

FAOA 

**20  
24**

# Annual Report 2024

## **Impressum**

### **Publisher**

FAOA  
Bundesgasse 18  
P.O. Box  
3001 Berne

### **Lead**

FAOA

### **Design and Layout**

Moser Graphic Design, Berne

This annual report is also available in German, French and Italian.

In order to improve readability, separate male and female terms are not used in this report. The relevant terms apply to both men and women in accordance with the principle of gender equality.

# Contents

<b>Foreword</b>	4	<b>International</b>	42
<b>The FAOA in numbers</b>	6	The key figures	42
<b>Vision, mission and strategic goals</b>	7	General	43
<b>Regulatory developments</b>	8	Extra-territorial scope of the AOA	43
Current projects	8	<b>Licensing</b>	46
Completed projects	10	The key figures	46
<b>Takeover of CS and PlnC report on the management of authorities</b>	11	Statistics	47
<b>Financial Audit</b>	12	<b>Enforcement and court rulings</b>	52
The key figures	12	The key figures	52
2024 inspections	13	Enforcement	53
Root cause analysis and measures	24	Court rulings	55
Preliminary fact-finding and proceedings	25	<b>Appendices</b>	58
Evaluation of the IFIAR survey	25	Organisation of the FAOA	59
Cooperation with stock exchanges	26	Index of abbreviations	60
Cooperation with audit committees	26	Additional Swiss audit licences	61
Standard setting	26	State-regulated audit firms	62
Technological developments	27	Cooperation with foreign authorities	63
Points of focus for 2025 inspections	31	Financial statements of the FAOA	64
<b>Regulatory Audit</b>	32	Report of the statutory auditor	64
The key figures	32		
2024 inspections	33		
Root cause analysis and measures	36		
Preliminary fact-finding and proceedings	38		
Cooperation with FINMA	38		
Points of focus for 2025 inspections	38		
<b>Sustainability</b>	39		
Auditing of sustainability reports (applicable law)	39		
Audits of non-financial reporting (future law)	40		
Sustainability and the FAOA	41		

# Foreword

The predictions made in our foreword to the 2022 annual report have unfortunately materialised. The crisis mode which prevailed at that time has become the new normal – and it is in light of rising geopolitical tensions likely to remain this way for the foreseeable future. Changes in political course abroad are becoming more common and have consequences for Switzerland. Artificial intelligence (AI) is beginning to exert long-term influence over many areas of life.

One consequence is that people are becoming more uncertain and increasingly sceptical as to the reliability of the information they receive. This is why institutions that establish trust are needed. This includes the audit industry and audit oversight.

This Annual Report highlights the steps the FAOA took last year to bolster trust in the audit industry, the ways in which it adapted to the changes mentioned and the methods it used to ensure the quality of its oversight work.

## Inspections at state-regulated audit firms

Last year, the FAOA conducted eleven financial audit inspections for a total of 28 audit engagements. Quality awareness among state-regulated audit firms (srAFs) is high and audit quality is in principle satisfactory. The average number of findings per file decreased compared with the previous year (from 0.8 to 0.6). The significance of automated tools and techniques (ATT) increased substantially. The five largest srAFs in particular are using data analyses, AI and other innovative technologies at an increasing rate to improve their audit procedures. In 2023, the FAOA inspected the configuration and implementation of the quality management systems (QMS) at the srAFs and reviewed their effectiveness in 2024. The FAOA adjudged all QMS to be adequate.

In regulatory audit, inspections took place at seven audit firms for a total of 24 audit engagements. The average number of findings per file reduced significantly compared with the previous year (from 1.5 to 0.7). Particular progress was observed in quality assurance and AMLA audits in this regard.

## Takeover of Credit Suisse and assessment by the PlnC

The FAOA recognises the considerable importance of robust and crisis-resistant financial market regulation. It took note of the report published by the Parliamentary Investigation Committee (PlnC) entitled «Die Geschäftsführung der Behörden im Kontext der CS-Krise» («Management of Authorities in the Context of the CS Crisis») of 17 December 2024 and welcomes the conclusion reached by the Committee that the FAOA's oversight over the regulatory audit firms was in principle carried out in an overall appropriate (report, p. 9) and, under the given legal circumstances, relevant and adequate (p. 180) manner, and that the regulatory framework for the FAOA closely follows the standards and recommendations/best practices of the international institutions relevant for Switzerland (p. 130 f.). This perspective aligns with the FAOA's appraisal. In principle, it can be concluded that the legally standardised oversight architecture has proven successful with regard to auditing.

In its report, the PlnC indicates approaches for potential further development of and adjustments to the oversight architecture, offering the opportunity to assess the legal framework and functioning of the oversight architecture in Switzerland in depth and optimise it if needed. The FAOA is open and prepared to constructively supervise and support the further development of the oversight system together with all stakeholders.

## Minor decrease in number of licensed audit firms

The number of licensed audit firms fell, as expected, to 1,738 from 1,926 in the previous year following the peak of the renewal wave for audit firms whose licences are limited to a five-year period. In contrast, the number of licensed private individuals increased to 10,016 (previous year: 9,789).

## Whistleblowing and enforcement

Whistleblowing remains an important information source for the FAOA. The new external reporting platform enables anonymous communication between



the FAOA and whistleblowers, which has improved the quality of notifications. During the reporting year, a total of 63 notifications (previous year: 54) regarding potential violations of the law or regulations of the profession were received. Some 22 notifications (previous year: 27) concerned sRAFs. The FAOA opened enforcement proceedings in four cases in which the catalyst can be traced back to whistleblowing. With regard to enforcements, in 2024 the FAOA ordered a total of 80 reprimands (previous year: 25) and two licence withdrawals (previous year: three), whilst it also rejected two licence applications (previous year: three). Furthermore, four licence renewals were issued only on conditional terms and two reports (previous year: one) were submitted to the Swiss Exchange Regulation. No criminal charges (previous year: five) were filed in the reporting year.

#### **ESG (Environment, Social and Governance)**

On 26 June 2024, the Federal Council submitted a bill for consultation which is designed to increase the

transparency of sustainability practices within companies and continue the coordination of the corresponding regulations with international standards. The preliminary draft is intended to ensure that the FAOA assumes the role of licensing and oversight authority for sustainability auditors, as it already does for financial and regulatory auditors. The results of the consultation procedure are currently being assessed. It will be interesting to see what the political assessment of the preliminary draft will be and whether the framework conditions for the role of the FAOA as envisaged will change. The FAOA continues to play an active role in discussions regarding the implementation of the legislative aims.

#### **A thank you to FAOA staff**

We would like to thank all employees for the immense willingness, flexibility and creativity they have exhibited in mastering the challenges of the previous year.

Berne, 31 January 2025

**Wanda Eriksen**  
Chair of the Board of Directors

**Dr Reto Sanwald**  
Chief Executive Officer



# The FAOA in numbers



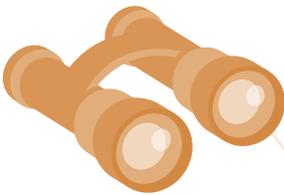
**21**

—  
state-regulated  
audit firms



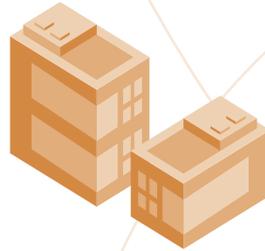
**10'016**

—  
licensed individuals



**5**

—  
annual inspections of  
PwC | EY | KPMG | Deloitte | BDO



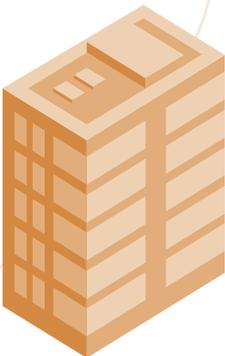
**1'738**

—  
licensed audit firms



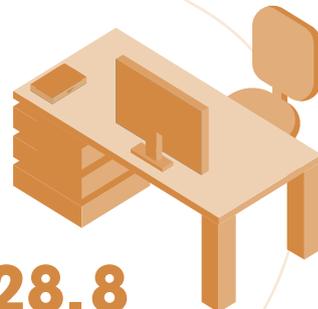
**96**

—  
enforcement orders



**11**

—  
total inspections 2024



**28.8**

—  
employees (FTE)



**7.78 Mio.**

—  
total expenditure in CHF



# Vision

**The FAOA is committed to ensuring the quality, credibility and relevance of auditing.**

High-quality and credible auditing is key to the reputation and success of the Swiss capital and financial market. Audit stakeholders (investors, creditors, the companies being audited and their bodies as well as the authorities) use audited figures to make economic decisions.

# Mission

**Those reading financial reports can rely on the audited figures.**

The FAOA has a legal mandate to ensure the proper fulfilment and quality of audit and regulatory audit services. It is the Swiss federal government's audit licensing and oversight authority. The FAOA operates a licensing office and maintains a public register of individuals and companies that perform statutory audit services. Oversight of the state-regulated audit firms is carried out in a risk-oriented way and is based on oversight concepts. The FAOA does not perform «secondary audits» on the audited companies. It is primarily a law-applying and not a law-making authority.

# Goals

**strategy period 2024-2027**



## Audit quality

The FAOA's licensing and oversight activities ensure that Swiss audit and regulatory audit services are of a high quality in international terms. In doing so, the FAOA fosters a culture of quality within the audit firms with the aim of continually improving audit quality.



## Sustainability

The FAOA contributes to the sustainable functioning of the capital and financial markets by making itself available for any legal quality assurance of statutory non-financial reporting (ESG) audit services.



## Efficiency and technology

The FAOA improves its processes on an ongoing basis, making use of new technologies as it does so. The result is an efficient, secure, innovative and cooperative working environment.



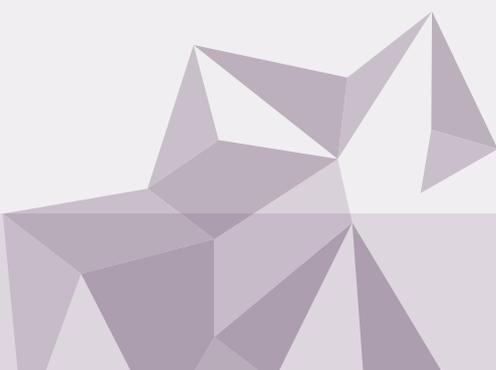
## Enforcement

The FAOA also enforces applicable law by coercive means where necessary, increasing the preventative impact of its work. It regularly reviews the tools it has at its disposal.



## Personnel

The FAOA creates attractive and competitive working conditions, which enables it to attract and retain the staff it needs as an expert organisation, and to offer employees an appropriate and future-oriented pathway for further development.



# Regulatory developments

## Current projects

### Federal Council report on bank stability and PlnC report on the takeover of CS

In its [report](#) on bank stability of 10 April 2024, the Federal Council analyses the effectiveness of the existing «too big to fail» (TBTF) regulation in the context of the Credit Suisse (CS) crisis in March 2023. The focus is on measures to enhance the stability and resilience of systemically important banks and the Swiss financial industry. In particular, the following measures are also discussed which may have at least an indirect impact on auditing or audit oversight:

- Strengthening of the independence of regulatory audit firms (in particular restricting or prohibiting parallel advisory engagements or introducing a rotation system for external auditors/regulatory auditors)
- Direct mandating of the regulatory audit firm by FINMA
- Abolition of the dual oversight system

The FAOA will participate in the relevant discussions between experts.

### Takeover of CS by UBS and PlnC report on the management of authorities

With regard to the takeover of CS by UBS and the Parliamentary Investigation Committee (PlnC) report on the management of authorities, we refer to the subsequent remarks<sup>1</sup>.

### Audits of non-financial reporting

We refer to the subsequent remarks<sup>2</sup>.

### Legislative action required regarding pension fund audits

In its [report](#) of 31 August 2022, as part of a more in-depth evaluation of the seven audit recommendations set out in Peter Ochsner and Daniel Suter's expert report on action required with respect to audit law, the Federal Council identified a concrete need to take action in the case of pension fund auditing. It thus instructed the Federal Department of Home Affairs

(FDHA) to carry out an in-depth analysis of how the stability of the pension system can be improved in the long term by increasing audit quality, in cooperation with the FAOA and the Occupational Pension Supervisory Commission (OPSC) among others, and to report on this to the Federal Council. The report is expected to be published in the coming months.

The FAOA maintains its standpoint that, with regard to public interest in the stability of such institutions, the auditing of pension funds should be treated in the same way as the auditing of private insurance companies<sup>3</sup>. A substantial portion of the oversight of the occupational pension sector is delegated to auditors without the occupational pension supervisory authority, which conducts the delegation, being able to gauge the quality of the auditing underlying the auditor's reports. Even though around two thirds of pension funds in Switzerland have already selected an srAF as their auditor<sup>4</sup>, it is appropriate that at the very least the auditors of larger and more complex occupational pension funds (collective and joint funds) be supervised in a risk-oriented manner<sup>5</sup>.

### Federal enterprises as «public-interest entities»

According to the report «Buchungsunregelmässigkeiten bei der PostAuto Schweiz AG – Erwägungen aus Sicht der parlamentarischen Oberaufsicht» («Accounting irregularities at PostBus Switzerland Ltd – considerations from the parliamentary oversight perspective») by the Control Committee of the Council of States (CC-S) of 12 November 2019, federal enterprises are public-interest entities if they are of immense importance to the Confederation, both financially and in terms of their contribution to public services<sup>6</sup>. As a result, they must, according to the CC-S, receive the greatest possible attention by external auditors. In this context, the PostBus incident revealed that the public and politicians place the highest demands on the auditing of federal enterprises<sup>7</sup>. With a view to preventative external assurance at the auditors, the Federal Council believes it is advisable to in future categorise at least certain federal enterprises

<sup>1</sup> [Takeover of CS and PlnC report on the management of authorities](#)

<sup>2</sup> Sustainability > [audits of non-financial reporting \(future law\)](#).

<sup>3</sup> Cf. the comments in the FAOA's Annual Reports from 2016 (p. 46), 2017 (p. 40), 2018 (p. 39), 2019 (p. 47 ff.), 2020 (p. 54), 2021 (p. 45), 2022 (p. 7) and 2023 (p. 7); cf. also Schneider/Devaud/Offergeld, Die Revision von Vorsorgeeinrichtungen aus dem Blickwinkel der RAB, in: [EXPERTfocus 2020, p. 771 ff., 774](#).

<sup>4</sup> See FAOA Annual Report 2022, p. 7.

<sup>5</sup> Cf. the comments in the FAOA's Annual Reports from 2016 (p. 46), 2017 (p. 40), 2018 (p. 39), 2019 (p. 47 ff.), 2020 (p. 54), 2021 (p. 45), 2022 (p. 7) and 2023 (p. 7).

<sup>6</sup> BBl 2020 7193, [7327](#)

<sup>7</sup> Federal Council report of 31 August 2022, [no. 2.8.2](#).

as PIEs<sup>8</sup>. This would subsequently require that an srAF be appointed as auditor and that the FAOA could also carry out preventive external quality assurance with regard to auditing services.

The Federal Council thus shares the view of the CC-S, which is that the role of external auditors must be intensified in the case of certain «federal enterprises». As a result, the definition of a PIE is to be expanded and conclusively determine which federal enterprises are to be categorised as PIEs in future. For this reason, the Federal Council has instructed the FDJP (Federal Office of Justice, FOJ), in cooperation with the Federal Department of Finance (FDF) and assisted by the FAOA and the Swiss Federal Audit Office (SFAO), to put forward a bill to be submitted for consultation that recommends which federal enterprises are to be subject to mandatory auditing by an srAF<sup>9</sup>.

Almost all federal enterprises have already appointed an srAF or the SFAO as their auditor. As the appointing body of the federal enterprises in question, the federal government can already address some of the concerns of the CC-S and the Federal Council. Nevertheless, the core concern of preventive external quality assurance, will only be sufficiently addressed once the concept of PIE has been extended to the relevant federal enterprises.

The FAOA put its assessment forward as part of its work in fulfilling the Federal Council's mandate. Clarifications from the FOJ, which leads this process, are pending.

### Legal framework for international administrative assistance

On 16 June 2023, the Federal Council instructed the FDF (State Secretariat for International Finance, SIF) to work with the FDJP (FOJ), the FINMA, the Swiss National Bank (SNB) and the FAOA to perform an in depth review of the provisions on international cooperation with foreign bodies set forth in the Financial Market Supervision Act (FINMASA), the Auditor Oversight Act (AOA) and the National Bank Act (NBA), to derive the possible action required and to present the Federal Council with a corresponding bill on their amendment to be submitted for consultation.

The corresponding [bill submitted for consultation](#), put forward by the Federal Council on 20 September

2024, provides, as regards the FAOA, that the administrative assistance provisions concerning cooperation with foreign audit oversight authorities and cross-border audit procedures<sup>10</sup> align analogously with those stipulated under FINMASA. In addition, the performance of inspections via remote communication is to be explicitly regulated. In analogy to the revision of FINMASA, an explicit new legal basis for the direct transfer of information by the srAFs and for the cross-border provision of documents for administration matters is to be established. The consultation procedure lasted until 3 January 2025.

### Register of beneficial owners and subordination of advisers to the AMLA

On 22 May 2024, the Federal Council submitted the [dispatch](#) on the Federal Act on the Transparency of Legal Entities and the Identification of Beneficial Owners (TLEA) to the Federal Assembly. The aim of a federal register of beneficial owners and due diligence obligations for particularly risky activities associated with legal professions, as well as other provisions, is to strengthen the integrity and competitiveness of Switzerland as a centre for finance and business. The measures are intended to fulfil the international standards in this area stipulated by the Financial Action Task Force (FATF) and the Global Forum. Such a register should in particular enable prosecuting authorities to more swiftly and reliably identify who in actuality stands behind a legal structure.

Audit firms would be impacted by the bill as follows: Firstly, they will be required to identify the beneficial owners at their own firm and report these to the newly established transparency register. Secondly, they will in future be subject to due diligence obligations under anti-money laundering law when performing certain advisory services that entail a heightened risk of money laundering. This incorporates a proposal which was already subject to parliamentary consultation in 2019. The structuring of companies and real estate transactions are deemed particularly risky. Parliamentary discussions are currently ongoing. The law is expected to enter into force in 2026 at the earliest.

### Total revision of administrative criminal law

With the motion «Für ein modernes Verwaltungsstrafrecht» («For a modern administrative criminal law») (14,4122), put forward by Andrea Caroni, member of the Council of States, the Federal Council was instructed

<sup>8</sup> [Art. 2 lit. c AOA](#)

<sup>9</sup> [Federal Council press release of 31 August 2022.](#)

<sup>10</sup> Art. 26 and 27 AOA

to develop a draft for a complete revision of the Federal Act on Administrative Criminal Law (ACLA). In its [bill submitted for consultation](#), the Federal Council proposes, among other things, that the rules of procedure in ACLA be modernised and aligned with ordinary criminal procedure law as far as possible. In particular, special provisions of special laws that relate to a company's responsibility under criminal law are to be repealed and standardised. While the FAOA can issue fines under administrative criminal law, this only pertains to certain offences and not to nonconformant audits<sup>11</sup>. Furthermore, and as a basic principle, only natural persons are liable to prosecution. The consultation procedure lasted from 31 January 2024 to 10 May 2024. The federal government's internal work on evaluating the results of the consultation procedure is currently ongoing.

### Substitute authority for state liability claims relating to matters of major importance

On 6 September 2023, the Federal Council adopted the [dispatch](#) on the introduction of a state liquidity safeguarding system (public liquidity backstop, PLB) for systematically important banks. As part of this proposal, the Federal Department of Finance (FDF) was given powers to make decisions as a substitute authority in the event of state liability actions against FINMA or the FAOA in matters of major importance as, due to their potential involvement in such matters, the respective boards of directors of these authorities can no longer make impartial decisions<sup>12</sup>. The matter was adjourned until the publication of the PlnC report.<sup>13</sup>

## Completed projects

### Limited Qualified Investor Funds

Since 1 March 2024, qualified investors have access to a new Swiss fund category in limited qualified investor funds (L-QIF)<sup>14</sup>. These funds are collective investment schemes that are exempt from the obligation to obtain authorisation and approval from FINMA. The annual and, if applicable, consolidated financial statements of an L-QIF must be audited by an srAF in accordance with the principles of the ordinary audit under the CO (audit of financial statements). Although the L-QIF is not supervised by FINMA, a supplementary audit must further be entrusted to a regulatory audit

firm, licensed by the FAOA to conduct audits under financial market legislation. These audits are subject to the same requirements as those of regulated collective capital investments. In accordance here to, the Swiss Audit Notice 70 (regulatory audit) can be applied mutatis mutandis.

### Federal Act on Combating Insolvency Abuse

On 18 March 2022, the Federal Assembly adopted the [Federal Act](#) on Combating Insolvency Abuse. The bill pursues the objective of introducing different measures to prevent debtors from abusing the insolvency procedure in order to rid themselves of their obligations. From an auditing point of view, the bill contains two relevant points: **1)** The waiver of the limited audit (known as opting out) is restricted to future financial years. In addition, the waiver must be registered with the Commercial Registry before the start of the financial year in question. This prevents retrospective opting out. **2)** With the bill, shell trading («Mantelhandel») for overindebted companies that are not currently trading and have no assets is prohibited.

The new provisions in the CO and in the Commercial Register Ordinance (CRO) entered into force on 1 January 2025<sup>15</sup>. This means that the waiver of the limited audit will only apply to future financial years and if reported to the Commercial Registry before the start of the respective financial year. If the financial year corresponds to the calendar year, the opt-out registered in 2025 will not apply until 1 January 2026. Companies are still permitted to opt out at the time of establishment.

<sup>11</sup> Art. 39 f. AOA

<sup>12</sup> Cf. the draft bill of 6 September 2023 ([p. 14](#)), the Federal Council dispatch ([p. 63](#)) and the [Federal Council press release of 6 September 2023](#).

<sup>13</sup> Cf. the [EATC-S press release of 28 August 2024](#).

<sup>14</sup> [AS 2024 53](#)

<sup>15</sup> [AS 2023 628](#)

# Takeover of CS and PlnC report on the management of authorities

On 17 December 2024, the PlnC published its «Management of Authorities in the Context of the CS Crisis» [Report](#) in order to review the events of March 2023 and analyse the related actions undertaken by the authorities.

The FAOA took note of the report and welcomes the conclusion reached by the Committee that the FAOA's oversight over the regulatory audit companies was carried out in a manner that was overall appropriate (report, p. 9) and, under the given legal circumstances, relevant and adequate (p. 180) in principle, and that the regulatory framework for the FAOA closely follows the standards and recommendations/best practices of those international institutions relevant for Switzerland (p. 130 f.). This perspective aligns with the FAOA's appraisal. In principle, it can be concluded that the legally standardised oversight architecture has proven successful with regard to auditing.

CS's auditing bodies (KPMG Ltd until 2019 and PwC Ltd from 2020) have been inspected by the FAOA annually since 2008. In line with international best practice for global systemically important banks (G-SIBs), as of 2012 CS's audit engagement was also selected as a sample each year. As well as this, the US audit oversight authority, the PCAOB, also carried out inspections over financial audits of CS in the years 2013, 2019 and 2023.

