

# Comprehensive report on the audit of the 2018 federal financial statements

## Federal Finance Administration

### Key facts

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The annual surplus in the 2018 federal financial statements was CHF 5701 million, comprised of operating revenue of CHF 71,817 million and operating expenses of CHF 67,698 million. The negative financial result was CHF 818 million and the financial interest result was CHF 2,400 million. Tax revenue accounted for CHF 68,398 million, or 95%, of total operating revenue. Transfer expenses accounted for CHF 54,218 million, or 80%, of total operating expenses, while own operating expenses represented CHF 13,419 million, or 20%. The remaining CHF 61 million was attributable to the net expense for special financing in liabilities.

#### **Provision formation in the financing statement in compliance with the law: disagreement persists**

The Financial Budget Act (FBA) stipulates that the overall fiscal balance is determined on the basis of expenditure and receipts. The Swiss Federal Audit Office (SFAO) is of the opinion that provision changes do not fall under the definition of current receipts and expenditure. Consequently, the recognition of provision formation in the 2018 financing statement does not comply with the FBA.

Like last year, the SFAO qualified its audit opinion in this regard. There are differences of opinion with the Federal Finance Administration (FFA) regarding the legal conformity of the CHF 600 million provision formed in the financing statement. These should be clarified as part of the implementation of the Hegglin motion<sup>1</sup>. The measures are being prepared and should be fleshed out with an FBA dispatch in the second half of 2019.

#### **Important FTA measures should be continued in a targeted manner**

Following the findings in the last annual financial statements, the Federal Tax Administration (FTA) took targeted improvement measures. The errors detected again this year are not significant enough to require a correction of the financial statements. The preparation of the FTA's year-end closing figures is very labour-intensive and involves extensive manual work. The use of extremely extensive Excel spreadsheets in the process entails high risks. Numerous manual checks were necessary to ensure the accuracy of the year-end closing figures. Consolidation of this year's experience is necessary. The aim should be to enable the year-end closing figures to be prepared more automatically in the future. This could ease the burden on the few resources of the Finances Division.

The SFAO considers the resource situation in the Finances Division to be critical. It needs to be reconsidered at all costs.

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<sup>1</sup> Peter Hegglin (CVP/ZG), "For accounting standards that reflect the actual financial and revenue situation" (16.4018), is available on the website [parlament.ch](http://parlament.ch).

### **Provisions in the area of oceangoing vessels depend on the next steps**

The Confederation recognised provisions of CHF 100 million as at 31 December 2018 in connection with sureties in the area of oceangoing vessels. The amount of these provisions depends directly on the underlying assumptions. The long-term view and assessment of the situation was key in this regard. If a withdrawal that is as quick as possible is planned, the existing situation will change significantly. The provision recognised under the old assumptions could prove to be too low as a result.

### **The errors in the 2017 federal financial statements were corrected in full and properly**

The 2017 federal financial statements were defective with regard to withholding tax receipts and the valuation of motorways and armament buildings. Article 5 of federal decree I on the 2017 state financial statements required the errors to be corrected. Accordingly, the 2017 federal financial statements were adjusted retroactively. The corrections made were disclosed transparently.

### **The SFAO recommends approving the 2018 federal financial statements despite qualification**

The Federal Assembly decides on approving Switzerland's state financial statements (federal financial statements) every year. It has to be able to ensure that an independent auditor audited the federal financial statements. The SFAO thus audits them in accordance with recognised auditing principles. It subsequently gives the Finance Committees of the two chambers a recommendation as to whether the federal financial statements are to be approved or not. In its report of 5 April 2019, the SFAO recommended approving the 2018 federal financial statements despite restrictions.

The SFAO is additionally bound by law to check the internal control system (ICS). Consequently, it also issues an opinion regarding the existence of the ICS every year. The SFAO confirmed this for fiscal 2018.

### **Statutory provisions are still of great significance for the federal financial statements**

The loss carried forward by the railway infrastructure fund (RIF) amounted to around CHF 7.7 billion at the end of 2017 and corresponds to the Confederation's capitalised receivables from the RIF fund. These receivables can be repaid only with future revenue, and the repayment is governed by law.

The Confederation's funds are not included in the federal financial statements due to Article 5 of the FBA. This means that a comprehensive assessment of the asset and debt situation is not possible at the level of the federal financial statements. The net assets/equity in the federal financial statements would be CHF 7.7 billion without the outsourcing of the RIF. The SFAO thus recommended last year that Article 5 of the FBA should be amended in favour of a consolidated presentation in the federal financial statements. The FFA rejected the recommendation last year due to the unintended impact on the debt brake.

The cantons assess and collect direct federal tax. They deliver its share to the Confederation (more than 22 billion in 2018). The cantonal audit offices are responsible for conducting audits in this area every year. The cantonal audit offices' individual reports on 2017 receipts contained no negative observations deemed significant for the federal financial statements overall. The SFAO has no authority to check the cantons' reporting in this regard.

**Original text in German**