



**Kanton Zürich**  
**Finance Administration**

# **Implementation Update Canton of Zurich**

**12nd Sep 2023**



# Agenda

1. IPSAS Adoption and implementation (CB)
2. IPSAS 43 Lease – challenges (CJ)
3. Financial Planning and budgeting process in the Canton of Zurich (Sim)
4. IPSAS: Enabler for a Conclusive Public Finance Management (BS)
5. Questions

# Speakers

- Basilius Scheidegger, Head of Finance Administration (BS)
- Claudia Beier, Head of Financial Accounting and Reporting (CB)
- Corinne Jaeger, Project manager implementation of IPSAS 43 (CJ)
- Bettina Simioni, Head of Financial Planning (Sim)



# Accounting history – Canton Zurich

**until 1982:**

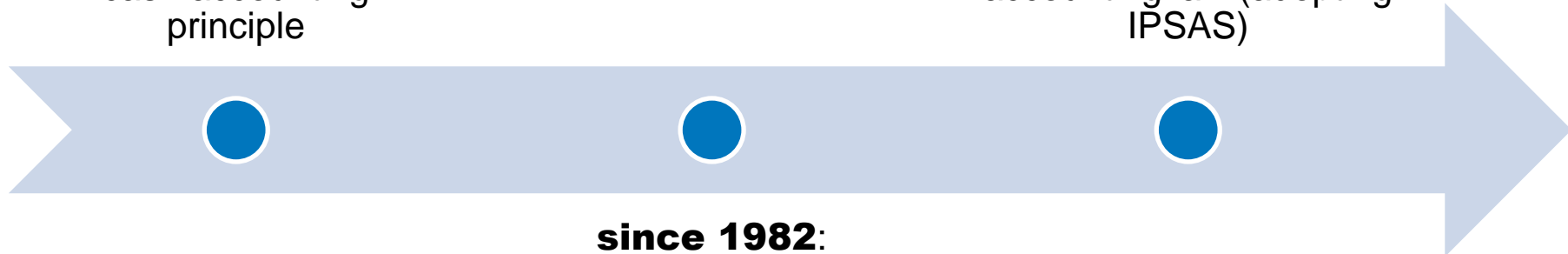
cash accounting  
principle

**since 2009:**

new controlling und  
accounting law (adopting  
IPSAS)

**since 1982:**

accrual accounting  
principle





# Implementation process

2000

- Political mandate for revision of financial management act

2003

- IPSAS feasibility study

2004

- Start IPSAS project

2006

- New Controlling and Accounting Law (CRG) approved by parliament

2008

- Related regulation approved by parliament,
- Report on restatement issued by government council,

2009

- Budget 2009 according to CRG/IPSAS approved
- CRG (IPSAS) is enacted

2010

- CRG/IPSAS Financial Statement 2009 published



# IPSAS used - Canton Zurich

- IPSAS 1-42 with a few exceptions
- IPSAS 43-48 under review for implementation

## Exceptions:

- IPSAS 35 – Consolidated and separate financial statement  
own definition of consolidation scope
- IPSAS 36 – Investments in Associates  
only acquisition costs or fair values depending of purpose of holding the assets
- IPSAS 39 – Employee Benefits  
employee benefits obligations presented in notes and not in f/s; instead obligation presented from Swiss GAAP FER

# **The implementation process / Results**

- One law and two regulations established
- Mandatory use of standardized chart of accounts for all entities
- Accounting manual developed (approx. 550 pages)
- Two restatement of statement of financial position approved by the Cantonal Parliament
- Preparation consolidated f/s using SAP

# Our experiences

- Support from top management is necessary
- Better to communicate more than too little (simple messages)
- Training is important on all levels
- Keeping as straightforward as possible
- Pragmatic versus perfect
- Use of materiality in accounting and presentation
- Preparation of data (e.g. for fixed asset accounting) is very time-consuming
- Enough time to ensure good quality