The FAOA's inspections are conducted in a risk-oriented manner and should not be equated with a second audit of the entire CS engagement. Nevertheless, since 2012 the FAOA has covered a broad spectrum of issues when inspecting CS and has made a series of findings during this time. Overall, the FAOA consistently came to the conclusion that, in the case of CS, the audit quality exhibited both by KPMG Ltd and PwC Ltd was adequate.

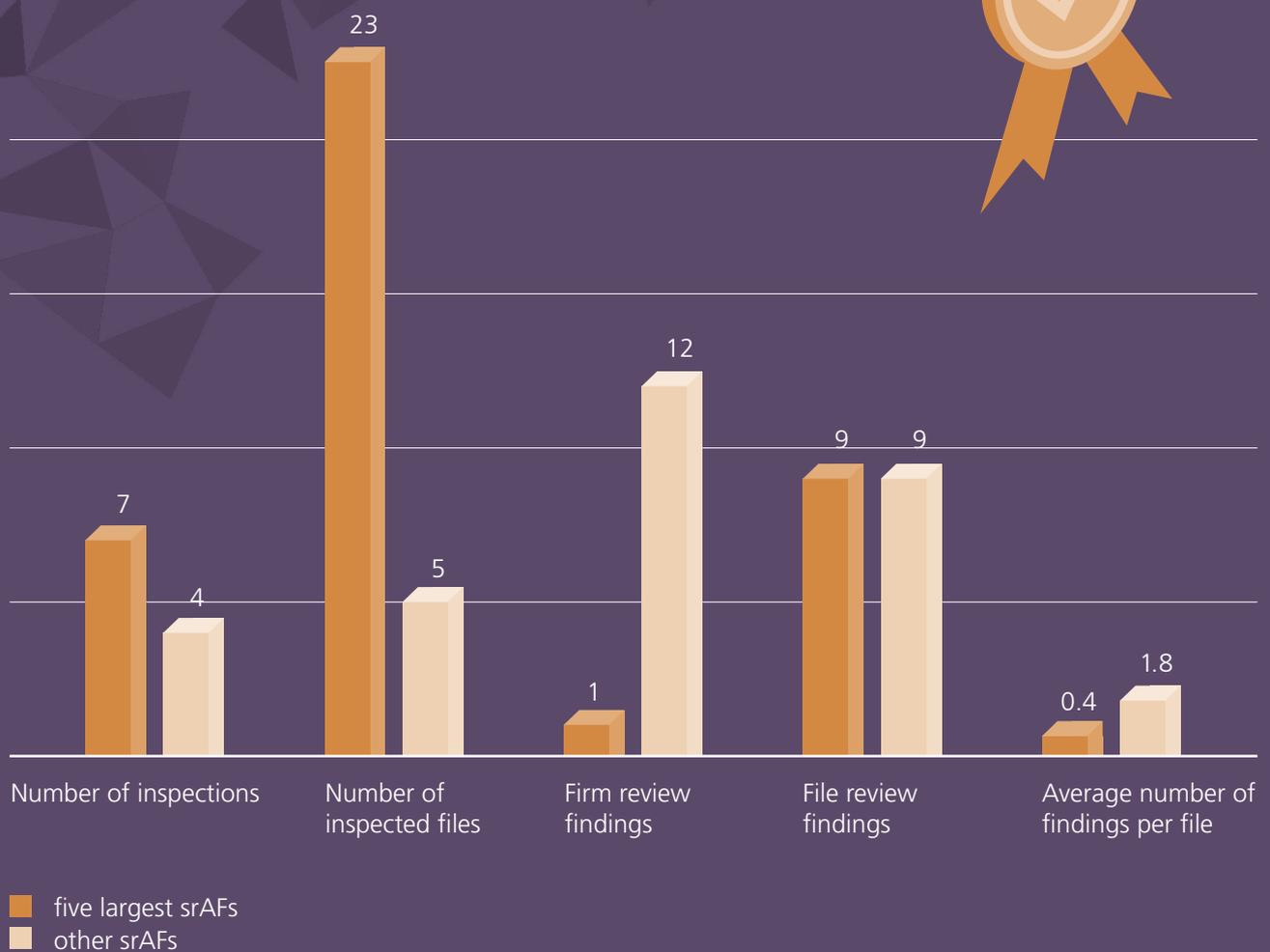
In the aftermath of the takeover of CS by UBS, the FAOA – as mentioned in the 2023 Annual Report – initiated an ad hoc inspection of PwC Ltd's financial and regulatory audits. In the areas it assessed, the FAOA made no findings that call into question the results of the audit or the auditing of CS by PwC Ltd. Con-

sequently, from the FAOA's perspective and according to present knowledge, no financial or regulatory audit failures have been identified that relate to the downfall of CS. The results of the ad hoc inspections are subject to new findings from ongoing proceedings in Switzerland and abroad. For further details, we refer to the PlnC report of 17 December 2024 (report, p. 178 f.).

In its report, the PlnC reveals approaches for potential further development of and adjustments to the oversight architecture, offering the opportunity to assess the legal framework and functioning of the oversight architecture in Switzerland in depth and optimise it if needed. The FAOA is open and prepared to constructively supervise and support the further development of the oversight system together with all stakeholders.

# Financial Audit

## The key figures



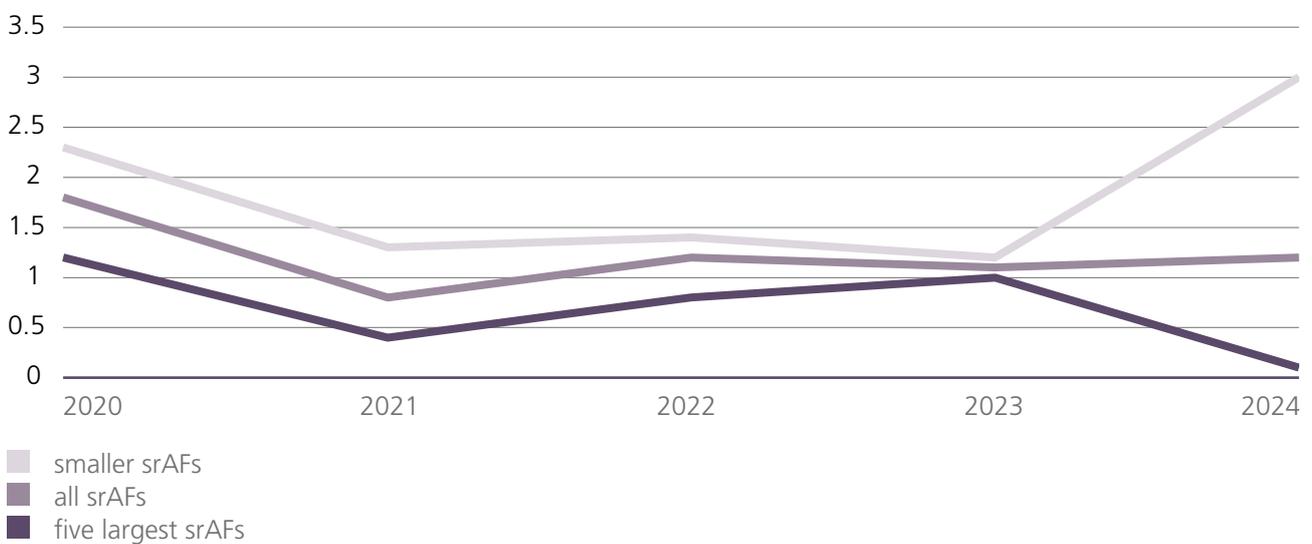
## 2024 inspections

The FAOA conducted eleven inspections during the reporting year<sup>16</sup>. As part of these inspections, audits of annual and consolidated financial statements of 28 companies were assessed through engagement-related file reviews. Rather than being «second audits», file reviews restrict themselves to items and issues that harbour particular risks in the FAOA's view.

## Firm review

The inspected audit firms' internal quality control and quality management systems can generally be categorised as adequate in each case.

**Figure 1** Trend in the average number of findings from firm reviews

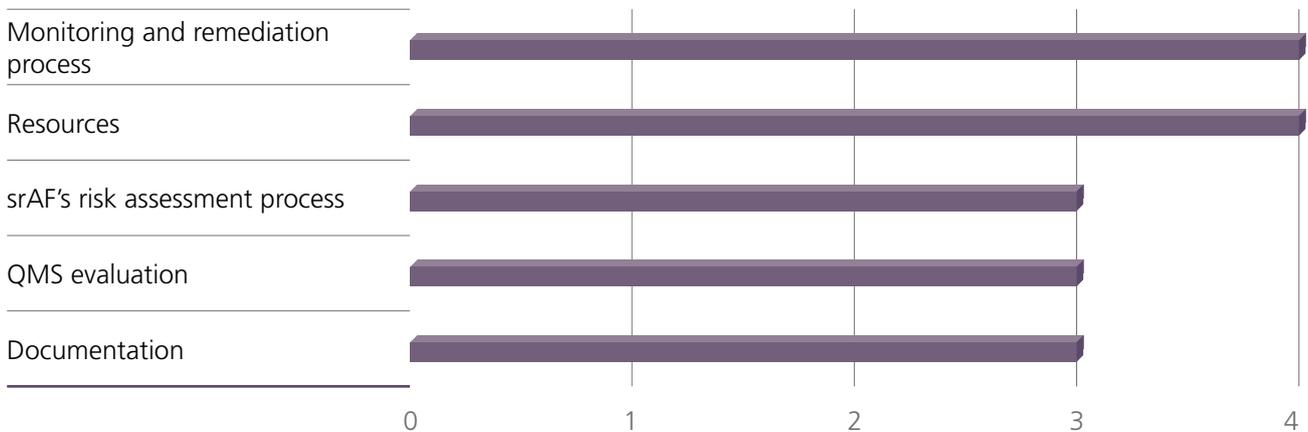


The FAOA identified a total of 13 findings at firm level in 2024. This gives an average of 1.2 findings per inspection from the individual firm reviews. Compared with the previous year (1.1 findings per inspection), this figure has remained relatively consistent. The average number of findings has always been lower at the five largest srAFs than at the smaller srAFs. In 2024, this disparity increased considerably due to inspections at two smaller srAFs which resulted in three and seven findings respectively, primarily in relation to ISQM 1.

All srAFs inspected in the 2024 financial year adjudged their internal quality management system (QMS) to be effective. In 2023, the FAOA inspected the design and implementation of the QMSs and, in 2024, it reviewed their effectiveness. The FAOA deemed the QMSs of all the srAFs it inspected to be adequate.

<sup>16</sup> In the case of one of the five largest srAFs, the actual inspection work was completed in 2024. Since the findings process is still at an early stage, this does not form part of the 2024 Annual Report. Conversely, the three inspections that had yet to be completed as of 31 December 2023 are now included.

**Figure 2** Type and number of firm review findings<sup>17</sup>



Findings were most frequently made in relation to the components listed above. The findings concerned various aspects. In some cases, however, there were also similarities: for example, in two cases, insufficient root cause analyses were identified with regard to the «monitoring and remediation process». In two cases, the lack of performance assessment for the officer ultimately responsible for the QMS led to breaches in the «resources» and «QMS evaluation» components. In the «documentation» component, elements that are important for the traceability of the QMS evaluation were missing in two cases. In two further cases, network services were deemed to be deficient: in one case they were not considered part of the internal QMS and, in another case, the results of the network review were not sufficiently taken into consideration.

A particular challenge in internal reviews of the QMS is posed by network services. These may be controls, resources or review activities that are carried out or maintained outside of Switzerland. Network services are provided at various organisational levels (e.g. global, region, area, shared service centres [SSC], centres of excellence). The organisational level of network services varies depending on the srAF. A common feature is that the control and review documentation is often compiled at the respective organisational level.

Previously, in most cases the FAOA did not have direct access to the organisational levels based outside of Switzerland. The srAF itself can either access the documentation directly or is at least informed of the results of the review activity. However, in each case, the

srAF is responsible for its own QMS<sup>18</sup> and is required to formulate the documentation of quality assurance measures as set out in Article 12 AOA in such a comprehensive and detailed way that the FAOA can form an exact image of the measures adopted and their enforcement<sup>19</sup>. This means that, in reporting on the results of the review activity, the network must provide enough detail to ensure traceability of the review. This is done via a report, which is prepared analogously to a Type 2 report in accordance with ISAE 3402 (assurance reports on a service organisation's controls) or equivalent standards.

### Design of the internal QMS

In its 2024 inspections, the FAOA collected statistical data on the design of each srAF's QMS. Selected information from this is set out below.

<sup>17</sup> There were 13 findings with a total of 17 breaches of individual ISQM 1 components.

<sup>18</sup> Cf. ISQM 1.48 and ISQM 1.50 f. (incl. A181–184).

<sup>19</sup> Art. 10 para. 3 OAF0-FAOA

**Figure 3** Comparison of selected information per ISQM 1 component for the five largest srAFs

	Risk assessment		Governance and leadership		Ethical requirements		Acceptance and continuation of client relationships		Engagement performance		Resources		Information and communication		Monitoring and remediation process		Total	
	from	to	from	to	from	to	from	to	from	to	from	to	from	to	from	to	from	to
<b>Number of quality objectives</b>	0	1	1	34	2	30	3	8	4	23	6	24	2	7	1	21	19	148
<b>Number of quality risks</b>	0	3	0	35	1	71	1	44	0	43	0	132	0	20	0	18	2	366
of which high	0	1	0	10	1	21	1	12	0	16	0	58	0	6	0	5	2	129
of which medium/low	0	2	0	25	0	50	0	32	0	27	0	74	0	14	0	13	0	237
<b>Number of controls</b>	0	90	1	80	24	200	13	99	28	150	34	734	6	86	0	216	106	1'655
of which local	0	82	1	52	24	108	13	80	28	99	34	248	6	42	0	79	106	790
of which external	0	8	0	28	0	92	0	19	0	51	0	486	0	44	0	137	0	865
<b>Configuration of local controls (in %)</b>																		
manual	0	100	57	100	34	100	26	85	19	98	41	97	50	100	0	100		
automatic	0	0	0	3	0	5	0	18	0	8	0	4	0	5	0	7		
IT-based	0	91	0	69	0	43	0	74	0	81	0	42	0	73	0	54		
<b>Number of other responses</b>	0	7	0	52	0	69	0	37	0	253	0	190	0	239	0	1	0	848

The number of quality objectives set by the individual srAFs differ vastly and do not necessarily bear relation to the size of each srAF. A different interpretation of the ISQM 1 standard meant that, at one srAF, no quality objectives and hence no quality risks or controls were specified in the two processes «risk assessment» and «monitoring and remediation». This is entirely in line with the requirements of ISQM 1, according to which the srAF should organise itself.

With regard to quality risks, one srAF renounced to define different risk levels. This was due to the fear that a distinction could reduce the number of controls in future, that the implementation of controls for low risks would be less robust and that the review process would be less intensive. What all risk assessments have in common is that several risks were identified for one quality objective. Risk monitoring requires considerable effort.

With regard to controls, it should be noted that some of these address quality risks within several components. The number of controls illustrates the full range of different QMS designs in the most striking terms. For example, the distinction between automatic and IT-based controls is not universally defined. All srAFs also rely on external controls carried out by the network (the aforementioned network controls). In one case, the FAOA identified a shortcoming related to the fact that the srAF had not categorised the network controls as part of its QMS.

Something all srAFs have in common is the high number of controls that were subject to controls testing up to the 15 December 2023 cut-off date. Added to this is the number of other responses, such as the use of IT applications, the issuing of audit instructions and organisational guidelines and the implementation of training and continuing professional development events. The number of hours spent on controls testing alone is over 2,000 on average per srAF. This immense effort demonstrates the great commitment on the part of the srAFs to creating an environment that facilitates the provision of high-quality audit services.

### Design and implementation of ISQM 2

ISQM 2 sets out the criteria for the appointment and eligibility of the engagement quality reviewer as well as for the associated performance and documentation responsibilities. The FAOA did not make any findings with respect to ISQM 2 during its inspections in 2024.

### Outsourced audit procedures

In order to increase efficiency and optimise costs, Swiss srAFs have been outsourcing certain audit tasks to service centres for some time<sup>20</sup>. These service centres are typically legally independent entities based in Switzerland and, predominantly, abroad. They are, for the most part, controlled by global networks. In some cases, service centres are operated directly by local audit firms. Only in around half of cases are service centres members of the relevant networks. The majority of them are not registered with an oversight authority. The service centres mostly operate a quality management system in accordance with ISQM 1 and report the results of the annual monitoring process to the outsourcing srAF.

The significance of this outsourcing has grown consistently over recent years. Since the initial data col-

lection exercise carried out by the FAOA in 2014, the number of outsourcing companies among the five largest srAFs has doubled from two to four. The range of the average number of outsourced hours<sup>21</sup> rose from 1–5 % to 7–22 %. There are considerable differences in the individual audit engagements depending on the respective framework conditions (organisational structure of the audited company, type/scope of the audit procedures to be carried out, data protection provisions, etc.). The spectrum ranges from just a few per cent to 70 % in one case.

In the majority of cases, outsourced audit tasks refer to routine audit procedures and activities of an administrative nature. However, in some cases, audit work that goes beyond this is delegated whereby direct contact with the client is enabled. Employees of the foreign service centres are typically viewed as integrated members of the audit team who bear overall responsibility for the audit of the annual and consolidated financial statements. The quality of the outsourced work is ensured by a combination of internal review processes within the service centres and additional inspections by the responsible audit team in Switzerland. The majority of srAFs already using service centres intend to expand the scope of outsourced audit tasks even further in the future. To date, the FAOA has not made any findings whose cause could be traced back to inadequate audit quality on the part of foreign service centres. The FAOA will address the outsourcing of audit work to foreign service centres as part of its 2025 inspections and make it a point of focus.

### Analysis of the 2023 audit reports

#### General

The FAOA primarily examined audit reports on the consolidated financial statements of all SIX-listed companies with a reporting date in 2023. The annual analysis of the audit reports provides the FAOA with important insights into audit-related topics and current issues impacting reporting. These insights also assist the FAOA in selecting engagements for its inspections in a risk-oriented manner. Three topics are explained in greater detail below.

#### Going-concern assumption

The going-concern assumption is a key accounting principle. Annual and consolidated financial statements are typically prepared under the assumption

<sup>20</sup> So-called «shared service centres», «shared delivery centres» or «talent hubs».

<sup>21</sup> Sum of the outsourced hours in relation to the sum of all audit hours for PIE engagements for which certain audit tasks were outsourced (consolidated view).

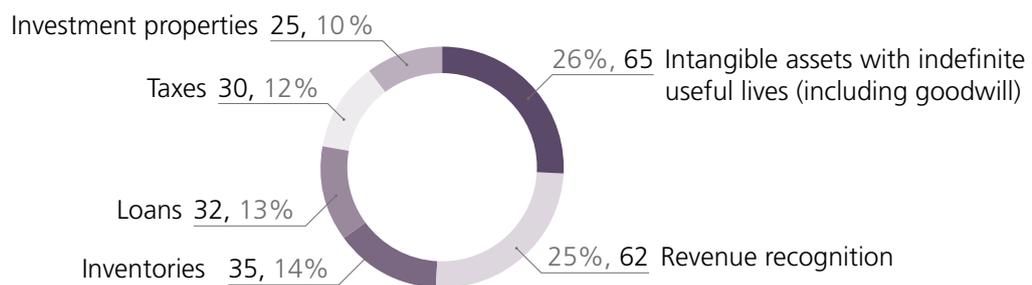
that business activity can be continued for at least twelve months after the balance sheet date. The relevant audit team is responsible for reviewing the reasonableness of this assumption<sup>22</sup>. Depending on the circumstances, this represents a challenging endeavour. In the 2023 financial year, there were significant uncertainties in connection with the ability to remain

a going concern at 14 (2022: 9), or 5.3% (2022: 3.6%), of the companies inspected. This represents a slight upwards trend.

#### Key Audit Matters (KAMs)

Audit reports on listed companies contain information on the key audit matters in particular.

**Figure 4** Most common KAM topics (2023 financial year)

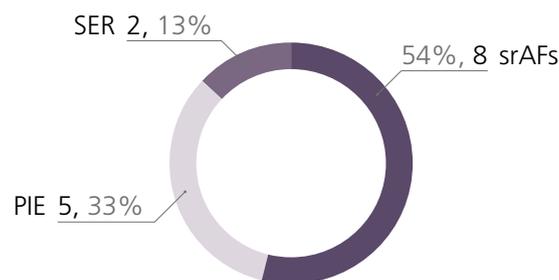


The most frequently disclosed KAMs in the audit reports examined concerned intangible assets with indefinite useful lives (including goodwill), revenue recognition, inventories, loans, taxes and investment properties.

#### Correction of previous year's financial statements due to errors<sup>23</sup>

In the 2023 annual reports, the previous year's financial statements of 15 PIEs were corrected due to errors (restatement).

**Figure 5** Restatements broken down by the authority that identified the error to be remedied (2023 financial year)



<sup>22</sup> ISA 570/ISA-CH 570

<sup>23</sup> Information originates on the one hand from the evaluation of audit reports on the consolidated financial statements of all SIX-listed companies with a reporting date in 2023 and on the other hand from the collection of statistical data from the five largest srAFs.

The above Figure demonstrates that these errors were mostly identified by the auditor or srAF (54%), by the PIE itself (33%) or by the Swiss Exchange Regulation SER (13%). In 11 out of 15 cases, items on the balance sheet and also some on the cash flow statement, the statement of profit and loss and the equity statement were amended. Two cases concerned only the previous year's figures in the notes and the statement of profit and loss. In one further case, the erroneous figures from the previous year were not corrected, as the

company only published its annual financial statements in accordance with the Swiss Code of Obligations (CO). However, the impacts of the adjustment of the previous year's figures were explained in a footnote.

### HR development

The FAOA collected statistical data from the five largest srAFs regarding personnel in particular. Having qualified and competent staff is a decisive factor in ensuring high audit quality.

**Figure 6** Proportions of functional levels relative to the entire workforce, divided into industry, financial services and overall, for the five largest srAFs

Function	Industry	Financial services	Weighted average
Partner	7.2 %	6.9 %	7.2 %
Director	5.0 %	5.8 %	5.3 %
Senior Manager	11.2 %	10.8 %	11.0 %
Manager	16.4 %	13.8 %	15.5 %
Assistant/Senior	60.2 %	62.7 %	61.0 %
<b>Total</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>

The percentage of functional levels «Senior Manager» to «Partner» is relatively consistent for industry and financial services. In the case of the functional levels «Assistant/Senior» and «Manager» on the other hand, there are certain differences between the percentages. From its findings, the FAOA did not identify any reason to believe that the compositions of audit teams were inappropriate.

In terms of ensuring audit quality, continual training plays a decisive role, as it is the only way to guarantee that auditors can keep their expertise and skills up to date. The two-year average for the range of accredited training hours (excluding independent study) at the five largest srAFs was between 44 and 80 hours. The FAOA did not identify any findings relating to training content and scope.

### Corporate governance

#### General

In 2022 and 2023, the FAOA carried out a survey of matters relating to corporate governance at the five largest srAFs. It will monitor the issue further as part of a multi-year audit strategy from 2025.

