



Financial Regulations

Update 1

The following provision has been amended with effect from 1 May2015:

Annex 4 Charter of internal auditing
 H. Audit report disclosure policy

The attached pages replace the pages 53 to 55 of the Financial Regulations

NB. – The amendments are marked by a vertical line in the margin.



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Financial Regulations

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CHAPTER I

GENERAL PROVISIONS

Article 1

Applicability

1 These Regulations shall govern the financial administration of all budgetary and extrabudgetary activities of the Universal Postal Union, as well as the funds entrusted to it. They have been drawn up pursuant to the Acts of the Union and are subordinate to them. In the event of a discrepancy between one of their provisions and a provision of the Acts, the latter shall prevail.

2 The regulations for implementing all Union activities, including extrabudgetary and other activities, which mention financial, budgetary and accounting directives in their texts, shall be required to comply with these Regulations. They shall be subordinate to these Regulations and, in the event of a discrepancy between one of these directives and a provision of these Regulations, the latter shall prevail.

Article 2

Definitions

1 Programme and Budget: The Programme and Budget shall present the resources implemented by the organization to achieve the objectives of its strategic plan. It shall comprise all of the organization's revenue and expenses, except those mentioned in article 4.4 of these Regulations.

2 Regular budget: The regular budget shall be that part of the Programme and Budget financed by member countries' contributions and the administrative revenue of the International Bureau.

3 Extrabudgetary financing: Extrabudgetary financing shall refer to all of the additional revenue used to finance the Programme and Budget. This financing shall include tied and untied voluntary contributions and revenue from the sale of products and services.

4 Investment budget: The investment budget shall form that part of the budget containing elements to be entered as assets in the balance sheet and amortized over a period exceeding one year.

5 Funds: Funds shall refer to the assets of the organization to be used for a specific purpose.

6 Untied funds: The purpose and use of untied funds shall be determined by the organization on the basis of its activities.

7 Tied funds and trust funds: The purpose of tied funds and trust funds shall be determined by donors; these funds shall be managed by the International Bureau.

8 Provision: A provision shall be a current obligation resulting from a past event that entails the probable withdrawal of resources whose amount can be reliably estimated.

Article 3

Financial period

The financial period shall be one year. It shall be the period from 1 January to 31 December of the year concerned. The first annual financial period shall commence on 1 January 2011.

Article 4

Administration of the Union's finances

1 The Director General shall be responsible to the Council of Administration for the administration of the Union's finances. The Director General shall ensure that resources are used in accordance with the decisions of the Union bodies within the framework of all Union activities, regardless of their financing.

2 The Director General shall lay down, in the form of Rules on financial administration accounting organization and control, hereinafter called "Rules on financial administration", executing provisions in keeping with these Regulations.

3 In order to enable the Director General to carry out his financial responsibilities, the International Bureau's Directorate of Finance and Strategy shall be entrusted with:

- a ensuring the application of the present Regulations and of the Rules on financial administration laid down by the Director General;
- b keeping clear and full accounts of all the financial operations of the Union and preparing the financial statements in accordance with the accounting standards applicable for the United Nations system;
- c supervising all budgetary operations.

CHAPTER II

BUDGET

Article 5

Definition of the budget

1 The budget of the Union shall be called the “Programme and Budget”. It shall consist of expenses and revenue broken down by activity and by type. The Programme and Budget shall comprise:

- expenses and revenue from regular budget activity, hereinafter called the “regular budget”;
- expenses and revenue other than those of the regular budget, hereinafter called “extrabudgetary funds”.

2 The Programme and Budget shall be drawn up for one year.

3 All revenue and expenses must appear in the Union’s Programme and Budget, apart from the exception provided for in article 5.4.

4 The Programme and Budget shall not include the expenses and revenue of the translation services, the UPU Provident Scheme and the funds for which the International Bureau acts only as trustee.

Article 6

Regular budget expenses

1 The expenses of the Union to be covered by member countries’ contributions must not exceed the limits laid down by Congress.

2 Within this framework, the limits laid down by Congress shall be those which are set out in article 128.1 and 2 of the General Regulations. Exceptions shall be those which are provided for in paragraphs 3 to 6 of the same article.

Article 7

Presentation of the budget

1 “The Programme and Budget shall be presented in the form of a budget broken down by objectives, programmes and projects and by type of expenses and revenue. It shall be supplemented by an investment budget and the assignment chart of staff posts.

2a The Programme and Budget shall mention for each programme the resources needed for its implementation, the objectives to be achieved and indicators for assessing the progress of work.

b The regular budget shall be presented by type of expense and revenue and shall cover staff costs, International Bureau operating expenses and expenses relating to Congress, as well as amounts allocated to postal activities and development cooperation. It shall be presented with the corresponding figures of the budget of the previous period.

c The Programme and Budget shall be accompanied by such informative annexes and explanatory statements as well as by such annexes and notes as the Director General may deem necessary or useful.

3 The Programme and Budget shall mention the amount of the Union’s expenses to be borne by the member countries, as well as the amount of the contribution calculated on the basis of those expenses and of the number of contribution units at the time the budget is examined by the Council of Administration.

Article 8

Preparation of the Programme and Budget

1 The Director-General shall prepare the draft annual Programme and Budget compatible with the Union’s Strategic Plan and in accordance with the provisions of the General Regulations.

2 The draft Programme and Budget shall cover the revenue and expenses for the financial period to which it relates; it shall be drawn up in Swiss francs.

3 The Director General shall submit to the Council of Administration the draft Programme and Budget relating to the following financial period. It shall be sent to the members of the Council of Administration in principle at least six weeks before the opening of the Council of Administration session.

Article 9

Examination and approval of the Programme and Budget

1 Pursuant to articles 102.6.4 and 112.2.4 of the General Regulations, the Council of Administration shall examine and approve the draft annual Programme and Budget of the Union prepared by the Director General.

2 As soon as the Programme and Budget has been examined and approved by the Council of Administration, the Director General shall send a copy of it to all Union member countries.

3 In pursuance of the provisions of the UN–UPU Agreement, the Programme and Budget approved by the Council of Administration shall also be sent to the United Nations.

Article 10

Implementation of the budget

1 In accordance with article 112 of the General Regulations, the Director General shall be responsible for implementing the Union's budget and to this end shall take such action as he may judge appropriate.

2 Any overruns and savings concerning budget items shall be shown in the accounting statements. The Director General shall report at the end of each financial period, in the Financial Operating Report, on the reasons for major overruns or savings.

3 In any operation relating to the implementation of the budget, the Director General and, where applicable, his representatives, shall ensure that credits are used rationally and with the strictest economy with a view to best achieving the strategic objectives set by Congress.

Article 11

Opening and use of credits within the framework of the budget approved by the Council of Administration

1 The approval of the budget shall constitute an authorization to the Director General to incur operating and investment expenses and to make payments for the purposes for which credits have been opened, subject to §§ 2 and 3.

