

COVID-19 audits: Interim report as at 1 June 2020

Federal measures

Key facts

As at 20 May 2020, the Confederation had committed more than CHF 72 billion towards fighting the pandemic itself or managing its knock-on effects. When it comes to providing assistance, two goals are at the forefront: rapid and unbureaucratic on the one hand, and minimal errors and abuses on the other. It is a balancing act. How can these goals be achieved?

Where funds are paid out to a broad group of claimants, this can happen quickly

As regards speed, there are both tortoises and hares. The funds from **joint and several sureties** are usually on the recipient's account within hours; as at 12 May 2020, over 124,000 credits in the amount of some CHF 14.9 billion had been disbursed. In round figures, that makes 4,000 new credits, or just under half a billion Swiss francs per working day, since the measure was introduced on 26 March 2020.

Payouts are also fast in the case of **short-time working compensation**: in over a third of cantons, applications are processed the same day. Over a period of one and a half months, the cantons approved nearly 200,000 applications. As at 6 May 2020, payments amounting to over CHF 1 billion had been made, affecting over 700,000 employees – roughly every seventh worker in Switzerland. In 80% of cases, the unemployment funds processed the claims within four weeks of them being submitted to the cantons, a mass business that is being dealt with swiftly.

The same is true of the **COVID-19 loss of earnings compensation**. As at 24 May 2020, the Central Compensation Office's weekly payment summary report showed nearly 135,000 processed cases, with compensation payouts in the order of around CHF 553 million.

The picture is different for the "lesser" measures: in the **world of sport**, as at 25 May 2020, sporting organisations had submitted 76 applications totalling CHF 20 million. Processing has been completed for around one third of them. In the **cultural arena** at the same reporting date, some 8,600 applications for about CHF 340 million had been lodged. Around 2,300 applications have been processed, and CHF 15 million approved. The causes may be many and varied, but some of them are homemade. Sector-specific solutions with dependencies on other measures, a large number of involved parties, rules that are open to interpretation and complicated processing procedures result, almost inevitably, in long turnaround times. Hence the recommendation of the Swiss Federal Audit Office (SFAO) as regards one of the most recent measures, supplementary childcare: wherever possible, keep it simple!

Procurements are also moving quickly: as at 27 May 2020, the procurement volume for medical goods at the Armed Forces Pharmacy amounted to CHF 411 million, of which CHF 192 million had been paid. The fly in the ointment: inventory management in the SAP systems is lagging behind, with the lack of transparency and problem areas that this implies. Various units and bodies are looking into the question of the "appropriate" procurement amounts. The SFAO has explicitly advised the Armed Forces Logistics

Organisation of the Department of Defence, Civil Protection and Sport about the risk of large surplus inventories and about possible countermeasures.

Abuse is not a widespread phenomenon, but it does happen

Turning now to the second goal: funds may be paid only to those who are actually entitled to them, and who are the end beneficiary. First, the good news: anomalies, i.e. indications of unjustified claims for payment, are not a mass phenomenon. Nonetheless, indications are there.

With regard to **joint and several guarantees**, the SFAO has been able to conduct its first representative analysis of 94,000 guarantees representing around CHF 11.4 billion. Just over 400 cases (CHF 88 million) warranted closer inspection: The data analyses revealed concrete evidence of potential abuse, such as dividend payments, double payments, excessive credits to companies established after 1 January 2020 and credits to Swiss-based subsidiaries with no separate legal personality. For one in ten applications, there was a discrepancy of more than 25% between the declared turnover and that reported for VAT calculation purposes. The SFAO has passed its findings on these discrepancies to the State Secretariat for Economic Affairs for further processing.

As is well known, the lending banks can refinance themselves at the Swiss National Bank. With the reference interest rate currently standing at -0.75%, they earn interest income. In the case of the CHF 15 billion in guarantees granted as at 29 May 2020, this can amount to annual interest income of around CHF 110 million for the banks participating in the programme.

As regards **unemployment insurance/short-time working compensation**, the basic data is not sufficiently detailed to allow an accompanying and systematic analysis of abuse. Nonetheless, as at the end of May, the SFAO had received 43 reports of apparent abuse. In the majority of cases, the actual employee occupation rate was higher than that declared. The cantons are currently checking around 400 cases of public-sector entities (hospitals, libraries, public transport companies, etc.) that have applied for short-time working compensation for their employees. For an application to be approved, there has to be an impending threat of job cuts.

There are positive developments as regards the provision of data by the 84 compensation funds (including branch offices) on **COVID-19 loss of earnings compensation**: from June 2020, the data should be reported to the SFAO on a regular basis. The data is based on the amounts effectively paid out, and the SFAO can start analysing it. Here, as in other areas, any anomalies revealed by the data analysis will be passed on to the competent authority – in this case, the Federal Social Insurance Office – for further clarification and processing.

SFAO to look at the aviation dossier? Yes, but not just yet

The Confederation has guaranteed loans to airlines in the amount of CHF 1.275 billion, and has made CHF 600 million available to support aviation-related businesses. On 1 May 2020, the SFAO acted on the Federal Council's instructions of 29 April 2020, and examined the implementation of measures and compliance with the agreed conditions. The Aviation Task Force does not wish the SFAO to support it in preparing the basis and criteria. The SFAO acknowledges this but sees it as a missed opportunity to jointly improve the basis for smooth implementation of the measures.

And finally...

The SFAO's active involvement in the COVID-19 audits does not change the responsibilities. The SFAO audits and provides support in the form of indications and recommendations. Specialist decisions, approvals and releases remain the responsibility of the relevant specialist unit. This is worth remembering, as the SFAO's role is occasionally misrepresented and it does not always have an opportunity to set the record straight.

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