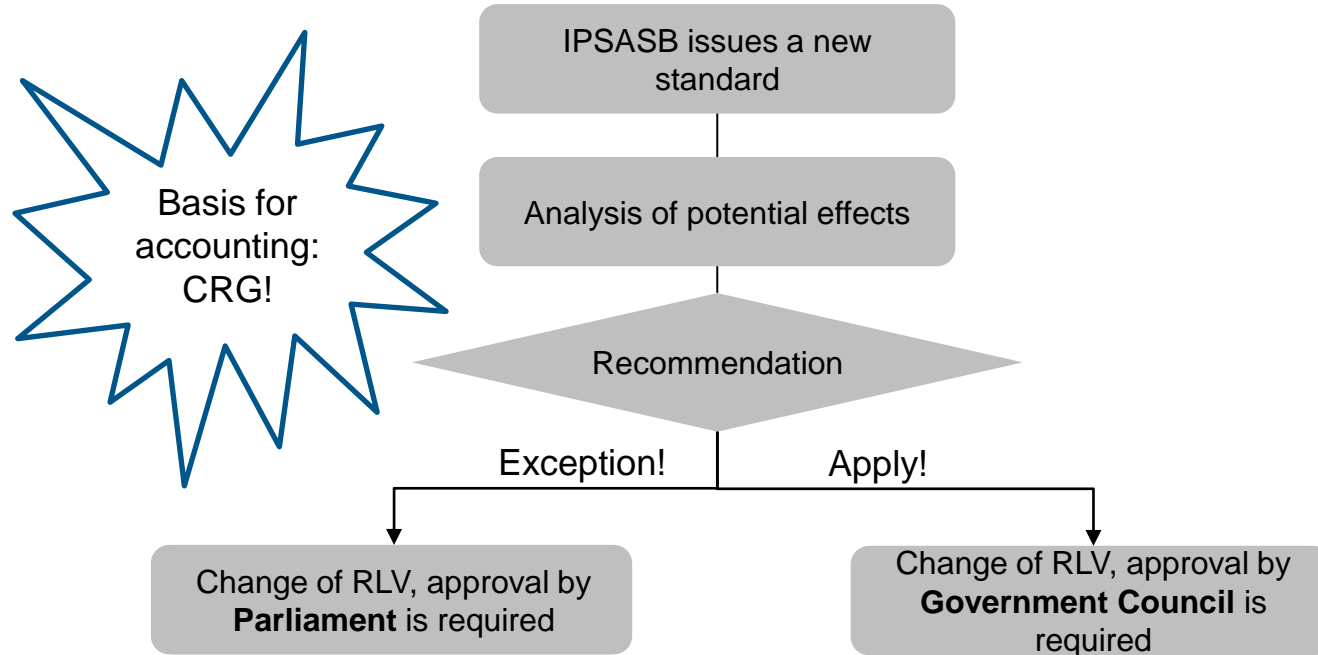




# **IPSAS 43 Lease – challenges**

**Corinne Jaeger – Project manager implementation  
of IPSAS 43**

# Adoption of a new Standard



# **IPSAS 43 Lease – questions**

- What types of leases exist?
- How many contracts are involved?
- What are their characteristics (lease term, rental amount, notice periods)
- What is the expected impact on the balance sheet and the income statement?
- How would the key figures change?
- What are the legal requirements around leases?



# **IPSAS 43 Lease – challenges**

- Performance indicators remain meaningful and comparable with other cantons
- Legal compliance: No changes to spending power
- Identification, calculation and accounting for leasing contracts can be implemented with existing resources
- Compatibility with Swiss cantonal harmonized minimum Public Sector Accounting Standards (HAM2)
- Compatibility with requirements regarding financial statistics



# **IPSAS 43 Lease – answers**

- Majority of internal leases do not qualify to be a “contract”
- Working assumption: a substantial part of contracts do not qualify to be a “lease” under IPSAS 43
- Remaining number of lease contracts is still large: process change required!
- Financial consequences on balance sheet, P&L and key figures are negligible





# **IPSAS 43 Lease – way forward**

- Ongoing exchange with other Cantons and the Swiss Federation
- Further analysis regarding legal compliance required: No change to spending power!
- Finalise recommendation and prepare basis for conclusion for Government Council
- If not adopted: implement changes to legal basis/ accounting manual
- If adopted: implement changes to legal basis/ accounting manual, decide on implementation approach, start with concept phase (processes, IT-system)