#### Private equity investments in srAFs

Investments from private equity (PE) companies in audit firms, particularly PIE audit firms (srAFs), are a relatively new phenomenon but one that has increased in significance during the course of 2024 depending on the jurisdiction. The most important aspects of this new phenomenon are set out below:

- New investors: more and more audit firms are receiving capital from PE companies. This brings with it new financial resources, enables investment in technology and supports possible expansion; however, it also calls the traditional partnership model into question.
- Control and decision-making: PE investments can limit the autonomy of the partners when it comes to decision-making. Investors can increasingly push for

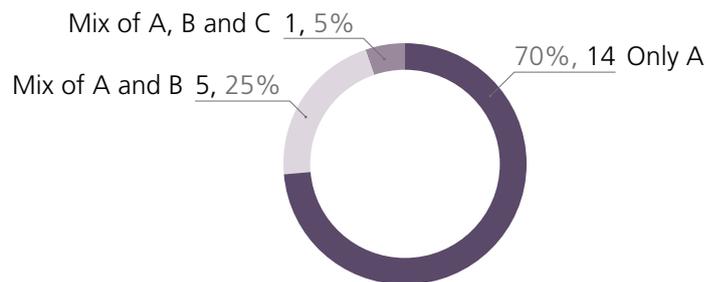
financial results and operational efficiency, which may not always accord with the long-term goals of the partners.

- Reputation risk and perception: PE investments can unsettle both the audited companies and the employees of the audit firm, as they have the potential

to call into question the independence and long-term nature of the services provided.

For further considerations, we refer to the IFIAR's statement on PE investments in audit firms<sup>24</sup>.

**Figure 7** srAF ownership<sup>25</sup>



- A Partners who work at the srAF or the parent company
- B Other individuals (e.g. former employees, individuals from the network)
- C Financial investors (e.g. private equity firms, pension funds)

The FAOA does not currently see any tendency among Swiss srAFs to involve PE companies as investors. In the case of one srAF, a portion of the pension fund was designated as financial investment. Nevertheless, the FAOA is following the development of this carefully, both in Switzerland and across the global networks, the latter because, as investors in important member firms of a network, PE companies could have an impact on the organisation and activity of the affiliated srAF in Switzerland. If PE investments are made in srAFs, the FAOA will analyse this and address it with a focus on risk, for example with regard to corporate governance, the culture and processes in the context of independence.

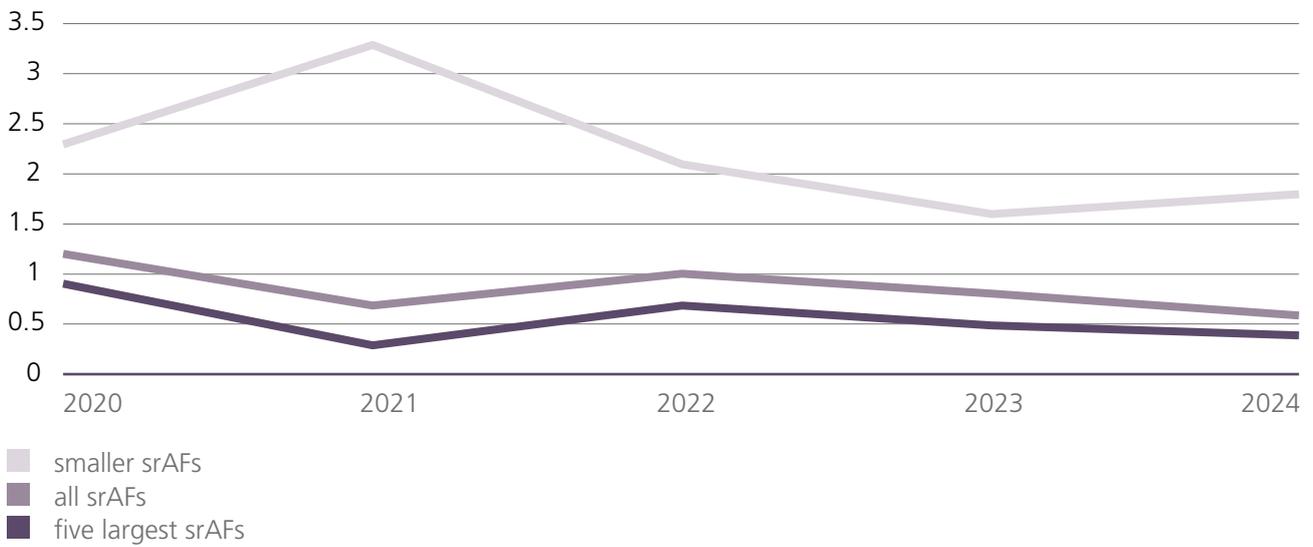
### File review

#### General

Audit quality at individual audit engagement level depends heavily on the partners and staff involved, as well as the external environment of the engagement.

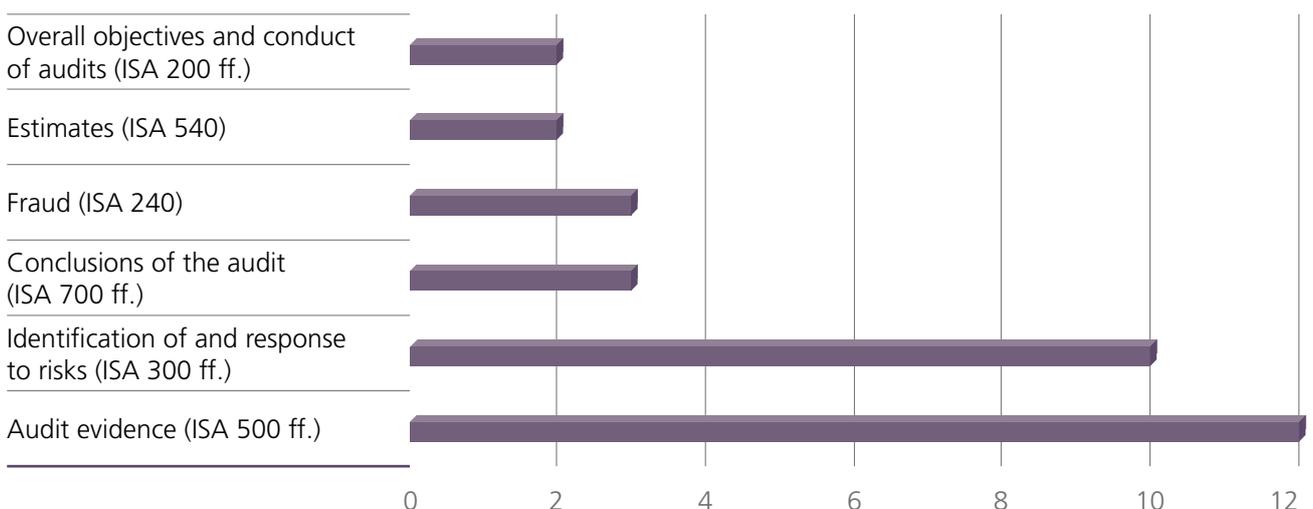
<sup>24</sup> Cf. [www.rab-asr.ch](http://www.rab-asr.ch) > Latest News > IFIAR issues a statement on private equity investment in audit firms

<sup>25</sup> The foreign srAF was not taken into account.

**Figure 8** Trend in the average number of findings from file reviews


A positive trend can be observed among the five largest srAFs since 2022. The average number of findings per file for the smaller srAFs is considerably higher than that of the five largest srAFs across all the years. A total of six findings were identified in two files in the case of one smaller srAF in particular. The FAOA expects the average number of findings per file for the smaller srAFs to converge on the figure for the five largest srAFs in future.

A total of 28 file reviews were performed in the reporting year (previous year: 27), resulting in 18 findings altogether. As such, the number of findings per file review (0.6) dropped compared to the previous year (0.8). The FAOA is striving to ensure that this figure reaches a level that is as low as possible. As a result, the FAOA is currently expecting the average of this figure to reduce to 0.5 in the coming years.

**Figure 9** Type and number of file review findings (total of 18 findings of non-compliance with 32 auditing standards)<sup>26</sup>


<sup>26</sup> Multiple auditing standards may have been breached per finding. Therefore, the number of findings does not accord with the number of auditing standards. For comparability purposes, findings that relate to breaches of Swiss or US auditing standards have been allocated to the identical or comparable International Standard on Auditing (ISA).

- The category «audit evidence» encompasses shortcomings relating to a range of auditing standards. The auditing standard on audit sampling (ISA 530) was most frequently the subject of non-compliance. As with the previous year, the design and size of the sample, as well as the selection of elements to be audited, proved unsatisfactory at times. The selection of certain elements does not represent audit sampling. Thus, it is not possible to make assertions about the total population when auditing on a case-by-case basis. In addition, for audit sampling, each sample element making up the population must have an equal chance of being selected.
- ISA 315 and 330 contain requirements for risk assessment and responses to identified risks. If audit planning is not of sufficient quality, there is a high risk that the subsequent performance of the audit will be inadequate. In this way, the conclusions drawn about the individual audit objective, which form the basis of the audit opinion set out in the audit report, may not be based on audit evidence to a sufficient degree. This concerned audit objectives such as equity interests, loans, mortgages, revenue, interest and the cash flow statement in particular.
- In the «Conclusions of the audit» category, the FAOA identified the following: If there are reasonable grounds for concern that the company is overindebted, the Board of Directors shall immediately prepare interim financial statements at both going concern and disposal values. The interim financial statements at disposal values may only be waived if there is a going-concern assumption and the interim financial statements at going concern values do not indicate overindebtedness. The Board of Directors shall allow the auditors to audit the interim financial statements. If the company is overindebted according to both sets of interim financial statements, the Board of Directors shall inform the court. The notification to the court can be omitted if **i)** the company's creditors are subordinated to all other creditors to the extent of the overindebtedness and defer their claims, provided that the subordination covers the amount owed and the interest claims for the duration of the overindebtedness, or **ii)** there is a reasonable prospect that the overindebtedness can be remedied within an appropriate period, but no later than 90 days after the audited interim financial statements are available, and that the creditor's claims are not further jeopardised<sup>27</sup>. If the

company is clearly overindebted and the Board of Directors fails to report this, the auditors shall notify the court<sup>28</sup>.

If the Board of Directors does not issue interim financial statements at disposal values, the auditors must at least record this breach of law as a note in their audit report, regardless of whether a subordination exists. In one case, this did not happen. If there is no subordination or no short-term restructuring is available or possible and the auditors do not notify the judge of their own accord, they must ensure via alternative audit evidence that clear overindebtedness can be ruled out. In the FAOA's view, this could represent a major challenge for audit firms and consequently may often not be the case.

The FAOA identified a further deficiency in the description of a key audit matter which was partially misleading. Additionally, in another case the most important components of the balance sheets as at the acquisition date were not presented in the notes to the annual financial statements in the case of an acquisition of a material consolidated company. The auditors did not consider whether the audit opinion should have been modified.

- Regarding the findings relating to fraud, interviews with members of the Board of Directors and audits of journal entries and entries made directly by the CFO were not carried out or acknowledged to an adequate degree.

#### **Audit of ITGC and application controls**

As part of its file reviews, the FAOA inspected the auditing of information technology general controls (ITGC) and the relevant application controls for the audit objectives inspected. Here, the FAOA did not identify any significant quality shortcomings.

#### **Ignoring of risk factors for fraud**

Risk factors for fraud are events or circumstances that suggest an incentive or pressure to commit fraud or that offer an opportunity to commit fraud. They are also known as «fraud red flags» and are part of the so-called fraud triangle. Warning signs include unrealistic performance targets or insufficient internal control systems. Fraud red flags provide crucial information for identifying and assessing the risks of material misstatements due to fraud.

<sup>27</sup> Art. 725b CO

<sup>28</sup> Art. 728c no. 3 CO

In one case, the FAOA reached the conclusion that the inadequate audit of financial investments at one PIE could be traced back to the ignoring of fraud red flags in particular. In the FAOA's view, the audit team should have identified and assessed the risks of overvaluation and false presentation in the notes to the annual financial statements on the basis of these warning signals and responded with suitable audit procedures.

Over the last three years, the FAOA has come across the following fraud red flags that have been ignored by srAFs:

- Complex shareholding structures
- Confusing transactions with related parties and apparent third parties
- Incomplete accounting
- Regular changes of auditor
- Unusually comprehensive details in the notes to the annual financial statements which are difficult to understand
- Excessive use of capitalisation and valuation options at the expense of comprehensibility for those reading the statements
- Media reports about convictions and embezzlement by key individuals within the audited company

These incidents underline the importance of paying close attention to fraud red flags, not just during the audit process, but also when it comes to accepting and continuing audit engagements. Annex 1 to ISA-CH 240 lists useful examples of fraud red flags.

#### **Findings from the monitoring procedures of the five largest srAFs**

In the period 2019 to 2023, the five largest srAFs subjected a total of 295 audit engagements of PIEs (hereinafter referred to as «PIE engagements») to monitoring procedures and made findings on various auditing standards in the process.

The number of PIE engagements inspected as part of the annual reviews remained broadly consistent during the data collection period. However, there are considerable differences in the average number of PIE engagements reviewed each year among the five largest srAFs. These vary between 3 and 21 PIEs. This broad range is chiefly attributable to the different parameters within which the five largest srAFs operate (regarding the number of PIE engagements, the number of auditors-in-charge, the risk profile of the PIE, etc.). Another aspect to note is that the srAFs also inspect engagements that do not fall under the PIE category as part of their reviews.

**Figure 10** Overview of the most common findings from the review of PIE engagements (financial audit) at the five largest srAFs<sup>29</sup>

Standard	2019	2020	2021	2022	2023	Total	Proportion in %
<b>ISA 330/315</b> (Risk assessment and response to identified risks)	19	27	30	10	11	97	22 %
Risk assessment and/or responses to risks	14	11	15	4	2	46	
Control testing	3	11	6	3	5	28	
IT audit	0	4	4	3	2	13	
Other	2	1	5	0	2	10	
<b>ISA 220</b> (Quality management for an audit of financial statements)	25	24	23	8	4	84	19 %
Engagement quality control	10	10	7	2	1	30	
Guidance, monitoring and review	7	5	3	3	1	19	
Independence	0	3	4	0	1	8	
Other	8	6	9	3	1	27	
<b>ISA 500</b> (Audit evidence)	9	12	14	5	6	46	11 %
Integrity of the information used by the auditor	2	5	9	4	4	24	
Management expert	0	1	1	0	1	3	
Other	7	6	4	1	1	19	
<b>ISA 240</b> (Fraud)	10	10	7	9	4	40	9 %
Audit of journal entries	6	7	4	5	4	26	
Assessment of the risks of fraud including interviews	1	3	2	4	0	10	
Other	3	0	1	0	0	4	
<b>ISA 700ff.</b> (Forming an opinion and reporting)	7	2	8	1	1	19	4 %
Disclosure of particularly important audit matters	2	0	6	0	0	8	
Other	5	2	2	1	1	11	
<b>ISA 540</b> (Auditing accounting estimates)	5	6	1	4	2	18	4 %
Substantive audit procedures	4	4	0	2	0	10	
Other	1	2	1	2	2	8	
<b>ISA 600</b> (Audit of group financial statements)	4	0	4	3	7	18	4 %
Communication with component auditors	1	0	1	1	5	8	
Other	3	0	3	2	2	10	
<b>Other Standards</b> <sup>30</sup>	31	25	30	18	10	114	27 %
<b>Total findings</b>	<b>110</b>	<b>106</b>	<b>117</b>	<b>58</b>	<b>45</b>	<b>436</b>	<b>100 %</b>

<sup>29</sup> Multiple auditing standards may have been breached per finding. Therefore, the number of findings does not accord with the number of auditing standards.

<sup>30</sup> To maintain clarity, a list of all impacted standards has not been included.

The number of violations reported in the review years 2022 and 2023 decreased significantly compared to the previous periods. During the period 2019 to 2021, an average of 111 findings were identified per year. This average halved to 52 findings in the years 2022 and 2023.

Accordingly, the average number of findings per engagement reviewed also reduced in the years 2022 and 2023. During the entire period under consideration and in the years 2022 and 2023, the five largest srAFs recorded an average of 1.4 and 0.9 findings respectively per PIE engagement reviewed. There are, however, considerable differences between the audit firms in this regard. The spectrum of the average number of findings per PIE engagement ranges between 0.4 and 3.6 over the entire period and between 0.5 and 2.3 in the years 2022 and 2023.

As already mentioned, the number of inspected engagements remained the same. At the same time, in the FAOA's view there are no indications that the assessment standard for findings had relaxed during this period. This points to a sustained improvement in quality for a variety of relevant audit issues. The FAOA considers the monitoring procedures to be effective.

Apart from the auditing standard ISA 600 (audit of group financial statements), no negative trends can be observed with regard to the breached auditing standards. The FAOA is to address ISA 600 (Revised) as a point of focus of its 2025 inspections.

### Quality management in financial audits

ISA 220 concerns the auditors' responsibilities for quality management at the specific audit service level. In a pleasing development, the FAOA did not identify any findings relating to this standard.

### Auditing accounting estimates

Auditing accounting estimates requires particular professional scepticism on the part of the audit team, as such estimates are exposed to increased risk of material misstatement. The FAOA determined shortcomings relating to this in two inspected files during the 2024 financial year. These concerned substantive audit procedures for assessing the estimated values provided by the management team. During the period 2020 to 2024, a total of 18 findings were identified in

relation to ISA 540. Almost all (15) pertained to the substantive audit procedures alone or in combination with insufficient risk assessment or failure to review the outcome of previous accounting estimates.

### Root cause analysis and measures

The srAFs concerned must remedy the FAOA's findings relating to the individual audit engagements inspected in a sustainable way by adopting suitable measures. The basis for this is an in-depth root cause analysis to be undertaken by the srAF. The root cause analysis processes at the five largest srAFs are supported by the respective global networks, which have formulated rules and tools in response to both findings from internal monitoring procedures and those identified by external audit oversight authorities.

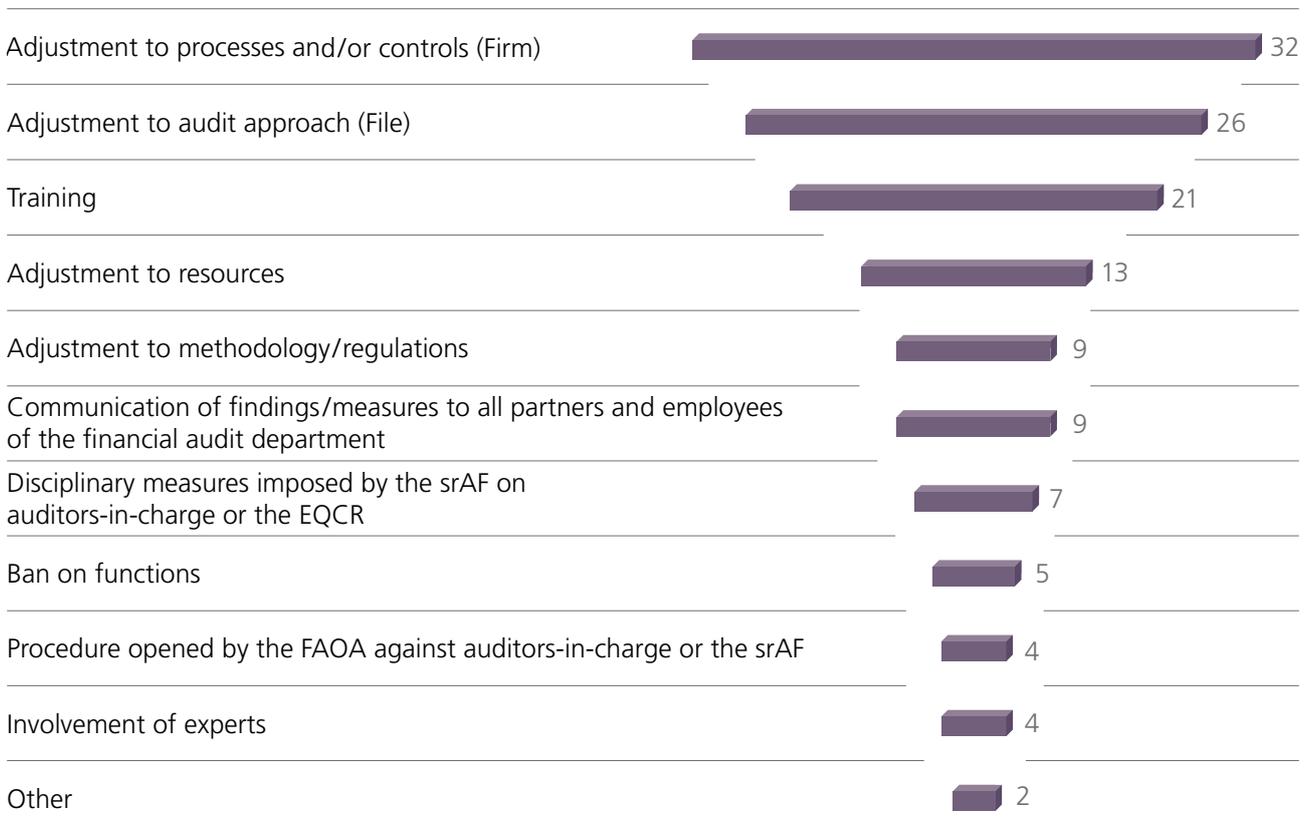
The FAOA undertakes a critical review of the action plans that result from the root cause analysis and generally requests more precise details or improvements to their content. Although the final plans for implementing the measures are typically reported to the global network of audit firms by the srAF, the implementation is primarily monitored at local level.

In 2024, the FAOA agreed a total of 97 improvement measures with the srAFs inspected as part of 14 inspections<sup>31</sup> of 34 audit engagements.

The measures agreed relate to the following topic areas:

<sup>31</sup> For two srAFs, the findings process is still at an early stage, meaning that their file reviews and measures are not included in the table. Conversely, five inspections are included that had not yet made it into the 2023 Annual Report.

**Figure 11** Measures agreed with the srAFs, categorised by topic area



(Note: a measure may relate to multiple topic areas)

As part of disciplinary measures, in four cases bonuses were reduced for the auditors-in-charge and in three cases for the EQCR.

With regard to bans on functions, auditors-in-charge and EQCRs were no longer allowed to supervise the audited engagement in question, the auditor-in-charge was no longer deployed in the role of auditor-in-charge and EQCR in a certain sector or the auditor-in-charge was relieved of all functions relating to quality assurance. In addition, proceedings were initiated or concluded against the auditor-in-charge on three occasions and against the srAF on one occasion.

### Preliminary fact-finding and proceedings

Alongside routine inspections, event-driven preliminary fact-finding and proceedings are also conducted at srAFs. Particular account is taken of credible third-party notifications. In 2024, 14 notifications in connection with the work of srAFs were received. In eight cases, preliminary fact-finding was carried out<sup>32</sup>.

