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



# 2018 ANNUAL REPORT



# SWISS FEDERAL AUDIT OFFICE

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## FROM WHISTLEBLOWING TO PARTICIPATORY AUDITING

In 2008, federal employees were not legally required to report the felonies they encountered to the courts. The experts of GRECO, a Council of Europe anti-corruption body, pointed out this shortcoming at that time in their evaluation report on Switzerland.

To remedy this shortcoming, the Federal Office of Justice, in close cooperation with the Federal Office of Personnel and the Swiss Federal Audit Office (SFAO), introduced on 1 January 2011 the new Article 22a of the Federal Personnel Act and the obligation to report felonies and misdemeanours prosecuted *ex officio*. This is when whistleblowing was launched at the federal administrative level. This article actually introduced the reporting right for other irregularities observed by a federal employee. Two important features: whistleblowers acting in good faith are legally protected against any professional disadvantage and the report must be made to the SFAO.

Unfortunately, the disadvantage of enshrining this provision in the Federal Personnel Act is that it does not apply to persons employed under the Swiss Code of Obligations, e.g. those at RUAG, Swiss Post or some SBB staff. The SFAO welcomes reports and treats them confidentially in all these cases, but it cannot ensure that whistleblowers acting in good faith are legally protected against unfair dismissal.

We have seen a steady increase in the number of reports since 2011, especially since the introduction of our IT plat-

form [www.whistleblowing.admin.ch](http://www.whistleblowing.admin.ch). It is now the IT system that ensures the anonymous processing of reports. These reports come from federal employees, but also from third parties who have witnessed irregularities.

For the SFAO, processing this information is not simple. It is necessary to sift through the information and critically verify onsite whether it is plausible. Some reports may actually be intended to harm someone. It is then necessary to identify the appropriate time to initiate possible criminal proceedings and avoid obstructing them by alerting the perpetrators of an offence. In any case, nothing that could put the whistleblower in danger should be done. Finally, information that may later prove to be important should not be neglected.

Far from constituting the establishment of a "police state" as feared by some, this system allows the population to participate actively in the supervision of its administration. It also provides the opportunity to verify and perhaps refute certain accusations.

Some specific examples? Following several reports, the SFAO examined the financial management of the SBB transport police. The good news for them is that we did not have another PostAuto affair. The accounting errors were not of the same magnitude and the cost transfer was in favour of the subsidised sectors of the SBB rather than against them. Another example concerns RUAG's margins. Following a whistleblower's accusations reported »

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## «ESTABLISHING DIALOGUE BETWEEN THE AUDIT INSTITUTION AND THE PUBLIC HAS A POSITIVE IMPACT ON TRUST IN PUBLIC ADMINISTRATIONS.»

in the press, RUAG asked the SFAO to audit its accounts. The aim of the audit was to clarify definitively this issue of the profitability of RUAG's sales to the Confederation.

In the SFAO's opinion, this development has not yet been completed. In 2013, the audit offices of various countries

adopted a new standard that deals with their relations with the public. It has been found that establishing dialogue between the audit institution and the public has a positive impact on trust in public administrations.

In typical Swiss fashion, we want to develop this dialogue by giving the public

the opportunity to make a contribution or participate in our work. We believe that we are here to ensure that all taxpayers' money is spent efficiently and to avoid waste. The area we have to supervise is massive. If you have any questions that you feel are important, or if you have any doubts about the management of a subsidy or project, please contact us (info@efk.admin.ch). We will incorporate this information into our considerations and assess the appropriateness of conducting an audit in that area.

We would like to thank everyone who supports us in our work.

**Michel Huissoud, Director**

### SPOTLIGHT

#### GENEVA COURT OF AUDITORS PASSES ITS TEST

It is often asked who audits the auditors. Quite simply, their peers. In 2017, the Court of Auditors of the Republic and Canton of Geneva (CoA) asked the SFAO to assess its evaluation activities. In 2013, it took over this mission from the former External Commission for the Evaluation of Public Policies in Geneva. A review was carried out by SFAO's assessors and published in collaboration with the CoA in April 2018.<sup>1</sup> The results were positive on the whole.

The CoA has launched twelve evaluations in five years. For this specific activity, it has a team of four assessors (3.4 Full-time equivalents – FTEs) and a budget of CHF 1.2 million (out of a total budget of CHF 6 million), supervised by the Court's magistrates. On average, an evaluation takes 255 working days, which is comparable to industry standards. Moreover, the CoA has an evaluation process in accordance with accepted practice, it strives to make improvements consistently, and quality assurance has been developed and entrusted to a magistrate. Nevertheless, there is room for improvement. Better project management should enable evaluation work to be planned realistically. Leveraging the results involves the use of media other than long reports in order to facilitate public access to CoA evaluations.

Peer reviews also apply to the SFAO. The institution was reviewed by its German, Norwegian and European counterparts in 2005, 2009 and 2016.<sup>2</sup> The next review is scheduled for 2020.

<sup>1</sup> The report for audit mandate 17654 is available on the SFAO's website.

<sup>2</sup> These expert reports are available on the SFAO's website.

# TABLE OF CONTENTS



<b>PART 1: THE MAIN RESULTS</b>	<b>9</b>
<b>1. PUBLIC FINANCES, TAXES AND RISK MANAGEMENT</b>	<b>10</b>
A. THE SFAO CERTIFIES COMPLIANCE OF THE FEDERAL FINANCIAL STATEMENTS DESPITE TWO RESERVATIONS	11
B. A MAJOR CHALLENGE: MANAGING RISKS AND MONITORING THEIR EVOLUTION	14
C. SLOWER REAL ESTATE RENOVATION, BUT OPPORTUNITIES TO BE SEIZED	15
<b>2. ECONOMY AND AGRICULTURE</b>	<b>18</b>
A. THE ALLOCATION OF AID TO THE AGRICULTURAL SECTOR MUST BE TARGETED BETTER	19
B. THE CONFEDERATION HAS TO KEEP A CLOSER WATCH ON ITS INTERESTS IN IDENTITAS AG	21
C. SUPERVISION OF WAR MATERIAL EXPORTS	22
<b>3. EDUCATION AND RESEARCH</b>	<b>24</b>
A. OPTIMISE THE MONITORING OF EUROPEAN RESEARCH PROJECTS	25
<b>4. UNEMPLOYMENT, SOCIAL INSURANCE AND HEALTH</b>	<b>28</b>
A. THE UNEMPLOYMENT INSURANCE SYSTEM IS TOO COMPLEX	29
B. DISABILITY INSURANCE ASSISTIVE DEVICES AND MEDICAL MEASURES: MIXED RESULTS	31
C. SUPPLEMENTARY BENEFITS AND ENIGMATIC CANTONAL VARIATIONS	33
<b>5. TRANSPORT AND ENERGY</b>	<b>34</b>
A. NO ECONOMIES OF SCALE FOR REGIONAL TRAINS	35
B. IS IT EFFICIENT AND COST-EFFECTIVE TO SUPPORT AGRICULTURAL BIOGAS?	37
C. GREATER TRANSPARENCY FOR THE COSTS OF WITHDRAWING FROM NUCLEAR POWER	40
<b>6. DEFENCE</b>	<b>42</b>
A. DDPS REAL ESTATE MANAGEMENT IS UNDER WAY	43
<b>7. INTERNATIONAL RELATIONS</b>	<b>46</b>
A. THE FUTURE OF SMALL SWISS EMBASSIES STILL NEEDS TO BE DETERMINED	47
B. ANTI-CORRUPTION: SCATTERED AND INEFFECTIVE RESOURCES	50
<b>8. JUSTICE AND ASYLUM</b>	<b>52</b>
A. MONEY FROM INTEGRATION LUMP SUMS USED WISELY	53
B. IMPROVE THE RELIABILITY OF THE DATA IN THE COMMERCIAL REGISTER	56
<b>9. FEDERAL IT PROJECTS</b>	<b>58</b>
A. MODERNISATION OF THE OFFICIAL PUBLICATIONS CENTRE IN A DIFFICULT POSITION	59
B. FISCAL IT IN THE HOME STRAIGHT	60
C. TELECOMMUNICATIONS SURVEILLANCE RIGHTLY READJUSTED	61
D. THE ARMED FORCES VOICE SYSTEM IS BEING PREPARED	63



## PART 2: MEANS AND FIGURES 65

1. FINANCIAL SUPERVISION: OBJECTIVES, RESOURCES AND AUDIT AREAS	66
A. OBJECTIVES	67
B. FROM AUDITING THE ACCOUNTS TO BROADER SUPERVISION	68
C. QUALITY ASSURANCE AND RESOURCES	69
D. MAIN AUDIT AREAS	70
2. ORGANISATIONAL CHART OF THE SFAO	72
3. THE SFAO: FACTS AND FIGURES	73
A. FINANCIAL STATEMENTS AND HUMAN RESOURCES	73
B. WHISTLEBLOWERS	74
C. REQUESTS FOR ACCESS TO INFORMATION (FREEDOM OF INFORMATION ACT)	75
D. REPORTS TO THE FEDERAL COUNCIL AND RECOMMENDATIONS NOT YET IMPLEMENTED	76

## APPENDICES 79

OVERVIEW OF COMPLETED AUDITS (MANDATE NO.)	81
ABBREVIATIONS	86





# PART 1

# THE MAIN RESULTS OF FINANCIAL SUPERVISION FOR 2018



# 1. PUBLIC FINANCES, TAXES AND RISK MANAGEMENT



In 2018, just like every year, the SFAO carried out its historical mission of auditing the Confederation's financial statements. Although approval of these financial statements was proposed to the Federal Assembly, two reservations were expressed by the SFAO's auditors. The second task accomplished was to examine the fiscal equalization data in the cantons and federal authorities. This data is reliable and the processing procedures remain efficient.

In another area, an audit returned to risk management in the Federal Administration. According to the SFAO's auditors, this is a work in progress, although important steps have been taken in recent years. In the Secretariat of State for International Finance (SIF), a service that is not widely known to the general public was examined in 2018, i.e. "mutual agreement procedures" for resolving cases of double taxation. The stakes are high for companies and represent several billion francs. Finally, an audit looked at the project for renovating an iconic Bernese building from the 1950s, that of the Directorate General of Customs.

## A. THE SFAO CERTIFIES COMPLIANCE OF THE FEDERAL FINANCIAL STATEMENTS DESPITE TWO RESERVATIONS

Year after year, the SFAO's auditors examine the Confederation's financial statements.<sup>3</sup> This is a historical task of the financial supervisory institution. It represents an important collaborative effort between the SFAO and all of its partners in the Federal Administration. Since 2015, the SFAO has published the details of its results, in a show of transparency that is uncommon at European level.<sup>4</sup>

In 2017, the general government's statement of financial position amounted to CHF 164 billion. Operating revenue was CHF 70 billion and operating expenses CHF 67 billion.

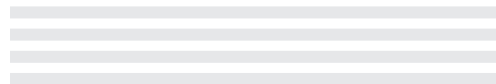
### **Lawfulness of a provision and a solution for the future**

Compared with the previous year, the SFAO and its auditors had a somewhat less positive view of this examination of the Confederation's financial statements. This finding relates in particular to a difference of opinion between the Federal Finance Administration (FFA) and the SFAO. The difference concerns a provision of CHF 2 billion for withholding tax recognised in the financing statement. This resulted in a reservation on the part of the SFAO and was reported as such to the Federal Council.<sup>5</sup>

<sup>3</sup> The SFAO's full audit scope is described in the second part of this annual report (page 67). Aside from just a few exceptions listed in the Financial Budget Ordinance of 5 April 2006, these statements are prepared in accordance with the International Public Sector Accounting Standards (IPSAS).

<sup>4</sup> The report for audit mandate 18045 is available on the SFAO's website.

<sup>5</sup> Under Article 15 paragraph 3 of the Federal Audit Office Act (FAOA), the SFAO must inform the head of the federal department concerned and the Head of the Federal Department of Finance (DFP) if it identifies "anomalies or deficiencies of fundamental significance or considerable financial importance". On 2 February 2018, the Management of the SFAO wrote to the entire Federal Council.



## 1. PUBLIC FINANCES, TAXES AND RISK MANAGEMENT

While the SFAO understands the economic and political reasons for including this provision in the financing account, but it would like to point out that this is not in compliance with the Financial Budget Act (FBA). The FBA stipulates that the overall fiscal balance is determined on the basis of expenditure and receipts. However, provision changes constitute neither receipts nor expenditure in the SFAO's view. Consequently, recognising this provision in the financing account is not legal. As the SFAO pointed out in the autumn of 2018, this discrepancy will probably be resolved with the implementation of the Hegglin motion<sup>6</sup>, which should lead to the desired legislative amendment. In this context, the SFAO believes that the opportunity should be taken to converge the Confederation's accounting model with the Harmonized Accounting Model for the Cantons and Communes (HAM2), which would be in line with the Federal Council's commitment to harmonised accounting standards for Swiss public authorities.

The second problem is that the federal financial statements will have to be corrected due to several clerical errors at the Federal Tax Administration (FTA), the Federal Roads Office (FEDRO) and armasuisse Immobilien. The Confederation did not suffer any losses. However, these errors amounted to several hundred million francs in the statement of financial performance and justified the issuance of a second reservation. Initial corrective measures have been taken to prevent the recurrence of such problems.

### **Financial statements in compliance with the law**

Despite these two reservations, the SFAO and its auditors certified the compliance and consistency of the state financial statements. The SFAO thus recommended in its audit report of 26 April 2018 that the Federal Assembly approve them.<sup>7</sup>

In its audit report, the SFAO also certified the existence of an internal control system (ICS). It noted that the other administrative units audited have made great efforts to improve the presentation and reliability of the financial statements.

<sup>6</sup> Peter Hegglin (CVP/ZG), "Confederation. For accounting standards that reflect the actual financial and revenue situation" (motion 16.4018), available on the Parliament's website.

<sup>7</sup> The audit report is available on the SFAO's website.



**SPOTLIGHT**

**NFE IS BASED ON GOOD QUALITY DATA**

Since the introduction of fiscal equalization and the division of tasks between the Confederation and the cantons (NFE) in 2008, the SFAO's auditors have examined the tax data processing carried out by the cantonal and federal authorities every year. Due to the rotation principle, the cantons of Bern, Graubünden, Neuchâtel, Nidwalden, Obwalden, Schwyz, Valais, Zug and Zurich were visited in 2018.<sup>8</sup>

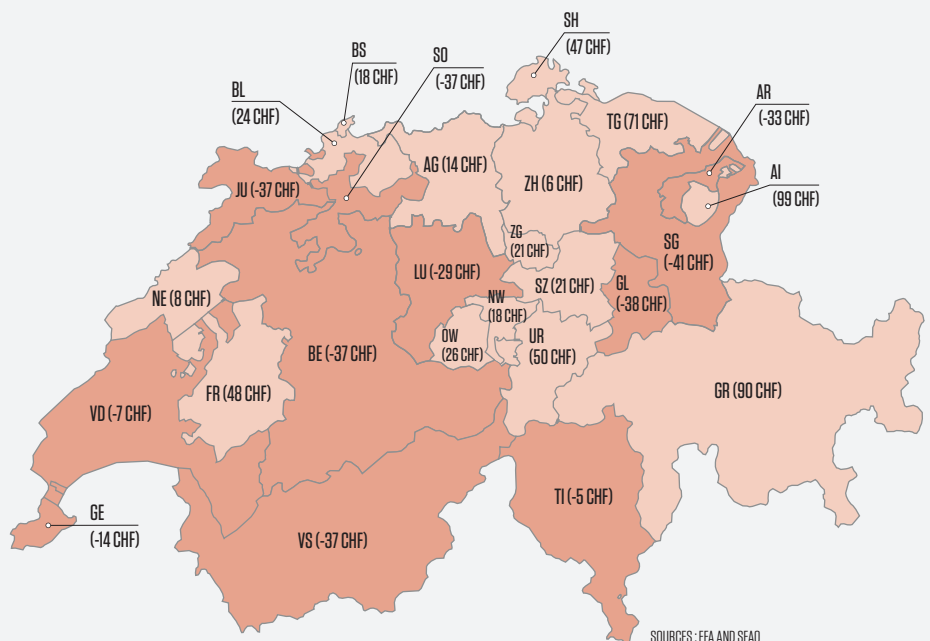
The quality of the data supplied by these cantons to the federal authorities is good, despite some errors in one canton which have since been corrected. The SFAO's auditors did not identify any major problems in the processing of data, be it in the payments to the cantons in 2017 or in the calculation of the amounts to be paid in 2019. This year, the volume of NFE will be CHF 5,221 million, up 2.6% on 2018.

The efficiency of the processes at the FFA and the Federal Statistical Office (FSO) was boosted in 2018 with the implementation of two SFAO recommendations. The implementation of a third recommendation to ensure extensive process automation (efficiency gains and improved security) at the FTA has commenced.

During this audit, the SFAO commissioned KPMG to update an old study on the effects of systematically including cantonal banks.<sup>9</sup> At present, only six of these banks are subject to direct federal tax, while 18 others are not. Depending on the canton, the cantonal banks' activities are thus taken into account or ignored when calculating resource potential. Aside from the issue of distorting competition, this situation creates NFE inconsistencies that are not economically justified. The Federal Department of Finance (FDF) believes that the current regime should be maintained until the legal basis for the taxation of cantonal banks is changed.

**Effects of a systematic consideration of cantonal banks on fiscal equalization**

In francs per inhabitant, simulation on NFE payments 2018



<sup>8</sup> The report for audit mandate 18076 is available on the SFAO's website.

<sup>9</sup> KPMG, "Potenzielle Steuerschuld der Kantonalbanken", 8 March 2018. This study is available on the SFAO's website.



## 1. PUBLIC FINANCES, TAXES AND RISK MANAGEMENT

### B. A MAJOR CHALLENGE: MANAGING RISKS AND MONITORING THEIR EVOLUTION

The Confederation faced a major setback in 2017. It had to pay more than CHF 215 million in connection with sureties for Switzerland's deep-sea fleet.<sup>10</sup> This shows how the Federal Administration is sometimes exposed to risks with considerable financial repercussions.

Risk management is thus a crucial process. All of the administrative units have to abide and report to the FFA. On this basis, the FFA draws up an annual report, which the Federal Council takes note of before submitting it to the Control Committees of the National Council and Council of States.

The SFAO's auditors looked at this risk management as a steering tool. A sample of six units of the Federal Administration was examined.<sup>11</sup> The issue of risk management is taken seriously there, also thanks to the FFA's coordination work. Generally speaking, risk management has reached a good level of maturity within the Federal Administration.

However, this management remains underutilised as a strategic management tool in the management of the offices.

#### **Some shortcomings to be tackled**

Three problems were mentioned in the SFAO's report. Firstly, risk analysis is nearly always based on a bottom-up approach. The analysis goes up from the operational level to the management of the offices. With one exception, no top-down approach was found by the SFAO's auditors. Consequently, unlike operational issues, risks related to strategic issues are barely considered in steering or not at all.

