

Audit of the Confederation risk management as a management tool

Federal Department of Finance, Federal Finance Administration

Key facts

The risks of the Federal Administration (Fed. Adm.) are diverse and can, in certain cases, be associated with very negative effects. The most recent example is the payment of CHF 215 million for federal sureties for Switzerland's deep-sea fleet¹.

The Confederation risk management's role is to identify, analyse and manage federal risks. All units of the Fed. Adm. are obliged to perform risk management. At the end of the annual risk reporting process, which is managed by the Federal Finance Administration (FFA), the risk disclosure statement is submitted to the Federal Council. Following the Federal Council's decree, this report is also made available to a working group of the Control Committee.

Risk management: an indispensable management tool which needs further development

Overall, the conclusion can be made that risk management is well developed but not used enough as a management tool with strategic orientation. The reason for this is that, in the view of the Swiss Federal Audit Office (SFAO), risk management is insufficiently integrated in management processes. Risk management configuration varies greatly between the administrative units audited.

The administrative departments and units enjoy a lot of flexibility in its implementation. The role of the coordination unit at the FFA which, despite few resources and a lack of power to issue instructions as a cross-divisional office, is all the more important and has significantly contributed to a good risk culture across all the audited administrative units, as the SFAO confirmed. Managers and staff members are aware of risk management. A major success factor is the risk managers' and risk coaches' proximity to department and office management.

Identification and assessment of risk is made on a bottom-up basis. A top-down approach which takes into account the risks arising from a unit's or department's strategy or legal requirements, was only found in one of the audited units. This means the perspective of the administrative units was extremely limited to operative risks. With a few exceptions, the isolated consideration of the risks within each administrative unit prevails. The involvement of stakeholders or the consideration of connections with other (cross-administrative unit or cross-departmental) risks was only observed in a few cases.

¹ Federal Council press release, Guarantees for deep-sea vessels: sales agreements signed, dispatch on supplementary budget issued, 18.5.2017, <https://www.admin.ch/gov/en/start/documentation/media-releases/media-releases-federal-council.msg-id-66775.html>

Problematic handling of risks

Management and monitoring of risks is insufficient in many sections. Measures should be formulated more firmly. Controlling of measures was only occasionally observed, if at all. In the audited administrative units, the SFAO hardly found any parameters (e.g. from controlling) which serve as indicators for changes in the risks and which could flow into the risk assessment.

The audited administrative units have not defined risk strategies which match their needs. The level of tenable risks for the administrative units and the risk-reducing overall objectives are therefore not defined. The risk disclosure statements and communication are generally good in their current form.

The SFAO found significant systematic weaknesses in the management of intersecting risks (risks which exist in a similar shape and form in many or even all federal administrative units) with regards to the enforcement of risk-reducing measures and in terms of communication. The current configuration of the communication of intersecting risks does not ensure that the measures for managing intersecting risks are known or even implemented in all the administrative units concerned. The SFAO considers this to be a considerable deficiency.

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