

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



2017 ANNUAL REPORT

SWISS FEDERAL AUDIT OFFICE

Monbijoustrasse 45
3003 Bern – Switzerland
T. +41 58 463 11 11
F. +41 58 453 11 00
info@efk.admin.ch
twitter @EFK_CDF_SFAO

WWW.SFAO.ADMIN.CH



WHICH RISK COVER IS RIGHT FOR YOU?

The Swiss Federal Audit Office (SFAO) has a significant audit portfolio. Few people know it, but the portfolio extends far beyond the confines of the Federal Administration. It includes the beneficiaries who receive CHF 40 billion in subsidies each year and also comprises the companies with the Confederation being the majority shareholder and other organisations which carry out public functions.

These all form an area, a field, for the SFAO to audit; a field which shares the same profile as that of the Parliament's supervisory committees. Legally, Parliament's legislation is based explicitly on the Federal Audit Office Act. This is coherent as the SFAO assists the Federal Parliament in its supreme supervisory functions.

Our field may be marked out but where are we to work? Today, nearly half of our resources are committed to compulsory mandates. These include unavoidable tasks such as auditing various annual accounts, key IT projects and fiscal equalisation in the cantons. Our remaining resources are allocated according to the SFAO's annual risk analysis. The risks vary greatly (fraud, reputation, waste, poor use of subsidies, IT risks, etc.). Of course these risks are present in Switzerland but humanitarian aid, subsidies to eastern countries, the activities of foreign subsidiaries of RUAG and Swisscom mean they also exist abroad.

We are faced with the essential question: is the SFAO big enough to cover these risks?

If we consider what the history of the SFAO has taught us, the answer is no. Since its creation 140 years ago, our institution has seen its size shrink relative to the size of the central Federal Administration. The growth in the Confederation's personnel and financial volume would require a workforce of around 160 people, excluding the supervision of the companies which are majority-owned by the Confederation. Today, the SFAO "only" employs 110 people.

The situation can also be compared internationally. Again, the SFAO is clearly not one of the national audit offices with an excess of personnel. In European countries of a comparable size, our counterparts in Denmark employ 254 people, in Austria 323 and in Belgium 550 which, like Switzerland, has the distinctive task of auditing a multilingual administration.

However, the real question is: which risk cover is acceptable for the two institutions we work for: the Federal Council and Parliament?

We can only provide an outline response to this question. Parliament has supported the management of the SFAO » since 2014. In their opinion, their

This year, the SFAO gave a free hand to the cartoonist **Sjöstedt** to illustrate his annual report.



«FRAUD AND IT RISK COVER STILL REMAINS TOO SIMPLISTIC.»

resources do not allow them to ensure acceptable risk cover. Less than half of the greatest risks could be audited. Since then, the results of our audits and current affairs have revealed one thing: fraud and IT risk cover still remains too simplistic. The insufficient cross-departmental supervisory powers also contribute to increased risks, in particular in the area of procurement and IT.

In 2015 and 2016, the 11 additional staff positions approved for the SFAO allowed key IT projects to be audited. During the same period, the list of these

projects was extended from 13 to 19. Initial audits in the federal companies also took place. On reading these reports, it can be seen that these choices were justified. However, they were unfortunately made at the expense of subsidy audits.

In the coming years, the SFAO will recommend that its grows at a moderate rate in order to better cover the risks. It should be remembered that the SFAO audits have been providing the Confederation with receipts for ten years; almost half a billion Swiss francs, enough to easily cover the costs of our institution.

We thank everyone who supports us in our work!

Michel Huissoud, Director

MORE GOOD NEWS FOR THE FEDERAL COFFERS

In almost a decade, the SFAO's auditors have recovered nearly half a billion francs in favour of the federal coffers and Swiss taxpayers (unjustified tax exemptions, liquidation of the airline Swissair, overbilled purchases, etc.). Thanks to the work of the SFAO's auditors, a few million is expected to be saved in another case. Within the framework of the International Rhine Regulation (IRR), the RHESI construction project plans to increase the river's flow capacity. This project also includes a component on the management and supply of drinking water to communes in the region. Compensation for moving fountains is envisaged, although the public authorities are not obliged to cover these costs. The SFAO intervened to amend the new contract between Switzerland and Austria, a contract which would commit the Confederation to the payment of tens of millions of francs. At the same time, the breakdown of costs already incurred was clarified. This clarification will also result in lower federal contributions.

Impressum

Author
Swiss Federal Audit Office

English translation
FDL Language Services

Editing
Bettina Braun

Graphics
Fanny Tinner
chezfanny.ch

Editor
Swiss Federal Audit Office
Monbijoustrasse 45
CH-3003 Bern
info@efk.admin.ch
www.sfao.admin.ch

TABLE OF CONTENTS



PART 1: THE MAIN RESULTS	9
1. PUBLIC FINANCES, TAXES AND CONSTRUCTION	11
A. THE SFAO CERTIFIES COMPLIANCE OF THE FEDERAL FINANCIAL STATEMENTS	11
B. VAT: A STRESSFUL REFORM, BUT A BENEFICIAL ONE FOR BUSINESSES	13
C. GUISANPLATZ: A NEED TO DENSIFY... AND SECURE	14
2. ECONOMY AND UNEMPLOYMENT	17
A. STRENGTHENING SUPERVISION OF THE SWISS MARITIME FLEET	17
B. BREATHING COMPETITION INTO CANTONAL EMPLOYABILITY MEASURES	19
3. INNOVATION AND RESEARCH	23
A. THE FUTURE OF INNOVATIVE PROJECTS IN SWITZERLAND	23
4. PENSIONS, SOCIAL SECURITY AND HEALTHCARE	27
A. THE CENTRAL COMPENSATION OFFICE MUST PROCESS ITS INVOICES WITH UP-TO-DATE TOOLS	27
B. EQUAL TREATMENT AND TAXATION OF PENSIONS ABROAD	29
5. TRANSPORT, AVIATION AND THE ENVIRONMENT	33
A. SBB AND ELECTRIC POWER	33
B. THE COUNTRY'S RAILWAY FUTURE IS BEING PREPARED	34
C. CIVIL AND MILITARY AIR TRAFFIC CONTROL: A SENSE OF UNFINISHED BUSINESS, ISSUES UP IN THE AIR	36
D. DOES THE FEDERAL ADMINISTRATION REALLY HAVE TO MEASURE EVERYTHING?	38
6. ARMAMENTS AND SPORT	41
A. THE NEW DRONE OF THE SWISS ARMED FORCES WILL FLY, BUT AT WHAT COST?	41
B. IMPECCABLE FEDERAL OFFICE OF SPORT	42
7. INTERNATIONAL RELATIONS	45
A. ENSURE GREATER TRANSPARENCY ON THE DIPLOMATIC MARKET	45
B. BILATERAL DEVELOPMENT ASSISTANCE: WHICH COUNTRIES AND UNTIL WHEN?	46
8. JUSTICE AND POLICE	51
A. THE FAIR PRICE OF ASYLUM IN THE CANTONS	51
B. BETTER SUPERVISION FOR INTEGRATION PROGRAMMES	53
C. FOUNDATIONS: FRAGMENTED SUPERVISION AND LACK OF TAX TRANSPARENCY	55
9. FEDERAL ICT PROJECTS	59
A. WHEN WILL THERE BE AN ENTERPRISE ARCHITECTURE FOR THE CONFEDERATION?	59
B. TAX-RELATED IT: PROLONGED WORRIES	59
C. POLYCOM: A BILLION FRANC SYSTEM OVER 30 YEARS	60
D. FEDRO PROJECT BACK ON TRACK	60
E. STRESS TESTS FOR THE NEW FEDERAL OFFICE SUITE	61



PART 2: MEANS AND FIGURES 63

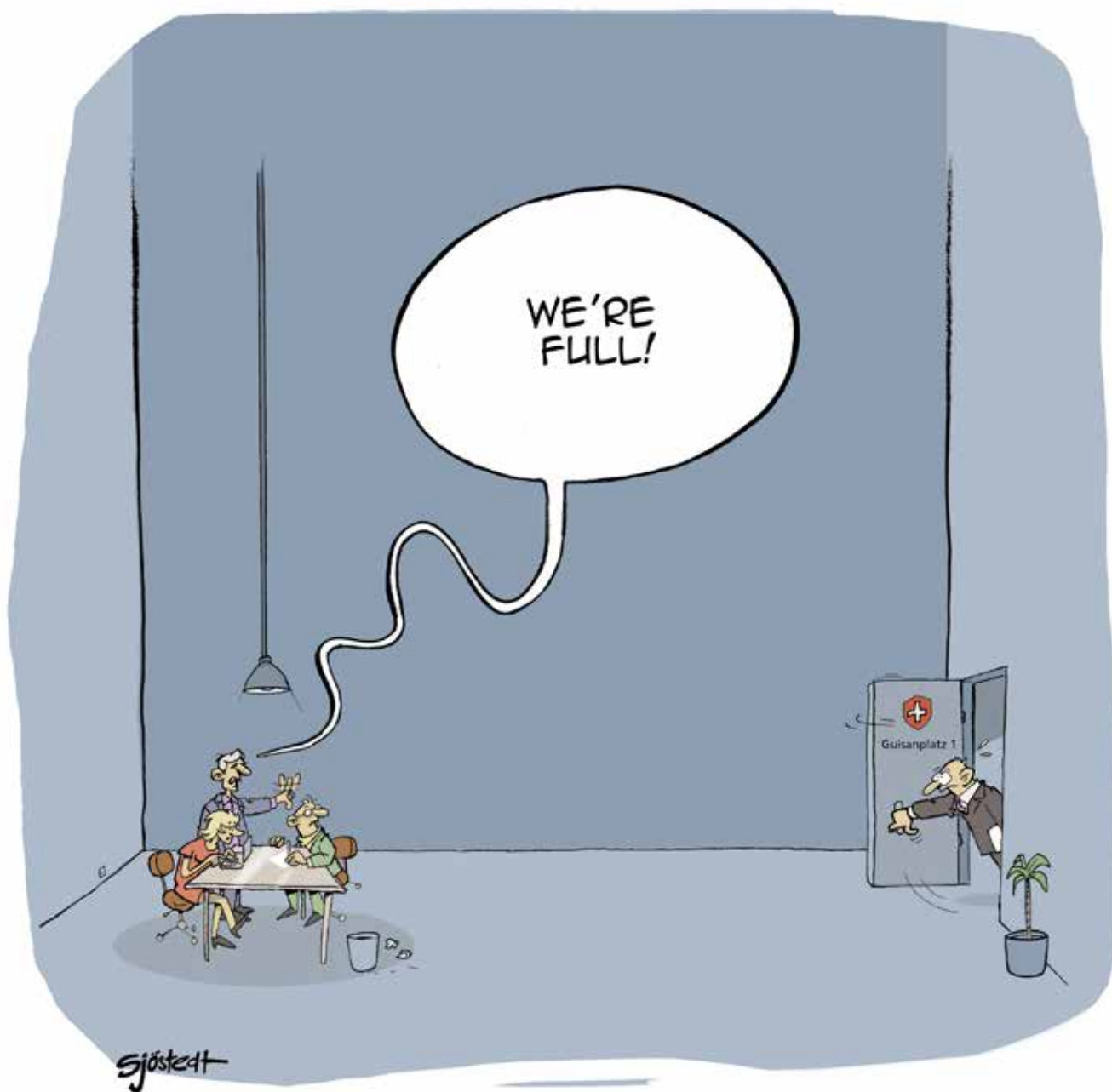
1. FINANCIAL SUPERVISION: OBJECTIVES, RESOURCES AND AUDIT AREAS	65
A. OBJECTIVES	65
B. FROM AUDITING THE ACCOUNTS TO BROADER SUPERVISION	66
C. QUALITY ASSURANCE AND RESOURCES	67
D. MAIN AUDIT AREAS	68
2. ORGANISATIONAL CHART OF THE SFAO	70
3. THE SFAO: FACTS AND FIGURES	71
A. FINANCIAL STATEMENTS AND HUMAN RESOURCES	71
B. WHISTLE-BLOWERS	72
C. REQUESTS FOR ACCESS TO INFORMATION (FREEDOM OF INFORMATION ACT)	73
D. REPORTS TO THE FEDERAL COUNCIL AND RECOMMENDATIONS NOT YET IMPLEMENTED	74
4. THE SFAO CELEBRATES 140 YEARS	76

APPENDICES 79

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

PART 1

THE MAIN RESULTS OF FINANCIAL SUPERVISION FOR 2017



In 2017, the SFAO's auditors examined the Guisanplatz 1 real estate project where fedpol, the Office of the Attorney General and armasuisse will be housed, as seen by [Sjöstedt](#).



1. PUBLIC FINANCES, TAXES AND CONSTRUCTION

In 2017, the SFAO's auditors completed their work on several of the institution's traditional missions. Thus, several hundred hours of work were required to enable the auditors to recommend that Parliament approve the state financial statements. Nevertheless, they pointed out the existence of risks whose impact remains difficult to gauge. 2017 was also marked by two audits in the field of construction and buildings. In both cases, the SFAO immediately informed the Federal Council of its auditors' findings.

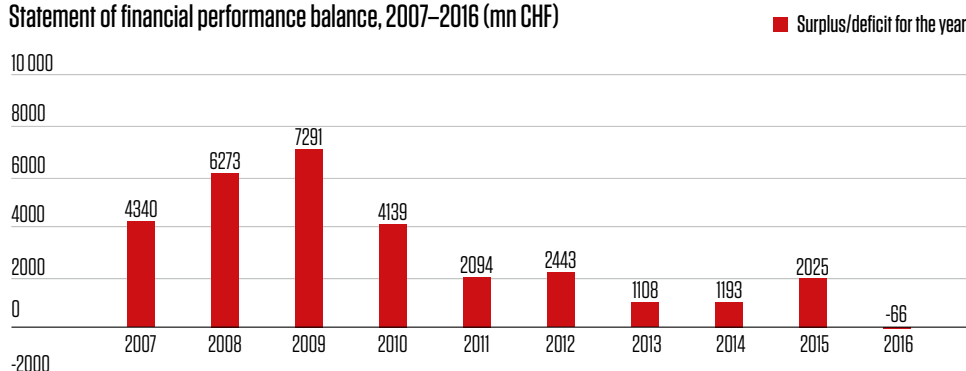
A. THE SFAO CERTIFIES COMPLIANCE OF THE FEDERAL FINANCIAL STATEMENTS

This is one of the SFAO's historical missions. Each year its auditors examine the Confederation's financial statements¹. This task represents significant collaborative work between the SFAO and its partners in the Federal Administration. Moreover, the SFAO decided to publish details of its findings from 2015, which is rare at European level².

In 2016, the general government's statement of financial position amounted to CHF 106,843 million. There was CHF 65,877 million in revenue, versus CHF 64,891 million in expenses. Added to this was a negative financial result of CHF 1,352 million and extraordinary revenue of CHF 300 million. The statement of financial performance had a deficit of CHF 66 million, versus a surplus of CHF 2,025 million in 2015.

In substance, the outcome of this review was positive for the SFAO and its auditors. They attested to the compliance and regularity of the state financial statements. The statutory requirements were met. The state financial statements were in compliance 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. It presented its work to the National Council Finance Committee and Council of States Finance Committee in two stages: the auditors' report in May 2017, and then the detailed report with the main risks and recommendations in October.

Statement of financial performance balance, 2007–2016 (mn CHF)



SOURCE: FFA, STATE FINANCIAL STATEMENTS, VOLUME I

¹ The SFAO's complete audit scope is described in the second part of this Annual Report, p. 65. These financial statements are presented on the basis of the International Public Sector Accounting Standards (IPSAS), with a few exceptions listed in the Financial Budget Ordinance (FBO).

² The report for audit mandate 17093 is available on the SFAO's website.



1. PUBLIC FINANCES, TAXES AND CONSTRUCTION

During these parliamentary committee meetings and in its audit report, the SFAO also certified the existence of an internal control system (ICS). This system makes it possible to prepare high-quality accounts. The Federal Finance Administration (FFA) and the other administrative units audited have made great efforts to improve the presentation and reliability of the financial statements. The FFA, for example, has implemented most of the SFAO's recommendations.

In its recommendations, the SFAO advocates more effective controls. In 2015, its auditors had identified sources of inefficiency in the Federal Administration's accounting controls³. For example, any invoice for more than CHF 500 had to be signed by two people before being paid, whereas a federal office director could let a single person sign a multi-million franc procurement contract. In another case, a bank could have opened an account in the name of a federal office without the FFA being informed.

With the support of the Finance Delegation, the SFAO requested adjustments to these practices. It was heard by the Federal Council and Parliament when the Government and Administration Organisation Act (GAOA) was amended. From 2018 onwards, contracts, decisions and other formal commitments entered into by the Confederation for an amount exceeding CHF 100,000 require two signatures and the opening of bank accounts requires an additional FFA signature.

Tricky cases resolved, others pending

In 2016, the statement of financial performance was burdened by CHF 698 million in surplus expenses in two cases already reported by the SFAO⁴. On the one hand, there was Parliament's introduction of provisions worth CHF 483 million in the Withholding Tax Act (WTA). Since the end of September 2016, this amendment has obliged the Federal Tax Administration (FTA) to deduct or refund interest on arrears calculated on withholding tax⁵. On the other hand, a provision of CHF 215 million was recognised due to the Confederation's exposure to sureties for oceangoing vessels. In May 2017, the Federal Council submitted to Parliament its dispatch on these sureties and its request for a credit of CHF 215 million to cover the financial loss associated with this case⁶. Parliament approved this package at the end of May 2017, while the administrative inquiry commissioned from the SFAO by the Head of the Federal Department of Economic Affairs, Education and Research (EAER) remains confidential⁷. Requests based on the Freedom of Information Act (FoIA) have been submitted and remain pending before the courts due to the opposition raised by the persons concerned by the administrative investigation. For their part, the SFAO and the EAER are not opposed to this publication.

The development of two other cases remains uncertain for the federal budget. The first of these concerns value added tax (VAT) within the context of the fees for the reception of radio and television programmes. Proceedings before the Federal Supreme Court could actually force the Confederation to retroactively refund VAT to those subject to this fee. The second case concerns the financing of accompanying measures in the case of a free trade agreement in the agri-food sector within the scope of the World Trade Organization and/or the European Union. This financing is based on customs duties levied on the importation of agricultural products and foodstuffs. At the end of 2016, this fund amounted to more than CHF 4,628 million and has never been used. The effects of market opening are being analysed to determine whether it is wise to extend this financing, limited to 31 December 2016.

³ See 2015 Annual Report, p. 12, available on the SFAO's website.

⁴ See 2016 Annual Report, p. 12, available on the SFAO's website.

⁵ In connection with the parliamentary initiative of 13 December 2013 on «Withholding tax. Clarification of the declaration procedure» (13.479).

⁶ Federal Council dispatch concerning a supplementary credit to honour federal sureties by means of the credit facility to ensure sufficient numbers of oceangoing vessels sailing under the Swiss flag, 16 May 2017, available at <https://www.news.admin.ch/news/message/attachments/48347.pdf>.

⁷ In parallel, the SFAO submitted an audit report on the registration procedure and registration assistance for the merchant fleet sailing under the Swiss flag. A summary is available on page 17.

B. VAT: A STRESSFUL REFORM, BUT A BENEFICIAL ONE FOR BUSINESSES

The SFAO's auditors tackled a case that affects more than 361,000 taxpayers in our country and represents the main source of receipts for the Confederation (CHF 22.5 billion in 2015). The case in question concerns the modernisation of value added tax (VAT) desired by the Federal Council in 2010. This modernisation was supposed to provide administrative relief for businesses, even though several simplifications (single rate, elimination of many exceptions, etc.) were removed during the parliamentary debates. The SFAO assessed the effects of this reform on the Main VAT Division of the FTA and its impact on the administrative burden for taxpayers⁸.

The staff of the Main VAT Division highlighted how much preparatory work for this reform had been focused on the needs of taxpayers. In their opinion, the Swiss Institute of Certified Accountants and Tax Consultants, the predecessor of EXPERT-suisse, also weighed heavily on this work. For the FTA and its staff, this reform created a considerable workload, particularly due to pressure from Parliament for swift entry into force.

Nearly 200 people were mobilised on a part-time or full-time basis to accompany this reform. Despite the additional workload, the division's headcount remained stable, whereas the FTA had anticipated that around 30 additional jobs would be needed to absorb the modernisation. Fortunately, the SFAO's auditors noted that these will be one-off changes. For the vast majority of the staff of the Main VAT Division, motivation and the working environment are now considered good.