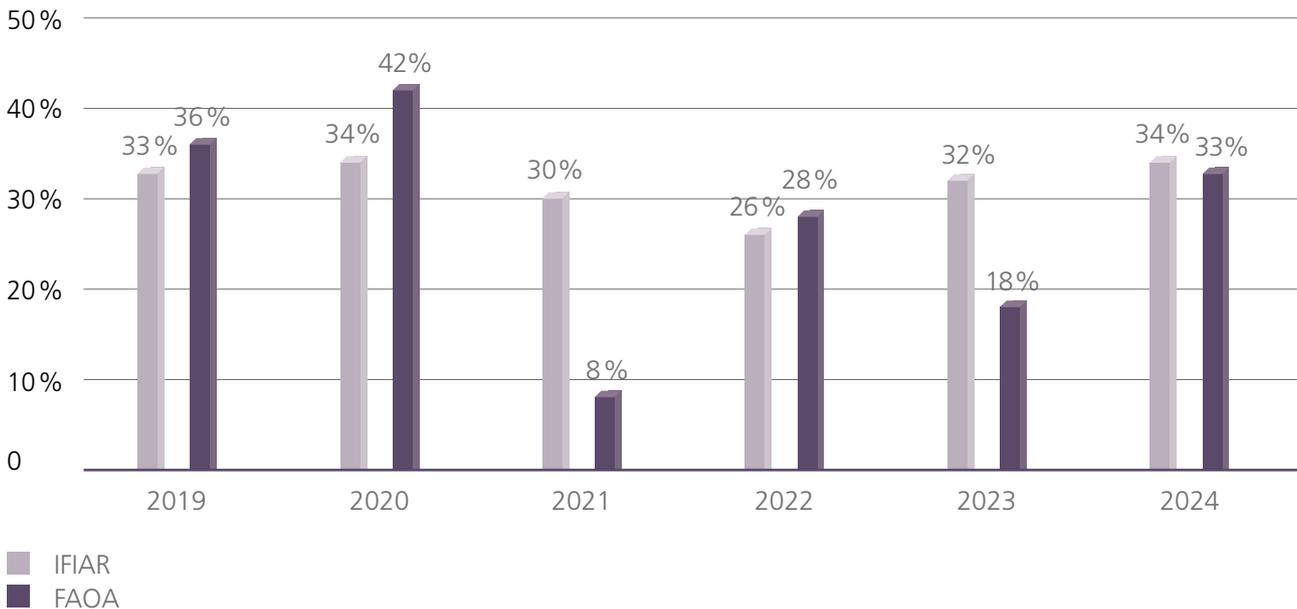
### Evaluation of the IFIAR survey

On 17 March 2025, the IFIAR published the results of its broad-based study of its member authorities on the inspection results from the six largest global audit networks<sup>33</sup>.

<sup>32</sup> Fact-finding for notifications received in the previous year were also carried out during the financial year.

<sup>33</sup> Accessible under [www.ifiar.org](http://www.ifiar.org) > Activities > Inspection Findings Survey > 2024 Survey of Inspection Findings. The six largest audit networks are BDO International Limited, Deloitte Touche Tohmatsu Limited, Ernst & Young Global Limited, Grant Thornton International Limited, KPMG International Cooperative and PricewaterhouseCoopers International Limited.

**Figure 12** Comparison of the number of audit mandates with at least one finding (financial audit)



No clear trend can be observed over the periods based on the chart.

On 7 November, the IFIAR presented the next step of the global initiative for improving audit quality. Initiated in 2015, the programme measures the frequency of inspection results over a four-year period and compares this with the goals set by the IFIAR Global Audit Quality Working Group (GAQWG). In 2024, the number of inspected audit engagements with one or more findings relating to the audit of listed companies was 34% globally. IFIAR expects that this figure will be reduced to 24% by 2027. The FAOA is a member of the GAQWG and is contributing to the initiative.

### Cooperation with stock exchanges

The FAOA coordinates its oversight activities with SIX Exchange Regulation (SER) to avoid duplication. In the reporting year, the FAOA submitted two reports to the SER.

### Cooperation with audit committees

Audit committees and the FAOA have a mutual interest in high-quality audit services. As part of selected file reviews, a professional exchange of ideas takes place between the respective AC chairs and the Chief Executive Officer of the FAOA.

### Standard setting

#### Swiss Standards on Auditing

The new Swiss Standards on Auditing (SA-CH) are applicable to audits of annual and consolidated financial statements ending on or after 15 December 2022<sup>34</sup>. These include in particular the ISA standards adopted by EXPERTsuisse with Swiss amendments (ISA-CH) and the independent Swiss Auditing Standards (PS-CH). ISA 220 (Revised), ISA 315 (Revised) and ISA 600 (Revised) were incorporated into SA-CH and apply for audits of annual and consolidated financial statements commencing after 15 December 2024. Early application of these standards is possible provided all three are applied together as a package. With regard to ISQM 1 and 2, these should apply to all ordinary audits of annual and consolidated financial statements commencing on or after 15 December 2025.

### International auditing standards

Together with IFIAR, the FAOA regularly submits comment letters on various IAASB and IESBA drafts. As part of this process, in 2024 comment letters were submitted to the IAASB on the discussion drafts «Proposed Narrow Scope Amendments to ISQMs, ISAs and ISRE 2400» and «Proposed Revisions to ISA 240 – Fraud». A comment letter on the IESBA drafts on sustainability auditing<sup>35</sup> was also submitted. All comment letters can be viewed on the FAOA's website.

The International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (hereinafter: ISA for LCE) was published by the IAASB on 6 December 2023. EXPERTsuisse is planning to apply this auditing standard in Switzerland. However, the date on which this will come into force is not yet known. In August 2024, the IAASB published guidelines (Authority Supplemental Guidance) on applying ISA for LCE. These are intended to help with the decision as to whether ISA for LCE can be applied for certain audit services.

If there are suspicions that legal obligations have been violated, in the context of ISA for LCE in particular the FAOA will assess whether the criteria for applying the standard have actually been fulfilled or whether SA-CH should have been applied. ISA for LCE specifies, for example, that the national professional association (in this case EXPERTsuisse) can determine qualitative thresholds for the applicability of the standard. The standard uses the definition of «smaller company» set by the European Commission and the South African Department of Small Business Development as a guide. If this definition were to be followed, the new audit segment would overlap with the limited audit segment. Since EXPERTsuisse is expected to waive the provision on qualitative thresholds, the FAOA recommends that srAFs set forth such thresholds in their internal regulations.

In the case of audits in accordance with US-GAAS or PCAOB standards, the requirements under the interim standards QC 20, 30, 40 of the Public Company Accounting Oversight Board (PCAOB) and Section 1,000 of the Stock Exchange Commission (SEC) Practice Section must be implemented. The latter will be superseded by QC 1,000 «A Firm's System of Quality Control» issued by the PCAOB with effect from 15 December 2025.

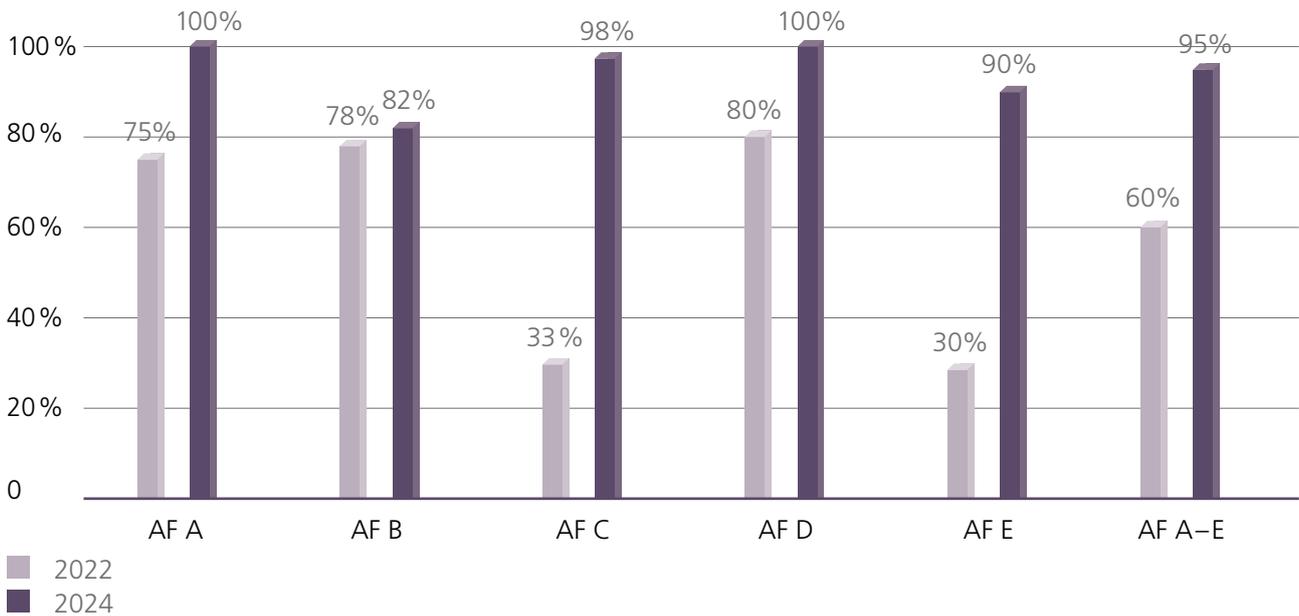


### Technological developments

The FAOA monitors developments and advancements both in the technology platforms used by the srAFs and in the automated tools and techniques (ATT) used. The five largest srAFs in particular are using data analyses, AI and other innovative technologies at an increasing rate in order to improve their audit procedures and raise audit quality overall.

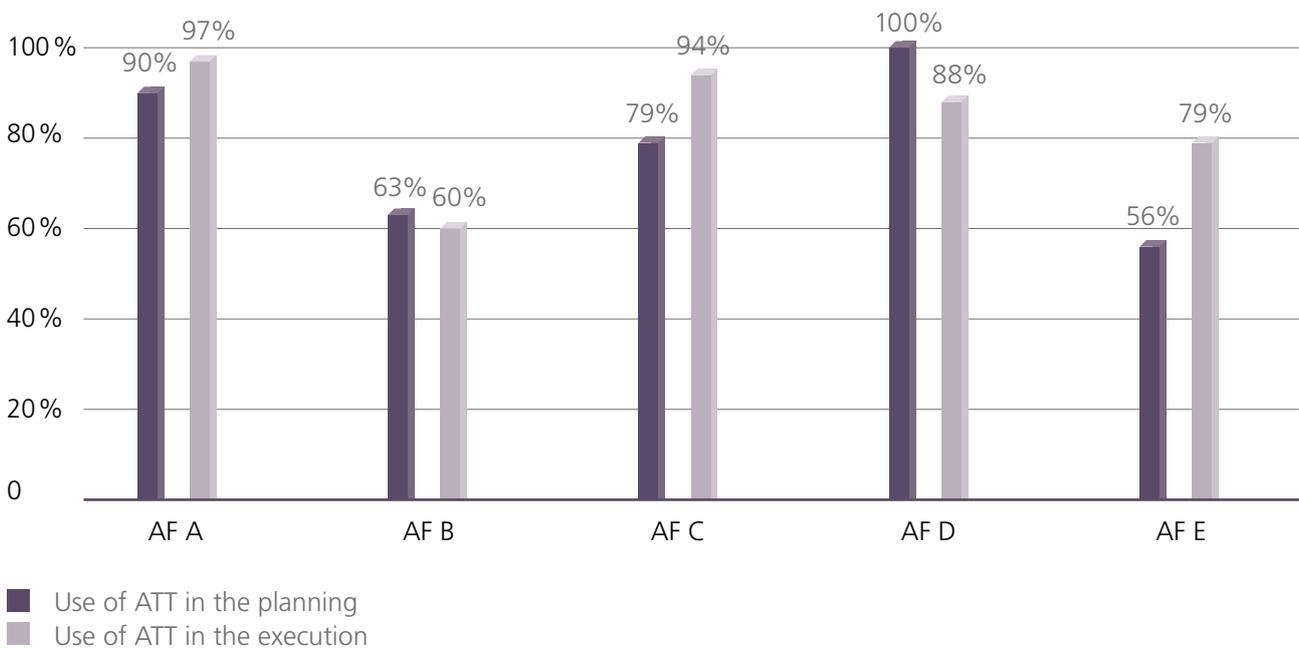
As part of its 2022 inspections, the FAOA gathered detailed information on the five largest srAFs' use of data analysis tools for audit engagements pertaining to listed companies. In the 2024 financial year, the FAOA once again collected information relating to this. The most important findings are detailed below.

<sup>35</sup> Drafts on the «International Ethics Standards for Sustainability Assurance (including the International Independence Standards) (IESSA)» and «Using the Work of an External Expert».

**Figure 13** Use of ATT at the five largest srAFs


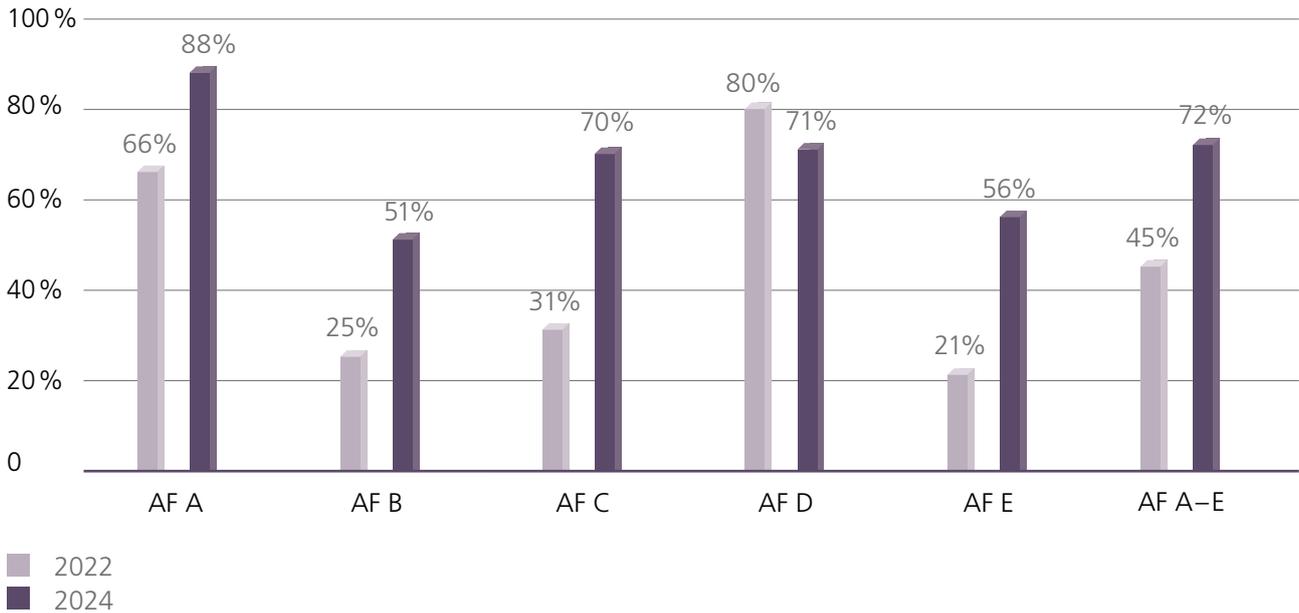
Compared to the 2022 financial year, the average use of ATT for auditing at the five largest srAFs increased from 60% to 95% of all audited listed companies. All five srAFs have expanded their use of ATT, although

there are clear differences in the degree of expansion. New and improved tools and methodologies are the basis for this increased integration of ATT.

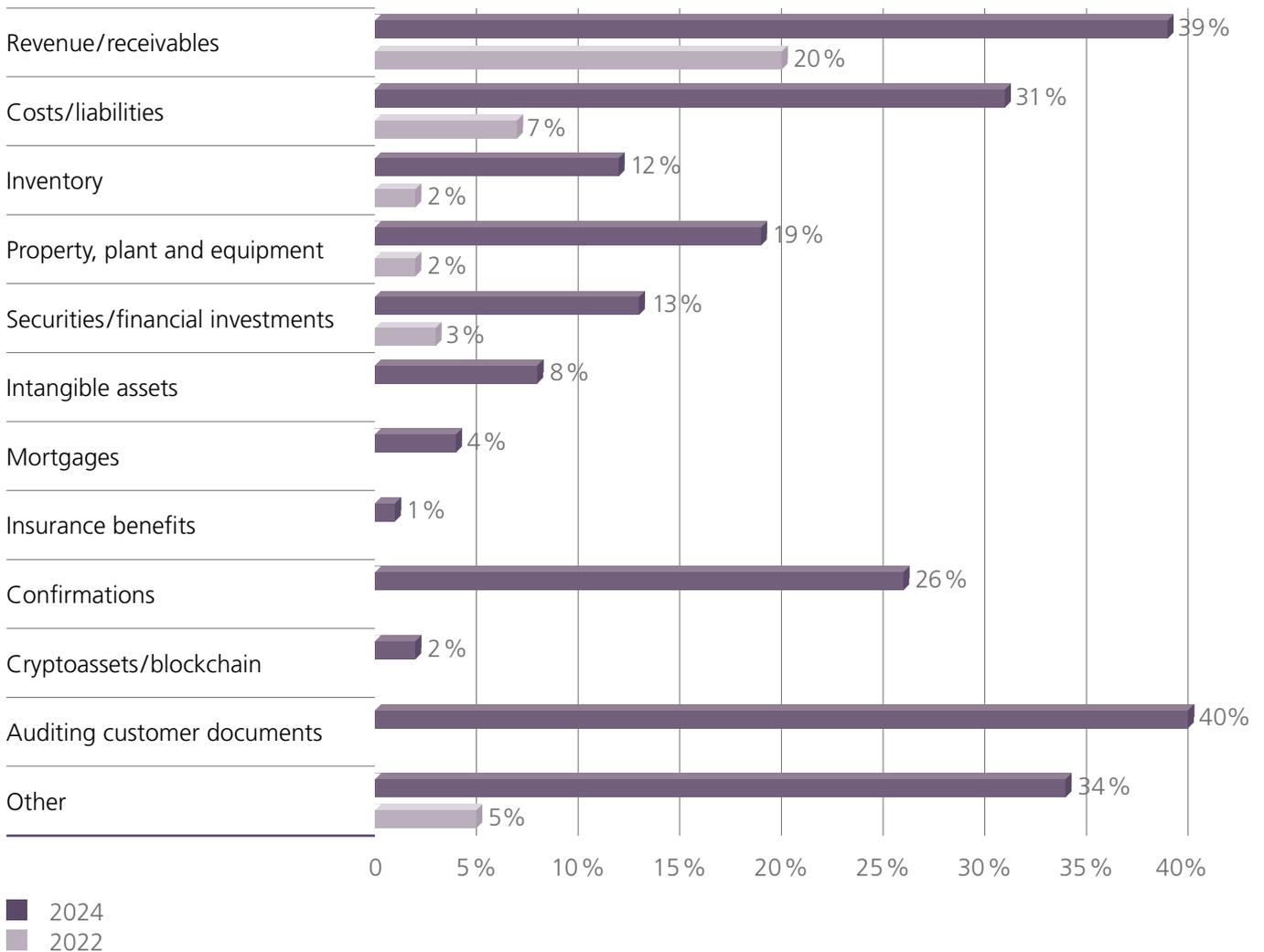
**Figure 14** Use of ATT when planning and executing audits of listed companies


The srAFs are increasingly using ATT both when planning and executing audits. Alongside using ATT for auditing journal entries (see below), ATT was also ap-

plied to assess other risks and to analyse processes and controls. With regard to audit execution, we refer to Figure 16 below.

**Figure 15** Use of ATT when auditing journal entries

When planning audits, the srAFs predominantly used tools to identify the risks of fraud, which in turn were considered when selecting journal entries. The use of ATT to audit journal entries for listed companies increased considerably overall from 45% to 75% of all companies. The rate of use rose significantly with one exception.

**Figure 16** Use of ATT when executing audits (by area)


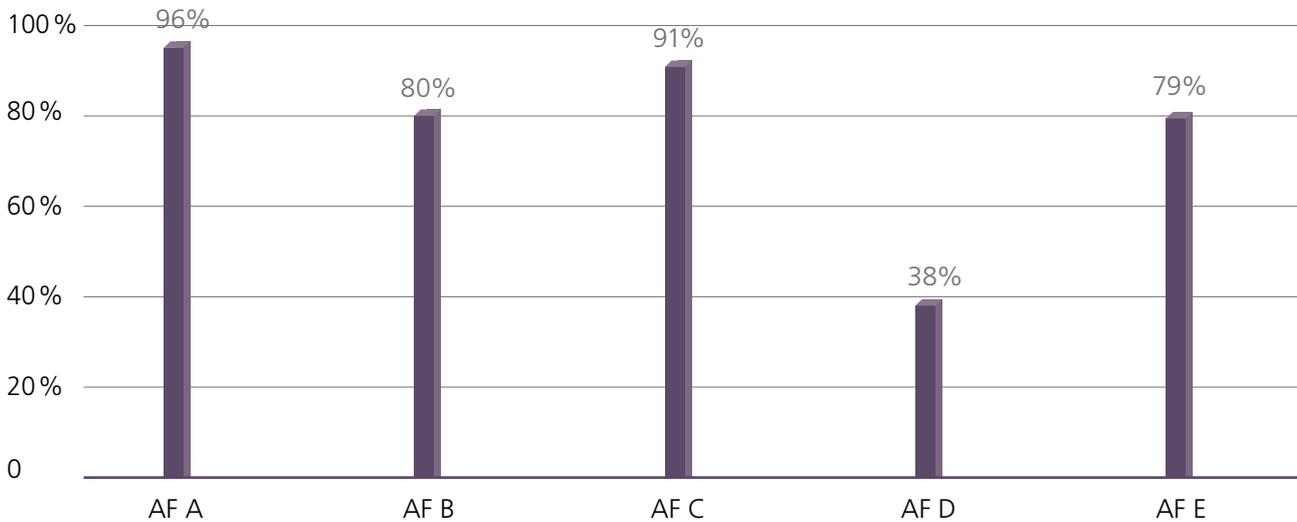
In comparison with 2022, a significant increase in the use of ATT in the execution of audits of listed companies is discernible. This uptick in use involves all areas, albeit to differing degrees. The tools have become simpler to use and more attractive for audit applications. Moreover, with the support of artificial intelligence (AI), the use of these tools facilitates diverse solutions regarding automating document comparison, data analysis and reconciliation procedures.

The application DataSnipper<sup>36</sup> is frequently used to audit customer documents. The process for obtaining external confirmations is also increasingly being automated. For this, audit teams use network-developed tools or the digital platform confirmation.com. The audit teams are mostly unaware that they are using

AI-assisted tools. Regarding the use of AI for auditing, two srAFs declared that AI was not used for auditing. The other three srAFs gave figures of 2 %, 7.5 % and 8 % respectively. An analysis of the figures produces a very different picture: the audit teams exhibited a much higher rate of use of tools that already use AI to operate.

<sup>36</sup> DataSnipper allows users to extract unstructured data from PDFs or image files into Excel. This enables the reconciliation of data from the general ledger with other documents. As well as this, mathematical and content-related consistency checks of financial statements can be carried out.

**Figure 17** Use of AI-supported tools when auditing listed companies



The explicit integration of AI and generative AI (GenAI) into audit practice is still in its infancy. AI is primarily used to support the collection and processing of data; it is only rarely used to obtain audit evidence. The FAOA is yet to encounter a file review in which AI was used in this way. Despite the fact that the use of AI and GenAI in auditing is currently not at a significant level, the FAOA is aware of the challenges and opportunities that these new technologies entail.

The FAOA supports the development and increased use of ATT and expects such technologies to pervade the audit process even further in the future. The proper use of ATT can lead to improvements in audit quality. The FAOA will address the use of ATT as part of its 2025 inspections and make it a point of focus.

