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



# 2016 ANNUAL REPORT



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## AS SIMPLE AS YOU CAN

Grand Complications are a great Swiss tradition. In watchmaking, fitting dozens of complex functions into the confined space of a wristwatch is a high art. The usefulness of all these functions may be arguable, but that is not the point. The challenge for our manufacturers is to push their creative genius to the limit. It is amazing what they are capable of, and we are immensely proud of our watchmakers and their Grand Complications.

On the other hand, there are areas where complication is neither desired nor desirable. Like public administration, for example.

Individuals and businesses just want to find out quickly what an administration needs and spend as little time as possible on formalities. Parliament requires a transparent administration. But nobody needs complexity.

Contrary to what some may think, not even the administration asks for complexity. Our audits are proof of this. Complexity leads to dependency: on key employees who would leave behind chaos if they left the administration; and, even more so, on service providers who make themselves indispensable. These days, the Swiss Confederation expects its as-

signed IT providers to keep the software they already get to develop over years simple and comprehensible. The aim is to disengage from such dependencies by putting the future development of an application out to tender among different providers. Unfortunately, while this approach is desirable, it has not met with much success. After all, why turn down a chance to sell a complex application only you can control, right?

Complexity also stands in the way of quick responses. All the experts we see predicting the future and major trends have one point in common: acceleration. We experience it every day on a personal level. For an organisation, the situation is even more complicated. Change is occurring at an ever-increasing pace, and not only in IT. A simple and robust administration will have a better chance not to be overrun.

Finally, complexity is not desirable because of the cost it entails. Not only does it increase expenses today, but it will have an even greater impact on maintenance costs in the years to come. Unfortunately, intergenerational solidarity is not a major issue yet. It may come up in relation to social security, or in the maintenance of large infrastructures and the long-term storage of radioactive »

This year, the SFAO gave a free hand to the cartoonist Silvan Wegmann, alias **Swen** to illustrate his annual report.



## “UNFORTUNATELY, INTERGENERATIONAL SOLIDARITY IS NOT A MAJOR ISSUE YET.”

waste. But we should remember that the maintenance costs we pass down to our children for public administration will be in direct proportion to its complexity.

The Swiss Federal Audit Office (SFAO) is committed to simplification. We question the structures inherited from the past that may function but are far more complex than is needed. We work to an-

ticipate, identify and eliminate subsidies that fail to deliver, useless procedures, the famous “data graveyards”, superfluous controls, purchases that are never used, non-essential IT functionalities, expert reports that nobody reads... the list goes on. Our own internal processes are not excluded. And neither is the legislation. Each new law or regulation adds another layer of complexity to the administration, its processes and IT systems.

If you have any ideas for simplification, we want to hear from you.

We thank everyone who supports us in our work, and we wish you all an inspiring reading!

**Michel Huissoud, Director**

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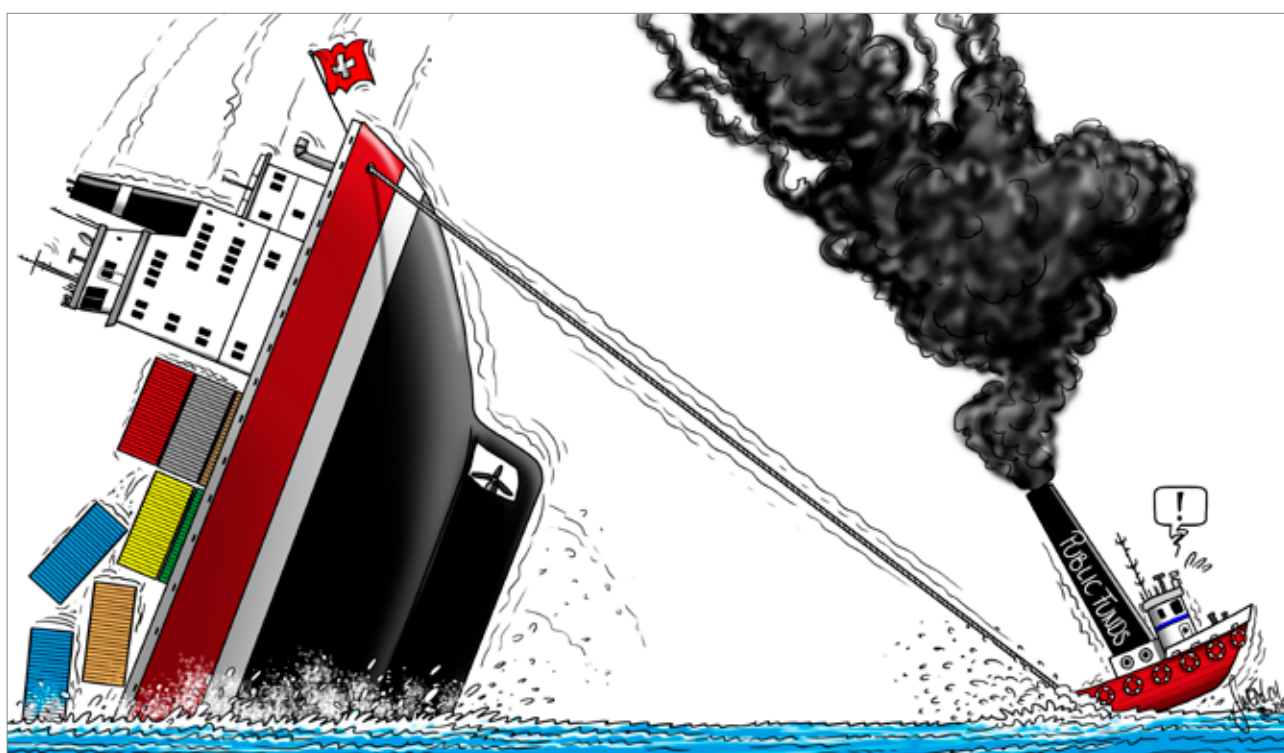
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# PART 1

# THE MAIN RESULTS OF FINANCIAL SUPERVISION FOR 2016



Navy guarantees and considerable risks for the Confederation's financial statements, as seen by Swen.



# 1. PUBLIC FINANCES AND TAXES

In 2016, the SFAO fulfilled its traditional mandate of auditing the Confederation's financial statements. Several hundred audit hours were devoted to this task, enabling the SFAO to recommend that Parliament approve the state financial statements. Nonetheless, its auditors identified some major financial risks in certain areas. Also in 2016, an overview was compiled of the shortcomings in the supervision of direct federal tax.

## A. THE SFAO CERTIFIES COMPLIANCE OF THE FEDERAL FINANCIAL STATEMENTS

One of the SFAO's key tasks, as defined by law, is a thorough audit of the Confederation's financial statements.<sup>1</sup> Apart from just a few exceptions, these statements are prepared in accordance with the International Public Sector Accounting Standards (IPSAS). Since 2015, the SFAO has published a comprehensive report on its audit of the Confederation's financial statements.<sup>2</sup>

In 2015, the Confederation had a revenue surplus of over CHF 2 billion according to the statement of financial performance. Its revenue came to CHF 65.9 billion, of which 95% was from tax contributions. Its expenses amounted to CHF 63.8 billion.

As the statutory auditor, the SFAO formally certified the compliance of the state financial statements. These are in line with the statutory requirements and also with the provisions of the Federal Constitution concerning budget management and the Financial Budget Act. The SFAO thus recommended that the Federal Assembly approve them.

The SFAO also certified the existence of an Internal Control System (ICS). The effectiveness of the ICS depends largely on the management of access rights to the SAP accounting system. In this respect, some weaknesses were found in several administrative units. The SFAO's auditors also identified a security loophole in the process for reimbursing withholding tax.<sup>3</sup> The Federal Council was informed of this immediately.<sup>4</sup> Corrective measures were taken straight away and the loophole was closed.

### Risks: withholding tax, EPF and navy guarantees

The SFAO's auditors found substantial financial risks in three areas. First, two ordinary partnerships under the Federal Institute of Technology Lausanne (EPFL) have entered into very long-term contracts with UBS and Credit Suisse for the implementation of real estate projects. These contracts could pose a considerable financial risk for the Confederation.<sup>5</sup> As yet, the extent of such risk cannot be quantified.

<sup>1</sup> The SFAO's audit scope is described in Part 2 of this Annual Report (page 51).

<sup>2</sup> The report for audit mandate 16056 is available on the SFAO's website.

<sup>3</sup> The report for audit mandate 16106 was submitted to the Finance Delegation.

<sup>4</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 (FDF) if it identifies "anomalies or deficiencies of fundamental significance or considerable financial importance". If the findings concern the FDF, it shall inform the President or, where necessary, the Vice President of the Confederation. On 13 May 2016, the Management of the SFAO wrote to Federal Councillors U. Maurer and J. Schneider-Ammann.

<sup>5</sup> This matter is addressed in chapter 3 of this Annual Report, page 21.



## 1. PUBLIC FINANCES AND TAXES

Secondly, before Parliament discussed clarification of the procedure for declaring withholding tax<sup>6</sup>, the SFAO's auditors had noted that these parliamentary debates could have an impact of several hundred million Swiss francs on federal finances. They pointed out that there was no legislative basis for setting up a provision in this respect. Since then, on 30 September 2016, the Federal Assembly approved the modification and introduction of new provisions of the Withholding Tax Act (WTA) as part of the Gasche Initiative. Under this, the Federal Tax Administration (FTA) will have to return any interest payments and cancel the assessments for withholding tax. According to the FTA, the financial consequences are likely to run into some CHF 600 million.

Finally, the federal loan guarantees for the Swiss merchant navy have come under question on account of the protracted downturn in the shipping industry world-wide. As at end-2015, the Federal Office for National Economic Supply (FONES) had taken on liabilities of CHF 723 million. There is a risk here of the Confederation having to disburse payments to honour some of these loan guarantees. The SFAO notified the Federal Council of this in April 2016.<sup>7</sup> In May, the head of the Federal Department of Economic Affairs, Education and Research (EAER) instructed the SFAO to carry out an administrative survey at FONES. The results were presented at the end of 2016.<sup>8</sup>

### **A good implementation of the SFAO's recommendations**

The SFAO's legal mandate does not include auditing the assessment and collection of Direct Federal Tax (DFT) in the cantons. Its examination of these tax receipts is based on the reports from the cantonal audit offices for the previous year. These reports drawn up for taxes submitted to the Confederation in 2014 do not contain any significant negative findings.

The Federal Finance Administration (FFA) and other administrative entities have taken steps to improve the reliability and the presentation of the Confederation's financial statements. The SFAO's recommendations issued the previous year were implemented, with the exception of two. These were to be applied in the course of 2016.

<sup>6</sup> "Withholding tax: Clarification of the declaration procedure", 13.479, 13 December 2013 (Gasche parliamentary initiative).

<sup>7</sup> Under Article 15 paragraph 3 of the FAOA, the SFAO must inform the head of the federal department concerned and the Head of the FDF if it identifies "anomalies or deficiencies of fundamental significance or considerable financial importance". If the findings concern the FDF, it shall inform the President or, where necessary, the Vice President of the Confederation. On 19 April 2016, the Management of the SFAO wrote to Federal Councillors J. Schneider-Ammann, U. Maurer and D. Burkhalter.

<sup>8</sup> "Measures to secure the Confederation's loan guarantees in shipping", press release issued by the EAER, 27 January 2017.



## B. SHORTCOMINGS IN THE SUPERVISION OF DIRECT FEDERAL TAX

The Finance Delegation asked the SFAO to compile its findings on application of the Direct Taxation Harmonisation Act (DTHA) and the DFT.<sup>9</sup> This request was made in relation to the parliamentary debates on the third series of corporate tax reforms (CTR III). The SFAO consolidated the audits carried out at the FTA as well as the annual audits of the fiscal equalization system between the Confederation and the cantons.

CTR III, which was rejected in a referendum on 12 February 2017, sought to modify the DTHA by doing away with the special tax status arrangement. According to the SFAO's auditors, this reform would have been an opportunity to improve supervision of this harmonisation law and its application. In the past, the cantons' practices have diverged widely from the DTHA. If there is no supervision of implementation of the harmonisation law, there is a risk of the cantons continuing to underbid each other in terms of taxes. This would result in the very same problems that triggered the reform in the first place. The SFAO thus decided not to issue any new recommendations, as Parliament was still discussing CTR III.

In regard to DFT, supervision of the cantonal tax administrations has improved. Most of the SFAO's recommendations have been applied.<sup>10</sup> There is still room for improvement in regard to rotation of the FTA's inspectors among the cantons. In eight years, for example, 12 cantons have been inspected by the same federal inspector. Moreover, the material audit of the assessments produced by the 26 cantonal administrations is performed by 2.6 FTEs at the FTA. The SFAO regards this situation as unsatisfactory. The FTA should increase its supervision of tax assessments and compensate for the widely disparate practices in the cantons for the external auditing of taxpayers. For the record, DFT amounted to almost CHF 20 billion in 2015.

<sup>9</sup> The report for audit mandate 15639 is available on the SFAO's website.

<sup>10</sup> The audit report for audit mandate 15176 has been submitted to the Finance Delegation.

# PART 1: THE MAIN RESULTS



The issue of impact assessment in Federal Council dispatches, [as seen by Sven](#).



## 2. FEDERAL COUNCIL AFFAIRS

It is of crucial importance to determine the economic and financial consequences of legislative changes proposed by the Federal Council to Parliament. This is all the more so for initiatives that are ultimately put to a popular vote. The quality of such projections, formulated by the Federal Administration in the context of legislative changes, is thus a major issue, and one that was analysed by the SFAO in 2016. Another issue concerning the Federal Council is the role and the importance of cross-departmental federal offices. The SFAO published a summary report on this matter.

### A. THE PROBLEM OF IMPACT ASSESSMENTS IN FEDERAL COUNCIL DISPATCHES

In 2008, the losses in tax receipts following the Corporate Tax Reform II (CTR II) were far higher than had been anticipated in the Federal Council dispatch. This discrepancy, which was not examined by the SFAO, became the trigger for an evaluation.<sup>11</sup> The SFAO's auditors studied how the federal offices predict the consequences of legislative projects, particularly the economic and financial impact.

Three specific cases were analysed in depth. The object in each case was to test the reliability of the Federal Council's projections. The outcome was somewhat mixed.

#### **Unreliable forecasts**

In 2010, after the revision of the Federal Law on Technical Barriers to Trade, Switzerland introduced the Cassis de Dijon principle. This was done to prevent the emergence of new trade barriers. However, the savings of CHF 2 billion promised in the Federal Council dispatch have not yet materialised. After the consultation procedure, the draft law was fundamentally modified, and application of the Cassis de Dijon principle for foods was submitted for approval. The State Secretariat for Economic Affairs (SECO) did not adapt the findings of its impact assessment, however. Neither did it anticipate the actual scope of application of the principle in this regard. Furthermore, strong political pressure played a key role in the decision to publish the unfounded estimate of CHF 2 billion in consumer savings.

A second example is the Federal Council dispatch regarding the law on tax relief for families with children. Originally, in 2009, the FTA estimated that the introduction of the deduction for childcare would result in an annual deficit of CHF 360 million. Three years later, this figure was changed to CHF 60 million. In technical terms, this deduction was ultimately made on the tax payable rather than the taxable income. It was an unusual solution that complicated and added to the workload of the cantonal tax administrations. Any positive effects on the economy are difficult to prove and are too tenuous to have any impact on economic growth.

<sup>11</sup> The report for audit mandate 14486 is available on the SFAO's website.



## 2. FEDERAL COUNCIL AFFAIRS

The last example is the reform in aviation legislation. At the time, the Federal Office of Civil Aviation (FOCA) did not adequately examine the adverse impacts on regional and cantonal airports. It did not say what would happen if federal aid failed to offset the deficit incurred by the regional airports once they no longer received the cross-subsidies between national and regional airports.

### **Underutilised tools and staff in need of training**

Despite not being very reliable, at least projections actually existed in these three cases. In other cases, the administration did not even carry out any impact assessments. The SFAO's auditors analysed a sample of around 50 Federal Council dispatches. Their findings were bleak: more than half of the dispatches (29 out of the 50 surveyed) did not have the impact assessment that should have been included.

The findings also revealed that the federal offices have a range of tools at their disposal but are often unaware of which instrument to use. Staff training is also below expectations. Since 2004, fewer than half of the federal offices enrolled their staff supposed to use these assessment tools in the courses offered by the Federal Office of Justice (FOJ).

### **The Federal Chancellery should check the quality of the impact assessments**

The quality of the impact assessments is critical. The auditors set certain quality standards to be attained. Almost 30% of the Federal Council dispatches do not meet the minimum requirements. Specifically, one-fifth of them fail to meet the minimum threshold regarding the effects on the Confederation and the economy. Regarding the impact on the cantons, almost 30% of the dispatches are unsatisfactory. And only one third of the Federal Council dispatches include an examination of the environmental and social consequences, despite the fact that this has been required by law since 2012.

