

Finanzdelegation

Délégation des finances

Delegazione delle finanze

Joint Committee on Finance



100 ans

Eidgenössische Finanzkontrolle

Contrôle fédéral des finances

Controllo federale delle finanze

Swiss Federal Audit Office



125 Jahre

## **Welcoming speech by K. Grüter, Director of the Federal Audit Office**

Mr Vice President of the National Council

Mr President of the Council of States

Mr President of the Confederation

Ladies and Gentlemen

Colleagues one and all

We are here today to celebrate a joint anniversary: the centenary of the Finance Delegation and the 125<sup>th</sup> anniversary of the Audit Office. We will not only be paying tribute to a long history of financial review / supervision but also express our/ mutual appreciation [of the two institutions].

It saddens us that we are unable to celebrate today's anniversary with Rico E. Wenger. As President of the Finance Delegation he had been looking forward to the occasion but sadly did not live to join in the celebration. We grew to appreciate Rico E. Wenger during his short time as a member of the Finance Delegation. We was someone who always did his utmost for the work of the Audit Office. We shall cherish his memory.

### **I.**

Your presence here today, Ladies and Gentlemen, is a sign of the close links between the Finance Delegation and the Audit Office as well as an acknowledgement of our past achievements.

It gives me pleasure to know that you, Mr Vice President of the National Council, and you, Mr President of the Council of States, are here with us today. By coming here today you are showing us how important you consider financial reviews / supervision in the Confederation to be.

It is a particular honour for me to welcome you, Mr President of the Confederation. We are delighted that you have found time to speak to us today. Your presence in our midst acknowledges the importance of financial auditing.

I would also like to welcome Dr Fiedler, the Comptroller and Auditor General of Austria and the Secretary General of Intosai/ and the Comptrollers and Auditors General of our neighbours and

friends: England, France, the Netherlands and Hungary. The Comptrollers and Auditors General of Italy and Germany were unfortunately unable to be present due to other pressing engagements. I have great pleasure in welcoming my colleague Mrs von Wedel to Berne today. Mrs von Wedel was formerly the Comptroller and Auditor General of the Federal Republic of Germany and is currently a member of the European Court of Auditors.

A special welcome goes to the heads of the cantonal audit offices and the Confederation's internal finance review bodies / inspectorates. Their presence here is a clear indication of the close ties between the cantonal regulatory authorities, which we are supporting in any way we can/ and the co-operation with the Confederation's finance review bodies / inspectorates.

## II

Over the last 125 years there has been a fundamental change in the organisational structure of auditing as well as in its responsibilities and modus operandi. A state-of-the-art full / comprehensive modern audit has increasingly replaced the standard investigative/ audit. The outward signs of this are the shift towards accounting-independent / non-accounting special audits and profitability / efficiency audits. Meticulous checking of individual payments used to be the order of the day. Nowadays audits are complex, process-orientated/ and risk-orientated/ reviews, which will increasingly be conducted/ in conjunction with the cantonal audit offices. It is particularly important in a federal State that all the different State levels/ work together / co-operate in the area of financial reviews/. And who would deny that there are not still productivity reserves here/ / there isn't room for improvement in this respect.

The 125-year history of auditing reflects the development from the traditional old-fashioned "nightwatchman's"/ state to the modern service- and citizen / customer-oriented/ State of the 21<sup>st</sup> century. The self-image and focus of the Federal Audit Office have changed in the same way that the State's tasks have changed. It has been given new powers and tools / instruments in keeping with the growing complexity and multiplicity of tasks of the Confederation. This change did not always come about as a result of political foresight but was often the result of political scandals. One has only to think back to the Mirage affair or the Federal pension fund. The Audit Office has changed from a wallflower existence into one of the Confederation's self-assured regulatory bodies in recent decades. It need no longer shy away from comparisons with the top accounting review/ authorities of industrial nations despite not yet having the status under constitutional law of a Court of Auditors.

## III.

The 1995 and 1999 amendments to the law were landmarks in the development of the Federal Audit Office into an independent institution. In 1995 the accompanying payment deregulation/ was abolished and at the same time the authority was given / power was created/ to conduct a profitability / efficiency audit. The Audit Office is therefore no longer a mere 'paper-clip counter' / abacus as its activities have been disrespectfully and unjustly referred to time and again but rather puts its resources in the service/ of full process- and risk-oriented audits. Even efficiency audits, where one checks whether federal resources have been used wisely and whether the legislation has had the desired effect, are now part and parcel of its auditing programme. These audits will have an even higher profile with the implementation/ of Article 170 of the Federal Constitution, which requires efficiency checks of Federal measures/.

Why does the Audit Office have to be independent? The question is redundant in corporate or good governance, as it is called in new German for the public sector. The review of public finance / funding by independent auditors is of fundamental interest for all States irrespective of their political system. If Parliament or the Government were to ask the Audit Office to carry out large-scale audits over and above their work schedule on account of current political/ considerations, this independence would be jeopardised. It would be very difficult to conduct a well organised audit. I am therefore grateful to Parliament for granting the Audit Office the right, through the amendment of its 1999 Financial Control Act/ to turn down special audits where these would be detrimental to the implementation of the auditing/ programme.

Further important steps were taken towards an independent financial review with the amendment of the 1999 Act. In the realisation that only an independent audit with the necessary distance from both Government and Parliament can be effective, Parliament reinforced the status and powers of the Federal Audit Office. It has the power to confirm the election of the Director by the United Chambers, autonomy in budgetary and staff matters and the authorisation to publish auditing reports, to mention the main changes. By publishing our reports, we are not intending to use public opinion to reinforce our point// but merely trying to inform the public of the results in an appropriate way/.

