



School of
Management and Law

Plenary

How to succeed with IPSAS Implementation Experience in Switzerland



Building Competence. Crossing Borders.

Prof. Dr. Andreas Bergmann, Institut für Verwaltungs-Management
andreas.bergmann@zhaw.ch

Accrual budgeting and accounting in Switzerland



The Swiss Confederation



- 8.5m inhabitants (98th)
- 41000 sqkm area (135th)
- GDP: USD 660bn (17th)
- Founded 1291, a federal republic since 1848
- 26 constitutionally “sovereign” states (also called “cantons”)
- Public sector accounting is NOT included in the constitutional remit of the federal government

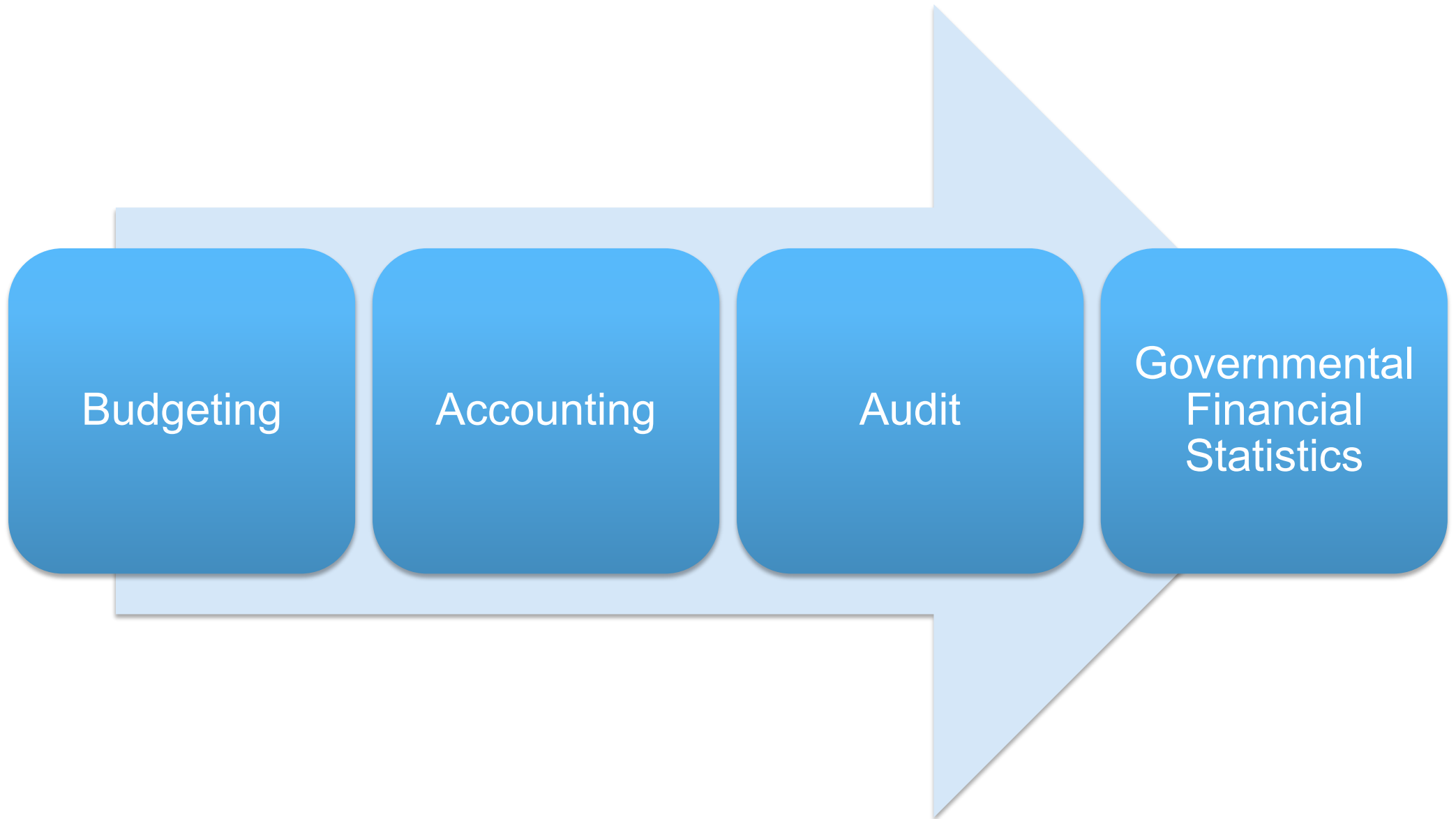
Accrual budgeting and accounting in Switzerland



History in a nutshell: Early accruals

- Implemented accrual accounting at state (“canton”) level in the 1970/80s, based on HAM77/HAM81 (“Harmonized Accounting Model”)
 - HAM was applied by states and municipalities (but NOT federal government)
 - HAM always included accrual budgeting
 - Core component: Unified Chart of Accounts
 - HAM always served as the data basis for GFS
 - Financial statements have always been audited (perhaps rather at something like “review level” in smaller municipalities)
- HAM is just a recommendation, which had been enacted by each of the states individually (and with some differences)

Integrated approach



Accrual budgeting and accounting in Switzerland



History in a nutshell: Standards

- Federal Government implemented IPSAS in 2007
 - Plus in parallel Cash and Accrual Budgeting
 - Gradually closing gaps against IPSAS over the years
- **4 large states also fully implemented IPSAS in 2008-10: Geneva, Zurich, Basel-Stadt, Lucerne**; representing 43% of GDP
 - Also gradually closing gaps
 - Berne, a 5th state, will follow in 2017
- The other 21 states are on various forms of accruals
 - “Harmonized Accounting Model 2” specifies minimum, but allows for IPSAS
 - Core component the unified CoA (now including federal govt)
 - HAM2 is maintained and further developed by SRS-CSPCP

Accrual budgeting and accounting in Switzerland



Success factors and issues

– Success factors:

- Commitment Minister and Parliament (almost unanimous!)
- Integration of (Accrual) Budgeting, Accounting, Auditing and GFS
- Unified Chart of Accounts
- Strong harmonization of key entities by applying IPSAS (Federal Govt, large states)
- Rigorous project planning and management

– Issues:

- Little harmonization (other than CoA) for small entities
- Diversity permitted by HAM2, sometimes exploited by politicians in those small entities

Accrual budgeting and accounting in Switzerland

Challenges using full IPSAS



- A few standards do not reflect jurisdictional specificities, e.g. all pension plans are “hybrid plans” (not at all addressed in IPSAS 25; now addressed in IPSAS 39 – a good example why changes of standards are necessary!)
- A few standards, after significant investigation, turned out “not applicable” (e.g. IPSAS 11, where the name “construction contracts” certainly sends most users on a wrong track; in part IPSAS 28-30 if government entities only have receivables, payables and straight loans)
- Reluctance of standard setters to address new economic issues:
Negative rates seem to become permanent

Accrual budgeting and accounting in Switzerland

Benefits from using full IPSAS



- Immediate Benefits: “Found” assets – exceed direct project cost at federal level
- Benefits from high quality financial reports:
 - Liabilities Management: Strong interest of parliament(!), «debt shifting» to be avoided
 - Asset Management: Better use or sale
 - Lower interest rates (Canton of Geneva: -0.5%/Hiler 2012)
 - Rating agencies “appreciate” use of IPSAS
- IPSAS do protect accounting from political influence