For the SFAO's auditors, the combination of these findings demonstrates the need to improve the quality of the impact assessments for legislative projects. The Federal Council should more quickly identify the dispatches that need a more detailed analysis. A form of quality control should also be introduced. Given its independence with regard to the federal departments and offices, the Federal Chancellery should be assigned this task. The Federal Council has undertaken to examine the SFAO's recommendations in the context of its implementation of two parliamentary motions to improve evaluation of the consequences of regulations.<sup>12</sup>

<sup>12</sup> "To avoid unnecessary bureaucracy thanks to an efficient needs analysis and the evaluation of the consequences of the regulations", 5 May 2015, 15.3400 (motion by Vogler) and "Reduction of bureaucracy: Have an independent body analyse the regulatory costs", 6 May 2015, 15.3445 (motion by the FDP/PLR Group).





## B. WHAT POWER SHOULD THE CROSS-DEPARTMENTAL OFFICES HAVE?

In the Federal Administration, offices take charge of the cross-departmental tasks in various sectors, such as the Confederation's personnel, finance, IT, procurement and real estate. Examples of such offices are the FFA, the Federal Office of Personnel (FOPER), the Federal IT Steering Unit (FITSU), or the Federal Office for Buildings and Logistics (FOBL). All of these are within the Federal Department of Finance (FDF). The Finance Delegation of the Federal Assembly asked the SFAO to carry out an audit of these cross-departmental offices. It wanted to find out whether the directives issued by these offices were being applied by the Federal Administration and whether this application was subject to any controls.<sup>13</sup>

Historically, the federal departments have always enjoyed a large degree of autonomy. The existence of a federal state is sometimes – inaccurately – given as the reason for this situation. In areas that extend across different departments, such autonomy results in disparate practices that negatively affect the administration's effectiveness and reputation. This is where the cross-departmental offices are supposed to intervene, ensuring consistency across the Confederation. In the SFAO's opinion, this objective is not fulfilled.

### Efficiently counteract the fragmentation of skills

The autonomy enjoyed by the federal departments makes the cross-departmental offices less efficient. The offices struggle to assert their control and often act merely as a centre of advice and expertise. The problem is illustrated by the example of public contracts and the repeated failures in this sector. The supervision and practices are far from homogeneous. Moreover, the FOPER cannot confirm today that the same salary is paid for the same function throughout the Federal Administration.

The Federal Council is at the forefront in this matter. It is up to it to decide on the powers to be granted to these cross-departmental offices. Certainly, these are reluctant to systematically verify implementation of their directives, arguing that they do not have enough staff for this. In the SFAO's opinion, this vision is too narrow and does not take account of the costs, inefficiency and risks associated with the current fragmentation of skills.

### SPOTLIGHT

#### ANOTHER CASE OF CROSS-DEPARTMENTAL MANAGEMENT: THE CONFEDERATION'S WORKS OF ART

The Confederation owns a collection of more than 281,000 works of art. Some of these are highly valuable, but there are also many paintings of far lesser value. A large portion of them (more than 12,000) are exhibited in Swiss museums, and others are displayed in the Federal Administration's buildings and offices (4,900 items). In a report submitted to the Finance Delegation, the SFAO's auditors examined the inventory maintained by the Federal Office of Culture (FOC) and the value of this substantial collection.<sup>14</sup>

Since 2011, when the SFAO's published its first report on these points, little progress has been made on account of the lack of resources available and the departure of two SFAO employees. Items on loan were not included in the inventory, so it is still impossible to say with any certainty how many are missing or to track their journey and their place of loan. The SFAO recommended that the FOC should identify the items of the most value so as to concentrate its management efforts on these. This recommendation was accepted by the FOC.

<sup>13</sup> The report for audit mandate 15643 is available on the SFAO's website. This report is a summary of the reports for audit mandates 15318, 15562, 15561 and 15560, all of which are published on the SFAO's website. The offices they concern are the FFE, FOPER, FITSU and FOBL respectively.

<sup>14</sup> The audit report for audit mandate 15535 has been submitted to the Finance Delegation.



The Swiss science diplomacy of the swissnex network audited by the SFAO, *as seen by Swen.*



## 3. EDUCATION, RESEARCH AND INNOVATION

What Switzerland lacks in natural resources, it makes up for in grey matter. In 2016, the SFAO turned its attention to the federal institutions that educate and develop its intellectual capital. The SFAO's auditors explored some new audit areas, such as swissnex, which is Switzerland's network of innovation abroad, and other more familiar areas, such as the Swiss Federal Institutes of Technology and the Commission for Technology and Innovation.

### A. SWISSNEX: AN INNOVATIVE AND HIGHLY EFFECTIVE NETWORK

Switzerland suffered a huge brain drain at the turn of the millennium, notably to the United States. At the time, the federal authorities responded to this exodus by founding, among others, a "Swiss science consulate" in Boston in 2000, with a grant from a Swiss bank and support from the State Secretariat for Education, Research and Innovation (SERI). The experiment was deemed a success and remains in place to this day. Its objectives and instruments have been redefined, an agreement has been signed with the Federal Department of Foreign Affairs (FDFA), and its budget is now included in the financial dispatches presented to Parliament. As a result of its success, the concept has been extended to five other cities bringing together Swiss actors in education, research and innovation (ERI) and international hubs of scientific excellence.<sup>15</sup> This network is called swissnex.<sup>16</sup> Its priority is to promote the knowledge exchange between international researchers and specialists, i.e. "brain circulation".

The SFAO audited the profitability of this network. Its auditors worked on site in the United States and India.<sup>17</sup> The first finding is that this network costs the Confederation more than the CHF 5.5 million granted to SERI by the state financial statements. The SFAO's auditors estimate that this amount represents only 55% of the costs. The rest is financed by other federal offices, Swiss universities, the cantons or other entities funded by the Confederation, and by members of the private sector. Total costs come to CHF 10 million, of which CHF 1.6 million are benefits in kind (travel expenses, infrastructure, etc.).

#### **A need for verifiable accounts and performance indicators**

This situation can be explained. Until 2016, SERI and swissnex were not subject to the gross coverage principle, an exemption granted by the FFA and the SFAO. As a result, the network's accounting did not disclose the costs of its activities and the projects financed outside of SERI's budget. Now that this exemption has expired, the SFAO supports SERI in its efforts to centralise and harmonise the swissnex network's accounting, maintained in association with the FDFA. The SFAO would like the network to present transparent and reliable financial statements in the future.

Unlike other foreign networks of the Confederation, swissnex does not have an explicit legal basis. Its performance indicators are based on indirect data, such as the portion of secondary funds or fund received from third parties rather than profitability indicators. As part of the renewal of the service level agreement between the FDFA and SERI, the SFAO believes that profitability indicators should be developed.

<sup>15</sup> Prior to closure of the Singapore office in 2015, the swissnex network was present in six cities.

<sup>16</sup> Alongside swissnex, SERI manages and finances nine scientific advisers. Together with swissnex, they form the Swiss Confederation's external network for ERI. This is part of the Swiss network abroad and is coordinated by the FDFA.

<sup>17</sup> The report for audit mandate 15312 is available on the SFAO's website.

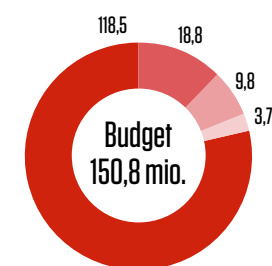
Finally, the SFAO's auditors recommend integrating swissnex into the FDFA's network of representations abroad so as to generate thematic and administrative synergies and also offer its staff wider career opportunities. Regarding the swissnex staff, the SFAO's auditors highly appreciated their commitment and flexibility shown on site.

### B. IMPROVE GOVERNANCE AT THE COMMISSION FOR TECHNOLOGY AND INNOVATION

The Commission for Technology and Innovation (CTI) works to spread the innovation born out of Swiss universities and build a bridge between research and the market. It is currently in a state of change: in 2018, it will become a public-law institution known as the Swiss Innovation Promotion Agency, or Innosuisse<sup>18</sup>. This transformation results from certain weaknesses noted, particularly in terms of governance.<sup>19</sup> In view of the forthcoming creation of Innosuisse, the SFAO examined the subsidies granted by the CTI to research projects at seven universities and research institutes. In 2014, the CTI made grants amounting to almost CHF 153 million. On account of the strength of the Swiss franc, an extension of CHF 61 million was made available in 2016.

The SFAO's auditors analysed the tariff system used for calculating the salaries of the CTI-funded researchers.<sup>20</sup> This system is too complicated and difficult to apply and is therefore in need of simplification. This is all the more so as it does not guarantee conformity with the Confederation's financial directives, i.e. an even breakdown between funding from the CTI and that of the research partners. Some of these report indirect fees without the required degree of transparency. The SFAO recommends that the CTI should take inspiration from the system used by the Swiss National Science Foundation (SNSF), which is based solely on direct and fully justified payroll expenses. There have been consequences to this need for simplification. In November 2016, the Federal Council adopted a new regulation for the CTI. This introduces a lump-sum calculation for personnel expenses and contributions to indirect research costs.

The CTI's means of funding in 2014 in mio.



- Project Promotion R&D
- Swiss Competence Centres for Energy Research (SCCER)
- Start-up and Entrepreneurship
- KTT Support

SOURCE: CTI

#### What about the profits made and other earnings?

Since being established in 1996, the CTI has not hired the resources needed to inspect the financial reports of subsidised projects. Neither does it carry out any inspections on site. Moreover, its subsidy agreements incorrectly stated that the SFAO was the auditor and assumed a duty of supervision for its projects. The CTI has now removed this clause from all new contracts. In the future, the creation of Innosuisse will improve project supervision.

Finally, the SFAO's auditors looked into one more issue: Given the success stories and profits made, should the CTI not be entitled to demand reimbursement of some of the funding given or receive a share in the profits? The CTI's response to this quite legitimate question was that such a system, provided for in Art. 39 of the Federal Act on the Promotion of Research and Innovation (RIPA), does not apply to either it or the future Innosuisse.

<sup>18</sup> On 17 June 2016, the Federal Assembly approved the Swiss Innovation Promotion Agency Act.

<sup>19</sup> For more details, see the SFAO's 2014 Annual Report, available on its website. The shortcomings in question were reported to the Head of the EAER and the Head of the FDF.

<sup>20</sup> The report for audit mandate 15309 is available on the SFAO's website.



## C. FEDERAL INSTITUTES OF TECHNOLOGY AT RISK FROM REAL ESTATE PROJECTS

In recent years, the SFAO has on several occasions looked into the governance of the ETH Domain (Federal Institutes of Technology).<sup>21</sup> In 2016, the SFAO extended its work on the ETH real estate, which accounts for liabilities of CHF 4.6 billion in the federal balance sheet. Its auditors studied five real estate projects with alternative financing thanks to the private sector.<sup>22</sup> Without this, and given the circumstances that prevailed at the time, these projects would never have materialised. These were three ETHZ (Zurich) projects and two EPFL (Lausanne) projects, together accounting for almost half a billion francs in private investment.

School	Project	Purpose	Surface rights	Investment
EPFL	Quartier de l'Innovation (QIE)	Offices for technology transfer with the private sector	99 years (2008–2107)	134 mio.
EPFL	Quartier Nord (QNE)	Conference centre, student accommodation, retail units, hotel	99 years (2010–2109)	224 mio.
ETHZ	Offices and seminar rooms, Campus Hönggerberg (HCP)	Offices for the ETHZ's own purposes	31 years (2012–2043)	17 mio.
ETHZ	Studentisches Wohnen West (HWW)	Student accommodation	63 years (2013–2076)	52 mio.
ETHZ	Studentisches Wohnen Ost (HWO)	Student accommodation	80 years (2014–2094)	66 mio.

The SFAO's auditors first addressed two key questions: the appropriateness of the terms offered to investors, and the potential financial impact of these projects on the Confederation's finances.

### Anticipated recovery of the Lausanne real estate market deserves examination

According to the SFAO's calculation model, four of the five projects offer investors terms that are undeniably attractive (QIE, QNE, HCP and HWW). They generate a net return of more than 4%, which seems excessive, given the guarantees that investors already receive. In the case of QIE and QNE in Lausanne, the private financing model is based on surface rights of 99 years and conclusion of a 30-year lease. This contract states that the EPFL assumes, at its own risk and expense, operation and maintenance of the buildings, excluding the structural work and subletting of the buildings.

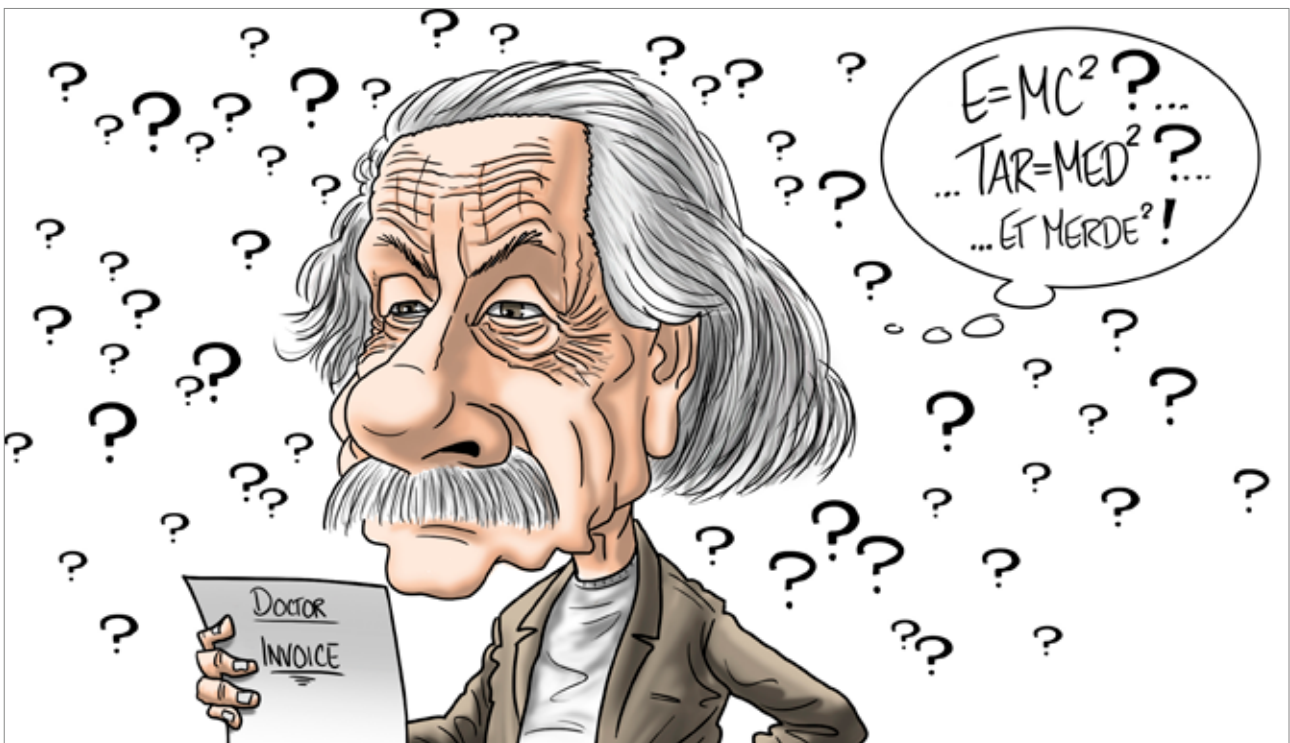
At the EPFL, the arrangements specify that the Confederation may assert an early repayment clause on the buildings. Based on the SFAO's estimates, this option appears to be favourable. However, it would involve additional financing of some CHF 380 million, submitted for a parliamentary vote.

The SFAO's auditors believe that lessons should be learnt from these alternative forms of financing and, in future, such models should take more account of profitability.<sup>23</sup> In this context, the directives adopted in December 2015 in the ETH Domain in regard to these financing models are a step in the right direction.

<sup>21</sup> More details can be found in the SFAO's 2014 and 2015 Annual Reports as well as the report for audit mandate 15229, all of which are available on the SFAO's website.

<sup>22</sup> The report for audit mandate 15121 is available on the SFAO's website.

<sup>23</sup> Despite its improved utilisation, the EPFL's SwissTech Convention Center, an integral part of the QNE, is running at a loss and at risk of posting sustained losses. According to the EPFL's own figures, the QNE has made losses of CHF 13.7 million since opening in 2013, of which CHF 6.8 million was in 2015.



The complexity and opacity of TARMED invoices undermine the public information, as seen by Swen.



