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Accrual Budgeting and Accounting in Switzerland – Initial Experience

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Starting Point – Strong Support by key Stakeholders

- Cantons and Municipalities started harmonizing their accounting framework in the 80ies based on accrual principles. Introduction of performance budgeting in most sub-central government entities.

- Motions by members of Parliament:
 - harmonize the accounting framework of general government to increase comparability.
 - increase use of output budgeting.

- Finance Ministry also strong supporter:
 - Increase cost transparency at the level of ministries and administrative units
 - Provide the administrative units using performance budgeting with an adequate accounting framework
 - Harmonize the IT environment across administrative units

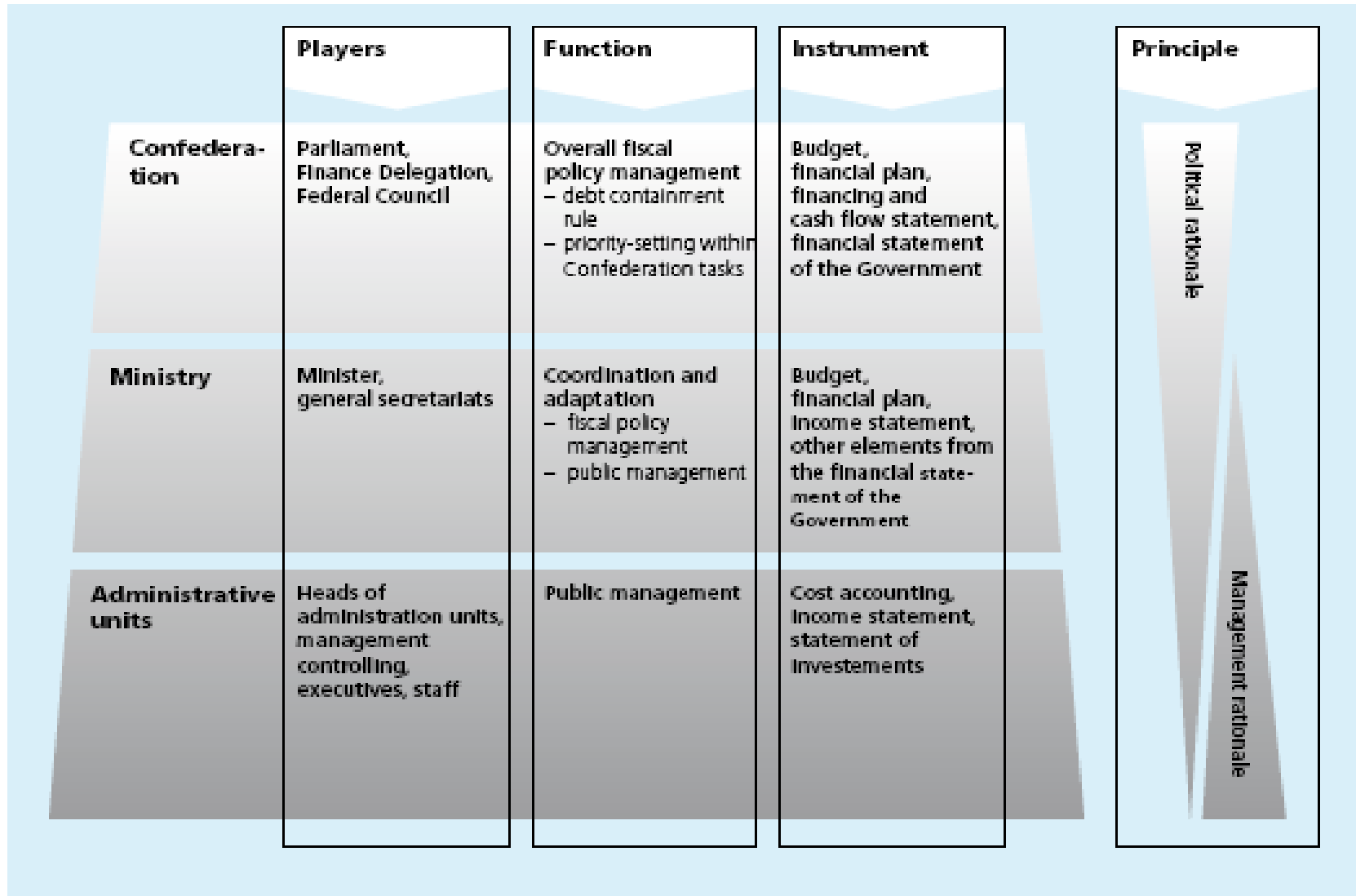


Key Elements of the New Accounting Model

- Explicit recognition that budget management should take into account both cash and accrual views (dual approach).
 - Overall fiscal policy management (debt brake): cash
 - Financial management of administrative units: accrual
- Appropriations on accrual basis. However, separate investment statements for administrative units to ensure control over investment spending.
- Accounting standards based on IPSAS.
- Government reporting of budget and financial accounts fully cover both cash and accrual views.



Dual Approach – Cash and Accruals





Experience 2007-2010 – Parliament (1)

- Fears voiced in the run-up that Parliament would lose its budget sovereignty turned out to be unfounded.
- Introduction of accruals was considered a technical issue and ideologically uncontroversial. Most members of Parliament have private sector or Cantonal executive branch experience → accruals as state of the art.
- Introduction of accruals is considered a successful cooperation of the Administration with Parliament.
- New reporting format highly appreciated.



Experience 2007-2010 – Parliament (2)

- Use of additional information provided with the new framework still limited during budget process. However, strong focus on balance sheet information during approval of financial account.
- Complaint as regards lack of comparability with previous years.
- Increase of scope and depth of information comes with a higher degree of complexity. Overall, only members of budgetary committees fully understand accrual concepts.
- Uncertainty as regards the bottom line. Which is the “right” balance: financial statement or profit and loss statement.



Experience 2007-10 – Ministries

- No major complaints or problems since the introduction of the new framework. Continuous and strong involvement of all administrative units during the whole project was key.
- Simultaneous introduction of the new accounting model and a new standardized IT environment eliminated old compatibility and interface problems.
- General cost awareness has increased in administrative units. However, limited use of output budgeting reduces benefits of new framework.
- Strong resistance against internal service charges (ITC services and lease/maintenance office space). Cost/benefit questioned.