Risk of time-barring and strengthening of the criminal law area

The SFAO's auditors also worked on the issue of the limitation period for tax claims in VAT-related legal proceedings. The reform reduced this period from 15 to 10 years in order to speed up proceedings. There is a real risk of time-barring. Several factors affect the evolution of cases (number and complexity of disputes, the courts' workload, taxpayers' behaviour, etc.). The Main VAT Division will have to complete its statistics on the duration of tax proceedings in order to ensure better monitoring of time periods and to avoid any time-barring.

SPOTLIGHT

TURNAROUND CONCERNING THE RECOGNITION OF MILITARY GOODS IN THE STATEMENT OF FINANCIAL POSITION

The SFAO welcomes the Federal Council's decision to partially reverse its own decision of 2014 to capitalise armaments in the Confederation's statement of financial position. These goods are worth approximately several billion francs. They should theoretically be included under the assets. However, for most of these goods, excessive administrative work would be required to determine the exact value to be recognised each year. The SFAO has always advised the government against following this path. It believes that the usefulness of this information does not justify a disproportionate level of bureaucracy.

⁸ The report for audit mandate 15469 is available on the SFAO's website.



1. PUBLIC FINANCES, TAXES AND CONSTRUCTION

The Main VAT Division has strengthened its Criminal Affairs Unit in the Legal Division since 2013. This unit opted for a risk-based approach. In simple terms, it focuses on serious cases and uses fines to settle minor and medium-sized disputes insofar as possible. For the SFAO's auditors, this unit's activities are still not well known and the exchange of information with the outside world needs to be improved. They also recommend strengthening the current legal framework. Evidence obtained during an FTA check must be usable in criminal proceedings.

Ultimately, the SFAO's audit report shows that the VAT reform has reduced the administrative burden for taxpayers, and this is also confirmed by two other expert opinions prepared by external consultants. As a result of this modernisation, taxpayers subject to VAT benefit from a simpler system by international standards and thus lose four to five times less time than in other countries to fulfil their tax obligations.

C. GUISANPLATZ: A NEED TO DENSIFY... AND SECURE

A temple of security is growing in the north-east of the capital, just a stone's throw from the Stade de Suisse. This flagship project of the Federal Office for Buildings and Logistics (FOBL) is to eventually accommodate more than 4,700 Federal Administration employees. In a first step, three buildings will be made available to the Federal Office of Police (fedpol), the Office of the Attorney General of Switzerland (OAG), armasuisse and the Federal Office for Civil Protection (FOCP) from 2019. In order to plan and carry out this step, Parliament has made a credit of CHF 420 million available. The SFAO's auditors examined this project from a cost-effectiveness and security standpoint⁹. Their critical findings were reported to the Federal Council¹⁰.

In the Federal Council dispatch submitted to Parliament to justify this expenditure of CHF 420 million, the net capacity of the workstations available at the new location should be 2,900. This figure takes into account a reserve of 300 stations decreed by the FOBL. According to the SFAO, however, only 2,000 employees will be located there. In other words, the cost per workstation far exceeds the promises made to Parliament. And the operation does not make sense in terms of profitability. In conclusion, occupancy would have to be increased if the FOBL wanted to ensure the profitability of its flagship project. An example would be by hosting other entities of the Federal Administration.

⁹ The report for audit mandate 16515 is available on the SFAO's website.

¹⁰ Under Article 15 paragraph 3 of the FAOA, the SFAO must inform the head of the federal department concerned and the Head of the Federal Department of Finance (FD) if it identifies «anomalies or deficiencies of fundamental significance or considerable financial importance». On 17 March 2017, the Management of the SFAO wrote to the entire Federal Council.



SOURCE: IMAGE OF THE «GUISANPLATZ 1» PROJECT, FOBL



SOURCE: «GUISANPLATZ 1» PROJECT, FOBL

A new problem emerged at the end of the audit. In April 2017, after the SFAO's announcement to the Federal Council, fedpol demanded additional security measures from the FOBL. Originally, the "Guisanplatz 1" site was supposed to be accessible to everyone and a pedestrian path was to run through it. This situation was unrealistic for fedpol due to new threats and the resurgence of terrorist attacks in recent years. As a result, the FOBL had to modify its construction project at the last minute and may have to request an adaptation of the permits. According to the FOBL, these measures will be effective when the new occupants arrive in the summer of 2019. It should be possible for the additional costs to be covered by the credit granted by Parliament.

SPOTLIGHT

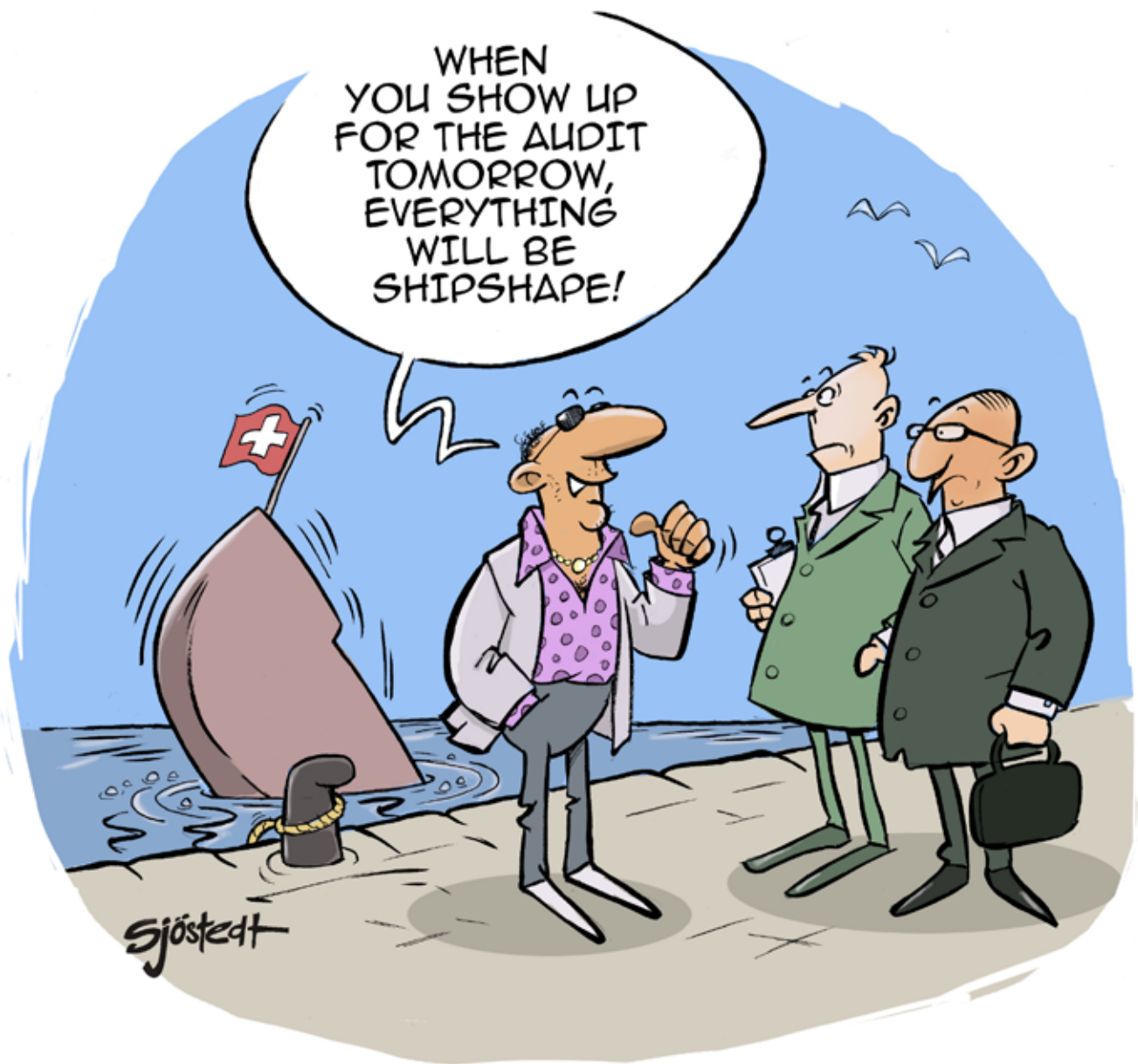
MAJOR DELAY FOR A CONSTRUCTION PROJECT

The SFAO's auditors examined the real estate infrastructure of Agroscope, the federal competence centre for agricultural research¹¹. It is present in three main locations and seven other specialised sites. Its real estate portfolio has nearly 170 buildings. It is supervised by the FOBL. Up to 2030, Agroscope and the FOBL estimate that the area's financial requirements will amount to CHF 293 million.

Upon review, the SFAO's auditors believe that the collaboration between these two entities should be closer, particularly with regard to the definition of needs and the actual use of buildings by Agroscope's teams. A Fribourg case also caught their attention. The auditors requested the suspension of federal funding (approximately CHF 10 million) for the future building of the Institute for Food Sciences in Posieux (FR). The canton of Fribourg is the project owner here, with an investment of around CHF 70 million. The Confederation plans to rent the premises for a period of 25 years. For the SFAO's auditors, however, there are many uncertainties due to the project's significant delay at cantonal level, as well as to Agroscope's reorganisation and the new definition of its objectives. The future of the project is not in question, but Agroscope and the FOBL must reflect on the current needs of the future institute, the optimisation potential and the synergies to be found between the different Agroscope units onsite. The Federal Council has been informed of the situation¹².

¹¹ The report for audit mandate 17502 is available on the SFAO's website.

¹² 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». On 1 December 2017, the Management of the SFAO wrote to the entire Federal Council.



In 2017, the SFAO's auditors examined federal supervision of the Swiss maritime fleet, as seen by [Sjöstedt](#).



2. ECONOMY AND UNEMPLOYMENT

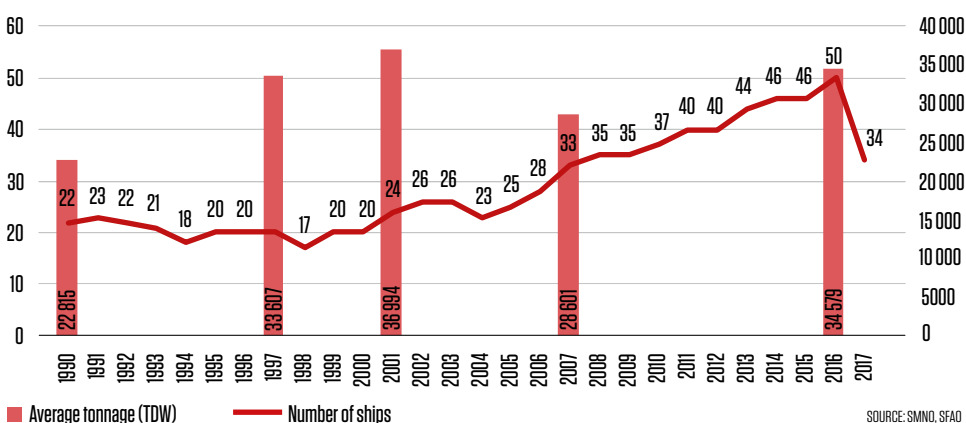
The SFAO's auditors address an increasingly broad range of topics: merchant navy, measures to combat unemployment, purchase of civil aircraft or fuel reserves and supply policy. To do this, visits take place throughout the country. The results of 2017 were encouraging.

A. STRENGTHENING SUPERVISION OF THE SWISS MARITIME FLEET

With its flag, Switzerland has one of the world's largest maritime fleets for a country without direct access to the sea. This is the result of a policy inherited from World War II whose aim is to ensure the country's supply in the event of conflict. In 2016, some 50 merchant vessels were sailing under the Swiss flag. This sector has been experiencing a serious crisis for several years, and it has not left the Confederation unscathed. In 2017, it suffered a financial loss of 215 million as a result of a poorly controlled surety policy¹³.

In the Federal Administration, the Federal Office for National Economic Supply (FONES), EAER unit, is responsible for the granting and monitoring of sureties for oceangoing vessels. This office is solely responsible for the management of the surety framework credit. In contrast, the Swiss Maritime Navigation Office (SMNO) is responsible for checking the registration of vessels sailing under the Swiss flag and monitoring them. It is based in Basel and is part of the Federal Department of Foreign Affairs (FDFA). It was on the banks of the Rhine that the SFAO's auditors sought to ascertain whether the registration of these vessels complied with the law and whether the monitoring measures were applied in practice¹⁴.

Ships sailing under the Swiss flag (1990–2017)



¹³ See page 12 of this Annual Report, as well as the 2016 edition, available on the SFAO's website.

¹⁴ The report for audit mandate 16384 is available on the SFAO's website.



2. ECONOMY AND UNEMPLOYMENT

The controllers have to distance themselves from checks

A popular formula captures the first observation of the SFAO's auditors and the recommendation for the SMNO and FONES in a nutshell: the right hand has to know what the left hand is doing, and vice versa. These offices must develop and implement a joint supervisory concept. Otherwise, the financial and reputational risks that could affect the Confederation are not covered. Recent experience has shown that these risks are anything but hypothetical. At the time of the audit, the persons tasked with managing the maritime fleet in these offices had to be critical of the documents received from ship owners. The overly client-friendly approach did not fulfil the legal monitoring obligations imposed on these two federal offices. Since then and following the administrative investigation made by the SFAO at the FONES, corrective measures have been taken.

During their visit, the auditors made further observations on the SMNO's work. Its monitoring mechanisms are not effective. The methods and tools need to be improved. For example, it appears that this office's employees carry out an average of three inspections per year. With 50 ships in 2016, this means that a ship is theoretically inspected every 15 years. This checking frequency is inadequate, as a ship's lifespan is 20 to 25 years. Finally, SMNO monitoring must be strengthened in terms of the traceability of checks.

SPOTLIGHT

FACILITATING FUND MANAGEMENT

Ensuring the country's supply policy in times of need also involves establishing reserves of fuel and other liquid combustibles. The creation and management of these reserves are financed by consumers through taxes on products of the same type that are imported or launched on the market for the first time in Switzerland. CHF 28.7 million was collected in 2015. This money was used to cover storage costs through guarantee funds managed by the Zurich-based association CARBURA, which has brought together importers of liquid combustibles and fuel since 1932. This association and its guarantee funds are supervised by the FONES.

The SFAO's auditors examined the guarantee funds for diesel, kerosene, benzine and heating oil¹⁵, as well as their management principles. Two funds have under-coverage (diesel and kerosene), while the other two funds have a surplus (benzine and heating oil). In 2015, these funds had a total of 441 million in assets for liabilities of 105 million. At that time, the surplus of the heating oil fund alone was 344 million.

CARBURA and the FONES have been negotiating to resolve the heating oil fund's surplus guarantee for a decade now. In 2008, the FONES authorised a refund to importers via negative contributions. However, this was stopped a year later, as the FONES considered that importers were unable to justify the refund of the amounts totalling 18.2 million to customers. CARBURA is currently putting forward a solution of negative contributions and specific accompanying measures. If the FONES accepted this, it would reduce the surplus by 200 million. The SFAO's auditors believe that accompanying measures are essential to ensure the publicity of the operation and the indirect monitoring of merchants by consumers. The FONES accepted the SFAO's recommendations.

¹⁵ The audit report for audit mandate 16660 has been submitted to the Finance Delegation.

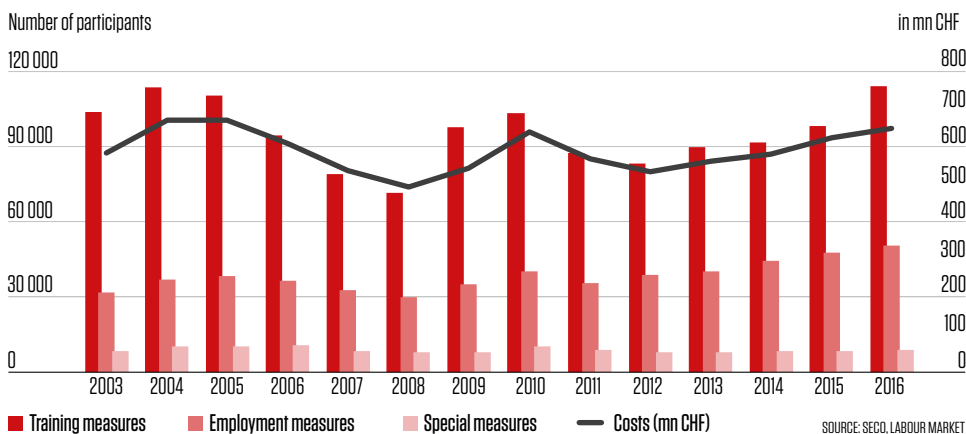


B. BREATHING COMPETITION INTO CANTONAL EMPLOYABILITY MEASURES

In 2016, 146,456 people took part in labour market measures. These are mainly training and employment support measures for people facing imminent unemployment or already receiving unemployment insurance benefits. These measures cost CHF 605.1 million (including an additional contribution of CHF 14.3 million from the cantons). The cost of labour market measures has been rising continually for the past five years.

The cantons and the social partners participate in the implementation of these labour market measures, while the State Secretariat for Economic Affairs (SECO) and its unemployment insurance compensation body see to the supervision and steering of the cantonal measures. The SFAO's auditors examined this supervision, its effectiveness and, in particular, whether its current orientation was appropriate in view of the risks¹⁶.

Labour market measures: participants and costs (2003–2016)



¹⁶ The report for audit mandate 16576 is available on the SFAO's website.

Lack of competition

This audit shows that the establishment of federal supervision of public policies implemented by the cantons requires patience and meticulousness. There were big differences in the controls effectively carried out in the four cantons visited by the SFAO's auditors. There is a basic lack of clarity on the degree of competition targeted by the unemployment insurance compensation body and the implementing bodies in the cantons.

For the SFAO's auditors, there must be maximum competition. In particular, they recommended that the SECO should work towards that. At the same time, it is necessary to clarify whether a contract for a labour market measure is subject to free competition or whether it is awarded directly. Finally, resources are allocated to the cantons on a flat-rate basis. There is no link with the results actually achieved by labour market measures and therefore no performance incentive. This situation must change.

This area was reorganised at the SECO in March 2015. This explains why the supervision concept was still being developed when the SFAO's auditors visited. The SECO accepted the recommendations.

SPOTLIGHT

A FEDERAL PROCUREMENT AND TRANSACTIONS IN THE PRESS

The SFAO is attentive to media revelations concerning its audit portfolio. In 2017, two such cases kept the SFAO's auditors busy. In the end, however, the results are modest relative to the initial suspicions.

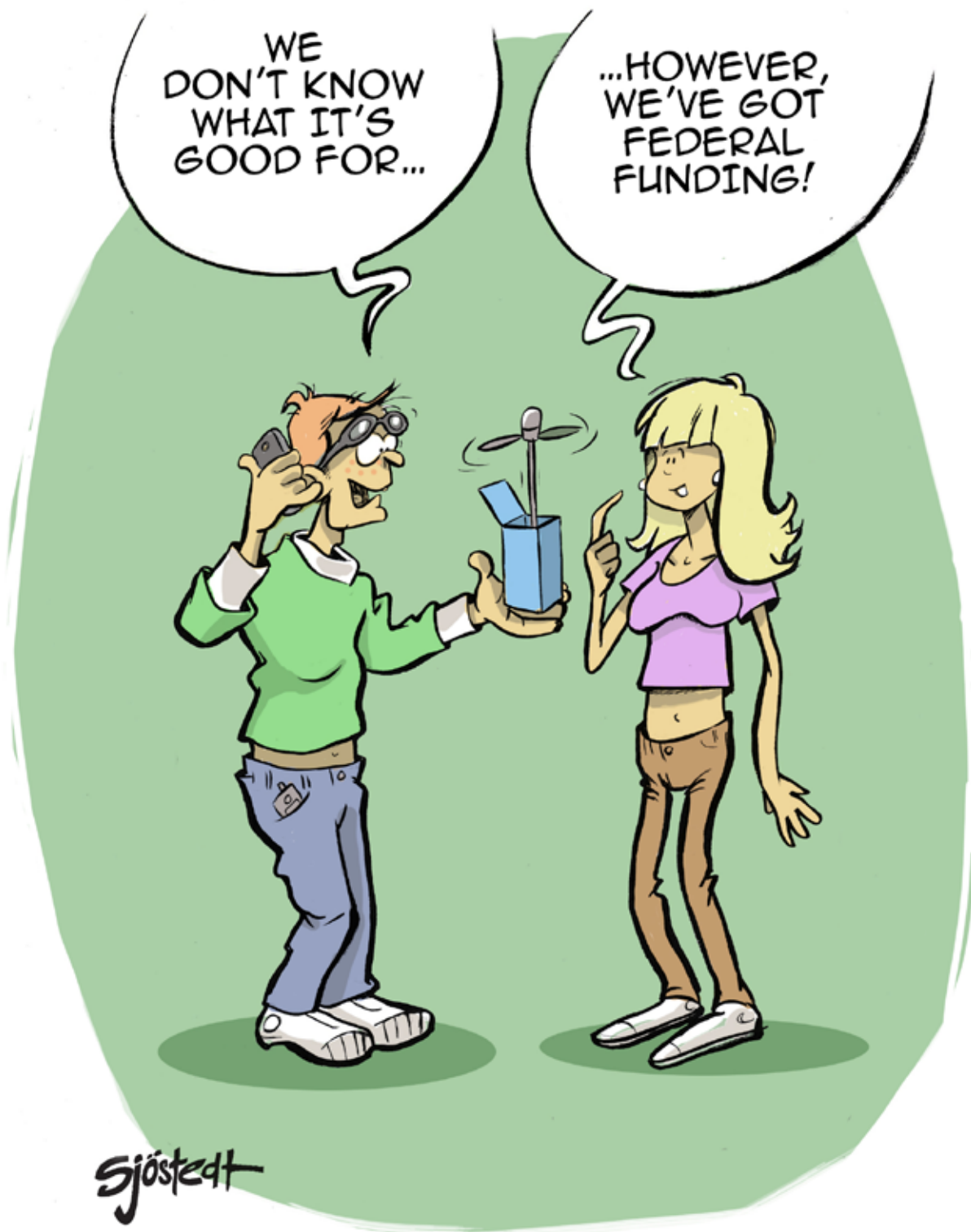
The first concerned the procurement of consultancy and IT services by the OAG. The press suspected potential breaches of public procurement legislation or even conflicts of interest. After their visit, the SFAO's auditors did not find any evidence to substantiate these doubts. The procurements in question were well suited to the needs of the OAG, even though formal aspects had been neglected when the contracts were awarded¹⁷. The procurement procedures of the federal prosecution authority have been strengthened since then. The double signature procedure has been introduced for major acquisitions, as well as declarations of independence signed by OAG staff.