## 4. PENSIONS, SOCIAL SECURITY AND HEALTHCARE

Healthcare, social security and pensions cost the Confederation billions of francs and pose a substantial risk. It therefore makes sense for the SFAO to look into these areas. Reports on a number of sensitive issues were published in 2016. In regard to healthcare, the SFAO audited the revision of the List of Aids and Articles (AiArL) covered by health insurers, given the ongoing rise in their costs. Its auditors also resumed their work on TARMED, the standard tariff for medical services, and their recommendations not yet implemented since 2014. Regarding pensions, the SFAO was pleased to see much progress in the corporate culture at the Pillar 1 (state pension) compensation office. Meanwhile, an evaluation of vested-benefits institutions revealed some areas for improvement in this hybrid sector of occupational pensions.

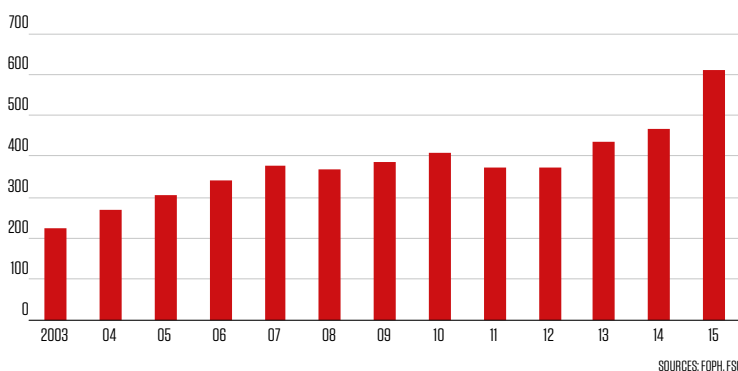
### A. MEDICAL AIDS AND ARTICLES: A REVISION LONG IN THE MAKING

Following some media criticism, the Finance Delegation of the Federal Assembly asked the SFAO to examine the progress made on revision of the AiArL covered by health insurance.<sup>24</sup> This insurance reimburses the costs of therapeutic or diagnostic aids and articles for the treatment of an illness or its consequences, where these are used either directly by the patient or with the assistance of a non-professional involved in the examination or treatment. The list contains medical equipment for therapeutic and diagnostic use, such as dressings, breathing apparatus, support stockings and blood sugar tests.

The Federal Department of Home Affairs (FDHA) formally sets the maximum reimbursement amounts. There have been claims over the past decade that the prices do not correspond to the real prices of certain medical aids and articles due to the fact that the list has not been updated. The revision, which was started in 2006 and then suspended until 2014, was taken on by the FOPH. Based on its statistics, the cost of services invoiced on the basis of the AiArL has increased almost three-fold since 2003. In 2015, insurance companies paid out CHF 612 million for products listed on the AiArL.

#### Changes in AiArL costs (2003–2015)

(in constant mio. CHF; b=2015)



<sup>24</sup> The report for audit mandate 16647 is available on the SFAO's website.



## 4. PENSIONS, SOCIAL SECURITY AND HEALTHCARE

### Relaunch of the project

The SFAO's auditors found that the project has finally been relaunched.<sup>25</sup> A conceptual phase will first define the principles underlying the revision before moving on to a concrete examination of the items on the list. According to the project schedule, the period around end-2016 is the turning point. It should then be possible to clarify some of the unknowns, such as the federal authorities' ability to obtain the various components making up the price of a product. In more concrete terms, the FOPH should by then have some results on the underlying principles and thus be in a position to start revising the list, one product at a time.

At the end of December 2016, the FDHA announced some corrections to the price list that will result in cost savings estimated at several millions of francs. The final results of the revision are not expected until 2019 at the earliest.

## B. TARMED AND THE RECOMMENDATIONS THAT WERE NOT FOLLOWED

In 2014, the financial volume of invoices based on TARMED came to CHF 10 billion. Four years prior to that, the SFAO published a major audit report that called for a revision of the tariff as its central message. This evaluation was accompanied by several recommendations for the federal authorities.<sup>26</sup> In 2016, the SFAO performed a follow-up audit.<sup>27</sup> This audit shows that the vast majority of its recommendations were not implemented. In fact, the findings of the SFAO's auditors were quite alarming. The situation between the parties involved is highly conflicted, and there are countless difficulties to be overcome before an agreement can be reached on revising TARMED. The SFAO sees this as a serious obstacle.

Nonetheless, some progress has been made in this matter. At the end of 2011, the Federal Assembly amended the health insurance law and granted the Federal Council the authority to adapt the TARMED in the case of disagreement between the tariff partners. This authority was invoked in 2014.<sup>28</sup> The SFAO welcomes this move, as such authority, even if only subsidiary, has proven itself a credible means of pressure on the partners.

### Invoicing incomprehensible to the general public

Despite these changes, little progress is being made in the revision of the tariff structure. While the partners were talking on for more than five years (except for *santésuisse*, which withdrew from the talks), the Federal Council was late in adopting the principles for the revision of TARMED, doing so only in May 2015. These principles remain quite generous. In this respect, the SFAO finds it regrettable that several crucial points have not been established, such as the principles for simplifying the price structure or for facilitating the updating of the tariff. These points were already the subject of recommendations in the 2010 audit.

Another recommendation that remains outstanding concerns the complexity and opacity of TARMED invoicing. The law is quite clear in this regard: the invoice should be "detailed and comprehensible". And if the medical care is paid for directly by the

<sup>25</sup> Since June 2016, the FOPH has 1.7 FTE working on this project. For the revision of the AiArL, the FOPH is planning to involve external consultants as of 2017.

<sup>26</sup> The report for audit mandate 8381 is available on the SFAO's website. The SFAO's recommendation for a greater role by the Office of the Price Supervisor is now obsolete. This office can now intervene as a result of the introduction of the Federal Council's subsidiary power in the Health Insurance Oversight Act.

<sup>27</sup> The report for audit mandate 15292 is available on the SFAO's website.

<sup>28</sup> In 2014, the Federal Council adapted TARMED. An additional tariff item (of 10 tariff points) was introduced to increase the value of medical services provided by primary care physicians. At the same time, for an identical overall amount, it reduced by 8.5% the points for technical services in 13 chapters. The SFAO does not regard this development as the most appropriate in terms of the fairness and reality of costs. However, this solution does take account of the time constraints as well as the data and resources available. Moreover, this decision was made to offset an increase of CHF 200 million in TARMED services in favour of general practitioners, which it partially achieved.





health insurance company, “the insured person receives a copy of the invoice sent to the insurance company”. These two basic principles would enable the patient – as the only party actually affected by the increase in healthcare costs – to play a role in checking invoices. Unfortunately these principles have not been observed. The FDHA and the FOPH have not yet taken any measures.

## C. A NEW CORPORATE CULTURE AT THE COMPENSATION OFFICE

The Central Compensation Office (CCO), based in Geneva, is the Swiss Confederation's executive body for Pillar 1 insurance (AHV/IV/EO). Following a somewhat tumultuous period, it has seen some changes in management since 2014.<sup>29</sup> Considerable progress has been made since then. The SFAO's auditors noted this in the course of their audit.<sup>30</sup> The recommendations issued in a previous audit have been implemented.

The area of information technology is one example. Since 2012, the CCO has brought the entire IT department under its control. Improvements can now be seen in project input, management, integration in the corporate architecture and supervision. This new environment requires the CCA to adapt its IT strategy. However, much remains to be done. Efforts should be made not only in Business Continuity Management but also to improve the documentation for an appropriate level of IT security.

### **Procurement procedures as prescribed by law**

Procurement was another point of concern. Purchases, under the responsibility of the deputy director of the CCO, have been brought under control. The individuals responsible now have appropriate procedures and authority to make purchases in accordance with the legal provisions.

In regard to human resources, the SFAO noted that long-term staff absences were managed in a professional manner. The procedure for staff departures was reviewed and improved. In regard to all of these matters (IT, purchasing and human resources), the sustainability of the impact may be verified in 2017.

<sup>29</sup> For more details, see the SFAO's 2014 Annual Report, available on its website. The shortcomings noted were directed reported to the Head of the FDF in 2014.

<sup>30</sup> The report for audit mandate 15381 is available on the SFAO's website.

### D. IMPROVING THE SYSTEM OF VESTED-BENEFITS INSTITUTIONS

In 2016, the SFAO's auditors turned their attention to a new topic, and one that is complex and of considerable financial scope: the CHF 50 million held as vested-benefits assets in occupational pensions.<sup>31</sup> This is the money belonging to salaried employees under Pillar 2 who have left their pension fund before retirement age.<sup>32</sup> These funds represent 7% of pension assets. The money is managed by 65 institutions in almost two million vested-benefits policies and accounts. Around 75% of these assets are held in banks. The investment possibilities are modelled on those of Pillar 3a. The vested-benefits assets are invested in the form of traditional savings accounts in more than 80% of cases and in securities in less than 20% of cases.

On the whole, the SFAO's auditors found that the management of these assets is secure and in conformity with the law. These savings are still classified as an occupational pension on account of the regulated transfer between pension funds and vested-benefits institutions. The intent of the legislation is thus upheld. Also, the value of the assets is largely maintained under the vested-benefits regime.

#### **No guarantee in case of bankruptcy**

The overall situation is thus in order, but there are some individual points of serious concern. The first of these is that, unlike the assets held in pension funds, these vested-benefits assets are not protected by any guarantee. This need for protection is not just theoretical. Since the Occupational Pension Portability Act came into effect in 1995, two vested-benefits institutions have gone bankrupt, resulting in losses for hundreds of people. The SFAO regards such losses in Pillar 2 through no fault of the insured party as unjustifiable. Moreover, vested-benefits assets are not covered by the CHF 100,000 deposit guarantee, unlike assets on a current account or savings account. If a bank were to fail, claims in regard to vested-benefits assets take only second priority and only up to a maximum of CHF 100,000. The legislation thus contains a loophole that should be closed.

The law requires people who find a new job, for example, to transfer their assets held by the vested-benefits institution to their new pension fund. However, based on a survey by the SFAO, at least 36% of people do not do so. Why is this? In most cases, these people simply forget to transfer their assets and thus risk losing returns if their vested-benefits assets are substantial or on a dormant account. Around one-tenth of them want to avoid placing their money in a fund that is in financial difficulty or they state tax reasons. To prevent the rise of a parallel structure in Pillar 2 insurance, the SFAO's auditors propose the introduction of a guarantee for the systematic transfer of such assets to a pension fund in the case of a new employer.

<sup>31</sup> The report for audit mandate 14471 is available on the SFAO's website.

<sup>32</sup> For example, when the employment contract is terminated. Until such individuals find a new job – and thus join another pension fund – their pension assets are blocked on a bank account or insurance policy with a vested-benefits institution.

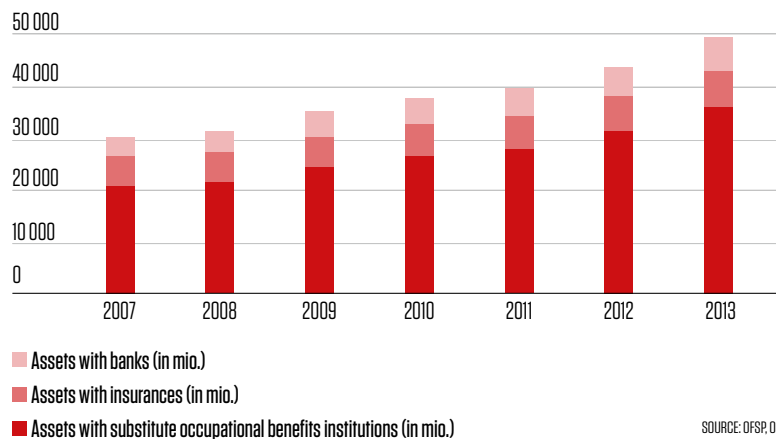


### The issue of dormant accounts

A vested-benefits account can be easily forgotten. For around a third of the accounts and policies in existence, the institutions no longer have the insured person's contact details. Such dormant accounts often hold just small amounts saved from short-term employment. Taken as a whole, however, they amount to a total of almost CHF 5 billion, or 10% of all vested-benefits assets. Here, too, a systematic transfer by the institutions concerned to the pension funds or the systematic repayment of small amounts to short-term workers would prevent the institutions having to keep these accounts open over decades and reduce their administrative burden.

This makes all the more sense given that the number of dormant accounts is likely to increase in the future. This money is not actually lost and search facilities do exist. However, the SFAO noted in its audit that the quality of the data available to the authorities has become insufficient with regard to the growth in the volume of data handled. It is therefore necessary to reduce the number of such dormant accounts as soon as possible.

### Vested-benefits institutions: increasing assets (2007–2013)





## 4. PENSIONS, SOCIAL SECURITY AND HEALTHCARE

### E. THE SERVICE AGREEMENT OF PRO SENECTUTE HAS TO BE REVIEWED

Every year, the Pro Senectute foundation receives CHF 54 million from the Federal Social Insurance Office (FSIO). This subsidy comes from the AHV compensation fund, based on a service agreement between the foundation and the FSIO. This four-year agreement enables Pro Senectute to work to preserve and improve the well-being of the elderly in Switzerland.

In 2012, this agreement underwent a critical evaluation by the SFAO.<sup>33</sup> In 2016, one of its teams performed a new audit to determine the extent to which the foundation and the FSIO had implemented the recommendations. Pro Senectute had applied them all. At the FSIO, two are still outstanding: one concerning the key figures to be included in the agreement and the other concerning the supervision and use of the subsidy. These recommendations are important, as explained below. Finally, the SFAO's auditors also examined the current service agreement or contract in anticipation of its renewal for the years 2018–2021.<sup>34</sup>

#### **Growing reserves**

The audit revealed one key point. In 2014, the consolidated profit of the Pro Senectute foundation came to CHF 16.7 million. The organisation had capital assets of CHF 228 million at the end of the financial year. For years now, federal financial support has contributed to the foundation making a profit and building reserves. This situation is in violation of the federal law on subsidies. Pro Senectute disputes this, claiming that its profit is made in its market-oriented businesses and not in the areas subsidised by the Confederation. Finally, the SFAO's auditors believe that the current agreement does not allow for supervision of financial support of this size. It should therefore be modified.

<sup>33</sup> The report for audit mandate 8349 is available on the SFAO's website.

<sup>34</sup> The report for audit mandate 15379 is available on the SFAO's website.



The SFAO's auditors believe that the FSIO should determine the appropriate degree of self-financing for Pro Senectute. If the foundation continues to generate a profit, the scope of the federal subsidies should be reduced. Moreover, the SFAO is pleased to see that the FSIO has already started setting priorities with a range of services and its reorientation towards the more vulnerable target groups. It finds it hard to understand, however, that subsidies are being allocated to entire domains and not to specific services.

#### **Increase the supervision by the FSIO**

In the course of their work, the SFAO's auditors noted the weakness of the FSIO's supervision. Due to lack of resources, the FSIO carries out only an analysis of the management and audit reports of Pro Senectute, together with an annual meeting with the foundation. There are no requirements in terms of the accounting information received and there is no on-site audit.

Given these findings, the SFAO believes there is an opportunity for the FDHA to intervene. The Federal Council called upon the FDHA to propose a project for modernising supervision of the social security system at the end of the first quarter of 2017. This is an opportunity to remove the gaps in the supervision of subsidies and to harmonise the system and give it a more professional approach. Before that, however, immediate measures are necessary to improve the supervision of Pro Senectute. Efforts to this end are underway at the FSIO.

