



# Audit of consolidated financial statements 2024

Universal Postal Union (UPU)

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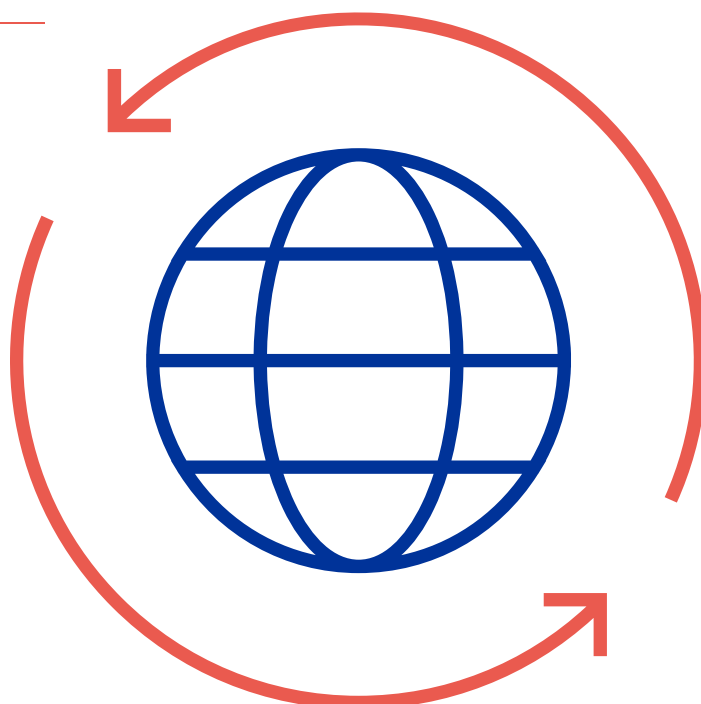
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EXTERNAL AUDITOR'S REPORT

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26 AUGUST 2025

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EIDGENÖSSISCHE FINANZKONTROLLE  
CONTRÔLE FÉDÉRAL DES FINANCES  
CONTROLLO FEDERALE DELLE FINANZE  
CONTROLLA FEDERALA DA FINANZAS  
SWISS FEDERAL AUDIT OFFICE



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# TABLE OF CONTENTS

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<b>Highlights</b> .....	<b>4</b>
<b>1 Execution of the audit</b> .....	<b>5</b>
1.1 Purpose and scope of the audit.....	5
1.2 Key areas of the audit.....	5
1.3 Communication with the Management and management bodies during the audit .....	6
1.4 Examination of the work of the Internal Auditor.....	6
<b>2 Internal control system</b> .....	<b>7</b>
2.1 Controls at the organization level.....	7
2.2 General IT controls .....	10
2.3 Account closure, consolidation and financial statement preparation procedure .....	11
<b>3 Main results of the audit of 2024 consolidated financial statements</b> .....	<b>13</b>
3.1 Analysis of accounting data .....	13
3.2 Implementation and conformity with IPSAS.....	13
3.3 Operational continuity.....	14
3.4 Investments.....	16
3.5 Accounts receivable (exchange and non-exchange transactions) .....	16
3.6 Accounts payable and accrued expenses .....	17
3.7 Employee benefits.....	18
3.8 Deferred revenue .....	18
3.9 Sales .....	18
3.10 Staff expenses.....	19
3.11 Financial costs and financial revenue .....	19
3.12 Exchange gains and losses.....	19
<b>4 List of additional entries</b> .....	<b>20</b>
4.1 Additional adjusted and unadjusted entries.....	20
4.2 Insufficient information or incorrect presentation .....	21
<b>5 Audit recommendations</b> .....	<b>22</b>
5.1 Recommendations implemented .....	22
5.2 Recommendations still outstanding .....	22

*In accordance with article 149 of the General Regulations approved at the 27th Congress in Abidjan in 2021, the Government of the Swiss Confederation shall supervise, without charge, the bookkeeping and accounting of the Universal Postal Union (UPU). On the basis of this provision, this mission has been entrusted to the country's highest public financial audit body, namely, the Swiss Federal Audit Office (SFAO), which thus serves as External Auditor of the UPU accounts.*

*The terms of reference are defined in article 37 of the Financial Regulations and in the Additional terms of reference governing external audit annexed to those Regulations. The members of the SFAO thus mandated fulfil their function autonomously and independently, with the support of their colleagues.*

*The SFAO provides services in relation to the external audit of the UPU in a manner that is fully independent of its role as the supreme financial oversight body of the Swiss Confederation. The SFAO has a team of highly qualified professionals with wide experience of audits in international organizations.*

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**Priority levels of recommendations**

The Swiss Federal Audit Office sets priority levels for its recommendations on the basis of defined risks: 1 = high; 2 = medium; 3 = low.

