

Comprehensive report on the audit of the 2022 federal financial statements

Federal Finance Administration

Key facts

The federal financial statements closed with an annual loss of CHF 2,396 million. Operating revenue stood at CHF 75,613 million. Operating expenses totalled CHF 78,902 million. In addition, the negative financial result of CHF 623 million weighed on the statement of financial performance. The positive result from financial interests improved the overall result for the year by CHF 1,516 million. Tax revenue amounted to CHF 71,043 million (94.5% of the operating revenue).

Extraordinary expenses amounted to CHF 3,049 million, i.e. just under 4% of operating expenses. CHF 2,347 million of this was incurred in connection with the COVID-19 measures. The remaining CHF 702 million related to social assistance for people from Ukraine with protection status S. Coming in at CHF 59,980 million, transfer expenses accounted for 76% of operating expenses in 2022. The Confederation's operating expenses of CHF 15,743 million accounted for just under 20% of ordinary expenses. The remaining CHF 130 million of operating expenses resulted from deposits in special financing.

The SFAO recommends approving the 2022 federal financial statements

The Swiss Federal Audit Office (SFAO) audits the federal financial statements in accordance with recognised auditing principles. When approving Switzerland's state financial statements (federal financial statements) each year, the Federal Assembly can rely on the fact that an independent audit body has audited the accounts. In its report of 29 March 2023, the SFAO recommended to the Federal Assembly that it approve the 2022 federal financial statements despite restrictions. As has been the case since 2017, the restrictions relate to the difference of opinion regarding the recognition of the change in the provision for withholding tax. Changes in provisions (CHF 500 million in 2022) do not fall within the definition of current receipts and expenditure according to the Federal Budget Act (FBA)¹. The amendment to the FBA that came into force in 2022 will be implemented in fiscal 2023. The restrictions will therefore no longer apply to the federal financial statements for 2023. For this reason, the SFAO nevertheless recommends approving the federal financial statements.

The SFAO is bound by law to review the internal control system (ICS). Based on this review, it also issues an opinion regarding the existence of the ICS every year. The SFAO confirmed this for fiscal 2022. With regard to general IT checks for which the Federal Office of Information Technology, Systems and Telecommunication is responsible, there is an urgent need for action, particularly in terms of access rights to databases.

¹ The version of the FBA dated 1 January 2016 applies here.

Estimating the provision for withholding tax remains a challenge

A new estimation model has been in place since 2019 for calculating the provision for withholding tax. This was modified in 2020 and 2021, and further optimised in 2022, as this was the only way to achieve the best possible estimate. After taking the 2022 modifications into account, the provision was increased by CHF 500 million relative to the previous year, which is understandable. The quality of an estimation model is revealed, among other things, by its constant application, but it has not been possible to follow this principle so far. Changes, such as the tax reform and AHV financing (TRAF), affect the data basis and make modifications necessary.

Expenses for COVID-19 measures have decreased significantly after reaching their peak in 2020 and 2021

The situation eased further in 2022. The Confederation recorded expenses of CHF 2,781 million for measures to mitigate the effects of the pandemic on society and the economy. This figure was significantly lower than in previous years: in 2020, expenses of CHF 16,889 million were recorded, and in 2021, the figure was CHF 13,870 million. Various recorded accruals/deferrals are based on estimates, some of which are subject to considerable uncertainty. Deviations between the estimated values and the actual values will have an impact on the 2023 federal financial statements.

Statutory requirements impact the federal financial statements

In accordance with Article 5 of the FBA, the federal railway infrastructure fund (RIF) and motorway and urban transportation fund are not included in the federal financial statements. A comprehensive assessment of the asset and debt situation is therefore not possible at the level of the federal financial statements. The net assets/equity in the federal financial statements would be CHF 4.6 billion lower without the elimination of the RIF. The relevant Article 5 of the FBA should not be amended in view of the unintended effects on the debt brake. The details are disclosed in the federal financial statements.

Direct federal tax is assessed and collected by the cantons, which then pay the Confederation its share. In 2022, the relevant gross amount was more than CHF 26 billion. The cantonal audit offices are responsible for conducting annual retrospective audits in this area. The SFAO has no authority to check the cantons' reporting in this regard.

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