#### **SPOTLIGHT**

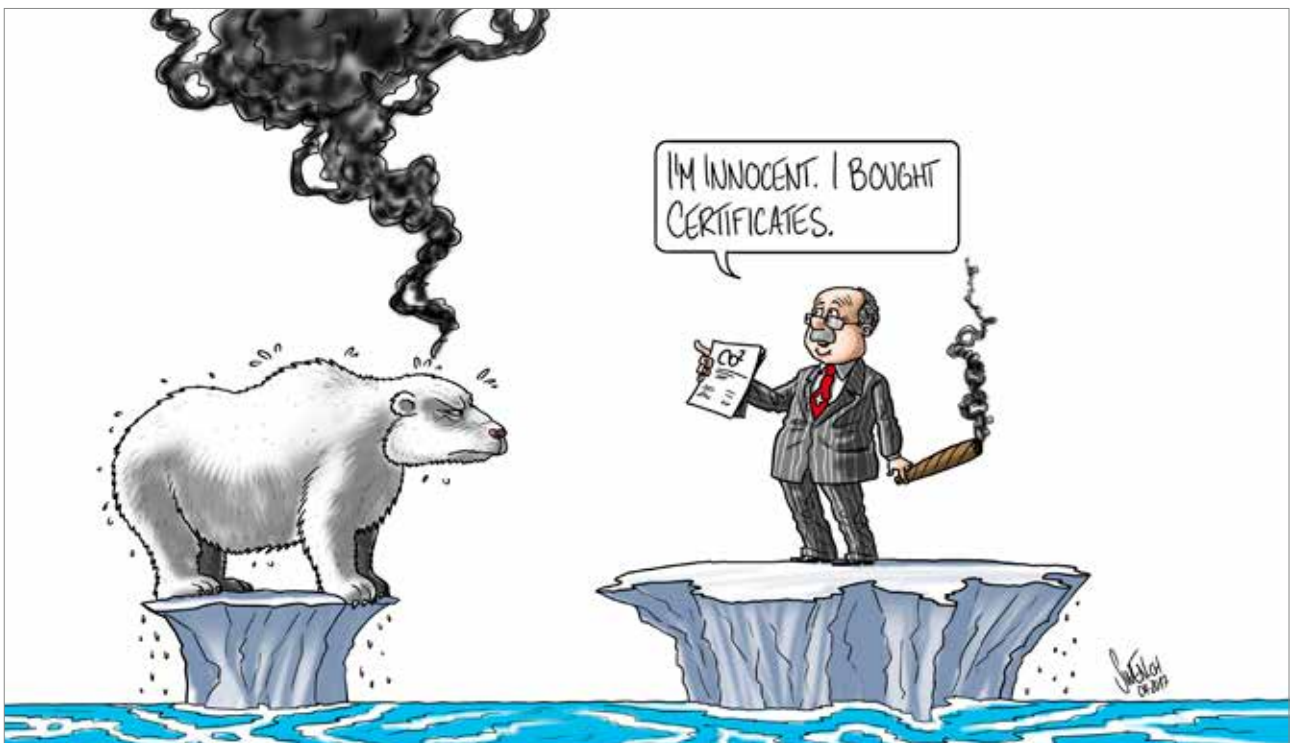
### **A GLOOMY FORECAST FOR PURCHASING AT METEOSWISS**

The SFAO audited 31 cases of goods and services purchased by MeteoSwiss in 2014.<sup>35</sup> These checks were not carried out in full as, unfortunately, the files chosen were incomplete. The SFAO believes this office showed certain procedural shortcomings with regard to its purchases, worth a total volume of CHF 24 million in 2014. The Federal Council was notified of the matter at the end of May.<sup>36</sup>

It should be stressed, however, that the SFAO's auditors did not come across any cases falling under criminal law. In summer 2016, MeteoSwiss began implementing the recommended measures.

<sup>35</sup> The report for audit mandate 16611 is available on the SFAO's website.

<sup>36</sup> Under Article 15 paragraph 3 of the FAOA, the SFAO must inform the head of the federal department concerned and the Head of the FDF if it identifies "anomalies or deficiencies of fundamental significance or considerable financial importance". If the findings concern the FDF, it shall inform the President or, where necessary, the Vice President of the Confederation. On 27 May 2016, the Management of the SFAO wrote to Federal Councillors A. Berset and U. Maurer.



The incentive effects of the Swiss carbon emissions trading scheme don't work any more, **as seen by Swen.**

## 5. ROADS, ENERGY AND THE ENVIRONMENT

The importance of technical audits in the SFAO's work programme is growing. They require the auditors to have a considerable specific know-how. Four audits carried out in 2016 illustrate the risks and the challenges these entail: the carbon emissions trading scheme, implementation of the A9 motorway project by the Valais administration, the planning of technical maintenance of the infrastructure for electricity transmission networks, and management of hydrological measuring networks.

### A. THE SFAO'S AUDITORS UNDER THE HAZE OF CARBON EMISSIONS

In 2016, the SFAO's auditors performed a number of important audits on the current carbon emissions trading scheme, the carbon offset mechanism, and surveillance of this entire area by the Federal Office for the Environment (FOEN).

Today, firms that generate large volumes of greenhouse gases are exempt from having to pay the carbon tax. However, they are obliged to participate in Switzerland's emissions trading scheme (ETS), which covers 54 permanent installations around the country. In terms of volumes and transactions, this is the world's smallest carbon trading market. The SFAO's auditors examined how this works and where its weaknesses may lie.<sup>37</sup>

#### **A sluggish market**

The ETS is based on market principles. Each participant is at liberty to buy and sell permits to emit. A carbon-intensive business that exceeds its emissions cap will have to buy more permits. It can do this because other market players have taken measures to reduce their emissions or offset them in the environment.

The SFAO's auditors found that the ETS exerts almost no pressure on the players in this market. There are several reasons for this. When the TAMOIL SA refinery closed down part of its operations in April 2015, the ETS lost one of its main market players. The situation is exacerbated by the fact that Switzerland recognises certificates issued abroad. This means that, even if no new emissions permits are granted in 2017, there are already enough in circulation to cover market demand up to 2020.

The SFAO believes that the FOEN should create a mechanism for the future to check, before issuing new permits, whether the ETS has an over or under-supply of such allowances. Moreover, the FOEN should examine Swiss alternatives to the ETS if the linkage with the European ETS does not materialise. Finally, the SFAO found that the companies exempt from the carbon tax are still benefiting from the redistribution of that tax. In some cases, this redistribution covers 100% of the costs incurred in buying permits up to 2020. This situation, introduced by law in 2013, is inconsistent in the SFAO's opinion. In its statement, the FOEN expressed its intention to incorporate these recommendations in the efforts to reform the Federal Act on the Reduction of CO<sub>2</sub> Emissions.

<sup>37</sup> The report for audit mandate 16393 is available on the SFAO's website.



## 5. ROADS, ENERGY AND THE ENVIRONMENT

### A complex mechanism for offsetting carbon emissions

The SFAO's auditors extended their work in another aspect of this area. Since 2013, importers of fuels are obliged to offset or compensate for part of their carbon emissions. They can buy carbon offsetting certificates from companies running projects to reduce such emissions. These projects are audited by around 10 specialist bodies, all of which are recognised by the FOEN with the support of the Swiss Federal Office of Energy (SFOE). The fuel importers then submit these certificates to the FOEN. These are proof that they have offset their carbon emissions. The total volume of such offsetting will reach CHF 1 billion by 2020.

The SFAO's auditors believe that this mechanism is too complex and inefficient and does not provide the necessary assurances to prevent the risk of irregularities.<sup>38</sup> The auditors also identified a duplication of subsidies, which should be avoided in the future. Under the current offsetting system, the consumers of fuel contribute almost CHF 200 million to projects that already received funding under the Climate Cent Foundation. While the situation is ambiguous, this two-fold subsidy is not in violation of the prevailing law, according to an external legal expert.

In their work at the FOEN, the SFAO's auditors examined some individual dossiers. Their findings are worth noting. For example, compensation certificates for almost CHF 50 million were allocated to cemsuisse, the Swiss association for the cement industry, without verifying the reductions reported by this umbrella organisation. Also, the timber industry is looking for certificates for almost CHF 160 million, based solely on statistical models drawn up by its own representatives.

### Gaps in surveillance

Another problem exists in the approval and control of compensation projects by the validation and verification bodies. The SFAO's auditors are concerned about the unequal treatment of projects submitted for validation, not to mention the high audit costs and the excessive influence of lobbyists on the application of the law. At the heart of the problem lies a set of rules that are clear but not binding.

The FOEN is aware of the risk and checks a large part of the dossiers itself, i.e. repeats the work done. This is not satisfactory in terms of either efficiency or governance, as the FOEN's surveillance overlaps with its operational tasks. The FOEN should avoid getting involved in operational tasks where the validation and verification bodies meet the requirements. However, the FOEN should provide for sanctions if these bodies do not do their work or if the requesting companies make declarations that are clearly inaccurate.

## B. VALAIS SHOULD IMPROVE MANAGEMENT OF THE BILLIONS IN FEDERAL FUNDING FOR THE A9

The completion of the A9 motorway depends on the Valais authorities. The Confederation is the owner of the national roads and finances them, but the cantons build them. The relevant cantonal authority in the case of the A9 is the Valais Department of Transport, Equipment and the Environment and, more specifically, its National Roads Construction Office (OCRN). The project in question will cost almost CHF 4 billion, of

<sup>38</sup> The report for audit mandate 15374 is available on the SFAO's website.





which 96% is paid by the Confederation. The last section is scheduled to be opened in 2024. This forecast comes from the Federal Roads Office (FEDRO), which assumes overall supervision of all projects in relation to the A9 motorway.

In recent years, the financial audit office for the Canton of Valais and its FEDRO counterpart had revealed shortcomings in the OCRN's processes and structures. These audits resulted in an improved situation, and there have been some positive consequences.

### Shortcomings in contract management

Nonetheless, the SFAO's auditors decided to conduct an on-site audit. They examined the organisation, the division of roles and contract management for the Visp tunnel project. This project has an estimated cost of some CHF 200 million. The auditors also analysed an amendment to the contract concerning disruptions to the work on the Eyholz tunnel (NF076). The amendment contains a request for additional funding of CHF 20 million.

This audit revealed a number of weaknesses.<sup>39</sup> The OCRN has not yet attained the required level of quality in the areas examined by the SFAO's auditors. In this respect, the SFAO recommended that the project manager should duly examine the quality and exhaustiveness of its tender dossiers and the associated documents.<sup>40</sup>

At the time of the audit, the efficient and economical use of public funds was assured only through an exceptional level of monitoring by FEDRO. The OCRN should be given temporary external management support in order to achieve the appropriate quality of project management. In time, these measures should enable FEDRO to reduce its monitoring to a normal level and to focus on its role of supreme supervision. If this does not happen with the given deadline, the Confederation could in theory envisage taking additional measures, such as the complete or partial repossession of operational responsibility for the A9 project, as provided for by law.<sup>41</sup>

## SPOTLIGHT

### RAIL NETWORK: SUPERVISION IS COMPLEX AND ONLY PARTIAL

The Confederation and the cantons finance the development and maintenance of the country's rail network. In 2016, the SFAO's auditors turned their attention to three on-going projects concerning the Matterhorn Gotthard Infrastructure (MGI), the Südostbahn (SOB) and the Rhaetian Railway (RhB) as well as the supervision exercised by the Federal Office of Transport (FOT). Overall, these projects, valued at some CHF 400 million, are being properly managed. However, in its audit report, the SFAO noted certain irregularities in the controlling and supervision by FOT of the projects funded by way of service-level agreements.<sup>42</sup>

Each half-year, the private railway companies provide an update of the project status in their reports for FOT's auditors. Realistically, however, FOT cannot provide a reliable analysis of this vast body of documentation in a reasonable period of time. For the record, each auditor covers between 1,500 and 3,000 projects. FOT should thus set priorities among the projects. In its statement, FOT has undertaken to implement the SFAO's recommendations.

<sup>39</sup> The report for audit mandate 16350 is available on the SFAO's website.

<sup>40</sup> According to Article 12 of the FAOA, the SFAO shall submit its recommendations at a federal level to FEDRO, which is responsible for supervising their implementation at a cantonal level, i.e. by the OCRN in this case.

<sup>41</sup> National Roads Act, Article 55

<sup>42</sup> The report for audit mandate 15073 is available on the SFAO's website.



## 5. ROADS, ENERGY AND THE ENVIRONMENT

### C. MANAGEMENT OF HYDROLOGICAL MEASURING NETWORKS

In 2011, the FOEN outsourced the maintenance of the hydrological measuring networks to the Federal Institute of Metrology (METAS). The measuring networks provide real-time information on the quality and quantity of Switzerland's waterways. This out-sourcing was made with a view to saving on personnel costs and generating synergies. Producing and disseminating this data costs the Confederation more than CHF 10 million each year.

The SFAO's auditors examined the efficiency of this new organisation for the measuring networks, its maintenance and control.<sup>43</sup> The overall result was good and the required quality is met. However, there are certain weaknesses in relation to financial management. The processes at the FOEN are too approximate to allow for efficient management of the hydrological networks. For example, there is no figure indicating the value of the measuring networks, the cost of their maintenance or the service cost. It is therefore difficult to estimate the networks' return or to identify any potential areas for optimisation.

#### **The predicted savings have not been made**

The savings targets have not been reached. Four years after the transfer, METAS has certainly brought technical innovation to the measuring network. However, these costly modernisation efforts and the considerable coordination work between the FOEN and METAS made it impossible to obtain the savings that were originally envisaged.

Collaboration within the Federal Administration should be improved. The SFAO's auditors noted that the FOEN did not consider any other options apart from outsourcing the measuring activities to METAS. There is, however, another candidate that it could have taken into consideration. MeteoSwiss manages a measuring network that offers considerable potential for synergies in relation to IT, data gathering and validation as well as data publication and archiving. When METAS took over the mandate, additional investments were needed to acquire the appropriate IT and know-how. In the future, the role of MeteoSwiss in the measuring networks should be clarified. The SFAO's auditors believe there is substantial potential to be leveraged here and that the FOEN should look into possibilities of collaboration.

### D. THE EXTRA HIGH VOLTAGE ELECTRICITY NETWORK IN SAFE HANDS

The SFAO's auditors found positive results in their audit of Swissgrid AG, which manages the extra high voltage electricity network.<sup>44</sup> Their audit focused on the instruments for formulating and implementing the technical plan and maintenance of the infrastructure for the 6,700 kilometres of the electricity transmission network. In 2016, this portfolio worth CHF 2.1 billion was in need of investments of some CHF 180 million. Investments on a comparable scale can be expected in the coming years.

<sup>43</sup> The report for audit mandate 15331 is available on the SFAO's website.

<sup>44</sup> The report for audit mandate 15324 is available on the SFAO's website.



The takeover of the transmission network by Swissgrid AG was to have been completed by end-2016, and the minor shortcomings noted by the SFAO's auditors have no impact on investment planning. Priorities have been set in regard to maintenance and the amounts to be invested in the network. These can all be justified from a technical point of view and can serve as a basis for appropriate cost estimates. The development and financing of new electricity lines and substations as well as the extension, replacement and maintenance of the network seem plausible according to the 2016 budget and the 2017–2020 plan.

Alongside the audit, the SFAO also looked at the strategic challenge of protecting sensitive infrastructures, specifically the risk of cyber attacks. This point was addressed as an isolated point of clarification between Swissgrid AG and the Swiss Federal Electricity Commission (ElCom). The SFAO believes that the body managing the electricity network has not made this issue sufficiently binding in its operations.

## SPOTLIGHT

### THE ONGOING STORY OF FEED-IN REMUNERATION AT COST

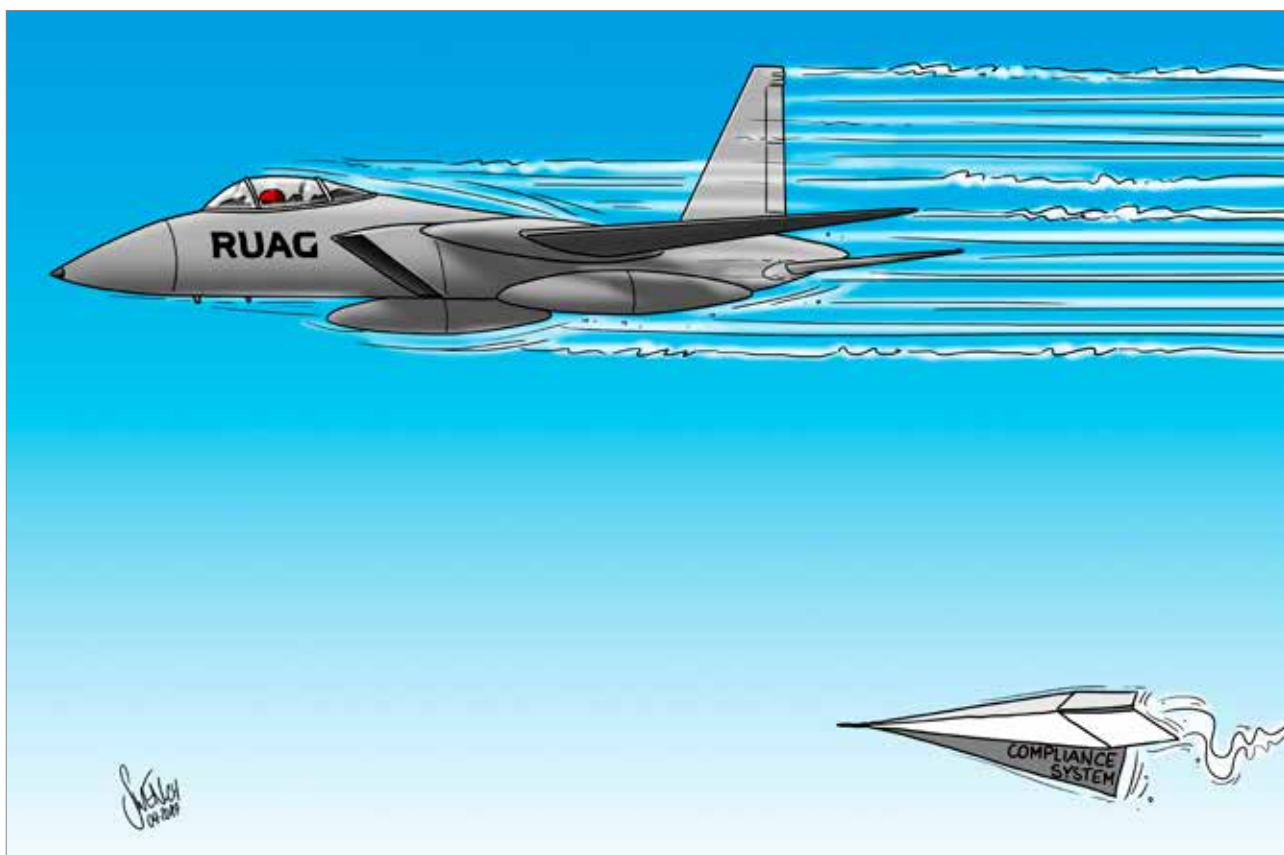
Since 2009, the Confederation has introduced the principle of feed-in remuneration at cost (known as RPC) to encourage electricity generation from renewable energy sources. RPC provides a means of bridging the gap between the production cost and the market price, thereby enabling producers of renewable energy to cover their expenses. Payments of almost CHF 470 million are made each year under RPC.