2 However, in accordance with article 128.3 of the General Regulations, the Director General shall be authorized to commit above the credits allocated the amounts required to cover expenses incurred by increases in salary scales, contributions for pensions or allowances, including post adjustments, in accordance with the relevant decisions of the appropriate bodies of the United Nations (General Assembly or International Civil Service Commission) in regard to all organizations at Geneva and with effect from the same dates. The necessary funds shall be withdrawn from the Reserve Fund.

3 In case of extreme urgency, the Director General shall be authorized to commit the necessary expenses to meet the cost of major and unforeseen repairs to the International Bureau building within the limits set at article 128.5 of the General Regulations. The necessary funds shall be withdrawn from the Reserve Fund.

4 In the cases provided for in §§ 2 and 3, the Director General shall submit to the next session of the Council of Administration a full report with all the documentation necessary justifying the steps taken and a statement of the financial consequences.

5 The credits shall be usable during the financial year for which they have been opened. Credits not used at the end of the financial year shall be cancelled.

6 Budget management of part of the funds of the regular budget allocated to development cooperation shall cover a previously defined budget cycle. Expense oversteps or savings shall be carried forward from financial year to financial year. At the end of the cycle, the savings noted shall be recorded in the results for the financial year.

Article 12

Management and control of expenses

- 1 The Director General shall:
 - a make all necessary arrangements for the supervision of all budgetary operations and for the avoidance of any exceeding of the authorized budget credits;
 - b stipulate, subject to article 29, that all payments must be made on the basis of vouchers and other documents, duly countersigned by the Director General or the officials to whom he has delegated this authority, attesting that the services or goods have in fact been supplied and have not already been paid for;

c designate officials empowered to receive funds, incur expenses commitments and make payments on behalf of the Union.

2 No expenses commitment may be incurred before Programme and Budget credits have been allocated or before relevant authorization has been given in writing on the authority of the Director General.

Article 13

Restricted calls for tenders and open tenders

1 The Director General of the UPU shall establish procedures for awarding UPU contracts that comply with the following principles:

- a non-discrimination and equal treatment of suppliers;
- b favourable competition;
- c integrity;
- d transparency;
- e independence and impartiality of the organization.

2 Any type of service or group of related services from a single supplier for which competitive bids may be submitted and whose total cost is or can be estimated shall constitute a contract.

3 All transactions that entail an expenses commitment of at least 50,000 CHF shall be subject to open tender.

4 Other transactions involving an expenses commitment of 20,000 CHF or more but under 50,000 CHF shall be subject to a restricted call for tenders, which shall obtain estimates from at least three different bidders.

5 The Director General shall set up a Tenders and Procurements Committee (TPC) to consider tenders and requests for exemptions from tendering and procurement procedures.

6 The TPC shall examine the bids and satisfy itself that they really correspond to the needs described in the specifications and shall select the supplier deemed to have made the most acceptable bid from the point of view of price, quality and the obvious interest of the Union and sustainable development.

7 The Director General shall decide on the choice of supplier taking into account the TPC's recommendation. That decision shall be final.

CHAPTER III

MEMBER COUNTRIES' CONTRIBUTIONS

Article 14

Contributions

1 In accordance with articles 21 of the Constitution and 128 and 130 of the General Regulations, contributions shall be calculated on the basis of the budget approved by the Council of Administration and of the number of contributory units announced at the time when the Council approves the budget.

2 Pursuant to decision C 90/Seoul 1994, the International Bureau shall be authorized to submit, in June of each year, the bill for the contribution based on the preceding budget, taking into account the inflation rate set by the Consultative Committee on Administrative Questions of the United Nations common system, it being understood that the bill could be adjusted at the conclusion of the autumn session of the Council of Administration.

3 As soon as the Programme and Budget is approved by the Council of Administration, the Director General shall inform each member country of the definitive amount of its contribution, which shall be payable no later than the first day of the financial period concerned.

4 If a country accedes to the Union as a member, it must pay all of its contribution for the financial year during which it acceded.

5 If the admission takes place during the final quarter of the financial year, the contribution of that financial year shall be paid before the end of the third month following dispatch of the bill by the International Bureau.

CHAPTER IV

FINANCING OF THE UNION

Article 15

Financing of the Union

1 Implementation of the Union Programme and Budget under articles 10 and 11 shall be financed mainly by the annual contributions of member countries, which in accordance with article 128.8 of the General Regulations shall be paid in advance.

2 Expenses for supplies furnished against payment by the International Bureau, including the costs of simultaneous interpretation at the meetings of Union bodies, shall be advanced by the Union.

3 To cover shortfalls in financing, the Director General shall resort to the Reserve Fund in accordance with article 21.1.

4 In accordance with article 128.15, of the General Regulations, the Government of the Swiss Confederation shall make available, as necessary, to the Director General, on fixed conditions, the funds corresponding to all the financing requirements.

Article 16

Debts to the Union

1 The sums due as contributions shall be chargeable with interest in favour of the Union at the rate of 6% per annum from the fourth month, in accordance with article 128.8 of the General Regulations.

2 A list of contributions in arrears shall be published once a year by International Bureau circular.

Article 17

Automatic sanctions

1 Automatic sanctions shall be applied to any Union member country in the situation defined in article 129.1 of the Union's General Regulations.

2 The procedure for applying the system of automatic sanctions shall be as set out in Annex 3 to these Financial Regulations.

Article 18

Investment of funds

1 The Director General shall choose the banks or other institutions in which the funds shall be deposited.

2 In this respect, optimum security shall be sought.

3 Upon closure, the Financial Operating Report shall provide a statement of the investments made.

CHAPTER V

FUNDS OF THE UNION

Article 19

Provisions

The creation, maintenance, use and dissolution of provisions shall be the responsibility of the Director General. Provisions shall be created in accordance with the applicable standards.

Article 20

Obligations towards staff

1 Staff benefits shall be put to account as and when the particular service is rendered by the staff member.

2 Staff benefits shall include short-term and long-term benefits, particularly post-employment benefits such as pensions, post-employment medical care, repatriation grants, etc.

Article 21

Reserve Fund

1 The Reserve Fund shall be used for covering shortfalls in Union financing and for financing the expenses referred to in article 11.2 and 3 of these Regulations. However, the Council of Administration may provide for withdrawals from the Reserve Fund either to balance the budget or to limit the level of this Fund and reduce the amount of member countries' contributions or to contribute to the UPU Building Maintenance Fund.

2 The Reserve Fund is maintained by:

- a the financial result achieved each year for untied Union activities;
- b the end-of-cycle result achieved for international reply coupons;
- c the credits included in the Union's budget to adjust the Fund.

3 The Director General shall report at the end of each financial period, in the Financial Operating Report, on the transactions and the position of the Reserve Fund.

Article 22

Building Maintenance Fund

1 A Fund shall be established to cover major unforeseeable repair or renovation work on the Universal Postal Union building when such work cannot be entirely covered by the resources mentioned in article 128.5 of the General Regulations of the Union.