In another case, an isolated payment of CHF 27.3 million was made by the Federal Department of Defence, Civil Protection and Sport (DDPS) to the law firm Froriep Renggli. In 2013, the transaction made this law firm one of the top 50 suppliers of the DDPS without any real explanation, which raised questions in the press. Ultimately, this payment corresponded to the purchase of a second-hand Dassault Falcon 900 aircraft for the Federal Council. There was no problem with this contract for the SFAO's auditors¹⁸. From a formal point of view, however, they recommended that the DDPS should henceforth include on its suppliers' list the final beneficiary of the transaction (the Principality of Monaco) and not the name of the intermediary.

¹⁷ The management letter for audit mandate 16682 is available on the SFAO's website.

¹⁸ The report for audit mandate 16679 is available on the SFAO's website.





In 2017, the SFAO's auditors evaluated the future of innovative projects in Switzerland, as seen by [Sjöstedt](#).



3. INNOVATION AND RESEARCH

Everyone is in favour of innovation. But incidentally, is innovation successful when it is supported by the state? This is what the SFAO's auditors wanted to find out, especially whether the money invested by the Confederation was well spent. In a different context, but still linked to innovation, the SFAO's auditors went to Neuchâtel to lend a hand to the new Swiss Federal Institute of Technology in Lausanne (EPFL) presidency at its decentralised site.

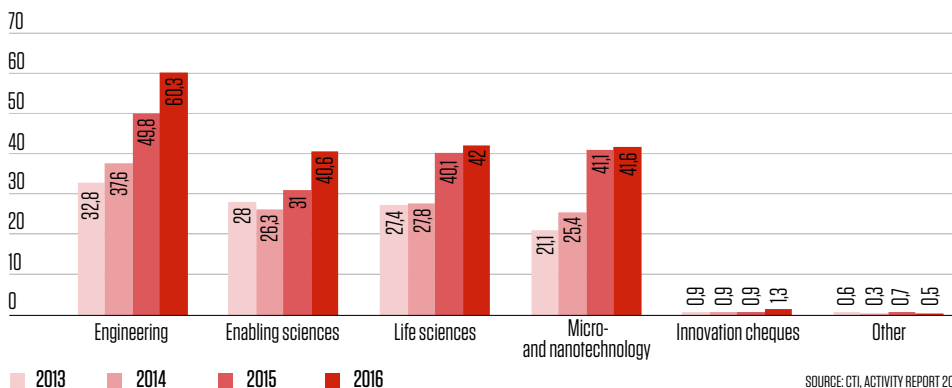
A. THE FUTURE OF INNOVATIVE PROJECTS IN SWITZERLAND

The Commission for Technology and Innovation (CTI) has been the subject of several audits by the SFAO in recent years¹⁹. Therefore, the auditors' work is not entirely unrelated to the fact that the organisation of this Commission has been rethought by the EAER. Effective since 1 January 2018, it has a new legal form and a new name: Innosuisse. In parallel to this structural change, the SFAO's auditors evaluated the research and development projects supported with CTI funds²⁰. It has invested some CHF 120 million p.a. in more than 300 projects. On average, its commitment lasts 18 months for an amount of around CHF 350,000 per project.

The audit was carried out from the perspective of the sustainability of the innovation financed by the Confederation in this way. In other words, the SFAO's auditors were interested in a basic question: what happens to the projects after they have been subsidised? They also investigated the magnitude of windfall effects, which are inevitable in the field of innovation.

The analysis looked at a sample of 81 projects. In two out of three cases, research continued after federal funding. In one out of four cases, the project resulted in a market launch. However, it takes a long time before a project can generate tangible economic benefits. Once CTI funding has ended, it takes four to seven years for many innovation projects.

CTI promotion of R&D, by sector (2013–2016, mn CHF)



SOURCE: CTI, ACTIVITY REPORT 2016

¹⁹ See 2014 Annual Report, p. 23-24, and p. 20 of the 2016 edition, available on the SFAO's website.

²⁰ The report for audit mandate 16302 is available on the SFAO's website.

Another interesting point is the question of windfall effects and the risk of public funds being exploited by the economy. This type of effect occurs if projects would still have been launched by the private sector without state support. On the contrary, if these projects are carried out only thanks to support from the state we refer to an “additionality” effect. The SFAO’s analysis showed that a windfall effect in the strict sense of the term exists in almost one fifth of projects. Greater acceptance of this windfall effect raises this rate to almost 50% of projects, which is a good score by international standards. Conversely, a strict additionality effect is observed in 25% of cases on average. These figures from the SFAO tie in with the impact research published in December 2017 by the CTI²¹.

Success stories of unknown origin

Overall, the innovation promotion system works well and moreover is tangible according to the SFAO’s auditors. Subsidy recipients appreciate the rather un-bureaucratic procedures for promoting their project to the CTI. However, the auditors regret the lack of interest in the projects’ future. Understanding the reasons for the success of some of them and the difficulties encountered by others would make it possible to better target support and be more effective. This will be a task for Innosuisse.

SPOTLIGHT

REFINING SUPERVISION OUTSIDE THE EPFL’S ORIGINAL SITE

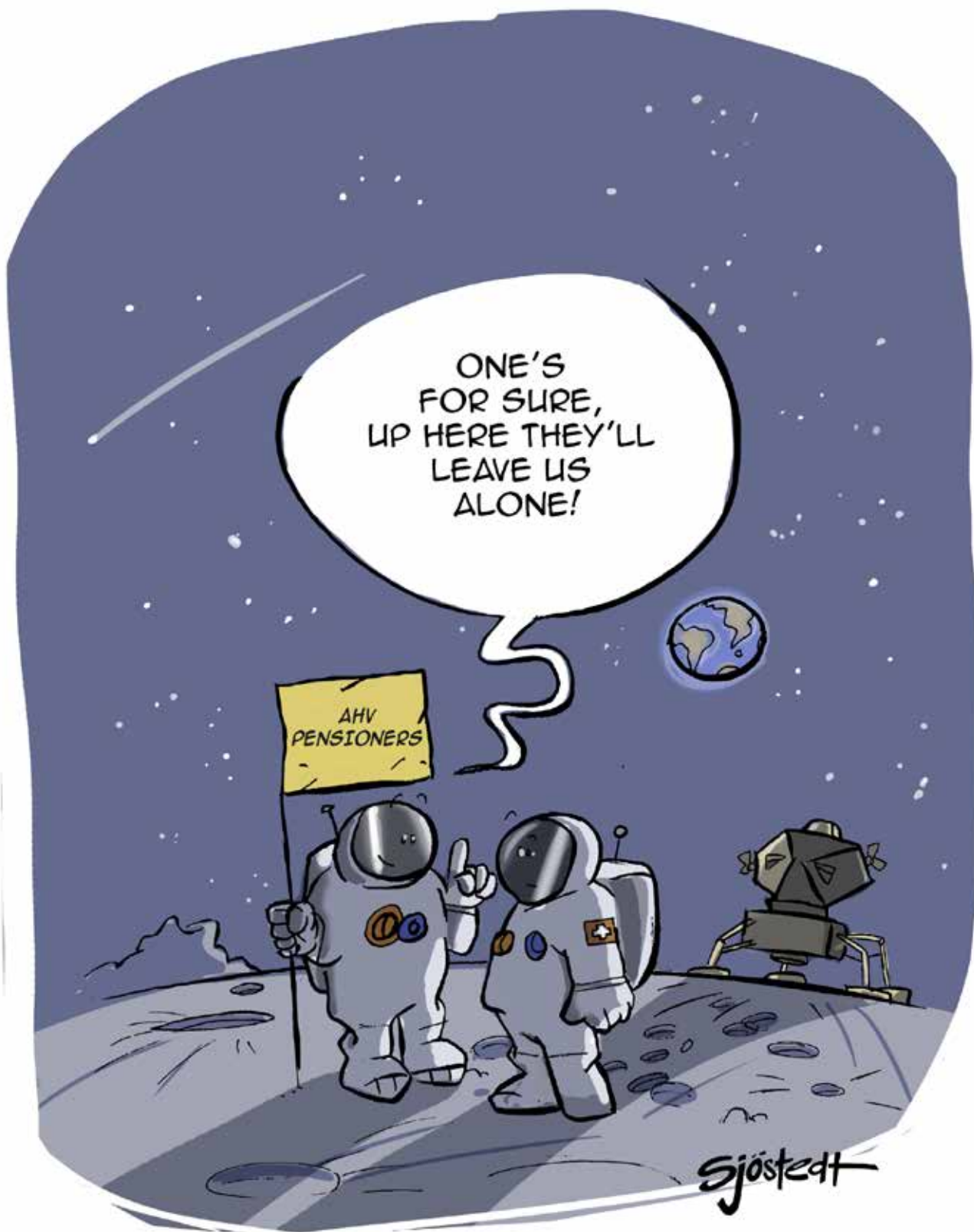
The SFAO’s auditors were asked by the presidency of the EPFL to examine a complex dossier. They carried out an audit in a laboratory at the Neuchâtel site of the Institute of Microengineering (IMT), attached to the EPFL’s School of Engineering²². Several shortcomings and irregularities were identified (no announcement of conflicts of interest between a professor and a parent who is a shareholder of a start-up, favouritism towards the start-up in question and incorrect information for the CTI, funder for this start-up). The EPFL presidency took provisional measures on the recommendation of the SFAO.

Beyond this specific case, the SFAO’s auditors stressed that the problems identified in the field are systemic in nature and could concern other IMT laboratories, or even other EPFL institutes or schools. The expansion of the EPFL outside its premises requires better control of administrative management. It is also necessary to strengthen the rules for the use of laboratory reserve funds. The EPFL and CTI accepted the SFAO’s recommendations.

²¹ See Lot 1: R&D project funding (<https://www.innosuisse.ch/inno/en/home/resultateundwirkung/wirkungsanalysen-und-evaluationen/wirkungsanalyse1.html>).

²² The audit report for audit mandate 17652, the management letter to the EPFL presidency and a letter of recommendation to the CTI were presented to the Finance Delegation.





In 2017, the SFAO's auditors compared the taxation of AHV pensions and occupational benefits paid abroad, as seen by [Sjostedt](#).

4. PENSIONS, SOCIAL SECURITY AND HEALTHCARE

Old-age and survivors' insurance (AHV) and disability insurance (IV) were particularly sensitive topics in 2017 for different reasons. The SFAO had been planning to examine certain aspects of these social insurance schemes for a long time. The results were published in 2017. They concerned the invoice processing and checking system for old-age and survivors' insurance and disability insurance, as well as the taxation of pensions paid abroad.

A. THE CENTRAL COMPENSATION OFFICE MUST PROCESS ITS INVOICES WITH UP-TO-DATE TOOLS

Auditors sometimes dream of changing the world and improving the situation for an institution, service or process. This was the case with the work of the SFAO's auditors on the processing of invoices for individual old-age and survivors' insurance and disability insurance benefits²³. And also potential savings of at least CHF 3 million per year, as this administrative processing is still based on an innovation from Europe of the early Middle Ages... paper.

Every year, insured persons, doctors and other service providers issue almost 1.6 million invoices worth a total of around CHF 2.2 billion. These invoices cover medical measures, vocational training or transport costs, for example. Before being paid, they are verified by two bodies, the 27 disability insurance offices and the Central Compensation Office (CCO). The latter checks their compliance with the applicable tariffs and conducts an arithmetical check. Ultimately, the Federal Social Insurance Office (FSIO) monitors this whole mechanism and defines the rules to be followed.

An inefficient process

According to the FSIO guidelines, invoices in paper format are validated by the disability insurance offices and then delivered to the CCO by post. The CCO receives 70% of invoices in hard copy, without any information on the checks already carried out by the disability insurance offices. Moreover, they do not have scanners to automate invoice processing. Consequently, disability insurance does not have precise data on the controls carried out and their effectiveness. Unsurprisingly, the SFAO's auditors discovered duplication in the checks carried out by the disability insurance offices and those carried out by the CCO. The system's efficiency is also reduced by the coexistence of two processes – one for paper invoices and the other for electronic invoices.

All of that comes at a price. As could be suspected, a paper invoice is first processed manually. In monetary terms, this work takes time and costs an average of CHF 5 for the CCO alone. The part of the disability insurance offices remains unknown.

²³ The report for audit mandate 14490 is available on the SFAO's website.



4. PENSIONS, SOCIAL SECURITY AND HEALTHCARE

The example of the Swiss National Accident Insurance Fund, SUVA, is enlightening in this regard. Relative to the CCO, this insurance processes an equivalent volume of invoices each year. It has software for digital and automated processing of more than 80% of its invoices. SUMEX (SUVA Medical Exchange) was developed by SUVA and is also used by several insurers. Automated tests make it possible to identify problematic invoices. Insurers and SUVA thus have data on the effectiveness of checks. The use of this software with the implementation of a unified process generated efficiency gains. With the dematerialisation of invoices and initial automated screening, the cost of processing a digital invoice is close to CHF 2.

Should the CCO be equipped with such an application? No, because it already has it! Historically, the CCO was one of the first SUMEX users and has the same basic functionalities as SUVA. But the CCO uses it only to a limited extent. The SFAO regrets this under-utilisation, which, according to its conservative estimates, prevents savings of some CHF 3 million per year. Those resources could be used to strengthen invoice checks and thereby limit the risk of fraud.

A problem with many causes

This under-utilisation has its roots in the adaptation of SUMEX to the CCO, which decided to manage the application without any external support. From 2010, however, the CCO faced stability and performance problems with the application. In 2014, the CCO no longer managed to integrate regular SUMEX updates, new functionalities and other innovations concerning the software. A project to overhaul the application was initiated at the time of the SFAO audit.

At a macro level, the current situation is also the result of tremendous haziness in the division of powers between the FSIO, the CCO and the 27 disability insurance offices. The SFAO's auditors found it difficult to identify strategic thinking on the development of SUMEX and alternatives to enhance the effectiveness and efficiency of the process. A multitude of working groups are addressing operational issues, but there is no overall vision. The dilution of responsibilities limits decision-making and makes it impossible to improve the efficiency and effectiveness of the invoice processing process.

The SFAO's auditors believe that the disability insurance bodies need to clarify the powers of the various players, have an automated process in line with current standards and use the SUMEX application appropriately. The FSIO and CCO agreed to implement the SFAO's recommendations.



B. EQUAL TREATMENT AND TAXATION OF PENSIONS ABROAD

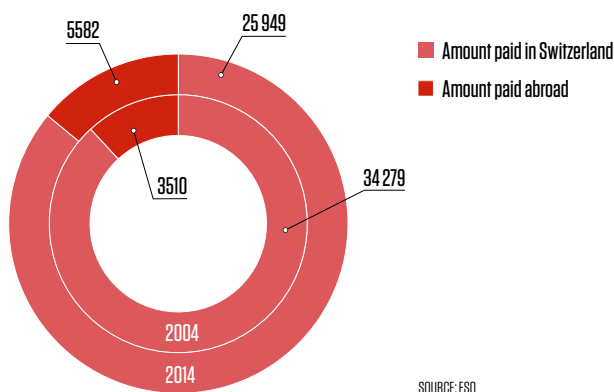
This has been a major trend for more than a decade. Pensioners who contributed to old-age and survivors' insurance and occupational benefits schemes in Switzerland are moving abroad in their old age. Taking just old-age and survivors' insurance, one in three pensions is now paid outside Switzerland to pensioners in rather underprivileged classes. In 2014, there were 802,209 pensioners in this case, for a total value of CHF 5.582 billion, or 14% of the total volume of old-age and survivors' insurance benefits. Unfortunately, there are no figures for occupational pension benefits. It is impossible to know how many pensions are paid abroad and how much money is "exported" in this way.

How are these benefits taxed? And are they always? To what extent is equal tax treatment respected for pensioners resident in Switzerland? The SFAO's auditors addressed these questions²⁴. Their audit drew outraged reactions from abroad, as they identified a tax niche.

The situation is clear for old-age and survivors' insurance beneficiaries in Switzerland. After having had their contributions deducted from taxable income during their working life, they then pay tax when their retirement benefits are paid. It is not that simple abroad.

In 2014, four out of five old-age and survivors' insurance pensioners resident abroad lived in countries that tax pensions, e.g. Germany, Spain, France and Austria. In other countries, Portugal and Thailand in particular, the state of domicile refrains from taxing what would be due to it under double taxation agreements. To mitigate this phenomenon, the SFAO's auditors advocate introducing the possibility of taxing benefits paid abroad at source, which implies a legislative revision. In 2014, these cases involved more than 57,000 old-age and survivors' insurance pensions worth CHF 480 million.

AHV pensions paid in 2004 and in 2014 (mn CHF)



²⁴ The report for audit mandate 15396 is available on the SFAO's website.



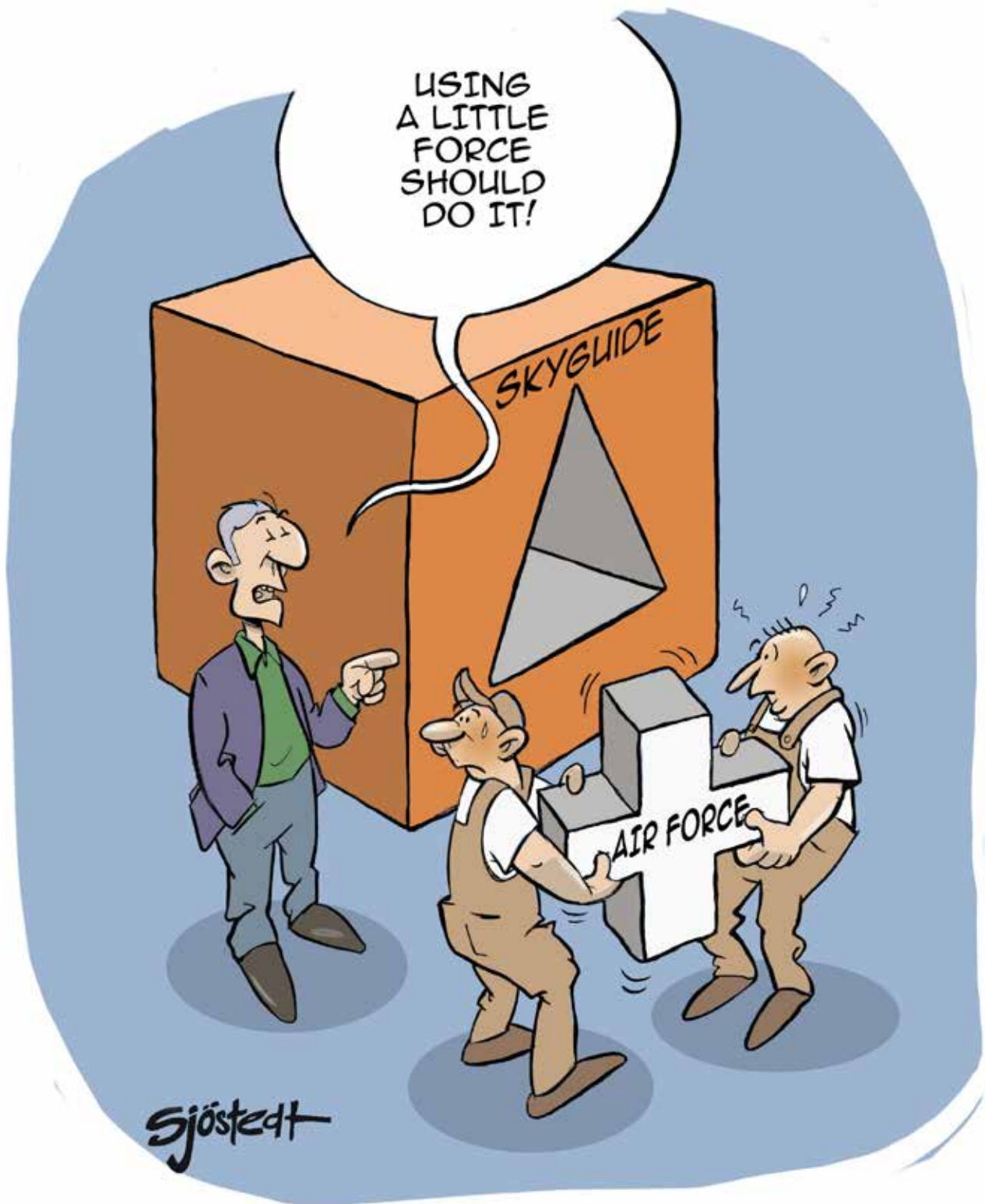
4. PENSIONS, SOCIAL SECURITY AND HEALTHCARE

Geneva could hit the jackpot

The SFAO's proposal aims to eliminate a tax loophole, along the same lines as the Federal Assembly's decision to tax refunds of old-age and survivors' insurance contributions. At the international level, the trend towards withholding tax is gaining ground, as is the new governance in tax matters, which is seeking to find tools to avoid double non-taxation of income. Withholding tax on old-age and survivors' insurance pensions would generate tax receipts for Switzerland. According to the SFAO's auditors, the figure is estimated to be CHF 25-30 million, 10% of which would go to the Confederation. With the head office of the Swiss Compensation Office (SCO) in Geneva, this canton would be the main beneficiary of this tax inflow.