The second key point is what happens in the offices after the risks have been identified? How are they dealt with? And what measures are taken to mitigate them? The SFAO's auditors noted that there is no shortage of work in this area. With the exception of FEDRO, no convincing monitoring measures were observed in the units examined. Aside from this lack of controlling, these units do not have a strategy to say what level of risk is acceptable and what principles are to be used to mitigate the scope of risks.

<sup>10</sup> The report for audit mandate 17476 is available on the SFAO's website.

<sup>11</sup> FEDRO, MeteoSwiss, Federal Customs Administration (FCA), General Secretariat of the Federal Department of Foreign Affairs (FDFA), Federal Chancellery (FCh) and Federal IT Steering Unit (FITSU).



## C. SLOWER REAL ESTATE RENOVATION, BUT OPPORTUNITIES TO BE SEIZED

With its modular facade, projecting roof and pink pillars on the ground floor, the imposing Bernese building at number 40 Monbijoustrasse illustrates the Confederation's architecture of the 1950s and its entry into the moderate modern movement. Now classified as a historical heritage building, it has been home to the Directorate General of Customs since 1953. The Federal Office for Buildings and Logistics (FOBL) obtained a credit of CHF 38.8 million from Parliament to renovate it. The project intends to densify the workspace with a 45% increase in workstations. The SFAO's auditors examined the nature, progress and opportunities of this project.<sup>12</sup>

The FOBL had programmed this renovation as a "reserve project" for if delays occurred at number 1 Guisanplatz.<sup>13</sup> Given that the Guisanplatz 1 project is on schedule, only some of the urgent work has been carried out on the Customs building, particularly its roof. The renovation project has thus been postponed by six years with respect to the credit granted by Parliament. For the SFAO's auditors, this web of schedules is not the best means of ensuring transparency. In the future, dispatches to Parliament on buildings must be clearer and describe the options outlined for projects. In this case, for example, it should be stated whether the renovation will be complete or partial.

This question is particularly relevant in the light of a 2005 seismic safety study concerning the building. This study has to be renewed and its results will involve a reflection on the final nature of the renovation and the scale of the rehabilitation. The SFAO's auditors still believe that additional studies are needed to devise more flexible solutions for the use of the building than at present. The final project should make it possible to evaluate and establish new work patterns and organisational models for the offices at number 40 Monbijoustrasse.

As the main user of the premises, the Federal Customs Administration (FCA) must be better integrated into the organisation of the renovation project. The audit noted that the aspects concerning the protection of the historical building were taken into account by the FOBL experts.

<sup>12</sup> The report for audit mandate 17120 is available on the SFAO's website.

<sup>13</sup> In 2017, this other FOBL project was the subject of an audit report, available on the SFAO's website under audit mandate 16515.



## 1. PUBLIC FINANCES, TAXES AND RISK MANAGEMENT

### SPOTLIGHT

#### A FREE SERVICE FOR THE ECONOMY

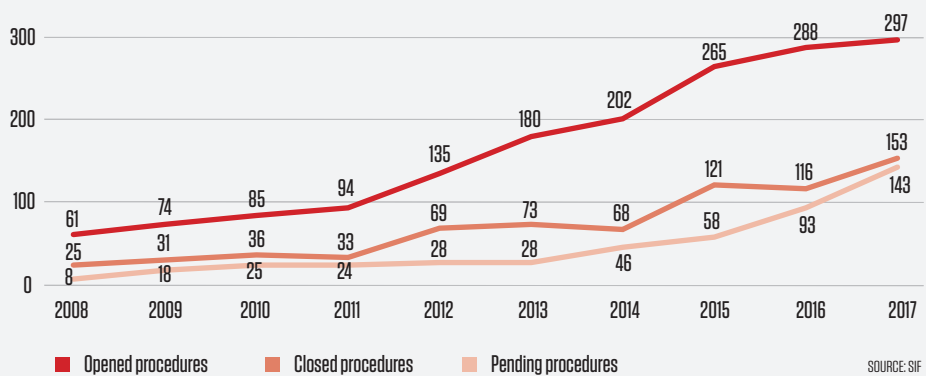
A taxpayer – an individual or a company – can sometimes risk being taxed twice between Switzerland and a third country, despite the existence of an international tax treaty prohibiting double taxation. Taxpayers can request a mutual agreement procedure from SIF to eliminate double taxation. Multinational companies can also have transaction prices between group companies set beforehand in the form of an advance pricing agreement with the tax authorities. These procedures audited by the SFAO concern mainly legal entities (intra-firm transfer pricing) and involve a tax base of around CHF 8 billion.<sup>14</sup>

In recent years, SIF has been able to evolve in terms of its organisation and technically in order to cope with the constant increase in work related to mutual agreement procedures. A peer review conducted by the Forum on Tax Administration, hosted by the Organisation for Economic Co-operation and Development (OECD), confirmed this in 2017. That same year, SIF initiated 173 mutual agreement procedures and closed 197, while 506 were still pending. In the section concerned mainly with transfer pricing issues, the number of pending cases has been growing steadily since 2011 (see below). These complex cases are therefore a challenge for SIF. The SFAO's auditors noted the absence of a strategy to reduce this volume of cases. In more than a third of cases, these procedures take longer than the average target of two years sought internationally.

Fees of between CHF 20,000 and 50,000 are charged in some countries for advance pricing agreements. As with any advance ruling issued by the tax authorities, this procedure is free of charge in Switzerland, even though the beneficiaries are generally international companies listed on a stock exchange. In SIF's view, this is a service in favour of the economy.

#### Development of mutual agreement procedures (2007–2017)

Procedures handled by the SIF Transfer Pricing Section (as at 31.12.2017)



<sup>14</sup> The report for audit mandate 17453 is available on the SFAO's website.







# 2. ECONOMY AND AGRICULTURE



In 2018, the SFAO's auditors were busy with several issues related to the farming world. In particular, the following two audits were carried out: a review of financial aid from the Federal Office for Agriculture (FOAG) and an audit of the management of identitas AG, a company in which the Confederation holds a majority stake and which operates the Trade in Livestock Database (TLD).

In the same department, the SFAO's auditors looked at the supervision of war material exports by the State Secretariat for Economic Affairs (SECO).

## A. THE ALLOCATION OF AID TO THE AGRICULTURAL SECTOR MUST BE TARGETED BETTER

As part of the 2017–2019 savings programme, the Confederation is to save between CHF 75 and 96 million in the agricultural sector. In this context, the SFAO's auditors analysed several types of aid from the FOAG to third-party organisations. Eight aid measures were examined in terms of their legality, relevance and profitability.<sup>15</sup> They concerned agricultural extension, agricultural research, plant breeding, crop production support, livestock, animal production support, implementation tasks concerning slaughter animals and the promotion of quality and sales.

Out of a total of CHF 135 million in aid, the SFAO's auditors identified potential savings of tens of millions of francs, measures that could be integrated into the agricultural policy framework from 2022 (AP 22+). How did the SFAO's auditors arrive at this figure? Here are some examples, starting with the subsidies that should be reduced.

Since 1992, the agricultural policy reform has enshrined the principle of direct payments to the agricultural sector. From that time onwards, the financial resources to support prices should have been transformed into direct payments. These include several minor subsidies related to animal and crop production, for example. Once completed, this analysis and transformation work should help generate savings of CHF 8 million.

There is also the potential to save another CHF 6 million in the area of the reimbursement of implementation task costs in accordance with the provisions of the Slaughter Animals Ordinance (SIAO). In other economic sectors, these services are supported by production, processing and distribution chains. This reimbursement is not comprehensible for the SFAO's auditors. In contrast, the FOAG, basing its view on an external evaluation, believes that the system should be maintained.

<sup>15</sup> The report for audit mandate 17159 is available on the SFAO's website.



## 2. ECONOMY AND AGRICULTURE

### **Adhere to the Federal Constitution and the existing legal framework**

On 24 September 2017, the people accepted the constitutional article on food safety (Art. 104a).<sup>16</sup> Its legal consideration and implementation are still flawed. This article should impact production activities that are neither sustainable nor adapted to local conditions. Examples include products that require large volumes of imports without providing greater food safety in compliance with Article 104.<sup>17</sup> The production of animal protein illustrates this financial support which no longer corresponds to the purpose now set out in the Federal Constitution. The FOAG does not share this view. It believes that Articles 104 and 104a of the Federal Constitution are not mutually exclusive.

The SFAO's auditors also demonstrated that the FOAG was not yet fully adhering to the legal conditions that trigger the payment of a subsidy. Contrary to the Subsidies Act (SubA), the FOAG sometimes grants aid to financially sound organisations, for example. However, this law stipulates that aid is paid when reasonable self-financing measures have been taken by the applicant and all other financing options have been exhausted. Potential savings of CHF 5 million are possible here.

With the exception of these cases, the SFAO's auditors found that the FOAG managed its resources in a profitable manner when granting external financial aid. The administrative burden appears to be proportionate for subsidy recipients. Finally, when objectives or services are quantifiable, this aid is allocated according to the expected effect, particularly in areas where budgets are high.

<sup>16</sup> Article 104a, Federal Constitution of the Swiss Confederation.

<sup>17</sup> Article 104, Federal Constitution of the Swiss Confederation.



## B. THE CONFEDERATION HAS TO KEEP A CLOSER WATCH ON ITS INTERESTS IN IDENTITAS AG

At the end of 2018, the Federal Council reduced the fees payable by users of the TLD<sup>18</sup>, i.e. mainly agricultural sector players, by approximately 25%. Effective from 1 January 2019, the ear tag for cattle, buffalo and bison costs only CHF 3.60 (previously CHF 4.75) and CHF 0.45 for sheep and goats (previously CHF 0.57).<sup>19</sup> Overall, this corresponds to a reduction of CHF 2.48 million for the farming sector. The decrease in TLD fees followed a recommendation by the SFAO to reduce the reserves of identitas AG (almost CHF 14 million at the end of 2017). The SFAO did not estimate the amount to be reduced at that time. This calculation was carried out by the Price Supervisor.

This was not the only result of this audit, which was aimed primarily at monitoring the implementation of other important recommendations at identitas AG. The SFAO's auditors had already been there in 2013 and 2015.<sup>20</sup> New findings were made in 2018.<sup>21</sup>

The key one concerned the FOAG's supervision of identitas AG. It appears that this office does not have all of the information and documents necessary to fully perform its supervision and control. This is particularly the case in the area of finance and IT.

The Confederation has two representatives to defend its interests on the Board of Directors of identitas AG. One is from the Federal Food Safety and Veterinary Office (FSVO) and the other is from the FOAG. However, the latter is responsible for the supervision of identitas AG at the FOAG. According to the FOAG, this arrangement has the advantage of shortening the time needed for decision-making.

The last point concerns the money granted by the FOAG for certain identitas AG services. In 2017, the FOAG noted that the money paid to identitas AG exceeded the necessary amount by more than CHF 400,000. For the SFAO's auditors, it is incomprehensible that this flat-rate payment was not regularly reviewed to verify its proportionality and adjust the amount if need be.

<sup>18</sup> Since 1999, the TLD has formed the basis for the traceability of animals for food safety and animal diseases. It is operated by identitas AG on behalf of the FOAG. The Confederation pays identitas AG around CHF 9 million p.a. for performing tasks in the area of monitoring trade in livestock.

<sup>19</sup> "Federal Council lowers the fees for operating the TLD", 30.11.2018.

<sup>20</sup> The report for audit mandate 13395 is available on the SFAO's website, while the report for audit mandate 15533 was submitted to the Finance Delegation.

<sup>21</sup> The report for audit mandate 18509 is available on the SFAO's website.

### C. SUPERVISION OF WAR MATERIAL EXPORTS

In 25 years, Swiss war material exports have increased in absolute terms, but account for a smaller share of total Swiss exports (see chart below, undeflated prices). In 2017, they were worth CHF 447 million. However, they accounted for only 0.15% of total exports, one of the lowest levels in the last quarter of a century.

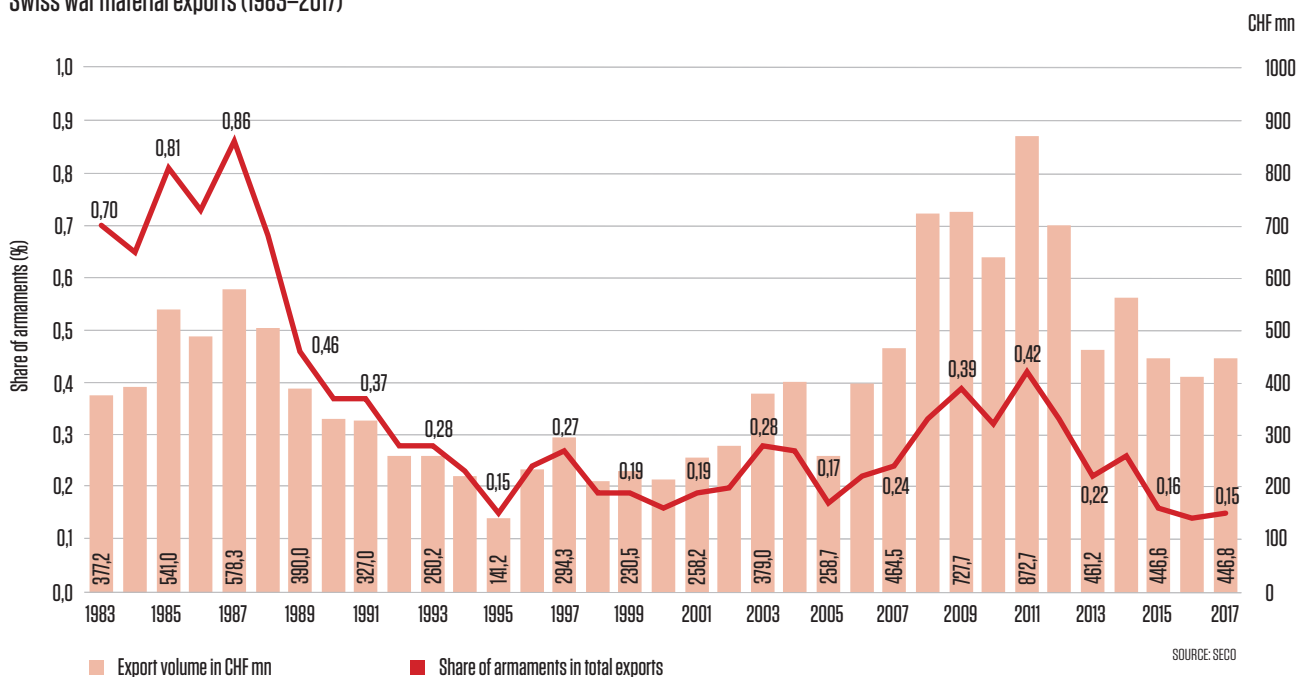
These exports are subject to authorisation because of their sensitivity. SECO decides on authorisation requests in agreement with the competent units of the FDFA and, if necessary, with other federal units. These decisions are based on the legislation and the Federal Council's interpretation practice.<sup>22</sup>

The SFAO's auditors verified the effectiveness of federal checks on these decisions to export war material.<sup>23</sup> The good news is that all export authorisations granted in 2016 were carried out correctly. Nevertheless, room for improvement was identified in the current system.

<sup>22</sup> War Material Act (WMA) and War Material Ordinance (WMO).

<sup>23</sup> The report for audit mandate 17425 is available on the SFAO's website.

Swiss war material exports (1983–2017)





### **More transparent rules**

The Federal Council accepted the SFAO's main recommendation. Any decision of a general nature will now be communicated in an appropriate manner and will no longer be contained in confidential decrees. Transparency regarding the interpretation rules for the War Material Act and Ordinance is a crucial component of legal certainty in this area.

### **Strengthen checks in the field and the coordination of federal authorities**

The SFAO's auditors believe it is essential to boost supervision at two levels. On the one hand, SECO can check producers at their premises. These company audits are a key tool oriented towards risk analysis. For the SFAO, these should be given priority over the checks carried out by SECO at the premises of war material customers abroad (post shipment verifications).

On the other hand, and this is the second level of intervention, several entities of the Federal Administration form a war material export control network. Aside from SECO and the FDFA, the FCA has operational tasks at the borders but does not have enough information to target its checks. Elsewhere, only one person works full-time on this at the Federal Intelligence Service. This person does not have information from the Office of the Attorney General of Switzerland (OAG) on criminal investigations initiated or about to be initiated in connection with infringements related to trade in war material. These two examples show that the Confederation's internal network must be developed and better coordinated.

SECO accepted the SFAO's recommendations.



# 3. EDUCATION AND RESEARCH



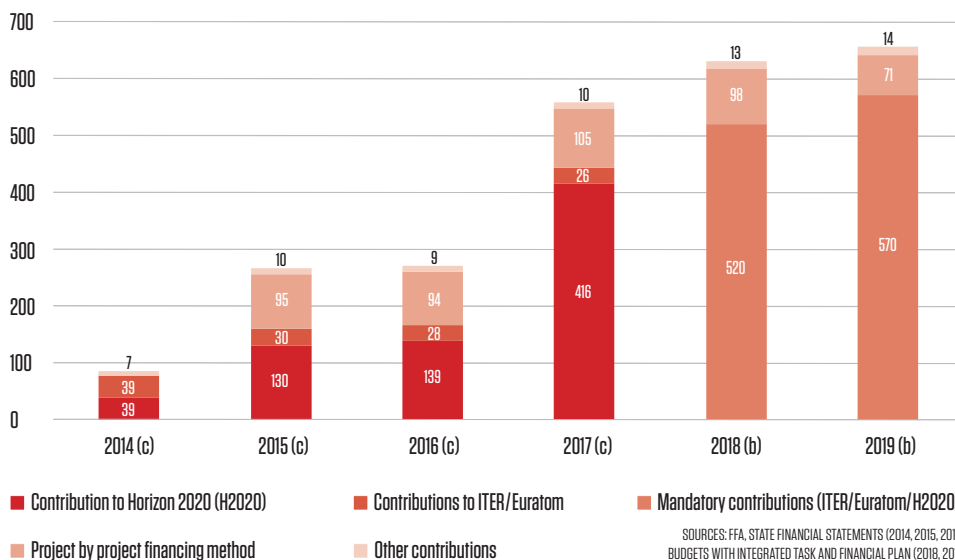


The supervision performed by the State Secretariat for Education, Research and Innovation (SERI) on some of the research projects carried out at European level and funded by Switzerland was observed by the SFAO's auditors. And the results were good.

