

Finanzdelegation

Délégation des finances

Delegazione delle finanze



Committee on Finance

100 ans

Eidgenössische Finanzkontrolle

Contrôle fédéral des finances

Controllo federale delle finanze

Swiss Federal Audit Office



125 Jahre

**Wanted: auditeurs professionnels...**

**Speech by Michel Huissoud  
Assistant director of the Federal Audit Office**

## 1. Risk Analysis: Inventory

Let me begin by asking: when was the first risk analysis carried out by the Confederation?

The answer is: on February 14, 2001, about 600 days before today, Friday 13 September, 2002, the Federal Council mandated the Federal Finance Administration to carry out what would be, to the best of my knowledge, the first global risk analysis in the history of the Federal Administration. It may not come as a surprise that this global risk analysis is not finished, and that it has come up against the usual difficulties associated with this type of procedure:

- a) How to take into account qualitative elements when defining damage, i.e., dealing with the so-called "image risk".
- b) How to find the necessary resources for the preliminary inventory.
- c) How to substitute for the offices and departments that refuse risk transparency.
- d) How to take into account risks from third and fourth circle companies (Skyguide, Swissmedic, etc...),
- e) How to change from a snapshot of risks (which is outdated as soon as the report is published) to a system of true institutionalised risk management at Federal level.
- f) Etc, etc...

The risk analysis should be successful, but we can't expect miracles. We cannot expect to achieve all our goals, however, we will be able to assess what still needs to be done ...

What have we learned this morning?

1. The most serious risks are not risks threatening Federal property, but the risks associated with possible negligence in the carrying out of the public supervision tasks, whether these tasks be carried out by the central administration or be entrusted to more or less privatised institutions. This morning we discussed the mad cow disease, and we all remember the Skyguide case. Yesterday, during the second Swiss conference on auditing, we spoke with our colleagues from the cantonal auditing offices about a, fortunately imaginary, case involving the new institute Swissmedic, where Swissmedic (variation 1) or a cantonal auditing body (variation 2) would have committed a tragic act of negligence resulting in malformations in thousands of unborn children. The documentation relative to this case

study is also included in your documentation. It contains an interesting comment by Prof. J. Gross, an expert in state liability issues.

2. We would be fooling ourselves to think that we can protect ourselves against such risks by using the “standard” techniques that are in vogue in the insurance industry. We need to develop knowledge networks, knowledge management, risk observation stations...

## **2. Risk Analysis: four pointers**

1. The SFAO believes it is necessary to develop a centralised approach to risk management. Common processes and measuring scales, and consolidation – or at least coordination - functions need to be implemented.
2. The setting-up of a risk monitoring office has been discussed for several years. The Federal Chancellery and the Federal Department of Finance are promoting the MELISA project for information technology-related risks. This project seems promising and is worth keeping an eye on.
3. Recent examples illustrate that one of the goals of risk management is simply successful crisis management. This helps us avoid adding risks associated with disastrous management to the resulting crisis of the first damage. Much needs to be done to improve this field within the Federal Administration. In addition to these detective and corrective measures, let us mention a preventive measure:
4. A “base line concept” should immediately be introduced in the field of supervision.

## **3. Supervision: a “base line concept”?**

The “base line concept” idea is simple: simple fundamental measures based on common sense are implemented in a broad sense without waiting for results from sophisticated risk analyses. This is the type of idea that can justify vaccinating an entire population against tetanus, for example. It operates in addition to risk analysis.

This approach can be applied to the field of supervision.

There are many risks in the field of supervision, and these risks are difficult to quantify and often unknown. There is, however, one area with significant potential for improvement in most of the supervisory bodies: professional qualifications and the independence of the people entrusted with carrying out these supervisory tasks.

The current weak points in the supervisory system are unacceptable, even if they can be explained by the past. Supervision is similar to auditing, and auditing is a profession. Doctors, physicians, chemists or geologists can be excellent auditors, but, in this day and age, they often lack a basic training in auditing.

A direct and simple measure would be to work with these bodies by implementing professional specialisation programmes aimed at:

- Adapting supervisory techniques to the volume of data and to the development of technology,

- Selecting objects to be supervised based on explicable criteria and corresponding to actual risks,
- Systematically using auditing tools (for example, electronic data analysis),
- Documenting supervision work, including recommendations,
- Having a second person check supervision work for quality control,
- Implementing or improving a tracking system for recommendations,
- Taking account of supervision risks associated with fraud and corruption,
- Providing the authorities with more independence – as well as the way this independence is presented – based on the events needing to be supervised.

The SFAO believes it is absolutely necessary to implement a basic training course for supervisory tasks as soon as possible, based on auditing techniques. This preventive measure would effectively reduce the supervision-related risks.

The SFAO is willing to become actively involved in this project!