Implementation of the tool is a somewhat convoluted process and it is taking some time to stabilise. In 2011, the SFAO noted that the various tasks were distributed among many different institutions and this complicated the financial and data flows.<sup>45</sup> Its auditors also criticised the management of RPC funds, entrusted solely to the RPC Foundation, which is not part of the Federal Administration. The SFAO performed another audit at the FOEN and Swissgrid AG.<sup>46</sup> The situation may improve, mainly as a result of the NOVA project, which seeks to transfer RPC implementation to the Federal Administration.

However, the SFOE modified its project approach in summer 2015 with a view to saving on personnel costs. Moreover, the Federal Department of the Environment, Transport, Energy and Communications (DETEC) no longer sees RPC implementation as a permanent task of the Confederation. Transferring this task to the Federal Administration is no longer an option. In the future, it will be assumed by a subsidiary of Swissgrid AG, as yet to be established. In this respect, there is no real simplification of the implementation framework, which will have its legal basis in the initial measures of the 2015 Energy Strategy. Nonetheless, one of the main objectives of the NOVA project has been maintained. The funds managed by the RPC Foundation will come under the Confederation's responsibility, and the foundation will be dissolved. The SFAO's auditors welcome this development.

<sup>45</sup> The report for audit mandate 11329 is available on the SFAO's website.

<sup>46</sup> The report for audit mandate 15364 is available on the SFAO's website.



The internal compliance system at RUAG,  
as seen by Sven.



## 6. ARMAMENTS AND DEFENCE OFFSETTING

The SFAO's auditors returned to a subject previously addressed in 2007, that of defence offsetting. For the first time in 2016, it also examined a strategic company belonging to the Confederation from the point of view of reputational risk: the armament company RUAG.

### A. ARMASUISSE SHOULD COMPLETE IMPLEMENTATION OF THE FEDERAL COUNCIL'S STRATEGY

In 2016, the SFAO took a renewed interest in the somewhat controversial issue of defence offsetting in arms procurement. Like other countries, Switzerland has an offset policy for arms procurement. Under this system, a foreign company that benefits from defence purchases made by the Swiss Confederation is required to make a counter-transaction by way of purchase agreements with Swiss industry. In 2007, the SFAO gave a critical evaluation of the outcome of this federal policy.<sup>47</sup> According to its calculations, only 40% of Swiss armament procurements abroad were actually offset by counter-transactions made in Switzerland, and not 100% as reported by the Federal Council. In 2010, at the SFAO's request, the Federal Council modified its military offset strategy.

Implementation of this strategy was entrusted to armasuisse, which formulated the basis of the policy with a view to procuring a new fighter jet. Following the rejection of the Gripen acquisition in a referendum in May 2014, armasuisse no longer had a project of such a large scale (around CHF 3.1 billion) to assess the effects of the new strategic orientation. By the end of 2014, the volume of indirect offset transactions had fallen to around CHF 90 million p.a.

#### **An accommodating approach to offsets**

Despite this sharp decline in the volume of offset transactions, the SFAO's auditors found that the Federal Council's strategy and its principles were not being fully applied by armasuisse. They acknowledged that considerable progress had been made since 2010 in terms of consistency.<sup>48</sup> In practice, however, armasuisse remains quite flexible when validating the offset nature of transactions made by Switzerland abroad.

For example, armasuisse allows offset transactions to be taken into account even before the Swiss authorities have approved the purchase. In other words, it authorises a foreign supplier to create "transaction reserves" in anticipation of future acquisitions by the Swiss Confederation. In the case of the Gripen, for example, Saab or its subcontractors can utilise their offsets with armasuisse up to 2018.

In another context, armasuisse can prioritise certain offset transactions that would seem to favour Swiss industry. This is done by applying a multiplier to the transaction made in Switzerland. Several countries use this practice as a means of promoting technology transfer. To date, armasuisse has only rarely used this possibility in its activities.

<sup>47</sup> The report for audit mandate 6366, carried out at Parliament's request, is available on the SFAO's website.

<sup>48</sup> The report for audit mandate 15525 is available on the SFAO's website.



## 6. ARMAMENTS AND DEFENCE OFFSETTING

In the course of their work, the SFAO's auditors noted that armasuisse and the professional associations had re-established the Offset Office. This office was set up in 2009 with the two-fold function of validating the indirect offset transactions and disseminating information about Swiss businesses. Due to a lack of resources, armasuisse suspended this office's activities in summer 2014. The SFAO notes the wish to re-establish this instrument.

### B. RUAG SHOULD REDUCE THE RISKS FACING THE CONFEDERATION

Fully owned by the Swiss Confederation, the armament company RUAG exposes its shareholder to reputational risks, e.g. if it were to violate the provisions of international law or in case of corruption. To prevent this happening, it needs an effective compliance management system. RUAG has made much progress in this area over the past three years. The various improvements include the creation of a compliance committee within the company, the hiring of a group compliance manager, the formulation of a code of conduct (which was the subject of an online staff training course in 2015) and the launch of a whistle-blower hotline.

In spring 2016, the SFAO's auditors examined this compliance management system on site.<sup>49</sup> Their audit shows that work is still needed to reduce the risks facing the Confederation, particularly in relation to potential cases of avoiding Swiss export restrictions or corruption. A complementary audit mandated by RUAG and carried out by an external consulting firm in a foreign subsidiary confirmed that some of the risks identified by the SFAO were not hypothetical. The Federal Council was informed of this immediately.<sup>50</sup>

#### Compliance management not yet at the required level

The recently established Compliance Committee is comprised of the company's managers. This is already an improvement on the previous situation. However, the SFAO's auditors confirm that this committee does not yet fulfil all the tasks in its mandate.

One such task is the approval of the partnerships with commercial intermediaries. In the arms market, it is quite common to involve third parties when awarding contracts. However, this comes with a high risk of active corruption. At RUAG, the task of validating commercial agents has been entrusted to the Head of Compliance. He thus combines supervisory functions with operational tasks, and this threatens his independence. Moreover, as he participates in a results-based bonus plan, he faces a conflict of interests between observing his compliance and commercial obligations.

The management of the RUAG Group is aware of the challenge posed by compliance management for a company of this size operating internationally. This compliance management is not yet a management tool, nor is it part of the corporate culture. Nonetheless, it is important to integrate it into all processes and within RUAG's decentralised subsidiaries so that it becomes a matter of course at group level.

<sup>49</sup> The report for audit mandate 16532 is available on the SFAO's website.

<sup>50</sup> Under Article 15 paragraph 3 of the FAOA, the SFAO must inform the head of the federal department concerned and the Head of the FDF if it identifies "anomalies or deficiencies of fundamental significance or considerable financial importance". If the findings concern the FDF, it shall inform the President or, where necessary, the Vice President of the Confederation. On 31 October 2016, the Management of the SFAO wrote to the entire Federal Council.



### Fundamental problems still exist

The SFAO's auditors believe that the compliance risks have been identified by the management of the RUAG company. However, they note that Group management does not take sufficient account of this in its risk mitigation policy, particularly in regard to potential cases of circumventing Swiss restrictions on the export of arms or of corruption.

These questions are of particular relevance in case of company acquisitions or the taking of minority shareholdings. The SFAO's auditors noted two cases of new Group entities that were not incorporated into the compliance management process or only at a later stage. It is possible that these entities were not aware of Swiss legal requirements, or became aware of them at a later stage. The supervision exercised by the parent company has potentially been reduced. In this respect, the SFAO's auditors note that in a case where RUAG has only a minority shareholding in a company, the Group has limited influence on the directives applied throughout the affiliated company.

In its statement based on a legal opinion from the University of Zurich, the RUAG company contested the legal basis of the work done by the SFAO's auditors. As set out in the FAOA, the SFAO's financial oversight is legally applicable to all companies of which the Swiss Confederation holds a stake of more than 50%. Unlike the Swiss National Bank (SNB), the Swiss National Accident Insurance Fund (Suva) or the Swiss Broadcasting Corporation (SRG SSR), RUAG is not listed among the exceptions set out in the FAOA or any other federal law.<sup>51</sup> In response to a mandate from the Finance Delegation, the FOJ issued a legal opinion in which it confirmed the SFAO's position. In 2017, the SFAO will continue its audits at the RUAG Group.

#### SPOTLIGHT

### WHAT IS THE POINT OF REPORTS ON CLASSIFIED PROJECTS?

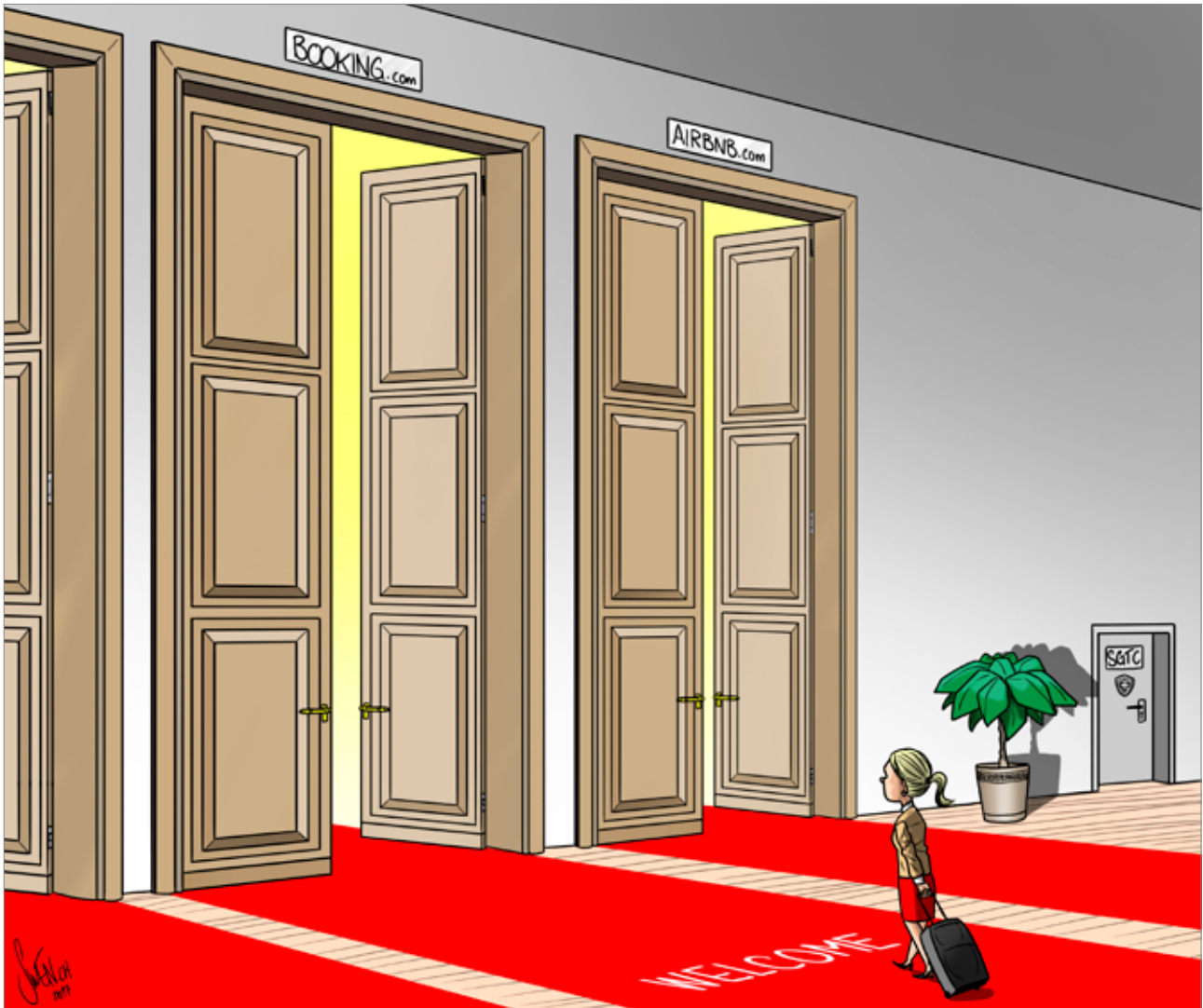
At the request of the Finance Delegation, the SFAO examined the reports on classified projects from the Federal Department of Defence, Civil Protection and Sport (DDPS).<sup>52</sup> The object was to determine whether these reports, delivered periodically to the Finance Delegation and the Control Delegation, adhere to the DDPS directives.

The content of these reports is correct and complete. However, these reports do not meet the specific needs, and they overlap partially with other reports. The SFAO recommended that the DDPS should adapt its directives and refrain from drawing up these reports in the future. The Department accepted this. It also welcomed a proposal drafted by the SFAO that enables it to provide information meeting the specific needs of the Control Delegation.

<sup>51</sup> On page 51, Part 2 of this Annual Report sets out the legal provisions underlying the SFAO's financial oversight and its audit scope.

<sup>52</sup> The report on audit mandate 15611 was classified as confidential and presented to the Finance Delegation and the Control Delegation.

# PART 1: THE MAIN RESULTS



Half of the employees do not use Swiss Government Travel Centre of the Confederation for their business trips, as seen by Sven.



## 7. INTERNATIONAL RELATIONS

The Confederation has a central office for organising business trips. The SFAO's auditors turned their attention to this office in 2016 for the first time. They also visited the Swiss Pavilion at EXPO Milan, run by Presence Switzerland (PRS).

### A. SUBSTANTIAL FEDERAL BENEFITS, UNFORTUNATELY NOT WIDELY KNOWN

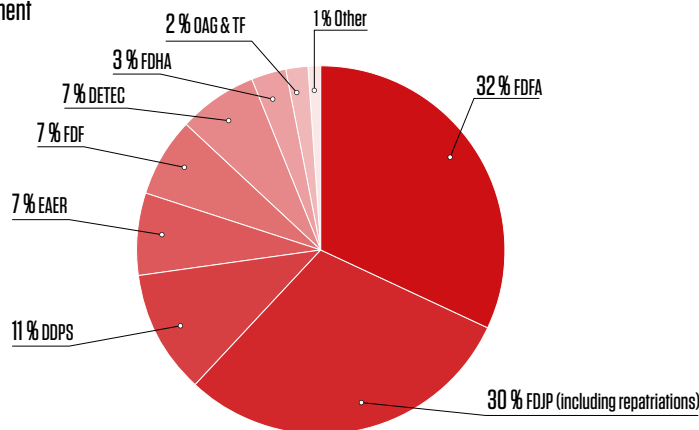
In 2014, the Swiss Government Travel Centre (SGTC) booked foreign travel services to the value of CHF 36.1 million. This entity within the FDFA organises business trips for federal government staff and also the repatriation of foreign nationals expelled from Switzerland. The SFAO's auditors are of the opinion that the SGTC works well.<sup>53</sup> It is economical, efficient and effective.

In the course of their work, the auditors noted that the prices obtained by the SGTC for its main services (flights, hotel rooms and train journeys) were favourable. The SGTC could have even more negotiating leverage if it widened its circle of users. One option would be to include in this circle around 20 decentralised entities such as the Federal Institutes of Technology, Switzerland Tourism and the Swiss National Museum. These could then also benefit from the SGTC's rates.

