



Key facts

The Swiss Federal Audit Office (SFAO) conducted a horizontal audit of on-time payment to subsidy recipients. The selection of cases was based on Payment Categories 3600, "Contributions to running expenses", which amounted to more than CHF 100 million in 2005. The payment dates in these categories in 2006 were audited. The audit thus covered 33 financial aids and compensations, but also payments that are not considered subsidies by law. The total volume of the audited payments amounted to approximately CHF 27 billion.

Despite substantial differences among the various subsidies, the following **general statements** can be made:

- **The majority of subsidy payments are on time**
Overall, the financial means were employed in a timely manner. The principle of economy was taken into account in this regard – see point 5 of the report.
- **Advance payments were only made in the case of few subsidies**
In the case of 12 subsidies amounting to approximately CHF 4.7 billion or roughly 17%, advance payments were made. The advance payments were justified and comprehensible – see point 3 of the report.
- **The multiplicity of legal foundations hampers transparency**
In the special laws and ordinances governing the individual subsidies, the essential parameters for paying financial aids and compensations are not always specified. Often there is no information concerning, e.g., the time of payment, the basis for calculating the compensation, or the volume of payments on account. It was difficult to determine which legal foundations were relevant. Despite difficulties, however, an evaluation of the economic efficiency of the offices' approach was nevertheless possible, taking account of execution instructions and contracts – see point 4.1 of the report.
- **The existing payment processes make it difficult to fix an optimal value date**
It is currently complicated to take advantage of the latest payment deadline. The effectively utilized payment times are also neither fast nor fully reviewable – see point 5 of the report.

The SFAO determined **overall savings potential in the amount of approximately CHF 6 million**. The majority of audited subsidies do not give rise to any comments. Given the existing room for interpretation, implementation of the requirements is reasonable and economic. In a few specific individual cases, the SFAO determined potential for savings. However, such savings can generally only be realized pursuant to adjustments to ordinances or contracts and must also generally be considered minor in the overall context. The main areas concerned are the following:

■ **Adjustment of legal foundations and regulations with room for interpretation**

For instance, these are funds paid out to the cantons and retained there for a few days as treasury funds before being passed on to the ultimate beneficiaries. The interest loss is approximately CHF 1.0 million.

Additionally, there are payments on account which are more than the 80% of the settlement demand set out in the special ordinance on the Subsidy Act and are paid out to beneficiaries who have their own fund resources. The interest loss for the Confederation in such cases is approximately CHF 1.6 million.

In one case, there is room for interpretation with respect to the payment date, with savings potential of about CHF 0.8 million – see point 4.2 of the report.

■ **Low importance of the 80% rule**

Pursuant to article 23 of the Subsidy Act, only 80% of the financial aid or compensation may as a rule be paid out before determination of the final amount. Only in the case of CHF 4.1 billion or roughly 15% of the subsidies is the 80% rule applied. The audits showed that the deviations from the 80% rule were justified and substantively correct and necessary, with the following exception:

The total expenditures of Old Age and Survivors' Insurance (AHV) and Disability Insurance (IV) serve as the basis for the final settlement. Payments on account for the monthly amounts owed by the Confederation to the AHV and the IV are based on figures from the previous year and the budget. If these calculations are higher than the effective expenditures, then the payments on account are too high. In the case of linear distribution of expenditures, as expected after entry into force of the Reorganization of Financial Equalization (NFA), this leads to interest loss. This should be avoided by implementing appropriate measures. The savings potential is CHF 2.0 million – see points 3 and 6 of the report.

■ **Credit limit used up for subsidy payments – savings potential CHF 200,000**

In the case of compensation for combined transport, payments on account are made for the final settlements, which can not be prepared until the first quarter of the following year, as well as for January of the following year. In the case of compensation for regional transport, the last two calendar weeks – which already belong to the new schedule period – were treated as a deferred item by means of an increased payment on account. Sometimes, this was also treated as an advance payment for the following year made at an early date. Beginning in 2007, with entry into force of the New Accounting Model (NRM), these advance payments were suspended – see point 7 of the report.

To the extent relevant for the report, the statements by the offices have been taken into account. Critical statements and deviating interpretations were summarized and noted. Some of the objections are of a political nature or relate to the problem of practical implementation of the suggestions and recommendations.

The report was taken note of by the Finance Delegation of the Federal Chambers at its 5th regular meeting on 28/29 August 2008.

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