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EIDGENÖSSISCHE FINANZKONTROLLE
CONTRÔLE FÉDÉRAL DES FINANCES
CONTROLLO FEDERALE DELLE FINANZE
SWISS FEDERAL AUDIT OFFICE



Switzerland's internal and external auditing system: Overview, Mandate, Challenges and Design features

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Bern, 22 March 2023

Objective

Learn from public sector internal/external audit system in Switzerland and last developments (how is the system organised at different levels, the legislation)



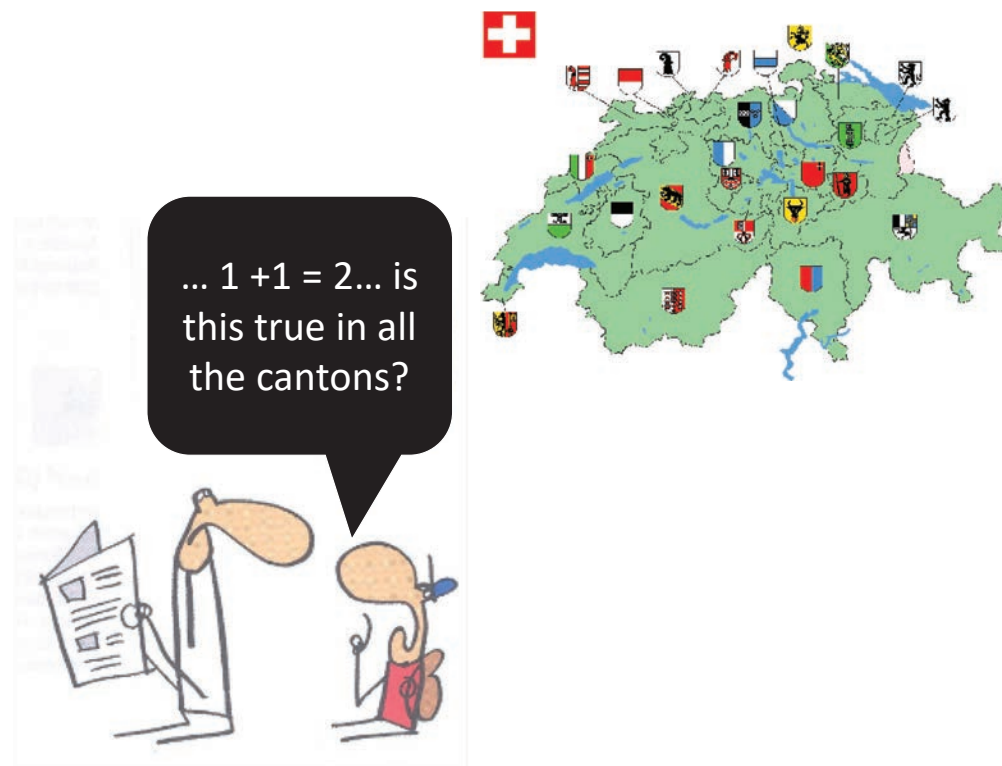
Agenda

1. Characteristics of the Swiss system of supervision/oversight
2. Financial Supervision at the level of the Confederation
3. Challenges, differences and particularities in the collaboration
4. Examples of interaction with Internal Audit Units of the Confederation
5. Example of interaction with Cantonal Audit Offices
6. Questions and discussion



1. Characteristics of the Swiss system of supervision/oversight

- Direct democracy and citizens's rights in financial and fiscal matters
- Federalism with high autonomy of the 26 cantons (regional states) and over 2700 municipalities
- System of concordance with checks and balances



1. Tasks and organisation of the financial supervisory bodies

- An important component in being able to manage and steer a public community
- Audit offices are the **financial supervisory body** of the public community. They assist:
 - the Parliament in exercising its supreme supervision
 - the Federal Council in exercising its supervision of the Federal Administration



1. Tasks and organisation of the financial supervisory bodies

Core principles of financial supervision

- Organisational independence: no influence of the auditees on the structure of the authority and professional career
- Functional independence: autonomy in establishing the audit programme
- Financial independence: sufficient resources, immediately approved by the Parliament

