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End-user: IPSAS Financial Statements Reports

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Transition to IPSAS in 2007

Key Elements

- Accounting standards **based on IPSAS** to ensure maximum transparency and comparability.
- **Fully integrated accounting system** through all levels of the federal administration.
- **Uniform** budgeting and accounting **framework**.
- Use of **internal service charges** for certain goods and services (e.g. ICT service and leasing of office).
- **Mandatory** introduction of **cost accounting** for all administrative units.



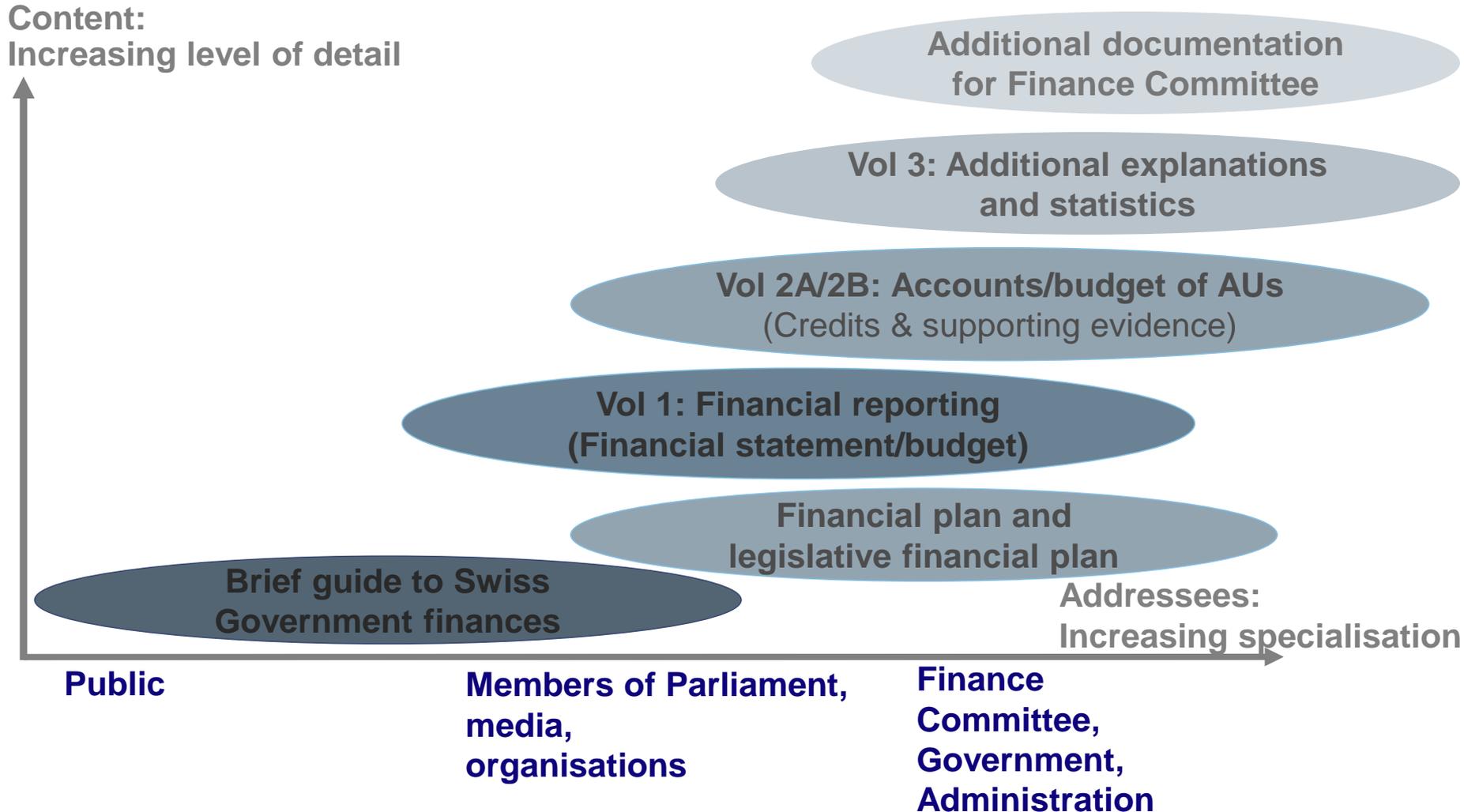
Transition to IPSAS in 2007

Deviations from IPSAS

- **Due to the Constitution**
 - Financing and cash flow statement (debt brake).
- **Due to the (technical) system**
 - Cash accounting of income tax revenue which is entered in the books only at the time of remittance by the cantons.
- **Due to departures from other principles**
 - Scope of consolidation not according to the criteria of «control».
 - Public service pensions as contingent liabilities.
 - No recognition of military assets in the balance sheet.
 - Segment reporting is based on cash accounting; no balance sheet items are presented.