Unlike the first pillar, the second pillar system excludes this risk of non-taxation of pensions "exported" abroad. If the country of residence does not tax occupational pension benefits, the Swiss tax authorities are entitled to tax these sums. And in practice, it is the second pillar pension funds that are responsible for collecting this tax. Overall, the SFAO's auditors found that this system appears to be functional even though it has a complex and decentralised organisation.





In 2017, the SFAO's auditors examined the merger of civil and military air traffic in Switzerland, as seen by [Sjöstedt](#).



5. TRANSPORT, AVIATION AND THE ENVIRONMENT

The SFAO and its auditors are conducting increasingly technical and complex audits, even outside the institution's traditional boundaries. In 2017, the transport and environment sector was fertile ground. In turn, the auditors examined the monopolistic position of Swiss Federal Railways (SBB) for the delivery of electric rail power, the controversial renovation of a tunnel between Solothurn and Moutier, the historical mysteries and the consequences of the merger of military and civil air traffic control and the array of more than 500 indicators that monitor the environment in Switzerland on a daily basis.

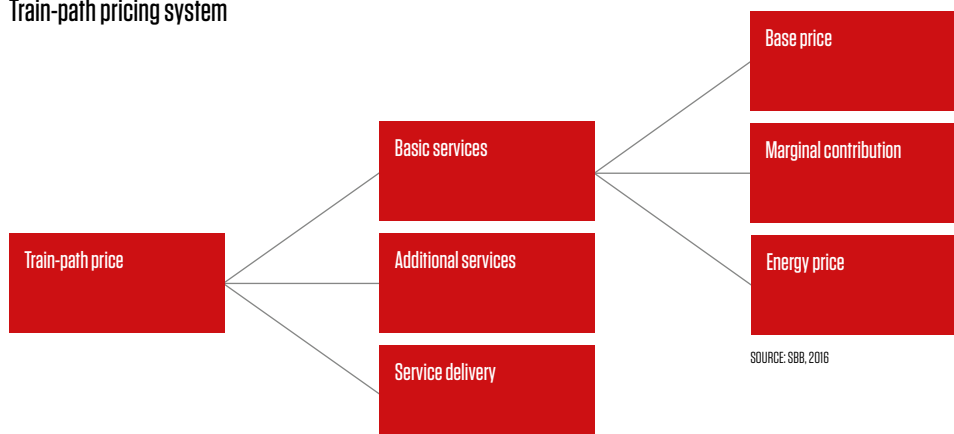
A. SBB AND ELECTRIC POWER

Like planes flying from airport A to airport B at a given time, trains have a permit to travel from station C to station D. This is called a "slot" in civil aviation and a "path" in the railway field. What they all have in common is that these authorisations to fly or to travel have a price. In the case of rail, the price includes items such as the time of the journey and the price of electricity. For example, this train permit for a journey from St. Gallen to Geneva Airport costs CHF 7,985.50 during peak hours and CHF 3,952.50 outside these hours.

SBB Infrastructure sells these authorisations to SBB Passenger Traffic Division, SBB Cargo and the other railway undertakings (RUs) in the country that use the SBB network. These services generate annual receipts of around CHF 1.1 billion, CHF 220 million of which comes from RU's electricity consumption. These total receipts cover almost 40% of the maintenance and operating costs of the SBB Infrastructure network.

Rail is one of the largest consumers of electricity in Switzerland. 2,400 GWh is used each year on the SBB network, i.e. the consumption of one in six households in our country. SBB Infrastructure purchases its electricity exclusively from SBB Energy. As a result, SBB Energy, and by extension the SBB itself, is the only electricity supplier in a monopoly situation.

Train-path pricing system





5. TRANSPORT, AVIATION AND THE ENVIRONMENT

With its 2050 energy strategy, the Federal Council wants to increase the energy efficiency of rail. How? By creating financial incentives, including the integration of real energy costs into the path price. The SFAO's auditors examined whether the current system encourages RUs to increase their energy efficiency²⁵. They carried out an audit at the Federal Office of Transport (FOT), at SBB Infrastructure and at four RUs (SBB Passenger Traffic Division, SBB Cargo, BLS Passenger Traffic Division and BLS Cargo).

Lack of transparency and real costs

The SFAO's auditors analysed the main elements of path price formation. Without going into all the details, they found that this invoicing needs to be improved in various respects in order to reflect the real costs as accurately as possible. In the case of additional services which form part of the path price²⁶, for example, the SBB's accounts do not yet include actual values for these services. Reviews are being conducted to do so in the future. A total of CHF 17 million in additional services was invoiced in 2016.

To date, according to the SFAO's auditors, objectives in terms of image and sustainable development more so than the path pricing system have encouraged RUs to increase their energy efficiency. Both the SBB and BLS agree that there is great potential for improvement, e.g. in the area of traction current²⁷. Both are working to develop and implement measures in this area, as the stakes are high. As it happens, traction current accounts for a significant share of the path price: between 20% and 30% for freight traffic; between 15% and 20% for passenger traffic.

These findings are reflected in the SBB's position. In its view, in the absence of measures, it is impossible to quantify the impact of a generalised introduction of actual cost invoicing on the price of traction current in rail transport (freight, regional and long-distance transport). The SFAO's auditors believe that it is up to the FOT to work with the SBB on traction current. Since the price of the electricity distributed by SBB Energy is included in the path price, it is necessary to define the framework conditions for network operation and to set the price of SBB Energy's traction current. This task is all the more crucial for the FOT because SBB Energy has a monopoly on the supply of electricity to its competitors. Without intervention, there is a real risk that unwarranted earnings will become permanent.

B. THE COUNTRY'S RAILWAY FUTURE IS BEING PREPARED

²⁵ The report for audit mandate 16617 is available on the SFAO's website.

²⁶ These include the organisation of transit tracks for shunting, distribution at SBB shunting yards, parking of railway vehicles, the stationary supply of water and electricity and the provision of a section of track outside normal operating hours.

²⁷ Traction current is the electricity – directly produced or purchased by the SBB – used in railway operations and whose frequency is three times lower than domestic electricity.

Rail infrastructure is at a crossroads. Since 1 January 2016, its future has been the subject of planning work at the Federal Office of Transport (FOT). The Federal Council will present its dispatch on this to Parliament at the end of 2018. Two alternatives are now being discussed: the first provides for CHF 7 billion of investment by 2030; the second option concerns a package of 12 billion by 2035.

The FOT is actually going through a revolution. With the population's acceptance of the proposal on the financing and expansion of the railway infrastructure (FERI) on 9 February 2014, responsibility for the planning process now lies with the Confederation, which is tasked with managing and coordinating this planning, in terms of both service provision and infrastructure development. It takes account of land use planning at cantonal level and involves all railway undertakings to do so. The aim of this new distribution of roles is cooperation by all parties in this planning process.

Parallel planning and influence risk

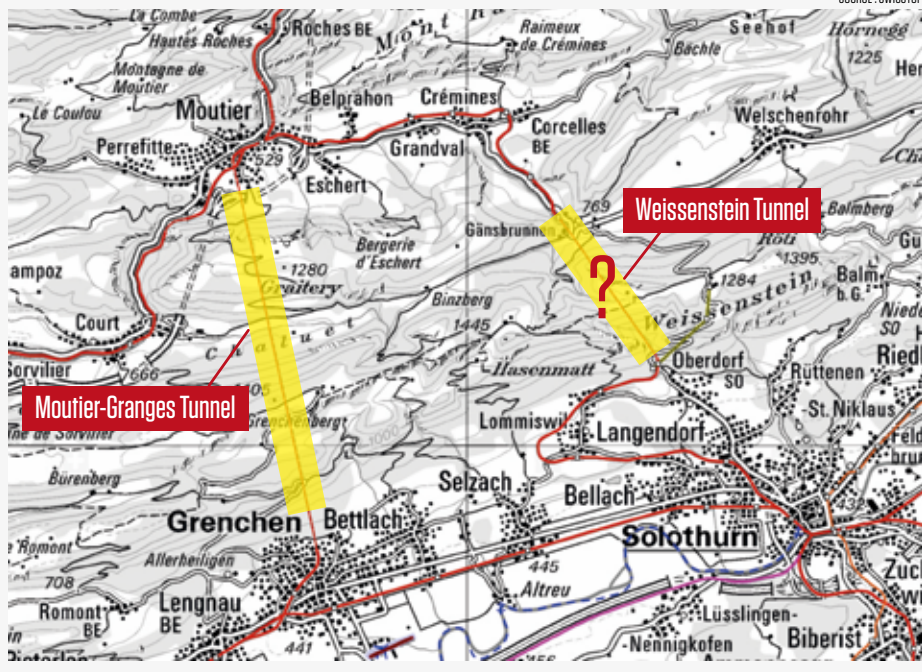
The SBB, for its part, is preparing its own business outlook and its development. There is therefore a risk that the FOT's planning will be called into question by the SBB's variant, and vice versa. Fortunately, the Federal Department of the Environment, Transport, Energy and Communications (DETEC) manages the FOT and brings the Confederation's interests to bear with the SBB. With this dual role, this federal department has to guarantee that the tasks of the FOT and of the SBB will be performed without negative influences.

SPOTLIGHT

RENOVATION OF A RAIL TUNNEL IN QUESTION

The SFAO carried out a critical analysis of the renovation of the Weissenstein railway tunnel, which was built at a time when the Granges–Moutier base railway tunnel did not exist. These two tunnels are now clearly duplicating each other (see map). The Weissenstein tunnel is used as a mountain tunnel between Solothurn and Moutier, and 590 passengers pass through it daily. The renovation of this tunnel should start in 2020 and ensure operation of the tunnel for 25 years. It will cost the Confederation CHF 85 million, taken from the railway infrastructure fund. According to the SFAO's experts, the coverage rate of this line is now around 21.8%. Below 20%, the Confederation would no longer be obliged to co-finance the line, which would have to be borne by the cantons concerned. There is no guarantee that they would cover the costs in that case. According to the SFAO, a political review of the renovation of the Weissenstein railway tunnel would be wise.

SOURCE: SWISSTOPO





5. TRANSPORT, AVIATION AND THE ENVIRONMENT

C. CIVIL AND MILITARY AIR TRAFFIC CONTROL: A SENSE OF UNFINISHED BUSINESS, ISSUES UP IN THE AIR

Since 2001, the Swiss sky has had a single supervisor: Skyguide, the result of the merger of military and civil air traffic control. This grouping is a rarity in Europe. Almost one in ten employees of this civilian organisation now works for the Swiss Air Force (around 100 positions, 8% of the total). The DDPS pays Skyguide 36 million for its services every year.

The SFAO's auditors delved into the history of this partly unfinished merger²⁸. Weaknesses remain despite military air traffic control being taken over by civilian controllers. At least three objectives of this merger have not been achieved. A project called HELCO was to improve the efficiency of air traffic control, generate savings and create a regulatory body to arbitrate between civil and military wishes.

Broken promises

The potential technical synergies between the military and civil fields were overestimated. At present, these systems remain incompatible or would require major investment to adapt military systems to civil requirements. Fifteen years later, the current trend has also changed and is more towards separating civil and military systems. Consequently, the promised efficiency gains have not been achieved.

Savings that have not been realised were also being hoped for. Under Skyguide's collective employment agreement, the former military controllers received an average salary increase of 25%. In 2000, the federal authorities were expecting operating costs of CHF 15 million. One year later, it was necessary to adapt them to nearly 35 million.

Another dampened hope was the creation of a joint regulatory body. The issue is complex. Grey areas between the civilian and military domains would inevitably appear. What use of military airfields for civil traffic? Civil air traffic rules are stricter and more expensive, but should they also apply to the military sector? How can differences of interpretation between the Swiss Air Force and the Federal Office of Civil Aviation (FOCA) be taken into account in the application of the directives? These questions have not been settled, as the regulatory body sought with the HELCO project has not yet been created. This weakness must be resolved, especially since the Federal Council is still calling for further integration of air traffic control and for greater use of military airfields for civilian purposes.

²⁸ The report for audit mandate 15388 is available on the SFAO's website.



The Confederation is losing interest in a merger project it launched

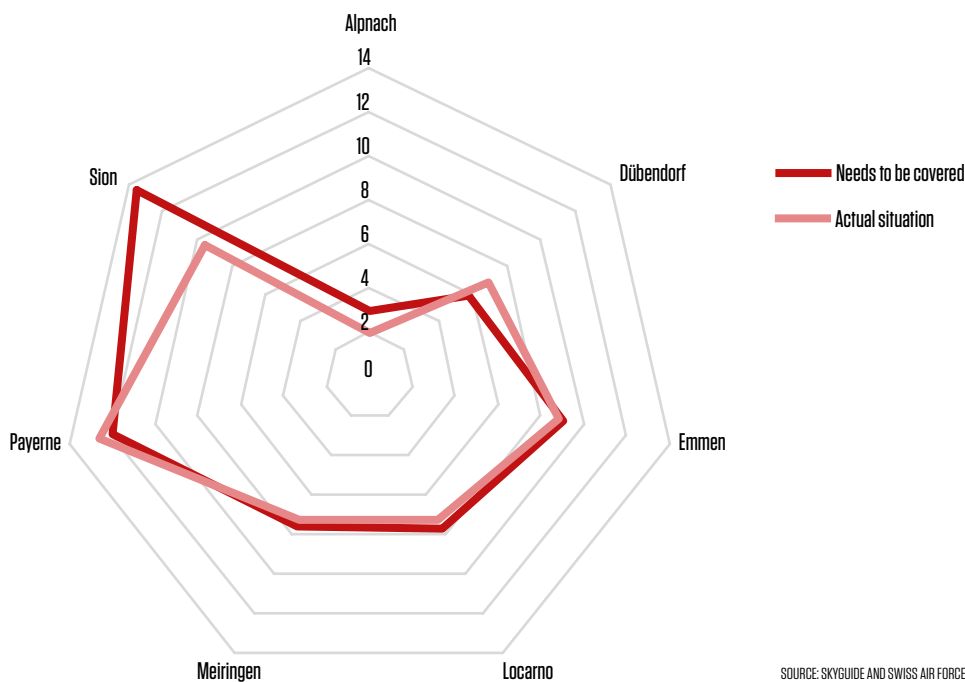
Overall, this sense of unfinished business can be explained by the history of this merger. The SFAO's auditors became archaeologists, and this is what they dug up.

HELCO was originally approved by the Federal Council on the basis of preparatory work that did not include an in-depth analysis of the operational consequences of the merger of air traffic control in Switzerland. Without a feasibility study, the Federal Council adopted a concept with many unknowns. The project designers thus assumed that a merger would de facto generate cost savings.

Project monitoring was faulty too. The federal authorities left the integration of air traffic control to Skyguide, but they did not set up any supervisory body. Moreover, the creation of a regulatory body seems to have been a hot potato between the DETEC and DDPS. They finally entrusted Skyguide with this objective even though it was not within its remit. Skyguide conducted interim reviews throughout the project (2003, 2006 and 2014). Despite their searches, the SFAO's auditors have no record of any reaction by the federal authorities to these reviews, nor of any corrective measures by those authorities. The integration of civil and military air traffic control has still not been the subject of a final review by the federal authorities.

Back to the present. During their audit, the SFAO's experts also noted that the lack of controllers has remained a crucial problem in recent years. This can have an impact on Swiss Air Force operations. The occupation of air traffic controller is seen as unappealing and few candidates are attracted. Aware of the problem, Skyguide made military air traffic control activities more attractive from 2014 onwards.

Number of controllers for military air bases (April 2015, FTEs)



SOURCE: SKYGUIDE AND SWISS AIR FORCE



5. TRANSPORT, AVIATION AND THE ENVIRONMENT

D. DOES THE FEDERAL ADMINISTRATION REALLY HAVE TO MEASURE EVERYTHING?

The environment is under close scrutiny in Switzerland. Every year, the Federal Office for the Environment (FOEN) spends almost CHF 21 million, or 10% of its budget, on observing the air, forests and waste in our country. In addition to this, there are unquantifiable internal costs, as well as those of the cantons, communes and other public institutions responsible for taking measurements. In all, the FOEN has an array of 530 indicators which presuppose the collection of a whole series of data. Within the framework of the audit, the FOEN carried out its own internal self-evaluation on this dossier. The SFAO's auditors questioned the usefulness of such a system of indicators, the scope of which exceeds international standards in this area²⁹.

One of the main results of this review is the link between indicators and environmental policy. The quality of the indicators is not an issue for the SFAO's auditors. Instead, it is their actual usefulness in the FOEN's environmental policy that is being questioned. As it happens, dozens of indicators are not used systematically in the internal decisions of this office. In other cases, indicators are not linked to threshold values like in the field of air pollution. According to the SFAO's auditors, the FOEN must not only reduce the number of indicators, but also review the number of measurement points. It should also make better use of this information in its processes and decisions.

Transparency vis-a-vis the public and in terms of costs

Further improvements are still possible. For example, not all of these indicators are published. It is true that they are used to produce FOEN publications, including its environmental report, but they are not all available online. The SFAO's auditors recommend publishing them on the office's website. Finally, costs are a major issue. During their audit, the SFAO's team found that the internal costs associated with these indicators were neglected. However, these costs can sometimes take very significant proportions – up to 40% – of the total cost of an indicator. In future, the FOEN must integrate this dimension into its work if any new indicators are introduced.

²⁹ The report for audit mandate 17408 is available on the SFAO's website.



SPOTLIGHT

A FUND THAT HAS FAILED

Each year, the federal authorities co-finance a fund for the promotion of forestry and timber research. They contribute CHF 470,000 to it. Its secretariat is based within the FOEN. For the SFAO's auditors, it is time to eliminate this contribution, whose *raison d'être* is questionable, or at least to rethink the organisation of this fund and its support for research projects already financed by the Confederation³⁰. Eight of the ten projects selected in 2016 are at the Swiss Federal Institute of Technology Zurich or at universities of applied sciences that already receive federal funding. However, according to its regulations, the fund must not support such projects. Moreover, these sums are so small that they had no decisive impact on the choice to carry out the project (windfall effect). If this fund is to remain at the FOEN, the latter will have to consider ways of strengthening the checks on the granting and monitoring of contributions. The administrative costs would increase, which would reduce the profitability of this investment.

³⁰ The report for audit mandate 17394 is available on the SFAO's website.

PART 1: THE MAIN RESULTS



In 2017, the SFAO's auditors observed the management of the historic equipment of the Swiss Armed Forces, as seen by [Sjöstedt](#).

6. ARMAMENTS AND SPORT

From the high-tech drone to the 19th century harness, this is what the SFAO's auditors were confronted with in the military field in 2017. In the same department, they also carried out a series of checks regarding federal subsidies awarded to sport in Switzerland.