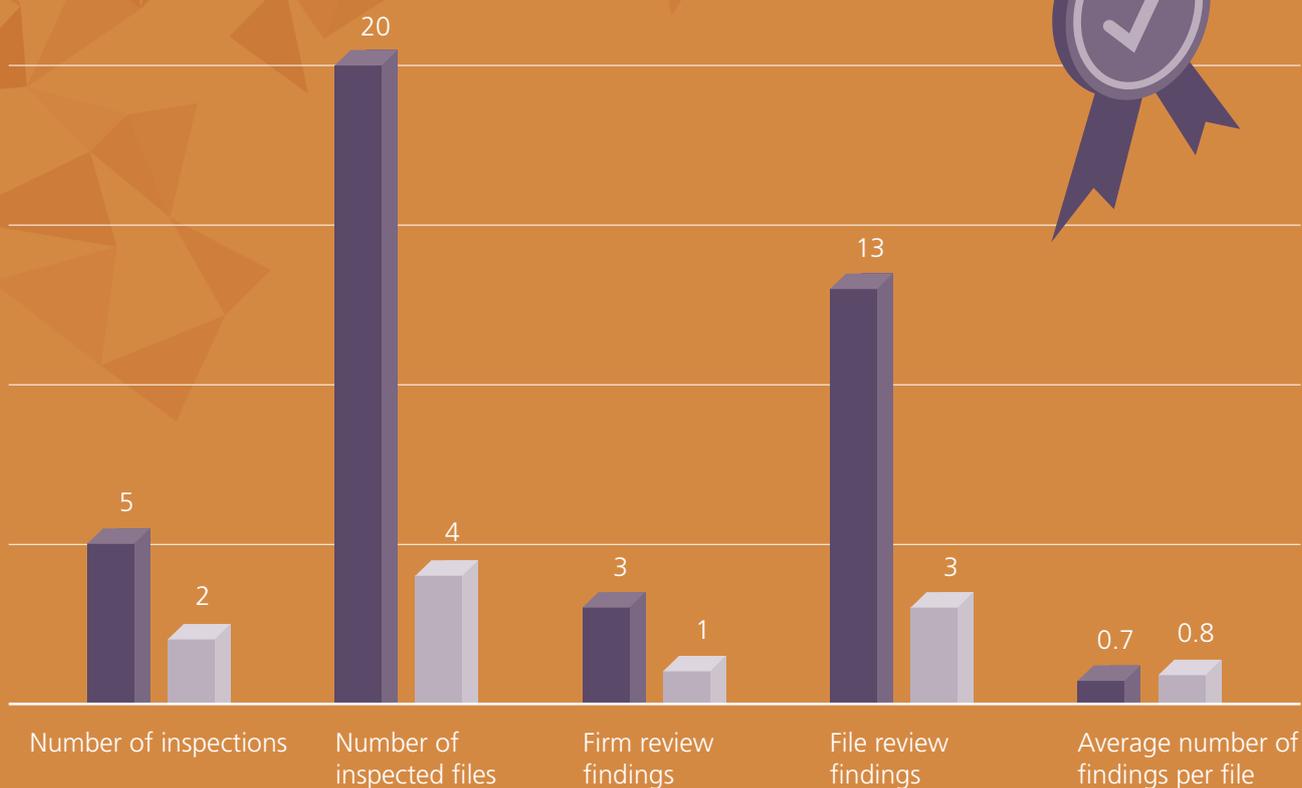
### Points of focus for 2025 inspections

The FAOA has selected the following points of focus with regard to financial auditing for the 2025 routine inspections of srAFs:

- Audits of group financial statements (ISA 600 Revised)
- Use of ATTs to carry out audit procedures
- Outsourcing of audit work to service centres

# Regulatory Audit

## The key figures



■ five largest audit companies  
■ other audit companies

### 2024 inspections

During the reporting year, inspections were carried out for eight audit companies, of which six are inspected annually (because they audit more than 50 PIEs)<sup>37</sup>, one every two years and one every three years.

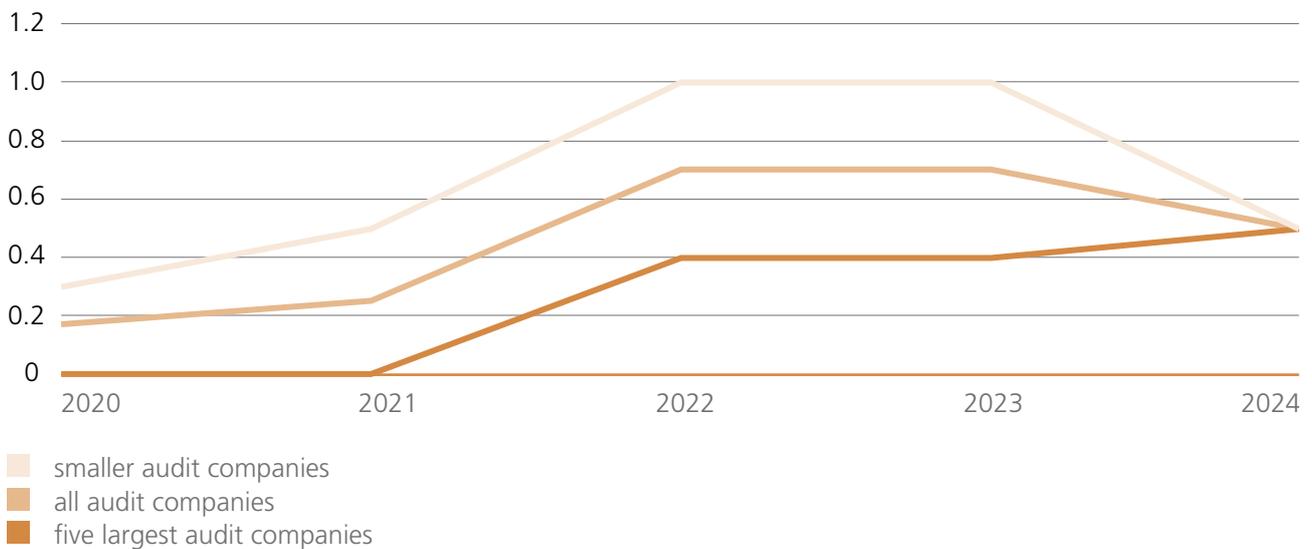
The quality of regulatory audit services was inspected through file reviews. Inspections are based on 24 re-

gulatory audit files (13 banks, four collective investment scheme institutions, five insurance companies and two securities firms).

### Firm review

Generally, internal quality assurance/quality management systems at the inspected audit companies are adequate.

**Figure 18** Trend in the average number of findings from firm reviews

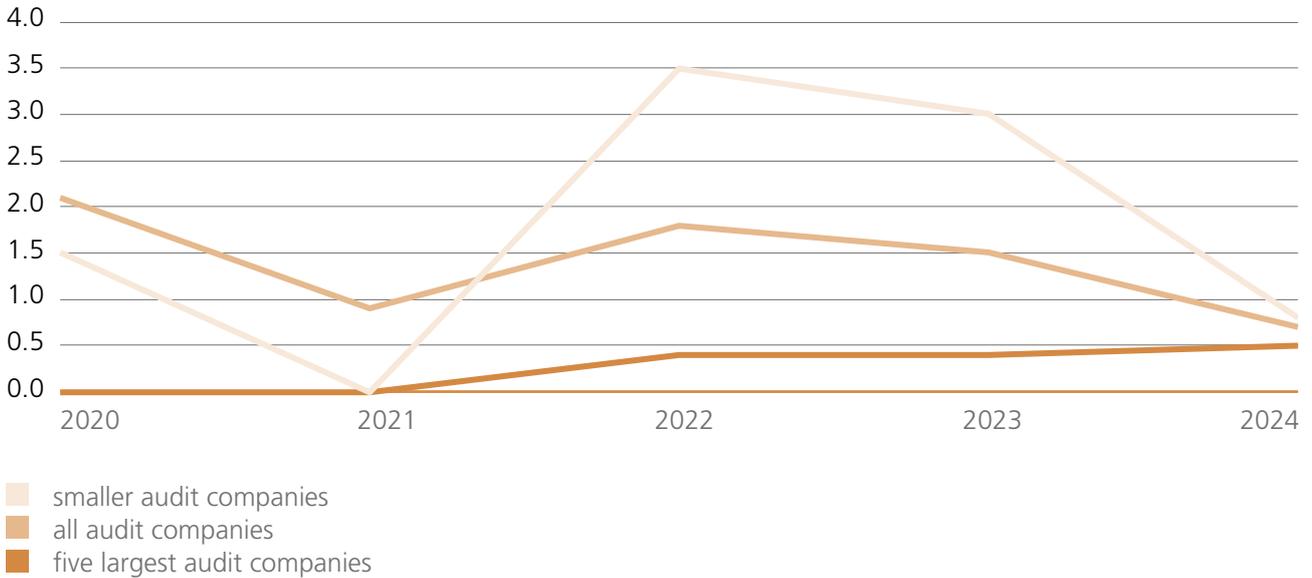


Overall, the trend is positive. This can particularly be attributed to the fact that small audit companies have achieved great strides in improving their internal quality assurance processes.

### File review

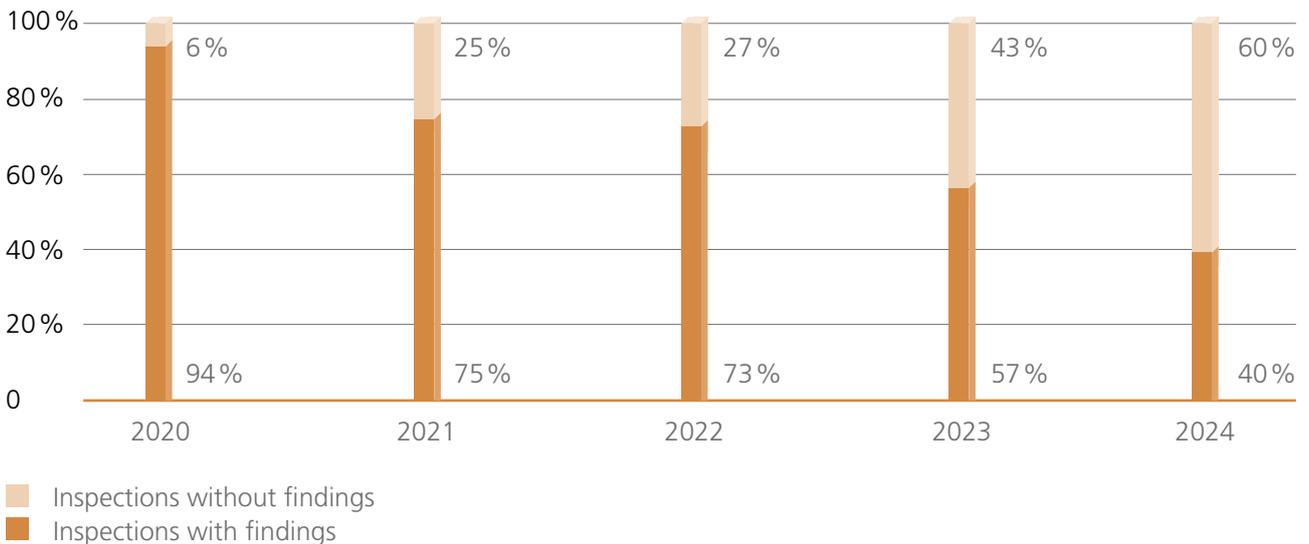
As with financial audits, audit quality at individual regulatory audit engagement level depends heavily on the partners and staff involved, as well as the external environment of the engagement. Like the firm reviews, a positive trend is also discernible with regard to the regulatory audit file reviews.

<sup>37</sup> In the case of one of the five largest audit companies, the actual inspection work was completed in 2024. Since the findings process is still at an early stage, this does not form part of the 2024 Annual Report. Conversely, the three inspections that had yet to be completed as of 31 December 2023 are now included.

**Figure 19** Trend in the average number of findings per file review


As part of its file reviews, the FAOA identified a total of 18 findings. Of these, 15 concerned the five largest audit companies, with which specific corresponding measures for quality improvement were agreed. Over-

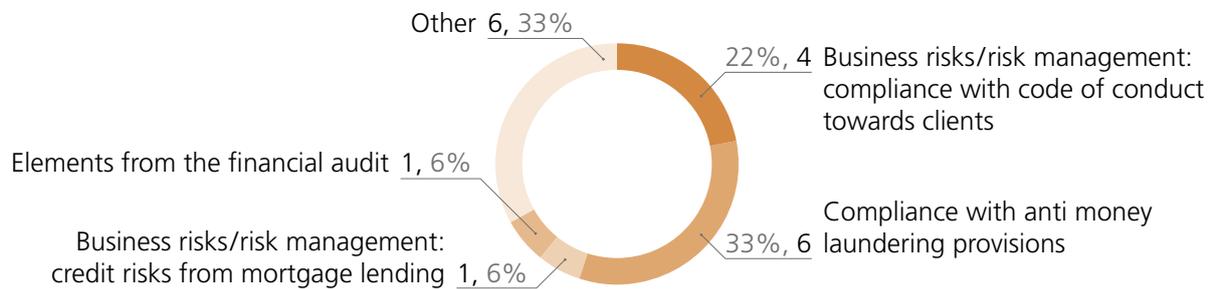
all, the number of findings per file has dropped considerably since 2022 (from around 1.5 to around 0.7). This can be traced back to the decrease in findings for the smaller audit companies in particular.

**Figure 20** Inspections with and without findings


Overall, the number of inspections yielding no findings since 2020 reveals a positive trend (in terms of the percentage value).

The coverage of the audit areas in the context of the inspected engagements is primarily determined

by the audit frequency agreed between FINMA and the audit companies and the parameters that arise as a result of FINMA's auditing guidelines. In the 2024 financial year, the FAOA's findings were distributed across the following audit areas:

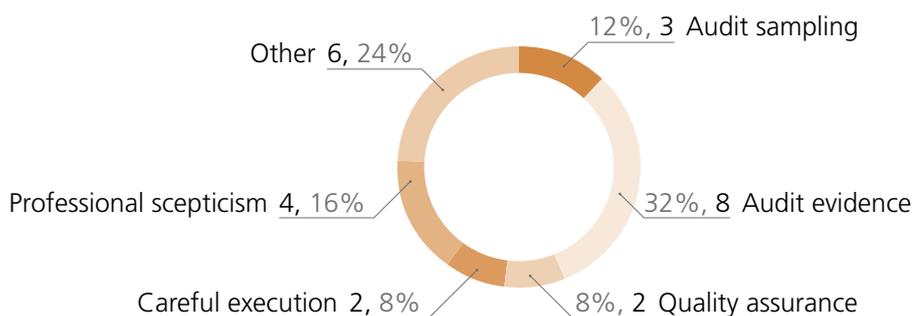
**Figure 21** Findings by audit area


The majority of weaknesses (32 %) continue to occur in the audit area «compliance with money laundering provisions (AML)». The proportion of AMLA-related findings has dropped considerably compared to 2023 (47 %) but remains higher than in 2022 (24 %).

The FAOA placed great emphasis on this issue at the company level back in 2023, leading to the implementation of corresponding measures. This AMLA issue was once again specified as a point of focus for FAOA inspections in 2024 in order to ensure that the effectiveness of the measures already implemented could be evaluated at company level. Improvements in all areas of AMLA auditing were identified in this regard.

However, the deadline for implementing these measures has not elapsed everywhere, meaning the issue must be pursued further in 2025. This also serves the interest of the Swiss financial industry. Moreover, in November 2024 FINMA amended the audit minimal procedures for complying with money laundering provisions and also published comprehensive explanations, clarifying industry expectations.

With regard to the violated auditing standards, the findings can be categorised as follows:

**Figure 22** Findings by audit category


### Point of focus 1: Audit of IT (including outsourcing and cyber risks)

This audit area is becoming increasingly complex and significant, particularly in light of the growing threat of cyber risks. The FAOA did not identify any findings here.

It is the FAOA's view that the quality of work and the use of specialists in this area is broadly adequate. Never-

theless, there are differences between the regulatory audit companies relating to their approach and the way in which they distribute resources. The auditing of IT systems encompasses significant technical aspects such as ensuring data integrity and the availability and monitoring of outsourced IT services. A key focus is on risk management and compliance with regulatory cyber protection requirements. FINMA has recently published additional guidelines on IT risks and

outsourcing risks that specify the audit requirements and underline the importance of this audit field<sup>38</sup>.

### Point of focus 2: Audit of risk management: credit risks

The credit risks were another point of focus for the FAOA in 2024. The FAOA identified one finding in relation to this. This concerns mortgage lending and a lack of audit evidence for creditworthiness as well as insufficient auditing of the determination of a loan value and compliance with the bank's internal review process for loans.

This area is diverse and comprises various types of credit such as commercial loans, mortgages and Lombard loans. The quality of audit work overall is adequate. However, there are differences in the approaches within the large audit companies, particularly with regard to covering the credit risks as part of financial audit and/or regulatory audit as well as with regard to the use of synergies between these two areas. The FAOA views the use of synergies as positive when it comes to ensuring efficient auditing. Nevertheless, it emphasises that the different objectives of financial audit and regulatory audit should not be underestimated. This means effective planning is required, as is the precise recognition of the audit aims of both areas in order to carry out adequate audit procedures in both areas. For example, if an auditor focusing on mortgage lending decides not to carry out a creditworthiness check as part of the financial audit due to other audit procedures, they must ask themselves whether this element should be taken into account for the regulatory audit in order to ensure compliance with Swiss Bankers Association (SBA) guidelines. In addition, this is a dominant element in the SBA guidelines, meaning the auditor must ask themselves whether this might be a key control which, in the majority of cases, should also be audited as part of the financial audit.

### Point of focus 3: AMLA audit

The auditing of compliance with the provisions of the Federal Act on Combating Money Laundering and Terrorist Financing (AMLA) has been a focus for the FAOA for many years. In 2023, around 60% of routine file reviews (excluding insurers) involved inspecting AMLA audits as a key point of focus. In the course of this, 50% of all findings related to AMLA audits. An average of 1.5 findings per inspected AMLA file were identified. In 2024, the proportion of routine file reviews (excluding insurers) for which AMLA audits

were the focus was over 70%. This resulted in a reduction in findings by more than 30% compared to 2023, as only 1.0 finding was identified per AMLA file. This should be considered as a clear improvement.

A measure was agreed at firm level with the audit companies affected to comprehensively revise the AMLA audit programme in 2025 in order to take into account FINMA's new audit minimal procedures on compliance with money laundering provisions for banks and asset managers. These new audit points will provisionally be applicable for the 2025 audit year.

Due to the amendments, the FAOA will not inspect compliance with AMLA provisions and the implementation of the new requirements at the audit companies as a point of focus again until 2026. However, as part of its 2025 inspections, the FAOA will evaluate the draft of the new audit programme at firm level or, alternatively, look at the implementation plan.

### Root cause analysis and measures

Root cause analyses and defining measures based on the FAOA's findings are typically carried out according to the same methodology as is used for the findings from internal review process (internal review). The FAOA places particular value on a robust process here too.

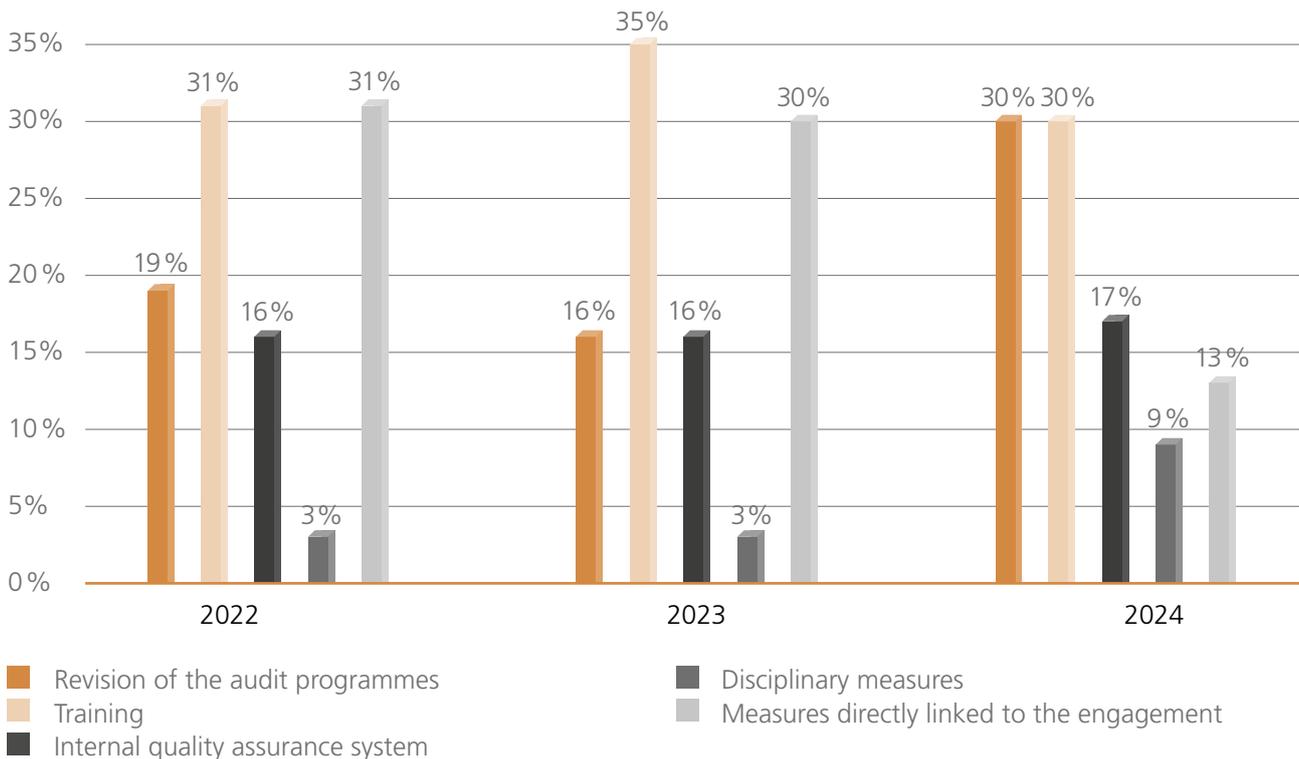
However, the FAOA observes that the quality and depth of root cause analyses vary between the audit companies. Some audit companies continue to lean towards reducing the findings to insufficient documentation, whereas the underlying causes commonly lie deeper or can be found in other areas. The lack of documentation generally also means a lack of audit evidence («not documented, not done»). Without sufficient audit evidence, it cannot be assumed that the auditor has properly carried out the required and appropriate audit procedures. Often, the consequence of this is that the proposed measures are incomplete and imprecise. In such cases, the FAOA must clarify, specify and reinforce the measures, for example through more intensive engagement-related quality control (EQCR), a more effective quality assurance system or an intensified internal review process.

The identified causes indicate both structural and organisational weakness and technical and methodology-related deficiencies. A lack of expert knowledge in

specialised audit areas, insufficient appraisal of audit weak points and a lack of professional scepticism in particular represent recurring problems that are addressed through targeted training, the early involvement of specialists and a stronger focus on quality assurance (in particular by the auditor-in-charge and

the EQCR). It is crucial that appropriate guidelines and instructions are provided and that compliance with the audit methodology is monitored.

**Figure 23** Trend in measures



Training measures remain the most common agreed measures. It is paramount that training proactively serves the application of the regulatory audit provisions and the auditing of specific audit areas and is not just carried out due to the FAOA's findings.