2 This Fund may be maintained either by:

- an annual allocation of credits corresponding to the revenue from letting office space in the UPU building;
- withdrawals from the Reserve Fund;
- voluntary contributions;
- or other measures deemed appropriate by the Council of Administration.

3 Any use of the Fund shall be subject to prior approval by the Council of Administration or, in an emergency, by the Chairman of the Council of Administration.

Article 23

Special Activities Fund

1 The Special Activities Fund shall be used to facilitate the financing of special activities specifically by making it possible to cover unforeseen or urgent expenses.

2 The level of the Special Activities Fund shall be set by the Council of Administration which may make provision for withdrawals to increase the budgetary resources allocated to special expenses.

3 The Special Activities Fund shall be maintained by:

- a the yield on the Fund's capital;
- b the credits included in the Union's budget to adjust the Fund.

4 The Director General shall report at the end of each financial year, in the Financial Operating Report, on the transactions and the position of the Special Activities Fund.

Article 24

Social Fund

1 The purpose of the Social Fund for the staff of the International Bureau of the Universal Postal Union shall be:

- to provide assistance to the staff of the Bureau and to the surviving dependants of members of the staff;
- to compensate for any unfavourable situation concerning staff social security and to finance certain facilities for the staff;
- to promote and subsidize cultural, sporting and social activities of Bureau staff.

2 In case of dissolution of the Universal Postal Union, the Social Fund shall be used to cover staff obligations.

3 This Fund shall be maintained by:

- a the payments made to the International Bureau by Swiss Post under the agreement concluded between that administration and the Director General of the International Bureau on the issue of Swiss official postage stamps for the use of the International Bureau of the Universal Postal Union; however, the Bureau may retain a portion of the payments insofar as the Fund's assets exceed the amount corresponding to the real value of 3,000,000 CHF (value at 1 January 1998) considered necessary to cover the purposes assigned to it;
- b such contributions as the Staff Association may make;
- c voluntary contributions from the staff;
- d such gifts and legacies as may be received;
- e such contributions as the International Bureau of the Universal Postal Union may make;
- f the return on the Fund's capital.

4 The Fund shall be administered by an "Administrative Board" which shall consist of five members, two of whom shall be appointed by the Director General and three by the Committee of the Staff Association.

5 The assets of the Fund shall normally be placed in a current account with the Federal Cash and Accounting Services of the Government of the Swiss Confederation. However, the Director General may at any time, in agreement with the

Administrative Board, decide on another method of investing the assets of the Fund, if such a measure is judged to be more advantageous or corresponding more to the social purpose of the Fund.

6 The Administrative Board may grant benefits, so far as the available resources permit and in accordance with the Fund's own Regulations, in the cases referred to in § 1.

7 The Director General shall report at the end of each financial period, in the Financial Operating Report, on the transactions and the position of the Social Fund.

Article 25

Special Fund

1 The purpose of the UPU Special Fund shall be to provide the Union with additional ways and means within the framework of postal technical assistance for its member countries. It shall be used to help member countries to expand their development facilities, especially in the area of vocational training.

2 Contributions to the Special Fund may consist of contributions in cash or contributions in kind.

3 The Special Fund is financed by:

- a untied voluntary contributions from member countries, Restricted Unions and, possibly, from governmental or non-governmental international organizations and private companies;
- b tied voluntary contributions governed by special agreements;
- c the yield on Special Fund's capital.

4 The Director General shall report at the end of each financial period, in the Financial Operating Report, on the operations and the position of the Special Fund.

Article 26

Voluntary Fund

1 The purpose of the Voluntary Fund shall be to provide the Union with financial resources additional to those earmarked in the Union budget for special activities.

2 Contributions to the Voluntary Fund may consist of contributions in cash or contributions in kind.

3 The Voluntary Fund shall be financed by:

- a untied voluntary contributions from member countries, Restricted Unions and, possibly, from governmental or non-governmental international organizations and private companies;
- b tied voluntary contributions governed by special agreements;
- c the yield on untied capital from the Voluntary Fund.

4 The Director General shall report at the end of each financial period, in the Financial Operating Report, on the operations and position of the Voluntary Fund.

CHAPTER VI

ACCOUNTING

Article 27

Keeping of accounts

1 The accounts of the Universal Postal Union, whose applicability is defined in article 1 of these Regulations, shall be established in accordance with the accounting standards and principles in effect in the United Nations system.

2 The accounts shall indicate all revenue and expenses as well as all assets and liabilities. They shall be presented so as to provide all stakeholders with the information needed for decision-making and for demonstrating the organization's accountability with regard to the resources entrusted to it.

Article 28

Financial statements

1 The financial statements of the Union shall consist of the following elements:

- a statement of financial position;
- b statement of financial performance;
- c statement of variations in assets/net assets;
- d cash flow statement;
- e table comparing regular budget and actual expenses;
- f accounting methods and notes to financial statements.

2 The financial statements shall be submitted to the Council of Administration at the end of each financial year. After consideration by that body, they shall be distributed to the member countries of the Union.

Article 29

Advance payments and advances

1 Except where normal commercial practice or the interests of the Union so require, no contract of purchase order shall be made on behalf of the Union which requires a payment in advance of the delivery of goods or performance of contractual services.

2 Advances may be made when they are considered indispensable, for example during meetings or conferences.

Article 30

Interest

- 1 Interest accounts shall be kept at the International Bureau showing:
 - a as revenue:
 - i the statutory interest debited to Union members, calculated on the basis of the provisions of article 16;
 - ii interest produced by investment of the Union's liquid assets;
 - b as expenses, the interest paid by the Union to the Government of the Swiss Confederation for advances made by the latter in accordance with article 19, or for any other amount borrowed by the Union.

Article 31

Vouchers

All accounting operations must be supported by numbered vouchers.

Article 32

Conservation of accounting documents

Accounting records and vouchers shall be kept until the Union accounts for the years concerned have been finally approved by Congress, but for not less than ten years.

Article 33

Currency of account

1 The accounts of the Universal Postal Union shall in principle be kept in Swiss francs, the currency of the country in which the Union has its headquarters. The use of other convertible currencies shall be explained and justified.

2 As a general rule, payments to the Union must be made in the currency of account.

3 However, they may be made in other currencies provided these are convertible into the currency of account. In that case, payment shall be evaluated and brought to account at the rate of exchange applied at the date of the transaction.

4 The rates of exchange used to process end-of-period closing entries shall be those applied by the United Nations at the end of December.

Article 34

Inventories

- 1 The International Bureau shall keep the following inventories:
 - a in the form of materials or supplies to be consumed in the production process;
 - b in the form of materials or supplies to be consumed or distributed in the rendering of services;
 - c held for sale or distribution in the ordinary course of operations;
 - d in the process of production for sale or distribution.
- 2 The Director General shall lay down the frequency and methods of checking these inventories.
- 3 Inventories shall be evaluated and included in the financial statements.

Article 35

Fixed assets

Fixed assets (tangible and intangible) shall be entered in the Union accounts in accordance with the applicable standards.