Examples of risks include unviable projects, illegal or irregular acts, issues of liability or damage to reputation. The effects and level of probability are thus assessed. This assessment is based on the concrete subject of the audit (relative), not the organization as a whole (absolute).

# Audit of consolidated financial statements 2024

Universal Postal Union (UPU)

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## HIGHLIGHTS

### Audit opinion without reservation

1. The 2024 consolidated financial statements of the UPU were prepared in accordance with the International Public Sector Accounting Standards (IPSAS). The SFAO is able to issue an audit opinion without reservation.

### An improved internal control system, but uneven in its maturity

2. The risk assessment does not include risk tolerances defined by the Executive Management. No distinction is drawn between acceptable risks and critical risks. Such a distinction is necessary in order to determine the measures to be taken in response to these risks.
3. The internal rules communicated or published by the organization are not entirely up to date. To ensure a healthy control environment, it is vital to establish, update, communicate and publish clear and up-to-date rules.
4. Since the 2021 financial year, no evidence of controls over IT change management has been available. Tests and production release authorizations are not systematically documented, if at all. Their existence cannot be validated. Nor can the effectiveness of internal controls be confirmed.
5. The consolidated financial statements are still prepared manually. Automated identification and elimination of inter- and intra-company transactions should be introduced. Avoiding manual processes would reduce the risk of error. The effectiveness and efficiency of the process would be improved. The mapping of accounts by consolidated entity remains uneven. The International Bureau has not yet implemented the audit recommendations issued during the audit of the 2023 consolidated financial statements.
6. The UPU improved its internal control system for the preparation of the 2024 financial statements. The International Bureau prepared financial statements in conformity with IPSAS, even though they were adjusted during the audit. The quality review of the financial statements as a whole should be supplemented by an analysis of changes in balances compared with the previous year. This review would help explain significant variances and identify material misstatements.

# 1 EXECUTION OF THE AUDIT

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## 1.1 Purpose and scope of the audit

7. The purpose of the financial audit is to issue an opinion on the consolidated financial statements of the UPU, on the basis of the International Public Sector Accounting Standards (IPSAS), for the financial year ending 31 December 2024.
8. The 2024 financial year was governed by the relevant provisions of the Constitution and of the General Regulations (Abidjan 2021); by the Financial Regulations and the Rules on Financial Administration, Accounting Organization and Control of the UPU; and by IPSAS.
9. The consolidated financial statements comprise the statement of financial position, the statement of financial performance, the statement of changes in net assets, the statement of cash flow, the statement of comparison of budget and actual amounts, and the notes to the consolidated financial statements.
10. The audit was conducted in accordance with the International Standards on Auditing (ISA), and in compliance with the additional terms of reference annexed to the UPU's Financial Regulations, which require the audit to be so planned and conducted as to obtain reasonable assurance that the consolidated financial statements are free of material misstatements.
11. The 2024 accounts of the UPU Provident Scheme were the subject of a separate audit report and correspondence. The same goes for the accounts of the three translation services (Arabic, English and Portuguese), given that they are not consolidated.

## 1.2 Key areas of the audit

12. For the purposes of the audit, the SFAO performed a risk assessment, on the basis of which it identified the main risks, the key areas to be audited, and the audit approach.
13. The International Standards on Auditing define the role that the auditor must fulfil with regard to the risk of potential misstatements in the financial statements, whether caused by fraud or error (ISA 240). Consequently, the External Auditor adopted procedures specific to this field. The following table sets out the potential risks of misstatements in the financial statements. The results of the audit procedures carried out are mentioned in the sections indicated.

No.	Description of potential risks of misstatements	Audit findings
1	<i>Override of controls by the Management</i> The Management can reject or ignore controls, requirements and guidelines (significant risk).	§§ 49–50
2	<i>Operational continuity</i> There is significant doubt as to the operational continuity of the UPU. The assumptions for the organization's continuity of operations are no longer met.	§§ 52–63
3	<i>Recognition of revenue and valuation of debts</i> Sales and voluntary contributions are overvalued, fictitious or periodically misclassified (significant risk). Recovery of doubtful debts is inadequate. Insufficient provision is made for needs in respect of reserves and depreciation.	§§ 66–73; 81–82; 75–81; 83–84
4	<i>Investments</i>	§§ 64–65

	There are significant errors in the valuation of investments.	
5	<i>Employee benefits</i> Liabilities towards staff are not correctly accounted for. The assumptions used by the Management in evaluating liabilities in respect of employee benefits are not reasonable or sufficient.	§§ 76–80
6	<i>Staff expenses</i> Staff expenses are erroneous, incomplete and/or misclassified.	§§ 85–86