## A. OPTIMISE THE MONITORING OF EUROPEAN RESEARCH PROJECTS

The people's acceptance of the initiative on large-scale immigration on 9 February 2014 had a direct impact on Swiss research. After this vote, the European Union (EU) limited Switzerland's access to the 8th Horizon 2020 research framework programme (2014–2020) and its budget of EUR 81.6 billion (partial association). Considering the risk of exclusion for Swiss researchers, the Federal Council decided in June 2014 to honour the commitments made for projects that would no longer be funded by Brussels because of partial association. This “project by project” national financing for Swiss researchers' participation in Horizon 2020 covers several years (see chart below, in red). This is despite the fact that Switzerland regained its full association status at the end of 2016, including access to European financing.

Switzerland's contribution to EU research framework programmes (2014–2019, in mn)





## 3. EDUCATION AND RESEARCH

According to SERI, the last “project by project” requests were supposed to arrive in 2018. It reckons that around a thousand projects would have to be financed through to 2024, for a total of nearly CHF 600 million. Switzerland’s mandatory contribution to the European research framework programmes (H2020, Euratom and ITER) is maintained.

The SFAO’s auditors examined SERI’s supervision of these projects financed within the framework of Horizon 2020.<sup>24</sup> The results were good. The 2018 budget and 2019–2021 financial plans were prepared correctly. SERI is aware of the uncertainties that could call its forecasts into question. At the time of the audit, however, it did not have any reports providing an overall view of the projects and the progress made.

### **Increase in the number of cases to be dealt with and varying intensity of checks**

The main challenge SERI will have to face is the increase in the volume of cases to be processed. From 2014, the work stemming from “project by project” financing was absorbed by hiring additional staff and making organisational changes. At present, some employees still need to be specifically trained in supervision and control procedures need to be optimised.

In this respect, the SFAO’s auditors believe that it is possible to reduce the scope of checks without increasing the risks. The intensity of checks has to vary according to the different project categories. SERI’s resources should be used first on major projects, where the financial risks are greatest. The commitment to small and medium-sized projects will have to be reduced. These improvements will enable SERI to cope with the increase in the volume of cases to be processed from 2018 onwards.

<sup>24</sup> The report for audit mandate 17655 is available on the SFAO’s website.





# 4. UNEMPLOYMENT, SOCIAL INSURANCE AND HEALTH



In 2018, the SFAO's auditors carried out extensive work on the complex governance and structures of unemployment insurance (ALV). Another insurance type was the subject of a follow-up audit: disability insurance (IV), more specifically medical measures and assistive devices refunded by this insurance. Also in the field of social insurance, the system of supplementary old-age and survivors' insurance (AHV) and disability insurance benefits was examined. Finally, three prevention and health promotion organisations were audited in the area of subsidies.

## A. THE UNEMPLOYMENT INSURANCE SYSTEM IS TOO COMPLEX

Simplify. This was the conclusion of the SFAO's auditors in 2018 after looking at unemployment insurance and its governance at the request of the Finance Delegation.<sup>25</sup> This social insurance scheme paid out more than CHF 6.3 billion in 2017, mainly in the form of job loss benefits. A case of corruption shook up this insurance scheme in French-speaking Switzerland in recent years. Initial findings revealed governance and supervision weaknesses. According to the explicit FinDel mandate, the SFAO's auditors were requested to propose legislative improvements. But first a bit of history.

The predecessor of unemployment insurance emerged in 1884 with the establishment of a private fund linked to the typesetting economic sector. At federal level, a compromise was reached between the authorities, employers and trade unions in the middle of World War II. It endorsed the revision of unemployment insurance and eliminated the subsidy inequalities between public, employer and trade union funds. At the same time, a compensation fund was developed at federal level. It was only thirty years later, with the crisis of the 1970s, that another step was taken with the obligation to join an unemployment insurance fund.

### **A mechanism that is difficult to reorganise**

The current unemployment insurance system is the result of this historical development. The administrative tasks are manifold and carried out by a large number of players at the federal, cantonal and social partner levels. A 21-member Supervisory Commission is responsible for approving the unemployment insurance budget and financial statements.

A reorganisation took place in 2015. The most significant governance shortcomings were eliminated, but there was no disentanglement of unemployment insurance structures.

Consequently, the unemployment insurance Supervisory Commission remains under the leadership of the Head of the Labour Directorate at SECO. Legally, its members are chosen to represent the social partners, the cantons, the Confederation and the scientific community, all on the basis of their gender and linguistic region. Yet an external expert had recommended that technical skills should also be considered when selecting members.

<sup>25</sup> The report for audit mandate 17540 is available on the SFAO's website.

# PART 1: THE MAIN RESULTS

## 4. UNEMPLOYMENT, SOCIAL INSURANCE AND HEALTH

For the SFAO's auditors, the Commission must be supported by sound financial and IT skills. The risk of conflicts of interest when appointing members must also be settled satisfactorily. In accordance with their mandate, the SFAO's auditors will propose to the Finance Delegation that it adapt the legislation in force.

### An expensive administrative haze

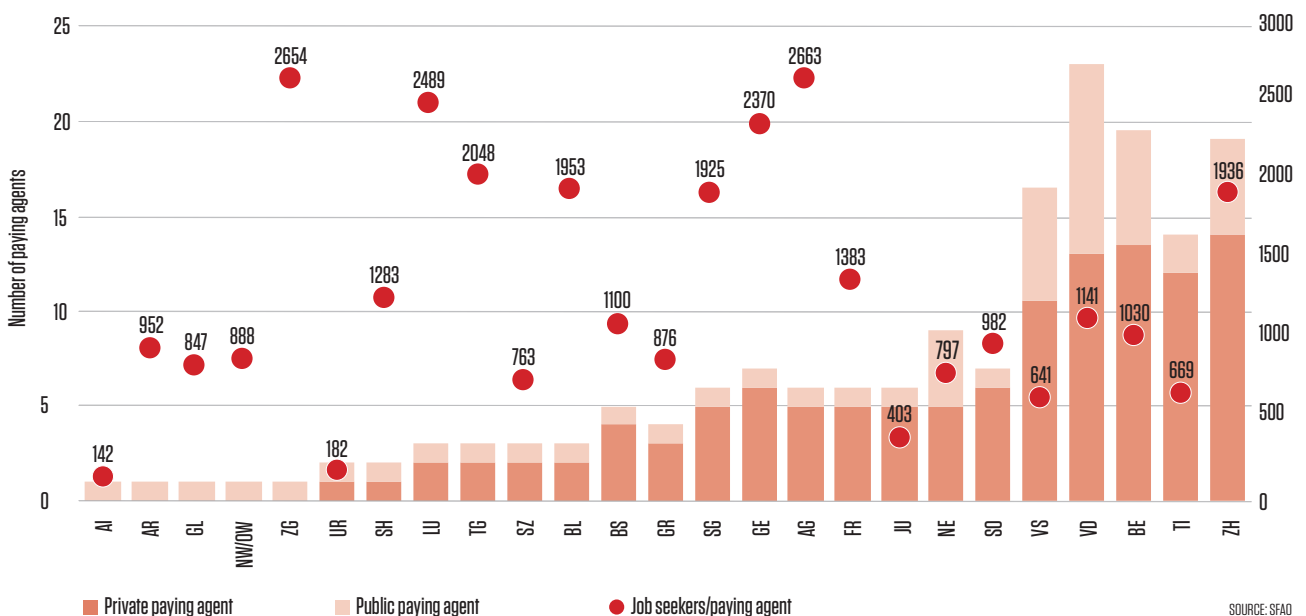
Aside from these initial remarks, the SFAO's auditors reiterated the key points. The administrative organisation of this whole insurance scheme is too complicated. Year in and year out, there are 33 funds in Switzerland and 169 central payment offices. There are regional differences too. In several French-speaking cantons, Ticino and Bern, the number of central payment offices is high in relation to the number of unemployed people (see chart below). The SFAO's auditors find it difficult to understand this administrative dispersion.

During their review, the SFAO's auditors had access to an external analysis commissioned by SECO.<sup>26</sup> According to this detailed research, it would be possible to save up to CHF 50 million if all of the funds were managed like the best of them. SECO estimates the possible savings to be between CHF 20 and 30 million.

In its audit, the SFAO again insisted that the Federal Department of Economic Affairs, Education and Research (EAER) should examine the conditions included in its benefit agreements with unemployment insurance funds. These agreements were extended without any amendments in 2013 and were to be renegotiated at the end of 2018, providing the opportunity to take account of the items described above.

<sup>26</sup> This study is now available on SECO's website.

Paying agents per canton relative to number of job seekers per paying agent (2016)



SOURCE: SFAO



## B. DISABILITY INSURANCE ASSISTIVE DEVICES AND MEDICAL MEASURES: MIXED RESULTS

Disability insurance has been the subject of several SFAO audits, evaluations and recommendations over the past ten years. From 2017, it was a question of examining the follow-up to these recommendations, divided into two categories: medical measures, CHF 828 million in 2016; and assistive devices, CHF 204 million in 2016. The auditors' results were mixed and revealed that some recommendations still had to be implemented.<sup>27</sup>

### **Dashed expectations in the area of medical measures...**

It has been almost five years since the Federal Social Insurance Office (FSIO) began to improve the legal framework for medical measures. For the record, these measures cover benefits for the treatment of congenital disorders and rehabilitation measures for young people up to 20 years of age. However, without progress in the revision of the legal framework, the FSIO believes it would not make sense to improve the steering, execution and supervision of medical measures as recommended by the SFAO since 2013. Consequently, very little progress has been made. And the FSIO does not plan any concrete implementation before 2020.

The updating of the list of congenital disorders is another SFAO desire that has been abandoned. Although the FSIO's work has begun, it is not progressing much. The Federal Council wishes to update this list following the principle of cost neutrality. According to FSIO estimates, potential savings of CHF 160 million can be made with the removal of diseases from the current list and better steering. However, there is still uncertainty about the financial implications of treating new disorders and the costs of treatment, particularly medication.

Lastly, the SFAO's recommendations have not been implemented in a final area. Its auditors found no progress had been made on the creation of regional centres of expertise for examining complex and costly cases. The SFAO regards this situation as a sign of an atmosphere of great uncertainty. Five years after the publication of its report, the implementation of its recommendations is clearly insufficient. The FSIO has to find solutions within a reasonable timeframe or propose alternatives depending on the outcome of the deliberations under way in Parliament.

<sup>27</sup> The report for audit mandate 16143 is available on the SFAO's website.



## 4. UNEMPLOYMENT, SOCIAL INSURANCE AND HEALTH

### ... but recommendations implemented for assistive devices

In contrast, the SFAO found a significant improvement in the area of assistive devices. The FSIO has introduced monitoring of tariff agreements and priorities are set during negotiations. The FSIO has clear guidelines and calculation models have been developed. A working group has been established with the IV offices. A convincing result is that three tariff agreements have been revised in the area of assistive devices. Three other agreements of this type were to be renegotiated by the end of 2018.

The SFAO again encouraged the FSIO to use the opinions of the Price Supervisor to reduce the cost of assistive devices. Competition in this sector is not optimal. Recommended at the time, the use of calls for tenders has not progressed. Moreover, Parliament rejected the Federal Council's proposal to open up this area to more competition during the discussions on the 6th revision of disability insurance.

### SPOTLIGHT

#### FUNDS FOR PREVENTION DISTRIBUTED WELL

The area of subsidies is an important facet of supervision for the SFAO's auditors. In 2018, they examined three contributions received by prevention and health promotion organisations<sup>28</sup>: the Tobacco Control Fund (TCF; 13 million), the foundation Health Promotion Switzerland (HPS; 28 million) and the Swiss Council for Accident Prevention (bfu; 20 million).

In this case, the SFAO's auditors checked whether the supervision was appropriate and whether the beneficiaries were working effectively and efficiently with the money allocated. The results were positive, even though there is room for improvement in this supervision.

Specific improvements could also be made in terms of the beneficiaries. At project level, for example, the keeping of budgets and accounts depends very much on the number of employees available. In the eyes of the SFAO's auditors, all of these organisations are doing a good job, or at least what is realistic given the resources available. With more staff, some things could be improved at the HPS, and even more so at the TCF, e.g. the evaluation of project cost-effectiveness. At the bfu, the effectiveness assessment is based on the distribution of funds between three areas (traffic, sport, home and leisure). However, this distribution should be more objective and better documented in order to make it more understandable.

<sup>28</sup> The report for audit mandate 17542 is available on the SFAO's website.





## C. SUPPLEMENTARY BENEFITS AND ENIGMATIC CANTONAL VARIATIONS

Is there a risk that the cantons will use too much of their leeway in the management of supplementary benefits? This is not impossible and may be illegal, according to an audit conducted in 2018.<sup>29</sup> What is the issue? When AHV or IV pensioners struggle to cover their basic needs, they can receive supplementary benefits. At the end of 2016, 201,100 people were in receipt of AHV supplementary benefits and 113,700 people were in receipt of IV supplementary benefits. These subsidies are financed by the cantons (70%) and the Confederation (30%). Amounting to CHF 4.9 billion, they are growing rapidly and are a cause for concern.

The system is based on federal legislation, but its implementation is delegated to the cantons. By means of supervision, the FSIO has to ensure equal treatment for insured persons in the country. The SFAO's auditors concluded that the existing supervision system is still insufficient and leads to significant application differences.

Let's take an example. The consideration of hypothetical income in the calculation of a disabled person's supplementary benefits varies considerably from canton to canton. In theory, this can lead to benefit differences of almost CHF 12,000 per year.

The SFAO also carried out a survey among the implementing bodies, the first of its kind. This survey showed that there are significant differences in the assessment of cases. It is not clear whether these differences in treatment are still within the bounds of the leeway available to the cantons by law. The problem is that, as a supervisory authority, the FSIO is not aware of these differences and is thus not in a position to react accordingly.

### **Access and validate information before deciding**

The implementing bodies decide on the entitlement to benefits after examining the income and assets of individuals in relation to their expenses. The sources for verifying this data are national or even international. This makes checking more complicated. The exchange of information internationally is cumbersome. Within Switzerland, some cantons grant supplementary benefits bodies easier access to tax information, but this is not the case for all of them. Consequently, the implementing bodies develop different control strategies.

The FSIO needs to clarify the practice of the implementing bodies. That is why the SFAO has recommended greater precision regarding the items to be examined by the external audit firms that audit these bodies on an annual basis. In particular, the FSIO must make better use of the available data (supplementary benefits register) in order to update problematic differences in practices. This should enable it to optimise its supervisory toolkit and create a risk analysis. The FSIO accepted these SFAO recommendations.

<sup>29</sup> The report for audit mandate 16428 is available on the SFAO's website.



# 5. TRANSPORT AND ENERGY

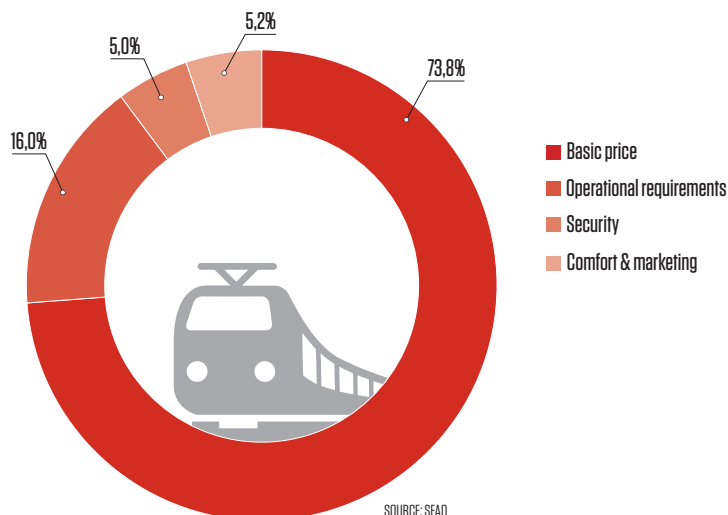
Two very different audits were carried out in the rail sector. The first concerned the purchase of rolling stock, specifically self-propelled units intended for regional passenger transport. The second concerned the accounting for working hours at the Swiss Federal Railways (SBB) transport police and its practice with regard to contracts with third parties.

The second set of audits dealt with energy issues. Three different reviews were conducted here. The SFAO's auditors returned to the issue of calculating the costs caused by the withdrawal from nuclear power. They also assessed the effectiveness of federal support for agricultural biogas facilities in Switzerland. Finally, in the area of subsidies, they looked at the SwissEnergy (ECH) programme, which aims to promote energy efficiency and the proportion of renewable energies.

## A. NO ECONOMIES OF SCALE FOR REGIONAL TRAINS

5.6 billion francs. This is approximately the total value of 36 orders placed by public transport companies between 2006 and 2017 for the purchase of rolling stock intended for regional passenger transport. Major player, the Thurgau-based manufacturer Stadler Rail AG delivered its FLIRT self-propelled units amounting to some CHF 1.8 billion. The SFAO's auditors examined three projects involving 145 FLIRT trains with a volume of CHF 1.4 billion<sup>30</sup>, i.e. purchases made by SBB AG, Schweizerische Südostbahn AG and Transports publics neuchâtelois SA. As required, these acquisitions were approved by the Federal Office of Transport (FOT).

Four-part CH regional passenger transport



<sup>30</sup> The report for audit mandate 17484 is available on the SFAO's website.



## 5. TRANSPORT AND ENERGY

The scale of the planned purchases had originally raised hopes of economies of scale. There are several reasons why this was not the case. First, there is the size of the consignments ordered (under 50 units). Second, the order remains the individual purchase of a company, which generates additional production costs. Finally, and everything stems from this, there is no quality standard linked to regional passenger transport, and there is no coordinated fleet strategy between the transport companies either. In short, without a standard, it is impossible to group purchases between companies and thus to achieve a sufficient order size for an economy of scale.

### **Captive customers due to the absence of rolling stock harmonisation**

During their visit to the FOT's premises, the SFAO's auditors followed the approval procedures that allow transport companies to be reimbursed for investments related to regional passenger transport quotes by billing them to the cantons and the Confederation. During these approvals, the FOT does not compare these quotes with other companies' identical purchases of rolling stock.

Another risk is that although the mechanical coupling of this rolling stock is harmonised, it is not operational if the units coupled are from different manufacturers. In addition, the electronic control interfaces are not standardised. In other words, it is complicated for these transport companies to change their rolling stock supplier. The SFAO therefore recommended that the FOT make the possibility of coupling multiple units from different manufacturers mandatory for future calls for tenders.

The SFAO's auditors also suggested ways of improving the overall management of the current regional passenger transport fleet. Savings could be made on investments and especially on maintenance. This could be done with a coordination body for regional passenger transport rolling stock at the FOT, for example, or through an external company.

### **SPOTLIGHT**

#### **THE TRANSPORT POLICE IS ON THE RIGHT TRACK**

In 2017, almost 190 police officers worked at the SBB transport police; a police force with a budget of CHF 48.7 million at the time. Following reports from whistleblowers, the SFAO's auditors checked in particular whether rates were set uniformly and appropriately in the area of contracts.<sup>31</sup>

The services of these police patrols are registered, corrected and finally invoiced in three computer systems. Errors were found and tracking corrections is tough. It is difficult to quantify the volume of these corrections, but the SFAO's auditors estimate them at CHF 500,000 for 2016 and 2017 (0.5% of the budget). There is a weakness in the internal control system, but fortunately no fraud.