The Lima Declaration (1977) and the Mexico Declaration (2007), www.intosai.org



1. Tasks and organisation of financial supervisory bodies

Audit institutions at the three state levels			
Public Administration	External Audit	Internal Audit	(Supreme) Supervision
Confederation	Swiss Federal Audit Office - SFAO	SFAO and Internal Audit Units	Parliament and Federal Council
Cantons	Cantonal Audit Offices (CAO) or Third Parties	CAO and IA at public-owned entities	Cantonal Parliament, Confederation
Cities	Audit Offices	Audit Offices	Cantonal supervisory body
Municipalities	Audit bodies of the communal assembly	Possibly IA at public-owned entities	



1. Tasks and organisation of financial supervisory bodies

Types of audits – three main categories



INTOSAI Standards (ISSAI): www.issai.org

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1. Tasks and organisation of financial supervisory bodies

Scope of supervision of audit offices

(in general; there may be differences between the public communities)

- Central and decentral administration
- Courts and authorities of the Government (executive)
- Institutions / companies (independent / dependent) of the public community
- Recipients of financial aids and grants
- Organisations entrusted with public tasks
- Others according to the respective law
- In addition: legally exempt organisations (banks, media, etc.)



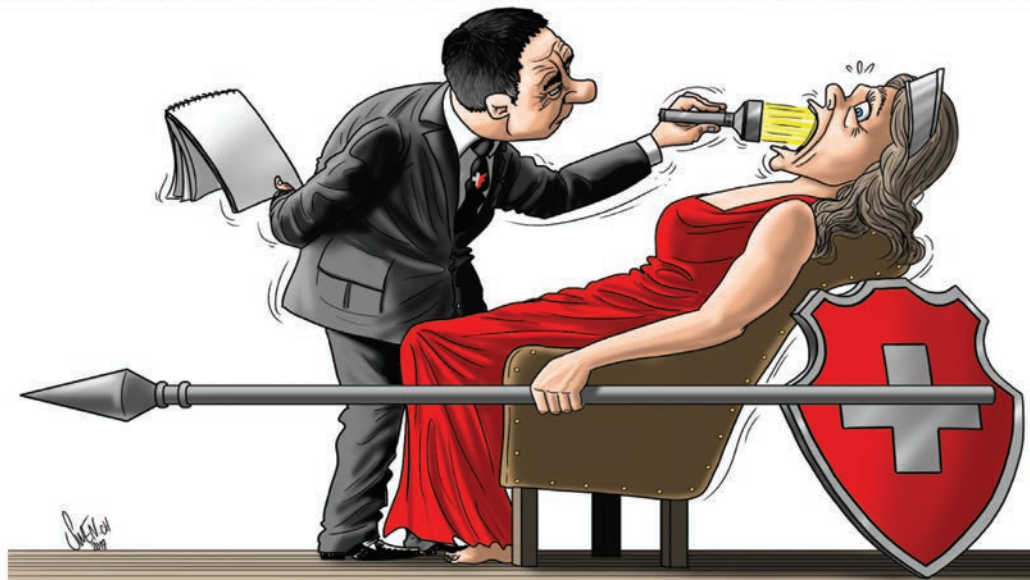
2. Financial Supervision at the level of the Confederation

Variety of controls - the actors (using the example of the Confederation)

- The **Control Committees** assist the Parliament in its supreme supervision of the government's and the administration's actions. The **Control Delegation** is composed of six members from both committees. They are supported by the **Parliamentary Control of the Administration**.
- The **Finance Committees** assist Parliament in its financial supreme supervision (oversight). The **Finance Delegation** is composed of six members from both committees.
- The **Swiss Federal Audit Office (SFAO)** is the supreme financial supervisory body of the Swiss Confederation and supports Parliament and the Federal Council.
- The **Internal Audit units** of the departments and administrative units support the management of the department or office to which they are assigned.



2. Swiss Federal Audit Office: A rich and fascinating history



2. SFAO at a glance

- Independence through the **Federal Audit Office Act and the Constitution**
- Serving two constituencies: Federal Council and Parliament's Finance Delegation
- **Matrix organisation** since 2000: more flexibility and increased quality
- Accredited by Federal Audit Oversight Authority and member of **INTOSAI, ExpertSuisse, IIA Switzerland, ISACA and SEVAL**
- The SFAO currently has **140 employees** or 128.1 FTE
- Over 90 auditors who carry out almost 200 assignments per year
- Audit universe including **over 260 objects**
- In 2022, we **published 81 reports** (of public interest, ISSAI 12)
- Annual expenditure of approximately **31 million Swiss francs**



2. Mission of the SFAO

As supreme supervisory body of the Swiss Confederation:

- We ensure that the Administration spends the taxpayers' money efficiently.
- We assist Parliament, the Government (executive) and the Administration.
- We are experts in auditing. We are well acquainted with the Administration.
- **We are the leading advisory body for public financial supervision.**
- We are the point of contact for whistleblowers for Federal Administration staff and for citizens who find damaging conduct in the Federal Administration and organisations with close links to the Administration.