Financial Reporting: Modular approach





Assessment from end-users

Parliament

- **Additional information and greater transparency**, especially in income statement and balance sheet.
- Cooperation seen as successful **opinion-making process** (project was closely accompanied by members of the Finance Committees).
- **Fears** voiced in the run-up to the project that Parliament would lose its budget sovereignty turned out to be **unfounded**.
- **No shifting of weight** to the executive (Government and Administration).



Assessment from end-users

Parliament (2)

- Parliament must also deal with changes such as the accounting model that are far-reaching but **attract little publicity**.
- Many members of Parliament are **not sufficiently familiar** with private-sector accounting.
- The new instruments facilitate **better decisions**. But the question remains:
 - Does Parliament **make use** of the additional information and possibilities?
- While NAM supports a shift toward a longer-term perspective, it does **not guarantee a renunciation of short-term thinking**, which dominates the political landscape all too often.



Assessment from end-users

Federal Administration

- **Internal service charges** met with significant **resistance** from most administrative units.
- Binding accounting rules: True and fair view guarantees **higher reliability** and **consistency of data**.
- **Management** of federal budget is supported more effectively (greater disclosure of cost-drivers).
- **Cost awareness** is strengthened.
- **Modular structure** of financial reporting **facilitates access** to relevant information (top-down approach).



Assessment from end-users

Other stakeholders

Press and the public:

- Mainly focussing on **cash view**.
- **Debt crisis** didn't help much to change that.

Financial Statistics:

- Statistical data is more directly **based on accounting data**.

International Monetary Fund:

- Introduction of IPSAS was an impressive step forward in meeting the **Fiscal Transparency Code** and in terms of **best international practice**.
- The government should consider moving towards **fuller compliance** with IPSAS.



Consolidated Financial Statement

Current scope

Consolidated Account

- Federal Central Government
 - Ministerial tasks

- Decentralised Federal Government (separate accounts)
 - Economic/safety supervisory tasks
 - Monopoly-type services

Balance Sheet
AssetsTotal

100 bn CHF

16 bn CHF

Not consolidated

- Outsourced entities
 - Market-based public services

- Social Security Funds
 - Old Age and Survivors' Insurance
 - Disability Insurance
 - Income Compensation Scheme

145 bn CHF

33 bn CHF



Consolidated financial statement

Options

- The currently applied narrow scope **doesn't generate much different results** than the federal financial statement.
- How to move forward? **Two possible options** addressed to the Finance Committee:

➤ *Full Consolidation*

- Including **market-based public services**, e.g. Swiss Railway, Swiss Post, Swisscom
- Including the **social security fund**
- Added benefit compared to the current statement
- Compliant with IPSAS

➤ *No Consolidation*



Consolidated financial statement

Assessment from end-users

- **Perceived benefits:**
 - Improved **transparency and accountability** about the financial situation and the risks.
 - Providing an **overall view** of the Central Government.
 - **Additional information** compared to the separate financial statement.
 - The **bigger the scope**, the higher the benefits.
 - «**State-of-the-Art**»: Reference for the lower levels of government.

- Benefits outweigh the costs.



Consolidated financial statement

Assessment from end-users (2)

- **Little benefit:**
 - Instrument for mid- and long-term financial planning.
 - Readership is very small.

- *Potential* benefit of the consolidated financial statement.
- Submitting to the parliamentary commission at the same time as the separate financial statement could help to raise the importance.



Outlook

- ***Consolidated financial statement:***
 - Extending the Scope
- ***Cash Flow Statement:***
 - Implementing IPSAS 3
- ***Military assets:***
 - Recognition in the statement of financial position
- ***Employee benefits:***
 - Recognition as a liability in accordance with IPSAS 25
- ***Remaining deviations from IPSAS:***
 - Cash accounting of income tax revenue
 - Segment reporting



Questions / Discussion





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