There is no uniformity in the contracts with third parties, particularly regarding the hourly rates applied. These rates should be published according to the current legal basis. In another area, the SFAO's auditors also noted that cooperation with Securitrans in the areas around stations could be improved. The savings expected from this collaboration have not been achieved to the desired extent.

The SBB agreed with most of these recommendations and stated that the transport police had always reacted consistently in the event of dangers.

<sup>31</sup> The report for audit mandate 18577 is available on the SFAO's website.

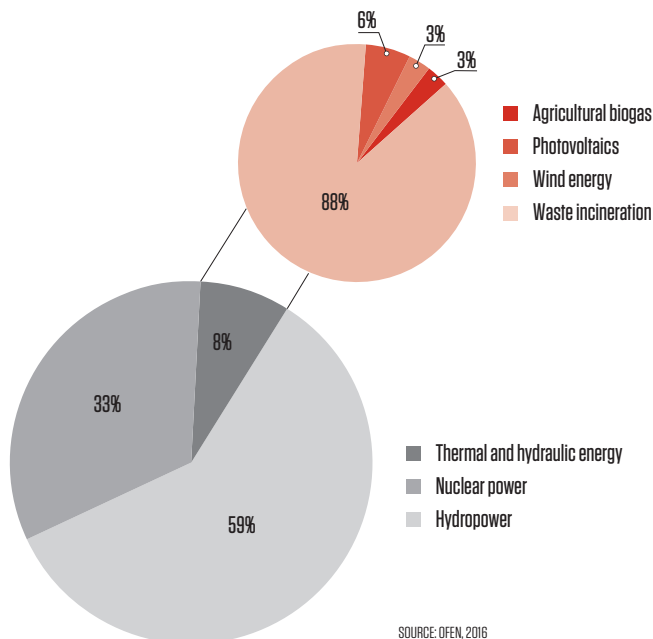


## B. IS IT EFFICIENT AND COST-EFFECTIVE TO SUPPORT AGRICULTURAL BIOGAS?

The federal authorities finance the production of local agricultural biogas. Aid allows farmers in the agricultural sector to produce this energy by recycling their green waste, food waste and other farmyard manure. How is this aid structured and is it effective? Moreover, is there a risk of double subsidisation? After investigation, the SFAO's auditors were able to rule out this risk. Nevertheless, they remained sceptical after going onsite.<sup>32</sup> There are some good things, but also some not so good. In any case, if Parliament wants to continue to support this renewable energy, it is necessary to question the amount of the federal contribution. While this production of electricity has ecological advantages, it remains very expensive and entirely dependent on federal aid.

But what exactly are we talking about and how much? The anaerobic digestion of agricultural biomass is a rather demanding process in investment and operating terms. Switzerland has about 100 agricultural biogas plants. They produce energy – electricity, heat or fuel – from organic waste without altering the nutrients, which return to the soil as recycled fertiliser. In 2016, 116 Gigawatt hour (GWh) of electricity were produced, i.e. 0.24% of inland production (see chart below). Revenue of CHF 5 million was generated that year.

Share of agricultural biogas in total electricity production in Switzerland



<sup>32</sup> The report for audit mandate 17578 is available on the SFAO's website.



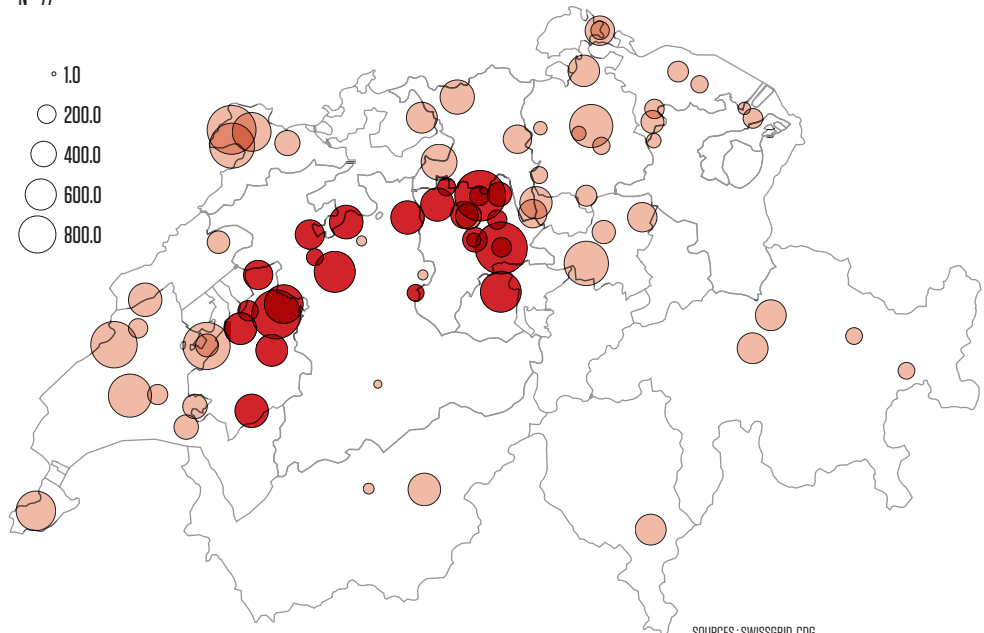
## 5. TRANSPORT AND ENERGY

### Indirect aid for agriculture, dependence on aid and size issues

Agricultural biogas plants receive CHF 36 million per year in federal aid, mainly in the form of feed-in remuneration at cost (CRF), which amounts to CHF 35 million.<sup>33</sup> The CRF is a mechanism to encourage the production of electricity using renewable energy sources (hydropower, photovoltaics, wind, geothermal energy, biomass and its waste). Biogas earns on average 42 centimes per kilowatt-hour (kWh), while anaerobic digestion facilities in non-agricultural areas receive between 15 centimes and 34 centimes. An “agricultural bonus” of around 16 centimes was introduced in an appendix to the Energy Ordinance in order to better exploit the significant potential of farmyard manure.

The SFAO’s investigations in the field revealed some interesting points. Seven case studies were carried out in the cantons of Bern, Fribourg, Lucerne and Obwalden (see map below). The outcome is that agricultural biogas plants are dependent on aid: on average, 69% of their receipts come from the CRF and 5% from the sale of CO<sub>2</sub> certificates. The issue of profitability at the end of their lifespan was also examined. Depending on the scenarios, four agricultural biogas plants can expect a profit of between CHF 1 and 2 million, and a fifth can expect a profit of nearly CHF 300,000. The last two will not be profitable. They are expected to lose as much as the capital invested, if not more. They are the two small agricultural biogas plants from the sample examined by the SFAO.

**Distribution of agricultural biogas installations subsidised via the CRF (2016)**  
N=77



SOURCES: SWISSGRID, CDG

● The cantons in which the case studies were carried out, namely BE, FR, LU and OW.  
The size of the points indicates the power of the agricultural biogas plant.

<sup>33</sup> The second form of aid involves the purchase of a certificate for the reduction of CO<sub>2</sub> emissions issued by the Federal Office for the Environment (FOEN). These purchases amount to about CHF 1 million per year. Finally, the last type of aid consists of investment credits. These are interest-free loans from the FOAG, which account for CHF 47,000 of subsidies per year.

### **Problematic long-term profitability and competition with other green energy sources**

According to the law, long-term viability of the technology is a prerequisite for the CRF. However, biogas is not guaranteed over the long term due to its operating costs and especially the market price for electricity. Over the past ten years, the price has fluctuated between 5 and 12 centimes per kWh, while biogas costs between 37 and 75 centimes to produce. There is no indication that biogas costs and the market price will converge in the future. In Austria, for example, the end of subsidies led to the closure of agricultural biogas plants. The CRF will expire in 2026 for the first plants launched in Switzerland.

As a result of these different facts, agricultural biogas should not be supported at any price. Every centime of support for green energy sources via the CRF is no longer available for another. Consequently, if biogas support is again envisaged as part of the 2050 energy strategy, the SFAO recommends that the Swiss Federal Office of Energy (SFOE) should finance only the share of costs directly related to energy policy – in other words, abandon the agricultural bonus – and favour the most efficient renewable energies for achieving its energy policy objectives.

#### **SPOTLIGHT**

### **MORE ENERGY FOR SUBSIDY CHECKS**

Since 2001, the Confederation has been promoting voluntary measures to increase energy efficiency and the proportion of renewable energies as part of the ECH programme. This programme began a new stage in its development in 2011. It now has a secretariat at the SFOE, called the SwissEnergy Service. The budget has gone from CHF 30 million to CHF 50 million per year. The number of ECH programme contracts and partners has tripled since 2012.

In the eyes of the SFAO's auditors, the procedures for granting subsidies under this ECH programme are not yet sufficiently standardised; findings that are in line with recommendations already made in previous audits.<sup>34</sup> There is room for improvement in terms of the checking of documents for subsidy applications, the costs attributable to projects and the monitoring of results. In 2015 and 2016 alone, subsidies that were certainly too high were paid. These systemic weaknesses increase the risk of subsidising unprofitable projects.

The analysis of concrete cases demonstrated that the SFOE can reduce these subsidies allocated to beneficiaries for basic services. It is also necessary to check that there are no conflicts of interest between the parties involved in the projects subsidised. The SFOE agreed to implement the SFAO's recommendations.

<sup>34</sup> The report for audit mandate 17179 is available on the SFAO's website.



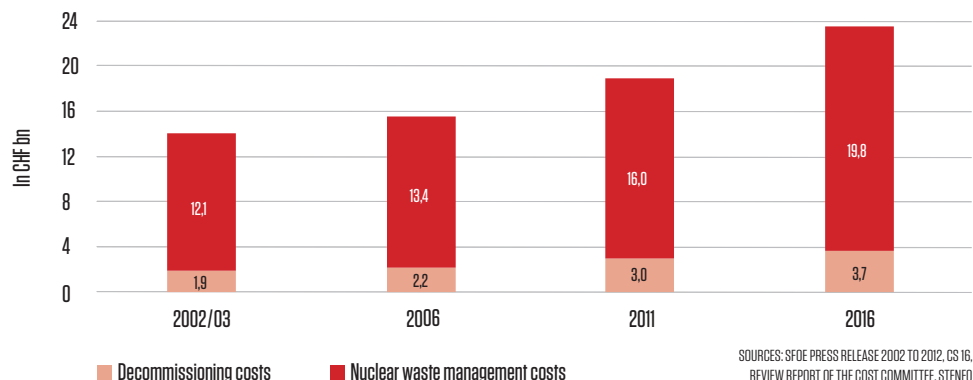
### C. GREATER TRANSPARENCY FOR THE COSTS OF WITHDRAWING FROM NUCLEAR POWER

How can the decommissioning of nuclear facilities and waste management be financed, and who will foot the bill? Part of the answer lies in the decommissioning fund and in the disposal fund for nuclear installations. The Nuclear Energy Act (NEA) requires the owners of nuclear power plants to finance and carry out this dismantling of facilities and waste disposal. These funds are funded by the operators and are subject to supervision by the Federal Council.

The calculation of the costs for the post-operation period, the decommissioning itself and the final disposal of waste lies at the centre of the system. A study is carried out every five years by swissnuclear, the umbrella organisation of nuclear power plant owners.

The cost study (CS16) prepared at the end of 2016 estimated a total cost of around CHF 21.7 billion (CHF 3.4 billion for closures and CHF 18.4 billion for waste management). The administrative commission of the two funds (STENFO) set the operators' provisional contributions on that basis. In 2017, the CS16 was audited by the Swiss Federal Nuclear Safety Inspectorate and independent experts on behalf of STENFO. At that time, the total cost was estimated at CHF 23.4 billion (CHF 3.7 billion for closure and CHF 19.8 billion for management, as shown in the chart below). On 12 April 2018, the Federal Department of the Environment, Transport, Energy and Communications (DETEC) set the total amount at CHF 24.6 billion (CHF 3.8 billion for closure and CHF 20.8 billion for management – including CHF 1.3 billion at the expense of the Confederation). This includes CHF 5.8 billion already paid by operators at the end of 2017. The fund's portfolio now stands at CHF 7.7 billion (CHF 2.5 billion for closure and CHF 5.2 billion for waste disposal).

Development of the costs of withdrawing from nuclear power







The SFAO's auditors had examined this issue in 2014 and delivered a critical report.<sup>35</sup> A follow-up audit was completed in 2018.<sup>36</sup> It was much more positive.

Compared with the previous swissnuclear study in 2011, the 2016 study was much more transparent. The method chosen was understandable and plausible. Confidence in the reliability of cost estimates was boosted.

#### **Abolish an obsolete flat-rate supplement**

The auditors also examined the flat-rate supplement applied under the Ordinance on the Decommissioning Fund and the Disposal Fund for Nuclear Installations (DDFO). Such a supplement is necessary because of the various uncertainties regarding the cost calculations. However, the 30% rate currently applied is too high and should be adapted.

The Federal Council followed the SFAO's recommendation on 30 November 2018. It also followed the new calculation methodology, which now takes better account of uncertainties, dangers and opportunities. To this end, the Federal Council initiated a consultation on the DDFO, in which it plans to abolish this 30% supplement. It wishes to replace it with a general safety supplement of 5% on the decommissioning costs and 12.5% on the costs for the deep geological repository. This consultation will run until March 2019.

<sup>35</sup> The report for audit mandate 14172 is available on the SFAO's website.

<sup>36</sup> The report for audit mandate 16409 is available on the SFAO's website.



# 6. DEFENCE

The real estate portfolio of the Department of Defence, Civil Protection and Sport (DDPS) is very substantial. Its value is around CHF 21 billion for nearly 24,000 hectares of land, almost the equivalent of the surface area of the canton of Zug.<sup>37</sup> This portfolio is one of the largest real estate holdings in the country. Four years after a critical review by the SFAO, its auditors returned to the DDPS to analyse the progress made on this case. There has been significant progress and the overall results are good.

## A. DDPS REAL ESTATE MANAGEMENT IS UNDER WAY

The management of the DDPS real estate portfolio is a significant financial challenge. Already in 2007, the department's General Secretariat introduced a lease model (or *Mietermodell*) specific to the DDPS real estate assets. This model aimed to make optimal use of infrastructure, increase investment efficiency and reduce real estate costs for the DDPS. An audit published by the SFAO in July 2015 revealed the multiple weaknesses of the model and significant delays in its implementation.<sup>38</sup>

At that time, the DDPS explained that it had been aware of the problems for several years. In autumn 2014, a working group was set up under the responsibility of the DDPS General Secretariat. A new project to optimise real estate management was planned for the end of 2016. Shortcomings were to be eliminated in the meantime. A budget of CHF 1.4 million was made available to achieve this. The SFAO welcomed this DDPS initiative at the time.

### SPOTLIGHT

#### CYBER ATTACK AND MEASURES TAKEN BY RUAG

Following the cyber attack on RUAG in 2015 and at the request of the Finance Delegation, the SFAO examined whether the DDPS security requirements were implemented in the IT systems of the competence centres for DDPS hardware. It found that RUAG had adopted emergency measures at the request of the Federal Council and had launched several investigation mandates and some projects, strengthened the staff and structures of its security organisation and established or revised many regulations. The SFAO was generally positive in its assessment of these activities and announced that it would monitor the progress made on the outstanding issues.<sup>39</sup> The Finance Delegation took note of the SFAO's report.

*Excerpt from the 2018 annual report of the Finance Delegation*

<sup>37</sup> See the 2017 sustainability report, available on the website of armasuisse Immobilien.

<sup>38</sup> The report for audit mandate 14489 is available on the SFAO's website.

<sup>39</sup> The audit report for audit mandate 18457 was submitted to the Finance Delegation.



## 6. DEFENCE

### **Positive results, formally implemented recommendations**

In 2018, the auditors returned onsite to review this new real estate management.<sup>40</sup> They saw progress had been made. The real estate management foundations that support a changing organisation were laid. Moreover, all of the recommendations made by the SFAO were formally implemented. And that was not the only positive result.

The new real estate management project was completed at the end of July 2017. A toolkit is now available for this new management. Directives have been established for managing real estate assets, and they take account of land use planning and the environment. The DDPS online real estate portal regulates in detail the processes, responsibilities, powers and forms of collaboration. Finally, a control concept defines measurable objectives at department level. As a result, investments can be made in a targeted manner and building occupancy can be optimised.

According to the DDPS, all relevant staff within the department have been trained. A running-in period is nevertheless needed to assess whether staff are performing their tasks and whether the operating environment is paying off. An evaluation will be carried out in 2020.

<sup>40</sup> The report for audit mandate 18542 is available on the SFAO's website.





# 7. INTERNATIONAL RELATIONS



Baku, Dublin, Luanda, Muscat, Nicosia and Zagreb. The SFAO's auditors travelled to these capital cities to visit our country's small diplomatic representations. What are they doing in the field, what problems are they confronted with and what is the usefulness of these little embassies? These questions are answered below.

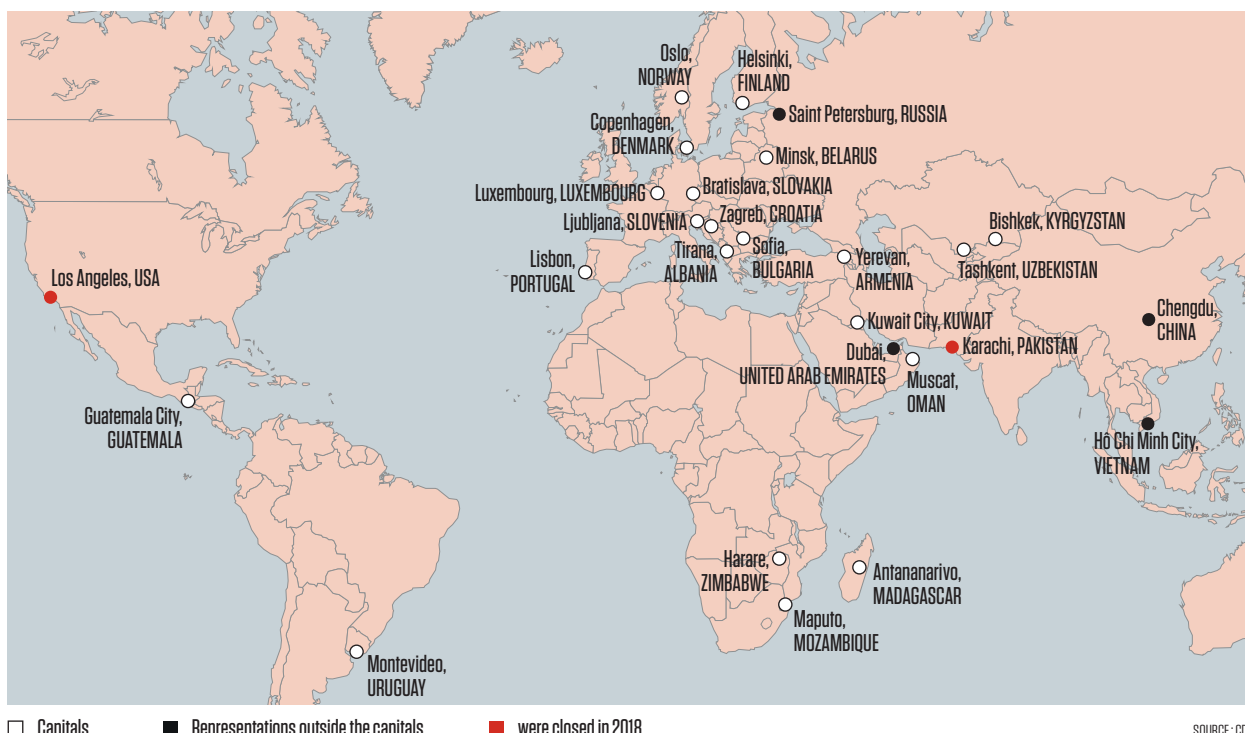
Another issue addressed by the SFAO's auditors concerns the sensitive matter of anti-corruption efforts in Switzerland. What is the Federal Council doing, what resources do the federal authorities have at their disposal in this area, are they sufficient? Here too, the auditors answered these questions. They suggested creating a position of Mr or Mrs "Anti-Corruption" in order for Switzerland to fully meet its international obligations in this regard.