<https://www.efk.admin.ch/en/>

2. SFAO and other Supervisory bodies...

- Coordination with parliamentary supervisory bodies
- Cooperation with the Finance Delegation and committees
- Cooperation and Coordination between SFAO and the 17 internal audit units from the (de)central Federal Administration. Two annual sessions with the 11 central internal audit units (Art 11 of FAOA).
- Cooperation with the 25 cantonal (regional) audit offices in order to audit federal tasks which are performed by the cantonal offices: Swiss Conference of Audit Offices once a year
- International cooperation with other SAIs (EUROSAI: ITWG, WGEA; INTOSAI: WGEPPP; UN-Panel of External Auditors)

2. Article 11 of the Federal Audit Office Act:

Article 11²⁸ Internal audit units of the **central Federal Administration**

¹ The internal audit units of the central Federal Administration are responsible for financial supervision in their domain. In administrative terms, they report directly to the management of the department or office to which they are assigned, but they are

autonomous and independent in the performance of their specialist tasks. Their rules of procedure are subject to approval by the Swiss Federal Audit Office. The Swiss Federal Audit Office may submit proposals to the Federal Council for the creation of internal audit units.

² The Swiss Federal Audit Office periodically assesses the effectiveness of the internal audit units and ensures coordination. It may issue technical audit aids, especially with regard to working methods and procedures. It may issue directives on the involvement of the internal audit units in auditing the state financial statements. These units shall notify it of the annual audit programmes and all audit reports.

2. Article 11 of the Federal Audit Office Act:

³ The internal audit units shall submit an annual report to the department or office management and the Swiss Federal Audit Office, providing information on:

- a. the scope and focus of their audit work;
- b. key findings and assessments; and
- c. the implementation status of the main recommendations and, if essential recommendations have not been implemented, the reasons therefor.

⁴ If the internal audit units identify deficiencies of fundamental or significant financial importance or unusual incidents, they shall immediately notify the department or office management and the Swiss Federal Audit Office thereof.

⁵ The Swiss Federal Audit Office shall promote employee training and continuing professional development in the internal audit units of the central Federal Administration.

2. Audit universe/types (with Internal or Cantonal Audit Offices)

Financial audits (ISA/ISSAI 200)

- **Federal Accounts**
- **Funds for railway and road Infrastructures**
- **Unemployment Insurance Fund**
- **Domain of Federal institutes of technology**
- Institute of Intellectual Property
- Swiss Institute of Metrology
- Swiss National Science Foundation
- Swiss Innovation Agency
- **International Civil Aviation Organisation**
- **Universal Postal Union (UN-Panel)**
- etc.

10% represent consultation activities by legislative acts and Government decisions, support for Parliament, ...



Performance and Compliance audits (ISSAI 300 and 400)

Auditing of federal offices according to the **criteria of regularity, legality & economic efficiency** and based on risk analysis, including **Evaluations**