### 1.3 Communication with the Management and management bodies during the audit

14. During the preparation of the audit, the SFAO met with Mr J.-A. Ducrest, Director of Finance; Mr O. Dreier, Special Adviser, Accounting, Budget, Treasury and ERP; Ms M. Vucina, Accounting, Budget and Treasury Coordinator; and Ms X. Fu, Governance and Internal Control Programme Coordinator.
15. In the course of the audit work, the SFAO met with the Executive Management, Mr O. Boussard, Director of Administration and Cabinet; Mr J.-A. Ducrest, Mr O. Dreier, Ms M. Vucina, and other staff of the Finance Directorate (DFI), and with members of other International Bureau directorates, depending on the subject matter.
16. The findings of the audit were communicated to the Administration and Cabinet Directorate (DACAB) and the DFI at meetings on 11 December 2024 and 26 June 2025 in the presence of Mr M. Köhli, Head of the Competence Centre, Mr J. Casarico, who led the interim audit, and Ms V. Bugnon, who led the final audit. The final discussion took place on 1 July 2025 in the presence of Mr M. Metoki, Director General; Mr M. Osvald, Deputy Director General; Mr A. Miyaji, Senior Special Adviser; Mr O. Boussard, Mr J.-A. Ducrest, Mr O. Dreier, Mr L. Matata, Ms L. Razafy, Ms M. Vucina and Ms X. Fu. The SFAO was represented by Mr M. Köhli and Ms V. Bugnon.
17. The SFAO will not reproduce in this report the points and issues of minor importance that were clarified and discussed in the course of the audit or at the above-mentioned meetings with the DFI.
18. The SFAO would like to emphasize the good spirit of collaboration that prevailed throughout the performance of the audit. It also wishes to express its appreciation for the helpfulness shown by all the UPU officials approached in providing the information and documents required to carry out its task.
19. This report was originally written in French; the SFAO points out that the French version is therefore the official version.

### 1.4 Examination of the work of the Internal Auditor

20. During the interim and final audits, the SFAO took cognizance of the work of the Internal Auditor. The internal audit function is outsourced.
21. The internal audit reports<sup>1</sup> contain observations that require action on the part of the UPU. They did not have a direct and significant impact on the work of the SFAO.

<sup>1</sup> The reports examined were the following:

- Internal Audit report #01-2024 – Succession planning
- Internal Audit report #02-2024 – Recharge mechanisms
- Internal Audit report #03-2024 – Annual reporting 2024

## 2 INTERNAL CONTROL SYSTEM

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22. Each year, the SFAO notes the controls carried out at the organization level and general IT controls. For each financial year, it examines the procedures for account closure and preparation of the consolidated financial statements.

### 2.1 Controls at the organization level

23. The Union has an internal control system (ICS) manual, prepared in 2016. This sets out the ICS objectives and describes the ICS components applicable to the organization. It defines the roles and responsibilities of each ICS player and stakeholder.

#### *Control environment*

24. To provide an effective control environment, the UPU has committed to pursuing integrity and ethical values, establishing structures, authorities and responsibilities, and ensuring the competency and accountability of its staff.

#### *Risk assessment*

25. Between 2014 and 2021, the UPU undertook an assessment of the strategic risks faced by the organization every three years. In 2022, the Executive Management decided to carry out the strategic risk assessment every two years, in line with the strategic cycle (Congress cycle and mid-term examination of strategy implementation). The International Bureau last assessed its strategic risks at the beginning of 2024.

26. In addition to the two-yearly analysis at Union level, each directorate carries out an annual self-assessment which includes an analysis of inherent risks, control measures and residual risks. Each directorate's assessment is consolidated and reported to the Executive Management.

27. The risk situation is presented bottom-up. The directorates assess themselves. The Governance and Internal Control Programme consolidates the various analyses and presents them to the Executive Management. The Executive Management takes note of the situation. For the 2024 financial year, it has provided guidance on the measures to be taken.

28. The ICS manual provides that the Director General and Deputy Director General define the UPU's level of risk tolerance. This tolerance is not formally defined.

## SFAO ASSESSMENT

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In line with the ICS manual, the Executive Management should define its level of risk tolerance. The Executive Management should take action where it observes that risks exceed its level of tolerance. The current process does not distinguish between acceptable risks and critical risks requiring action.

### RECOMMENDATION 1

### PRIORITY LEVEL 2

The SFAO recommends that the Executive Management define its level of risk tolerance. The Executive Management should take action where it observes risks that exceed its level of tolerance.

## COMMENT BY THE DIRECTOR GENERAL

The recommendation is accepted.

The Executive Management will first define its level of tolerance for strategic risks. This exercise will then be repeated for the management of operational, financial and compliance risks, insofar as the available resources permit.

Planned date of implementation: December 2025, DPRM and DACAB.

