



Equalisation of Resources and Compensation of Burdens Audit of the cantons and federal administrative offices

Key facts

The SFAO is pleased to note a general improvement in the quality of work. The error that occurred in St. Gallen is likely to exert a positive influence on the level of commitment shown by the various parties involved and will contribute to increasing their sensitivity to risk as well as to requirements regarding quality and internal audits. Furthermore, the revised directives of the Federal Department of Finance (FDF) adopted in December 2008 will make it possible to correct a large part of the errors made and the weaknesses revealed in this report.

The SFAO's audit was carried out on a representative sample of six cantons, the Federal Tax Administration (FTA), the Federal Statistical Office (FSO), as well as the Federal Finance Administration (FFA). The audit offers a reasonable assurance that an error in the extent of the one that happened in the canton of St. Gallen should not occur. The possibility of error cannot be excluded however, particularly in view of the absence of a formal validation on the part of the cantons on the adjustments made by the FTA in 2008, as well as in view of the use of Excel spreadsheets for calculations made by the FFA.

As provided for in the Ordinance on Financial and Burdens' Equalisation (SR 613.21), the quality assurance mechanism functioned adequately in 2008. It was only the adjustments carried out within the framework of consultations with the cantons that were not validated by the Quality Assurance Technical Group. This oversight is not likely to be repeated in 2009, as an additional meeting of the group is now planned following consultations with the cantons.

The reliability of data that will be generated in 2009 should be considerably improved for the segment equalisation of resources due to the introduction and enforcement of the FDF's new directives.

The SFAO has identified the following improvements to be carried out, notably:

- Role clarification of the three federal offices involved.
- Precise definition of provisional data provided about natural persons.
- Bringing forward cut off dates for submitting data on the established profit indicator of legal entities.
- An obligation on the part of the cantons to retain and preserve source databanks for four months in their original state as of the day of data extraction.
- Introduction of a formal validation procedure on final results to be followed by the cantons after adjustments have been made by the FTA, but prior to the transfer of data to the FFA.
- Application of the principle of public office's automatic intervention in carrying out adjustments to data.
- Explicit reference to principles and requirements relating to internal control system according to the legislation covering the Confederation's finances.

The SFAO considers regrettable the absence of a sanctioning mechanism in the directives which would target cantons late in submitting data. The current system is complex and requires the commitment and involvement of all cantons. A canton that fails to meet its obligations in time hinders the quality assurance mechanism in place and could lead to inaccuracies in all the results.

All parties involved should be aware of the fact that the new directives concern only the collection of new data. For the next two years, equalisation will take place on the basis of data gathered previously, data which was collected in an environment of sub-optimal quality. Caution should therefore be applied in relation to data from the years 2004 and 2005.

Discussions revolving around correction of the St. Gallen error have demonstrated the urgency of resolving the issue of a possible retroactive adjustment to be applied. The Federal Council and the Swiss Conference of Cantonal Directors of Finance have recognised the urgency of this matter and that the necessary legislative projects must be carried out without delay.

Recommendations relating to internal control system remain suspended at the FTA and the FSO. Measures for ensuring the traceability and documentation regarding operations are expected to be introduced in 2009 by the FTA and FSO. To date the recommendation relating to replacing the Excel spreadsheet architecture with a secure IT environment has not yet been addressed. The FFA has announced its decision to proceed with initial testing in this area in 2009 in view of a data migration planned for 2010.

Monitoring the implementation of these recommendations will be carried out by the SFAO in the course of its audit activities in 2009.

The parliamentary Finance Delegation took note of this report during its meeting of February 5 and 6, 2009.

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