**Kanton Zürich  
Finanzverwaltung**

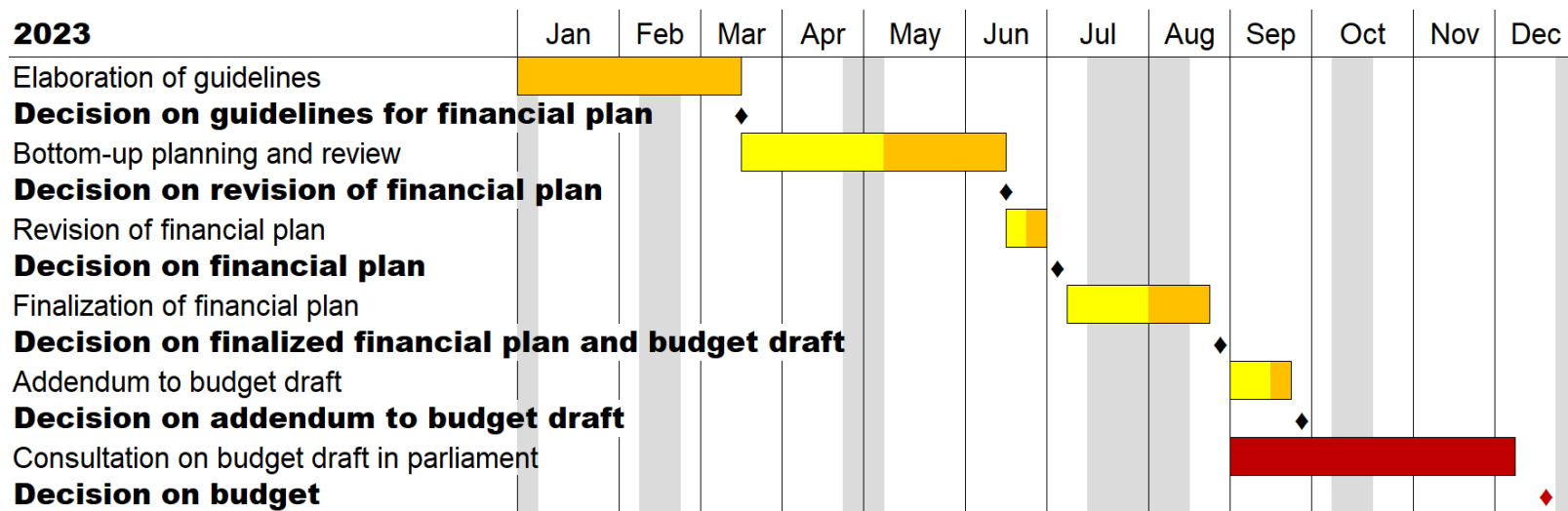
# **Financial Planning and budgeting process in the Canton of Zurich**

**IPSAS Board, Zurich, 12 September 2023**

**Bettina Simioni  
Head of Financial Planning**



# Yearly process budget 2024 and financial plan 2024–2027



Departments

Department of Finance / Government Council

Parliament





## Budget (1/2)

	Content	Decision by
<b>Budget Profit and Loss Statement*</b>	Net total of expenses and income (net value), excluding fund deposits or withdrawals, excluding cantonal income to balance the income statement	Parliament (at the request of the Government Council)
<b>Budget Statement of Investments*</b>	Capital expenditures (gross value)	Parliament (at the request of the Government Council)
<b>Supplementary Credits I &amp; II</b>	In case budget is not sufficient (in general two collective decisions each year)	Parliament (at the request of the Government Council)

\* Hospitals: Independent decision



## Budget (2/2)

	Content	Decision by
<b>Credit Transfer</b>	Transfer of unused budget for uncompleted projects to next year's budget	Government Council (for the attention of the parliament)
<b>Credit Overrun</b>	For urgent projects, if postponement would have adverse consequences for canton, due to federal law, court decisions or transitory contributions	Government Council

Budget\* + Credit Transfers + Supplementary Credits (I & II) = **Budget Plus**

\* Applies to Budget Profit and Loss Statement & Budget Statement of Investments as decided on by parliament



## Medium term P&L equalization (financial plan 2024–2027)

In m Swiss Francs	R20	R21	R22	B23	P24	P25	P26	P27	20-27
<b>Consolidated profits and losses</b>	<b>499</b>	<b>758</b>	<b>543</b>	<b>-83<sup>1)</sup></b>	<b>-390</b>	<b>-442</b>	<b>-359</b>	<b>-296</b>	<b>229</b>
Special provision BVK (Decision 4851)	-50								-50
Special provision ZKB (Decision 245/2015)	-23	-27	-28	-24	-28	-28	-28	-28	-216
<b>Consolidated profits and losses for medium term P&amp;L equalization<sup>2)</sup></b>	<b>425</b>	<b>731</b>	<b>515</b>	<b>-107</b>	<b>-418</b>	<b>-471</b>	<b>-388</b>	<b>-325</b>	<b>-37</b>

<sup>1)</sup> Budget 2023 including supplementary credits approved by parliament and requested by the Government Council, credit transfer due to the Covid-19 hardship program, reassessment of tax revenue forecasts, investment income and cantonal fiscal equalization

<sup>2)</sup> As per financial plan 2024–2027

+ Profit / Improvement

- Loss / Deterioration

→ Impact: Stabilization of equity (not debt!)



