

COVID-19 audits: fourth interim report

Federal measures as at 15 October 2020

Key facts

The crisis is not over. However, an increasing sense of routine and calm in dealing with the situation is being observed in the Federal Administration; we have to come to terms with the crisis as being the "new normal". The emergency measures that were put in place virtually overnight have either expired or been incorporated into ordinary law. The audits initiated by the Swiss Federal Audit Office (SFAO) to accompany the emergency measures have thus also come to an end. This is therefore both the fourth and the last interim report on the SFAO's accompanying COVID-19 audits in 2020. Once again, the focus was on current results and combating abuse.

The deadline for applications for support in the **cultural sector** was 20 September. As of 26 October, some 14,800 applications for a total of CHF 552 million in requested funds had been received. Compared with the last report at the beginning of August, the number of applications rose by 3,800, representing a further CHF 157 million. In terms of both volume and value, this is an increase of almost 40%. Around 85% of these have now been processed: 8,800 positive decisions totalling CHF 131 million have been issued. The SFAO examined 17 individual applications from cultural entities for loss of earnings compensation totalling over CHF 1 million. The result is positive: the cantons processed the applications correctly. With the new COVID-19 Culture Ordinance of 26 September, loss of earnings compensation for the cultural sector is no longer applicable. This means that the problematic situations involving possible overcompensation can no longer arise. The risk remains for cases before this date.

The **Federal Office of Public Health** continues to procure only a small number of items itself and by mid-October CHF 2.9 million had been spent on this. The focus is on two areas: firstly, the Office secures Switzerland's access to vaccines by negotiating with manufacturers on the purchase of promising candidates for a SARS-CoV-2 vaccine. Of the CHF 300 million available for this purpose, CHF 260 million has already been committed and CHF 119 million has been paid out. Secondly, it ensures the availability of medicines through purchase guarantees. By mid-October, such guarantees had been made for a total of CHF 9.7 million.

For **COVID-19 loss of earnings compensation**, the distribution of compensation to the different groups and the gross daily payments remain broadly unchanged. As of 25 October, approximately CHF 2 billion had been paid out, of which CHF 1.8 billion went to self-employed persons due to business closures or cases of hardship.

The SFAO has received around one million data sets on COVID-19 loss of earnings compensation from the 84 compensation funds (including branch offices). There are no indications of systematic failings or abuse. To date, the SFAO has referred a total of around 500 individual cases to the Federal Social Insurance Office for clarification. The Office handles these cases promptly and has informed the SFAO that there have so far been very few corrections.

The application deadline for financial aid for **child-care outside the family** expired on 16 September. The cantonal authorities have examined the applications from the institutions and issued decisions concerning entitlement. To gain its own impression of the work being done on the ground, the SFAO visited two implementation offices in the cantons of Aargau and Basel-Landschaft and found that the applications were examined in detail and conscientiously. The cantons have until 31 October 2020 to invoice the Federal Social Insurance Office: If the Office's review of the documents is positive, the Confederation will contribute 33% of the compensation for loss of earnings paid by a canton.

In the **world of sport**, the emergency package of measures was ended. For non-repayable contributions, 204 applications worth CHF 11 million were submitted and CHF 3.2 million was paid out. The additional support measures are bearing fruit: seven loans amounting to a total of CHF 9.3 million were granted to professional sports. Implementation of the 2020 stabilisation package totalling CHF 96.8 million has begun. Swiss Olympic already estimates the amount of funds actually required to be between CHF 115 million and 120 million. These provisional figures are based on initial reports from the sports associations. Support in the area of professional and semi-professional sport is developing more slowly: the relevant ordinance comes into force on 1 December 2020. Therefore, no loans have been granted so far.

The CHF 571 million worth of orders placed by the **Armed Forces Pharmacy** as of mid-October do not even come close to using up the CHF 2.55 billion of COVID-19 Ordinance-related credit. Almost all the medical supplies ordered on behalf of the Federal Office of Public Health have been delivered. The material requires storage space; capacity for the items had to be expanded with the corresponding costs.

Items worth over CHF 16.2 million were delivered to wholesalers and major distributors, invoiced and already paid by them. Since August, goods worth CHF 14.4 million have been invoiced to the cantons, of which CHF 8.1 million remained unpaid as of 22 October. Most of the outstanding amounts relate to invoices from September.