## A. THE FUTURE OF SMALL SWISS EMBASSIES STILL NEEDS TO BE DETERMINED

A diplomat who defends Swiss interests, local employees – usually three or four – and rarely consular tasks to be carried out. This is the visible side of a "small embassy representation" in Switzerland's external network. Of the FDFA's 169 or so representations, 31 are classified as small representations under this definition, with an annual cost of CHF 25 million. Small embassies are mainly located in EU countries. The SFAO's auditors examined their functionality and usefulness, including during field interviews.<sup>41</sup>

<sup>41</sup> The report for audit mandate 17565 is available on the SFAO's website.

These 31 Swiss representations were analysed by the SFAO



□ Capitals    ■ Representations outside the capitals    ■ were closed in 2018

SOURCE: CDF



## 7. INTERNATIONAL RELATIONS

This evaluation revealed a hidden side. The FDFA's strategy has to be reoriented, as the direction currently being taken is not sustainable in terms of financial and human resources. The proliferation of small embassies leads to a dispersion of resources. Alternatives exist. For instance, the auditors suggested that it would be appropriate to consider a regionalisation of diplomatic activities when representations create little concrete added value. Other countries have also taken the step of moving the relevant ambassador-in-residence to his or her home country, while maintaining the bilateral link with the partner country.

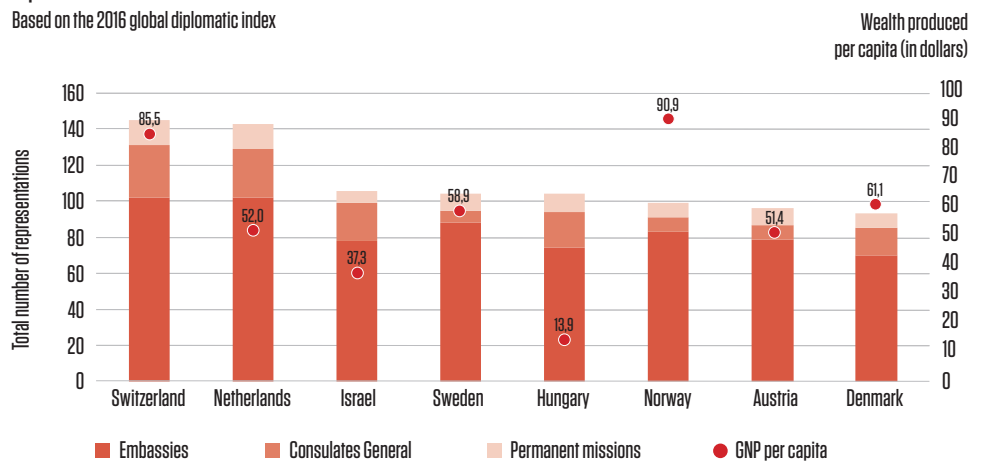
### Prioritisation of bilateral activities, few measurable actions

When compared internationally, the Swiss network is comparable in size to that of a country like the Netherlands (*see chart below*). The main reason for the existence of small Swiss embassies is the need for Switzerland to maintain bilateral relations with a third country. They have grown in number with the expansion of the FDFA's network in Eastern Europe, Central Asia and emerging countries.

For the SFAO's auditors, this prioritisation of bilateral activities in small embassies is a legitimate goal, but the results of their activities are not very visible. In the medium and long term, it is difficult to determine the concrete effects of these activities, for example in the context of the bilateral dossier with the EU. The SFAO's auditors believe that there is short-term added value in the contacts maintained by the FDFA abroad and in the support provided to development cooperation projects.

### Diplomatic networks and economic size of countries

Based on the 2016 global diplomatic index



SOURCE: LOWY INSTITUTE FOR INTERNATIONAL POLICY





The SFAO's auditors diagnosed this situation as a reflection of the significant leeway given to the heads of mission and the absence of a strategy and multi-year objectives set by the FDFA. During their interviews in the field and at the headquarters in Bern, the auditors noted that there was little reflection on the challenges to be addressed and on the opportunities for improving bilateral relations with the host country within the framework of a four-year diplomatic mandate.

**Time-consuming administrative tasks for demanding positions in the field**

Heads of mission in small embassies face day-to-day problems. Just like local staff, they are involved in logistical and administrative tasks. According to the information gathered by the SFAO, small representations devote more than half of their resources to administrative and management tasks. As a result, time is wasted to the detriment of diplomatic activities.

Furthermore, these diplomatic activities are very routine. They focus on monitoring, observing, analysing and maintaining the address book. The embassy sometimes participates in the organisation of a visit by an official Swiss delegation. Consequently, very few resources are available for medium-term projects and such initiatives rely mainly on the energy of the heads of mission themselves.

The profile of a head of mission requires a multifunctional approach, great adaptability skills and the ability to deal with unusual situations. It is difficult to enhance the value of these positions, as the stakes are less important. A dynamic mission leader is thus unlikely to be able to put his or her ideas into practice, as frustrating as that may be. As for local employees, there is a significant risk of overwork. They sometimes feel rather unsupported by the FDFA and do not always know who to contact if problems arise.



## 7. INTERNATIONAL RELATIONS

### B. ANTI-CORRUPTION: SCATTERED AND INEFFECTIVE RESOURCES

Switzerland has been a member of the Council of Europe's Group of States against Corruption (GRECO) since 2006.<sup>42</sup> This international organisation evaluates its member states. After its first review in Switzerland in 2008, the federal authorities followed several of its recommendations. This included strengthening the exchange of information, coordination, prevention and awareness-raising of stakeholders exposed to the risks of corruption.

This political will is reflected in the decree of 19 October 2008, in which the Federal Council established an anti-corruption interdepartmental working group (IDWG) for a period of ten years. The SFAO's auditors evaluated the work of this IDWG.<sup>43</sup> The Federal Council used this evaluation and the group's activity report to define its anti-corruption policy in April 2018. It renewed the IDWG's mandate for ten years. As before, the FDFA is responsible for its secretariat, chairmanship and financing.

#### **Reorientation is conceivable**

According to the SFAO's auditors, the mandate given to the IDWG by the Federal Council from 2008 onwards is relevant on paper. It addresses concerns about the risks of corruption in Switzerland, particularly for the federal authorities. However, the auditors remain sceptical about the resources made available. In concrete terms, the IDWG's effectiveness in this fight has to be increased. Its independence, financial and human resources, powers, authority, institutional memory and visibility could be improved. For its part, the Federal Council must publicly provide clear political support to better prevent corruption.

In their recommendations, the SFAO's auditors noted that the IDWG tends to be more of a militia organisation, led by the FDFA. In ten years of work, exchanges of information and plenary sessions, this group has not known how to develop an anti-corruption strategy in Switzerland, or has been unable to do so. A change of course is required.

<sup>42</sup> For more information on evaluations of Switzerland, see the website of the Federal Office of Justice (FOJ).

<sup>43</sup> The report for audit mandate 17436 is available on the SFAO's website.



The SFAO suggested that the IDWG should have a secretariat, with specialists, headed by a Mr or Mrs “Anti-Corruption”, who would act as a coordinator at federal level and as an awareness-raising agent for public authorities and civil society. This reorientation involves an organisational change, but no additional resources. Synergies between federal players are possible as is a better allocation of resources, which are currently fragmented between several departments.

The Federal Council examined the SFAO’s proposals in spring 2018. It renewed the IDWG’s mandate, taking up some of its recommendations (development of a federal anti-corruption strategy, establishment of an information network with the cantons), but without modifying the decentralised allocation of resources or the IDWG’s positioning.



# 8. JUSTICE AND ASYLUM



The area of asylum was on the agenda for the SFAO's auditors in 2018. Two dimensions were examined: firstly, integration lump sums that give people from the asylum system access to accompanying measures and training in the cantons; secondly, the future asylum reception centres. From 2019, these federal centres will be the tools to accelerate procedures. The audit results showed more or less significant improvements in both cases.

The commercial register and the reliability of its data were also audited by the SFAO in 2018. The cantonal dimension of this topic is a growing challenge for federal supervision of the entire commercial register. Here too, several recommendations were made.

## A. MONEY FROM INTEGRATION LUMP SUMS USED WISELY

Every year, the Confederation invested more than CHF 80 million in the integration of people from the asylum system.<sup>44</sup> This concerns a plethora of measures, very often in connection with language classes or other initiatives to support training or pre-apprenticeship. This amount will increase from 2019, and the federal financial resources could reach nearly CHF 210 million. The integration lump sum is to rise from CHF 6,000 to CHF 18,000 for each temporary admission or asylum decision. This increase is part of the federal response to the cantons' insufficient resources in this area (the so-called "Swiss integration agenda" approach). In the future, this agenda should enable people from the asylum system to enter the labour market more quickly.

With this increase in federal funds on the horizon, the SFAO's auditors examined the use of the money from integration lump sums in the cantons.<sup>45</sup> They analysed the experience of Fribourg and Aargau, as well as some thirty individual cases in each of the two cantons. The supervision performed on this system by the State Secretariat for Migration (SEM) was also audited.

The results were favourable. This money is used in a transparent and economical manner. It also transpired that the integration measures for people from the asylum system correspond well to their specific needs in almost all the cases examined. To complement this audit, statistical indicators were studied, e.g. using databases such as the AHV one. They illustrate, for example, that the employment rate increases in proportion to the duration of integration programmes (*see chart on next page*).

### Practical experience

Synergies between the different cantonal integration approaches and the dialogue between cantonal and communal authorities and civil society are crucial factors for the success, economicity and effectiveness of integration mechanisms. In the field, the SFAO's auditors found experiences and synergies to be studied.

In Fribourg, for example, with the McPhee programme launched in September 2016, other refugees take care of young children, giving mothers, most of whom are single, time to attend integration courses. In the canton of Aargau, pensioners help young adults in Baden who have gained access to an apprenticeship in the construction sector.

<sup>44</sup> This includes temporarily admitted refugees and statutory refugees. The sum of CHF 80 million does not include the expenditure of the cantons and communes on compulsory education, pre-vocational training and social assistance, i.e. around CHF 162 million.

<sup>45</sup> The report for audit mandate 18501 is available on the SFAO's website.



## 8. JUSTICE AND ASYLUM

In terms of supervision, the SFAO's auditors found that the Aargau authorities have implemented open procedures for calls for tenders in the field of integration services. In Fribourg, the canton makes only partial use of this type of procedure. However, it regularly monitors integration expenditure and its evolution as part of the work on the annual budget.

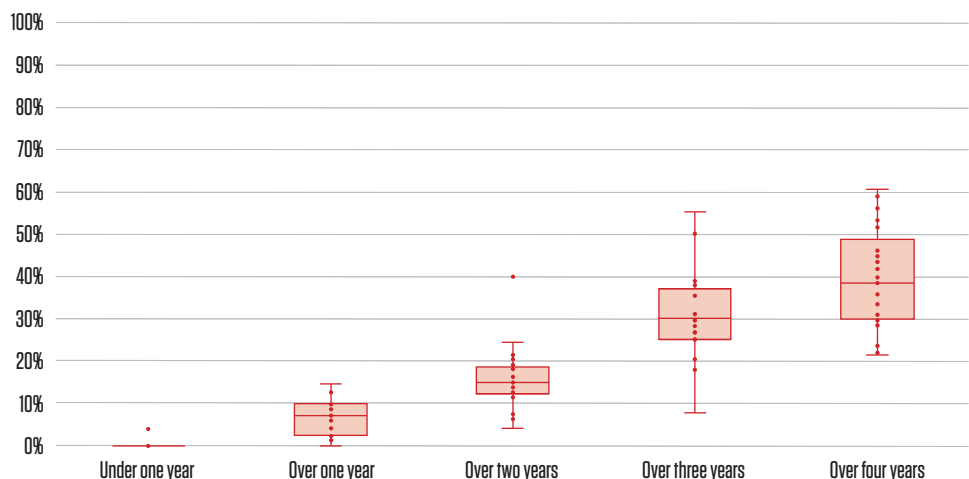
### Room for improvement in psychological care and supervision

Experience in the field highlighted needs regarding the organisation of language courses. In the case of intensive courses, care for young children should also be included. Similarly, continuous language learning should be better coordinated for migrants already in the labour market.

For the SFAO's auditors, improvements can also be envisaged in relation to disability insurance (IV) care. In this regard, they noted that there is a need to extend the offering for migrants suffering from psychological trauma. These benefits should be improved, be they via the IV or beyond this insurance. In coordination with the FSIO, the SEM accepted this SFAO recommendation.

It is also necessary to set a clearer boundary between the integration lump sum and the other sources of funding available. This measure has been accepted by the State Secretariat. In addition, it is recommended that better indicators be developed to monitor the situation and developments in the cantons. In their work, the SFAO's auditors described potential indicators such as the rate of gainful employment in the cantons or the average income by branch of activity.

As the duration of integration programmes increases, the employment rate increases



Note: the points represent the different cantons.

SOURCES: ZEMIS, AHV, SFAO CALCULATIONS



**SPOTLIGHT**

**BUILD REFUGEE CENTRES IN RECORD TIME**

Asylum procedures must be speeded up from 2019. This is what the Swiss people decided in the popular vote on 5 June 2016. As a result, it is planned to build 18 federal asylum centres (FAC) in six regions of the country (see map below). These centres will be able to provide 5,000 beds and 630 workstations for expenditure set at CHF 583 million. To launch this accelerated procedure processing, 80% of the beds and all workstations were to be operational by February 2019. These timeframes have put a lot of pressure on the FOBL, and are continuing to do so.

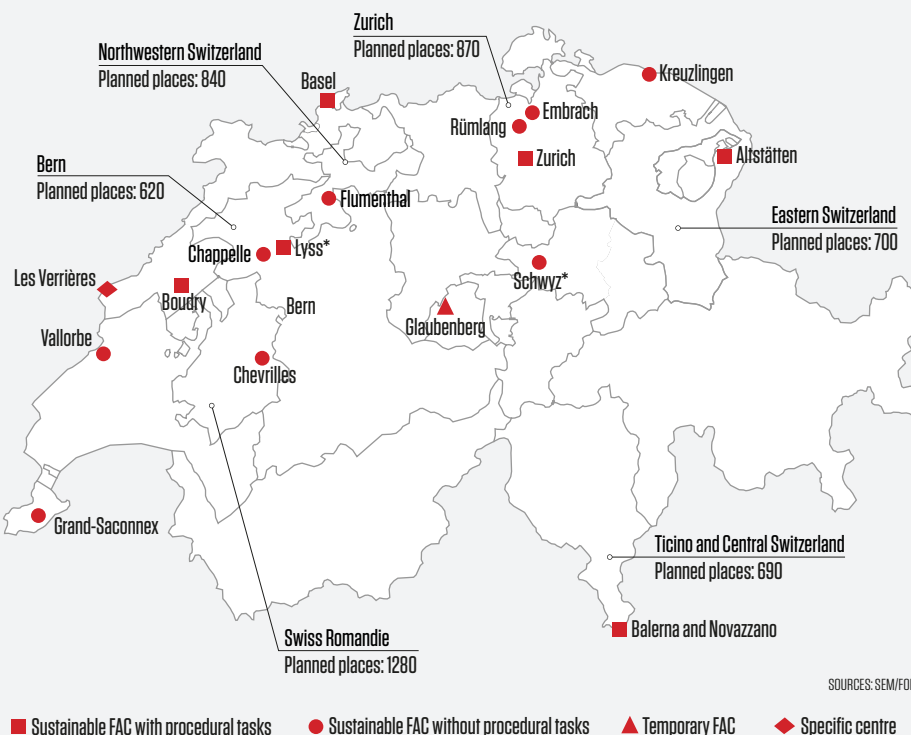
Starting at the end of 2017, the SFAO's auditors verified the planning and construction of the FACs.<sup>46</sup> They also examined the economicity of this programme and the collaboration between the FOBL and the SEM. Four projects were reviewed (Boudry, Basel, Giffers and Zurich's Duttweiler site).

The results show that the FOBL and the SEM work well together. The standards for future federal centres were comprehensively and clearly defined during the development phase. However, this work was carried out after the amendment of the Asylum Act (AsyIA), which set ceilings for capital expenditure according to beds (CHF 120,000) and workstations (CHF 100,000). It is not yet guaranteed that the standards adopted will allow these limits to be respected.

In the course of their work, the SFAO's auditors noticed that the FOBL's indicators for assessing the project's economicity were being revised. They recommended that these indicators be set definitively and as soon as possible in order to be able to compare the investment costs of the various buildings under construction.

**Federal asylum centres (FAC)**

\* Locations under reserve



<sup>46</sup> The report for audit mandate 17377 is available on the SFAO's website.