CHAPTER VII

CONTROL OF THE UNION'S FINANCES

Article 36

Internal control and audit

- 1 Under the authority of the Director General, the internal auditor shall be required to carry out auditing work and to give advice regarding the improvement of procedures, productivity and security of activities.
- 2 The scope of internal auditing shall extend to all sectors of the organization. The following shall be monitored in particular:
 - a regularity of operations involving the receipt, custody and disbursement of all funds and other resources of the Union;
 - b conformity of commitments or obligations and of expenses with the budgetary credits and other financial appropriations voted by the Council of Administration or with the aims, rules and provisions applicable to the funds in question;
 - c efficient management of the human and material resources at the Union's disposal;
 - d protective measures against any loss of or threat to assets.
- 3 The internal auditor shall collaborate closely with the External Auditor.
- 4 The Charter of internal auditing is included in Annex 4 to these Regulations.

Article 37

External audit of the Union's accounts

- 1 In accordance with article 128.15 of the General Regulations, the External Auditor shall be appointed by the Government of the Swiss Confederation.
- 2 A substitute or a successor shall be designated by the Government of the Swiss Confederation in case the External Auditor is temporarily unable, or ceases, to perform his duties. The External Auditor may not otherwise be removed during his tenure of office except by the Government of the Swiss Confederation.
- 3 The audit shall be conducted in conformity with generally accepted common

auditing standards and, subject to any special directions of the Council of Administration, in accordance with the additional terms of reference set out in the annex to these Regulations

4 The External Auditor may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the organization.

5 The External Auditor shall be completely independent and solely responsible for the conduct of the audit.

6 The Council of Administration may request the External Auditor to perform certain specific examinations and issue separate reports on the results.

7 The Director General shall provide the External Auditor with all the facilities he may require in the performance of the audit.

8 For the purpose of making a local or special examination or of effecting economies of audit cost, the External Auditor may engage the services of any national Auditor General (or equivalent title) or commercial public auditors of known repute or any other person or firm who, in the opinion of the External Auditor, is technically qualified.

9 The External Auditor shall issue a report on the audit of the financial statements and relevant schedules, which shall include such information as he deems necessary in regard to matters referred to in § 4 of this article and in the additional terms of reference set out in the annex 1 to these Regulations.

10 The External Auditor's reports shall be transmitted through the Director General, together with the audited financial statements of all the accounts, to the Council of Administration.

Article 38

Approval of accounts

1 The financial statements of the Union, both budgetary and extrabudgetary, and those of the funds entrusted to it shall be submitted together with the auditor's report to the Council of Administration for approval.

2 Congress shall give final discharge to the bodies responsible on the basis of the financial statements, the External Auditor's conclusions and the recapitulatory report prepared immediately before each Congress.

CHAPTER VIII

FINAL PROVISIONS

Article 39

Amendment of the Regulations

The Council of Administration may supplement or amend these Regulations.

Article 40

Effective date of the Financial Regulations

The present Financial Regulations replace those of 13 May 1983. They shall come into force on 1 January 2011.

Additional terms of reference governing external audit

1 The External Auditor shall perform such audit of the accounts of the organization, including all trust funds and special accounts, as he deems necessary in order to satisfy himself:

- a that the financial statements are in accord with the books and records of the organization;
- b that the financial transactions reflected in the statements have been in accordance with the rules and regulations, the budgetary provisions and other applicable directives;
- c that the securities and monies on deposit and on hand have been verified by certificate received direct from the organization's depositaries or by actual count;
- d that the internal controls, including the internal audit, are adequate in the light of the extent of the reliance placed thereon;
- e that procedures satisfactory to the External Auditor have been applied to the recording of all assets, liabilities, surpluses and deficits.

2 The External Auditor shall be the sole judge as to the acceptance in whole or in part of certifications and representations by the Director General and may proceed to such detailed examination and verification as he chooses of all financial records including those relating to supplies and equipment.

3 The External Auditor and his staff shall have free access at all convenient times to all books, records and other documentation which are, in the opinion of the External Auditor, necessary for the performance of the audit. Information classified as privileged and which the Director General (or his designated senior official) agrees is required by the External Auditor for the purposes of the audit and information classified confidential shall be made available on application. The External Auditor and his staff shall respect the privileged and confidential nature of any information so classified which has been made available and shall not make use of it except in direct connection with the performance of the audit. The External Auditor may draw the attention of the Council of Administration to any denial of information classified as privileged which in his opinion was required for the purpose of the audit.

4 The External Auditor shall have no power to disallow items in the accounts but shall draw to the attention of the Director General for appropriate action any transaction concerning which he entertains doubt as to legality or propriety. Audit objections to these or any other transactions arising during the examination of the accounts shall be immediately communicated to the Director General.

5 The Auditor shall express and sign an opinion on the financial statements of the UPU. This opinion shall contain the following basic elements:

- a the identification of the financial statements audited;
- b a reference to the responsibility of the UPU Senior Management and the responsibility of the Auditor;
- c a reference to the audit standards followed;
- d a description of the work performed;
- e an expression of opinion on the financial statements as to whether:
 - i the financial statements present fairly the financial position as at the end of the period concerned and the results of the operations for that period;
 - ii the financial statements were prepared in accordance with the stated accounting policies;
 - iii the accounting policies were applied on a basis consistent with that of the preceding financial period;
- f an expression of opinion on the compliance of transactions with the Financial Regulations and legislative authority;
- g the date of the opinion;
- h the name and position of the Auditor;
- i should it be necessary, a reference to the report of the Auditor on the financial statements.

6 The report of the External Auditor on the financial operations should mention:

- a the type and scope of his examination;
- b matters affecting the completeness or accuracy of the accounts, including where appropriate:
 - i information necessary to the correct interpretation of the accounts;
 - ii any amounts which ought to have been received but which have not been brought to account;
 - iii any amounts for which a legal or contingent obligation exists and which have not been recorded or reflected in the financial statements;
 - iv expenditures not properly substantiated;
 - v whether proper books of accounts have been kept. Where, in the presentation of statements, there are deviations of a material nature from the generally accepted accounting principles applied on a consistent basis, these should be disclosed;
- c other matters which should be brought to the notice of the Council of Administration such as:
 - i cases of fraud or presumptive fraud;
 - ii wasteful or improper expenditure of the Organization's money or other assets (notwithstanding that the accounting for the transaction may be correct);
 - iii expenditure likely to commit the Organization to further outlay on a large scale;

- iv any defect in the general system or detailed regulations governing the control of receipts and disbursements or of supplies and equipment;
- v expenditure not in accordance with the intention of the Council of Administration after making allowance for duly authorized transfers within the budget;
- vi expenditure in excess of appropriations as amended by duly authorized transfers within the budget;
- vii expenditure not in conformity with the authority which governs it;
- d the accuracy or otherwise of the supplies and equipment records as determined by stock-taking and examination of the records.

In addition, the reports may contain reference to transactions accounted for in a previous year concerning which further information has been obtained or transactions in a later year concerning which it seems desirable that the Council of Administration should have early knowledge.