Although improvements compared with the previous years were determined in individual cases, and there are some considerable differences between the audit companies, the design of the audit programme is still a common cause of findings. Some audit companies have therefore been requested to amend their working paper templates accordingly and to provide their audit teams with clearer instructions. The FINMA

audit programmes set out the audit items that must be reviewed; however, the auditors in each case are responsible for determining the audit methodology for achieving the required audit objectives. Thus, it remains essential that audit companies integrate their audit methodologies into their audit programmes.

In this regard, it is also very important that the audit companies amplify their interactions with FINMA in order to clearly understand its expectations and to coordinate with FINMA. In carrying out its inspections, the FAOA identified auditing shortcomings in some cases that can be attributed to a lack of communication with FINMA.

### **Preliminary fact-finding and proceedings**

Alongside routine inspections, event-driven preliminary fact-finding and proceedings are also conducted at the regulatory audit companies. Both third-party notifications and notifications from FINMA are taken into account in the process. In the reporting year, corresponding clarifications were carried out and included in the reporting on the relevant audit companies in response to eight notifications.

### **Cooperation with FINMA**

Through cooperation, the FAOA creates transparency with FINMA and supports it in carrying out its supervisory activities. The regular interaction also serves to keep administrative effort as low as possible for both authorities and for the audit companies. In particular, the FAOA informs FINMA about the results of its firm and file reviews from its inspection activities at the audit companies.

### **Points of focus for 2025 inspections**

The FAOA has selected the following points of focus with regard to regulatory audits for the 2025 routine inspections of audit companies:

- Compliance and risk control function (including AMLA aspects)
- Risk analysis for regulatory audits, in particular documenting the control risk including the resulting audit strategy and the implementation and follow-up of notice of reservations and recommendations
- Operational risks and resilience (including audit items on managing the risks of critical data)

# Sustainability



## Auditing of sustainability reports (applicable law)

The indirect [counter proposal](#) to the so-called Responsible Business Initiative in the CO, which entered into force on 1 January 2022, contains provisions on «Transparency regarding non-financial matters» and on «Due diligence obligations and transparency regarding minerals and metals from conflict regions and child labour». These provisions are based on [Directive 2014/95/EU](#) of 22 October 2014 (Non-Financial Reporting Directive, NFRD).

Companies that are subject to the sustainability reporting obligation<sup>40</sup> are obligated to issue an annual non-financial report which addresses their business activity with regard to issues of the environment (in particular CO<sub>2</sub> targets), social matters, employees, human rights and anti-corruption efforts domestically and abroad as a minimum requirement. However, the obligation is currently restricted to PIEs. Furthermore, the PIE must have at least 500 full-time equivalent positions over two consecutive financial years, either on its own or together with one or more companies controlled by it in Switzerland or abroad, and must also exceed at least one of the relevant thresholds (balance sheet total of CHF 20 million, sales revenue of CHF 40 million) over two consecutive financial years. Those companies that are controlled by another company to which the reporting obligation already applies or that must produce a comparable report in accordance with foreign law do not fall within the scope of the legislation.

In 2024, PIEs<sup>41</sup> were required to publish their statutory<sup>42</sup> non-financial reports for the first time. The reports referred to the 2023 financial year and were not yet subject to an audit obligation<sup>43</sup>. Despite this, the companies affected could opt to have their reports audited either in full or in relation to individual aspects.

According to a study conducted in 2024<sup>44</sup>, 75 of the 143 (52%) listed companies subject to the reporting

obligation and, of these, 14 of the 20 Swiss Market Index (SMI) companies published a sustainability report in accordance with an internationally recognised standard (e.g. the Global Reporting Initiative (GRI) standards or the Sustainability Accounting Standards Board [SASB] standards). The other 68 companies (48%) did not refer to any standard.

Sixty-one companies, including all 20 SMI companies (43%), subjected their sustainability report or parts of it to a limited assurance review. Of these, six companies (including three SMI companies) allowed external auditors to carry out a limited audit of their sustainability report in its entirety. The remaining 82 companies (57%) waived an audit of their sustainability report. Currently, audits of sustainability information are mostly carried out in accordance with the provisions of ISAE 3000 (revised) or, for the specific issue of greenhouse gases, in accordance with ISAE 3410.

When it comes to sustainability, reporting obligations for Swiss companies may also come about due to the extra-territorial effect of foreign legislation. SMEs, which are not subject to a direct reporting obligation, may be affected from 2024 thanks to the value chain of large companies in the EU that are obligated to prepare reports. This is because these large companies are increasingly asked to provide information relating to their supply chains (e.g. on Scope 3 emissions or activity that falls under the EU taxonomy).

In November 2024, the IAASB published the final version of the new International Standard on Sustainability Assurance, [ISSA 5000](#). In future, this may be used in the EU for auditing sustainability information for periods beginning on or after 15 December 2026. ISSA 5000 enables both limited assurance and reasonable assurance audits of sustainability information. The major advantage of ISSA 5000 is that, in contrast to the more general ISAE 3000, it is distinct and profession-independent, meaning it can be used by financial auditors and conformity assessment bodies (CABs) alike. The requirements for independence and other professional conduct as well as for the QMS must be met; these are at least as strict as those of the

<sup>39</sup> [Art. 964a ff. CO](#)

<sup>40</sup> [Art. 964a CO](#)

<sup>41</sup> In accordance with Art. 964a CO: companies of public interest, banks and insurers with 500 or more employees and a balance sheet of at least CHF 20 million or a sales revenue of more than CHF 40 million in two successive financial years.

<sup>42</sup> [Art. 964a ff. CO](#)

<sup>43</sup> Cf. below Sustainability > audits of non-financial reporting (future law).

<sup>44</sup> Ethos Foundation 2024 study – general meetings and sustainability reports, October 2024.

IESBA's [Code of Ethics](#) and the quality management standard issued by the IAASB ([ISQM 1](#)).

Independence plays a fundamental role, not just when auditing historical financial information, but also when auditing sustainability information. In response to this, in December 2024 the IESBA expanded the existing Code of Ethics to include requirements relating to sustainability reporting, the International Ethics Standards for Sustainability Assurance (IESSA). The final version is set to be published in the middle of January 2025 following a final review by the Public Interest Oversight Board (PIOB). IESSA is to apply from the same date as ISSA 5000. Early application is permitted.

On 26 February 2025, the European Commission published the draft of the first Omnibus package to simplify the current sustainability regulations in the EU. The effects are not yet foreseeable.

### **Audits of non-financial reporting (future law)**

The European Union (EU) further developed the NFRD with the new [Directive \(EU\) 2022/2464](#) of 14 December 2022 on companies' sustainability reporting (Corporate Sustainability Reporting Directive, CSRD) with effect from 1 January 2023.

On 26 June 2024, the Federal Council opened a [consultation procedure on the preliminary draft](#), which intends to adapt the provisions on «transparency regarding non-financial matters» in the CO in line with the new EU law. The Federal Council is aiming to remain internationally coordinated when it comes to sustainable corporate governance. Specifically, it hopes in future to oblige around 3,500 companies to report on their risks relating to the environment, human rights and corruption, as well as measures adopted to mitigate these risks. As in the EU, companies in Switzerland (alongside PIEs) with 250 employees, a balance sheet of CHF 25 million and CHF 50 million in revenue will be obligated to publish reports, although only if they reach two of the three thresholds over two successive years. Currently, this obligation only applies if a PIE has 500 employees (balance sheet of CHF 20 million and CHF 40 million in revenue) and affects around 300 companies.

Unlike companies in the EU, companies in Switzerland will have the choice of whether to be guided by the EU standards (European Sustainability Reporting Standards, ESRS) or other equivalent standards in preparing their sustainability report. The Federal Council will set forth these standards in a corresponding ordinance at some point.

It will also be proposed that reporting on sustainability should be audited by an external audit firm or CAB with a relevant permit from the FAOA<sup>45</sup>. Audit firms and CABs that audit the sustainability reports of PIEs will require a licence issued by the FAOA and will be subject to FAOA oversight. Audit firms and CABs that audit the sustainability reports of other companies will only require a licence issued by the FAOA and will not be subject to FAOA oversight. The regulations for authorising and supervising sustainability auditors are the same as those that apply to authorising and supervising financial auditors.

The Federal Council governs the level of depth required for the audit, in particular whether the audit will look into if there are any facts from which it can be concluded that details about sustainability aspects in the report are incomplete or false (limited assurance), or whether the audit will involve checking completeness and accuracy of the details about sustainability aspects in the report (reasonable assurance). The Council is guided by international trends in this regard.

A number of requirements for the auditors apply by analogy to the audit firms and CABs commissioned with the audit<sup>46</sup>.

The provisions on independence<sup>47</sup> also apply by analogy to companies that contribute to sustainability reporting within the context of the supply chain.

srAFs and CABs must comply with auditing and quality assurance standards when auditing sustainability reports.<sup>48</sup> These standards are specified by the FAOA.

The consultation procedure lasted until 17 October 2024. A total of [161 comment letters](#) were submitted. Work to evaluate the results of the consultation procedure is still ongoing.

<sup>45</sup> Regarding this and the following Art. 964c<sup>bis</sup> CO preliminary draft.

<sup>46</sup> Art. 727 ff. CO

<sup>47</sup> Art. 728 CO and Art. 11 AOA

<sup>48</sup> Art. 16a para. 1 AOA preliminary draft.



## Sustainability of the FAOA

In 2022, the FAOA voluntarily joined the RUMBA environment programme. [RUMBA](#) refers to the Resource and Environmental Management of the Federal Administration. The main objective of the programme is the continuous avoidance of operational and product-related environmental pollution. RUMBA pursues the implementation of the following guiding principles:

- Continuous reduction in environmental pollution caused by the Federal Administration's activities
- Awareness of the federal government's role as a leading example
- Raising awareness among employees and promoting individual initiative
- Coordinating the Federal Administration's environmental activities

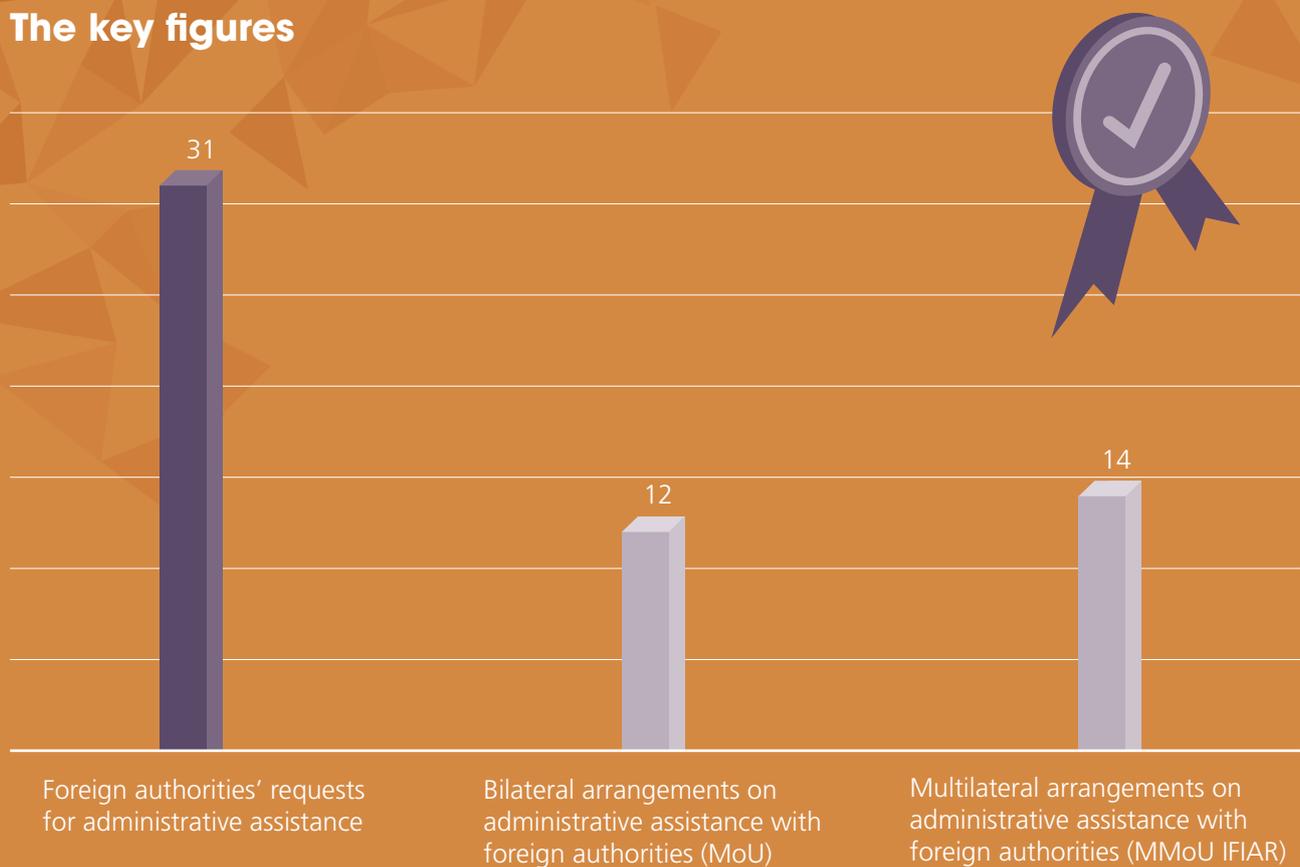
Each year, RUMBA prepares a report on the FAOA (not audited). For logistical reasons, each report uses data from the previous year.

Overall, the FAOA's activities have caused greenhouse gas (GHG) emissions totalling 92 tonnes of CO<sub>2</sub> equivalent (eq) and has been able to reduce its GHG emissions by 11% since 2019.

Its three hotspots are business trips (94%), heating (5%) and electricity (1%). Since 2019, all GHG emissions are offset (up to 2022 via myclimate, from 2023 via RUMBA).

# International

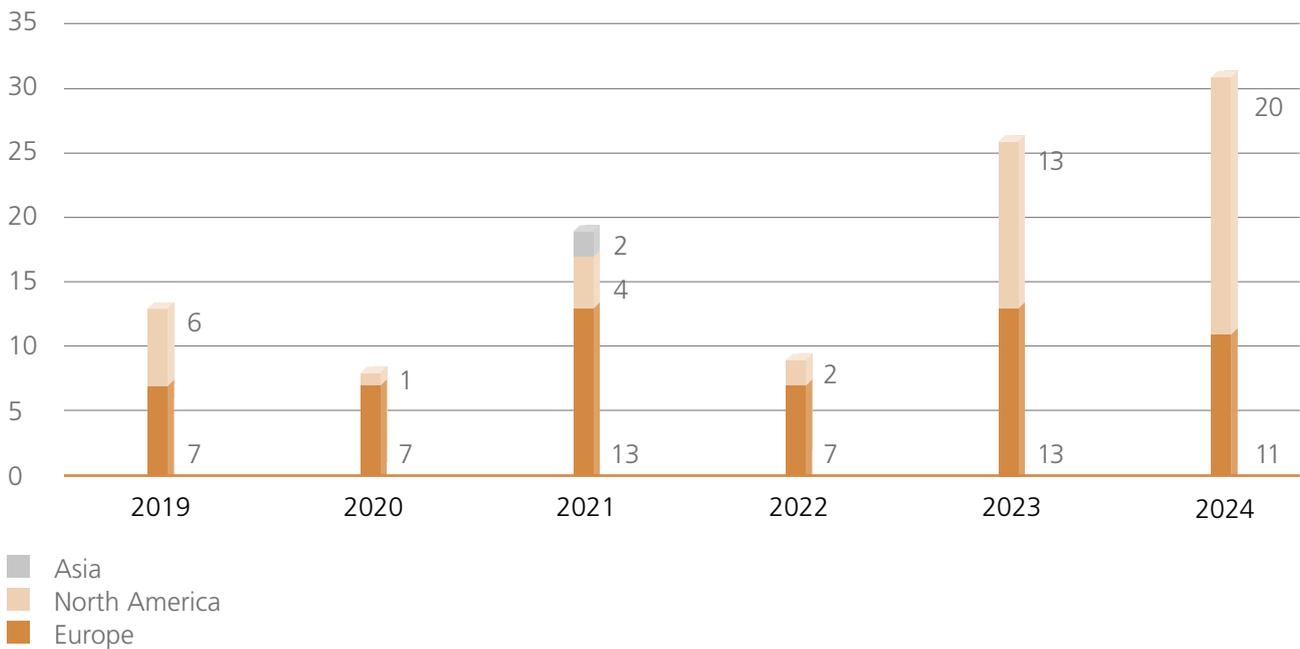
## The key figures



## General

2024 was once again characterised by a considerable increase in requests for administrative assistance, compared to the previous year. This is not least due to the fact that the PCAOB now carries out joint, cross-border inspections at six Swiss audit firms.

**Figure 24** Number of requests for administrative assistance by continent of the authority making the request



## Extra-territorial scope of the AOA

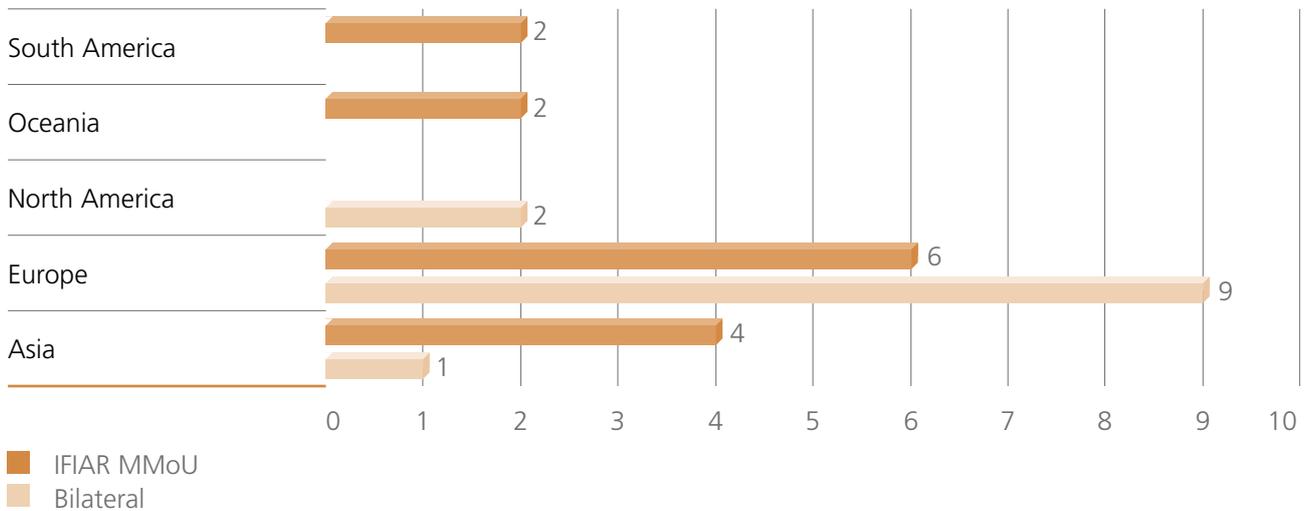
To protect investors on the Swiss capital market and in line with equivalent international regulations, the AOA has an extra-territorial scope of application. This means that foreign audit firms which audit companies which in turn are active on the Swiss capital market are subject to the oversight of the FAOA.<sup>49</sup>

## Cooperation with foreign audit oversight authorities

In view of the international structure of the audit industry as well as the audited companies, cooperation with foreign audit oversight authorities is of great importance.

<sup>49</sup> [Art. 8 para. 1 AOA](#)

**Figure 25** The FAOA's bilateral and multilateral agreements with other audit oversight authorities<sup>50</sup>



To date, the FAOA has concluded a Memorandum of Understanding (MoU) regarding international cooperation with twelve foreign audit oversight authorities. Additionally, it has cosigned the IFIAR's multilateral MoU (MMoU), meaning it has an indirect MoU with 14 further foreign audit oversight authorities regarding cooperation.

There were no material changes with regard to the cooperation with EU Member States and EU bodies in 2024. The same applies for the cooperation with the US. In relation to the United Kingdom (UK) and following the declarations on mutual licensing at the end of 2023, the British audit oversight authority (Financial Reporting Council, FRC) concluded an equivalency assessment with regard to professional experience gained in Switzerland on 22 October 2024. Accordingly, from this date onward the FRC recognises professional experience gained in Switzerland as equivalent to that gained in the UK.<sup>51</sup> Consequently, it is now possible to complete the required practical experience as part of training modules to become a «chartered/certified accountant» with an accredited professional body in the UK at a Swiss audit firm that has the relevant accreditation with a professional body in the UK.

### IFIAR

As before, the IFIAR represents a decidedly valuable platform for the FAOA when it comes to the sharing of knowledge and experience. The FAOA has held a seat on the Board of IFIAR for a number of years. During the reporting year, the FAOA continued its participation in the activities of the following IFIAR working groups:

- Enforcement Working Group (EWG): This working group promotes the exchange of experiences between authorities in connection with investigation and sanction procedures upon breaches of standard by auditors or audit firms.
- Global Audit Quality Working Group (GAQWG): The reporting year saw two in-person meetings take place in March and October. As part of these meetings and among other things, the outcome of the IFIAR survey on inspection results<sup>52</sup> was assessed and discussed. Furthermore, discussions with the global audit networks on various topical matters took place.
- Technology Taskforce (TTF): The taskforce maintains regular dialogue with the six largest international audit networks with regard to the use of technological resources in auditing. The main topics in 2024 were the use of AI in auditing and inspection processes and the processing of technology-related findings from internal reviews and the IFIAR survey<sup>53</sup>.

<sup>50</sup> If there is not already a bilateral agreement in place; see Appendix «Cooperation with foreign authorities».

<sup>51</sup> The FRC has already issued such recognition rulings in relation to Germany, Ireland, Luxembourg and the Netherlands.

<sup>52</sup> Cf. «Evaluation of the IFIAR survey» above.

<sup>53</sup> Cf. «Evaluation of the IFIAR survey» above.