# Expenditures: Authorization of projects

- **Requirements:**
  - Legal basis
  - Approved budget (either for profit & loss statement or statement of investments)
  - Expenditure authorization
- **New expenditures:** Relatively large freedom of action with regard to amount, timing or other essential circumstances
- **Non-discretionary expenditures:**
  - Necessary for the fulfillment of administrative tasks prescribed by law
  - Special cases, such as *rental contracts with the exception of financial leasing*
  - Certain state contributions



IPSAS  
43



# Expenditures: Responsibilities

	Parliament (eligible for referendum)	Gonvernment Council	Departments
<b>New expenditures</b>			
One-time	> 4 m	> 1 - 4 m	≤ 1 m
recurring	> 400'000	> 200 000 – 400'000	≤ 200'000
<b>Non-discretionary expenditures</b>			
One-time	–	> 1 m	≤ 1 m
recurring	–	> 200'000	≤ 200'000

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43





**Kanton Zürich**  
**Finance Administration**

# **IPSAS: Enabler for a Conclusive Public Finance Management**

**Basilus Scheidegger, Head of Finance Administration**





# Information versus Interpretation

- Sphere of Administration:
  - correct management
  - neutral and complete reporting
  - view of the present and the past
- Sphere of Politics:
  - interpretation
  - implementation of measures
  - view into the future



# Acceptance and stability

- Proven track record: 15 years of stability
  - Precise and neutral rules are irrevocable
  - Providing acceptance
- IPSAS linking both spheres:
- administration and politics
  - past / present and future



# Steering according to Accounting

- Same rules for steering and accounting:
  - Budgeting of the legal year
  - Approval of projects (beyond one legal year)
  - Annual statement of the legal year
  - Accounting manual becomes valid one year before the legal year
  
- Predictable deviations:
  - Swiss National Bank pay-out
  - Budget residual
  - Taxes during crisis
  
- precise prevision of the future (“faithful presentation”)
  - New in 2024: budgeting of budget residual and recording of a provision



## **Broad consolidation, basis for budget rule**

- Consolidation includes all controlled entities, dependent on the state
- Except self-sustaining entities: financial institution, electric power company, and buildings insurance company
- Compliance with budget rule includes consolidated entities
- Supporting transparency, early view onto financial problems, immediate attention and pressure by all other entities (they don't want to solve other's problems)
- Sometimes contested, but never changed



## Two general asset classes (1/2)

- Traditional system within all Swiss cantons, outflow of financial referendum
- «Finanzvermögen»: Free assets, not yet bound for the state's public services
  - Fair value (can be sold immediately)
  - Administered by the executive (government)
- «Verwaltungsvermögen»: Assets bound for public services, often long-term, can't be sold without impact on fulfilling public services
  - Initial (decision) value, depreciated by years in use
  - Build-up: institution according to the amount (above 4 million CHF: legislative (parliament), with optional financial referendum)
  - Build-up is called «investment expenditures»

## Two general asset classes (2/2)

- Balance figure “Net Debt I” shows how much of the:
  - debt is not covered by (immediately disposable) “Finanzvermögen”
  - “Verwaltungsvermögen” (in use for public services) is not covered by equity

**Balance sheet**

Assets	Liabilities
Finanzvermögen	Debt
Verwaltungs- vermögen	Equity

«Investment expenditures»

Net Debt I



# Challenge within Switzerland

- Confederation and a few Cantons are applying IPSAS
- Municipalities and majority of Cantons have still not moved on to IPSAS
- Reputation of being «too complex / too expensive for our little entity»
- Misunderstanding or need for a better reputation?
- Need for helpful guidelines and examples for an easier application



# Thank you

- Thank you
  - for your extensive work
  - for being here in Zurich – enjoy your visit!
- Questions and discussion

