

## **The Federal Administration's internal control system: not fully implemented**

### **Key facts**

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The internal control system (ICS) was phased in by the Confederation's offices between 2007 and 2008. Five years after its introduction, the Swiss Federal Audit Office (SFAO) decided to assess the ICS and its implementation.

According to the Financial Budget Act (FBA), the ICS covers the measures that make it possible to protect the Confederation's assets, to ensure funds are used effectively and economically, to prevent or detect accounting errors and deficiencies, as well as to ensure that accounting is in order and financial reporting is reliable. This is the **ICS in the broad sense**, which has unfortunately faded into the background.

When office managements talk about the ICS today, all too often they have in mind the ICS in the narrow sense, i.e. the system that is detailed in the directives of the Federal Finance Administration (FFA), which concentrates on ensuring that the accounts are kept in good order. This solution is based on that chosen by the private sector, but it only covers the Federal Administration's risks to a very limited extent. The possibility of extending the ICS tools to the risks of poor management, inefficient administration or non-compliance with the law should be examined. Such a solution would make it possible to ensure better consistency in the risk management approach and the application of the ICS to all of the Federal Administration's activities. However, such an extension should be accompanied by some rethinking and a reduction in current controls. The Federal Administration does not need more controls, but rather better controls, i.e. ones that are more effective and that are followed by consequences in the event of seriously deviant conduct.

With regard to the **ICS in the narrow sense**, the SFAO recommends the following improvements in particular:

- a) Revise the Financial Budget Ordinance in order to eliminate certain controls that are not profitable (e.g. raise the thresholds for the capitalisation of investments or invoice validation)
- b) Shift the emphasis of controls upstream by moving it from the payment stream to the area of commitments/liabilities in order to have better control of decisions that commit the Confederation, e.g. contracts, orders, decisions to grant subsidies
- c) Examine the establishment of a published list of authorised federal signatures that is effective and of a mandatory nature for third parties in order to check critical actions such as the opening of bank accounts

The ICS has to be applied in order to be effective. The audits conducted by the SFAO in 2012 and 2013 highlighted multiple problems in this area as well as a broad range of levels of ICS implementation and supervision in the administrative units. In order to gain a better understanding of this unsatisfactory situation, the SFAO conducted targeted interviews of ICS stakeholders in a sample set of units.



The following reasons were given to justify the implementation problems:

- The size of the ICS project was underestimated by management; the resources, hierarchical support and necessary skills were thus not provided
- The offices did not adapt the models proposed by the FFA to their specific risks and processes
- The process owners and ICS officers did not play their role in ICS supervision and did not draw up useful reports for assessing its implementation

For certain offices, the efforts still to be made to reach the required ICS level seem reasonable, as it is mainly a case of formalising the controls or supervision carried out. For other units, far more significant action is needed to bring their ICS into line either because the ICS concept has not yet been understood or else because the necessary skills and resources are still not available. Consequently, it will be difficult to meet the set requirements within a reasonable timeframe without supplementary measures. One such measure would be for the FFA, which is responsible for preparing the Confederation's state financial statements, to obtain all annual reports from ICS officers in the future in order to identify those offices that could pose a problem in ICS terms and act rapidly in the department concerned.

**Original text in French**