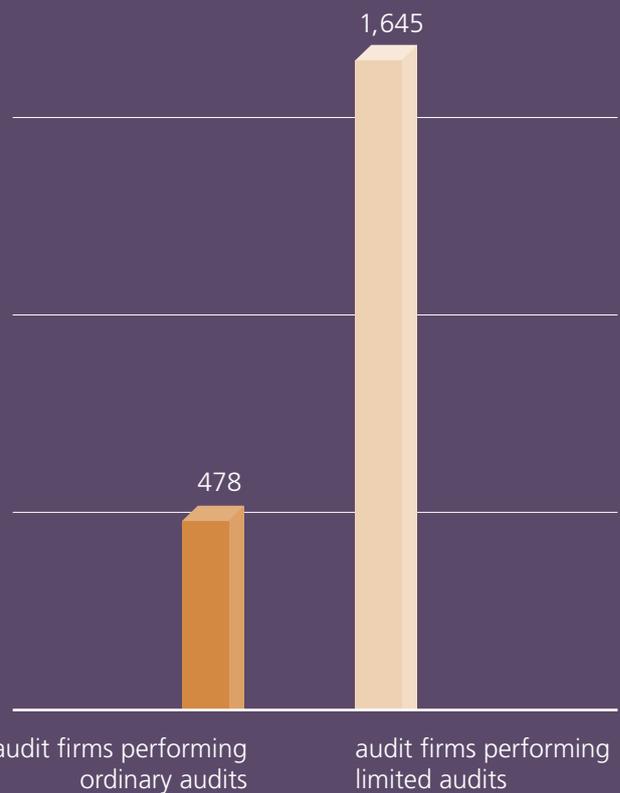
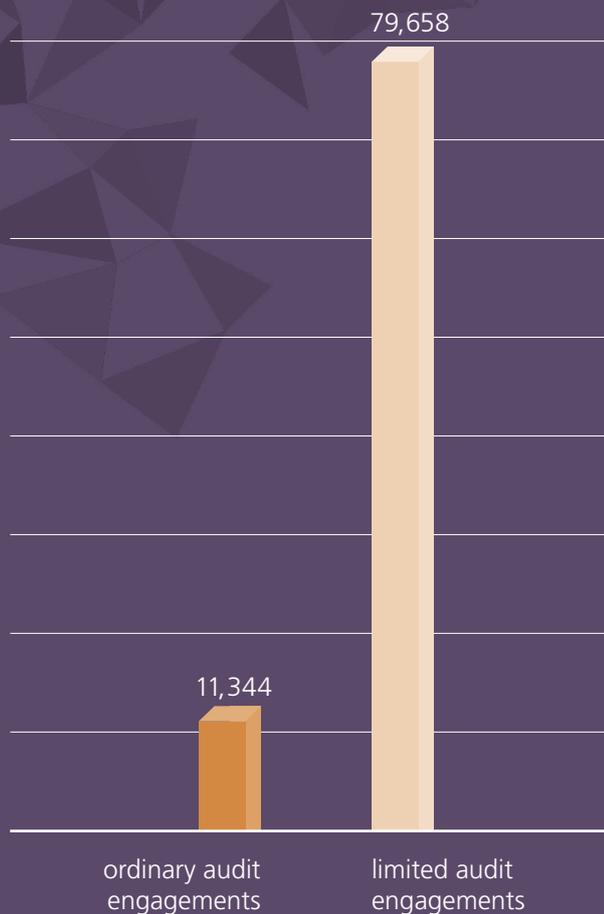


# Licensing



780 licence renewals  
of audit firms

## The key figures



## Statistics

The focus of the licensing department in 2024 was the third wave of renewals for audit firm licences. After five years, the licences of around 1,000 audit firms were due for renewal. 764 firms renewed their licence without any issues. Some 16 audit firms were able to

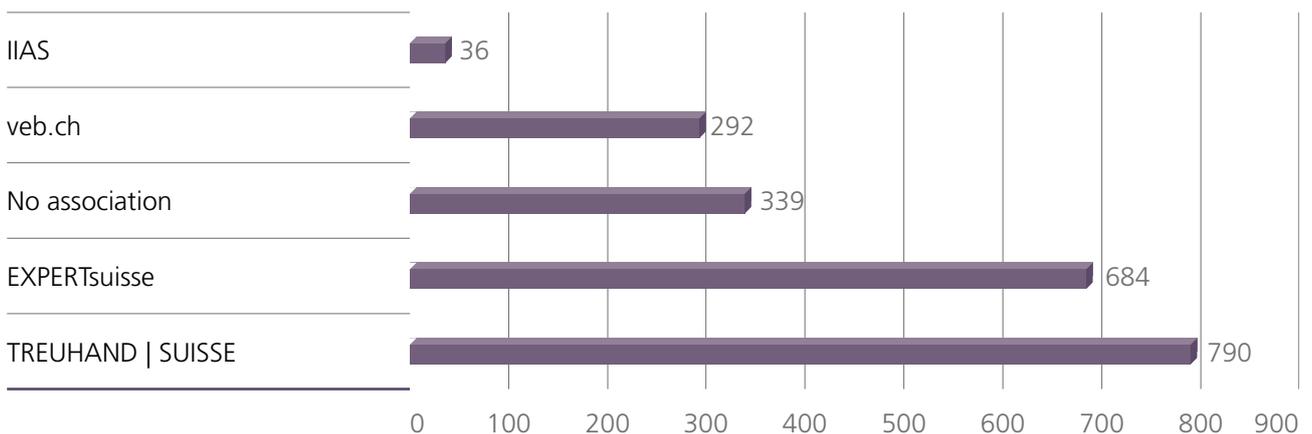
renew their licences after a delay. 195 audit firms did not renew their licence or did not submit any/the correct documents and evidence to complete the renewal process. The number of audit firms that actively waived a licence or did not submit any documents to the FAOA to renew their licence was at the same level as in previous years.

**Figure 26** Licensed individuals and audit firms<sup>54</sup>

Licence type	Auditor	Audit expert	Total as at 31.12.2024	Total as at 31.12.2023
Individuals	2,556	7,460	10,016	9,789
Audit firms	480	1,237	1,717	1,905
srAFs	–	20	20	19
Foreign srAFs	–	1	1	2
<b>Total licences</b>	<b>3,036</b>	<b>8,718</b>	<b>11,754</b>	<b>11,715</b>

In the reporting year, the number of licensed audit firms sank by 188 firms compared to the previous year, to 1,738. The number of licensed audit firms is expected to remain stable in 2025.

**Figure 27** Professional association memberships<sup>55</sup> of licensed individuals

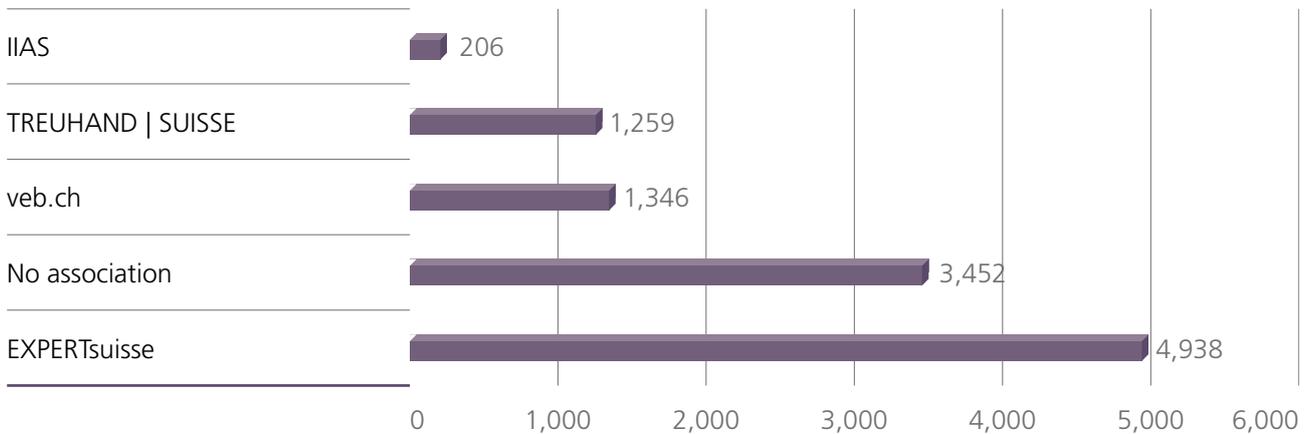


The decrease in the number of licensed audit firms also impacted the number of memberships of one or more professional associations in effective terms. In percentage terms, however, the proportion of those audit firms that are a member of at least one pro-

fessional association remained stable at 80% (previous year: 79%). Of the 1,738 licensed audit firms, at the end of the year 26 firms were members of three professional associations, 351 of two associations and 1,022 of one association.

<sup>54</sup> All figures refer to legally binding completed proceedings. Pending appeals have not been included.

<sup>55</sup> Audit firms can be members of multiple associations.

**Figure 28** Professional association memberships<sup>56</sup> of licensed individuals


The number of individuals with membership of at least one professional association rose in the reporting year proportionate to the rise in the number of licensed individuals. 112 individuals held membership of three

professional associations, 957 of two associations and 5,495 of one association. Some 3,452 individuals, or 34% of all licensed individuals (previous year: 35%), are not members of any professional association.

**Figure 29** Frequency of ordinary audits<sup>57</sup>

Number of audit firms	2024	2023
1 to 5 ordinary audits	304	321
6 to 10 ordinary audits	75	74
11 to 20 ordinary audits	37	42
21 or more ordinary audits	62	53
<b>Total number of audit firms performing ordinary audits</b>	<b>478</b>	<b>490</b>

Although 1,258 (72 %) audit firms in total are licensed as audit experts, only 478 (28 %) audit firms conduct ordinary audits. Of these, 64 % of audit firms recorded one to a maximum of five ordinary audit engagements. Only around 21 % of the firms declared eleven or more ordinary audit engagements. This corresponds to just 8 % of firms licensed as audit experts or around 6 % of licensed audit firms overall.

<sup>56</sup> Individuals can be members of multiple associations.

<sup>57</sup> Information based on audit firm self-declarations.

**Figure 30** Frequency of limited audits<sup>58</sup>

Number of audit firms	2024	2023
1 to 5 limited audits	242	271
6 to 10 limited audits	248	293
11 to 20 limited audits	315	364
21 or more limited audits	840	880
<b>Total number of audit firms performing limited audits</b>	<b>1,645</b>	<b>1,808</b>

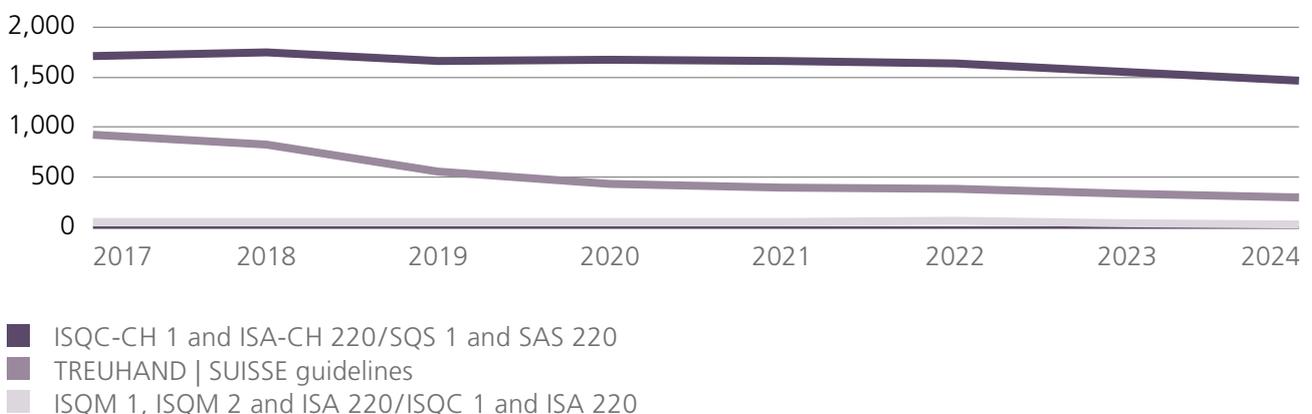
With regard to audit firms that audit limited engagements, a relatively large decrease of around 160 compared to the previous year can be observed. This reduction can largely be attributed to companies whose licences were not renewed in 2024.

Some 1,645 companies still carry out limited audits. A good 50% of these have 21 or more limited audit engagements.

**Figure 31** Total number of limited (LA) and ordinary (OA) audits<sup>59</sup>

Licence type	Number of LAs	Number of OAs	2024	2023
srAFs	15,787	8,190	23,977	24,062
Other licensed audit firms	63,871	3,154	67,025	68,078
<b>Total audits performed</b>	<b>79,658</b>	<b>11,344</b>	<b>91,002</b>	<b>92,140</b>

In the years 2021 to 2023, the number of limited and ordinary engagements declared by the firms was stable at just over 92,000 engagements each year. 2024 saw a reduction of over 1,000 engagements.

**Figure 32** Trend in the internal quality assurance standards applied<sup>60</sup>


- ISQC-CH 1 and ISA-CH 220/SQS 1 and SAS 220
- TREUHAND | SUISSE guidelines
- ISQM 1, ISQM 2 and ISA 220/ISQC 1 and ISA 220

<sup>58</sup> Information based on audit firm self-declarations.

<sup>59</sup> Information based on audit firm self-declarations.

<sup>60</sup> In the case of audit firms that have declared multiple QA standards, only the highest QA standard in each case is taken into account in the statistics.

Since 1 October 2017 at the latest, all licensed audit firms are required to operate an internal quality assurance system. It is evident that, with a reduction from 920 (in 2017) to 304 (in 2024), the number of those audit firms applying the Treuhand | Suisse guidelines has decreased in percentage terms (-67%) more sharply than those audit firms proceeding in accordance with ISQC-CH 1 and ISA-CH 220 (formerly

QS 1/PS 220). In the same period, a much smaller reduction in the application of the respective QA standard was observed among audit firms, from 1,717 to 1,466 (-15%). Hence, a significant shift from following the Treuhand|Suisse guidance towards applying ISQC-CH 1 and ISA-CH 220 can be determined.

**Figure 33** Regulatory auditors-in-charge by special licence type

Licence type	Total regulatory auditors-in-charge as at 31.12.2024	Total regulatory auditors-in-charge as at 31.12.2023
Audits under BankA, FMIA, FinIA <sup>61</sup> and MBA	111	111
Audits under CISA <sup>62</sup>	72	69
Audits under InsSA	43	39
Audits under Art. 1b BankA (fintechs)	25	25
Audits under OASIA	4	–
<b>Total licences</b>	<b>255</b>	<b>244</b>

As of 1 January 2024, the FAOA is responsible for licences for audits of compensation funds and offices (audits under OASIA). Only four individuals applied for and received such a licence in 2024. This low number is the result of the fact that licensing by the Federal Social Insurance Office under previous legislation will not be withdrawn until 31 December 2025. From 1 January 2026, auditors-in-charge and regulatory audit firms will only be permitted to provide audit ser-

vices for compensation funds and offices if they are licensed by the FAOA. Consequently, the FAOA is of the assumption that the number of these special licences will increase drastically in 2025. The number of other special licences held by auditors-in-charge increased only marginally compared to the previous year. The 255 special licences were held by a total of 197 different auditors-in-charge.

**Figure 34** Regulatory audit firms by special licence type

Licence type	Total regulatory audit firms as at 31.12.2024	Total regulatory audit firms as at 31.12.2023
Audits under BankA, FinMIA, FinIA and MBA	8	8
Audits under CISA	10	10
Audits under InsSA	7	7
Audits under Art. 1b BankA (fintechs)	9	9
Audits under OASIA	–	–
<b>Total licences</b>	<b>34</b>	<b>34</b>

<sup>61</sup> The «FinIA» category includes securities firms in accordance with Art. 2 para. 1 letter e FinIA (previously «securities traders»).

<sup>62</sup> This category also includes those supervised in accordance with Art. 2 para. 1 letter c and d FinIA (managers of collective investment schemes and fund managers).

The applicable transition period for audits under OASIA is also apparent at the regulatory audit firms, with the result that no audit firm submitted the relevant application during the reporting year. The FAOA anticipates that, in the course of 2025, numerous applications for licences to audit compensation funds and offices will be received.

The 34 special licences are distributed across eleven different srAFs.

**Figure 35** Active regulatory auditors-in-charge per audit company and licence type

Audit firms	Audits under BankA, FMIA, FinIA and MBA	Audits under InsSA	Audits under CISA	Audits under Art. 1b BankA (fintechs)
PwC	21	9	11	3
EY	34	12	14	2
KPMG	17	7	7	4
BDO	9	3	7	4
Deloitte	9	2	7	2
ASMA	–	–	6	2
Ferax	–	3	–	–
Grant Thornton	5	–	5	3
Mazars	2	4	3	3
PKF Certifica	–	–	3	–
SWA	2	–	5	2
<b>Total</b>	<b>99</b>	<b>40</b>	<b>68</b>	<b>25</b>

At the level of bank auditing, there is a high concentration of auditors-in-charge at three regulatory audit firms. In the case of the other special licences, the numbers are distributed more evenly. There are further concentrations in the following areas:

- PwC audits around 40% of all banks, 36% of all collective investment scheme institutions and 29% of all insurance companies.
- EY audits all banks and financial market infrastructures that fall under FINMA's oversight categories 1 and 2.

# Enforcement and court rulings



## The key figures

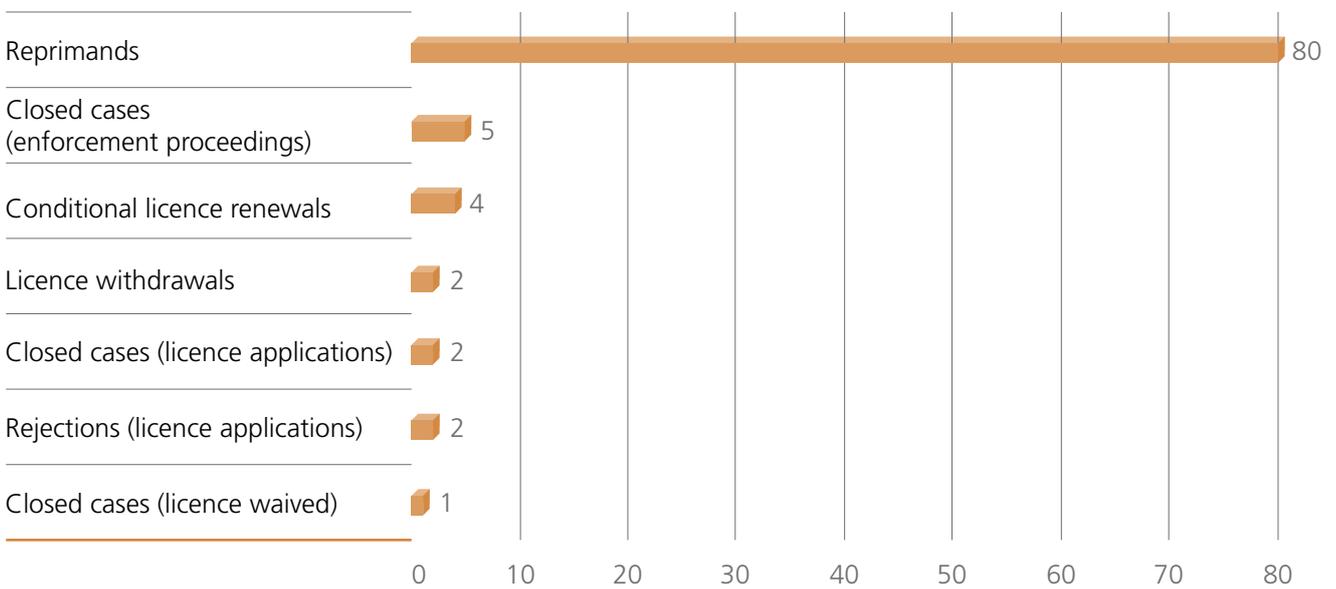


### Enforcement

A total of two licence applications were rejected in the reporting year (previous year: 2). In addition, two licences were withdrawn (previous year: 3) and 80 written reprimands (previous year: 25) were issued. Furthermore, four audit firms' licences were only renewed on conditional terms<sup>63</sup> (previous year: none). One individual withdrew their licence during ongoing withdrawal proceedings (previous year: 3). In 2024,

the FAOA did not file any criminal charges on suspicion of providing audit services without a licence (previous year: 5). Additionally, two licensing procedures were written off due to the applications being withdrawn (previous year: 1) and five enforcement procedures were abandoned on the grounds that the reprimand or licence withdrawal would not have been justified on the basis of the final overall assessment, in particular newly submitted evidence (previous year: 5).

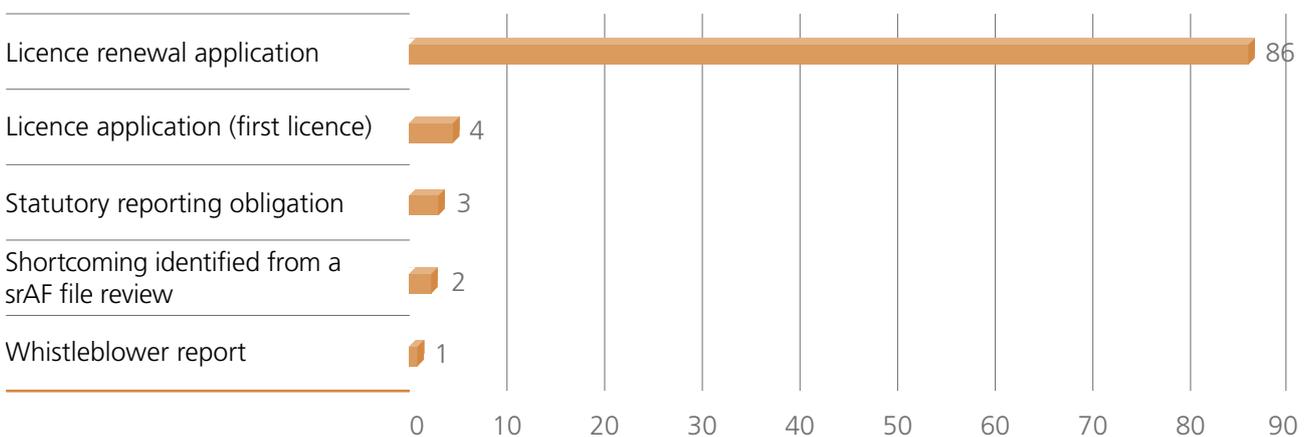
**Figure 36** Number of enforcement proceedings



Of the 80 reprimands, two referred to employees of sAFs. One reprimand was issued to an sAF.

The graphic below illustrates the sources of the notifications that led to enforcement proceedings.

**Figure 37** Enforcement proceedings by source of instigation



<sup>63</sup> The audit firms holding conditional licences were also issued with a written reprimand due to shortcomings identified in the past.

The number of reprimands against (non-state-regulated) audit firms rose once again in the reporting year with 75 issued<sup>64</sup>; with only 25 reprimands having been declared in 2023. This trend can be traced back to the 780 licence renewal applications assessed in total in the reporting year, around 10% of which revealed shortcomings. As long as the weaknesses iden-

tified were rectified, the audit firm in question were relicensed subject to the reprimand mentioned or, in four cases, subject to further conditions.

The graphic below illustrates the reasons for which reprimands were issued to non-state-regulated audit firms.

**Figure 38** Number of reprimands against non-state-regulated audit firms by case category

Description of shortcoming	Number
<b>Shortcomings in one area</b>	
Review process	51
Enforcing CPD regulations	11
Breach of statutory quora	4
Delayed introduction of the QA system	2
Use of incorrect minimum standards for quality assurance	1
<b>Shortcomings in two areas</b>	
Documentation of the QA system and the review process	1
Review process and enforcing CPD regulations	5
<b>Total</b>	<b>75</b>

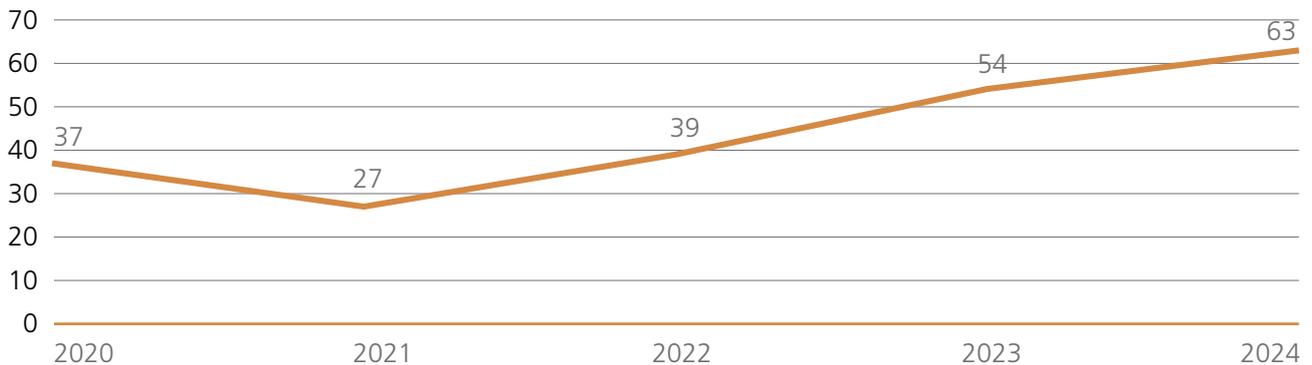


The external whistleblowing platform, launched in December 2023, shows that whistleblowers have a need to notify the FAOA of any abuses while preserving their anonymity. In 2024, the FAOA received 63 notifications (previous year: 54). Data is shared with the FAOA in encrypted form via the secure external platform. It is not possible to technically trace reports. Those submitting reports can in addition set up a protected mailbox on the external platform. This allows users to communicate with the FAOA, anonymously if requested.