### *Control activities*

29. Each directorate has a matrix of general risks, a matrix of specific risks, and a qualitative questionnaire. The ICS manual provides information on defining the controls and measuring their effectiveness.
30. Following recommendation No. 2 in the report of 31 August 2022 (No. 21481), the International Bureau updated the descriptions of checks, the proof of checks and their frequency in the matrices. These matrices are not based on cross-functional processes, but rather on the responsibilities of each directorate for several financial processes (in silos). In 2024, with the support of the Internal Auditor, the International Bureau began a review of the risks presented in the matrix of specific risks. The aim was to prepare flow diagrams and present a cross-functional analysis.
31. The International Bureau is not planning to change its practice with regard to the general risks matrix. The SFAO noted that the assessment of identical risks sometimes varies significantly between directorates.

## SFAO ASSESSMENT

The consolidated risk and control matrices at the beginning of 2024 still do not meet the objectives of an effective and efficient ICS.

To present a reliable picture of the UPU's risk exposure, the consistency of the matrices relating to general risks should be ensured, and the matrices for specific risks should be presented in a cross-functional manner.

Recommendation No. 2 of the report of 31 August 2022 (No. 21481) is still being implemented.

## COMMENT BY THE DIRECTOR GENERAL

Various measures have been taken to implement recommendation No. 2 of the report of 31 August 2022 (No. 21481), and are still ongoing. Ten mega-processes have been identified and communicated to the External Auditor. The matrix of processes for expenditure and debts (procurement management, accounts payable and expenses) has now been completed. Two other matrices have been planned for 2025. Given the limited resources, developing the 10 matrices for the mega-processes will require additional time. However, these matrices will form the basis of the Director General's statement on internal control, in line with the three-step approach approved by the Council of Administration in 2024.

### *Information and communication*

32. The International Bureau intranet shows administrative instructions pre-dating 2000 as still being in force. Some of the practices referred to in these administrative instructions are now obsolete. Their publication contravenes practice 14 of the ICS manual: "Sufficient internal information is provided on the internal control system".

33. In 1999, the UPU Director General informed the English, Arabic and Portuguese translation services of the applicability of the articles of the UPU Financial Regulations and the UPU Staff Regulations. The translation services administered by the International Bureau have not received any updates, while the UPU rules have evolved.

## SFAO ASSESSMENT

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Establishing and maintaining clear rules is a prerequisite for a healthy control environment. For each internal rule, it is necessary to define a responsibility and a maximum period without updating. This observation echoes the failure to update the accounting manual mentioned in the section "Processes for closing the accounts, consolidation and preparation of the consolidated financial statements".

## RECOMMENDATION 2

**PRIORITY LEVEL 2**

For each internal rule, the SFAO recommends that the UPU define a responsibility and a maximum period without updating.

## COMMENT BY THE DIRECTOR GENERAL

The recommendation is accepted.

Administrative instructions will be revised every eight years. The revision process and responsibilities will be formalized via an internal memorandum.

Planned date of implementation: December 2025, DACAB.

### *Monitoring of controls*

34. The ICS manual provides for assessments to be performed on the system, such as examination of documentation relating to the system, hearings, observations, checks and/or processing tests (practices 17 and 18 of the ICS manual). Monitoring as defined by practices 17 and 18 of the ICS manual has not been fully implemented.
35. Practices 19 and 20 of the ICS Manual deal with reporting on the state of the internal control system. The results of the risk and control self-assessment are presented to the International Bureau's directorates and to the Executive Management. The Oversight Advisory Committee prepares an annual status report on the internal control system for the Council of Administration.

## SFAO ASSESSMENT

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The SFAO believes that the Governance and Internal Control Programme's oversight of the internal control system tends towards coordination and compilation of risk analyses. The SFAO encourages the UPU to strengthen the implementation of practices 17 and 18, aimed at monitoring controls.

## 2.2 General IT controls

36. During the interim audit at the end of 2024, the SFAO carried out an audit of general IT controls. The enterprise resource planning (ERP) application related to these controls is the Dynamics NAV system (Navision), which is the main system used to support financial processes. In terms of the financial ICS, the general IT controls cover the following areas:

- Change management;
- Access rights and information security;
- IT operations

### *Change management*

37. The controls relating to change management must provide reasonable assurance that the modifications made to existing IT resources are registered, authorized, tested, approved and documented.

38. During the audit processes, evidence of which user made a change and which user implemented it in the production environment was not available. Tests are not systematically documented (e.g. test plans, test results). Production release authorizations are not systematically documented.

## SFAO ASSESSMENT

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Without documentation, the efficacy of change management is not guaranteed and cannot be approved.

Recommendation No. 3 from the 31 August 2022 report (No. 21481) has not been implemented.