7 The External Auditor may make such observations with respect to his findings resulting from the audit and such comments on the Director General's financial report as he deems appropriate to the Council of Administration or to the Director General.

8 Whenever the scope of audit of the External Auditor is restricted, or whenever the External Auditor is unable to obtain sufficient evidence, he shall refer to the matter in his certificate and report, making clear the reasons for his comments and the effect on the financial position and the financial transactions as recorded.

9 In no case shall the External Auditor include criticism in his report without first affording the Director General an adequate opportunity of explanation on the matter under observation.

Rules, procedures and financial arrangements for tied voluntary contributions and trust funds

Article 1

Applicability

These rules, procedures and financial arrangements shall apply to all tied voluntary contributions and to any funds entrusted to the Union for the execution of specific programmes and projects.

Article 2

Contributions volontaires

1 The Director General may accept voluntary contributions in cash or kind, as well as trust funds for the execution of specific programmes or projects, particularly from private companies, provided that:

- a the conditions attached to such contributions are consistent with the purposes and mission of the Union and in conformity with these Regulations;
- b the integrity, independence and impartiality of the Union, particularly in the management and execution of the programme or project, are guaranteed.
- c the contributions and the identity of the contributors are made known to the bodies of the UPU.

2 Subject to their acceptance by the Director General and, if applicable, the recipient country, contributions in cash or in kind may include funding of conferences, meetings and seminars, as well as expert services, training services, fellowships, equipment or any other related services or requirements.

3 Voluntary contributions must not be used in place of the revenue of the Union's regular budget, with the exception of the revenue foreseen to cover wholly or partly the support costs related to the programmes or projects implemented.

4 Funds entrusted to the Union may be used for the execution of specific programmes or projects and shall be used in accordance with the respective agreements or arrangements.

5 Tied voluntary contributions and trust funds shall be paid in Swiss francs or in currencies readily convertible by the Union. The accounts of the Union shall generally be kept in Swiss francs.

Article 3

Relations between the interested parties

1 Potential providers of funds shall inform the Director General of their intention to do so.

2 The Director General may seek their assistance in order to be able to respond to requests from potential recipient countries or for the execution of programmes or projects included in the Union's Strategic Plan.

3 The precise terms and conditions governing voluntary contributions or trust funds shall be the subject of a signed agreement between the interested parties.

4 Activities financed by tied voluntary contributions or trust funds shall be carried out by the International Bureau in accordance with the terms and conditions set out in the agreement signed between the parties concerned.

Article 4

Execution of programmes and projects

1 Programmes and projects which are to be executed within the framework of the present annex, shall be funded entirely by voluntary contributions or trust funds.

2 The Union shall not assume any commitments for, or continue the execution of any programme, project or supplementary activity, unless its full financing has been secured and the funds deposited in accordance with the payment schedule laid down in the agreement (see article 3, paragraph 3 above).

3 Any agreement as referred to in article 3, paragraph 3 above shall contain provisions relating to interest becoming due in case of late or non-payment of a contribution or trust fund or part thereof. In such a case, the Director General is also authorized to stop immediately any further execution of the programme, project or supplementary activity, with any damages to the Union to be borne by the party in default.

4 When an activity falling within the framework of the present annex requires administrative and operational services to be provided by the Union, the cost of these necessary support services shall, as provided in the agreement, form part of the projected expenses. The agreement shall specify that part, if any, of the contribution which the parties agree shall be used to compensate for support costs. This amount shall be credited to the accounts of the Union's regular budget,

unless the services are provided by personnel financed by another voluntary fund in which case it may be agreed that the relevant fund shall be credited with it.

Article 5

Monitoring of voluntary contributions and trust funds

- 1 Each programme or project financed by tied voluntary contributions or by trust funds shall be the subject of a special monitoring process covering:
 - a as revenue: cash contributions from all sources, as well as miscellaneous revenue such as interest accrued from contributions advanced or the sale of items or services purchased or manufactured under such funding;
 - b as expenses: project implementation costs, costs for support services foreseen in the respective agreement as well as any interest charged for payments overdue.
- 2 Any funds remaining unused when a programme, project or supplementary activity is terminated, may be used by decision of the Director General for other purposes unless otherwise stipulated in the respective agreement.
- 3 Accounts kept in conformity with the present annex shall be audited in accordance with the relevant provisions in article 37 and in annex 1 of the Financial Regulations.
- 4 If so stipulated in the respective agreement, the International Bureau shall provide a statement of account certified by its External Auditor.
- 5 The Director General shall mention in the Financial Operating Report, any contributions received in kind.

Article 6

Reporting

Upon completion of each programme, project, or activity, a final report shall be issued by the Director General and transmitted to the donors or fund providers and to any party enumerated in the respective agreement as entitled to receive that report.

Operating procedure for the system of automatic sanctions

1 Regulatory basis of the automatic sanctions

The regulatory basis for the application of automatic sanctions is article 129 of the Universal Postal Union General Regulations:

“1 Any member country unable to make the assignment provided for in § 9 of article 128 and which does not agree to submit to an amortization schedule proposed by the International Bureau in accordance with article 128, § 10, or which does not comply with such a schedule shall automatically lose its right to vote at Congress and at meetings of the Council of Administration and the Postal Operations Council and shall no longer be eligible for membership of these two Councils.

“2 Automatic sanctions shall be lifted as a matter of course and with immediate effect as soon as the member country concerned has paid its arrears of mandatory contributions owed to the Union, in capital and interest, or has agreed to submit to a schedule for the amortization of the arrears.”

Article 129 refers to §§ 9 and 10 of article 128 of the General Regulations:

“9 Where the arrears of mandatory contributions, not including interest, owed to the Union for a member country are equal to or more than the amount of the contributions of that member country for the preceding two financial years, such member country may irrevocably assign to the Union all or part of the credits owed it by other member countries, in accordance with the arrangements laid down by the Council of Administration. The conditions of this assignment of credit shall be determined by agreement reached between the member country, its debtors/creditors and the Union.

“10 A member country which, for legal or other reasons, cannot make such assignment shall undertake to conclude a schedule for the amortization of its arrears.”

It is specified that, in this context, arrears of mandatory contributions are considered to be the unpaid portion of the contributions for financial years prior to the current financial year.

2 Consequences of the automatic sanctions

As mentioned in article 129, § 1, above, application of the automatic sanctions results in the loss of the right to vote at Congress and at meetings of the Council of Administration and the Postal Operations Council and loss of eligibility for membership of these two Councils.

Where sanctions are imposed on a member country for arrears of mandatory contributions and that country is already a member of one of the Union's legislative bodies, it will not be excluded from that body until the end of its term, but loses the right to vote.

3 Aims of the automatic sanctions

The aim of introducing the system of automatic sanctions is to reduce the amount of arrears of contributions owed to the Union while offering member countries several ways of paying them and flexibility of application through the time limits allowed.

4 Method of calculating the decisive amount

The automatic sanctions are triggered when the amount of arrears of mandatory contributions, not including interest, becomes equal to or more than the amount of the mandatory contributions owed by the member country for the preceding two financial years.