#### Half of the employees do not use the Travel Centre

In the current configuration, the economical use of the SGTC's services depends on its customers. The federal offices that work with the SGTC have considerable room for manoeuvre because it is they who ultimately cover the travel costs. The SFAO believes that the processes for trip reservations and the reimbursement of expenses should be reviewed, so as to ensure compliance with the requirements.

Use of the SGTC's services in 2014, by Department



SOURCE: SGTC

<sup>53</sup> The report for audit mandate 15355 is available on the SFAO's website.



## 7. INTERNATIONAL RELATIONS

In accordance with the directives, the entities of the Federal Administration are obliged to use the SGTC. However, based on a survey by the SFAO, half of the people who went on business trips in the first half of 2015 did not use the SGTC's services, particularly for hotel reservations. The main reason given in the survey was that these people were not aware of the SGTC and its services. The SFAO believes an information campaign should be conducted to remedy this.

### **B. SWISS PAVILION IN MILAN: TRANSPARENT MANAGEMENT BUT DIFFICULT TO ESTIMATE THE INTERIM COST**

In 2015, two of the SFAO's auditors visited EXPO Milan to inspect the Swiss Pavilion. They were among the 2.1 million people who experienced this pavilion and the work done by PRS. The results of their audit were positive.<sup>54</sup> This was particularly so in regard to use of the management tools by PRS as well as adherence to the processes when placing some 70 public contracts. However, the real cost of the Swiss Pavilion was difficult to estimate with any degree of accuracy at that time.

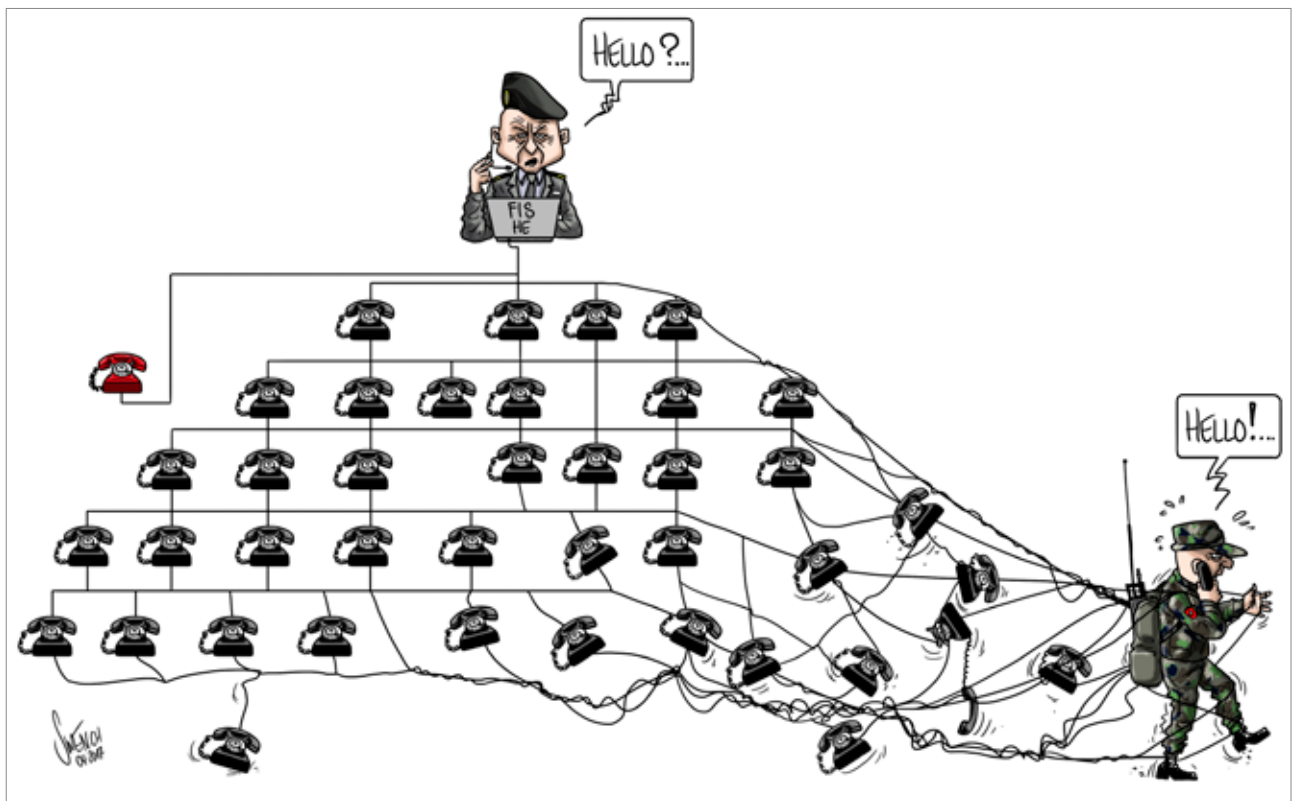
Some of the personnel expenses of PRS and services in kind were missing from the accounts (CHF 3.2 million). Also, the income generated by sponsoring came to CHF 5.8 million by end-October 2015, whereas the projections had forecast CHF 6.3 million.

Despite the uncertainty, the auditors estimated that the budget allocated by the Federal Council in 2012 to the Swiss Pavilion would not be exceeded. By mid-July 2015, actual expenditure came to CHF 19.8 million, whereas the budget granted was for CHF 22.6 million. Another gratifying result was the higher level of third-party contributions, both in cash and in kind.<sup>55</sup> These contributions in return for the Contribution's own support had been budgeted at CHF 8 million. They are likely to reach CHF 9.5 million.

<sup>54</sup> The report for audit mandate 15356 is available on the SFAO's website.

<sup>55</sup> Note that the Federal Council has asked PRS to increase sponsorship from around one third as at EXPO Milan to at least 50% for EXPO Dubai in 2020.





The Command and Information System of the Swiss Land Forces does not fulfill his initial objectives, **as seen by Swen.**



## 8. ICT PROJECTS

In 2016, the SFAO published around 10 reports on the Confederation's key ICT projects. In total, the loans incurred on these large-scale ICT projects amount to more than CHF 4.2 billion over a decade. These projects are currently at very different stages of implementation. Some are only at the conceptualisation stage, others have been progressively rolled out and their applications used within the Federal Administration, and a minority have encountered delays or have been discontinued. In most cases, the SFAO notes that the administration faces major challenges.

### A. SOME BRIGHT SPOTS AMONG THE CLOUDS

Following the discontinuation of the key ICT project ASALneu, the Supervisory Commission for the Unemployment Insurance Fund called upon the SFAO to audit the abandoned project and also its new ICT strategy.<sup>56</sup> Originally, CHF 35 million had been budgeted for this project. As with ASALneu, the new strategy aims to replace the system for the payment of unemployment benefits. The SFAO sees this new orientation as encouraging.

Based on figures from the ASALneu project, the losses incurred through its discontinuation come to only CHF 350,000. This is because the services already rendered by the provider, up to a value of CHF 4 million, can be reused in the next project. The story will thus continue.

#### **Telecommunications surveillance is under control**

On 1 January 2016, the key ICT project "Telecommunications Surveillance" was launched.<sup>57</sup> This project is for the development and operation of the system for surveillance of telephone calls and data transmission for the criminal prosecution authorities. By end-2021, the Confederation will have devoted some CHF 111.7 million to this project, of which CHF 29 million is for adapting the ICT system of the Federal Office of Police (fedpol).

The SFAO's auditors examined the initialisation and conceptualisation phase of the projects.<sup>58</sup> Budgetary and scheduling management is in order. By end-June 2016, almost CHF 1.8 million had been committed in internal resources and external services. The alternative chosen at the federal level is a common platform for fedpol's systems and those of the Office of the Attorney General (OAG). The SFAO believes this approach is judicious and could even result in savings.

<sup>56</sup> The report for audit mandate 16429 is available on the SFAO's website.

<sup>57</sup> This project follows on from another project, Interception System Schweiz 2 (ISS 2), which was also audited by the SFAO; the report for audit mandate 14393 is available on the SFAO's website.

<sup>58</sup> The report for audit mandate 16315 is available on the SFAO's website.



## 8. ICT PROJECTS

### B. DIFFICULTIES FACING FISCAL IT, TELEPHONY AND THE MANAGEMENT OF FEDERAL AFFAIRS

Several key ICT projects were audited in 2016. For the third time, the SFAO's auditors turned their attention to the key ICT project Fiscal IT.<sup>59</sup> This seeks to modernise the IT systems and applications of the FTA. It is run jointly by the FTA and the Federal Office of Information Technology, Systems and Telecommunication (FOITT). This project follows on from the INSIEME project, the discontinuation of which had generated losses of CHF 115.9 million for the Confederation.

Unlike in its previous audits, the SFAO is less optimistic in its report on the situation in April 2016. Based on the indicators, it would appear that the guarantee credit of CHF 85.2 million could be exceeded. This is explained by the use of new technologies and increased complexity, with which the Federal Administration has less experience. The FTA nonetheless maintained that the final launch date and the budget were not at risk. Regrettably, several weeks after the audit was completed, the project development confirmed the SFAO's concerns, and it immediately informed the Federal Council.<sup>60</sup> Moreover, alongside its work on the interim audit of the state financial statements, the SFAO noted irregularities in the Fiscal IT project.<sup>61</sup> The project organisation and the migration concept had not been completed before the implementation work began.

However, there are also some positive steps, such as the introduction of new applications in relation to VAT. There have also been some prudent organisational changes within the programme. In spring 2016, at the time of the audit, the project had yet to follow up on risk management measures and to hire someone to fill this strategic position.

#### **UCC: The DDPS still bringing up the rear**

The SFAO also audited the system for integrated telephony and networking within the Federal Administration. This project, called "Unified Communication & Collaboration" (UCC) and implemented by Swisscom using Microsoft Skype for Business, is under the management of FITSU and has a guarantee credit of CHF 54.6 million (of which CHF 34 million has already been used). At the time of the SFAO's audit, 45% of the entities in the Federal Administration had switched to the UCC standard, accounting for almost 20,000 users.<sup>62</sup> The SFAO is also among these users.

The auditors noted that the implementation of UCC at the DDPS was postponed once again. This had been initially scheduled for end-2015 and was postponed to end-2016; the deadline is now set for end-June 2017. The additional costs for 2017, amounting to some CHF 100,000 a month, are borne solely by the DDPS. Finally, despite the SFAO's interventions since end-2014, the financial reporting system is still unsatisfactory. The half-yearly disclosure of the UCC programme costs is not yet complete.

<sup>59</sup> The report for audit mandate 16153 is available on the SFAO's website. The previous audit reports on this project (13506 and 14539) are also available on that website.

<sup>60</sup> Under Article 15 paragraph 3 of the FAOA, the SFAO must inform the head of the federal department concerned and the Head of the FDF if it identifies "anomalies or deficiencies of fundamental significance or considerable financial importance". If the findings concern the FDF, it shall inform the President or, where necessary, the Vice President of the Confederation. On 15 August 2016, the Management of the SFAO wrote to Federal Councillors J. Schneider-Ammann and U. Maurer.

<sup>61</sup> The audit report for audit mandate 16229 has been submitted to the Finance Delegation.

<sup>62</sup> The report for audit mandate 16497 is available on the SFAO's website. The previous audit reports on this project (14458 and 15474) are also available on that website.



### Prioritise a business approach to IT solutions

As part of the Confederation's cyber-administration strategy, which seeks to modernise business processes and introduce electronic communication between the authorities, the Federal Council instructed the government departments on 23 January 2008 to switch to electronic management of dossiers handled by the Federal Administration, in conformity with the Confederation's standardised norms. This resulted in highly disparate practices and results within the administration. The key ICT project GEVER Confederation, led by the Federal Chancellery since November 2015, is an attempt to simplify and centralise processes. It seeks to reduce the current complexity in handling the administration's data and electronic documents. Its budget of CHF 142 million should result in savings of CHF 18 million a year in operating costs.

In the course of their work<sup>63</sup>, the SFAO's auditors examined the work schedule. This was extremely tight. The standardised GEVER norm should be ready in 2017. It will be rolled out throughout the administration at the end of 2018. At the time of the audit, the schedule also included some legal uncertainty following an appeal before the Federal Administrative Court (FAC). This appeal was filed by a bidding company whose product had been dropped after the GEVER call for tenders.<sup>64</sup> The SFAO's auditors note that the initial option to select two IT products for the GEVER project did not bring the expected effects. In the end, after an open tender in accordance with the rules of the World Trade Organisation (WTO), the Federal Chancellery and the federal departments chose just one product. The SFAO was pleased with this result, so as to avoid in the future having a strategy with two IT products.<sup>65</sup> Such a strategy generally gives rise to additional costs and the advantages are very often only hypothetical.

#### SPOTLIGHT

### FUTURE OF A MILITARY IT SYSTEM FINALLY CLARIFIED

The Command and Information System of the Swiss Land Forces (FIS HE) has encountered problems since its launch. This project, with a budget of over CHF 700 million, was already the subject of an SFAO audit in 2014 at the request of the Finance Delegation.<sup>66</sup> In 2016, the SFAO's auditors examined whether their recommendations had been implemented by the DDPS.<sup>67</sup> It was found that they had been followed or were no longer relevant, with the major exception concerning the scope of FIS HE use at the different levels of the Land Forces.

In the end, on 10 January 2017, the DDPS announced its decision not to use this command and information system as initially planned. Instead, it will use only stationary and semi-mobile transmissions up to the company level. The SFAO welcomes this decision, which makes the last remaining recommendation obsolete.

<sup>63</sup> The report for audit mandate 15628 is available on the SFAO's website.

<sup>64</sup> On 19 August 2016, i.e. after the audit was completed, this claim was lifted following the decree B-3791/2015 by the FAC. Another key ICT project also audited by the SFAO contained legal uncertainty concerning appeals filed in regard to procurement. This was the programme by the FOITT for implementation of a new network architecture for the Confederation (known as UNB, "Umsetzung der neuen Netzwerkarchitektur Bund"). The report for audit mandate 16501 is available on the SFAO's website.

<sup>65</sup> 2015 Annual Report, p. 45

<sup>66</sup> 2014 Annual Report, p. 37

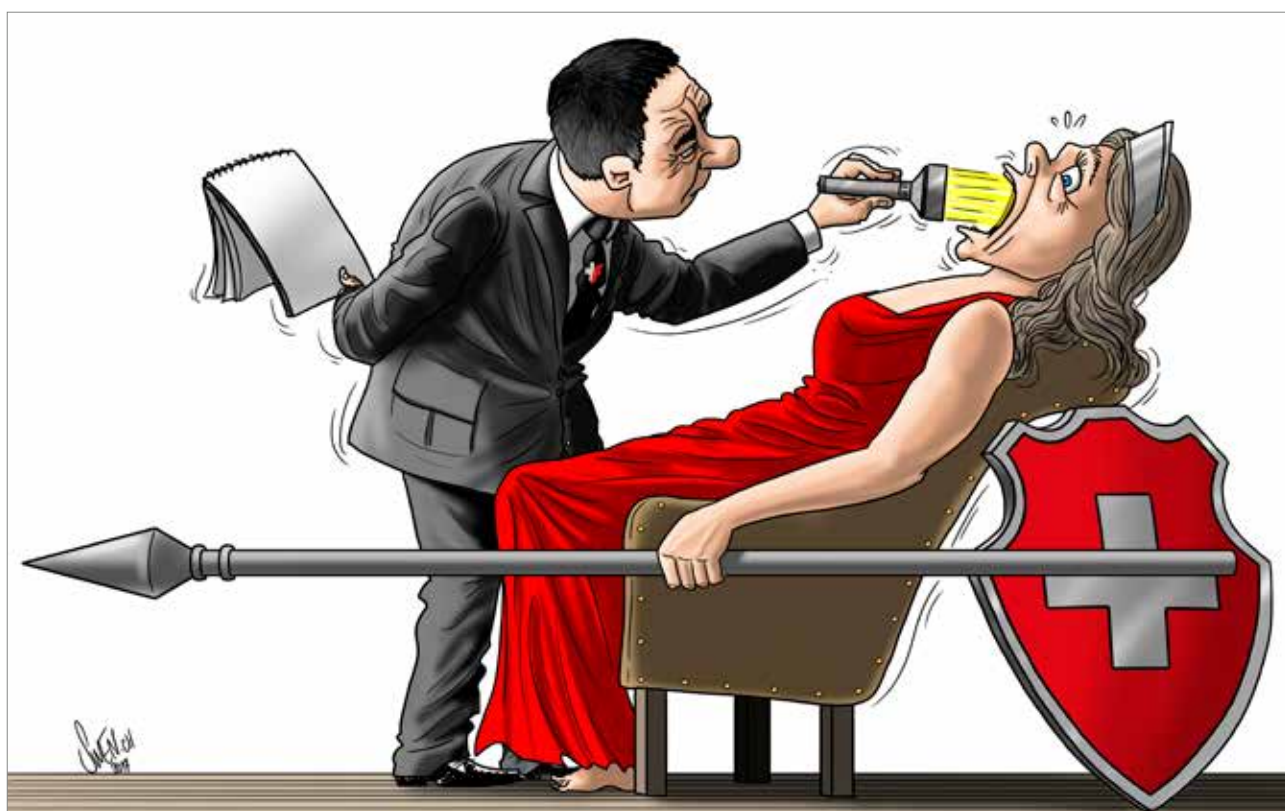
<sup>67</sup> The report for audit mandate 16657 is available on the SFAO's website.