A. THE NEW DRONE OF THE SWISS ARMED FORCES WILL FLY, BUT AT WHAT COST?

When will the future drones of the Swiss Armed Forces fly over our country unaccompanied by a plane and ultimately at what price? The SFAO's auditors provided information to Parliament to answer these questions, which were the subject of several press articles³¹. The answer can be summed up in a single sentence: a little later than planned and at a slightly higher cost. Deployment in 2021 is now in question, while the price estimates did not include VAT and additional costs due to exchange rate changes. However, the situation does not seem as bad as the press suggests.

This reconnaissance drone system project is called ADS 15. It will replace the current tool dating back to the 1980s, which is now obsolete. The Federal Assembly allocated CHF 250 million for this in the 2015 armament programme and a further CHF 15 million for the preparation of this procurement. Responsible for this acquisition, armasuisse clearly drafted the specifications – including civil requirements – and put the contract out to tender among 14 suppliers with 17 different systems. In the end, the Swiss Armed Forces should have six Hermes® 900 tactical drones made by the Israeli manufacturer Elbit System Ltd.

Technical and financial issues to be resolved

In the media, doubts were expressed about the project's "Swissness" and its anti-collision system ("sense and avoid", or SAA). According to the SFAO's auditors, the first criticism does not hold water. The adaptations and other technical modifications were made by the original manufacturer as part of the ongoing improvement of its product. The Hermes® 900 thus remains Elbit's most modern drone. Largely standardised, this drone is not the result of unnecessary "Swissness".

The situation regarding the SAA is more questionable. To date, no operational and certified civil airspace collision avoidance system for drones exists in Switzerland or abroad. However, the results from SAA test flights to date have been positive. Full certification of ADS 15 would thus be feasible and realistic. The only problem is that, despite the contract with Elbit, armasuisse is coordinating the development and testing phase with both suppliers. Consequently, the Confederation will ultimately be responsible for the smooth operation of the Elbit device and the SAA device developed by RUAG.

³¹ The report for audit mandate 16612 is available on the SFAO's website.



6. ARMAMENTS AND SPORT

In terms of costs, their presentation in the armament programme was incomplete. According to the SFAO's auditors, between CHF 9.5 and 17 million will be needed to cover VAT and transport costs related to imports. Furthermore, hedging was carried out at a higher exchange rate than the programme's hypothetical rate. Additional forex costs of 13.5 million are expected. The final cost of the project is thus unclear. There could be an increase of between 9% and 12% in original credit.

B. IMPECCABLE FEDERAL OFFICE OF SPORT

The Confederation supports both grassroots level and top-level sport and exercise. In 2016, Parliament allocated CHF 124.2 million, including investment in sports facilities that are national in scope. The SFAO's auditors examined the subsidy allocation process and its supervision by the Federal Office of Sport (FOSPO)³². At the same time, they also evaluated the use of this money by three recipients: Swiss Olympic, the Biel national tennis centre expansion and the European Artistic Gymnastics Championships held in Bern in 2016. A total of CHF 26.2 million was distributed to these.

The SFAO's auditors unreservedly found that the way in which the FOSPO allocates and monitors these subsidies is adequate. The granting and control procedures are appropriate. They make it possible to address known risks in the granting of federal money and are in compliance with the law. Formal details for correction were identified, but nothing that requires an SFAO recommendation to the FOSPO.

SPOTLIGHT

FAR-FETCHED MILITARY MUSEUM MANAGEMENT

Every year, the Confederation spends a minimum of CHF 7.4 million on the collection of military items. It collects vehicles, weapons, clothing and aircraft. This forms a collection that bears witness to the technical evolution of the military sector from the 19th century to the present day. The Center for Historic Equipment of the Armed Forces (CHEAF) is responsible for maintaining these collections. It works with several private foundations to do so.

The SFAO's auditors examined this management. For the third time, their findings were critical³³. Like in the past, their audit shows that the CHEAF cannot detail the money committed exactly, as this office does not have its own credit and obtains benefits in kind from the DDPS. The existing directives do not curb the natural tendency to want to collect too much. Finally, there is no link between the CHEAF's work and the Federal Act on the Federal Museums and Collections, nor is there a concerted strategy with other Swiss museums.

The Armed Forces Staff supervising the CHEAF at the DDPS contested the shortcomings identified by the SFAO. It believes they are wrong. The SFAO maintains its claims and has decided to publish the three audit reports on the museum management of the Swiss Armed Forces.

³² The report for audit mandate 17603 is available on the SFAO's website.

³³ The reports for audit mandate 10355, audit mandate 13116 and audit mandate 17608 are available on the SFAO's website.



The results among subsidy recipients are good too. Swiss Olympic redistributes these federal and cantonal contributions to the country's sporting associations, money which is crucial for the life of these organisations. The management of this money by Swiss Olympic is efficient and economical. Furthermore, the SFAO's auditors found no evidence of uneconomical use of public money by these sporting associations in the accounts.

Moreover, in the case of the national tennis centre, the FOSPO's contribution even made it possible to avoid additional costs and delays with the expansion of this infrastructure. There was no improper use of public money during the European Artistic Gymnastics Championships either. Finally, despite the suspicions reported in the press, the SFAO's auditors did not identify any conflicts of interest between the FOSPO's management and the subsidy recipients.

SPOTLIGHT

LACK OF TRANSPARENCY OF SERVICES BY RUAG TO THE ARMED FORCES

The SFAO was finally able to complete its audit of RUAG Aviation concerning the distinction between orders from the Confederation and those from third parties³⁴. It had been formally mandated by the Finance Delegation to conduct this audit, which showed how highly dependent the Armed Forces are on RUAG Aviation. The Armed Forces entrust it with both the maintenance and life cycle management of its flight systems. Moreover, RUAG Aviation is the external competence centre from which the Armed Forces Logistics Organisation procures the material needed for its systems. RUAG Aviation advises the Armed Forces on system changes and at the same time carries out the corresponding work. The SFAO recommends that the Defence Group strengthen the management of this external competence centre, which is sensitive from a military point of view.

RUAG Aviation receives orders worth around CHF 200 million per year. Three quarters of these orders are subject to fixed flat-rate prices. The operation of the competence centre for flight system material ensures that RUAG Aviation generates turnover of around CHF 1 billion and a maximum profit margin of 8% on average over a period of five years. The lack of transparency regarding invoicing, which RUAG Aviation justifies with the use of fixed flat-rate prices, makes it impossible for the client to check services and invoicing. The asymmetric information has grown since 2013 with the rise in services billed on a flat-rate basis. RUAG was not even able to provide the SFAO with information on the calculation of prices.

The SFAO recommends that the Federal Council require RUAG to draw up a transparent and comprehensible financial report on its various areas of activity without delay so that any hidden cross-financing can be detected.

Extract from the Annual Report 2017 by the Finance Delegation

³⁴ The audit report for audit mandate 16674 has been submitted to the Finance Delegation.



In 2017, the SFAO's auditors examined the workings of the diplomatic market, as seen by [Sjöstedt](#).

7. INTERNATIONAL RELATIONS

In 2017, the SFAO's auditors had a busy schedule in the field of foreign affairs and international cooperation. The audit teams analysed the diplomatic rotation mechanisms and the recruitment of senior executives at the Federal Department of Foreign Affairs (FDFA). They also looked into the consistency between the Federal Council's wishes concerning development assistance and the reality of the commitment of the Swiss Agency for Development and Cooperation.

A. ENSURE GREATER TRANSPARENCY ON THE DIPLOMATIC MARKET

Diplomatic and consular staff will be affected by an in-depth reform of the personnel policy of the FDFA in 2018. The details of this reform have been under discussion for over a year and should soon be finalised. It was in this context that the SFAO's auditors examined part of the department's current personnel policy at the FDFA's Directorate for Resources (DR)³⁵. The core of the work concerns the positions at the Bern head office held by so-called "relocatable" staff. Everything is clear on paper, but the practice is less so and could be improved. The current reform context at the FDFA lends itself to this.

At the end of 2016, the FDFA employed almost 5853 people, and just over 22% of them were "relocatable". These people are part of consular, diplomatic and international cooperation cycles. In principle, they must change their place of work and position every four years. Every year, a quarter of them are transferred, i.e. around 300 positions for a total wage bill of CHF 42 million. The transfer costs are around CHF 6 million for each annual rotation. The FDFA's DR is responsible for this task.

Clear procedures, but not always applied

The allocation of the most prestigious positions sometimes gives rise to press articles where the suspicion of a policy depending on the person in question creeps in. The SFAO's auditors found that this allocation system has become much clearer with each passing year. The DR has defined the procedure for filling vacancies. There is a call for applications every year. This procedure is transparent and verifiable. All of the stages are documented. The DR Personnel Division has many useful tools at its disposal for applying it³⁶. In 2017, the DR followed the call for applications procedure as defined.

At another level, the lists of candidates were subsequently altered by various hierarchical levels. However, these lists had been drawn up in a transparent manner for the allocation of positions. This circumvents the defined and implemented procedures, and an unfavourable impression is given in terms of transparency. Finally, it is impossible to trace the adjustments concerning certain positions, particularly for top-level appointments decided by the Federal Council.

³⁵ The report for audit mandate 16410 is available on the SFAO's website.

³⁶ The quality of personnel files needs to be improved. Of a sample of 22 electronic personal files tested by the SFAO's auditors, 19 had formal deficiencies.



7. INTERNATIONAL RELATIONS

Rethink the holding of head office positions by relocatable staff

At a conceptual level, the SFAO's auditors saw that the rotation system is not without risks for head office positions. This closed system – the same employees remain distributed among a number of positions – can lead to an unsatisfactory allocation of human resources. Moreover, it is impossible to satisfy everyone, which inevitably leads to significant frustration among employees.

Two ways of improving this are taking shape. On the one hand, the duration of four years for important positions at head office seems too short to allow the position holders to effectively implement a strategy. On the other hand, relocatable staff should not be appointed to positions requiring a high level of technical expertise or involving significant interaction with other federal offices. With this in mind, the SFAO's auditors recommend that the optimal assignment duration and the degree of specialisation required be analysed during the next rotation.

B. BILATERAL DEVELOPMENT ASSISTANCE: WHICH COUNTRIES AND UNTIL WHEN?

The issue of development assistance and international cooperation has been the subject of intense debate in the Federal Assembly since the early 1990s. Is Switzerland doing too much, or not enough? Has its assistance been effective? And are the beneficiaries selected as fairly as possible, and based on what criteria? In 2014, an international organisation set the cat among the pigeons. The Organisation for Economic Cooperation and Development (OECD) criticised Switzerland for its dispersion. According to the OECD, the number of countries receiving Swiss aid is too high³⁷.

In February 2016, the Federal Council's dispatch on international cooperation (2017–2020) set out clear criteria for Switzerland's involvement in the so-called priority regions and countries. For the first time, this dispatch mentioned exit criteria for assistance. The text was accompanied by CHF 2613 million in bilateral Swiss aid for Africa, Asia and the Americas (in red below).

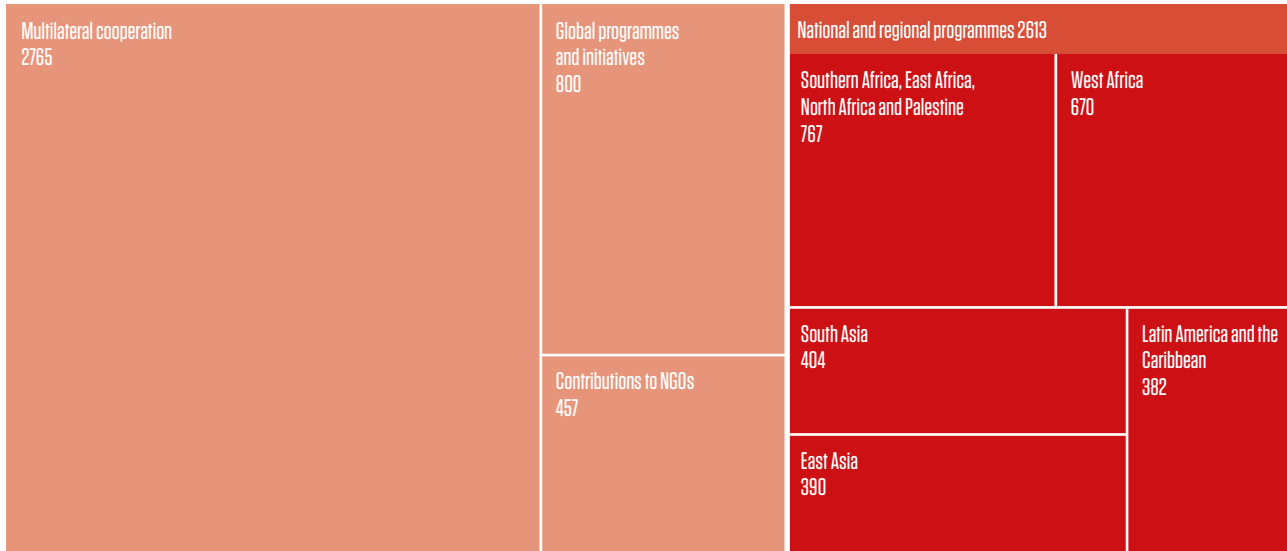
Did the Swiss Agency for Development and Cooperation (SDC) in charge of the dossier apply these commitment and exit criteria when selecting its assistance beneficiaries? Not according to an audit conducted by an SFAO team³⁸. In future, the criteria set out in the Federal Council's dispatch must be respected.

³⁷ OECD Development Assistance Committee (DAC), *OECD Development Cooperation Peer Review Switzerland 2013*, Paris, 2014.

³⁸ The report for audit mandate 16290 is available on the SFAO's website.



Distribution of the framework credit for Switzerland's international cooperation (2017–2020, mn CHF)



SOURCE: DISPATCH ON SWITZERLAND'S INTERNATIONAL COOPERATION 2017–2020

Bolivia, Cuba, Mongolia, Kenya: countries that should be reviewed

The SFAO's auditors verified Switzerland's presence based on the seven commitment criteria and the five exit criteria mentioned in the Federal Council's dispatch. In the first case, these indicators make it possible to say whether Switzerland could theoretically intervene in a new country or region. With the exception of Syria, where the SDC is potentially prepared for a commitment, several countries where Swiss assistance is active do not meet most of the criteria. Delving a little further, the SFAO's auditors identified four countries that would not be candidates for bilateral assistance: Nicaragua, Bolivia, Cuba and Mongolia. Their status as assistance recipient countries should be addressed in the next Federal Council dispatch.

Another approach: what are the criteria that dictate the possible withdrawal of Swiss assistance from countries that currently benefit from it? For the SFAO's experts, three countries could be excluded from assistance: Kenya, Mongolia and Bolivia.

The SDC considers these findings do not reflect the fact that maintaining assistance in Bolivia and Mongolia is justified by the risk of breaking the continuity of long-term assistance in the field. In the case of Kenya and Nicaragua, the assistance is warranted by the role that these countries play for Swiss cooperation in a specific regional context. However, the SFAO's auditors believe that Switzerland's presence in the countries mentioned should be reviewed when the SDC's future "country strategy" is being drawn up.

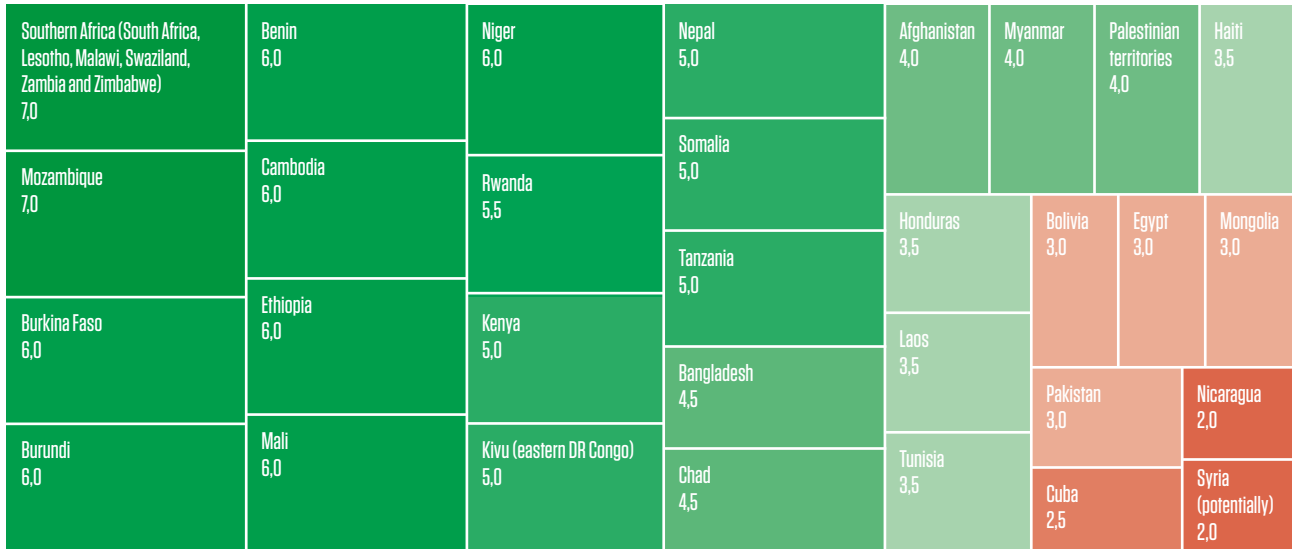
At a completely different level, these same auditors found very intense reporting at the SDC on both a geographical and thematic level. This activity which requires considerable energy has very little coordination and is not based on standardised data.

PART 1: THE MAIN RESULTS



7. INTERNATIONAL RELATIONS

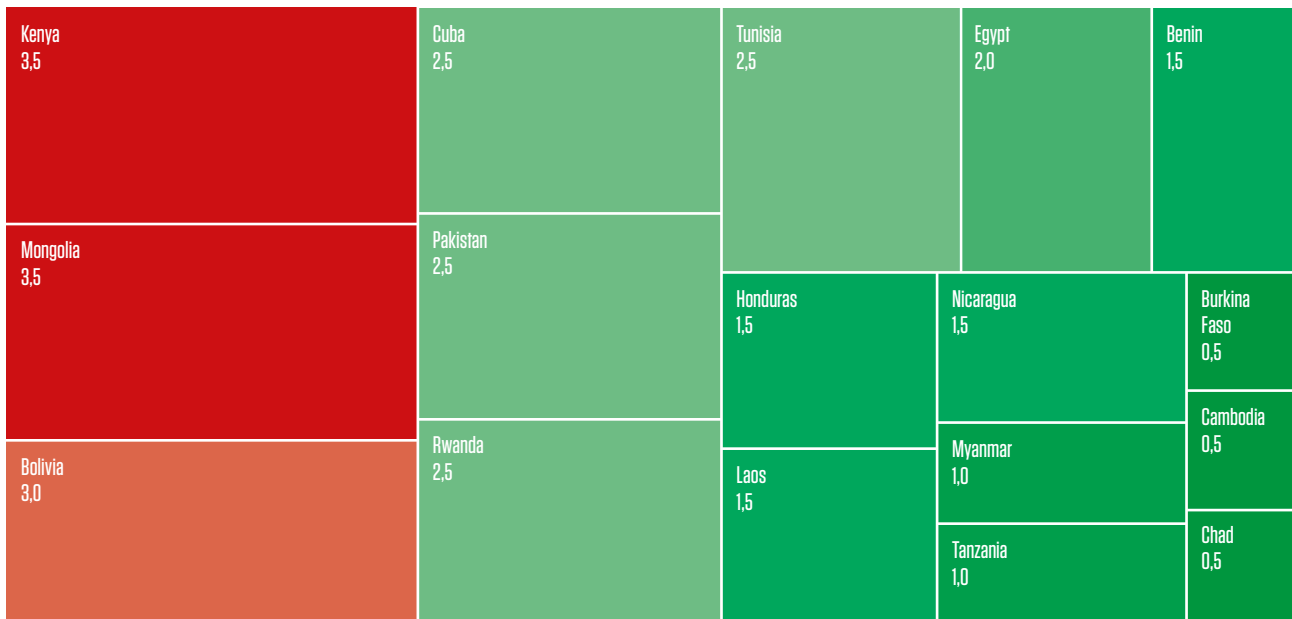
In which countries or regions is Switzerland likely to commit itself?
(Number of criteria fulfilled to commit bilateral assistance, maximum: 7)



In order for a country or region to be added to the list of countries in receipt, most of the following criteria must be met: the country demonstrates high poverty rates for each criterion; it is considered to be fragile; it is open to dialogue and reforms, it is in Africa or the Middle East; the cooperation is of interest to Switzerland in terms of both foreign and development policies; cooperation on a particular topic allows international policy to be influenced in a targeted and comprehensive manner and permits involvement in negotiations on international regulations; the presence of other financial backers is limited.