By the end of September, more than CHF 7.5 billion had been spent on **unemployment insurance (short-time working compensation)** in terms of emergency measures. In order to be able to support those entitled to benefits quickly, the creditable loss of earnings since the beginning of the measure was calculated using the so-called "summary procedure". In essence, this means that the entitlements and the payment of the short-time working compensation to the employees do not have to be documented in detail in the invoice. The ordinance was extended, and regrettably so was the summary procedure until the end of 2020. The high risk of abuse without any real means of verification remains. This has been confirmed by the many hundreds of reports of abuse that the unemployment insurance funds and the SFAO have submitted to the State Secretariat for Economic Affairs for clarification. The 36 on-site checks carried out by the State Secretariat for Economic Affairs between July and September have so far recovered around CHF 1.1 million and led to criminal charges being filed in six cases.

The State Secretariat for Economic Affairs and the SFAO jointly investigated the procedures at the cantonal authorities and unemployment insurance funds in the cantons of Aargau, Fribourg, Lucerne, Ticino and Zurich. They carry out consistent checks, as far as possible. If detailed data, unambiguous IDs or supporting ICT are missing, effective monitoring becomes difficult or impossible. The SFAO is therefore not in a position to confirm the existence of an effective internal control system. The issue of short-time working compensation for public law entities remains relevant: at the end of September, more than 100 of the

603 cases identified by the State Secretariat for Economic Affairs were still awaiting a decision in the cantons.

The bridging credits for COVID-19 **credits with joint and several guarantee** expired on 31 July 2020. Of the 136,434 guarantees issued, the SFAO reviewed 133,053 current guarantees totalling CHF 16.4 billion, with an average CHF 123,300, for potential abuse. "The front runners" in this respect are violations of the ban on dividend payments and significant discrepancies between the turnover reports for the joint and several guarantees and those for value added tax. The SFAO has referred 4,646 cases involving CHF 1.2 billion to the State Secretariat for Economic Affairs for further clarification. As expected, the first defaults have been recorded: At the end of July, 332 guarantees worth CHF 29 million had been called in. However, there is also one encouraging finding: around 2,900 loans have already been repaid; as of 28 October, their financial value stood at around CHF 576 million¹.

It is currently known how many loans have been approved, but not how many have actually been used. In principle, it is difficult to make a sound estimate of the default risk for the federal financial statements and thus for the taxpayer. In order to support the exchange of information with the banks on the management of the guarantees, the guarantee organisations are preparing to introduce a web platform.

It appears that the financial loss incurred by **Switzerland Global Enterprise** due to international trade fair cancellations caused by the pandemic in 2020 will be less severe than initially feared. As a result of digital trade fair events and deferred credits, the risk for the commitments already made in 2020 is increasingly shifting to 2021; only then will it be possible to provide concrete figures. To date, the State Secretariat for Economic Affairs has transferred a total of CHF 3 million in two tranches to Switzerland Global Enterprise. Half of this is earmarked for digitalisation and half for trade fair cancellations. Whether and to what extent the remaining credit tranche of CHF 1.5 million will have to be drawn on will become clear in the course of 2021.

In the **aviation sector**, the contractual agreement is in place to support the airlines Swiss and Edelweiss. By the end of October, these companies had applied for loans totalling CHF 140 million. SR Technics received its first loan of CHF 20 million and has already repaid it. In 2021, the SFAO will examine whether the conditions attached to the financial support are being met.

As of 30 September, some CHF 40 million of the CHF 57.5 million in emergency temporary assistance for the **media** had been paid out by the Federal Office of Communications. For some groups of recipients, the conditions include restrictions such as a repayment obligation if profits are made or dividend distribution prohibitions are violated. The Federal Office of Communications checks whether the conditions are being complied with.

Abuse must not be tolerated. The closer the "alarm system" is to the transaction, the faster and easier it is to intervene. This also applies to the data analyses carried out by the SFAO. In the medium term, the offices themselves should carry out such analyses as part of their core processes. They need infrastructure, data and personnel before the task of performing these analyses can be handed over. The SFAO has therefore decided to continue the established data analyses in 2021 for the "major" measures: COVID-19 loss of earnings compensation, short-time working compensation and joint and several guarantees. Once the

¹ <https://covid19.easygov.swiss/#anchor-10>

anomalies have been identified, the real work begins. 540 cases of COVID-19 loss of earnings compensation, 4,646 cases of joint and several guarantees and 217² reports of suspicion in the area of unemployment insurance (short-time working compensation), which the SFAO has transferred to the offices, must be examined on a case-by-case basis. These three measures in particular are a good example of how distributing the money was quick to do but making corrections afterwards is hard work. Nonetheless, this must be done. Mistakes must be corrected, cases of abuse must be pursued – in the spirit of fair and equal treatment, on which taxpayers and recipients must be able to rely.

Original text in German

² 213 cases from suspicion reports to the SFAO, 4 reports from the 25 dossier reviews at the offices visited in five cantons