## PART 2

# MEANS AND FIGURES OF FINANCIAL SUPERVISION IN 2016



The Swiss Federal Audit Office, as seen by Swen.



# 1. FINANCIAL SUPERVISION: OBJECTIVES, RESOURCES AND SCOPE

## A. OBJECTIVES

The Swiss Federal Audit Office is the supreme financial supervisory body of the Swiss Confederation<sup>68</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>69</sup>

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

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

The SFAO cooperates with the Confederation's finance inspectorates, working 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 the finance inspectorates and the parliamentary supervisory authorities. However, this coordination sometimes 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>68</sup> Federal Act of 28 June 1967 on the FAOA

<sup>69</sup> The only exceptions not subject to SFAO supervision are the Swiss National Bank and the SRG SSR. However, the Head of the DETEC can instruct the SFAO to perform special audits of SRG SSR. With the exception of its military insurance sector, the 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 old-age and survivors' insurance (AHV), disability insurance (IV), compensation for loss of earnings (EO) and unemployment insurance (ALV)
- The fund for major railway projects
- The infrastructure fund
- The Swiss Federal Institutes of Technology Domain
- The Swiss National Science Foundation
- The Swiss Alcohol Board
- Swissmedic
- The Swiss Federal Institute of Intellectual Property
- The Swiss Federal Institute of Metrology
- FINMA and the Federal Audit Oversight Authority
- The Universal Postal Union and the World Meteorological Organization.

Financial supervision does not deal solely with accounting consistency; it 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>70</sup> Finally, the Federal Council and Parliament, thanks to its Finance Delegation, can give the SFAO special mandates.

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

## C. QUALITY ASSURANCE AND RESOURCES

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

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

For 2016, Parliament gave the SFAO credits of almost CHF 27.5 million. SFAO employees will carry out almost 90% of the annual programme. The remaining 10% will be performed by duly mandated external employees<sup>71</sup> working under the responsibility and management of the SFAO.

<sup>70</sup> Article 5 of the FAOA

<sup>71</sup> Article 3 of the FAOA

## D. MAIN AUDIT AREAS

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

### **State financial statements**

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

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

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

### **Social security funds**

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

### **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 links. 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 numerous IT platforms and applications for a significant share of its annual programme.

### **Key IT projects**

Since 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, the performance audits include the criteria of economy, efficiency and effectiveness. Evaluations fall into this category. For the SFAO, an evaluation, which is one of the forms of a performance audit, 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 (PPP) and building automation systems are becoming increasingly important. The audits cover critical needs analysis, sustainable task execution and lifecycle costs.

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

## **Federal government companies**

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

## **International organisations**

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





## 2. THE ORGANISATIONAL CHART OF THE SFAO



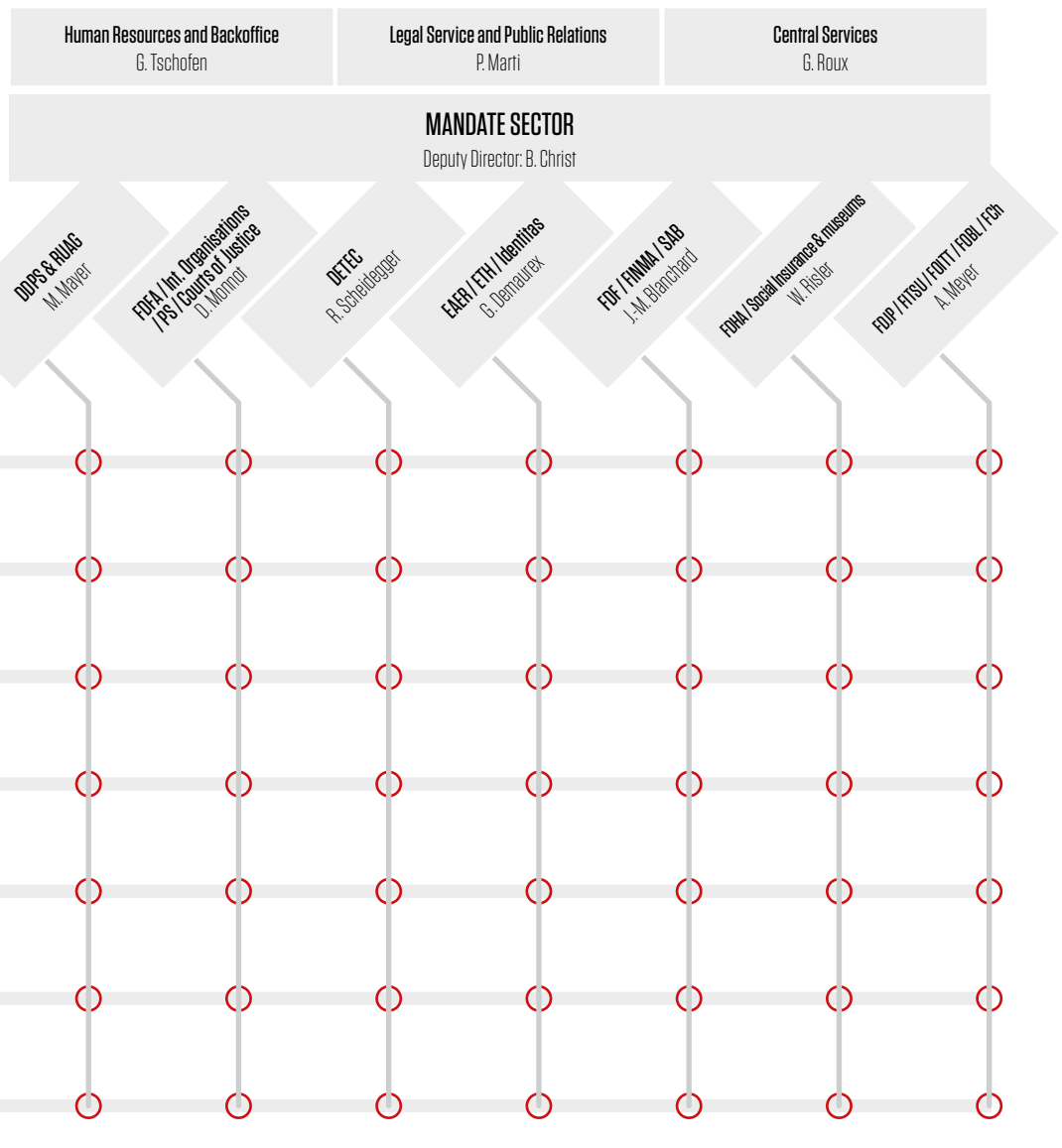
**Brigitte Christ,**  
Deputy Director



**Michel Huissoud,**  
Director



**Eric-Serge Jeannet,**  
Vice Director







# 3. THE SFAO: FACTS AND FIGURES

## A. FINANCIAL STATEMENTS AND HUMAN RESOURCES

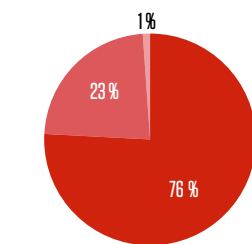
In 2016, the SFAO's expenses amounted to CHF 25.6 million. Its revenue came to almost CHF 2 millions.

	2014 financial statements	2015 financial statements	2016 budget	2016 financial statements	Difference vs. 2016 budget
<b>Expenses</b> (million CHF)	23 028	25 851	27 505	25 601	- 1 903
<b>Revenue</b> (million CHF)	- 1 986	- 1 907	- 1 685	-1 987	- 302
<b>Result</b> (million CHF)	21 042	23 944	25 820	23 671	- 2 206

On 31 December 2016, the SFAO had a staff of 113 (104.3 FTEs), versus 110 (99.7 FTEs) a year earlier. In 2016, net employee turnover was 3.5%.

At the end of 2016, 36 women (31.9%) and 77 men (68.1%) worked at the SFAO. There were 86 native German speakers, 26 native French speakers and one native Italian speaker.

Linguistic origin of SFAO employees



- German-speaking
- French-speaking
- Italian-speaking

SOURCE: SFAO

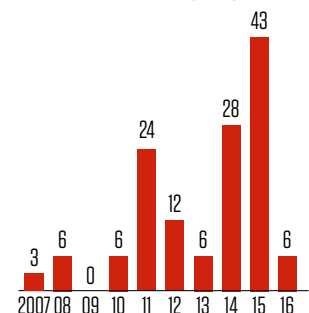
## B. REQUESTS FOR ACCESS TO INFORMATION

The Federal Act on Freedom of Information in the Administration (FoIA) came into effect in 2006.<sup>72</sup> 10 years after being subject to this law, this legislation has not hampered the work of the SFAO.

In 2016, six requests were made for access to SFAO reports. Access was granted to four audit reports. One request was partially approved by the SFAO, and one request was completely rejected on the basis of two exceptions set out in Article 7 of the Freedom of Information Act (paragraph 1, points b and c).

The SFAO has published reports of public interest since 2014. In 2016, 47 reports were made available, versus 46 last year. In 2017, the SFAO is planning to publish over 70 audit reports.

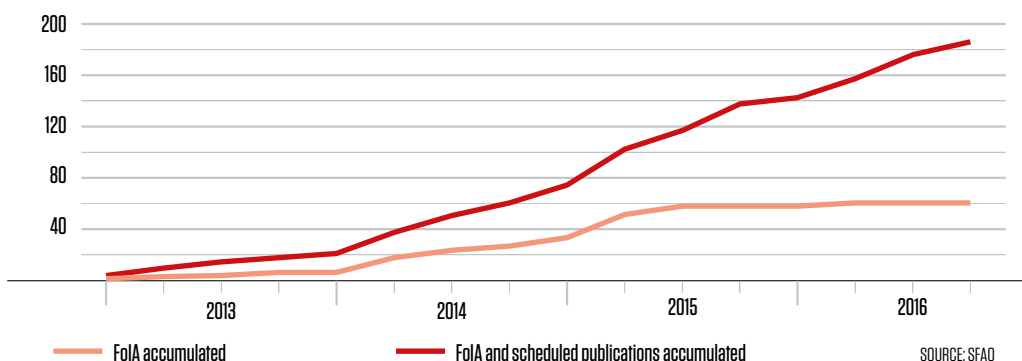
Requests based on the Freedom of Information Act (FoIA)



N.B. Several requests may concern the same audit report.

SOURCE: SFAO

Swiss Federal Audit Office publications (2013–2016)



SOURCE: SFAO

<sup>72</sup> The text of this law is available on this website: <https://www.admin.ch/opc/en/classified-compilation/20022540/index.html>



## C. WHISTLE-BLOWERS

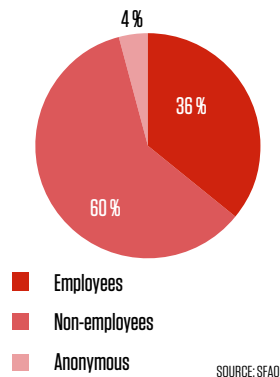
The SFAO is the Federal Administration's contact point for whistle-blowers. Effective since 2011, the Federal Personnel Act<sup>73</sup> makes provision for an obligation to denounce, a right to report irregularities and protection for federal employees who report serious matters.

In 2016, the SFAO's Legal Service received 78 impropriety reports, 28 of which were from federal employees.

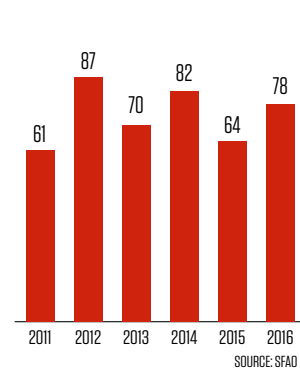
The SFAO verifies this information. It is useful for audits that are under way and future audits planned by the SFAO, or triggers new investigations in the not-too-distant future.

In 2016, three reports were forwarded to the OAG, two of which resulted from whistle-blowers.

Source of denunciations in 2016



Reports received by the SFAO (2011-2016)



<sup>73</sup> See Article 22a of the Federal Personnel Act (FPA)



## 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.<sup>74</sup> It did this six times in 2016. The following table gives an overview:

Date	Topic
19 April 2016	Loan guarantees for the merchant navy
13 May 2016	Security loophole in the process for tax reimbursement
27 May 2016	Procurement process at MeteoSwiss
15 August 2016	Progress of the Fiscal IT project
31 October 2016	Supervision of the export of armaments and dual-use items
31 October 2016	Compliance management at RUAG

Source: SFAO, 2016

### SPOTLIGHT

#### SFAO OPINIONS AND CONSULTATIONS

In 2016, the SFAO gave its opinion a number of times as part of consultations on draft laws or legislative revisions, as well as regarding responses to parliamentary initiatives. Moreover, the SFAO is in constant contact with the FFA. The latter consults it before modifying the Confederation's accounting manual or deciding on issues of principle and exceptions to the accounting standards.

<sup>74</sup> Article 15 paragraph 3 of the FAOA



Finally, 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 2016) in the table below.

<b>Audit(s) at</b>	<b>Topic</b>	<b>Development</b>
<b>DDPS</b>	Difficulties encountered by the Command and Information System of the Swiss Land Forces (FIS HE)	The SFAO recommends that the Defence group of the DDPS should present objective, reliable proof of the advantages of the FIS HE system over the previous command and information means. This information should form a basis for policy decisions regarding future plans for the system as a whole.
<b>DDPS</b>	Inadequate legal basis for the subsidy to a third party	The SFAO found that, since 2001, 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>SERI</b>	Lump-sum compensation for the cantons in the area of vocational education	In 2013, the SFAO recommended delegating supervision to the cantons with annual reporting from them to the SERI. The latter has taken supervisory measures to obtain this quantitative information from the cantons. However, contrary to the prevailing legislation, the SERI has not planned any quality assurance measures regarding vocational education.
<b>SERI</b>	Higher education professors' secondary occupations and income	Since 2015, the University Board of the Swiss University Conference (SUC) has confirmed the cantons' autonomy and encouraged all initiatives to improve transparency and prevent conflicts of interest. A monitoring mechanism will be set up to enable swissuniversities and the University Board to keep track of implementation of the recommendations after two years. In parallel, the topic of secondary occupations will be addressed by the legislative committees concerned.
<b>FSO</b>	Business Continuity Management	In 2012, the SFAO recommended defining several scenarios to enable to FSO to continue operations after a serious incident (risk analysis, preventative measures, priority activities, etc.). This recommendation was not fully implemented by the deadline.
<b>FOPH</b>	Adoption of clear principles for adjusting TARMED	The FOPH should encourage the Federal Council to make better use of the provisions of the Health Insurance Act (HlnsA, Art. 43 para. 7) and adopt principles for adjusting the tariffs. This SFAO recommendation has been implemented only to a minor extent. Principles that are too general have been adopted, and furthermore later than recommended.

