link through the Alps		
<b>CMS</b>	Content Management System	<b>NPS</b>	Network security policy		
<b>SUVA</b>	Swiss Accident Insurance Fund	<b>FOM</b>	Federal Office for Migration		
<b>SUC</b>	Swiss University Conference	<b>FOAG</b>	Federal Office for Agriculture		
<b>SIK/CSI</b>	Swiss Conference on Informatics	<b>FSIO</b>	Federal Social Insurance Office		
<b>CTI</b>	Commission for Technology and Innovation	<b>FOC</b>	Federal Office of Culture		
<b>SDC</b>	Swiss Agency for Development and Cooperation	<b>FOBL</b>	Federal Office for Buildings and Logistics		
<b>CSI</b>	Conférence suisse sur l'informatique	<b>DDFO</b>	Ordinance on the Decommissioning Fund and the Disposal Fund for Nuclear Installations		
<b>CTI</b>	Commission pour la technologie et l'innovation	<b>FOITT</b>	Federal Office of Information Technology, Systems and Telecommunication		
<b>DDC</b>	Direction du développement et de la coopération	<b>FEDRO</b>	Federal Roads Office		
<b>DDPS</b>	Federal Department of Defence, Civil Protection and Sport	<b>FOPH</b>	Federal Office of Public Health		
<b>EAER</b>	Federal Department of Economic Affairs, Education and Research	<b>FSO</b>	Federal Statistical Office		
<b>DETEC</b>	Federal Department of the Environment, Transport, Energy and Communications	<b>PPP</b>	Public-private partnership		
<b>FDFA</b>	Federal Department of Foreign Affairs	<b>CTR III</b>	Third series of corporate tax reforms		
<b>DFD</b>	Federal Department of Finance	<b>ICS</b>	Internal control system		
<b>FDHA</b>	Federal Department of Home Affairs	<b>SECO</b>	State Secretariat for Economic Affairs		
<b>FDJP</b>	Federal Department of Justice and Police	<b>SERI</b>	State Secretariat for Education, Research and Innovation		
<b>ETH</b>	Swiss Federal Institutes of Technology	<b>IVZ</b>	Vehicle licensing information system		