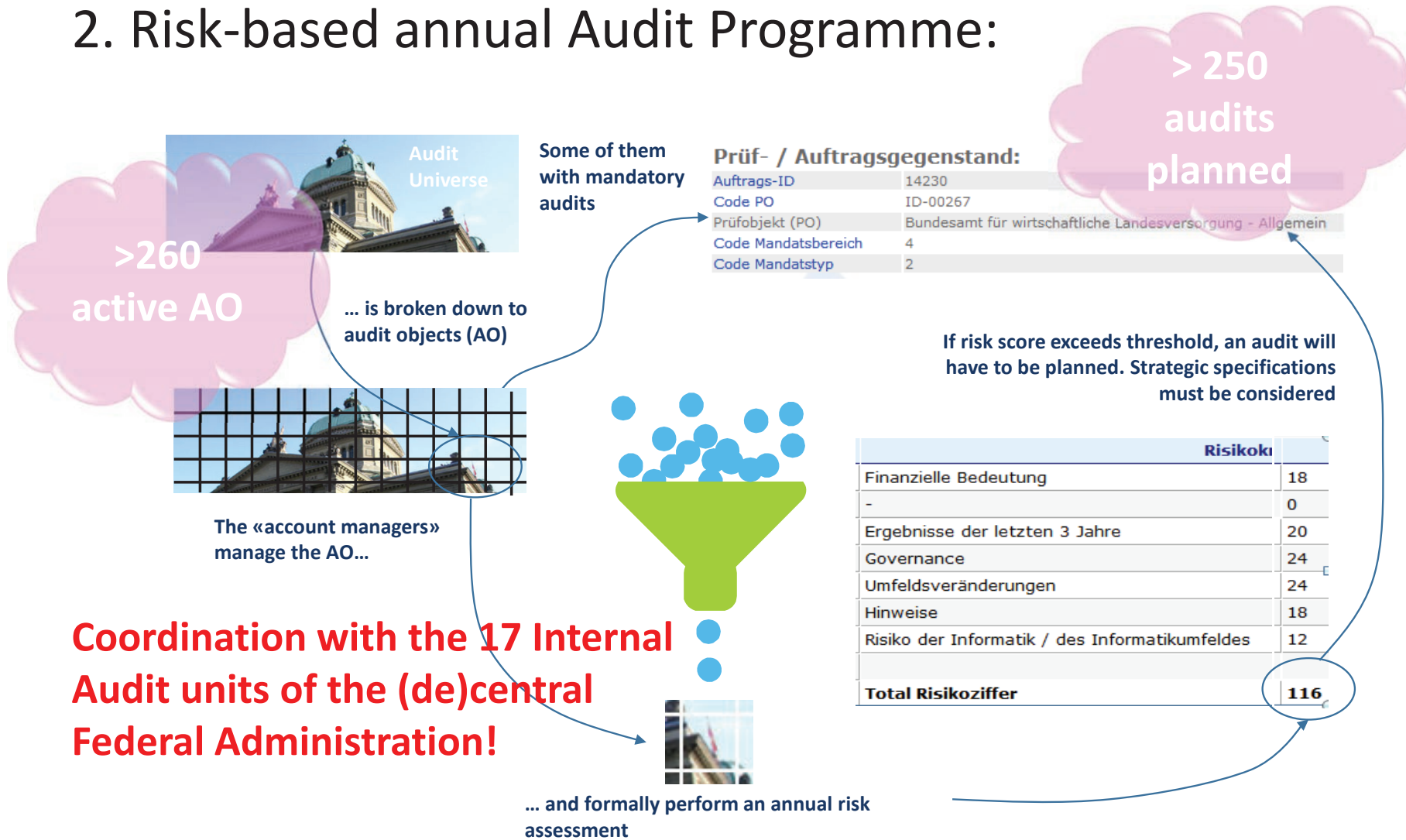
Special audit types

- IT audits
- ICT key projects
- **Construction audits**
- **Price audits (monopoly)**
- **Procurement audits**
- Management audits
- Overseeing audits
- Grant audits
- **Internal quality assessment audits**
- Peer Reviews

17 Internal Audit Units in the (de)central Federal Administration

11 Central Federal Administration	6 Decentral Administration
Federal Office for Buildings and Logistics FOBL	ETH Board
Federal Tax Administration FTA	Swisscom
Federal Office for Customs and Border Security FOCBS	The Post
Federal Road Office FEDRO	Swiss Federal Railway Company
Federal Office of Transport FOT	RUAG
Federal Office of Agriculture FOAG	Skyguide
Federal Department of Defence, Civil Protection and Sport FDDCPS	
Federal Department of Foreign Affairs FDFA	
Federal Department of Justice and Police FDJP	
State Secretariat for Economic Affairs SECO	
Central Compensation Office CCO	

2. Risk-based annual Audit Programme:



3. Challenges, differences and particularities

- Few resources at CAO to audit the performance and evaluate public policies (except for Courts of Audit in Geneva and Vaud)
- Extensive coordination (Internal Audit Units and Cantonal Audit Offices)
→ conferences at federal level
- Support and reinforce their autonomy (Audit Charter, Audit Act, ...)
- Job rotation to maintain independence (mandatory audits)
- Added value through organisation of training sessions (two weeks in January, including an Audit Fair)
- Active support for the organisation of training at the supra-cantonal level
- Support from our specialists (IT, procurement, architects, ...)