## 8. JUSTICE AND ASYLUM

### B. IMPROVE THE RELIABILITY OF THE DATA IN THE COMMERCIAL REGISTER

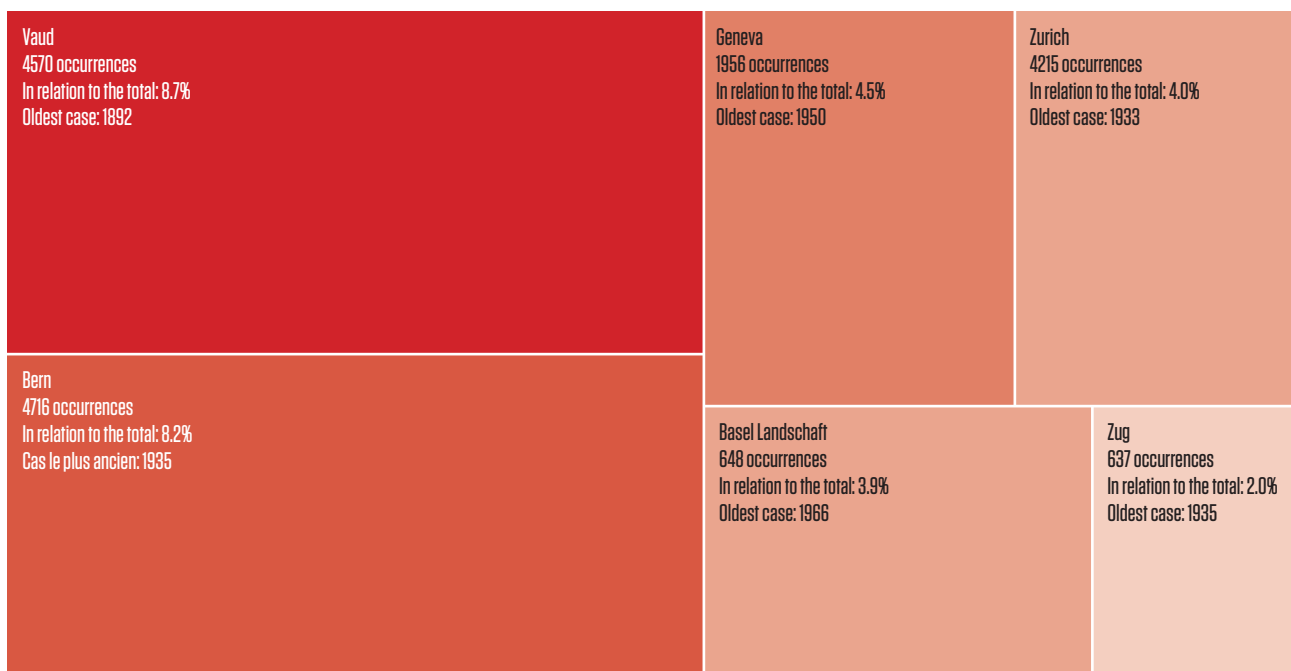
Thousands of economic players consult one of the 28 cantonal commercial registers for their daily business.<sup>47</sup> For them, this is an essential tool that allows them to check their business partners, for example. On 1 January 2017, more than 611,000 companies were entered in these cantonal commercial registers. It is an obligation for all companies that pursue an economic activity in Switzerland. At the Federal Office of Justice (FOJ), a dozen people carry out supreme supervision of this aspect of economic life and keep up to date the Central Business Names Index, known as Zefix.

Is the public data in these registers reliable? And if not, can we improve matters? These were the two questions driving the SFAO's auditors.<sup>48</sup> In order to answer them, they visited the Federal Commercial Registry Office (FCRO) at the FOJ and six Swiss cantons (Basel Landschaft, Bern, Geneva, Vaud, Zug and Zurich). It transpired that the current system can be improved. Technical centralisation at national level appears to be one avenue to be explored within the scope of projects carried out by the cantonal and federal authorities for e-government.

<sup>47</sup> Unlike the other cantons, Valais has three cantonal registers.

<sup>48</sup> The report for audit mandate 16615 is available on the SFAO's website.

#### Companies with no change in registration for more than 15 years



SOURCE: DATA FROM THE CANTONS OF BL, BE, GE, VD, ZG AND ZH DELIVERED IN THE FIRST HALF OF 2017; EXTRACTION AND PRESENTATION SFAO





### **Companies not updated for more than 15 years or missing from the registers**

Let us take two examples that show how the verification tools available to the commercial registers are not entirely sufficient.

1892 in the canton of Vaud, 1933 in Zurich and 1935 in Bern and Zug. These dates correspond to companies found in the cantons' registers that have not been modified since then. These are extreme cases. However, 16,742 companies without any changes in the last fifteen years were found in the cantons under review. This corresponds to between 2% and 8% of the companies registered (*see chart above*). Above all, it shows that removals should have taken place and that updating can be improved.

When examining the cantonal data, the SFAO's auditors also identified nearly 13,000 companies – sole proprietorships or associations – that were required to register but were missing from these registers. This was done by cross-referencing value added tax (VAT) data with the commercial register data.

The SFAO gave the information it had to the cantons to enable them to make the necessary corrections. This shows that the commercial register offices do not systematically seek information from other administrative authorities (e.g. the FTA in the case of VAT liability). This information is public and can be found in particular in the register of business identification numbers.

### **IT efficiency, federal supervision and economic crime**

On a more general level, the SFAO's auditors believe that simplifying the IT environment with a single application for the Swiss commercial register would generate savings. It would also avoid difficulties related to data transmission and synchronisation. Two IT applications are currently used for all cantons, and the registration forms are mainly paper-based.

This situation is at odds with the authorities' desire to stimulate e-government and the development of new technologies. The cantons and the Confederation have to digitise the transactions carried out with the commercial register.

The supervision performed by the FCRO is relevant and meets the legal requirements in this area. This office also began conducting field checks recently. However, its risk analysis is not yet sufficiently developed to target its work.

Finally, the transparency required of commercial registers is a key tool for companies. It should also play a role in the fight against economic crime. This role could be strengthened by making the register of natural persons entered in the commercial register public, for example.



# 9. FEDERAL IT PROJECTS



In March 2013, the Federal Council charged the SFAO with auditing key IT projects within the Confederation. These are projects which either cost more than CHF 30 million or are of strategic importance. Since then, two thirds of the IT audit reports published by the SFAO have been related to these major federal projects.

If there is one area where reducing the risks is a struggle, it is certainly that of federal IT projects. This observation can be repeated for 2018, despite encouraging results in project organisation at the DDPS and Federal Chancellery (FCh), for example.

## A. MODERNISATION OF THE OFFICIAL PUBLICATIONS CENTRE IN A DIFFICULT POSITION

Every day, thousands of people consult the online platform for the publication of federal legislation. At the FCh, this platform is under the responsibility of the Official Publications Centre (OPC), which is also carrying out its IT modernisation. A first attempt was aborted in 2010.

This new attempt, which began in 2014, is estimated to cost around CHF 14.7 million. Initial success was achieved in 2016 with the move to the primacy of the electronic version of official publications. The second part concerns the replacement of the current system, which has now reached the end of its life cycle. On paper, everything is ready. However, implementation at a delicate stage. This implementation phase is being carried out by the FCh, the Federal Office of Information Technology, Systems and Telecommunication (FOITT) and a Greek company.

The project is well managed in administrative terms. At several levels, management has been active, which has helped to identify the financial stakes and reduce some of the risks.

### **Difficult collaboration with a company based abroad**

However, it appears clear that the implementation work initiated in Greece in May 2017 will not achieve the objectives set by Bern. For example, there are delays (up to six months), a necessary extension of the current system (thus additional costs), quality problems in the supplier's deliveries, many corrections and higher than estimated costs (an extension of CHF 4.2 million has already been planned).

For the SFAO, this situation raises fears of additional budget overruns. It is impossible to quantify them precisely at the moment.

On top of this, relations with the supplier are strained. The distance from the Athens-based developers as well as significant differences in working methods, the perception of commitments and priorities are hindering collaboration between the partners.



## 9. FEDERAL IT PROJECTS

This situation is all the more worrying given that this same supplier has been awarded six contracts over the past three years for other IT consultancy and development work in the Federal Administration. In the SFAO's opinion, an exchange of experiences between the FCh and the FOBL is essential in order for the FOBL to be able to intervene quickly if other projects encounter similar difficulties with this supplier.

### B. FISCAL IT ON THE HOME STRAIGHT

FISCAL IT has been an ongoing project of the FTA since 2013. It is a recurring audit topic for the SFAO.<sup>49</sup> As a reminder, this key ICT project is intended to replace obsolete FTA applications, standardise the FTA's IT systems and integrate everything into a new IT architecture.

We already know that this programme has fallen behind schedule and will cost more than expected. At the end of 2016, the FDF informed the Finance Delegation of an overrun of CHF 26 million for a final cost estimated at CHF 117.6 million, including CHF 6.4 million in internal expenses. The FTA says that FISCAL IT will provide it with efficiency gains. It will finish at the end of 2018.

The SFAO's auditors carried out another audit on FISCAL IT in 2018.<sup>50</sup> On the financial side, they noted that this programme had generated costs of CHF 102 million at the end of April, excluding internal personnel expenses. The total costs planned are estimated at CHF 117.6 million, with a reserve of some CHF 600,000. These elements are positive. A second positive element concerns the launch of two applications.

#### **Two key applications have been launched**

The application DIFAS was launched in October 2017. It replaces the old systems of the Main Division for Direct Federal Tax, Withholding Tax and Stamp Duty. The FTA was also due to launch the application MEFAS 2.0 in July 2018, replacing MOLIS in the Main VAT Division.

At the time of the audit in spring 2018, the SFAO expressed doubts about these new applications, mainly in terms of performance. The challenge for the FTA is to quickly correct the significant productivity reductions observed by the SFAO after these new applications went live. Crucial functions such as the dispatch of interest invoices and tax reminders must also be ensured.

The FOITT works closely with the FTA within the framework of the FISCAL IT programme. Nevertheless, the SFAO's auditors pointed out that key operating elements are not sufficiently clear. At the time of the audit, there were discrepancies between the FTA and the FOITT regarding operating costs in 2018 (approximately CHF 15 million).

<sup>49</sup> The reports for audit mandate 13506, audit mandate 14539, audit mandate 16153 and audit mandate 17441 are available on the SFAO's website.

<sup>50</sup> The report for audit mandate 18466 is available on the SFAO's website.



## C. TELECOMMUNICATIONS SURVEILLANCE RIGHTLY READJUSTED

Technological change, complex forms of crime and new threats prompted the Federal Council to initiate the key ICT programme “telecommunications surveillance” in September 2014. The aim is to adapt the current telephone interception system (Interception System Switzerland, or ISS)<sup>51</sup> and the information systems of the Federal Office of Police (fedpol) to technical developments and the requirements of future technologies. Parliament granted an investment loan of CHF 99 million, excluding the FDJP’s own contribution (some CHF 13 million). This programme is in the implementation phase and should be completed by the end of 2021.

### SPOTLIGHT

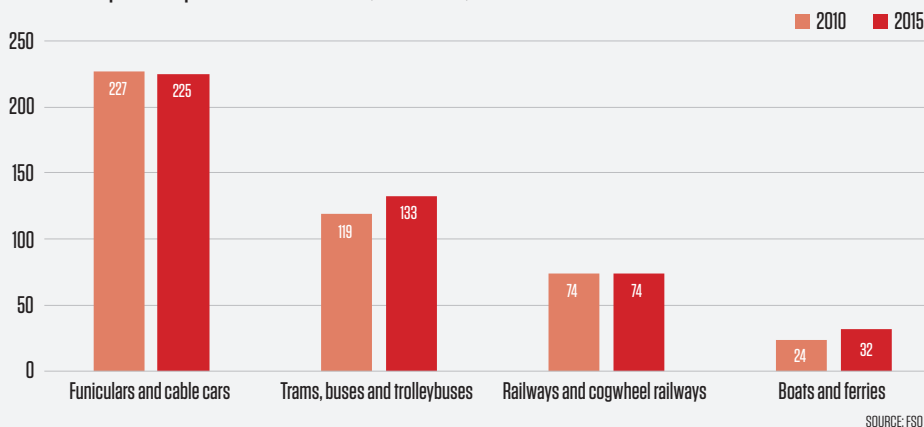
#### COMPLY WITH THE DATA PROTECTION ACT

Any transport company wishing to operate a route in Switzerland requires a licence from the FOT, which is the sector’s supervisory authority. It supervises the railway, cableway, trolleybus, tram, bus and shipping companies and networks. Over 450 companies are registered with the FOT (see chart below). Every year, it allocates almost CHF 4 billion to these partner companies in order to maintain the fabric of the infrastructure and compensate them for their operating costs.

The SFAO’s auditors examined the FOT’s application environment.<sup>52</sup> A detailed examination of one application – the transport company directory (or TCD<sup>53</sup>) – was carried out. Operated by the FOITT, this directory is maintained and developed by a private company. The auditors’ aim was to assess the stability, security, reliability and profitability of the TCD.

During the SFAO’s work, it was found that the TCD database had been developed without consideration for data protection aspects. At the end of 2015, new data fields were introduced, particularly for sensitive information on individuals (offences or criminal sanctions, indications on medical problems, etc.). The development of the TCD violated the Data Protection Act (FADP) because of the impossibility of protecting this information. The FOT, DETEC and the Federal Data Protection and Information Commissioner were informed about this. The FOT took immediate corrective measures and submitted further work to be carried out to the SFAO. It deemed these measures to be appropriate. The auditors also recommended improving the administration and management of user account access rights.

Public transport companies in Switzerland (2010–2015)



<sup>51</sup> This system is managed by the Post and Telecommunications Surveillance Service (PTSS) of the IT Service Centre of the Federal Department of Justice and Police (ISC-FDJP).

<sup>52</sup> The report for audit mandate 17383 is available on the SFAO’s website.

<sup>53</sup> This database is public and available on the FOT’s website.



## 9. FEDERAL IT PROJECTS

This programme is regularly reviewed by the SFAO (an audit in 2016<sup>54</sup>, a follow-up in 2018<sup>55</sup>). The telecommunications surveillance programme is on schedule and expenditure is below budget.

This positive development can be explained by FDJP intervention. The FDJP changed the structure of the programme at the end of 2017. The expansion of the functions of the previous programme, version 2 of ISS, was abandoned, and fedpol's investigation system component was refocused on its original objective. As partners in this programme, the federal and cantonal criminal prosecution authorities approved these changes.

### **Lack of resources, development of GovWare and operating costs**

The SFAO's auditors pointed out three important items in terms of risks. All of the projects in the telecommunications surveillance programme are faced with understaffing. Due to framework contracts that ended in 2017, a shortage of experts has emerged at the ISC-FDJP, the service at the heart of the programme's implementation. As a result, problems have emerged (frequent staff changes, loss of knowledge, difficulty for the Confederation when hiring on the IT labour market, etc.). The SFAO's auditors believe that this situation is barely reflected in the assessment of the risk associated with the telecommunications surveillance programme's resources. The shortage exceeds the normal level of risk, and there is no indication that the situation will improve soon.

It is also likely that one of the projects will experience cost overruns or a reduction in performance. This concerns the P4-GovWare project, which involves the purchase and commissioning of a Trojan horse IT interception system for criminal prosecution authorities.

Finally, an initial estimate of the operating costs was made during the audit. The FDJP reckons that the costs of the Post and Telecommunications Surveillance Service (PTSS) will triple from CHF 10 million to CHF 30 million with the new infrastructure. Moreover, the impact of the future investigation system at fedpol remains unknown in terms of figures. One example is the purchase of GovWare, whose use could have major financial repercussions. The financing for this increase in the various operating expenses has not yet been determined.

<sup>54</sup> The report for audit mandate 16315 is available on the SFAO's website.

<sup>55</sup> The report for audit mandate 18290 is available on the SFAO's website.

## D. THE ARMED FORCES VOICE SYSTEM IS BEING PREPARED

The DDPS launched the so-called “Armed Forces voice communication system” (*Voice System der Armee – VSdA*) project in 2010. Still in the concept phase, it aims to provide the Armed Forces with secure means of communication up to the classification level “confidential”. A budget of CHF 32 million, including personnel costs, has been made available. According to the DDPS, this project should be finished and operational by 2021.

The SFAO's auditors examined this project.<sup>56</sup> During the preparatory work, the DDPS envisaged synergies between VSdA and the Administration's communication solution based on the Unified Communication & Collaboration (UCC) standard.<sup>57</sup> These synergies were rejected for availability and confidentiality reasons. Before the tender procedure, the DDPS nevertheless required VSdA to be based on the use of a standard product.

The SFAO's auditors noted that the VSdA project has been carried out in a professional manner so far. The design of this communication tool has been reviewed and reduced to a minimum. Aside from mainly landline voice telephony, the number of sites and users has been more than halved with respect to the original plan. The project organisation is exemplary. The only problem is the issue of resources. Three to five professionals must be hired to operate VSdA. This recruitment is proving difficult and the issue of resources remains a significant risk for both the DDPS and the SFAO.

### **Federal strategy for telecommunications in crisis situations**

When designing VSdA, the DDPS took account of the FCh's requirements for crisis situations, particularly those relating to telephony in the Federal Council's command facilities. However, the coordination of the telecommunications resources of military and civilian authorities in crisis situations is not yet the subject of a specific study. Yet this need was highlighted during the “2014 Swiss Security Network Exercise”. The final assessment of this operation unambiguously noted the weaknesses of the current communication systems and their adverse effects on command in the event of a crisis.

The Federal Council accepted the SFAO's recommendation following the audit report. It intends to present a multi-stage plan by the end of 2020 for the development of a global strategy for telecommunications in crisis situations.

<sup>56</sup> The report for audit mandate 18550 is available on the SFAO's website.

<sup>57</sup> This IT solution is based on Microsoft's Skype for Business. The SFAO's auditors audited this IT project in 2014, 2015 and 2016. The reports for audit mandate 14458, audit mandate 15474 and audit mandate 16497 are available on the SFAO's website.





## PART 2

# MEANS AND FIGURES OF FINANCIAL SUPERVISION IN 2018

# PART 2: MEANS AND FIGURES





# 1. FINANCIAL SUPERVISION: OBJECTIVES, RESOURCES AND AUDIT AREAS

## A. OBJECTIVES

The SFAO is the Confederation's supreme financial supervisory body.<sup>58</sup> It assists the Federal Assembly with its supreme supervision and the Federal Council with 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>59</sup>

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

The SFAO also takes on audit body mandates if they allow for synergies with other audits, 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 Federal Administration's internal audit bodies. 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 for the supervision 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 internal audits 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>58</sup> Federal Act of 28 June 1967 on the Swiss Federal Audit Office (FAOA).

<sup>59</sup> The only exceptions are as follows: the Swiss National Bank (SNB) and the Swiss Broadcasting Corporation (SRG SSR) are not subject to SFAO supervision. However, the Head of the DETEC can instruct the SFAO to perform special audits at the SRG SSR. With the exception of its military insurance sector, SUVA is not subject to SFAO supervision either.



## 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 AHV, IV, compensation for loss of earnings (EO) and ALV
- The fund for major railway projects
- The infrastructure fund
- The Swiss Federal Institutes of Technology Domain
- The Swiss National Science Foundation
- The Alcohol and tobacco division of the FCA (former Swiss Alcohol Board)
- Swissmedic
- The Swiss Federal Institute of Intellectual Property
- The Swiss Federal Institute of Metrology
- FINMA and FAOA
- 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>60</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.