At this point I should like to thank the President of the Federation, Mr Villiger, for his assistance in implementing the revised Act. With his outstanding appreciation/ of institutional issues, the division of labour and an independent financial review process he has contributed in no small way to the success of the reform and has supported the Federal Audit Office in every way in the realisation of its independent role. It is now up to us to build on that.

#### IV

The latest corporate scandals here and abroad clearly show that independence is more than just a buzzword/. The Federal Audit Office is in the privileged position of being able to detect weaknesses, irrespective of the person or body involved. As it is under no pressure to secure audit contracts, it does not need to make compromises. The events surrounding Swissair, Enron and other companies should, however, be a warning to all those who are wanting to pressure the Federal Audit Office into a consultancy role. Our remit is and will remain the independent review of whether tax money is used wisely and legally. Consultancy is not an autonomous / separate task for us but consists of formulating user-friendly and practical// recommendations, thereby giving taxpayers added value. In other words, the purpose of auditing/ authorities is not to bring about change. That is the task of the Government and Parliament. Nonetheless, the Federal Audit Office at the interface between Government and Parliament wants to support/ and encourage reform processes.

#### V

Allow me to take this opportunity to congratulate / compliment the Federal Administration. It is supporting us in our task and discussions are generally very positive with everyone working towards what is best for all: to eliminate weaknesses and complete tasks satisfactorily/. It is in the nature of things that there is a feeling of tension between auditors and those being audited / auditees during an audit. Priorities are weighed up differently, and necessities seen in a different light.

As the recommendations are not always put into practice owing to the divergence of opinion between auditors and auditees, the Audit Office often has to put up with being called a 'toothless tiger' or a 'knight without a sword'. The knight in question does not actually carry a sword but a flag, as Mahrenholz once said / wrote. And the flag bears the words: "a responsible attitude to funds one has been entrusted with." A flag is a visible sign, which is able to inspire the deployment/ of political forces. Numerous recommendations which, unnoticed by the political world, the public and the administration/, are gratefully accepted and put into action, bear witness to the fact that the Audit Office is not just a voice crying in the wilderness.

## VI

Good governance does not, however, just address basic issues of independence, separation of powers and separation of roles/. Good governance is also transparency. It is good that with the new accounting model project we can eliminate various weak spots in the Confederation's accounting process, that the Federal Audit Office has pointed out time and again. Switzerland will naturally take on a pioneering role in this project. The Audit Office will wholeheartedly support these efforts. This ambitious financial project is not only fully supported by the Finance Committees but is also being taken on board by Parliament and a wider public. Given the frequent cover-ups in private firms' accounting procedures, this bodes well.

## VII

Anniversaries provide a welcome opportunity to look back at our past achievements as well as to venture a look at the future. Allow me finally, Ladies and Gentlemen, to open the window just one notch.

Recent developments in budgetary matters and fiscal law, which are closely bound up with concepts such as the streamlined/ State or new public management, give rise to changes which have an effect on the modus operandi of the Federal Audit Office. New financial equalisation between the Confederation and the cantons, and moves towards autonomy in connection with the four-circle model are other important themes. Profitability and efficiency audits of sub-contracted services / outsourcing will be given greater importance. Audits/ will therefore be quite rightly relegated / consigned to the background as the embodiment of a distrusting administration. //Demonstrating and developing audit estimates and review criteria// in this changing environment will undoubtedly be one of the greatest challenges to auditing. The Federal Audit Office wants to tackle this challenge with a qualified and motivated team and find its niche as an attractive employer in the labour market. As I said at the beginning of my speech, the Federal Audit Office will be increasingly geared/ to a risk-oriented approach/. At the session tomorrow you will have the opportunity to discuss this question with hand-picked experts. The task of the Federal Audit Office as a supervisory body will be focusing more on whether or not the review is correctly carried out. Third party liability claims are becoming more common as, for example, the tragic events in the transport sector clearly show but areas of responsibility such as health or agriculture can involve a considerable risk potential/ for the Confederation.

## VIII

The Federal Audit Office will not only address new tasks but also institutional issues. The proposal to create a Court of Auditors has been a constant in the history of auditing, a sort of

faithful companion along the long road to the Office's/ present status. Even if the last chapter of the history of auditing has not yet been written (and discussions on parliamentary law and on state management/ reform are proof of this), it can be said that there is no such thing as an auditing system. Auditing is far more a reflection of political structures. It goes without saying that an audit in a centralised system is not the same as one in a federal State. It is conducted differently in a direct democratic social economy than in a parliamentary democracy. I always mention our two doughty / trusted allies in auditing: the participation of the people in important financial and tax issues and the decentralisation of power in the Confederation. Both [these factors] help us to keep spending in check and prevent corruption.

We have been commissioned to carry out a status report / survey/ on experiences with the new law and to present our findings/ to the Finance Delegation and Federal Council. Without wanting to anticipate the results, I see the next step as being a further autonomy of the Audit Office in the third circle. An audit office would be given a role that could be increasingly perceived in the public domain as a financial review body independent of government and parliament. Under our constitution and system of government the Federal Audit Office would also be given a role which should be relevant to other auditing bodies in respect of administrative reform.

## IX

We can be proud of our achievements. Like all Courts of Auditors, the success of the Federal Audit Office also depends on the performance of its employees. I would like to thank all present and former employees for what we have achieved thus far. You have done an excellent job! It is thanks to you that we have got where we are today in auditing.

I would also like to thank the Finance Delegation of the Federal Councils and its Secretary Christian Ayer and his team. They have always supported us in our difficult task.

I am delighted that we can celebrate together the 125<sup>th</sup> anniversary of the Federal Audit Office and the centenary of the Finance Delegation and that we can look back at the years behind us with some measure of pride.