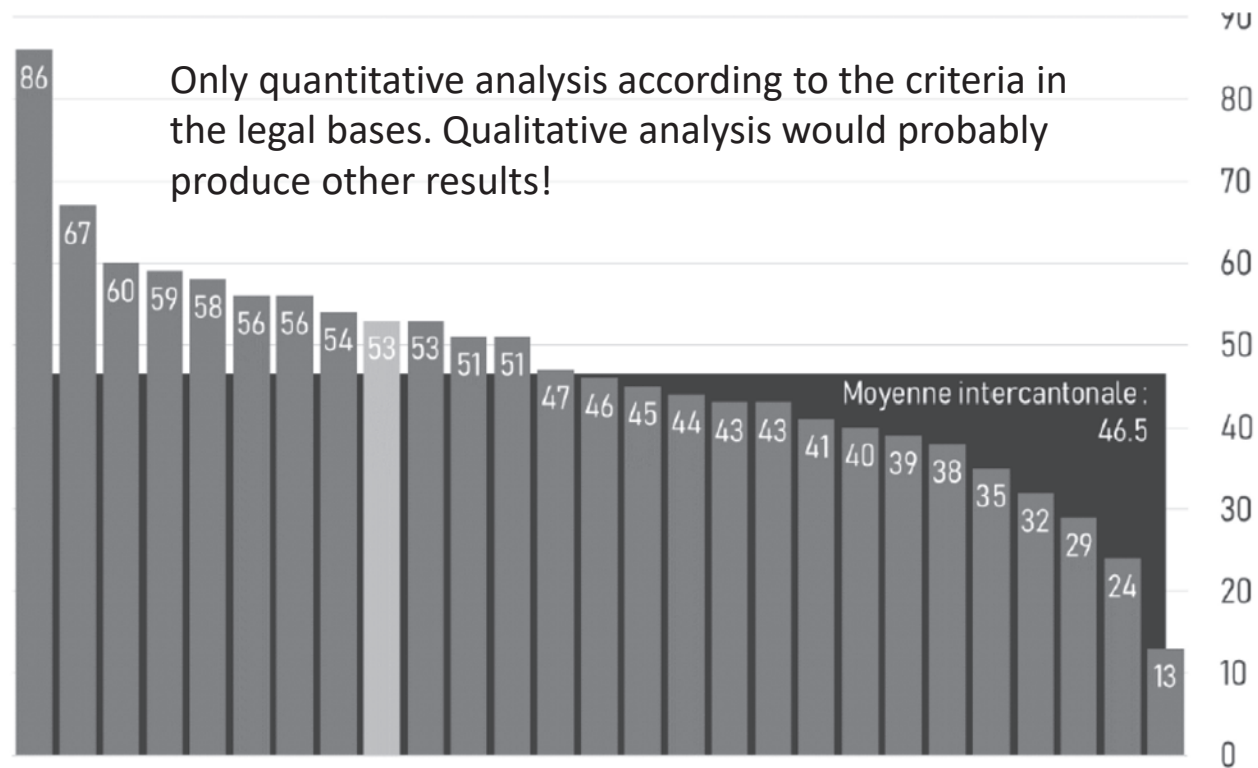
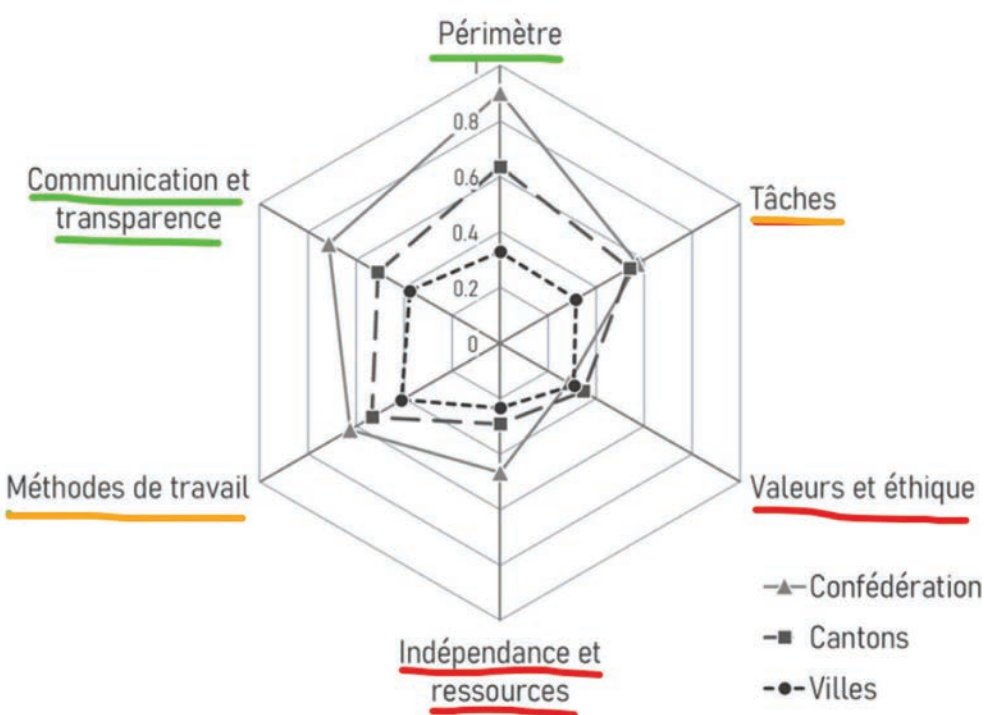
3. Challenges, differences and particularities