SOURCE: SFAO, IN COLLABORATION WITH THE SDC

With which countries is Switzerland likely to end its international cooperation?
(Number of criteria fulfilled to withdraw bilateral assistance, maximum: 5)



In order for Switzerland to end its aid to a country, the country in question must: have its own resources and sufficient capacity; implement solid poverty reduction policies and demonstrate continuous improvement in its Human Development Index (HDI); have a relatively stable governance; and public investments that facilitate private investments; or no longer request any support from the Swiss cooperation.

SOURCE: SFAO, IN COLLABORATION WITH THE SDC





In 2017, the SFAO's auditors evaluated the supervision of foundations in Switzerland, as seen by [Sjöstedt](#).

8. JUSTICE AND POLICE

The SFAO's auditors were particularly active in the asylum sector. Two topics were addressed: supervision of the Confederation's contributions to the cantons for social assistance and of the integration programmes for migrants. In another area, they examined the uncertainties of foundation supervision at the federal level. Finally, an SFAO team examined the management of the billions of francs sequestered by the criminal prosecution authorities.

A. THE FAIR PRICE OF ASYLUM IN THE CANTONS

The Confederation provides financial support to the cantons facing migration issues. In 2015, the State Secretariat for Migration (SEM) distributed some CHF 968 million in social assistance for asylum and refugees. The State Secretariat calculates the amount of the subsidies granted to the cantons. It also monitors them. Following criticism from the cantons, the SEM corrected its calculation method and updated its supervision system in April 2015. The SFAO's auditors examined these two new elements³⁹. And they found unnecessary controls, among other things.

During this review, the auditors considered that the supervision concept for the subsidies granted by the SEM could be improved. Although this financial supervision includes an array of internal verifications that are essential for drawing up correct accounts, particularly in connection with data from the Central Migration Information System (ZEMIS), there is insufficient scope in this supervision concept for the effectiveness of these federal contributions in the cantons and their use in accordance with the legislation on subsidies. These two points suggest that cantonal supervision still needs to be improved. Consequently, the current concept should be reviewed.

Increasing the efficiency of controls

These conceptual imperfections are reflected in the control practices of the SEM and its Subsidies Division. Seven people (5.5 FTEs) are assigned to manually checking the quality of ZEMIS data and calculating the lump sums granted to the cantons. In 2015, these checks resulted in corrections worth 4 million in favour of the Confederation and 1.4 million in favour of the cantons, i.e. a net amount of 2.6 million. This modest result – 0.26% of the subsidies paid – only partly justifies such an administrative and human investment.

In this respect, the SFAO's experts are calling for improved data quality, the abolition of ancillary checks and the introduction of automatic verifications. Already in 2011, the SFAO had recommended the establishment of comparisons between the individual ZEMIS data and that in the register of AHV insured persons of the CCO. The SEM began to pursue this course of action. It is a step in the right direction for detecting errors and reducing control expenditure.

³⁹ The report for audit mandate 15339 is available on the SFAO's website.



8. JUSTICE AND POLICE

Updating the basic data for calculating social assistance lump sums

The SEM makes a massive effort to calculate the lump sums granted annually to persons who have been granted asylum and asylum seekers as accurately as possible. This is also the case for the monthly calculation of the subsidies for the cantons. For the SFAO, there are too many calculations and checks here. It is conceivable to refrain from this excess if the system guarantees a correct and secure calculation as well as a rigorous modification mechanism in the case of errors.

For the time being, however, these calculations are based on shaky or even obsolete foundations. The models used do not fully incorporate the actual costs borne by the cantons. The indices for determining the amount of social assistance for the lump sums per person also have to be updated. This is the case for the consumer price index (1993 reference year) and the rent index, based on a 2003 survey by the Federal Statistical Office (FSO).

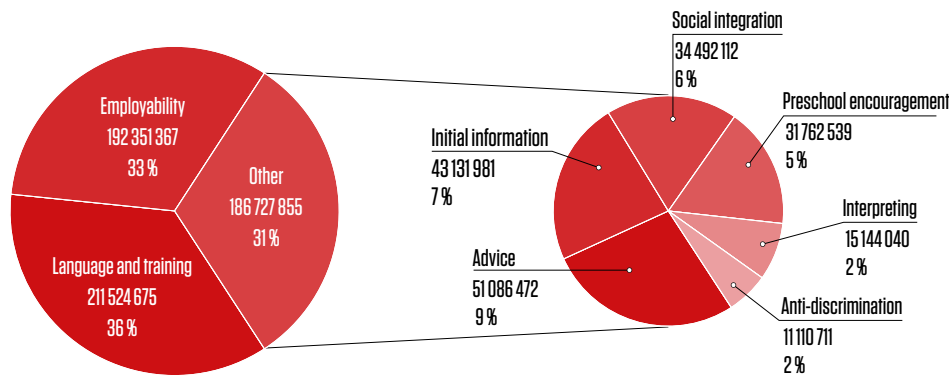
Overall, and despite the improvements to be made, the SFAO's auditors believe that the flat-rate contribution system and its renewed funding are in line with the progress called for by the Federal Council and the Federal Assembly. Transparency has improved, even if the reduction of the administrative burden for the Confederation and the cantons remains an objective to be pursued according to the auditors.

B. BETTER SUPERVISION FOR INTEGRATION PROGRAMMES

Since 2014, the federal authorities and their cantonal counterparts have been reviewing the area of the integration of foreigners and also the financing system for cantonal integration programmes. The end of 2017 marks the end of a first four-year phase during which the Confederation and the cantons planned to invest more than CHF 590.6 million in this area. The main incentives concern training, languages and integration into the labour market. For the implementation of the cantonal integration programmes, the SEM used programme agreements for the first time. Its Integration Division is responsible for this dossier and for the financial supervision of cantonal integration programmes. The SFAO's auditors examined this supervision. They also made field visits during SEM checks in the cantons of Basel Stadt, Geneva and Schaffhausen.

Hats off. This was the prevailing sentiment among the SFAO's auditors who observed the work of the SEM Integration Division. Why? Because, without the creation of additional posts, the employees of this division coped with considerable upheaval regarding their tasks after the 2014 reorganisation. Since then, they have been managing more than CHF 84 million, versus CHF 17 million previously. In addition, they are tasked with monitoring these integration contributions.

Immigrant integration, by encouragement area (2014–2017, in CHF)



SOURCE: SEM, CANTONAL INTEGRATION PROGRAMMES 2014–2017, INTERIM REPORT, 2016



8. JUSTICE AND POLICE

Cantonal risk coverage is still deficient

Despite the efforts of the Integration Division, the level of this supervision is not yet sufficient. The SEM has to reorganise this area and develop synergies with its other divisions which perform financial supervision in the cantons. According to the concept, the risks at the cantonal level should be covered by three to four audits per year. In three years, only four reviews were carried out. The SEM must be equipped to analyse and better assess these risks. Its planning must ensure that all cantons are subject to a review in a four-year period. And these audits must abandon a too formal method and be accompanied by a concrete checking component based on samples. None of the cantons visited by the SEM has systematic supervision. Yet it is their responsibility. The SEM must encourage this as soon as possible.

The SFAO's auditors found one last gap. The cantonal integration programmes and programme agreements with the cantons aim to achieve concrete results. However, SEM supervision does not follow the same logic. It leaves it to the cantons to carry out evaluations at their discretion. A SEM evaluation strategy in collaboration with the cantons is a necessity. Without this, the Confederation and its cantonal partners will be unable to assess the effectiveness of integration programmes and the achievement of the strategic objectives set politically.

SPOTLIGHT

HOW TO KEEP AN EYE ON 8 BILLION SEQUESTERED IN CRIMINAL PROCEEDINGS?

In Switzerland, the criminal prosecution authorities block hundreds of millions of francs from suspected illegal activities every year. The SFAO's auditors managed to calculate a total of around 8.2 billion sequestered at federal level⁴⁰. This sum has been rising steadily for the past decade. In terms of the volume blocked, this sequestration was ordered by the OAG, the Federal Office of Justice (FOJ), the FTA, the Federal Customs Administration (FCA) and the Federal Criminal Court (FCC). The SFAO's auditors analysed how these entities managed this sequestered mass until the criminal proceedings were completed. On a positive note, they did not find any cases of mismanagement involving responsibility on the part of the Confederation.

Despite this finding, there are still risks associated with the fact that this management task is often considered secondary. Measures are necessary to provide the best possible framework for this management, limit the risks of error or fraud and help the staff in charge of this management. The OAG, FOJ, FTA, FCA and FCC must be able to rely on global inventories and better target the risks in the supervision of sequestered assets. This recommendation was well received by some, while others consider it unrealistic and too costly, which the SFAO disputes.

Its auditors also recommended that the Federal Council amend the Ordinance on the Investment of Sequestered Assets. The scope of this text should be extended to all property seized by the Confederation. The current text is too ambiguous and should also be limited to a simpler requirement of "safe management" of frozen assets in order to avoid exorbitant expectations or even state responsibility. Unfortunately, the Federal Council rejected all amendments to this ordinance.

⁴⁰ The report for audit mandate 16606 is available on the SFAO's website.

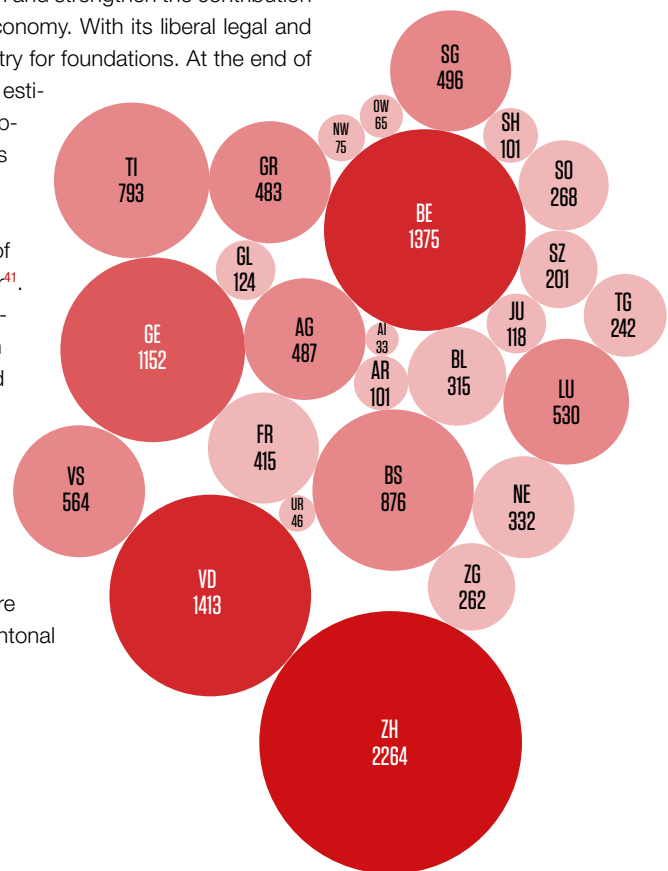


C. FOUNDATIONS: FRAGMENTED SUPERVISION AND LACK OF TAX TRANSPARENCY

In recent years, the press often reported on high-profile cases involving foundations established in Switzerland. There were reports of disproportionate remuneration for members of foundation boards, legal tangles concerning family estates and other cases of foundations linked to sensitive foreign figures who were sometimes under criminal investigation. At the same time, a movement driven by philanthropic and banking circles has taken shape to gain recognition and strengthen the contribution of foundations to Swiss society and the Swiss economy. With its liberal legal and tax system, Switzerland is an attractive host country for foundations. At the end of 2015, there were 13,075 foundations, with assets estimated at around CHF 100 billion. They also distributed nearly CHF 2 billion in philanthropic activities in Switzerland and abroad.

The SFAO's auditors assessed the effectiveness of the supervision of this booming economic sector⁴¹. This supervision is based on very general legal provisions of the Swiss Civil Code (CC). Its main aim is to ensure that the assets of foundations are used in accordance with their purpose. In practice, depending on the geographical scope of the foundations' objectives, this supervision falls to the communes, districts, cantons or the Confederation. For the first time, the SFAO's auditors weighed up the entire supervision of so-called "classical" foundations. To this end, a questionnaire was used to collect information from the 19 cantonal supervisory authorities.

Foundations based in Switzerland for each canton



SOURCE: CEPS-DATABASE, MAY 2016

⁴¹ The report on audit mandate 15770 and an external legal report on the state of the law concerning foundations are available on the SFAO's website. The legal report concluded that, in terms of the law, the supervisory authorities have the legal means and the powers necessary to resolve the problems they encounter.



8. JUSTICE AND POLICE

Fragmented and problematic supervision

Some 380 bodies currently carry out this supervision. There are 360 at the commune and district levels, 19 at the level of the cantonal authorities and one at the federal level. This census illustrates the fragmentation of supervision. According to a survey conducted by the SFAO's auditors, these various bodies employ approximately 56 full-time staff. On average, a supervisor keeps an eye on 233 foundations.

Concrete problems lie behind these figures. We can wonder whether the supervision of a handful of foundations by a single commune is professional, particularly in terms of the skills of its staff, for example. Also at this local level, the SFAO's auditors identified a risk of conflicts of interest, as the proximity between the controller and the entity being checked is sometimes tenuous. Consequently, centralisation of this local supervision at cantonal level would better meet the standards of professionalism and independence. This decision is a cantonal one. The SFAO welcomes the transformation of the cantonal supervisory authorities into public-law institutions and the inter-cantonal consolidation of some of these institutions.

Federal system at issue

The SFAO's auditors examined the Federal Supervisory Board for Foundations (FSBF), attached to the General Secretariat of the Federal Department of Home Affairs (FDHA). This body currently supervises around 4,000 foundations with activities at national and international level. At the time of the audit, its main activity, the annual checking of the foundations' management reports, had fallen considerably behind schedule (30% of dossiers). The SFAO believes that the FSBF should clarify and define its strategy, supervision concept, operating basis and key work processes.

From 2017, the FSBF will benefit from an improvement in its IT tool. With the "FSBF SAP enhancement" project, its employees can capture more data on the foundations under review. This data will allow foundations to be sorted according to the level of risk. This pre-analysis phase is essential for the FSBF to effectively review the growing volume of management reports in the future and ensure more risk-based supervision. The SFAO supports the FSBF in these efforts.

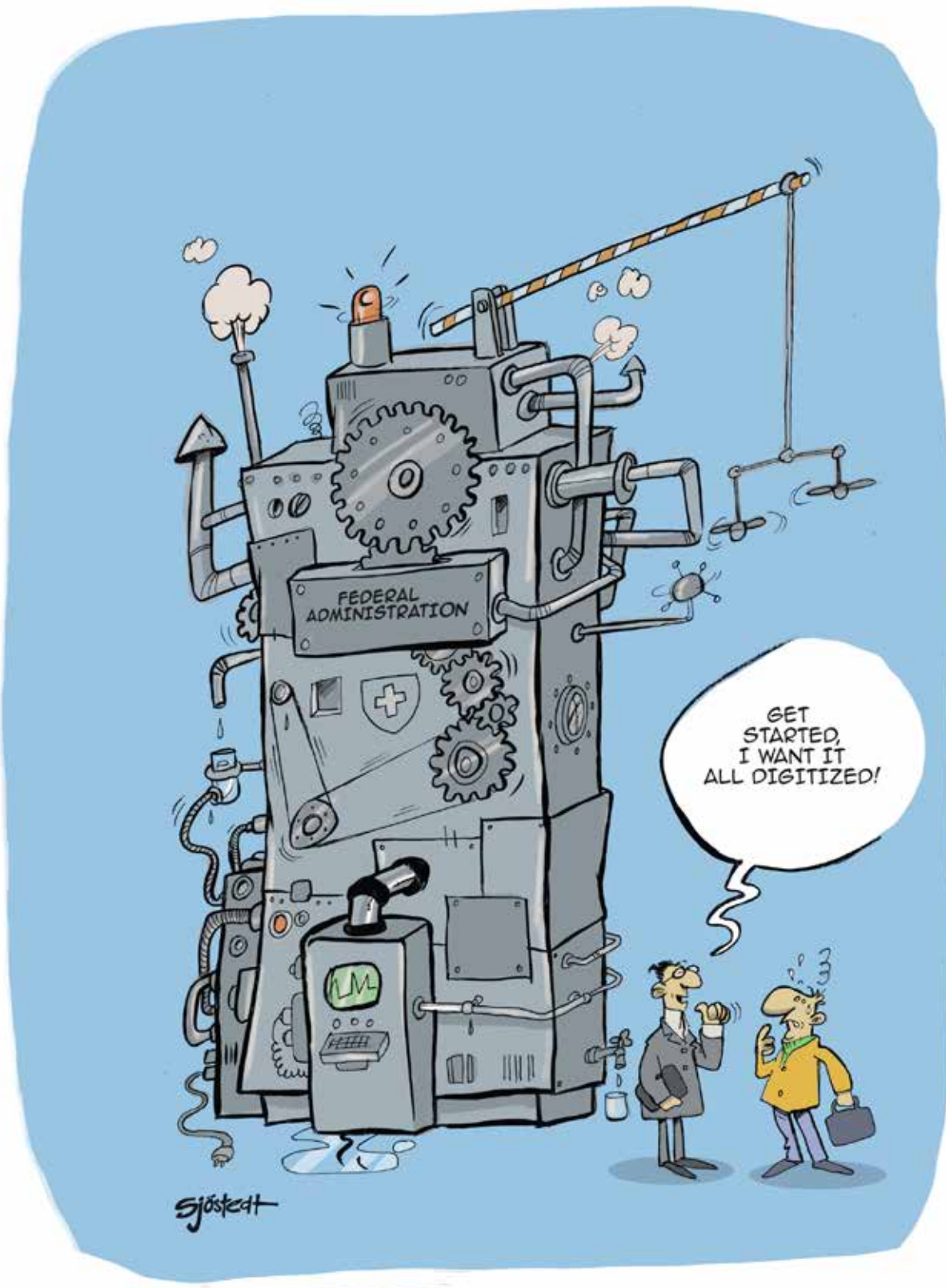


Uncertainty about the verification of charitable purpose status

Foundations that pursue public or charitable purposes may request direct tax exemption from the cantonal tax authorities. How do these authorities apply the relevant legal requirements? How are the cantonal tax administration and the competent foundation supervisory authority coordinated? Can correct and consistent practices be observed? These questions were on the agenda for the SFAO's auditors. However, the Swiss Tax Conference (STC) refused to give them access to information concerning the cantonal tax authorities.

These questions thus remain unanswered and it is impossible to understand the differences in practice between the cantons. According to the questionnaire replies obtained by the SFAO, eight cantonal foundation supervisory authorities include the issue of tax compliance in their review, while eleven others leave this to the cantonal tax administration alone. Nobody will know if this monitoring is done and if it is effective.

Furthermore, it is impossible to estimate the effects of tax exemption for some foundations. There is no centralised register of foundations. And the FTA believes that it cannot keep such a register due to a lack of a legal basis. The STC for its part refuses to keep this list.



In 2017, the SFAO's auditors examined several major IT projects of the Confederation, as seen by [Sjöstedt](#).



9. FEDERAL ICT PROJECTS

In its last annual report, the SFAO had caught a glimpse of a few bright spots here and there in the rather cloudy sky concerning major federal IT projects (the Confederation's key ICT projects in administrative jargon). Unfortunately, the horizon clouded over in 2017. The following five examples show that a storm is looming despite all the goodwill and expertise of the administration's employees who help with the implementation of these IT projects.

A. WHEN WILL THERE BE AN ENTERPRISE ARCHITECTURE FOR THE CONFEDERATION?

Indecisiveness and vagueness are the order of the day concerning work on the Confederation's enterprise architecture⁴². Yet the stakes are high. In financial terms alone, the Federal Administration will spend a total of more than CHF 1 billion on IT in 2018. This enterprise architecture⁴³ would provide an opportunity to create synergies, eliminate duplication and reduce federal IT expenditure.

The Federal IT Steering Unit (FITSU) is working on this, but it does not have the means to make it a success. However, a certain amount has already been done with enterprise architecture guidelines applicable to the departments. Approval of these was expected in 2016.

B. TAX-RELATED IT: PROLONGED WORRIES

Tax-related IT and the FISCAL IT programme have been monitored very closely by the SFAO's auditors since the abandonment of its predecessor, INSIEME⁴⁴. 2017 was no exception. An SFAO audit team returned to the FTA for the fourth time⁴⁵. During their visit, the auditors observed that once again the timetable for the replacement of applications such as STOLIS, used in connection with withholding tax and stamp duty, was tight. There is tangible progress, but some catching up needs to be done. In mid-2017, the SFAO's auditors analysed the risks regarding the smooth production of the state financial statements. At the beginning of 2018, initial information enabled the SFAO to put past worries into perspective.

