



# Practical Experiences in Accounting and Auditing Practices in Switzerland

Dr.rer.pol. Paul Sommer  
dipl. Wirtschaftsprüfer  
Vorsteher der Finanzkontrolle des Kantons Bern (1987-2010)  
paulsommer@bluewin.ch



## Switzerland: State and administrative structure

The Swiss Confederation operates on three levels:

### Federal Level

- |                             |                               |             |           |
|-----------------------------|-------------------------------|-------------|-----------|
| • Swiss federal government: | Federal Council               | Bundesrat   |           |
| • Swiss federal Parliament: | - Council of States (Cantons) | Ständerat   | 46 seats  |
|                             | - National Council            | Nationalrat | 200 seats |

### Cantonal Level

- 26 Cantons
- Each canton has its
- own constitution (that is not allowed to contradict the federal constitution).
  - own government with five to seven ministers.
  - its own Parliament with one chamber. The number of seats varies.

### Communal Level

- 2'880 communities on 1. January 2001
  - 2'551 communities on 1. January 2011
- more than 50 % of these communities have less than 1'000 inhabitants and depends on part-time administrators and politicians.
  - In 2001, 65 % of the Swiss communities over 3'000 inhabitants owned shares of one or more private companies, that fulfill public tasks (e.g. electricity, waste disposal, water supplies ...)



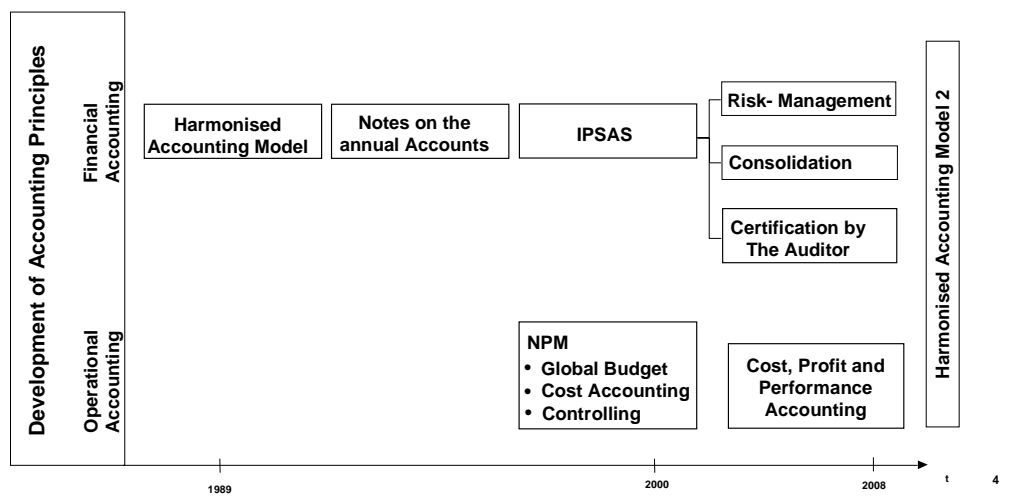
## Public Sector Accounting Standards in Switzerland

- The Swiss Institute of Certified Accountants and Tax Consultants (Schweizerische Treuhandkammer) has established some years ago the Foundation for Accounting and Reporting recommendations (Fachkommission für Empfehlungen zur Rechnungslegung, FER) to publish accounting and auditing standards for the private sector.
- In Switzerland there are no accounting standards for the public sector nor there is an official standard setting organization for the public sector.
- 1977 the Conference of Cantonal Ministers of Finance approved as a recommendation to all Cantons and indirectly to all communities a Public Sector Accounting Model, the so called "New Accounting Model", "Neues Rechnungsmodell" later called "Harmonisiertes Rechnungsmodell". It was the well known Ernst Buschor, who was the leading person and the responsible of this project.
- In 2007 a "New Accounting Model" was introduced for the federal level, that tends to conform to the International Public Sector Accounting Standards (IPSAS).
- 2008 the Conference of Cantonal Ministers of Finance approved the new accounting manual "Harmonisierte Rechnungslegungsmodell für die Kantone und Gemeinden HRM2" as a recommendation of the Conference of Cantonal Ministers of Finance.