- Working Groups with Cantonal Audit Offices on IT, social insurances, public transportation, tax and financial perequation, research, → coordination of our audit programmes
- **Representation at the Board of the Institute of Internal Auditors Switzerland**
- **Leading two ERFA groups (French/German) – Objective: sharing of experiences**
- Quality assurance through:
 - Quality reviews at the level of Internal Audit Units
 - Peer- or Quality reviews at the cantonal level
 - Peer-review at the international level

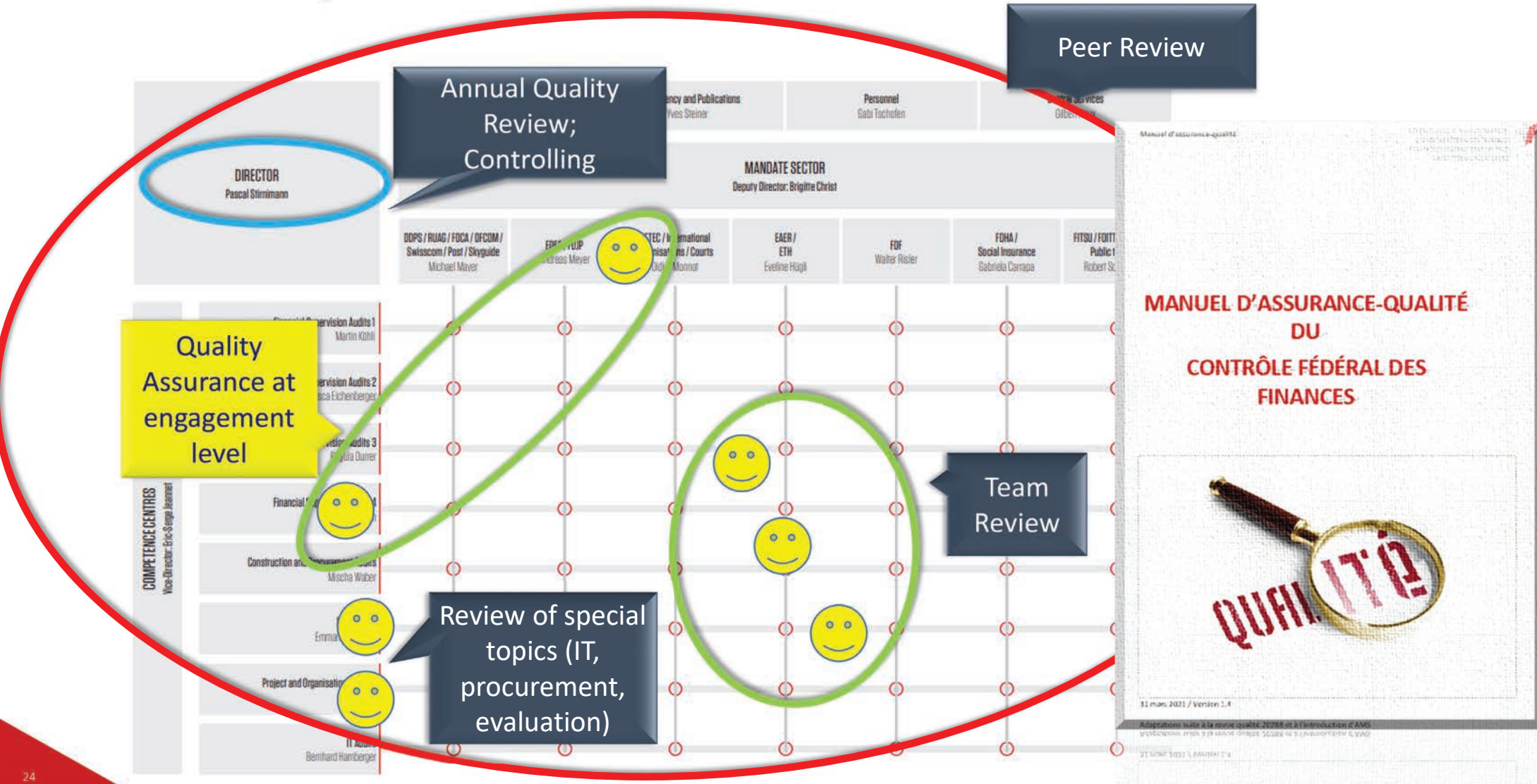
3. Differences / particularities: Examples at the cantonal level