The last matter raised by the SFAO's auditors concerned the operating costs of FISCAL IT. At the time of the audit, the FTA and the Federal Office of Information Technology, Systems and Telecommunication (FOITT) had still not signed a service level agreement. In other words, the operating costs for the IT service platform made available to the FTA were unknown.

⁴² The report for audit mandate 16518 is available on the SFAO's website.

⁴³ Enterprise architecture is a discipline that enables an organisation to know and organise its business processes, determine its needs, identify synergies and design information systems adapted to processes.

⁴⁴ FISCAL IT aims to standardise the entire IT systems of the FTA and integrate these systems into a modern IT architecture. This programme has fallen behind schedule and will cost more than expected. At the end of 2016, the FDF informed the Finance Delegation of an overrun of CHF 26 million for a final estimated cost of CHF 117.6 million, including 6.4 million in internal expenses.

⁴⁵ The report for audit mandate 17441 is available on the SFAO's website. The SFAO's auditors had previously carried out three audits on the key ICT project FISCAL IT (audit mandate 13506, audit mandate 14539, audit mandate 16153). All are also available to the public on the SFAO's website.



9. FEDERAL ICT PROJECTS

C. POLYCOM: A BILLION FRANC SYSTEM OVER 30 YEARS

Switzerland has a digital radio network for communications between rescue and security authorities and organisations. Built between 2001 and 2015, the Polycom network has already cost the Confederation CHF 422.5 million. The problem is that it is almost obsolete. From 2018, the technology used for digital transmission must be replaced. To guarantee its operation until 2030, the Confederation is doubling its bet. It wants to inject half a billion francs to transform the infrastructure and keep Polycom alive.

In their audit, the SFAO experts found that the project had commenced as a matter of urgency with considerable commitment from the employees of the Federal Office for Civil Protection (FOCP)⁴⁶. They criticised the lack of transparency in the figures put forward for the Confederation's future costs. Coordination at the federal level is not great. The FOCP is responsible for the transitional system until 2025, while the Border Guard (BG) is adapting its base stations via cantonal projects. The FOCP and BG have specific credit lines. In the SFAO's view, credits and implementation must be pooled at the FOCP for efficiency and effectiveness reasons.

D. FEDRO PROJECT BACK ON TRACK

Like the FISCAL IT project, the vehicle licensing information system (IVZ) project is a regular client of the SFAO's auditors⁴⁷. Led by the Federal Roads Office (FEDRO), IVZ is to replace the current systems (MOFAD) introduced more than thirty years ago. By the end of June 2017, almost CHF 48 million had already been spent on this project. The project managers estimate that the total cost of the project will be close to 73.6 million, including internal and operating costs. This is more than expected and the operation of this project is also four years behind schedule.

Despite this, the worst has been avoided. After the total end of the collaboration between FEDRO and Trivadis, the main supplier of IVZ, the joint work recommenced. Better still, three of the four main problems that prevented the launch of IVZ in 2015 have been resolved. Collaboration between the partners is now good and the system seems stable in theory. FEDRO believes that the introduction of the system at Easter 2018 is an achievable objective. The SFAO's auditors found that greater involvement of FEDRO management made this positive change of direction possible. Finally, they again pointed out the need to avoid duplication between the cantons and the Confederation in the future development of IVZ.

⁴⁶ The report for audit mandate 16375 is available on the SFAO's website.

⁴⁷ The report for audit mandate 17576 is available on the SFAO's website. Previously, the SFAO's auditors conducted two audits on the IVZ key ICT project (audit mandate 14372, audit mandate 15627). They are also available to the public on the SFAO's website.



E. STRESS TESTS FOR THE NEW FEDERAL OFFICE SUITE

SFAO employees have been working with the Confederation's new IT workstation (APS 2020) since autumn 2017. This will soon be the case for the entire Federal Administration. Windows 10 and Office 2016 will have been installed on 40,000 workstations by the first quarter of 2019. Budgeted at CHF 89 million, this project is led by the FITSU.

At the beginning of 2017, the SFAO's auditors noted the risk carried by the project's link with the Confederation's other major IT projects⁴⁸. They also highlighted the importance of testing and ensuring that the business of the federal offices would work properly with Windows 10 and Office 2016, as well as with future updates of these Microsoft software packages. With several Windows 10 updates per year henceforth, testing the interfaces with the offices' business applications will require considerable work.

⁴⁸ The report for audit mandate 16504 is available on the SFAO's website.

PART 2

MEANS AND FIGURES OF FINANCIAL SUPERVISION IN 2017



The Swiss Federal Audit Office,
as seen by Sjöstedt.



1. FINANCIAL SUPERVISION: OBJECTIVES, RESOURCES AND AUDIT AREAS

A. OBJECTIVES

The SFAO is the supreme financial supervisory body of the Swiss Confederation⁴⁹. It assists the Federal Assembly with its supreme supervision of the Federal Council and its supervision of the Federal Administration. Its audit scope covers:

- The Federal Administration and its central and decentralised units
- Parliamentary Services
- The recipients of financial aids and grants
- Public bodies, institutions and organisations that the Confederation has charged with performing public tasks
- Enterprises in which the Confederation has a majority shareholding
- Federal Courts, the Swiss Financial Market Supervisory Authority (FINMA) and the Federal Audit Oversight Authority (FAOA), if this comes under supreme supervision by the Federal Assembly⁵⁰.

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

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

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

The SFAO works with the cantonal audit offices, particularly 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.

⁴⁹ FAOA of 28 June 1967.

⁵⁰ The only exceptions are as follows: the Swiss National Bank and the Swiss Broadcasting Corporation (SRG SSR) are not subject to SFAO supervision. However, the Head of the DETEC can instruct the SFAO to perform special audits at the SRG SSR. With the exception of its military insurance sector, 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 FAOA
- The Universal Postal Union and the World Meteorological Organization.

Financial supervision does not deal solely with accounting consistency, but also covers issues to do with substantive legality, economics, profitability and the effectiveness of expenditure. In this regard, the SFAO checks whether resources are used economically and whether expenditure achieves the desired effect⁵¹. 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.

⁵¹ Article 5 of the FAOA.



C. QUALITY ASSURANCE AND RESOURCES

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

The SFAO attaches great importance to training and continuing professional development for its employees. 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 2017, Parliament gave the SFAO credits of almost CHF 27.4 million. SFAO employees will carry out almost 90% of the annual programme. The remaining 10% will be performed by duly mandated external employees⁵² working under the responsibility and management of the SFAO.

⁵² 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 unemployment insurance 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 accounts for a significant share of its annual programme.

Key IT projects

Since March 2013, the Federal Council has 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 of such projects are thus audited every year.

Performance audits and evaluations

For the SFAO, the economic efficiency review includes criteria of economy, efficiency and effectiveness. The evaluations are found in this category. For the SFAO, an evaluation involves systematically and objectively analysing and assessing the concept, realisation and impact of public subsidies, policies, programmes and projects. During evaluations, the participation of the relevant stakeholders and target groups is of paramount importance for the SFAO. An evaluation's success depends on it.

Subsidy audits

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

Construction and procurement audits

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

Environmental issues as well as public-private partnerships (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 enterprises

The SFAO's audits of federal government enterprises 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. ORGANISATIONAL CHART OF THE SFAO



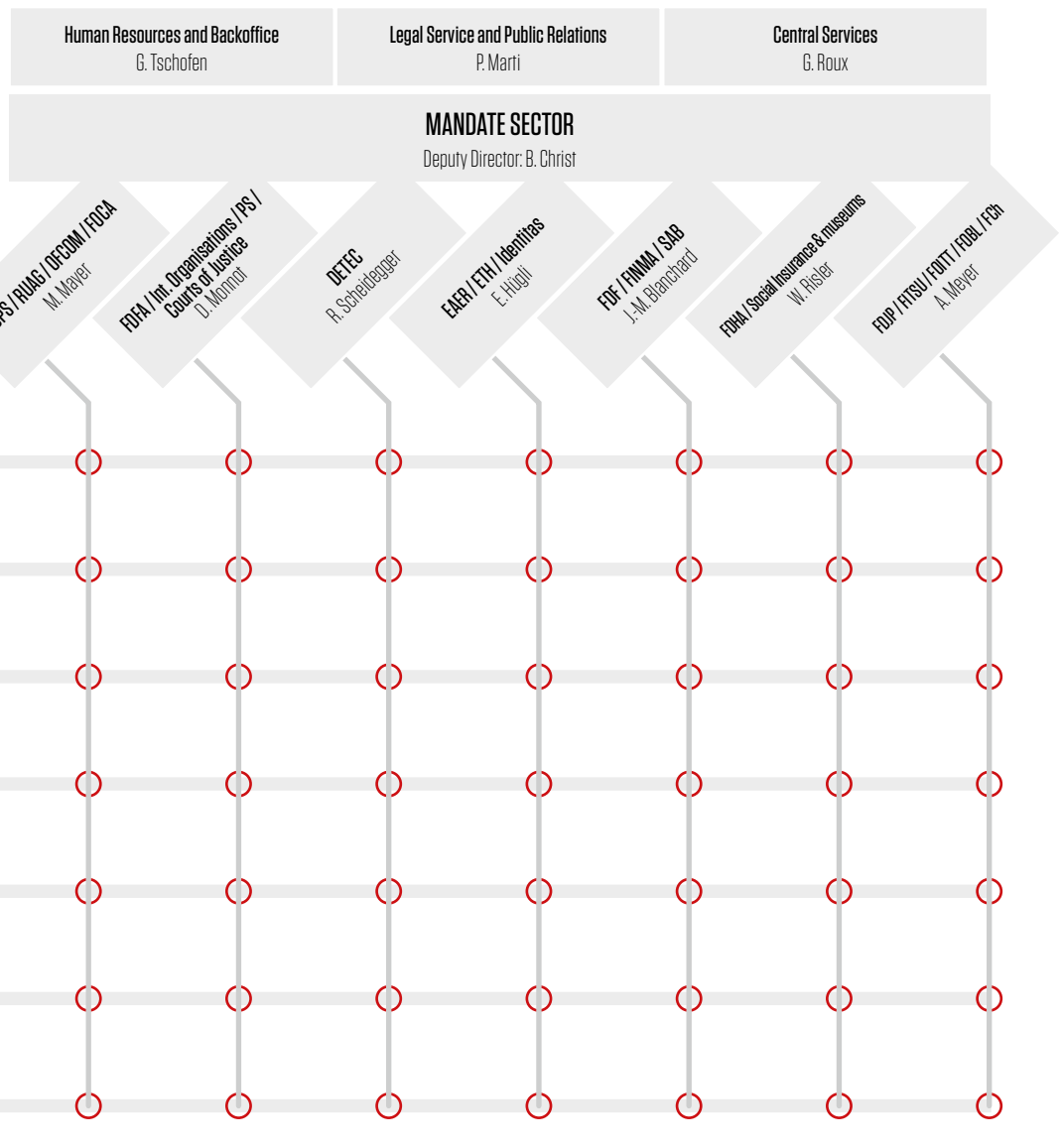
Brigitte Christ,
Deputy Director



Michel Huissoud,
Director



Eric-Serge Jeannet,
Vice Director





3. THE SFAO: FACTS AND FIGURES

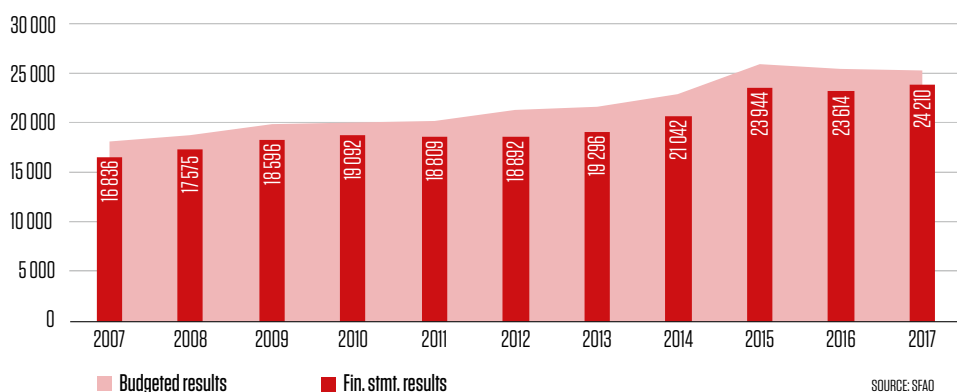
A. FINANCIAL STATEMENTS AND HUMAN RESOURCES

In 2017, the SFAO's expenses amounted to CHF 26 million. Its revenue came to almost CHF 1.8 million.

	2015 financial statements	2016 financial statements	2017 budget	2017 financial statements	Difference vs. 2017 budget
Expenses (mn CHF)	25 851	25 601	27 426	26 034	- 1392
Revenue (mn CHF)	- 1 907	- 1 987	- 1 835	-1824	11
Result (mn CHF)	23 944	23 614	25 591	24 210	- 1381

SOURCE: SFAO

The SFAO and its budget management (2007–2017, in thousands of CHF)

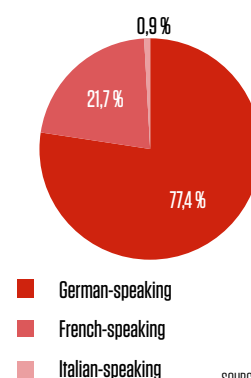


SOURCE: SFAO

On 31 December 2017, the SFAO had a staff of 115 (106.3 FTEs), versus 113 (104.3 FTEs) a year earlier. In 2017, net employee turnover was 1.7% (3.5% in 2016).

At the end of 2017, 38 women (33%) and 77 men (67%) worked at the SFAO. There were 89 native German speakers, 25 native French speakers and one native Italian speaker.

Linguistic origin of SFAO employees



SOURCE: SFAO



B. WHISTLE-BLOWERS

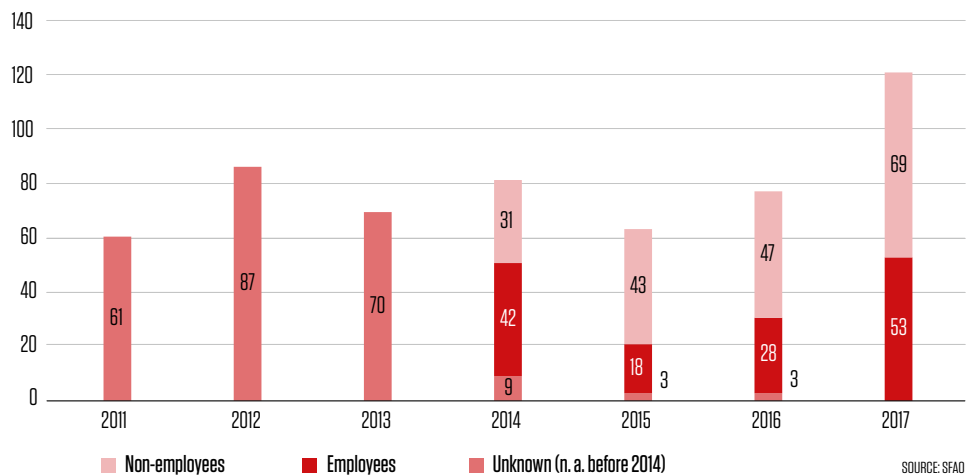
The SFAO is the Federal Administration's contact point for whistle-blowers. Effective since 2011, the Federal Personnel Act⁵³ makes provision for an obligation to denounce, a right to report irregularities and protection for federal employees who report serious matters. In June 2017, the SFAO launched a secure web platform (*whistleblowing.admin.ch*). It has been a great success.

In 2017, the SFAO's Legal Service received 122 impropriety reports, 69 of which were from persons not employed by the Confederation (suppliers, individuals, etc.) and 53 of which were from federal employees. 59 of this total figure were anonymous. The SFAO was able to communicate with 31 of them via an encrypted system of electronic mailboxes.

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 2017, one report was transmitted to the OAG.

Reports received by the SFAO (2011–2017)



⁵³ See Article 22a of the Federal Personnel Act (FPA).



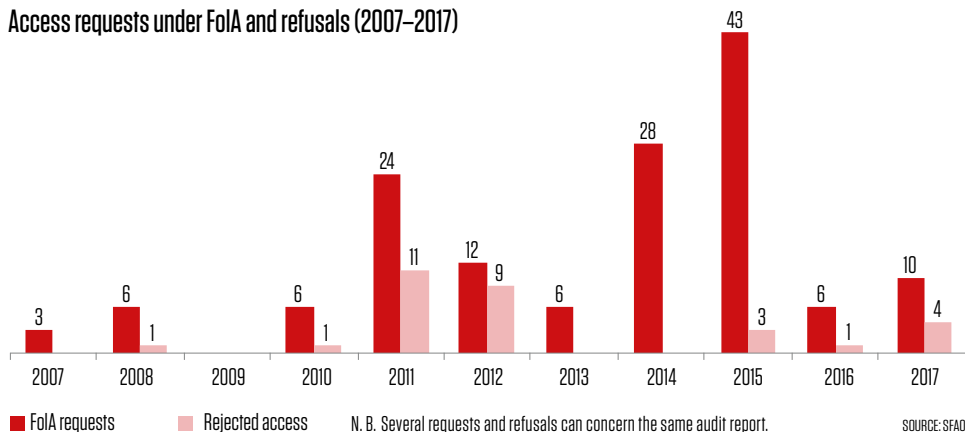
C. REQUESTS FOR ACCESS TO INFORMATION (FREEDOM OF INFORMATION ACT)

The Federal Act on Freedom of Information in the Administration (FoIA) came into effect in 2006⁵⁴. Since then, the SFAO has regularly received requests for its audit reports from the media and those interested in its work.

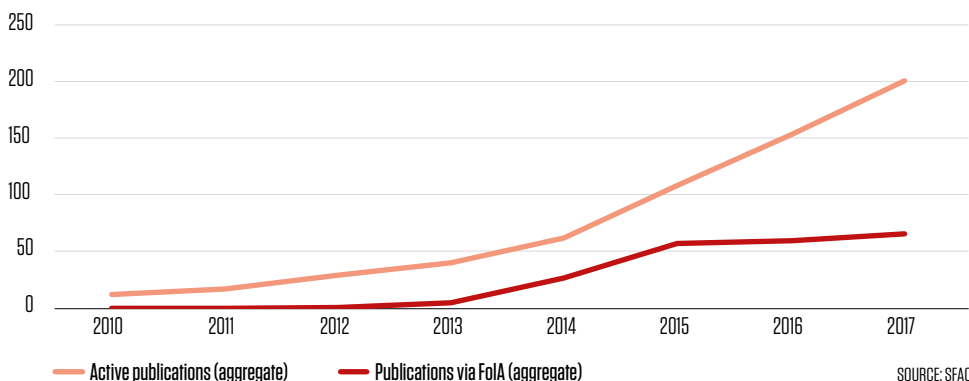
In 2017, ten requests were made for access to SFAO reports. Complete access was granted to four audit reports. Partial access was granted in two cases. Finally, access to four documents was refused. The grounds for this refusal are based on the exceptions in Article 7 of the FoIA (para. 1, letters b and g).

The SFAO has published reports of public interest since 2014. In 2017, 47 reports were made available, i.e. the same number as the previous year. Between 2010 and 2013, the SFAO published an average of ten audit reports per year. This figure quadrupled between 2014 and 2017. The SFAO's annual audit programme for 2018 envisages the publication of over 70 reports.

Access requests under FoIA and refusals (2007–2017)



SFAO publications (2010–2017, aggregate values)



⁵⁴ The text of this law is available at <https://www.admin.ch/opc/en/classified-compilation/20022540/index.html>.



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 importance⁵⁵. It did this three times in 2017, versus six times in 2016. The table below gives an overview:

Date	Topic
17 March 2017	Guisanplatz 1 construction project, FOBL
15 November 2017	PostBus Switzerland Ltd, FOT
1 December 2017	Agroscope building in Posieux (FR), FOBL

SOURCE: SFAO, 2018

⁵⁵ Article 15 paragraph 3 of the FAOA.



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 2017) in the table below. An asterisk indicates added recommendations relative to the situation a year earlier.