## COMMENT BY THE DIRECTOR GENERAL

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As part of the update of the ERP Navision system, its technical oversight will be transferred to the Postal Technology Centre Directorate, which will be tasked with formalizing and documenting change management. Recommendation No. 3 of the 31 August 2022 report (No. 21481) will thus be implemented.

Deadline: July 2026.

### *Access rights and information security*

39. The controls relating to access rights and information security must provide reasonable assurance that access to data files and programs is restricted to authorized persons.

40. Following the 2021 audit recommendation on password security, the International Bureau reviewed its policy against National Institute of Standards and Technology (NIST) best practice. The recommendation on password expiry is no longer included. The SFAO notes that multifactor authentication, as recommended by these best practices, has not been implemented by the International Bureau.

## SFAO ASSESSMENT

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Audit recommendation No. 4 of 31 August 2022 (No. 21481) has been only partially implemented.

## COMMENT BY THE DIRECTOR GENERAL

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Multifactor authentication has now been implemented at the International Bureau at IT administrator level. Once the current project to update the integrated management platform is complete, multifactor authentication will be implemented at application level.

Deadline: July 2026.

### *Monitoring of controls*

#### *IT operations*

41. The controls relating to IT operations must provide reasonable assurance that any incidents in the system are recorded, examined and resolved and that safeguards are in place.
42. As regards monitoring of work programme execution, the SFAO found that the job queue parameters do not allow job log entries to be observed over more than 30 to 60 days. However, errors are systematically recorded even if they have occurred over more than 60 to 90 days. In 2023, the restarting of the system resolved two incidents. However, no formal proof of this was provided to the SFAO. The configuration was identical in 2024. In the event of successful execution, the job logs are deleted after 60 days.

## SFAO ASSESSMENT

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The SFAO is of the view that the resolution of errors cannot be confirmed without evidence.

Audit recommendation No. 1 of 30 August 2024 (No. 23369) has been only partially implemented.

### 2.3 Account closure, consolidation and financial statement preparation procedure

43. Accounting and the preparation of the consolidated financial statements are based on an accounting manual. This was last updated in 2019. It does not incorporate the new IPSAS standards, in particular IPSAS 41, Financial Instruments.

## SFAO ASSESSMENT

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The SFAO regards any accounting manual as a reference basis for accounting and the preparation of financial statements. Without issuing a recommendation, the SFAO expects the International Bureau to update its manual in line with the new IPSAS standards now in force.

44. When consolidating the various accounts, inter-company transactions are eliminated. As in previous years, these eliminations are not automatically performed by the consolidation module in Navision ERP. The International Bureau prepares entries manually and enters them in Navision. Inter-company transactions are identified by extracting accounting transactions based on their area of analysis. Some inter- and intra-company transactions are not designated as such in Navision. This makes it impossible to identify and eliminate them (see §§ 84 and 92). For certain known transactions (e.g. USPS contributions), the UPU enters inter-company eliminations without prior extraction from the system. According to information provided by the UPU, an automated solution is provided by ERP but is not used.

## 🔍 SFAO ASSESSMENT

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All inter-company and intra-company transactions must be identified by cost allocation. This also applies to accruals and transfers between funds. This is a prerequisite for the implementation of Recommendation No. 2 of 30 August 2024 (No. 23369). This recommendation has not been implemented. An automated process would reduce the risk of error and improve the efficiency of the preparation of the consolidated financial statements.

45. As in previous financial years, the mapping of certain accounts or positions differs between the individual balances, the consolidation file and the financial statements. For example, certain accounts are presented as own funds in the entity's individual balance sheet, whereas they are classified as liabilities in the consolidation and in the financial statements. The SFAO asked the UPU to reclassify other income received in advance from the PTC as deferred revenue in order to guarantee the principle of comparability (see § 92).

## 🔍 SFAO ASSESSMENT

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Consistent classification of accounts by financial statement heading directly at individual balance level would bring clarity and transparency to the process of preparing the consolidated financial statements. This would cut down on the manual tasks involved in drawing them up, offer greater potential for automation, reduce the risk of error, ensure comparability of positions between different financial years, and increase in-house understanding of accounting.

Recommendation No. 3 from the 30 August 2024 report (No. 23369) has not been implemented.

## 3 MAIN RESULTS OF THE AUDIT OF 2024 CONSOLIDATED FINANCIAL STATEMENTS

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46. The audit related to the 2024 consolidated financial statements of the UPU (French version). These statements comprise the statement of financial position (financial statement I), the statement of financial performance (financial statement II), the statement of changes in net assets (financial statement III), the statement of cash flow (financial statement IV), and the statement of comparison of budget and actual amounts (financial statement V), together with the notes attached to the financial statements. These consolidated financial statements are presented in accordance with IPSAS.
47. The SFAO considers the 2024 consolidated financial statements of the UPU to have been prepared in compliance with IPSAS. It is therefore able to issue an audit opinion without reservation.
48. In addition to the aspects highlighted by the SFAO in the section on the ICS, it has also identified other areas of improvement. The findings are presented in the following paragraphs.