- In **Geneva**, we have three audit offices in a small area:
 - Court of Auditors (External Auditor and audit at the municipal level)
 - Internal Audit Service of the cantonal administration (internal audit)
 - Financial Control of the City of Geneva (external and internal audits)
- In **Zurich**, we have three audit offices:
 - Cantonal Audit Office (external and internal audits)
 - Audit Office of the City of Zurich
 - Audit Office of the City of Winterthur
- **Valais** only has a Cantonal Audit Office with the particularity that it could also oversee the municipalities (external and internal audits)

3. University of Lausanne-IDHEAP: Inventory and Comparison of the Legal Bases for Financial Oversight



3. Quality Assurance is crucial



4. Examples of interaction with the internal audit units

- Audit of the federal financial statements
 - Expenditures of over 70 billion Swiss francs and balance sheet with over 170 billion Swiss francs
 - Lead by SFAO, a task according to our Federal Audit Office Act
 - Delegation of tasks to the internal audit units in departments / offices
 - Synergies for both parties through audit engagements (SFAO and IA units)
 - Supervision of the audit work and quality reviews through SFAO
- Financial Audits of ETH Board:
 - IA Unit participates with own audits during the interim audit
 - Internal auditors are part of the final audit team of SFAO

4. Example of interaction with the Internal Audit Units

AUDIT-Comprehensive reports on the audit of the 2021 federal financial statements

Federal Finance Administration

Audit number: 21010 / 21008 / 21488

The 2021 federal financial statements show a negative annual result of CHF 9716 million. The result is made up of operating income of CHF 74,700 million and operating expenses of CHF 85,759 million. The negative financial result of CHF 503 million must also be deducted. The positive result from participations improved the annual result by 1846 million Swiss francs. 70 238 million Swiss francs or 94 % of the operating income is fiscal income.

The Swiss Federal Audit Office (SFAO) made two qualifications to the federal accounts, one because of the booking of an expenditure of CHF 3 billion in 2021, although it concerns the 2022 accounts, and one because of the provision for the refund of withholding tax amounting to more than CHF 5 billion. Thus, the account closes with a higher negative result than the current financial budget law provides for. Both problems will be solved with the implementation of the new law in 2023.

The 2021 state accounts consist of the federal accounts as well as the Rail Infrastructure Fund (21008) and the National Roads and Agglomeration Transport Fund (21488). For both funds, the SFAO recommended that the Federal Assembly approve the two special accounts for 2021 without qualification.