Example: at the beginning of the year 2001, a member country owes the following contributions:

- for 2001: 150,000 CHF;
- for 2000: 145,000 CHF;
- for 1999: 140,000 CHF;
- for 1998: 135,000 CHF;
- for 1997: 80,000 CHF (balance after payment of an instalment).

The decisive amount for the application of automatic sanctions is 285,000 CHF, or the sum of the contributions for the two years preceding the current year (1999 and 2000).

The amount of arrears to be considered for automatic sanctions is 500,000 CHF, namely the sum of the contributions still owing from 1997 to 2000.

5 Different variants for avoiding automatic sanctions

A member country with arrears of mandatory contributions may, in order to avoid automatic sanctions, either settle them straightaway, agree to assign irrevocably in favour of the Union all or part of the credit owed to it by other member countries, or to sign with another country an agreement under which that country undertakes to settle its arrears within a period of six weeks up to the amount of the sums owed to the Union. If such assignment or such agreements cannot be made, it is possible to conclude a debt-rescheduling agreement with the Union, the duration of which must, in principle, not exceed ten years (see also attachment 1 hereto).

It must be mentioned clearly that the mechanisms (direct settlement, assignment and rescheduling) are complementary but that possibilities for using direct settlement or the system of assignment of credits must first be exhausted before the conclusion of a debt-rescheduling plan is considered.

5.1 Direct settlement of arrears

It is recommended that an attempt be made to settle direct at least part of the arrears of mandatory contributions.

5.2 Irrevocable assignment of credits and payment agreements

5.2.1 Irrevocable assignment of credits

These are instruments whereby the creditor (Union member country) agrees that the payment made by its debtor shall be in favour of a specified third party, in this case the International Bureau.

As soon as the level of arrears reaches the amount to trigger sanctions, the Director General notifies the member country concerned of the situation of its arrears and asks it to regularize its situation within six weeks of the date of dispatch of the letter of notification. This notification is normally sent in January of each year.

A member country which, following such notification, is unable to regularize its arrears immediately sends the Director General a letter (within the same period of six weeks) in which it indicates that it intends to assign irrevocably all or part of the credits owed to it by one or more member countries. It attaches to this communication a copy of the letter sent to the member country or countries notifying them of its wish to assign its credits to the UPU. Within a period of six weeks from the date of dispatch of this communication, it sends the International Bureau a copy of the irrevocable assignment agreement signed by itself and its debtor or debtors. A model irrevocable assignment agreement is attached (attachment 2).

The irrevocable credit assignment agreement (see attachment 2) for the agreed amount must without fail mention that:

- the member country which has become a debtor of the UPU as a result of an assignment agreement will pay an amount equivalent to its debt within six weeks of the date of its signature of the assignment agreement;
- if the member country which is a debtor of the UPU – as a result of an irrevocable credit assignment agreement – does not make the payment within the prescribed time limit, the amount in question is recorded as arrears of mandatory contributions of the member country in question.

The detailed procedure to be followed in the case of irrevocable assignment (see attachment 2) is as follows:

- a member country which is in arrears to the UPU and which has credits owed to it by other Union member countries draws up the necessary credit assignment agreements, signs them and sends them to its debtors, asking them to sign the agreements and return them to it;
- debtors which agree to the proposed assignment accede to the request and return the signed agreement to the member country initiating the assignment;
- the latter sends the completed agreement to the International Bureau for approval and signature. The International Bureau will send a copy of the agreement to the two parties for implementation;
- the UPU will advise the signatories of the credit assignment agreement when payment is received. If the debt is not paid, the International Bureau will enter it as arrears of the new debtor member country towards the Union.

5.2.2 Settlement agreements

The member country may also send the International Bureau an agreement under which another member country undertakes to settle its arrears of contribution within a period of six weeks. A model of this type of assignment agreement is attached (attachment 3).

The assignment agreement (see attachment 3) under which a member country has undertaken to pay the arrears of contribution of another member country towards the Union lapses if payment is not made within a period of six weeks from the date the agreement is signed. In that case, the situation of the member countries which are party to the Agreement remains unchanged with regard to the Union.

5.3 *Debt-rescheduling agreement*

The debt-rescheduling agreement is a measure that has been applied for many years to enable a member country to clear up its financial situation with the UPU. The maximum duration of such agreements was set at ten years by the Beijing Congress. A model debt-rescheduling agreement is attached (attachment 4).

A member country which has received notification from the Director General concerning the situation of its arrears, which is unable to regularize them immediately and which, what is more, is not owed any credits by other Union member countries sends a letter to the Director General (within a period of six weeks) asking him to grant it a debt-rescheduling agreement over a period which may not exceed ten years. The International Bureau then prepares the agreement and sends it for signing to the debtor country, which must return it signed within six weeks of the date on which the agreement is drawn up.

It is essential that the amortization schedule is implemented in full and on time. If the delay in payment represents a sum equal to or more than two years' amortization payments, the agreement is regarded as null and void and automatic sanctions are triggered. It is stipulated that, in parallel to the annual payments provided for in the debt-rescheduling agreement, annual mandatory contributions must be paid normally. A further debt-rescheduling agreement may not be concluded within a period of two years following the Director General's letter notifying cancellation of an agreement not complied with.

5.4 Combination of variants

If a member country has opted for credit assignment but does not have sufficient credits owing to it to clear up its situation, it may choose the debt-rescheduling method for the amount of arrears not covered by the credit assignment. Similarly, a member country that has opted for rescheduling could use assignment as a means of speeding up payment of the amounts owing.

6 Deadlines to be met

From the date of dispatch of the Director General's letter (normally in January) announcing that the amount of arrears of contributions is equal to or more than the amount of the mandatory contributions owed by the member country for the preceding two financial years, the member country concerned has:

- six weeks to:
 - pay the debt (in whole or in part) so as to bring the amount of the arrears of contributions below the sum of the mandatory contributions owed for the preceding two financial years),
 - send a letter to the Director General in which it indicates that it intends to assign all or part of the credits owed to it by one or more member countries; it attaches to this communication a copy of the letter sent to the member country or countries notifying them of its wish to assign its credits to the UPU,
 - send a letter to the Director General asking him to grant it a debt-rescheduling agreement over a period which may not exceed ten years;

- a further six weeks:
 - (from the date of dispatch of the above communication) to send the International Bureau a copy of the assignment agreement signed by itself and its debtor or debtors,
 - (from the date on which the International Bureau draws up the agreement) to return the debt-rescheduling agreement duly signed to the International Bureau.

A member country which has become newly in debt to the UPU as a result of an irrevocable credit assignment agreement has six weeks from the date of its signature to make payment to the UPU, failing which the UPU will enter it as arrears of the new debtor member country towards the UPU.

In the event of failure to comply with the payment deadline of six weeks provided for in the other assignment agreements, the UPU will maintain unchanged the situation prior to signature of the assignment agreements.