### 3.1 Analysis of accounting data

49. In auditing the consolidated financial statements, the SFAO performed analytical procedures and detailed tests. As in previous years, it performed a journal entry testing (JET) analysis.
50. The analysis focused on all individual Union accounts. The results of these analyses were processed by the SFAO, and the additional work did not reveal any particular problems.

### 3.2 Implementation and conformity with IPSAS

51. The IPSAS Board has published two new standards which took effect after 31 December 2024:
  - IPSAS 43: Leases (came into force on 1 January 2025);
  - IPSAS 44: Non-current Assets Held for Sale and Discontinued Operations (came into force on 1 January 2025);
  - IPSAS 45: Property, Plant, and Equipment (came into force on 1 January 2025);
  - IPSAS 46: Measurement (came into force on 1 January 2025);
  - IPSAS 47: Revenue (coming into force on 1 January 2026);
  - IPSAS 48: Transfer Expenses (coming into force on 1 January 2026);
  - Changes to IPSAS 43, 47 and 48, Concessionary Leases and Other Arrangements Similar to Leases (coming into force on 1 January 2027);
  - IPSAS 49: Retirement Benefit Plans (coming into force on 1 January 2026);
  - IPSAS 50: Exploration for and Evaluation of Mineral Resources (coming into force on 1 January 2027).

## SFAO ASSESSMENT

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The introduction of IPSAS 43, Leases, will not have a significant impact on the UPU's financial statements.

In IPSAS 45, Property, Plant, and Equipment, heritage assets are no longer excluded from the scope of the standard. According to the preliminary study carried out by the UPU, the heritage assets held by the organization, such as the stamp collection, do not meet the criteria for capitalization. They will be presented in an annex to the financial statements. The UPU still needs to adapt the documentation for its analysis.

IPSAS 47, Revenue, redefines the accounting principles for recognition of revenue. The impact of this new standard could be significant for the UPU in terms of the recognition of the various categories of revenue generated by the organization, such as statutory contributions, other annual contributions, voluntary contributions and sales.

IPSAS 48, Transfer Expenses, could have a significant impact on the accounting of the organization's expenses, particularly project expenses.

The changes to IPSAS 43, and 47, Concessionary Leases and Other Arrangements Similar to Leases, could have an impact on the financial statements in relation to the building rights granted free of charge by the City of Berne for the use of the land.

The introduction of IPSAS 44, 46, 49 and 50 will have no major impact on the UPU's financial statements.

The UPU should continue to analyze and assess the impact of these new standards on the organization's financial statements. It should continue preparing for their implementation.

### 3.3 Operational continuity

52. Under the going concern assumption, it is presumed that an organization will be continuing in its operations for the foreseeable future. The financial statements were prepared on the basis of this assumption.
53. The level of liquid assets and current investments is an important indicator in analyzing the UPU's ability to continue as a going concern. The consolidated financial statements again show an upward trend in consolidated cash and cash equivalents in 2024. Given the financial policy of the International Bureau, current investments must be taken into account when analyzing the organization's financial situation. Considering the current investments, the organization was in a position to honour its current liabilities at 31 December 2024. At 31 December 2023, cash and current investments reached a particularly high level because of the short-term classification of bonds held by the QSF with a value of 71,227,088 CHF maturing in 2024. The freely available liquid assets of the Union, which have increased in recent years, cover its current liabilities.

	2024	2023	2022	2021	2020
<b>Cash and cash equivalents</b>	39,454,565	34,667,167	33,558,447	47,511,785	60,075,614
<b>Current investments</b>	78,263,751	124,945,588	68,537,321	87,770,689	56,465,725
<b>Total</b>	<b>117,718,316</b>	<b>159,612,755</b>	<b>102,095,768</b>	<b>135,284,495</b>	<b>116,543,359</b>
<b>Current liabilities, excluding advances and deferred revenue</b>	<b>27,015,597</b>	<b>22,666,020</b>	<b>44,591,937</b>	<b>34,054,210</b>	<b>30,092,085</b>
<b>Liquid assets freely available to the Union</b>	38,402,026	35,325,143	32,025,408	29,346,918	19,428,535
<b>Current Union liabilities, excluding advances and deferred revenue</b>	12,826,227	12,740,987	12,733,268	12,896,569	11,700,647

54. The recapitalization of the UPU Provident Scheme is having a major impact on the level of the Union's liquid assets. The Union has a guarantee obligation vis-à-vis the Provident Scheme, and several payments have been made in recent years, with the aim of bringing the Scheme's degree of coverage up to the minimum level provided for in the Provident Scheme Constitution.