5. Example of interaction with Cantonal Audit Offices

Audit of supervision of ordering regional passenger transport

Federal Office of Transport

Key facts

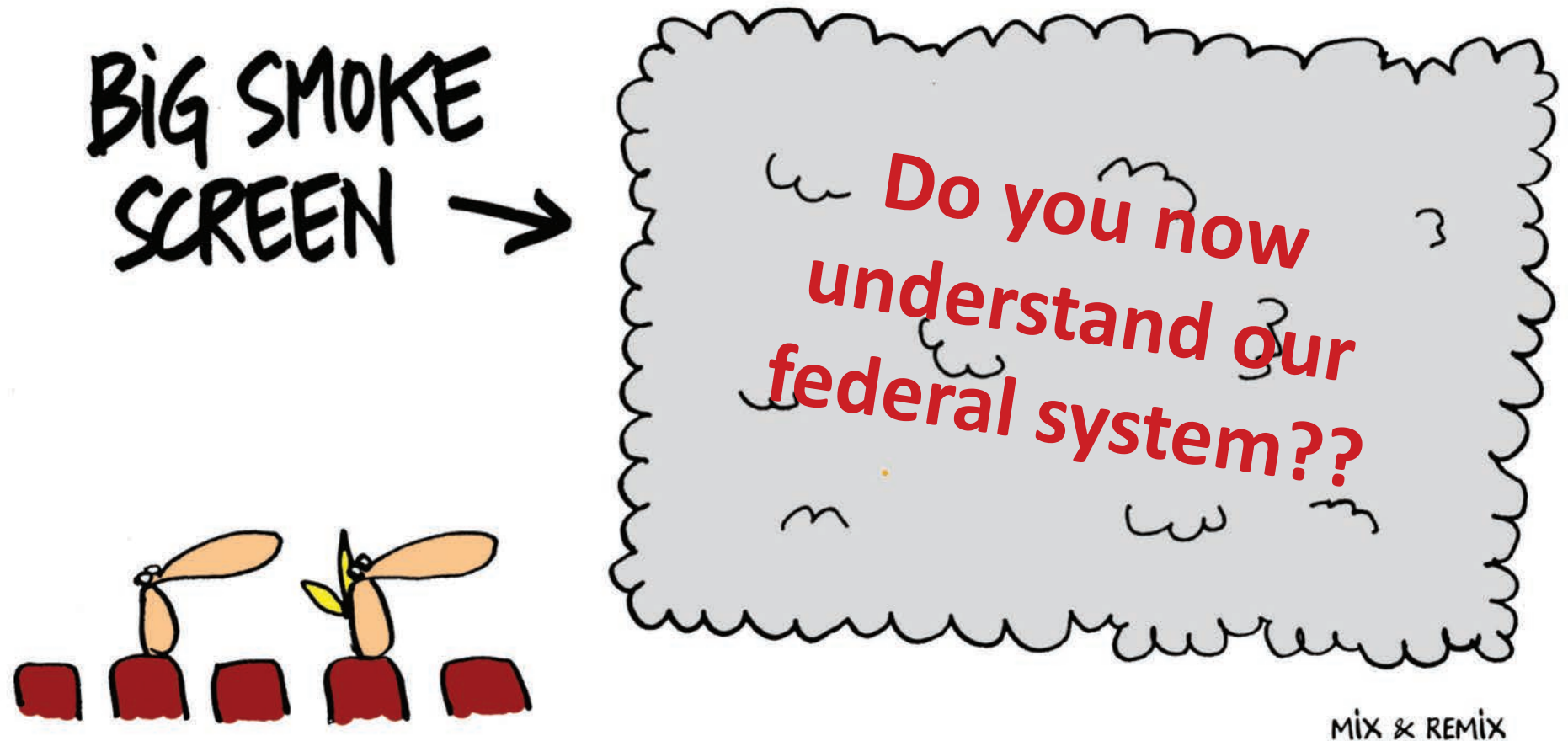
The Confederation and the cantons jointly order regional passenger transportation. Regional passenger transport is not financially self-sustaining and the two purchasers each pay one billion Swiss francs per year for transport companies' uncovered planned costs throughout Switzerland.

The Swiss Federal Audit Office (SFAO) examined the control mechanisms in regional passenger transportation, the demarcations between regional and local transport and aspects of economic efficiency. The audit was conducted at the Federal Office of Transport (FOT) and in the cantons of Bern, Basel-Landschaft, Graubünden and Solothurn.

The results varied. While there is potential for improvement in the cooperation between the two purchasers and the checks, the demarcation between regional and local transport is well implemented. The economic efficiency of the overall regional passenger transport system is tending to develop positively, although essential instruments for controlling the development of costs are hardly used or not used at all.

- Coordination of the audit with CAO
- Synergies of knowledge for Confederation and Canton (Grants)
- Both on site to audit the transport firms (with separate focus)
- Overview of results but separate reports

6. Conclusion



7. Questions & Discussion



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