

Audit of the reorganisation of the Federal Supervisory Board for Foundations

Federal Department of Home Affairs

Key facts

With a density of 16 foundations per 10,000 inhabitants, Switzerland is third in Europe, behind Liechtenstein and Hungary. Of the total of 13,375 foundations, 36% serve a national or international purpose and are therefore subject to the Federal Supervisory Board for Foundations (FSBF). The FSBF monitors the appropriate use of CHF 40 billion in foundation assets.

It has been struggling with large backlogs of work for over ten years. The Swiss Federal Audit Office (SFAO) already criticised this in its audits in 2010 and 2016, and the situation has hardly improved since then.¹ Since 2010, around 1,400 foundations have been added to the list of those to be supervised. The backlog currently amounts to more than six person-years. The supervision ratio is high, at around 330 foundations per legal employee, and the FSBF's structures and processes have not kept pace with the growth of the supervisory area. As of the end of 2021, the FSBF employed 23.3 FTEs and had an expenditure budget of CHF 3.96 million.

Since then, the General Secretariat of the Federal Department of Home Affairs (GS-FDHA), to which the FSBF is attached, has launched various initiatives to increase efficiency and effectiveness. In 2018, the eESA project for the digitalisation of supervision was launched. The go-live is planned for the end of April 2022. Since 2021, a reorganisation has also been under way with the help of an external consultant, and the FSBF was placed under new management in mid-2021. In a final phase, supervision is to be made even more effective with a risk-oriented working method.

In this report, the SFAO assessed whether the FSBF can fulfil its tasks in an appropriate, risk-based, efficient and timely manner through its new orientation and digitalisation.

Reorganisation is on the right track, but is still struggling with legacy issues

The FSBF has created a good basis with its new organisational structure and standardised business processes. However, the persistently high backlog of work is a heavy burden on the organisation. If necessary, the FSBF should call in external support in order to reduce the backlog. The FSBF estimates that 5% of the foundations under its supervision are inactive; it should liquidate these quickly.

The FSBF must foster closer exchanges with its stakeholders

The Swiss foundation landscape is organised at federal level. 64% of foundations are under cantonal or communal supervision, so exchanges with the cantons are essential for good collaboration. The supervisory bodies must cooperate more closely with each other and coordinate their practices. The question of whether a foundation belongs under cantonal

¹ "Audit of foundation supervision and financial management" (audit mandate 10367) and "Supervision of foundations, evaluating the effectiveness of the supervision of 'classical' foundations" (audit mandate 15570)

rather than federal supervision also needs better coordination with clear divisions of authority. The FSBF should transfer foundations that are not national in their scope to the cantons after consulting with them.

The FSBF should have a more proactive relationship with the foundations and foundation associations in terms of awareness-raising, prevention and public-private partnerships. The FSBF's quality of service needs to improve.

A modern supervisory authority adopts a risk-oriented approach

The FSBF recognised that risk-based supervision must be the answer to its large portfolio of foundations. The focus should be on foundations with a high risk profile, but it is still in the early stages of achieving this. The 2021 annual reports will be audited for the first time on a risk basis using triage criteria. However, the classification of foundations into risk classes based on a comprehensive, annual risk assessment is not planned until the end of 2022.

The FSBF has a broad range of preventive and repressive supervisory tools at its disposal for monitoring the foundations, but it uses them with too much restraint. With the risk-based approach, the FSBF should apply these means in a more targeted manner in the future. It must intervene earlier and more consistently in the case of problematic foundations.

The FSBF has deep and privileged insights into the foundations. In the case of anomalies related to tax exemptions and money laundering, other authorities, such as the Federal Tax Administration (FTA) and the Money Laundering Reporting Office Switzerland (MROS), could benefit from the FSBF's assessments, but no exchange of information exists with either of these authorities. The GS-FDHA should clarify the role of the FSBF here.

Employees and foundations must play their part in successful digitalisation

All core FSBF processes are to be digital from the end of April 2022. The project is still on track for foundations to be able to submit their documents electronically for the first time for the 2021 financial year.

Internally, sound training geared to the individual needs of FSBF employees is important for the success of the digitalisation project. Externally, the FSBF must motivate the foundations and auditors to submit all their documents electronically from now on. A high level of digitalisation is desirable, as otherwise physical documents have to be scanned into the system, which is more time-consuming and costly. Therefore, the FSBF should take better account of the concerns of users in order to make the digital channel attractive. Finally, the FSBF should also digitalise all foundation documents from previous years that are needed for day-to-day business.

The indications are good that digitalisation will make the FSBF's supervision more efficient and effective. For the first time, the FSBF has structured data that it can process in a risk-oriented manner. In keeping with the concept of subsidiary state supervision, it is now also taking the foundation boards and auditors to task by means of explicit confirmations and declarations of completeness.

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