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## Development of Accounting Principles in the Public Sector



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## Practical Experiences from the point of view of the Auditor

- The change from "Cash Accounting" to "Accrual Accounting" is a great challenge also for the auditor.
- The auditor has to participate from the beginning of the process, but he has to be aware not to be assigned with tasks of execution.
- **Challenges for the Audit Office of the Canton of Berne**
  - ⇒ In the audit-reports of the opening balance sheet (accrual accounting) as per 1.1.1989 and of the financial statement 1989 we mentioned
    - no provisions for bad debts and for loans.
    - CHF 2'005 Mio. underfunding in the two pension funds were not in the balance, they were in the contingencies out of balance sheet.
  - ⇒ Later we asked
    - provisions for accumulated rights of holidays and over-time/long hours.
    - detailed informations in the notes and
    - to implement a systematical estimation of risk and a risk management system appropriate for all levels.
  - ⇒ 14. April 2010: All audit work was done (Auditor's report, complementary auditor's report, comments of the government and the administration)

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## Challenges for the Auditor

**IPSAS 1,28:** "An entity whose financial statements comply with IPSASs shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with IPSASs unless they comply with all the requirements of IPSASs."

⇒ No IPSAS-Audit confirmation until all IPSAS-Standards are completely fulfilled.

**Preparatory works:**

- ⇒ Correct accrual basis.
- ⇒ Elements of the financial statements must be available and informations prepared.
- ⇒ Inventories of the properties, plants and equipment etc. must be available, complete and with a correct valuation to calculate the depreciations that should be introduced in the statement of financial performance.
- ⇒ Identify and fix the provisions and the reserves (incl. hidden reserves).

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## Audit Report

The audit of financial statements has to follow the "Schweizer Prüfungsstandards" approved by the Swiss Institute. The standards implement the Framework of International Standards on Auditing (ISA).

⇒ Audits of financial statements conform with ISAs.

- The Swiss Federal Audit Office wrote in the Audit Report for the year 2009 five pages:
  - ⇒ They confirm the compliance with the constitution and the Swiss law and
  - ⇒ recommend that the financial statement be approved.
  - ⇒ True & fair view and IPSAS-Standards are not confirmed.
  
- The Audit Office of the Canton of Zurich
  - ⇒ They confirm that the consolidated accounts for the year 2009 comply with the cantonal Law "Gesetz über Controlling und Rechnungslegung".
  - ⇒ IPSAS-Standards are not confirmed.

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## Audit Report (2)

**l'Inspection cantonale des finances du Canton de Genève dans son rapport de révision pour les Comptes de l'État de Genève, Exercice 2008**

"Nous relevons que la mise en oeuvre des directives d'application des normes IPSAS a permis une très nette amélioration de la qualité des états financiers de l'État de Genève, non seulement en regard des principes comptables et des règles d'évaluation appliqués, mais également en matière de présentation des comptes annuels dans leur ensemble, notamment au niveau des notes annexes.

Nonobstant ces améliorations, la comptabilité et les comptes annuels appellent les commentaires ci-dessous:

- |           |   |
|-----------|---|
| Réserve 1 | Comptes consolidés  |
| Réserve 2 | Subventions d'investissement accordées - Transferts d'actifs            |
| Réserve 3 | Subventions d'investissement accordées - Subventions antérieures à 1998 |
| Réserve 4 | Provision pour risques et charges - Réserve de carrière des enseignants |
| Réserve 5 | Autre créances à court terme - Thésaurisation de subventions            |
| Réserve 6 | Autres créances à court terme - Débiteurs du service des contraventions |
| Réserve 7 | Immobilisations incorporelles   |
| Opinion   | ... Nous recommandons d'approuver les comptes au 31 décembre 2008."     |

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