55. Since 2020, the UPU has paid the entire annual financial guarantee of 3.7 million CHF into the UPU Provident Scheme. The UPU Provident Scheme achieved a coverage rate of 92.0% at 31 December 2024 (83.4% at 31 December 2023), meeting the minimum coverage requirement of 85% in 2025 under article 5bis.2 of the Provident Scheme Constitution. The 2021 Congress decided to fully recapitalize the institution over a period of 25 years in two consecutive stages, in order to ensure the continuity of the UPU Provident Scheme:
- up to a coverage rate of 85% by the end of the Abidjan Congress cycle (2025); and
  - up to a coverage rate of 100% by 2045 at the latest, subject to a re-assessment of the Union's financial position and, as the case may be, the recapitalization timeline.
56. Since the 2023 financial year, the translation services and the other UPU entities (PTC, EMS, UPU\*Clearing and IRC) have contributed to the financing of the annual financial guarantee of 3.7 million CHF, in accordance with the decisions of the Council of Administration.
57. Under article 29 of the UPU Convention on self-declaration of rates, the United States of America (United States Postal Service – USPS) is required to pay a fee of 40 million CHF to the Union over five years from 2020. This fee is allocated as follows: 16 million CHF to a UPU tied fund for the implementation of projects on electronic advance data exchange and postal security, and 24 million CHF to a tied fund to cover the long-term liabilities of the Union.
58. The 16 million CHF portion has no impact on the readily available liquid assets of the Union, being earmarked for project funding. The remaining 24 million CHF is allocated to recapitalizing the UPU Provident Scheme. USPS paid the final instalment of 8 million CHF in 2024: 4,988,670 CHF allocated to implementation of projects; and 3,011,330 CHF for the tied fund covering the long-term liabilities of the Union. The Union has directly transferred this amount to the Provident Scheme.
59. The External Auditor's report on the UPU Provident Scheme's financial statements at 31 December 2024 mentions the need to continue the recapitalization effort in order to restore the Scheme's financial situation on a long-term basis, since its risk capacity remains limited. The positive factors seen in 2024 are not guaranteed in the coming years.
60. The renovation work to be done on the building constitutes another factor adversely affecting the readily available liquid assets of the Union. Initial studies in 2019 estimated the investment needed at 36.5 million CHF. The organization is unable to provide the initial investment for this work itself. The International Bureau is in contact with FIPOI [the Swiss Foundation for Buildings for International Organizations] and the Swiss Federal Department of Foreign Affairs, with a view to obtaining financing from the host country. Depositing a loan request requires an estimate of the project costs to be drawn up with a margin of error of +/-15%.
61. Contributions from member countries are the principal funding source for the regular budget. The distribution of member countries according to their contribution class does not result in any significant economic or financial dependence of the organization on any particular member country. Twelve member countries fund a little over half the regular budget. The biggest contributor – the United States – represents 6.9% of contributions.
62. The SFAO notes that the recovery of debts has proven difficult for a number of years. The amount of unpaid debt is significant, with the provision for doubtful debts standing at 37.3 million CHF at the end of 2024. The SFAO reminds the International Bureau that the issue of debt recovery is of capital importance. The 2021 Congress approved an amendment to article 147 of the General Regulations, aimed at improving the recovery of debts. This came into force on 1 July 2022. The General Regulations allow a member country to be released from its debts in arrears and the automatic sanctions imposed against it to be lifted immediately, subject to:
- payment of an amount at least equivalent to one half of the total amount of debts in arrears (excluding any interest incurred thereon) owed by that member country; or
  - payment of the last five years of mandatory contributions to the Union's annual expenditure (including the current financial year and excluding any interest incurred thereon).

63. In 2024, the Council of Administration lifted the sanctions on four member countries. Thanks to these provisions, over the past five years the Union received 444,000 CHF from these four countries. However, this amount remains marginal compared to the Union's gross receivables balance, which stood at 59.7 million CHF at 31 December 2024. These four countries' debts were set aside to the tune of 4.3 million CHF. Since these provisions came into force, the International Bureau has set aside 14.1 million CHF in receivables from 16 member countries. The expected credit loss on these receivables is estimated at 100%.

## SFAO ASSESSMENT

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The SFAO considers the going concern assumption to be appropriate at 31 December 2024. There is no material uncertainty that might cast significant doubt on the organization's ability to continue in its operations.

Nevertheless, the UPU's financial situation must continue to be monitored attentively. Possible additional financial measures to recapitalize the Provident Scheme, as well as to finance the building renovation, could have a significant impact on the organization's liquid assets. Debt recovery remains a decisive factor for the organization's liquidity, and it should continue to be monitored regularly, if not strengthened.