7 Notification of automatic sanctions

If a member country refuses to participate in one of the systems for paying its arrears of mandatory contributions or fails to meet the mandatory deadlines (§ 7 above), automatic sanctions will be imposed on it (§ 2 above). However, the entry into force of the automatic sanctions will be preceded by a final reminder from the International Bureau mentioning:

- the amount and age of the arrears;
- the sanctions imposed in the event of failure to conclude a rescheduling agreement or an irrevocable credit assignment agreement.

The reminder should encourage the member country concerned to adopt urgently one of the accepted recovery methods. If the International Bureau receives no response to the matter within six weeks of the date of dispatch of the reminder, the Director General will formally declare the immediate application of sanctions on the member country concerned. All member countries are also notified formally of this decision by means of an International Bureau circular. The Director General also reports on the measures taken in this context to each meeting of the Council of Administration. The list of member countries subject to sanctions will also be given in the UPU Financial Operating Report.

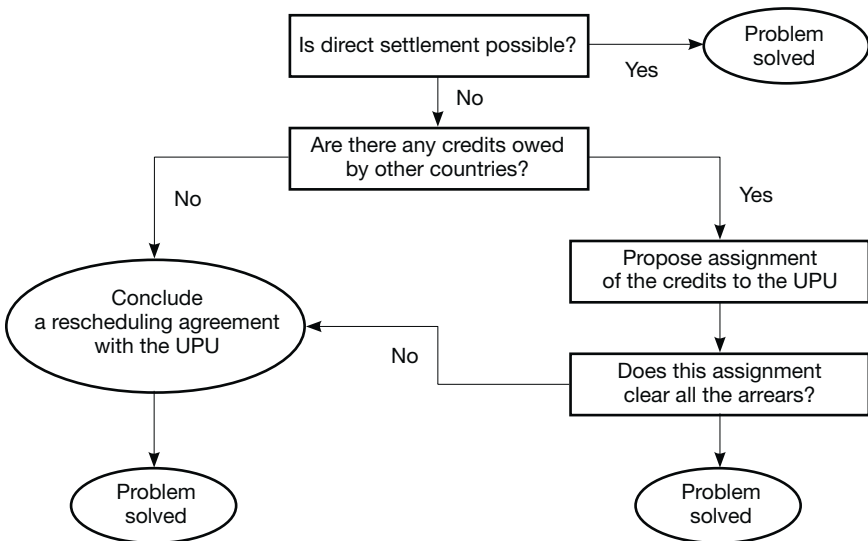
8 Lifting of sanctions

The sanctions will be lifted as a matter of course and with immediate effect as soon as the member country concerned has paid its debts to the Union or concluded assignment agreements covering the whole of the debt. In the case of

a debt-rescheduling agreement, the lifting of sanctions shall be conditional upon the first amortization payment.

Member countries will also be notified of the lifting of sanctions.

Diagram of the procedure for clearing up arrears of a member country whose arrears of mandatory contributions (not including interest) are equal to or more than the amount of the contributions of that member country for the preceding two financial years



IRREVOCABLE CREDIT ASSIGNMENT AGREEMENT

Between, as the party of the first part,

1 _____

the official representative of _____ (a UPU member country), hereinafter referred to as “the creditor”;

2 _____

the official representative of _____ (a UPU member country), hereinafter referred to as “the debtor”;

and, as the party of the second part,

3 the International Bureau of the Universal Postal Union

concerning the sum of _____ SDR/CHF/USD¹, which the creditor is owed by the debtor, hereinafter referred to as “the credit”.

By the present agreement,

- i the creditor shall assign the above-mentioned credit to the UPU. This assignment shall be irrevocable;
- ii the debtor shall undertake to pay the above-mentioned credit to the UPU within six weeks of the date on which it (the debtor) signed the present agreement;
- iii failure to pay the credit to the UPU within the time limit laid down shall entail entry of that credit as arrears of mandatory contributions of the member country represented by the debtor;

¹ Delete the currency which does not apply.

- iv the UPU shall undertake:
- to notify the creditor of the amount received and the effect of such payment on its financial position with regard to the UPU;
 - to send the debtor an acknowledgment of receipt as soon as the payment is received.

For the creditor:

For the debtor:

For the UPU:

(place and date)

(place and date)

(place and date)

(signature)

(signature)

(signature)

CREDIT ASSIGNMENT AGREEMENT

Between, as the party of the first part,

1 _____

the official representative of _____ (a UPU member country), hereinafter referred to as “the creditor”;

and, as the party of the second part,

2 _____

the official representative of _____ (a UPU member country), hereinafter referred to as “the debtor”;

concerning the sum of _____ SDR/CHF/USD¹, which the creditor is owed by the debtor, hereinafter referred to as “the credit”.

By the present agreement,

- i the creditor shall assign the above-mentioned credit to the UPU, subject to compliance with the other conditions of validity of the present agreement; it shall send to the UPU for information a copy of the assignment signed by it (before it is signed by the debtor);
- ii signature of the present agreement by the debtor shall be a condition of the validity of the agreement; the debtor shall undertake to pay the above-mentioned credit to the UPU within six weeks of the date of signature of the present agreement; payment within this time limit shall also be a condition of the validity of the present agreement;

¹ Delete the currency which does not apply.

iii the debtor shall send a signed copy of the agreement to the creditor; the latter shall send a copy of the present agreement (after signature by the debtor) to the UPU for information; the UPU shall be responsible for notifying the parties either of receipt of payment or of the invalidity of the present agreement because of failure to pay within the time limit.

For the creditor:

For the debtor:

(place and date)

(place and date)

(signature)

(signature)

DEBT-RESCHEDULING AGREEMENT

Between, as the party of the first part,

1 _____

the official representative of _____ (a UPU member country), hereinafter referred to as “the debtor”;

and, as the party of the second part,

2 the International Bureau of the Universal Postal Union.

By the present agreement,

- i the debtor shall undertake to amortize the amount of its debt to the UPU, i.e. the sum of _____ CHF, over a period of _____ years¹ from _____; the amount of the annual amortization payment shall be _____ CHF and the annual payment shall be due on _____ of each year;
- ii the International Bureau shall undertake to transfer the amount of the debt to a special account; no interest shall be payable on this amount throughout the period of validity of the present agreement;
- iii the debtor shall be regarded as not having complied with the terms of the agreement if, during the period of the agreement, it has a delay in payment of a sum equal to or more than two years' amortization payments; such non-compliance shall render the agreement null and void;
- iv if the agreement is rendered null and void by the debtor's non-compliance with its undertakings, the interest on overdue payments owed since the beginning of the rescheduling agreement on the outstanding portion of the debt shall be recalculated and added to the total of the outstanding amount, on which interest shall again become payable.

¹ Not exceeding 10 years.

For the debtor:

(place and date)

(signature)

For the UPU:

(place and date)

(signature)

Charter of internal auditing

A. Introduction

1 The internal auditing requirement is defined in the UPU as an independent function providing assurance to the Director General, and through him/her to the governing bodies, that the organization is managed effectively, efficiently and economically. Accordingly, the mandate of the internal auditor shall encompass financial compliance, value-for-money audit and investigations in cases of alleged wrong-doing.