It is not possible to technically trace reports. Those submitting reports can in addition set up a protected mailbox on the external platform. This allows users to communicate with the FAOA, anonymously if requested.

<sup>64</sup> Five reprimands were issued to individuals. This includes conditional licence renewals accompanied by the simultaneous issuing of a written reprimand.

**Figure 39** Trend in the number of notifications



## Court rulings

In 2024, the Federal Administrative Court (FAC) and the Federal Supreme Court (FSC) issued four rulings on decisions made by the FAOA.

### FAC [B-2667/2022](#) of 12 March 2024

With Ruling No. [1C\\_93/2021](#) of 6 May 2022, the Federal Supreme Court came to the conclusion that, with regard to accessing an FAOA inspection report subject to the Freedom of Information Act ([FoIA](#)), a distinction should be made between the personal data of employees of an audit firm, which can be anonymised or blacked out, and the personal data of the audit firm itself, which cannot be anonymised or blacked out. Consequently, a weighing of interests must be conducted to decide whether a document must be made accessible in its entirety or not, according to the FSC<sup>65</sup>. In this specific case, the question arose as to whether there was an overriding public interest in the FAOA inspection report. The FSC adjudged that the FAC's lower-court ruling on the weighing of interests must be corrected and supplemented in multiple respects. It therefore upheld the appeal, rescinded the contested judgment and referred the matter back to the FAC for a new decision. With Ruling No. [B-2667/2022](#) of 12 March 2024, the FAC in turn referred the matter back to the FAOA for reappraisal based on the considerations provided.

### FAC [B-213/2023](#) of 3 April 2024

On 3 April 2024, the FAC issued a ruling on an applicant holding foreign qualifications. The applicant applied for a licence with the FAOA on the basis of a «Diplôme Supérieur de Comptabilité et de Gestion (DSCG)» with the Ministère français de l'Enseigne-

ment Supérieur et de la Recherche and a master's degree in «Droit, Economie, Gestion mention Sciences du Management, Spécialité Comptabilité-Contrôle-Audit» at the University of Dijon. Holding these qualifications does not make a person eligible to practise as a «commissaire aux comptes» in France. The applicant argued that the requirement for a treaty with his country of origin or for substantive reciprocity only refers to the direct licensing as an audit expert and therefore only impacts the scenarios set out in Art. 4 para. 2 letter d in conjunction with letter a AOA (Swiss Certified Accountant), and not those that would fall under letter d in conjunction with Art. 4 para. 2 letter c AOA (holder of a university degree with the relevant professional experience). France does not grant substantive reciprocity for individuals with (Swiss) domestic qualifications<sup>66</sup> to work as a financial auditor. The Agreement on the Free Movement of Persons between Switzerland and the EU can therefore not be cited to authorise an individual as an audit expert in Switzerland in this situation. The FAC confirmed the FAOA's practice and rejected the appeal to its ruling.

### FSC [9C\\_99/2024](#) of 25 September 2024

After the FAC rejected the substance of an audit firm's appeal against the result of its FAOA inspection with Ruling No. [B-5497/2021](#) of 12 December 2023, in as far as it had not already become irrelevant, the FSC continued to concern itself with the legitimacy of the inspection fees imposed in the amount of CHF 84,000. The FSC came to the conclusion that these fees are compatible with the principles of equivalence and cost covering and that the level of detail provided in the FAOA's records was sufficient.

<sup>65</sup> Art. 19 para. 1<sup>bis</sup> letter b previous FADP (in the version of 24 March 2006, in force until 31 August 2023).

<sup>66</sup> In accordance with [Art. 4 para. 2 letter c AOA](#).

### FAC [B-3334/2023](#) of 13 December 2024

In addition to the aforementioned case No. [B-5497/2021](#), the FAOA revoked the licence of the auditor-in-charge responsible for the audit service in question for three years and prohibited her from acting in a managerial capacity or having influence over statutory audit services for public interest entities until 31 December 2024. Both the responsible auditor-in-charge and the audit firm lodged an appeal to this decision. The FAC did not uphold the audit firm's appeal. With regard to the auditor-in-charge, it determined that she did not pay sufficient attention to considerable fraud red flags when performing the audit service in question. In addition, she did not adequately audit the goodwill, the licences and property nor the tangible assets which made up 97% of the consolidated balance sheet, whereby an unqualified audit opinion was not justified. These breaches of duty qualified as severe violations of the professional duties enshrined in oversight law. The FAC however determined that the measures imposed on the auditor overlap with those already imposed against the audit firm in 2021, both from a temporal point of view as well as in their substance. To avoid «double jeopardy», the FAC decided to reduce the length of the licence withdrawal by 12 months to 24 months, taking 40% of the measures already enforced into account. The proceedings are not yet legally binding.

### Other rulings of interest

#### FSC [4A\\_369/2023](#) of 3 January 2024

The right to request financial statements for a specific financial year prepared in accordance with a recognised accounting standard (e.g. Swiss GAAP FER)<sup>67</sup> must be exercised no later than six months before the balance sheet date for the financial year in question.

#### FSC [7B\\_134/2023](#) of 22 April 2024

In the case of an unsecured receivable of one million US dollars against a foreign company, which remained unsettled for 22 months, a full value adjustment must be effected for reasons of balance sheet prudence<sup>68</sup>. The criminal offence of fraud is constituted<sup>69</sup> if the representative of a company misleads a lender by using embellished (not yet amended) annual financial statements without the aforementioned value adjustment to conclude a contract. The auditors then estab-

lished the full valuation adjustment, which resulted in the over indebtedness of the company. The recognisability of the outstanding audit, however, does not change the deceitfulness of the offender's actions, as the lender may nevertheless assume that the annual financial statements are correct. By law, financial statements must truthfully reflect a company's economic situation<sup>70</sup>.

#### FSC [4A\\_387/2023](#) of 2 May 2024

Following a Supreme Court ruling which stipulated that an implied extension of the mandate of the BoD does not take place six months after the end of the financial year<sup>71</sup>, the question has arisen as to whether this also applies to the auditors. In its ruling of 2 May 2024, the FSC clarifies that the auditors' term of office does not expire after six months if a general meeting does not take place or if the financial statements are not approved, but is automatically extended and remains in place until a general meeting is held and the annual financial statements are approved. An analogous application of Decision of the Swiss Federal Supreme Court [148 III 69](#) is dismissed as the wording of the law<sup>72</sup> is clear.

#### FSC [9C\\_496/2022](#) of 18 June 2024

The FSC deemed it to have been proven that the former auditors of a pension fund had breached their obligation to audit the correctness of the accounting and the lawfulness of administrative processes and investments in the years 2008 to 2012. The auditors are therefore jointly and severally liable with the members of the Foundation Board for around CHF 15 million plus interest at 5% since 2012<sup>73</sup>. In particular, the auditors are accused of not finding fault with the breach of investment limits for alternative assets, which is precisely what led to major losses. The argument of lawful alternative conduct (the passive Foundation Board would also have approved the asset manager's investments if it had been informed by the auditors) is dismissed by the court with the argument that the auditors were obligated to report to the OPA oversight authority<sup>74</sup> and that it could have implemented countermeasures if a report had been made.

<sup>67</sup> Based on [Art. 962 para. 2 no. 1 CO](#).

<sup>68</sup> Art. 960 para. 2 and 3 in conjunction with 960a para. 3 and 958 para. 1 no. 5 CO

<sup>69</sup> [Art. 146 SCC](#)

<sup>70</sup> Art. 957a para. 2 no. 1 CO

<sup>71</sup> BGE [148 III 69](#)

<sup>72</sup> [Art. 730a para. 1 CO](#)

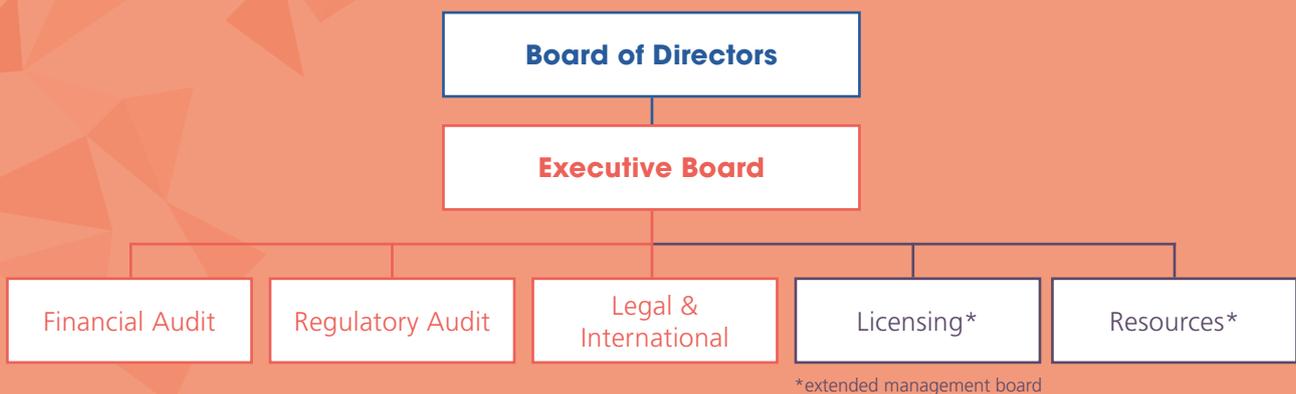
<sup>73</sup> [Art. 52 para. 4 OPA](#) in conjunction with [Art. 755 CO](#)

<sup>74</sup> Within the meaning of [Art. 36 OPO 2](#).

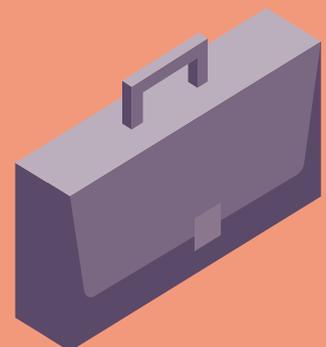


# Appendices

## Organisation chart



\*extended management board



## Organisation of the FAOA

<b>Legal function</b>	To ensure the proper provision and quality of audit and regulatory audit services.
<b>Responsibilities</b>	The FAOA is responsible for licensing individuals and firms that provide statutory audit services, acting as the oversight authority for audit firms and regulatory audit companies of public interest entities and providing (inter)national administrative assistance in the area of audit oversight.
<b>Legal form</b>	Public-law institution with separate legal identity
<b>Incorporation within the government administration</b>	Independent unit within the decentralised government administration, organisationally attached to the FDJP
<b>Registered office</b>	Berne
<b>Bodies</b>	
<b><u>Board of Directors</u></b>	<p>Wanda Eriksen, Masters in Accounting Science, Swiss Certified Accountant, US CPA (Chair)</p> <p>Franca Contratto, Prof. Dr., LL.M., Lawyer (Vice-Chair)</p> <p>Viktor Balli, Chemical Engineer ETH/Economist HSG</p> <p>Stefano Caldoro, Dr., LL.M., Lawyer</p> <p>Stéphane Gard, Master in Economics and Management, Swiss Certified Accountant</p>
<b><u>Executive Board</u></b>	<p>Reto Sanwald, Chief Executive Officer, Dr. iur., Lawyer, Executive MBA HSG</p> <p>Martin Hürzeler, Deputy to the Chief Executive Officer, Head of Financial Audit, Graduate in Business Administration, Swiss Certified Accountant</p> <p>Michael Hubacher, Head of Legal and International, Master of Law, Lawyer, Executive MBA</p> <p>Heinz Meier, Head of Regulatory Audit, Swiss Certified Accountant</p>
<b><u>Auditor</u></b>	Swiss Federal Audit Office (SFAO)
<b>Number of employees</b>	36 employees (28.8 full-time positions) as of 31 December 2024
<b>Funding</b>	The FAOA finances itself entirely from the fees and oversight charges levied on licensed individuals and audit firms under oversight. No taxes or federal funds are claimed.
<b>Independence/Oversight</b>	The FAOA performs its oversight activities independently but is subject to the oversight of the Federal Council. It reports annually to the Federal Council and the Federal Assembly on its activities. Appeals against rulings of the FAOA can be made to the Federal Administrative Court and the Federal Supreme Court.
<b>Conflicts of interest/vested interests</b>	The Board of Directors makes the necessary organisational arrangements to prevent conflicts of interest, both for itself and for employees. The FAOA's Code of Conduct defines a responsible authority for both employees and members of the Executive Board and the Board of Directors <sup>75</sup> . In particular, the Code of Conduct contains provisions on dealing with conflicts of interest. The vested interests of members of the Board of Directors are published on the <a href="#">FAOA's website</a> and on the <a href="#">Federal Portal</a> . Employees received the relevant training on 18 January and 3 July 2024 and the Board of Directors on 29 January 2024.

<sup>75</sup> [Art. 2 letter b FAOA Code of Conduct](#)

## Index of abbreviations

<b>AI</b>	Artificial intelligence	<b>IFIAR</b>	International Forum of Independent Audit Regulators
<b>AMLA</b>	Anti-Money Laundering Act of 10 October 1997	<b>InsSA</b>	Insurance Oversight Act of 17 December 2004
<b>AMLO</b>	Anti-Money Laundering Ordinance of 11 November 2015	<b>ISA</b>	International Standards on Audit
<b>AOA</b>	Auditor Oversight Act of 16 December 2005	<b>ISQC-CH 1</b>	Quality control for firms that perform audits and reviews of financial statements, and other assurance and related services engagements
<b>AOO</b>	Auditor Oversight Ordinance of 22 August 2007	<b>ISQM 1</b>	International Standard on Quality Management 1
<b>ATT</b>	Automated tools and techniques	<b>KAM</b>	Key Audit Matters
<b>BankA</b>	Banks and Savings Banks Act of 8 November 1934	<b>MBA</b>	Mortgage Bond Act of 25 June 1930
<b>CAB</b>	Conformity assessment body	<b>MoU</b>	Memorandum of Understanding
<b>CC-S</b>	Control Committee of the Council of States	<b>OASIA</b>	Old age and survivors' insurance Act of 24 June 1977
<b>CISA</b>	Collective Investment Schemes Act of 23 June 2006	<b>OPA</b>	Occupational Pensions Act of 25 June 1982
<b>CO</b>	Code of Obligations of 30 March 1911	<b>PCAOB</b>	US Public Company Accounting Oversight Board
<b>EQCR</b>	Engagement Quality Control Reviewer	<b>PIE</b>	Public interest entity
<b>ESG</b>	Environment, Social and Governance	<b>PlnC</b>	Parliamentary Investigation Committee
<b>EU</b>	European Union	<b>PS-CH</b>	Swiss Auditing Standards of EXPERTsuisse
<b>FAC</b>	Federal Administrative Court (St. Gallen)	<b>QMS</b>	Quality management system
<b>FAOA</b>	Federal Audit Oversight Authority	<b>SA-CH</b>	Swiss Standards on Auditing
<b>FDf</b>	Federal Department of Finance	<b>SER</b>	SIX Exchange Regulation
<b>FDJP</b>	Federal Department of Justice and Police	<b>SMI</b>	Swiss Market Index
<b>FinIA</b>	Financial Institutions Act of 15 June 2018	<b>SO</b>	Supervisory organisation
<b>FINMA</b>	Federal Financial Market Supervisory Authority	<b>SOO</b>	Supervisory Organisation Ordinance of 6 November 2019
<b>FINMASA</b>	Financial Market Supervision Act of 22 June 2007	<b>srAF</b>	State-regulated audit firm
<b>FinMIA</b>	Financial Market Infrastructure Act of 19 June 2015	<b>SRO</b>	Self-regulatory organisation
<b>FOJ</b>	Federal Office of Justice	<b>TBTF</b>	Too big to fail
<b>FRC</b>	Financial Reporting Council (UK)		
<b>FSC</b>	Federal Supreme Court (Lausanne)		
<b>GAQWG</b>	IFIAR Global Audit Quality Working Group		
<b>GenAI</b>	Generative artificial intelligence		
<b>IAASB</b>	International Auditing and Assurance Standards Board		
<b>IESBA</b>	International Ethics Standards Board for Accountants		

## Additional Swiss audit licences

Audit activities in the following areas in particular require a special licence from the FAOA or a licence under special law from another authority based on a basic licence under the AOA. A basic FAOA licence will suffice in some audit areas.<sup>76</sup> The following table is not exhaustive (last updated: 31 December 2024).

Financial/regulatory audit in the area of	Basic licence under the AOA: audit firm	Basic licence under the AOA: auditor-in-charge	Responsible for special/special-law licence	Additional requirements
Banks/financial market structures <sup>77</sup> , finance groups and public tenders/securities firms/central mortgage bond institutions	srAF	Audit expert	FAOA	<a href="#">Art. 9a AOA</a> , <a href="#">Art. 11a ff. AOO</a>
Fintech companies <sup>78</sup>	srAF	Audit expert	FAOA	<a href="#">Art. 9a AOA</a> , <a href="#">Art. 11a ff. AOO</a>
Insurers	srAF	Audit expert	FAOA	<a href="#">Art. 9a AOA</a> , <a href="#">Art. 11a ff. AOO</a>
Collective investment schemes <sup>79</sup>	srAF	Audit expert	FAOA	<a href="#">Art. 9a AOA</a> , <a href="#">Art. 11a ff. AOO</a>
Financial intermediaries (anti-money laundering)	Auditor	Auditor	SRO	<a href="#">Art. 24a AMLA</a> , <a href="#">Art. 22a ff. AMLO</a>
Asset managers and trustees	Auditor	Auditor	SO	<a href="#">Art. 43k FINMASA</a> , <a href="#">Art. 13 ff. SOO</a>
OASI compensation funds and offices	Audit expert	Audit expert	FAOA	<a href="#">Art. 68 para. 1 OASIA</a> , <a href="#">Art. 11m ff. AOO</a>

<sup>76</sup> This applies to audits of casinos and pension funds in particular.

<sup>77</sup> Comprising stock exchanges, multilateral trading systems, central counterparties, central depositories, trade repositories and payment systems.

<sup>78</sup> Cf. the definition in the Banking Act ([Art. 1b BankA](#)).

<sup>79</sup> Comprising fund managers, investment funds, open-ended investment schemes (SICAVs), limited partnerships for collective investment schemes, investment companies with fixed capital (SICAFs), asset managers of collective investment schemes and representatives of foreign collective investment schemes.

**State-regulated audit firms**

Data correct as of 31 December 2024

500003	PricewaterhouseCoopers AG	Zurich
500012	T + R AG	Gümligen
500038	Grant Thornton AG	Zurich
500149	OBT AG	St. Gallen
500241	FORVIS MAZARS SA	Vernier
500420	Deloitte AG	Zurich
500498	PKF Wirtschaftsprüfung AG	Zurich
500505	Treuhand- und Revisionsgesellschaft Mattig-Suter und Partner	Schwyz
500646	Ernst & Young AG	Basel
500705	BDO AG	Zurich
500762	Balmer-Etienne AG	Lucerne
501131	BfB Audit SA	Renens
501382	Berney Associés Audit SA	Geneva
501403	KPMG AG	Zurich
501470	Ferax Treuhand AG	Zurich
502658	Avanta Group AG	Baar
504689	SWA Swiss Auditors AG	Pfäffikon
504736	PKF CERTIFICA SA	Lugano
504792	ASMA Asset Management Audit & Compliance SA	Geneva
505290	Avanta Audit AG	Baar
600002	Kost Forer Gabbay & Kasierer	Tel Aviv

## Cooperation with foreign authorities

### Bilateral agreements

Data correct as of 31 December 2024

Country	Authority	Agreement
UK	Financial Reporting Council (FRC)	<a href="#">2014</a> (renewed 2023 <sup>80</sup> )
Germany	Auditor Oversight Body (AOB)	2012 (renewed <a href="#">2022</a> )
Finland	Patent and Registration Office (PRH)	2014 (renewed <a href="#">2022</a> )
France	High Audit Authority (H <sub>2</sub> A)	<a href="#">2013</a>
Ireland	Auditing & Accounting Supervisory Authority (IAASA)	<a href="#">2016</a>
Japan	Financial Services Agency of Japan (JFSA) and Certified Public Accountants and Auditing Oversight Board (CPAAOB)	2021 ( <a href="#">FAOA</a> , <a href="#">JFSA/CPAAOB</a> )
Canada	Canadian Public Accountability Board (CPAB)	<a href="#">2014</a>
Principality of Liechtenstein	Financial Market Authority (FMA)	<a href="#">2013</a>
Luxembourg	Commission de Surveillance du Secteur Financier (CSSF)	<a href="#">2013</a>
Netherlands	Authority for the Financial Markets (AFM)	<a href="#">2012</a>
Austria	Audit Oversight Body of Austria (AOBA)	<a href="#">2019</a>
USA	Public Company Accounting Oversight Board (PCAOB)	<a href="#">2011</a> (extended <a href="#">2014</a> )

### Multilateral agreements with IFIAR member organisations

Country	Authority	Signed
Australia	Australia Securities and Investments Commission (ASIC)	2017
Brazil	Securities and Exchange Commission of Brazil (CVM)	2017
Dubai	Dubai Financial Services Authority (DFSA)	2017
Gibraltar	Gibraltar Financial Services Commission (GFSC)	2017
Cayman Islands	Auditors Oversight Authority (AOA)	2017
Lithuania	The Authority of Audit, Accounting, Property Valuation and Insolvency Management under the Ministry of Finance of the Republic of Lithuania (AAAPVIM)	2017
Malaysia	Audit Oversight Board (AOB)	2017
New Zealand	Financial Markets Authority (FMA)	2017
Norway	Finanstilsynet/Financial Supervisory Authority (FSA)	2019
Slovakia	Auditing Oversight Authority (AOA)	2017
South Korea	Financial Services Commission/Financial Supervisory Service (FSC/FSS)	2017
Taiwan	Financial Supervisory Commission (FSC)	2017
Czechia	Public Audit Oversight Board (RVDA)	2017
Türkiye	Public Oversight Accounting and Auditing Standards Authority (POA)	2017

<sup>80</sup> Mutual declaration on the recognition of qualifications from certified accountants licensed as audit experts in Switzerland ([FRC declaration](#)) and from chartered accountants registered as statutory auditors in the UK ([FAOA declaration](#)), cf. above on relations with the United Kingdom (reciprocal rights declaration).



**Financial statements of the FAOA**

(only available in German and French)

**Report of the statutory auditor**

(only available in German and French)