Swiss Audit and Reporting Obligations

Briefing Note, August 2022

By law Swiss companies are required to conduct a statutory audit if certain thresholds are met. The law sets thresholds for companies requiring an «ordinary audit» or a «limited statutory examination».

Ordinary audit

- Companies exceeding two of the following thresholds in two consecutive business years:
  - Balance sheet total of CHF 20 million
  - Revenue of CHF 40 million
  - Annual average of 250 full-time equivalent employees (FTEs)
- However, an ordinary audit is still required if the company has (a) publicly traded shares or (b) bonds outstanding, or contribute at least 20% of the assets/turnover to the consolidated accounts of another company (respectively group) in terms of (a) or (b), or if at least 10% of the shareholders request such accounts.
- The opinion given attests compliance with Swiss law and the company's statutes; it is not a "true and fair" or "fairly present" opinion in the Anglo-Saxon sense.
- The opinion given is a positive assurance opinion.
- Auditors are required to opine also on the existence, but not on the operating effectiveness, of a company's internal control system, which involves review of the company's formalized internal control documentation, walk through procedures, inquiries and other appropriate procedures.
- In addition to the report on the financial statements, the auditors are required to issue a detailed report on the results of the audit to the company's Board of Directors (so called comprehensive report).

Limited statutory examination

- A limited statutory examination must be conducted if the thresholds to conduct an ordinary audit are not exceeded.
- The opinion given is a negative assurance opinion.
- An LSE is similar to a limited review, however certain additional procedures are required. These procedures include in particular the reconciliation of the trial balance to the general ledger, work on sub-ledger reconciliations in all areas, substantive analytical procedures, inquiries and where necessary additional detailed substantive audit procedures (e.g. inspection of documentation, etc.). The principle underlying the review is that if the auditor identifies the probability of a material error in an area or an account then the auditor is obliged to carry out additional substantive work that may be similar to that conducted for an ordinary (full scope) audit. Accordingly, the actual scope of a limited statutory examination will vary in the circumstances.
- Opting-out: A company can opt out of an audit entirely if there are less than 10 FTEs and with the consent of all shareholders.

Consolidated financial statements

- An entity is required to prepare consolidated financial statements if it directly or indirectly holds one or more undertakings. Relief of the requirement to consolidate can be applied if two of the thresholds mentioned below are not exceeded in two consecutive business years on a consolidated basis (together with the controlled undertakings):
  - Balance sheet total of CHF 20 million
  - Revenue of CHF 40 million
  - Annual average of 250 FTEs.
- Consolidated accounts are subject to an ordinary audit.
- An entity / group is exempt from preparing consolidated accounts if:
  - its accounts are included in the consolidated accounts prepared by a parent company, and
  - the parent company accounts are audited, and
  - the parent company accounts are prepared using accounting standards that are consistent with Swiss law or a foreign equivalent (ie: IFRS, US GAAP, Swiss GAAP FER, etc.).
- Consolidated accounts must nonetheless be prepared when:
  - This is necessary in order to make the most reliable assessment of the economic positions;
  - Shareholders who represent at least 20% of the basic capital or 10% of the members of a cooperative or 10% of the members of an association require to do so;
  - A shareholder or an association member subject to personal liability or a duty to pay in further capital so requires; or
  - The foundation supervisory authority requires to do so.

Swiss filing requirements and related information

- The annual general meeting of the shareholders to approve the accounts must be held within six months of the fiscal year end, and the accounts must be ready 20 days before the meeting.
- The financial statements of non-public Swiss entities are not publicly available.
- The financial statements (stand-alone, not consolidated) are filed with the annual tax return.
- Swiss generally accepted accounting principles, as set out in the Swiss Code of Obligations (Swiss CO), are applied for statutory financial statements and Swiss Auditing Standards are applied for the audit. However, International Standards on Auditing are commonly applied if there is a reporting requirement to a foreign parent company. Swiss CO accounting is accepted for tax purposes, is creditor protection driven and allows certain tax-deductible provisions and reserves. Swiss CO accounting differs materially from IFRS and other similar GAAP (e.g. US GAAP).

Caveat

This briefing note is one of a regular series produced by Grant Thornton AG. This briefing note does not apply to listed and other entities regulated by the Swiss Financial Market Supervisory Authority (FINMA), nor does it necessarily apply to other similarly regulated entities. Its contents summarize the issues discussed and do not highlight all matters that may be relevant to a particular situation. The reader should seek further advice as appropriate before acting on the information set out in this briefing note.

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