<sup>60</sup> Article 5, FAOA.



## 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. Its employees are required to enhance their knowledge in their area and pass this on within the SFAO. Courses are organised in January for the staff of the SFAO, the Federal Administration's internal audit bodies and, to some extent, those of the cantonal audit offices.

For 2018, Parliament gave the SFAO credits of almost CHF 27.6 million. SFAO employees carried out almost 90% of the annual programme. The remaining 10% was performed by duly mandated external employees<sup>61</sup> working under the responsibility and management of the SFAO.

<sup>61</sup> Article 3, FAOA.



## D. MAIN AUDIT AREAS

Based on its statutory mandate, strategy and annual objectives, the SFAO 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 internal audit bodies 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 Swiss Federal Institutes of Technology (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 executed the mandates to audit the AHV, IV, EO and ALV compensation funds in 2018.

### **Rail links through the Alps**

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 the security, development, operation and profitability of the numerous ICT applications and platforms is part 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.

### **Performance audits and evaluations**

For the SFAO, performance audits include the criteria of economy, efficiency and effectiveness. Evaluations are found in this category. For the SFAO, an evaluation involves systematically and objectively analysing and assessing the concept, realisation and impact of public subsidies, policies, programmes and projects. 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, such as 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 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.

### **Federal government enterprises**

The SFAO's audits of federal government enterprises help Parliament with its supreme financial supervision tasks and target specific risks for the owner and thus for taxpayers.

### **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. ORGANISATIONAL CHART OF THE SFAO



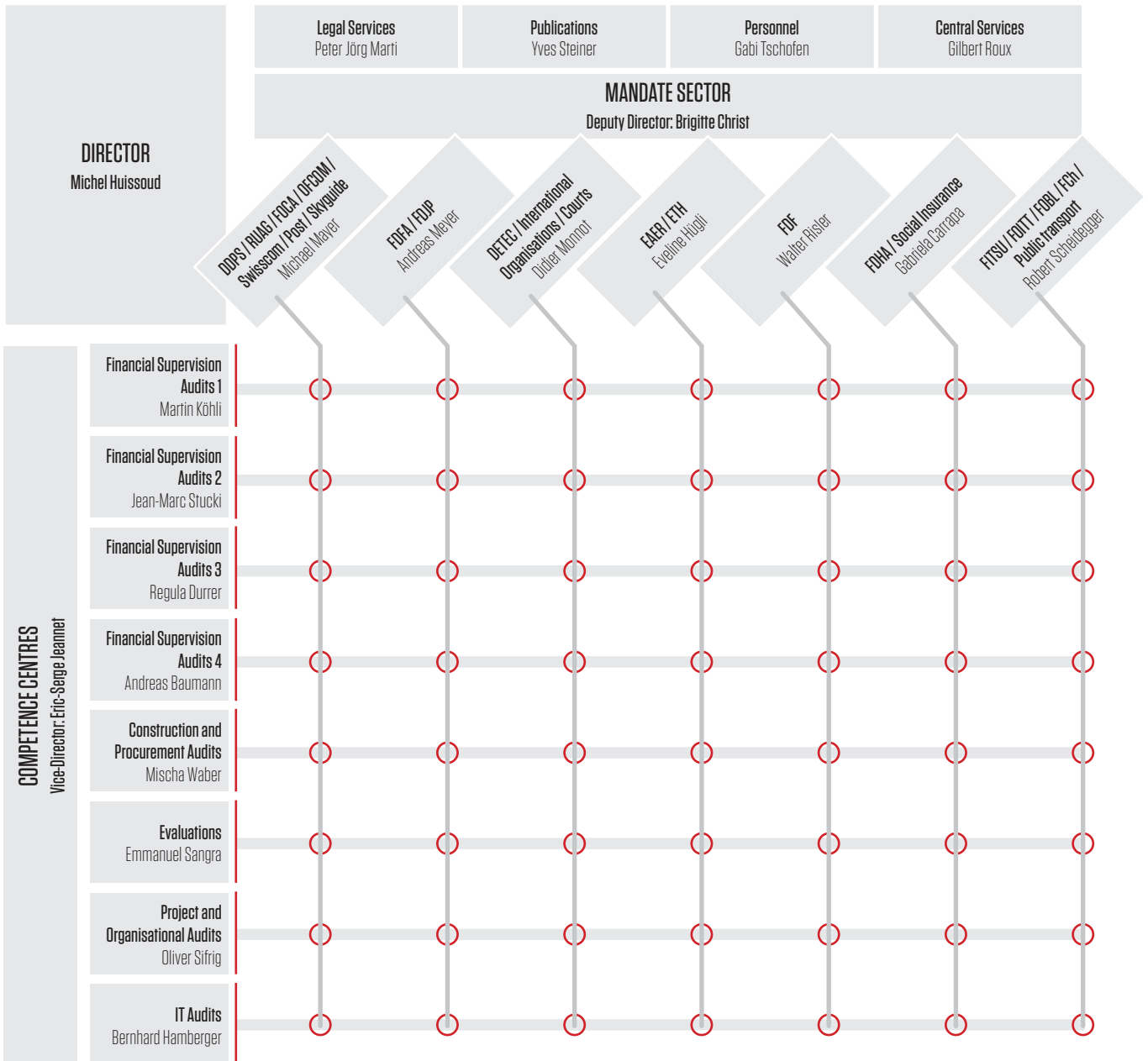
Brigitte Christ,  
Deputy Director



Michel Huissoud,  
Director



Eric-Serge Jeannet,  
Vice-Director







# 3. THE SFAO: FACTS AND FIGURES

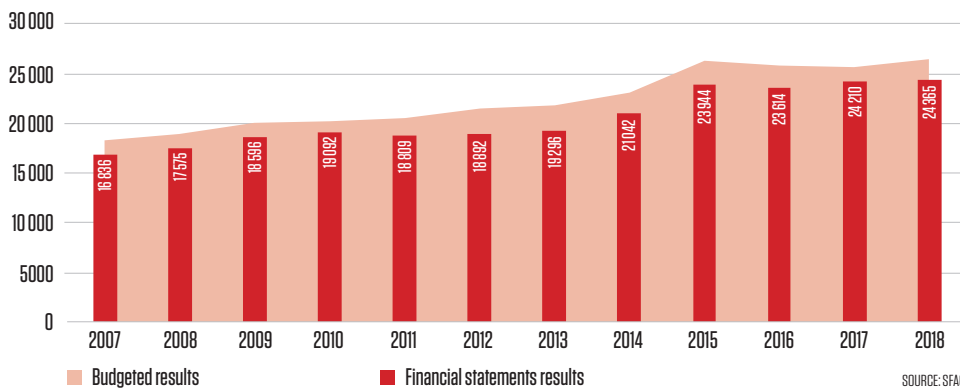
## A. FINANCIAL STATEMENTS AND HUMAN RESOURCES

In 2018, the SFAO's expenses amounted to CHF 25.9 million. Its revenue came to almost CHF 1.5 million.

	2016 financial statements	2017 financial statements	2018 budget	2018 financial statements	Difference vs. 2018 budget
<b>Expenses</b> (CHF mn)	25 601	26 034	28 322	25 914	- 2408
<b>Revenue</b> (CHF mn)	- 1 987	- 1 824	- 1 835	-1 549	286
<b>Result</b> (CHF mn)	23 614	24 210	26 487	24 365	- 2122

SOURCE: SFAO

The SFAO and its budget management (2007–2018, in thousands of CHF)



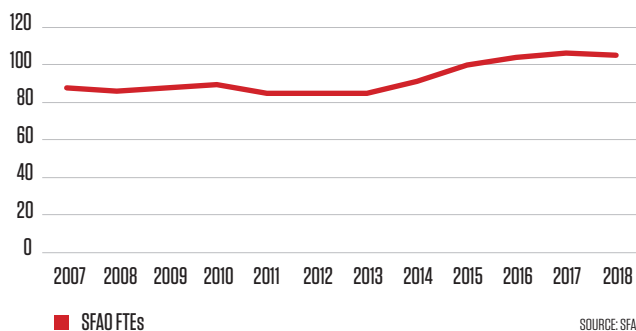
SOURCE: SFAO

On 31 December 2018, the SFAO had a staff of 114 (105.1 FTEs), versus 115 (106.3 FTEs) a year earlier. In 2018, net employee turnover was 0.9% (1.7% in 2017).

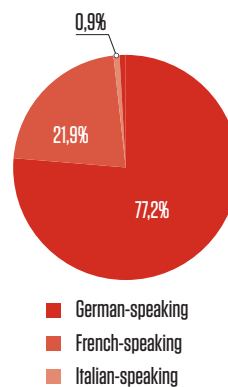
At the end of 2018, 39 women (34%) and 75 men (66%) worked for the SFAO. There were 88 native German speakers, 25 native French speakers and one native Italian speaker.

Evolution and linguistic origin of SFAO staff (2007–2018)

Number of employees in FTEs



SOURCE: SFAO





## B. WHISTLEBLOWERS

The SFAO is the Federal Administration's contact point for whistleblowers. Effective since 2011, the Federal Personnel Act makes provision for an obligation to denounce, a right to report irregularities and protection for federal employees who report serious matters. In June 2017, the SFAO launched a secure web platform ([whistleblowing.admin.ch](http://whistleblowing.admin.ch)). It has been a great success since then, which demonstrates the usefulness of this tool.

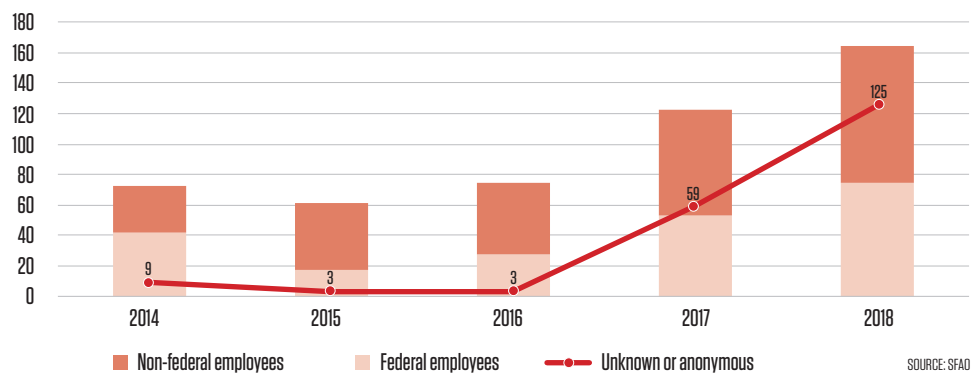
In 2018, the SFAO's Legal Service received 164 reports which were processed and required further analysis. 75 cases were from federal employees, while the remaining cases were from persons not employed by the Confederation (suppliers, individuals, etc.).

125 of this total figure were anonymous, i.e. nearly 70% of the cases. The SFAO was able to communicate with 86 whistleblowers via an encrypted system of electronic mailboxes, which demonstrates the usefulness of the platform. Only less than 20% of reports still come via other channels (interview, telephone, post).

The SFAO verifies this information. In 2018, 101 reports were useful for audits already under way or future audits, or will trigger new investigations in the not-too-distant future. Consequently, more than 60% of the reports were useful and help to improve how the Administration functions.

In 2018, two reports were transmitted to the OAG and the Office of the Armed Forces Attorney General (military justice).

Reports from whistleblowers received by the SFAO (2014–2018)

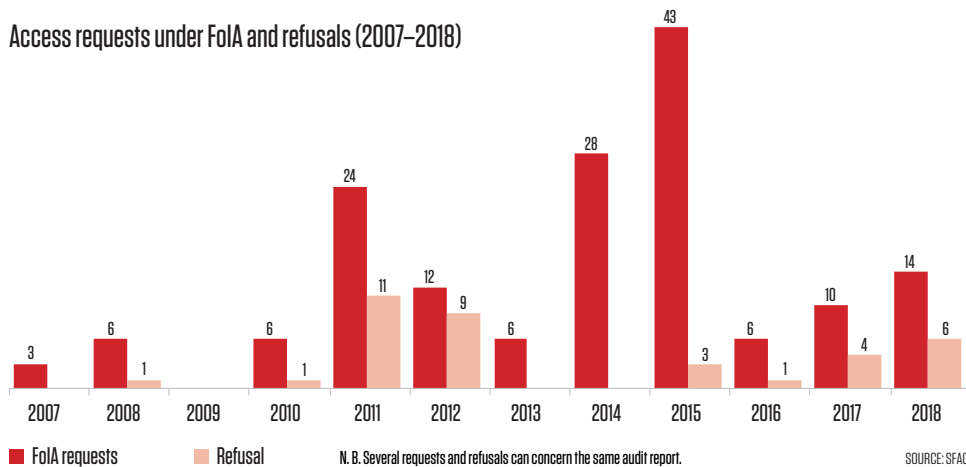




## C. REQUESTS FOR ACCESS TO INFORMATION (FREEDOM OF INFORMATION ACT)

The Federal Act on Freedom of Information in the Administration (FoIA) came into effect in 2006.<sup>62</sup> Since then, the SFAO has regularly received requests for its audit reports from the media and those interested in its work.

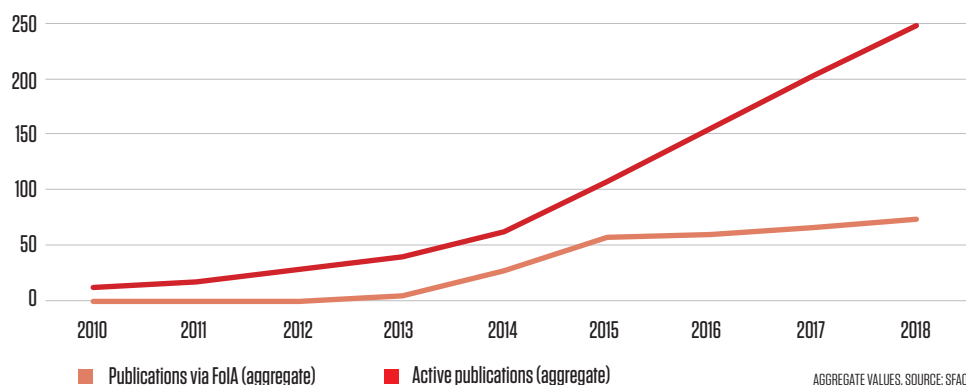
Access requests under FoIA and refusals (2007–2018)



In 2018, 14 requests were made for access to SFAO reports. Complete access was granted to five audit reports. Partial access was granted in three cases. Finally, access to six documents was refused. The grounds for this refusal are based on the exceptions in Article 7 of the FoIA (paragraph 1, letters a, b, c), as well as Articles 9 and 11.

The SFAO has published reports of public interest since 2014. In 2018, 46 reports were made available, i.e. one less than the previous year. Between 2010 and 2013, the SFAO published an average of ten audit reports per year. Between 2014 and 2018, this figure increased fivefold if the reports published via the FoIA are taken into account. The SFAO's annual audit programme for 2019 envisages the publication of over 70 reports.

Anticipated SFAO publications and less access to SFAO documents via FoIA (2010–2018)



<sup>62</sup> The text of this law is available on the website of the Confederation.



## D. REPORTS TO THE FEDERAL COUNCIL AND 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. It did this once in 2018, versus three times in 2017. The table below gives an overview:

Date	Topic
2 February 2018	Creation of a provision with financial implications

SOURCE: SFAO, 2019

The SFAO found that several of its recommendations had not been implemented by the agreed deadline despite the fact that they were accepted by the offices concerned. The SFAO has listed the most important of these (as at 30 September 2018) in the table below. An asterisk indicates added recommendations relative to the situation a year earlier.

Audit at	Topic	Development
<b>DDPS</b>	Inadequate legal basis for the subsidy to a third party	The SFAO has found since 2001 that there is no legal basis for the subsidy granted to the Foundation for the Museum and Military Material of the Swiss Air Force. The DDPS has been instructed to explain the legal basis and to justify the sums granted.
<b>DDPS*</b>	Business continuity management (BCM)	The SFAO recommended following a unified approach in the development of the department's business continuity management. The different administrative areas need to be supported and a continuous exchange of expertise between these areas has to be ensured (e.g. at BCM meetings). In addition, service level agreements must be supplemented by vital parameters such as the time between two data backups.
<b>DDPS – Defence group*</b>	Air systems equipment competence centre	The SFAO recommended that the Defence group should create the conditions for effective and efficient management of the Air systems equipment competence centre.
<b>Armed Forces Staff</b>	Management and credit for Armed Forces historic equipment	The documents essential for transparent and strategic management of the Center for Historic Equipment of the Armed Forces must be improved. The service level agreements between the Armed Forces Staff and the three foundations must also be made more precise.
<b>DDPS / DETEC*</b>	HELCO project	The SFAO recommended that the DETEC and DDPS should clarify the HELCO project's governance issues and plan for the end of the project, while indicating the objectives that can still be achieved and those that have to be abandoned. In particular, the federal authorities have to find decision-making mechanisms to resolve differences in the regulation of air surveillance.
<b>FDFA*</b>	Maritime navigation	The SFAO recommended that the Swiss Maritime Navigation Office should develop and implement a joint monitoring concept in collaboration with the Federal Office for National Economic Supply. This concept should take account of the specific features of each entity, risks and economic stakes.

<sup>63</sup> Article 15 paragraph 3 of the Federal Audit Office Act.



<b>FOT*</b>	Monitoring of railway project portfolio	The SFAO recommended that the FOT should establish a portfolio checking system whose evaluation system makes it possible to identify projects to be monitored in greater depth and to reduce the checking effort for all players. At the same time, the categorisation of projects needs to be improved so that projects financed by service level agreements are subject to more stringent checking.
<b>FDF*</b>	Federal IT architecture	The SFAO recommended that the Federal Council should enhance the FITSU's legitimacy in order to steer the federal IT architecture and rethink the prerogatives of the federal architecture board ( <i>Architekturboard Bund</i> ).
<b>MeteoSwiss*</b>	Business continuity management (BCM)	The SFAO recommended that MeteoSwiss examine and evaluate the need for a multi-site concept for its business continuity management (BCM) project. Before considering the construction or lease of another data centre, it is necessary to verify the extent to which existing or planned federal data centres can be used.
<b>Federal Coordination Commission for Occupational Safety (FCOS)</b>	Governance rules and relations with SUVA	The SFAO recommended that the FCOS update its corporate governance rules. It is a question of guaranteeing its independence and its decision-making autonomy from its secretariat with regard to SUVA. The FCOS must consider SUVA as a service provider and is accountable to the Commission.
<b>FSIO*</b>	Disability insurance medical measures	The SFAO recommended that the FSIO strengthen steering and supervision, and also create the necessary framework conditions: the FSIO must include quality indicators and objectives in its agreements with the IV offices. It is also necessary to establish more effective supervision that focuses more on risks. The FSIO should support the creation of specialised centres of expertise per specific medical domain. Moreover, the framework conditions have to be created for more rigorous examination of complex cases and costly cases ( <i>Hochkostenfälle</i> ) by the competent authorities.
<b>FSIO*</b>	AHV / IV / EO year-end accounts	The SFAO recommended setting precise boundaries for insurance contributions and benefits as part of the AHV / IV / EO year-end accounts.
<b>FSIO*</b>	Unified accounting standards	The SFAO recommended that the FFA, together with SECO and the FSIO, should establish uniform accounting standards for the AHV / IV / EO and ALV compensation funds. That should give the various stakeholders a clear picture of the financial situation of social security schemes. If there are no applicable standards, standards similar to those of 2nd pillar institutions (Swiss GAAP FER) should be developed.
<b>FOPH</b>	Information and simplification of invoices	Since 2010, the SFAO has recommended that the FOPH improve information for patients and encourage the simplification of invoices so that they can be checked by patients themselves.
<b>FITSU*</b>	Enterprise architecture	The SFAO recommended that the FITSU should ensure that major IT projects are consistent with the Confederation's future enterprise architecture.