Audit at	Topic	Development
DDPS	Inadequate legal basis for the subsidy to a third party	The SFAO has found since 2001 that there is no legal basis for the subsidy granted to the Foundation for the Museum and Military Material of the Swiss Air Force. The DDPS has been instructed to explain the legal basis and to justify the sums granted.
Armed Forces Staff *	Management and credit for historical Armed Forces equipment	The documents essential for transparent and strategic management of the CHEAF must be improved. The service level agreements between the Armed Forces Staff and the three foundations must also be made more precise.
State Secretariat for Education, Research and Innovation (SERI)	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. Swissuniversities has drawn up recommendations and good practices. It has undertaken to deliver a report on the development and implementation of the regulations to the SUC (next delivery in May 2018). In parallel, the topic of secondary occupations has been addressed by the legislative committees concerned. This topic will be taken up again in 2018.
Board of the Swiss Federal Institutes of Technology (ETH Board) *	Independence and governance	On the recommendation of the SFAO, the ETH Board examined the measures and controls required to strengthen the ETH Domain's independence and ensure good governance taking the special features of the ETH Domain into account. A legal amendment proposal is foreseen in the future Federal Council dispatch on the promotion of education, research and innovation.
Federal Coordination Commission for Occupational Safety (FCOS) *	Governance rules and relations with SUVA	The SFAO recommended that the FCOS update its corporate governance rules. It is a question of guaranteeing its independence and its decision-making autonomy from its secretariat with regard to SUVA. The FCOS must consider SUVA as a service provider and is accountable to the Commission.
FSIO *	Vested benefits and transfer to pension funds	The SFAO recommended that the FSIO examine measures to ensure that existing pension assets in vested benefits institutions are transferred to pension funds in accordance with the applicable regulations.
FSO	Business continuity management	In 2012, the SFAO recommended the definition of several scenarios to enable the FSO to continue its work after a serious incident (risk analysis, preventive measures, priority activities, etc.). This recommendation was not fully implemented by the deadline.
Federal Office of Public Health (FOPH) *	Information and simplification of invoices	Since 2010, the SFAO has recommended that the FOPH improve information for patients and encourage the simplification of invoices so that they can be checked by patients themselves.

SOURCE: SFAO, 2018

THE SFAO CELEBRATES 140 YEARS



PHOTOS: JEAN-BERNARD SEBER/ARC

SFAO's employees at the Bernerhof



HISTORISCHER ESSAY



On the occasion of its 140th anniversary, the SFAO produced two commemorative publications. The first was the result of research carried out by historian Simon Rüttimann. As an intern with the SFAO for six months, he had free access to the institution's archives and worked with the Federal Archives. Prefaced by Professor Matthieu Leimgruber from the University of Zurich, his book focuses on the daily work of SFAO employees during World War I. It details, among other things, the nature of the audit work in connection with the wartime economy, as well as the institutional relations between the SFAO, the Federal Administration and the Federal Council.

The second was an educational chronology of financial supervision from the creation of the federal state to the present day. It shows how the SFAO, initially closely linked to the Federal Council, has seen its independence increase with the development of its links with Parliament. It also illustrates the role of political crises in this development (Mirage fighter jet affair, P-26, federal pension fund, INSIEME IT project, etc.).

Both publications are available from the SFAO or from the online shop of the FOBL.

On 13 December 2017, the SFAO held a year-end drinks reception at the Bernerhof to celebrate its 140th anniversary and present its publications. The comedian Viktor Giacobbo lightened up the evening, which was attended by Federal Councillors Ueli Maurer and Ignazio Cassis. Various members of parliament were also present, including members of the Finance Delegation, as well as the Chairmen of the Finance and Management Committees of the National Council and Council of States.



U. Maurer,
V. Giacobbo
and M. Huissoud



E.-S. Jeannet, I. Cassis, and M. Huissoud



S. Rüttimann,
I. Cassis, A. Fetz,
M. Hausammann
and M. Huissoud



S. Rüttimann, M. Huissoud, Y. Steiner and V. Giacobbo



S. Brupbacher, M. Seiler, M. Huissoud, N. Falcone and L. Bruhin

APPENDICES

COMPLETED AUDITS IN 2017 ABBREVIATIONS

APPENDICES



OVERVIEW OF COMPLETED AUDITS (MANDATE NO.)

FEDERAL ASSEMBLY

- Audit of IT profitability and security after outsourcing (16591)*

FEDERAL CHANCELLERY

- Discussion paper on the organisation of language services and plurilingualism in the Federal Administration (15578)
- Horizontal audit of federal IT security (16255)
- Audit of key ICT project GENOVA (Creation and introduction of federal GEVER programme) (17407)*

FEDERAL ADMINISTRATIVE COURT

- Management of seized assets, horizontal audit (16606)*

OFFICE OF THE ATTORNEY GENERAL OF SWITZERLAND

- Management of seized assets, horizontal audit (16606)*
- Audit of a selection of public procurement procedures (16682)*

DEPARTMENT OF FOREIGN AFFAIRS

General Secretariat

- Audit of the dispatch accompanying the request for a guarantee credit for the World Expo 2020 in Dubai (17568)**
- Horizontal audit of federal IT security (16255)

Directorate for Resources

- Horizontal audit of relocatable staff processes of the FDFA Directorate (16410)*
- Audit of subsidy processes – part of the audit of the state financial statements (17121)

Directorate of Political Affairs

- Combating corruption – Evaluation of the implementation of the Federal Council's resolution of 19 October 2008 (17436)*

Directorate of Public International Law

- Audit of the registration procedure and of registration assistance for the merchant fleet sailing under the Swiss flag (16384)*

Swiss Agency for Development and Cooperation

- Audit of criteria for the country-specific allocation strategy of bilateral development assistance projects (16290)*
- Audit of the subsidy given to the Geneva Centre for the Democratic Control of Armed Forces (16373)*
- Audit of transition assistance for Serbia (16472)*
- Audit of governance following the absorption of the SDC's Central Services by the FDFA's Directorate for Resources (17417)*
- Audit of the monitoring of research projects awarded to Swiss universities of applied sciences and research institutions (17567)*

DEPARTMENT OF HOME AFFAIRS

General Secretariat

- Evaluation of the effectiveness of the supervision of "classical" foundations (15570)*
- Horizontal audit of federal IT security (16255)

Federal Office of Culture

- Audit of the supervision of Cinémathèque Suisse credit lines (16432)*

Swiss National Library

- Audit of the operation and maintenance of IT systems (16573)

Federal Office of Public Health

- Audit of subsidy processes – part of the audit of the state financial statements (16230)

Federal Social Insurance Office

- Processing and checking of invoices for AHV and IV individual benefits (14490)*
- Audit of the Swiss National Action Plan – Electronic Exchange of Social Security Information project (16430)*

* published ** special mandate ordered by Parliament

DEPARTMENT OF JUSTICE AND POLICE

General Secretariat

- Horizontal audit of federal IT security (16255)

Federal Office of Justice

- Management of seized assets, horizontal audit (16606)*

State Secretariat for Migration

- Audit of implementation of the financial supervision concept in the area of asylum (15339)*
- EU External Borders Fund: audit of projects and systems (16013)
- Audit of the supervision of cantonal integration programmes (16507)*
- Audit of the key ICT project renewal of the biometrics system platform (17535)*

ISC-FDJP IT Service Centre

- Audit of the CAMPUS data centre (17410)*

DEPARTMENT OF DEFENCE, CIVIL PROTECTION AND SPORT

General Secretariat

- Merger of civil and military air traffic control, implementation and review (15388)*
- Horizontal audit of federal IT security (16255)
- Audit of the key ICT project Content Management System (16498)*
- Audit of the boundaries between mandates of the Confederation and third parties (16674)
- Audit of the implementation of measures related to security incidents at RUAG (17440)

Federal Office of Sport

- Audit of subsidies (17603)*

Federal Office for Civil Protection

- Audit of the key ICT project Polycom value preservation 2030 (16375)*

Defence

- Audit of the key ICT project Programme on defence and armasuisse management and logistical systems (16551)*
- Audit of general IT checks – part of the audit of the state financial statements (16594)
- Audit of the boundaries between mandates of the Confederation and third parties (16674)
- Follow-up audit at the National Equestrian Centre (17058)*
- Audit of the CAMPUS data centre (17410)*
- Follow-up audit of the implementation of recommendations at the Center for Historic Equipment of the Armed Forces (17608)*
- Follow-up audit of the key ICT project Armed Forces telecommunications (17619)*

armasuisse

- Price audit (16083)
- Audit of the procurement of the reconnaissance drone system 15 (16612)*
- Audit of a payment process (16679)*

DEPARTMENT OF FINANCE

General Secretariat

- Horizontal audit of federal IT security (16255)
- Audit of the appropriateness of business continuity management (16564)

Federal Finance Administration

- Interim audit of the 2016 federal financial statements (16055)*
- Audit of the new SAP software for planning and consolidation (16570)
- Audit of financial statements (17093*, 17095)
- Audit of 2018 fiscal equalization between the Confederation and the cantons (17097)*
- Audit of Federal Treasury processes – part of the audit of the state financial statements (17108)
- Surety and guarantee risks (18574)*

Central Compensation Office

- Processing and checking of invoices for AHV and IV individual benefits (14490)*
- Audit of the effectiveness of the internal control system (16585)
- Main SCO audit (16638)
- Audit of financial statements (17007, 17009, 17011)
- Audit of supervision – losses on AHV / IV/ EO / AV contributions (17584)



State Secretariat for International Financial Matters

- Audit of tax ruling management (16463)*

Federal Tax Administration

- Taxation of first and second pillar pensions transferred abroad (15396)
- Evaluation of the impact of the 2010 VAT reform (15469)*
- Horizontal audit of relocatable staff processes of the FDFA Directorate (16410)*
- Audit of tax ruling management (16463)*
- Management of seized assets, horizontal audit (16606)*
- Audit of value added tax collection processes – part of the audit of the state financial statements (17105)
- Audit of the adequacy of the net tax debt rates (17265)
- Audit of the key ICT project FISCAL IT (17441)*
- Audit of the effectiveness of Internal Audit Division activity (17442)

Federal Customs Administration

- Audit of personnel processes – part of the audit of the state financial statements (16149)
- Analysis of the DazIT special dispatch (16568)*
- Management of seized assets, horizontal audit (16606)*
- Audit of the heavy vehicle charge collection processes – part of the audit of the state financial statements (17110)

Federal IT Steering Unit

- Horizontal audit of federal IT security (16255)
- Audit of the key ICT project Content Management System (16498)*
- Audit of the key ICT project federal workstation 2020 (16504)*
- Audit of the implementation of the IT architecture and portfolio management (16518)*
- Audit of the key ICT project Unified Communication & Collaboration (17533)*
- Critical assessment of the working document on the Confederation's SAP ERP strategy (17656)

Federal Office of Information Technology, Systems and Telecommunication

- Audit of general IT checks – part of the audit of the state financial statements (16155)
- Horizontal audit of federal IT security (16255)
- Audit of the key ICT project Content Management System (16498)*
- Audit of the procurement process (17117)*
- Audit of the CAMPUS data centre (17410)*

Federal Office of Personnel

- Outsourcing of service invoicing of federal fee recipients – performance audit (15463)*
- Audit of personnel processes – part of the audit of the state financial statements (16105)
- Audit of BV Plus staff expenditure processes – part of the audit of the state financial statements (16217)
- Audit of financial statements (17099)
- Audit of BV Plus environment processes – part of the audit of the state financial statements (17128)

Federal Office for Buildings and Logistics

- Audit of the personnel expenditure process – part of the audit of the state financial statements (16385)
- Price audit (16510)
- Guisanplatz 1 construction audit, Bern (16515)*
- Audit of the procurement process (17117)*
- Performance audit of real estate infrastructures (17502)*
- Audit of the effectiveness of Internal Audit Division activity (17527)

DEPARTMENT OF ECONOMIC AFFAIRS, EDUCATION AND RESEARCH

General Secretariat

- Horizontal audit of federal IT security (16255)
- Audit of the implementation of the department's priority A important recommendations (16604)

State Secretariat for Economic Affairs

- Audit of the implementation of the statutory mandate and the strategic objectives and supervision of the SECO (16167)*
- Audit of transition assistance for Serbia (16472)*
- Supervision audit of compliance with the 2014 to 2017 Federal Council strategic objectives by SIFEM AG (17605)*

Agroscope

- Performance audit of real estate infrastructures (17502)*

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)*
- Audit of CARBURA guarantee funds (16660)

Commission for Technology and Innovation

- Evaluation of the sustainability of innovation projects (research and development projects) (16302)*

* published ** special mandate ordered by Parliament

DEPARTMENT OF THE ENVIRONMENT, TRANSPORT, ENERGY AND COMMUNICATIONS

General Secretariat

- Merger of civil and military air traffic control, implementation and review (15388)*
- Horizontal audit of federal IT security (16255)

Federal Office of Transport

- AlpTransit: Analysis of the reports of the NRLA supervisory bodies and coordination meetings with the supervisory bodies (16048)
- Audit of the planning and steering of the railway infrastructure expansion steps (16188)*
- Interim audit of the railway infrastructure fund (16374)
- Audit on the incentives to increase energy efficiency in railway operations using the path price model (16617)*
- Audit of DML Appenzell project management (16648)*
- Audit of the effectiveness of Internal Audit Division activity (17001)
- Coordination meetings with supervisory bodies (17045)
- Evaluation of the rolling highway (17570)*

Swiss Federal Office of Energy

- Price review of SuisseEnergie umbrella communication (16408)

Federal Roads Office

- Evaluation of the economic efficiency of territorial units and their supervision (16549)*
- Audit of financial statements (17049)
- Audit of fixed asset management processes – part of the audit of the state financial statements (17196)
- Audit of the key ICT project: 2010 data management (road licensing information system) (17576)*

Federal Office for the Environment

- IT audit of VeVA Online and interfaces (16195)
- Audit of financial statements (17050, 17051, 17052, 17053)
- Audit of personnel processes – part of the audit of the state financial statements (17146)
- Audit of the benefits of the fund for the promotion of forestry and timber research (17394)*
- Audit of environmental observation (17408)*

Federal Office for Spatial Development

- Audit of service, organisation and management quality (16182)*

FOUNDATIONS, INSTITUTES, FUNDS AND SPECIAL ORGANISATIONS

Building Foundation for International Organisations (FIPOI)

- Audit of financial statements (17082)
- Audit of the merger of the Building Foundation for International Organisations (FIPOI) with the Geneva International Centre Foundation (GICF) (17597)

Swiss Federal Institute of Intellectual Property (IIP)

- Audit of financial statements (17006)
- Project accounting in the financial statements of SECO cooperation projects (17016)

Swiss Federal Institute of Metrology (METAS)

- Audit of financial statements (17018)

Swiss Alcohol Board (SAB)

- Audit of financial statements (17101)

Swiss Financial Market Supervisory Authority (FINMA)

- Audit of financial statements (17103)

Federal Audit Oversight Authority (FAOA)

- Audit of financial statements (17013, 17426)

Swiss Federal Railways (SBB)

- Audit on the incentives to increase energy efficiency in railway operations using the path price model (16617)*

Swiss Export Risk Insurance (SERV)

- Audit of the implementation of the statutory mandate and the strategic objectives and supervision of the SECO (16167)*

Swiss University Conference (SUC)

- Audit of financial statements (17166)

swissuniversities

- Audit of financial statements (17118)

Swiss Agency of Accreditation and Quality Assurance (AAQ)

- Audit of financial statements of the AAQ and the Accreditation Council (17519)

Swiss Coordination Centre for Research in Education (SCCRE)

- Audit of financial statements (17167)

Swiss National Science Foundation (SNSF)

- Audit of financial statements (17035)



ETH Board

- Audit of financial statements (17021)

ETH Domain

- Audit of financial statements (17020)

Swiss Federal Institute of Technology Zurich (ETHZ)

- Audit of financial statements (17023)

Swiss Federal Institute of Technology Lausanne (EPFL)

- Audit of financial statements (17033)
- Audit of financial statements of Société simple du Quartier Nord (17142)
- Audit of the relationship between the Institute of Microengineering – ESPLAB laboratory and the start-up Bright Sensors SA (17652)

European Free Trade Association (EFTA)

- SFAO representation in the Audit Committee (17079)

Skyguide

- Merger of civil and military air traffic control, implementation and review (15388)*

BLS AG

- Audit on the incentives to increase energy efficiency in railway operations using the path price model (16617)*

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

- Audit of financial statements (17025)

Swiss Federal Laboratories for Materials Science and Technology (Empa)

- Audit of financial statements (17027)

Swiss Federal Institute of Aquatic Science and Technology (Eawag)

- Audit of financial statements (17029)

Paul Scherrer Institute (PSI)

- Audit of financial statements (17031)
- Audit of IT security and business continuity management (17613)

AHV/IV/EO compensation funds

- Audit of financial statements (17003)

Unemployment Insurance Fund

- Data protection in the area of unemployment insurance (15410)
- Audit of monitoring of labour market measures (16576)*
- Audit of financial statements (17015)
- Audit of 2016 AHV accounts for unemployment insurance benefits (17539)

Marcel Benoist Foundation

- Audit of financial statements (17646)

Pro Helvetia

- Audit of financial statements (17040)

Social Fund for Defence and Civil Protection

- Audit of financial statements (17044)

Swissmedic

- Audit of financial statements (17042, 17043)

RUAG

- Audit of the boundaries between mandates of the Confederation and third parties (16674)
- Clarification of a set of contract regulations (17659)

INTERNATIONAL ORGANISATIONS AND COOPERATION

Universal Postal Union (UPU)

- Audit of financial statements (17072)
- Interim audit of financial statements, Audit of financial supervision in the area of IT reorganisation (17074)
- Audit of UNDP 2016 accounts (Report 1) (17075)
- Interim audit of various funds (17076)
- Audit of financial statements (17077, 17078)

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

- Audit of financial statements (17080)

Inter-Parliamentary Union (IPU)

- Audit of financial statements (17081)

Intergovernmental Organisation for International Carriage by Rail (OTIF)

- Audit of financial statements (17071)

World Meteorological Organisation (WMO)

- Interim audit of financial statements, Audit of financial supervision in the area of "cost recovery" regarding voluntary contributions and assets under management (17084)
- Audit of financial statements (17085)
- Audit of the financial statements of affiliated organisations (17087)
- Audit of the financial statements of trust funds (17598)

* published ** special mandate ordered by Parliament

ABBREVIATIONS

AHV	Old-age and survivors' insurance	FOCA	Federal Office of Civil Aviation
BG	Border Guard	FOCP	Federal Office for Civil Protection
CC	Swiss Civil Code	FOEN	Federal Office for the Environment
CCO	Central Compensation Office	FoIA	Federal Act on Freedom of Information in the Administration
CHEAF	Center for Historic Equipment of the Armed Forces	FOITT	Federal Office of Information Technology, Systems and Telecommunication
CTI	Commission for Technology and Innovation	FOJ	Federal Office of Justice
DDPS	Federal Department of Defence, Civil Protection and Sport	FONES	Federal Office for National Economic Supply
DETEC	Federal Department of the Environment, Transport, Energy and Communications	FOPH	Federal Office of Public Health
DR	Directorate for Resources	FOSPO	Federal Office of Sport
EAER	Federal Department of Economic Affairs, Education and Research	FOT	Federal Office of Transport
EO	Compensation for loss of earnings	FSBF	Federal Supervisory Board for Foundations
EPFL	Swiss Federal Institute of Technology in Lausanne	FSIO	Federal Social Insurance Office
ETH Board	Board of the Swiss Federal Institutes of Technology	FSO	Federal Statistical Office
FAOA	Federal Audit Oversight Authority	FTA	Federal Tax Administration
FBO	Financial Budget Ordinance	GAOA	Government and Administration Organisation Act
FCA	Federal Customs Administration	ICS	Internal control system
FCC	Federal Criminal Court	IMT	Institute of Microengineering
FCOS	Federal Coordination Commission for Occupational Safety	IPSAS	Public Sector Accounting Standards
FDFA	Federal Department of Foreign Affairs	IRR	International Rhine Regulation
FDHA	Federal Department of Home Affairs	IV	Disability insurance
fedpol	Federal Office of Police	IVZ	Vehicle licensing information system
FEDRO	Federal Roads Office	OAG	Office of the Attorney General of Switzerland
FERI	Financing and expansion of the railway infrastructure	OECD	Organisation for Economic Cooperation and Development
FFA	Federal Finance Administration	PPP	Public-private partnerships
FINMA	Swiss Financial Market Supervisory Authority	RU_s	Railway undertakings
FITSU	Federal IT Steering Unit	SBB	Swiss Federal Railways
FOBL	Federal Office for Buildings and Logistics	SCO	Swiss Compensation Office
		SDC	Swiss Agency for Development and Cooperation



SECO	State Secretariat for Economic Affairs
SEM	State Secretariat for Migration
SERI	State Secretariat for Education, Research and Innovation
SFAO	Swiss Federal Audit Office
SMNO	Swiss Maritime Navigation Office
SRG SSR	Swiss Broadcasting Corporation
STC	Swiss Tax Conference
SUC	Swiss University Conference
SUMEX	SUVA Medical Exchange
SUVA	Swiss National Accident Insurance Fund
VAT	Value added tax
WTA	Withholding Tax Act
ZEMIS	Central Migration Information System