Source: CDF, 2016





# APPENDICES

# COMPLETED AUDITS IN 2016 ABBREVIATIONS

# APPENDICES







# OVERVIEW OF COMPLETED AUDITS (MANDATE NO.)

## FEDERAL COUNCIL

- Horizontal audit: Projections in Federal Council dispatches (Evaluation) (14486)\*

## FEDERAL CHANCELLERY

- Audit of operating costs of www.ch.ch (16038)

## FEDERAL CRIMINAL COURT

- Audit of IT tools and administrative processes (16592)\*

## FEDERAL ADMINISTRATIVE COURT

- Audit of the processes involved in the proceedings and management of the Federal Administrative Court (15382)

## FEDERAL DEPARTMENT OF FOREIGN AFFAIRS

### General Secretariat

- Financial oversight audit of Expo Milan 2015 (15356)\*

### FDFA IT unit

- IT audit of the HMA project (15543)

### United Nations and International Organisations Division

- Audit of governance of the “Coordination committee and host state operating group” (16453)

### Directorate for Resources

- Performance audit of the Swiss Government Travel Centre (15355)\*
- Internal control system in relation to personnel (16196)

## FEDERAL DEPARTMENT OF HOME AFFAIRS

### Federal Office of Culture

- Audit of the effectiveness of steering programme agreements in the protection of historical monuments (15521)
- Audit of the management of art collections (15535)

### Federal Office of Public Health

- Follow-up on the evaluation of tariffs for medical services (TARMED) (15292)\*
- Revision of the list of aids and articles (16647)\*

### Federal Statistical Office

- Audit of the reengineering project for the Business and Enterprise Register (15528)

### Federal Social Insurance Office

- Vested benefits institutions in occupational benefits provision – Evaluation of the advantages and risks for insured persons and the Confederation (14471)\*

### MeteoSwiss

- Audit of selected procurements (16611)\*

## FEDERAL DEPARTMENT OF JUSTICE AND POLICE

### General Secretariat

- Audit of cross-departmental IT governance (15480)

### FDJP IT service centre

- Audit of the key ICT project Telecommunications Surveillance (16315)\*

### State Secretariat for Migration

- EU External Borders Fund: Examination of the project and system envisaged in the 2013 annual programme (15042)
- Follow-up audit of the implementation of recommendations in the 2013 procurement audit (16313)\*

### Federal Office of Police

- Audit of the operation and maintenance of IT systems (15386)

## FEDERAL DEPARTMENT OF DEFENCE, CIVIL PROTECTION AND SPORT

### Federal Intelligence Service

- Audit of the area “Governance, risk and compliance” (16531)\*\*

### Federal Office for Civil Protection

- Audit of the risk management and security measures at the Spiez laboratory (15499)

### Defence

- Audit of the effectiveness of the decommissioning process for military material (15508)
- Key ICT projects: Audit of the DC DDPS/Confederation 2020 project (15511)\*
- Pre-assessment of the general IT controls for the SAP systems of the AFCSO (15517)
- Audit of the supervision of classified projects (15611)\*\*
- Audit of the supervision of the Armed Forces Reconnaissance Detachment 10 (16540)
- Audit of the key ICT project FITANIA – Command infrastructure, information technology and network connections with the army’s infrastructure (16613)\*

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

- Follow-up audit on outstanding recommendations concerning the Land Forces command information system (16657)\*

## armasuisse

- Audit of the effectiveness of the organisation of compensation transactions (15525)\*
- Price audit (15496)

## Federal Office of Sport

- Audit of the replacement of the Youth+Sport national database (16555)\*

## FEDERAL DEPARTMENT OF FINANCE

### General Secretariat

- Horizontal audit: Consolidated report on supervision of compliance with directives (15643)\*
- Audit of the rules and controls in place for implementation of cross-departmental office directives (16656)\*

### Federal Finance Administration

- Audit of the 2015 federal financial statements (16056)\*
- Audit of the rules and controls in place for implementation of cross-departmental office directives (15561)\*
- Fiscal equalization: Audit of quality assurance in fiscal equalization with respect to resource levelling and equalization of burdens (16058)\*
- Audit of personnel processes (16222)
- Audit of the configuration and launch of SAP user management and access rights (16569)\*
- Audit of the payment processes in the provider workflow, for incoming and outgoing invoices (16580)\*

### Savings bank for federal employees

- Audit of financial statements (16057)

### Central Compensation Office

- Follow-up audit of the operation and maintenance of IT systems (15381)\*

### Federal Compensation Office

- Audit of financial statements (16004)
- Main audit (15032)
- Family compensation fund: audit of financial statements (16079)

### Swiss Compensation Office

- Audit of financial statements (16006)
- Main audit (15034)

### Federal Office of Personnel

- Expense processes for personnel BV PLUS – Interim audit of state financial statements (15175)
- Support fund: audit of financial statements (16063)

### Federal Tax Administration

- Financial supervisory audit of shortcomings in the supervision of direct federal tax and of direct taxation harmonisation (15639)\*

- Audit of the processes in withholding tax receipts (16106)
- Audit of the key ICT project Fiscal IT (16153)\*
- Audit of procurement process (16297)

### Federal Customs Administration

- Incentive Tax on Volatile Organic Compounds (15172)
- VAT / process for accounting of import receipts (15173)
- Audit of the development of export subsidies for processed agricultural products (15397)
- Audit of the processes for receipts from mineral oil tax and CO<sub>2</sub> tax (16103)
- Audit of effectiveness of Internal Audit Division activity (16209)
- Audit of the key ICT project Assignment Control System (16572)\*

### Federal IT Steering Unit

- Summary report on key ICT projects (15494)\*
- Audit of the rules and controls in place for implementation of cross-departmental office directives (15562)\*
- Audit of the key ICT project Unified Communication & Collaboration (16497)\*
- Audit of the key ICT project IAM Bund (Identification and Access Management) (16503)\*
- Audit of key ICT projects: Reliability of reports submitted to the Federal Council and Parliament and definition of overall costs (16673)

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

- General IT controls (15260)
- Installation processes (15426)
- Audit of management accounting (15559)
- Audit of business continuity management in the Operations service sector (16150)\*
- Audit of the key ICT project "Implementation of the Confederation's new network architecture" (16501)\*
- Follow-up audit of the cantons' implementation of the network security policy of the Swiss Conference on Informatics (16603)\*

### Federal Office for Buildings and Logistics

- Audit of procurements (16197)
- Price audits (16509)

## FEDERAL DEPARTMENT OF ECONOMIC AFFAIRS, EDUCATION AND RESEARCH

### Information Service Center EAER – ISCecoco

- Review of the efficient provision of services to the ISCecoco (15217)

### State Secretariat for Education, Research and Innovation

- Swiss external network for education, research and innovation (swissnex) – performance audit (15312)\*
- Audit of federal investment and operating contributions to the Maison de la Paix in Geneva (16189)\*
- Audit of subsidy processes (16343)

### Federal Office for Agriculture

- Audit of the cooperation in implementation of the agricultural policy 2014–2017 (15311)
- Processes and data flows of agricultural direct payments (15404)\*

### Federal Office for National Economic Supply

- Administrative survey in relation to the granting, guidance and control of sureties and the increase in the framework loan (16496)\*

### Commission for Technology and Innovation

- Audit of subsidies at research partners (15309)\*

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

### Swiss Federal Office of Energy

- Audit of the project to integrate feed-in remuneration at cost at the SFOE including the original database (15364)\*
- Examination of the proof of origin of gas (15395)

### Federal Roads Office

- Audit of project management on the Gotthard pass road project N2 EP (15072)\*
- Key ICT project: Audit of IVZ (15627)\*
- Project audit of the A9 motorway (16350)\*
- Audit of the management processes “Purchasing and investment control for national roads” (16450)

### Federal Office of Transport

- Horizontal audit of project management for rail projects (15073)\*
- Audit of the financial potential gained through partial or total closures for rail maintenance (16324)\*

### Federal Office for the Environment

- Audit of network efficiency at the Hydrology division (15331)\*
- Audit of compensation projects of CO<sub>2</sub> exceptions (15374)\*
- Evaluation of the loss impact of CO<sub>2</sub> tax exemptions (15389)\*

- Audit of supervision of the technology fund (16367)\*
- Evaluation of the incentive effect of the emissions trading scheme (16393)\*

### Federal Office for Spatial Development

- Joint horizontal audit with the cantonal audit offices of the finance, project organisation and supervision of urban programmes (15352)\*

## FEDERAL FOUNDATIONS, INSTITUTES, FUNDS AND SPECIAL ORGANISATIONS

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

- Audit of financial statements (16124)

### Swiss Federal Institute of Intellectual Property

- Audit of financial statements (16012)
- Project accounting in the annual financial statements of SECO cooperation projects (16137)

### Swiss Federal Institute of Metrology (METAS)

- Audit of financial statements (16053)

### Swiss Alcohol Board

- Audit of financial statements (16061)

### Swiss Financial Market Supervisory Authority (FINMA)

- Audit of financial statements (16059)

### Federal Audit Oversight Authority

- Audit of financial statements (16010)
- IFIAR: audit of financial statements (16009)

### identitas

- Future projects at identitas AG – governance audit (15533)

### Swiss Federal Railways (SBB)

- Audit of effectiveness of Internal Audit Division activity (16014)

### Swissair

- Loan to Swissair Schweizerische Luftverkehr AG (8374)\*

### Matterhorn Gotthard Bahn

- Audit of internal cost allocation (16395)\*

### Fund for major railway projects

- Audit of financial statements (16050)

### Swiss National Park Foundation

- Audit of financial statements (16045)

### Swiss University Conference

- Audit of financial statements (16365)

### swissuniversities

- Audit of financial statements (16147)
- Audit of financial statements for EU enlargement contribution (16636)

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

## Rectors' Conference of the Swiss Universities

- Audit of financial statements for EU enlargement contribution (16033)

## Swiss Agency of Accreditation and Quality Assurance

- Audit of financial statements of the AAQ and the Accreditation Council (16031)

## Swiss Coordination Centre for Research in Education, Aarau

- Audit of financial statements (16035)

## Swiss National Science Foundation

- Audit of financial statements (16036)

## ETH Board

- Audit of financial statements (16017)

## ETH Domain

- Audit of financial statements (16016)
- Analysis of alternatively financed building projects of the Federal Institutes of Technology (15121)\*

## Swiss Federal Institute of Technology Zurich

- Audit of financial statements (16019)
- Audit of the supervision of civil engineering work in the construction sector (16264)

## Swiss Federal Institute of Technology Lausanne

- Audit of financial statements (16029)
- Audit of financial statements of the "Société simple du Quartier Nord de l'EPFL" (15026)

## Swissgrid

- Planning and implementation of network maintenance and expansion at Swissgrid (15324)\*

## Federal Institute for Forest, Snow and Landscape Research

- Audit of financial statements (16021)

## Swiss Federal Laboratories for Materials Testing and Research

- Audit of financial statements (16023)

## Swiss Federal Institute of Aquatic Science and Technology

- Audit of financial statements (16025)

## Paul Scherrer Institute

- Audit of financial statements (16027)

## Compensation Fund for AHV/IV/EO

- Audit of financial statements (16002)
- Audit of the supervision in relation to wealth management (15400)

## Unemployment Insurance Fund

- Audit of financial statements (16008)
- Audit of the former key ICT project ASALneu and the new IT strategy for unemployment insurance (16429)\*

## Federal Coordination Commission for Occupational Safety

- Audit of the organisation and use of funds for occupational safety (15323)\*

## Marcel Benoist Foundation

- Audit of financial statements (16085)

## Pro Arte Foundation

- Audit of financial statements (16086)

## Foundation for the Future of Swiss Travellers

- Audit of financial statements (16087)

## Pro Helvetia

- Audit of financial statements (16089)

## Pro Senectute

- Follow-up audit of the evaluation and new service-level agreement (15379)\*

## Social Fund for Defence and Civil Protection

- Audit of financial statements (16093)

## Infrastructure Fund for Urban Transportation and the Motorway Network

- Audit of financial statements (16051)

## Fund for the Promotion of Forestry and Wood Research

- Audit of financial statements (16044)

## Swiss Landscape Fund

- Audit of financial statements (16046)

## New Rail Link through the Alps

- Audit of prices on rail access links for sites, taking the example from Camorino to Sigirino (15055)
- Audit of the integration of the Gotthard Base Tunnel Information Technology into Swiss Federal Railways (16201)\*
- AlpTransit: coordination meetings with the audit bodies (15053)
- AlpTransit: evaluation of the reports of the NRLA audit bodies and NSD documents (15054)

## Swissmedic

- Audit of financial statements (15105, 16090, 16091)

## RUAG

- Audit of the area "Governance, risk and compliance" (16532)\*
- Price audits (16535)



## INTERNATIONAL ORGANISATIONS AND COOPERATION

### Universal Postal Union (UPU)

- Audit of financial statements (16114)
- Audit of ICS effectiveness in relation to UPU management (15064)
- Audit of the 2015 breakdown of the financial statements drawn up for the United Nations Development Program (16117)
- Audit of the annual financial statements of the pension and insurance funds (16119)
- Audit of the financial statements of translation departments (16120)

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

- Audit of financial statements (16122)

### Inter-Parliamentary Union (IPU)

- Audit of financial statements (16123)

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

- Audit of financial statements (16113)

### World Meteorological Organisation (WMO)

- Audit of financial statements (16127)
- Audit of the annual financial statements of the pension and insurance funds (16131)

### International Rhine Regulation

- Audit of the governance and revision of annual financial statements (16043)

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

## ABBREVIATIONS

<b>AHV</b>	Old-age and survivors' insurance	<b>FIS HE</b>	Command and Information System of the Swiss Land Forces
<b>AiArL</b>	List of Aids and Articles	<b>FITSU</b>	Federal IT Steering Unit
<b>ALV</b>	Unemployment insurance	<b>FOBL</b>	Federal Office for Buildings and Logistics
<b>CCO</b>	Central Compensation Office	<b>FOC</b>	Federal Office of Culture
<b>CRUS</b>	Rectors' Conference of the Swiss Universities	<b>FOCA</b>	Federal Office of Civil Aviation
<b>CTI</b>	Commission for Technology and Innovation	<b>FOEN</b>	Federal Office for the Environment
<b>CTR II</b>	Corporate Tax Reform II	<b>FoIA</b>	Freedom of Information Act
<b>CTR III</b>	Corporate Tax Reform III	<b>FOITT</b>	Federal Office of Information Technology, Systems and Telecommunication
<b>DDPS</b>	Federal Department of Defence, Civil Protection and Sport	<b>FOJ</b>	Federal Office of Justice
<b>DETEC</b>	Federal Department of the Environment, Transport, Energy and Communications	<b>FONES</b>	Federal Office for National Economic Supply
<b>DFT</b>	Direct Federal Tax	<b>FOPER</b>	Federal Office of Personnel
<b>DTHA</b>	Direct Taxation Harmonisation Act	<b>FOPH</b>	Federal Office of Public Health
<b>EAER</b>	Federal Department of Economic Affairs, Education and Research	<b>FOT</b>	Federal Office of Transport
<b>ELCom</b>	Swiss Federal Electricity Commission	<b>FPA</b>	Federal Personnel Act
<b>EO</b>	Compensation for loss of earnings	<b>FSIO</b>	Federal Social Insurance Office
<b>EPFL</b>	Swiss Federal Institute of Technology Lausanne	<b>FSO</b>	Federal Statistical Office
<b>ETH</b>	Swiss Federal Institutes of Technology	<b>FTA</b>	Federal Tax Administration
<b>ETHZ</b>	Swiss Federal Institute of Technology in Zurich	<b>FTE</b>	Full-time equivalent
<b>ETS</b>	Emissions trading scheme	<b>HCP</b>	Büro- und Seminargebäude, Campus Hönggerberg
<b>EU</b>	European Union	<b>HinsA</b>	Health Insurance Act
<b>FAC</b>	Federal Administrative Court	<b>HWW</b>	Studentisches Wohnen West
<b>FAOA</b>	Federal Audit Office Act	<b>HWO</b>	Studentisches Wohnen Ost
<b>FC</b>	Federal Council	<b>ICS</b>	Internal Control System
<b>FDf</b>	Federal Department of Finance	<b>IPSAS</b>	International Public Sector Accounting Standards
<b>FDFA</b>	Federal Department of Foreign Affairs	<b>IV</b>	Disability Insurance
<b>FDHA</b>	Federal Department of Home Affairs	<b>METAS</b>	Federal Institute of Metrology
<b>fedpol</b>	Federal Office of Police	<b>MGI</b>	Matterhorn Gotthard Infrastructure
<b>FEDRO</b>	Federal Roads Office	<b>NRLA</b>	New Rail Link through the Alps
<b>FFA</b>	Federal Finance Administration	<b>OAG</b>	Office of the Attorney General of Switzerland
<b>FINMA</b>	Swiss Financial Market Supervisory Authority	<b>OCRN</b>	National Roads Construction Office
		<b>PPP</b>	Public-Private Partnership
		<b>PRS</b>	Presence Switzerland
		<b>QIE</b>	Quartier de l'Innovation
		<b>QNE</b>	Quartier Nord
		<b>RhB</b>	Rhaetian Railway
		<b>RIPA</b>	Federal Act on the Promotion of Research and Innovation



<b>RPC</b>	Principle of Feed-in Remuneration at Cost
<b>SBB</b>	Swiss Federal Railways
<b>SECO</b>	State Secretariat for Economic Affairs
<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>SGTC</b>	Swiss Government Travel Center
<b>SNB</b>	Swiss National Bank
<b>SNSF</b>	Swiss National Science Foundation
<b>SOB</b>	Südostbahn
<b>SRG SSR</b>	Swiss Broadcasting Corporation
<b>SUC</b>	Swiss University Conference
<b>SUVA</b>	Swiss National Accident Insurance Fund
<b>TARMED</b>	Standard Tariff for Medical Services
<b>UCC</b>	Unified Communication & Collaboration
<b>UNB</b>	Umsetzung der neuen Netzwerkarchitektur Bund
<b>VAT</b>	Value Added Tax
<b>WTA</b>	Withholding Tax Act
<b>WTO</b>	World Trade Organization