2 The monitoring and evaluation functions remain an integral part of the management process as defined by the Council of Administration.

3 The terms of reference of the internal auditor are described hereafter.

B. Organization

1 In organizational respects, the internal auditor comes under the Director General and reports directly to him. The Director General shall have the authority to grant the internal auditor advisory responsibilities and tasks. However, in order to ensure the independence of the internal auditor, the work that these powers and responsibilities represent shall allow him to carry out his other duties as internal auditor.

2 The Director General shall be required to consult the Council of Administration prior to the appointment or termination of the internal auditor.

C. Overall responsibilities

1 The internal auditor is responsible for supporting the accountability of the Director General by providing systematic and independent audits of the management of the financial, administrative and operational activities of the UPU to ensure the effective, efficient and economical use of the resources of the organization.

2 Based upon the results of these audits, the internal auditor shall express an opinion on the management of such activities and issue recommendations for improvement as needed.

D. Functions

- 1 To discharge his overall responsibilities, the internal auditor shall perform the following functions:
 - a ensure the reliability and integrity of the organization's internal control machinery;
 - b ensure compliance with legislation;
 - c ensure completeness, timeliness and accuracy of information; and
 - d ensure the effective, efficient and economical use of the human, financial and material resources of the organization, regular and extrabudgetary.

E. Methodology

- 1 To implement his functions effectively, the internal auditor shall:
 - a apply the internal audit standards recognized by the United Nations system and the profession in general;
 - b establish long- and short-term audit plans in consultation with Senior Management, for approval by the Director General;
 - c perform, as planned, various internal audit activities including financial audits, compliance audits and value-for-money audits;
 - d issue and maintain an internal audit manual which will include the internal auditor's terms of reference and a compilation of audit programmes and procedures;
 - e liaise and fully cooperate with the External Auditor and ensure that his recommendations are taken into consideration; and
 - f liaise and fully cooperate with the internal audit and, more generally oversight services of the United Nations system and represent the UPU at the relevant inter-agency meetings.

F. Prerogatives and duties

- 1 The internal auditor shall be independent of the activities he audits.
- 2 Internal audit shall apply to all accounts, programmes and projects under the responsibility of the Director General.
- 3 The internal auditor shall have unrestricted access to all records, officials and premises of the organization, which he considers necessary for the performance of his duties. The right of all staff to confidentially communicate with the internal auditor without fear or reprisal is guaranteed.
- 4 The internal auditor shall respect the confidential nature of information and shall use such information with discretion and only insofar as it is relevant to

reach an audit opinion. He shall exercise his functions in compliance with the Staff Regulations and Rules.

5 The internal auditor shall conduct the audits in a professional and positive manner. The conclusions of the audits shall be shared with the persons concerned who shall be given the opportunity to respond.

G. Reporting

1 The internal auditor shall submit the internal audit reports to the Director General.

2 The internal audit reports shall include the comments of the persons concerned.

3 Copies of the internal audit reports shall be sent to the head of the entity which has been the object of the audit under a covering note by the Director General, with copies to the External Auditor for information.

4 The internal auditor shall issue audit communications to the persons concerned for matters of a routine nature which do not necessitate formal reporting. Records of these communications shall be made available to the External Auditor upon request.

5 The internal auditor shall prepare an annual report to be submitted in its entirety to the ensuing session of the Council of Administration with the appropriate comments of the Director General.

6 The Director General shall ensure that all audit recommendations are responded to and implemented where appropriate.

H. Audit report disclosure policy

1 The internal auditor's annual report referred to in section G.5 shall be a publicly available document in the working languages of the UPU International Bureau (French and English) and shall be posted on the password-protected section of the UPU website in accordance with the relevant disclosure policies for documents of UPU bodies.

2 In due application of Council of Administration resolution CA 4/2014.1 (Access to internal audit reports), the Director General shall also make the internal auditor's individual audit reports (as issued in final format and in the original language of issue) available to heads of delegation and deputy heads of delegation duly

accredited to the UPU (hereinafter referred to as “authorized delegates”), upon request in writing from each UPU member country for each specific report. The reports shall be made available for reading at the Office of the Director General, without copies being made, printed, saved or taken away. This disclosure policy shall apply with retroactive effect to reports issued on or after 1 January 2013.

3 Authorized delegates shall treat any individual audit report received under this policy as strictly confidential. Written requests for access shall confirm that such access shall be employed for internal purposes only.

4 The UPU appreciates that internal audit reports might sometimes contain sensitive information, including audit results that may lead to inference of misconduct and subsequent investigations. Where disclosure of the content of an audit report would be deemed inappropriate for reasons of confidentiality, could place in jeopardy the safety and security of any individual, or would run the risk of violating the due process rights of individuals (including without limitation those of UPU staff members), the report may be redacted or, in extraordinary circumstances, fully withheld at the discretion of the Director General, who shall provide the reasons for such an action to the requesting authorized delegate.

5 In application of paragraph 4 above, the Director General shall appropriately classify and withhold release of certain internal audit reports containing sensitive information, or shall redact sensitive information contained in internal audit reports to be disclosed to authorized delegates, including without limitation the following:

- a The names of individuals, or information that would permit identification of individuals, for privacy and due process reasons (including without limitation misconduct investigations);
- b Information on physical and other security risks related to locations or persons, which could potentially aid and abet any hostile act;
- c Details of counter-fraud activities, or reports regarding fraudulent activities, such as those relating to preventive or detective counter-fraud, control or risk management activities, that could potentially be exploited to defraud the UPU;
- d Commercially or politically sensitive information pertaining to UPU member countries, their designated operators or other entities;
- e Information concerning control, financial and risk management weaknesses not yet remedied that could potentially be exploited to the detriment of the UPU.

6 The Director General shall respond to each written request for access within a maximum of four weeks of receipt of the written request, either by making the report available to the requesting authorized delegate for viewing, or by advising the authorized delegate that the report shall be withheld on the basis of paragraphs 4 and 5 above. The requesting authorized delegate shall be advised as

soon as possible by the Director General, but not later than two weeks following such a request, if, for administrative or logistical reasons, an extension of time is required to make the report available.

7 The Director General shall include, in his comments to the internal auditor's annual report referred to in section G.5, information on reports disclosed in accordance with paragraph 2 above, including, inter alia, information on the number and source of written requests received from authorized delegates, the outcomes of those requests, and requestors' confirmation of adherence to the principle of confidentiality for any information disclosed in accordance with this report disclosure policy.

I. Investigations

1 The Director General may ask the internal auditor to investigate all allegations or presumptions of fraud or mismanagement.

2 Upon completion of the investigation, the internal auditor shall submit a confidential report to the Director General with recommendations for further action which may result in initiating disciplinary procedures.

3 The internal auditor shall ensure that final disciplinary decisions are enforced and that appropriate recovery is made.