SOURCE: SFAO, 2019



# APPENDICES

# COMPLETED AUDITS IN 2018 ABBREVIATIONS

# APPENDICES







# OVERVIEW OF COMPLETED AUDITS (MANDATE NO.)

## FEDERAL CHANCELLERY

- Audit of the implementation of measures in connection with the security incidents at RUAG (18457) \*\*
- Audit of the modernisation project of the Official Publications Centre (18482) \*

## FEDERAL DEPARTMENT OF FOREIGN AFFAIRS

### General Secretariat

- Audit of the implementation of measures in connection with the security incidents at RUAG (18457) \*\*
- Audit of the need for measures to strengthen Switzerland as a host country (18360) \*

### Directorate of Political Affairs

- Combating corruption – Evaluation of the implementation of the Federal Council's resolution of 19 October 2008 (17436) \*
- Audit of the diplomatic activities of small Swiss representations abroad (17565) \*

### Swiss Agency for Development and Cooperation

- Procurement audit of goods and services for humanitarian operations (18356) \*

## FEDERAL DEPARTMENT OF HOME AFFAIRS

### Swiss Federal Archives

- Cross-section audit of the implementation of the Open Government Data Strategy for Switzerland at the Confederation (17491) \*

### Federal Statistical Office

- Follow-up audit of the Business and Enterprise Register reengineering project (17412)

### Federal Office of Public Health

- Functional audit of the internal control system for financially relevant personnel processes – Part of the audit of the state financial statements (17134)
- Audit on the economical use of restricted funds (17542) \*

### Federal Social Insurance Office

- Follow-up audit in the areas of disability insurance medical measures and assistive device cost control (16143) \*
- Audit of the supervision of implementation agencies for supplementary benefits (16428) \*

### Federal Food Safety and Veterinary Office

- Audit of optimisation potential in the case of subsidies and contributions (17357) \*

### Federal Office of Meteorology and Climatology

- Follow-up audit of IT governance (17488)

### Federal Office for Gender Equality

- Audit of subsidies for gender equality measures (17490) \*

## FEDERAL DEPARTMENT OF JUSTICE AND POLICE

### Federal Office of Justice

- Audit of reliability of data in the commercial register (16615) \*

### Federal Office of Police

- Audit of expenditure in the area of special operations units (17523) \*\*
- Audit of the implementation of measures in connection with the security incidents at RUAG (18457) \*\*
- Audit of expenditure in the area of special operations units (18495) \*\*

### IT Service Centre FDJP

- Performance audit of telecommunications surveillance in the case of criminal proceedings (17649) \*\*
- Audit of the key ICT project Telecommunications Surveillance (18290) \*
- Audit of service continuity management (18299)
- Audit of the coordination of key ICT projects in the area of networks (18531)

### State Secretariat for Migration

- Audit of projects and systems of the EU Internal Security Fund (17017)
- Construction audit of federal asylum centres (17377) \*
- Audit of the project "Implementation of the restructuring of the asylum sector and organisational development in the State Secretariat for Migration" (18483) \*
- Audit of the use of funds of the federal flat-rate integration contribution for temporarily admitted persons and refugees (18501) \*

\* published \*\* special mandate ordered by Parliament

## FEDERAL DEPARTMENT OF DEFENCE, CIVIL PROTECTION AND SPORT

### General Secretariat

- Follow-up audit of the implementation of main recommendations (17607)
- Audit of the implementation of measures in connection with the security incidents at RUAG (18457)\*\*
- Effectiveness audit of internal auditing (18458)
- Follow-up audit of the rental model (18542)\*

### Federal Intelligence Service

- Audit of the resource increase and individual ICT aspects (17601)\*\*
- Procurement audit (18106)\*\*

### Armed Forces Command Support Organisation

- “IT General Controls” audit – Part of the audit of the state financial statements (17497)
- Audit of the coordination of key ICT projects in the area of networks (18531)

### Command Operations

- Audit of the key ICT project VSdA (Armed Forces voice system) (18550)\*

### armasuisse

- Procurement audit of goods and services for humanitarian operations (18356)\*
- Follow-up audit of the rental model (18542)\*

### Federal Office of Sport

- Audit of Youth and Sport subsidies (17657)\*

## FEDERAL DEPARTMENT OF FINANCE

### General Secretariat

- Audit of the use of the Confederation’s risk management as a management tool (17476)\*

### Federal Finance Administration

- Interim audit of the financial statements (17094\*, 17096)
- Audit of the implementation of the measures adopted since 2008 in the area of subsidies (17575)\*
- Audit of the financial statements (18045\*, 18052)
- Audit of the 2019 fiscal equalization between the Confederation and the cantons (18076)\*

### Central Compensation Office

- Effectiveness audit of the internal audit (17494)
- Audit of the ACOR application for pension calculation and determination (17495)\*

### State Secretariat for International Finance

- Audit of the management of mutual agreement procedures (17453)\*

### Federal Tax Administration

- Audit of measures to implement the international exchange of information (17536)
- Audit of the key ICT project FISCAL IT (18466)\*
- Functional audit of withholding tax and stamp duty receipt processes – Part of the audit of the state financial statements (18467)

### Federal Customs Administration

- Functional audit of the investment process – Part of the audit of the state financial statements (18080)
- Audit of the key ICT project DazIT (18320)\*

### Federal IT Steering Unit

- Audit of the implementation of measures in connection with the security incidents at RUAG (18457)\*\*
- Audit of the 2023 ERP ICT strategy (18503)\*
- Audit of the coordination of key ICT projects in the area of networks (18531)

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

- “IT General Controls” audit – Part of the audit of the state financial statements (17106)
- Audit of service provision in the “projects and services” area (17387)\*
- Audit of the implementation of measures in connection with the security incidents at RUAG (18457)\*\*

### Federal Office of Personnel

- Audit of the financial statements (18047)
- Functional audit of processes in the information system for personnel data management – Part of the audit of the state financial statements (18081)
- Audit of the implementation of measures in connection with the security incidents at RUAG (18457)\*\*

### Federal Office for Buildings and Logistics

- Audit of construction projects in the case of property renovations (17120)\*
- Price audits (17528, 17529)
- Audit of the real estate accounting process between the federal office and the ETH Domain – Part of the audit of the state financial statements (17600)
- Procurement audit of goods and services for humanitarian operations (18356)\*



## FEDERAL DEPARTMENT OF ECONOMIC AFFAIRS, EDUCATION AND RESEARCH

### General Secretariat

- Follow-up audit of the implementation of the procurement controlling process in the Federal Department of Economic Affairs, Education and Research (17356)

### State Secretariat for Economic Affairs

- Audit of the control of the transfer of war material (17425)\*
- Governance audit of unemployment insurance (17540)\*\*
- Compliance audit of the transfer of war material (17658)\*\*

### IT Service Centre EAER ISCeco

- Audit of the coordination of key ICT projects in the area of networks (18531)

### State Secretariat for Education, Research and Innovation

- Audit of the supervision of the national alternate funding for Horizon 2020 (17655)\*

### Federal Office for Agriculture

- Performance audit of financial aid for external organisations (17159)\*
- Audit of the reimbursement of the mineral oil tax in agriculture (17500)\*
- Follow-up audit of the implementation of the main recommendations from identitas audits and current developments (18509)\*

### Swiss Accreditation Service

- Audit of the impact of accreditations on conformity assessment bodies (18500)\*

### Federal Office for Housing

- Functional audit of subsidy processes – Part of the audit of the state financial statements (18317)

## FEDERAL DEPARTMENT OF THE ENVIRONMENT, TRANSPORT, ENERGY AND COMMUNICATIONS

### General Secretariat

- Audit of the financing of the pension funds of companies affiliated with the Confederation (18576)

### Federal Office of Transport

- Evaluation of the reports of the NRLA audit bodies, the documents of the NRLA supervisory delegation and the coordination meeting (17047)
- Audit of the IT application landscape (17383)\*
- Cross-section audit of the railways' procurement of rolling stock (17484)\*
- Audit of the financial statements (18007)
- Audit of the supervision of the ordering of regional passenger transport (18171)\*

### Swiss Federal Office of Energy

- Audit of subsidies for swissenergy (17179)\*
- Performance audit of the coordination of the promotion of biogas facilities (17578)\*
- Interim audit of the financial statements of the grid supplement fund (18380)
- Functional audit of subsidy processes – Part of the audit of the state financial statements (18425)

### Federal Roads Office

- Project audit replacement TDCost (16353)
- Audit of the business case for the system architecture Switzerland project (17181)\*
- Effectiveness audit of internal auditing (18004)
- Audit of the financial statements (18045\*, 18523)
- Audit of the further development and operation of the MISTRA IT system (18176)\*
- Follow-up audit of the A9 motorway project (18453)\*

### Federal Office for the Environment

- Evaluation of the effectiveness of measures against particulate matter (17571)\*
- Audit of the financial statements (18093, 18094, 18331, 18552)
- Audit of the R3 Rhone correction project (18185)\*
- Implementation of measures to reduce micropollutants in wastewater (18261)\*

\* published \*\* special mandate ordered by Parliament

## FEDERAL FOUNDATIONS, INSTITUTES, FUNDS AND SPECIAL ORGANISATIONS

### Building Foundation for International Organisations (FIPOI)

- Audit of the financial statements (18065)

### Swiss Federal Institute of Intellectual Property (IIP)

- Audit of the financial statements (18016)
- Audit of the accounts of SECO cooperation projects (18017)

### Swiss Federal Institute of Metrology (METAS)

- Audit of the financial statements (18018)

### Swiss Conference on Informatics (SIK/CSI)

- Audit of the financial statements (18465)

### Alcohol and tobacco division of the FCA

- Audit of the financial statements (18050)

### Swiss Financial Market Supervisory Authority (FINMA)

- Audit of the financial statements (18048)

### Federal Audit Oversight Authority (FAOA)

- Audit of the financial statements (18330)

### Swiss Federal Railways (SBB)

- Audit of transport police cost accounting (18577)\*
- Audit of the legality of donations to third parties (18578)\*

### identitas

- Follow-up audit of the implementation of the main recommendations from identitas audits and current developments (18509)\*

### Swiss University Conference (SUC)

- Audit of the financial statements (18095)

### swissuniversities

- Audit of the financial statements (18043)

### Swiss Agency of Accreditation and Quality Assurance (AAQ)

- Audit of the financial statements of the Agency and Accreditation Council (18179)

### Swiss Coordination Centre for Research in Education (SCCRE)

- Audit of the financial statements (18096)

### Swiss National Science Foundation (SNSF)

- Audit of the financial statements (18041)

### ETH Board

- Audit of the financial statements (18027)

### ETH Domain

- Public procurement audit (17444)\*
- Audit of the financial statements (18026)

### Swiss Federal Institute of Technology Zurich

- Audit of the financial statements (18029)

### Swiss Federal Institute of Technology Lausanne

- Audit of the financial statements (18039)
- Audit of the financial statements of the "Société simple du Quartier Nord" (18084)

### Swiss Federal Institute for Forest, Snow and Landscape Research (WSL)

- Audit of the financial statements (18031)

### Swiss Federal Laboratories for Materials Science and Technology (Empa)

- Audit of the financial statements (18033)

### Swiss Federal Institute of Aquatic Science and Technology (Eawag)

- Audit of the financial statements (18035)

### Paul Scherrer Institute (PSI)

- Audit of the financial statements (18037)

### European Free Trade Association (EFTA)

- Representation of the SFAO in the Audit Committee (18062)

### Switzerland Global Enterprise (S-GE)

- Audit of subsidies for export and investment promotion (18302)\*

### Decommissioning fund for nuclear facilities and disposal fund for nuclear power plants (STENFO)

- Audit of the preparation of the 2016 cost study (16409)\*

### Swiss Federal Social Security Funds AHV / IV / EO (compenswiss)

- Procurement audit (17496)\*\*
- Audit of the financial statements (18009)

### Unemployment Insurance Fund

- Governance audit of unemployment insurance (17540)\*\*
- Audit of the AHV accounts for unemployment insurance compensation (18188)

### Pro Helvetia

- Audit of subsidies (17614)\*

### Social Fund for Defence and Civil Protection

- Audit of the financial statements (18107)



#### Swissmedic

- Audit of the financial statements (18102, 18103)

#### RUAG

- Compliance audit of the transfer of war material (17658)\*\*
- Audit of the implementation of measures in connection with the security incidents at RUAG (18457)\*\*
- Audit of IT security (18517)\*\*

## INTERNATIONAL ORGANISATIONS AND COOPERATION

#### Universal Postal Union (UPU)

- Audit of the financial statements (18055, 18060, 18061)
- Audit of the 2017 accounts of the United Nations Development Programme (Report 1) (18058)

#### International Union for the Protection of New Varieties of Plants (UPOV)

- Audit of the financial statements (18063)

#### Inter-Parliamentary Union (IPU)

- Audit of the financial statements (18064)

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

- Audit of the financial statements (18054)

#### World Meteorological Organisation (WMO)

- Audit of the financial statements (18068)
- Audit of the financial statements of affiliated organisations (18070)

\* published \*\* special mandate ordered by Parliament

## ABBREVIATIONS

<b>ABF</b>	Agricultural biogas facility	<b>FFA</b>	Federal Finance Administration
<b>AHV</b>	Old-age and survivors' insurance	<b>FINMA</b>	Swiss Financial Market Supervisory Authority
<b>ALV</b>	Unemployment insurance	<b>FITSU</b>	Federal IT Steering Unit
<b>BCM</b>	Business continuity management	<b>FOAG</b>	Federal Office for Agriculture
<b>bpa</b>	Swiss Council for Accident Prevention	<b>FOBL</b>	Federal Office for Buildings and Logistics
<b>CoA</b>	Court of Auditors of the Republic and Canton of Geneva	<b>FOEN</b>	Federal Office for the Environment
<b>CRF</b>	Feed-in remuneration at cost	<b>FoIA</b>	Freedom of Information Act
<b>DAS</b>	Stamp duty	<b>FOITT</b>	Federal Office of Information Technology, Systems and Telecommunication
<b>DDFO</b>	Ordinance on the Decommissioning Fund and the Disposal Fund for Nuclear Installations	<b>FOJ</b>	Federal Office of Justice
<b>DDPS</b>	Federal Department of Defence, Civil Protection and Sport	<b>FOT</b>	Federal Office of Transport
<b>DETEC</b>	Federal Department of the Environment, Transport, Energy and Communications	<b>FSIO</b>	Federal Social Insurance Office
<b>EAER</b>	Federal Department of Economic Affairs, Education and Research	<b>FSO</b>	Federal Statistical Office
<b>ECH</b>	SwissEnergy	<b>FSVO</b>	Federal Food Safety and Veterinary Office
<b>EO</b>	Compensation for loss of earnings	<b>FTA</b>	Federal Tax Administration
<b>ETH</b>	Swiss Federal Institute of Technology	<b>FTE</b>	Full-time equivalent
<b>EU</b>	European Union	<b>GRECO</b>	Group of States against Corruption
<b>FAC</b>	Federal asylum centre	<b>GWh</b>	Gigawatt hour
<b>FADP</b>	Data Protection Act	<b>HPS</b>	Health Promotion Switzerland
<b>FAOA</b>	Federal Audit Office Act	<b>ICS</b>	Internal control system
<b>FAOA</b>	Federal Audit Oversight Authority	<b>IDWG</b>	Interdepartmental working group
<b>FBA</b>	Financial Budget Act	<b>ISC-FDJP</b>	IT Service Centre of the Federal Department of Justice and Police
<b>FBO</b>	Financial Budget Ordinance	<b>ISS</b>	Interception System Switzerland
<b>FCA</b>	Federal Customs Administration	<b>IV</b>	Disability insurance
<b>FCh</b>	Federal Chancellery	<b>KWh</b>	Kilowatt hour
<b>FCOS</b>	Federal Coordination Commission for Occupational Safety	<b>NEA</b>	Nuclear Energy Act
<b>FCRO</b>	Federal Commercial Registry Office	<b>NFE</b>	New system of fiscal equalization and the division of tasks between the Confederation and the cantons
<b>FDf</b>	Federal Department of Finance	<b>OAG</b>	Office of the Attorney General of Switzerland
<b>FDFA</b>	Federal Department of Foreign Affairs	<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>FDJP</b>	Federal Department of Justice and Police	<b>OPC</b>	Official Publications Centre
<b>fedpol</b>	Federal Office of Police	<b>PSV</b>	Post shipment verifications
<b>FEDRO</b>	Federal Roads Office	<b>PTSS</b>	Post and Telecommunications Surveillance Service
		<b>RPT</b>	Regional passenger transport
		<b>SB</b>	Supplementary benefits
		<b>SBB</b>	Swiss Federal Railways



<b>SECO</b>	State Secretariat for Economic Affairs
<b>SEM</b>	State Secretariat for Migration
<b>SERI</b>	State Secretariat for Education, Research and Innovation
<b>SFAO</b>	Swiss Federal Audit Office
<b>SFOE</b>	Swiss Federal Office of Energy
<b>SIAO</b>	Slaughter Animals Ordinance
<b>SIF</b>	State Secretariat for International Finance
<b>SNB</b>	Swiss National Bank
<b>SRG SSR</b>	Swiss Broadcasting Corporation
<b>STENFO</b>	Decommissioning Fund for Nuclear Facilities and Waste Disposal Fund for Nuclear Power Plants
<b>SubA</b>	Subsidies Act
<b>TCD</b>	Transport company directory
<b>TCF</b>	Tobacco Control Fund
<b>TLD</b>	Trade in Livestock Database
<b>UCC</b>	United Communication & Collaboration
<b>VAT</b>	Value added tax
<b>VSdA</b>	Armed Forces voice communication system
<b>WMA</b>	War Material Act
<b>WMO</b>	War Material Ordinance

