

## Audit of subsidies at research partners Commission for Technology and Innovation

### Key facts

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The Swiss Federal Audit Office (SFAO) audited the conformity of the subsidies granted by the Commission for Technology and Innovation for research projects at seven Swiss universities and research institutions (research partners). In 2014, the CTI pledged contributions of CHF 152.42 million for technology and innovation projects carried out by companies in cooperation with research partners. Due to the strength of the franc, the Confederation approved a special contribution of CHF 100 million for the CTI's pro-innovation projects in 2011. The SFAO's audit showed that the regulations on cost allocation between research and business partners are difficult to implement or understand. Although the research partners work professionally and have modern accounting systems and competent specialist staff, the fragmented university system in Switzerland makes it difficult to draw comparisons between them.

The plan for 2018 is to convert the CTI into an institution under public law, the Swiss Agency for the Promotion of Innovation (Innosuisse). As a special measure due to the strength of the franc, additional funds of CHF 61 million have been pledged to the CTI for 2016, which are accompanied by an easing of the self-funding condition for companies (30% instead of 50%) and a possible exception to the cash contribution regulation. Given these developments, the SFAO believes that the CTI should simplify and harmonise its framework conditions and, based on risk analyses, improve its fulfilment of its audit obligation, particularly with regard to onsite audits.

#### **Current CTI tariff system to be simplified in the interests of transparency**

The CTI's contributions are calculated based on the expenses incurred, or rather the CTI accepts a maximum of 50% of the total eligible project costs. Direct contributions to companies are excluded. Tariffs are used for each type of university/research institution – divided into staff categories – to calculate the salaries of the researchers involved in the project.

As a result of the complicated tariff system that is difficult to implement, the CTI cannot determine if the financial requirements for project funding are met, particularly the requirement that the Confederation and implementation partners bear 50% each. The SFAO noted that the research institutions for their part accept indirect costs, some of which are considerable, and do not settle these with the CTI transparently. To ensure greater true-cost pricing and to improve system control, the SFAO therefore recommends that the CTI simplify its tariff system. The system applied by the Swiss National Science Foundation (SNSF), which is based exclusively on direct and proven salary costs, is worth considering.

#### **CTI's audit obligation should be increased and strengthened**

The CTI does not have its own audit service which systematically audits the financial final reports of the funded projects. Contrary to the Subsidies Act (SubA), the CTI does not perform onsite audits. Moreover, hardly any specialist implementation audits are carried out by its experts onsite at the research partners and companies.



The SFAO was wrongly mentioned as the supervisory body, instead of the CTI, in every subsidy contract between the CTI and the research and business partners. The SFAO recommends that the CTI delete this from the subsidy contracts and that it fulfil its supervisory and audit obligation.

**Repayments in the case of economic benefits and profit sharing must be explored**

The repayment and profit sharing of released funds could be an effective tool for easing the burden on public finances or generating additional funds for new innovation projects as desired. In view of the CTI's conversion to Innosuisse, a similar solution to the one under Article 39 of the Federal Act on the Promotion of Research and Innovation (RIPA), which makes provision for repayment in the case of economic benefits and profit sharing, should be explored.

**Original text in German**