

Cost accounting audit

Central Compensation Office

Key facts

The Central Compensation Office (CCO) is the Confederation's central implementing body for first-pillar social security. It performs the tasks that must be carried out centrally by the first-pillar social security system and the loss-of-earnings compensation system. The CCO manages old-age and survivors' insurance (OASI) and disability insurance (DI) for insured persons living abroad. It administers the compensation fund for employees of the Federal Administration and institutions closely affiliated to the Confederation. Its tasks are organised into four groups of services.

The services provided by the CCO cost around CHF 160 million a year. They are financed by reimbursements of costs by the compensation funds (around 140 million), contributions to the administrative costs of the Federal Compensation Office (CFC), including the Family Allowances Office (around 16 million), and miscellaneous receipts (around 1.5 million). The Confederation covers the remaining costs of around CHF 5 million.

The Swiss Federal Audit Office (SFAO) examined the CCO's cost accounting system and found that it allows administrative costs to be allocated in accordance with the principle of causality. However, documentation needs to be supplemented in order to facilitate future developments. The cost accounting includes all expenses, which are allocated appropriately. The CCO needs to estimate the impact of projects on the financing of services more precisely and to activate those that meet the criteria of the Federal Finance Administration (FFA). The allocation keys respect the principle of causality. Although they are not updated systematically or uniformly, the repercussions on sources of funding are limited. Finally, the CCO must maintain cost transparency when changes are made to cost accounting.

Cost accounting implemented and functional, though there is room for improvement

The CCO has been using SAP cost accounting since 2007. The CCO's Finance and Controlling service (FICO) is responsible for its management. It has taken organisational measures to ensure operational continuity. However, the documentation made available is incomplete and obsolete, which creates a risk of knowledge loss and makes further development difficult. Although the concept has not evolved since its implementation, it correctly reflects the CCO's current organisation and services, which have also undergone few changes.

The expenses recorded in the CCO's statements of financial performance are fully reflected in the cost accounting and they are appropriately allocated. However, the SFAO found that the full cost of projects was only approximate. This was due to the unreliability of the hours entered and the application of a single hourly rate of CHF 125. The CCO has never capitalised the costs of projects, even though some of them meet the quantitative and qualitative criteria defined by the FFA. There is therefore a risk that the projects will be financed by CCO partners who do not benefit from them. The impact on the state financial statements is insignificant for the 2022 financial year.

The divisions define the distribution keys in collaboration with the FICO service. These comply with the causality principle. The divisions review the relevance of the allocation keys annually and update the reference values. The divisions' approaches and assessments differ as the FICO service's expectations in this area are not clear. The allocation keys and hourly rates are not systematically updated when the annual cost accounting is closed. However, the impact on funding sources is limited.

Cost financing in line with the principle of causality

The allocation of costs to the funding sources and to social institutions complies with the principle of causality, is based on objective data and is applied on an ongoing basis. However, the SFAO observed a decline in cost transparency, without any effect on the financing of services, due to certain choices made in terms of concept and implementation. For example, the CCO performs analyses using Excel when they could be integrated into SAP. It is also creating cost centres instead of setting up new overhead allocation cycles in SAP. Finally, the CCO should put in place a process for systematically identifying and invoicing services provided to third parties.

The CFC generates an annual profit of around CHF 1 million. As it cannot build up reserves, there is a risk that the CFC's funding will be diverted from its intended purpose. This risk did not materialise in 2022.

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