### 3.4 Investments

64. Current investments amounted to 78.3 million CHF at the end of 2024. Non-current investments totalled 54.7 million CHF. In 2023, all investments, including bonds held by the QSF of 71.2 million CHF, were short-term owing to their maturity. The QSF's bond portfolio was renewed in 2024 with longer-term maturities.
65. The SFAO did not identify any material misstatements in the investments at 31 December 2024.

### 3.5 Accounts receivable (exchange and non-exchange transactions)

66. Current receivables (from both exchange and non-exchange transactions) represented a net value of 41.8 million CHF (44.2 million CHF at end 2023). In 2024 the American operator USPS paid the residual debt of 8.0 million CHF arising from the agreement to fund the UPU Provident Scheme and specific projects on postal security.
67. During its audit, the SFAO carried out various checks on accounts receivable. The SFAO checked in particular the application of the provisions of the General Regulations concerning the imposition of sanctions on member countries, as well as the valuation of open debts at 31 December 2024 in line with IPSAS 41.
68. The International Bureau checks the risks of member countries being placed under sanctions on the basis of data and formulas entered in an Excel file. This process is manual. The SFAO identified inconsistencies in the contribution units and assessment rates between this Excel file and the Navision accounting system. The control formulas applied are inconsistent.

## SFAO ASSESSMENT

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These inconsistencies had no impact on the outcome of the analysis of the risk of member countries facing sanctions at 31 December 2024. The SFAO calls on the UPU to pay greater attention to the accuracy of the data used and to apply the verification formulas uniformly.

69. When IPSAS 41, Financial Instruments, was introduced on 1 January 2023, the UPU overvalued the provision for expected credit losses related to the Union's regular contributions. The UPU recalculated it and restated the 2023 comparative financial statements. The result is an increase in net receivables of 4.9 million CHF at 31 December 2023, a decrease in financial costs for 2023 of 1.4 million CHF, and a reduction in the accumulated deficit of the Union's funds at 1 January 2023 of 3.5 million CHF.
70. At 31 December 2024, the outstanding QSF receivables of 995,332 CHF were provisioned in the amount of 837,436 CHF. The QSF invoiced Sweden for its 2024 contribution to the Common Fund on the basis of the volumes of mail exchanged with the various postal operators in 2021. The contribution billed for 2024 was 802,795 USD (723,318 CHF). Sweden contested the volumes exchanged with Brazil and requested that the QSF billing be corrected. Sweden agreed to pay a contribution of 68,191 USD (61,440 CHF). As the deadline for appeals had passed, the QSF refused to make changes. The QSF provisioned the entire outstanding debt with Sweden. Discussions with Sweden are still ongoing.
71. The SFAO found no material misstatements regarding the valuation of receivables at 31 December 2024 in accordance with IPSAS 41, Financial Instruments.
72. The SFAO proposed reclassifications between accounts receivable relating to non-exchange transactions and those relating to exchange transactions (see § 92). These reclassifications concern contributions receivable from the Postal Payment Services User Group (PPSUG) and accounts receivable from the Telematics Cooperative.
73. The SFAO verified the cancellation of interest on accounts receivable. Article 147.6 of the General Regulations allows Congress or the Council of Administration to release a member country from all or part of the interest owed if that country has paid the full capital amount of its debts in arrears. In 2024, one member country paid its arrears of debts along with part of the interest. The Council of Administration agreed to release it from the interest due. The DFI subsequently cancelled the interest of 44,213 CHF already paid, without the Council of Administration's approval.

## SFAO ASSESSMENT

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The provisions of article 147.6 of the General Regulations were not respected, since the Council of Administration did not approve the release from interest already received by the Union. The interest cancelled by the DFI was not interest due. The DFI should have requested the approval of the CA Chair between sessions. The SFAO expects this authorization to be obtained.

## COMMENT BY THE DIRECTOR GENERAL

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The request to cancel the interest was approved by the Chair of the Council of Administration on 15 July 2025.

### 3.6 Accounts payable and accrued expenses

74. Accounts payable and accrued expenses of 15.5 million CHF include accrued liabilities.
75. Since 2017, the UPU has recorded an accrued liability for accrued expenses towards the Russian Translation Service. The International Bureau no longer receives any bills for the services provided by that entity. The balance thus rises each year, amounting to a substantial sum at 31 December 2024.

The accrued liability at 31 December 2024 reflects the value of the services provided to the International Bureau by the Russian Translation Service between 2017 and 2024. The SFAO asks the UPU to clarify the situation in 2025 regarding the long-term absence of billing and the applicable time limits. The accrued liability should be adjusted accordingly.

### 3.7 Employee benefits

76. Short-term employee benefits of 2.6 million CHF mainly comprise provisions for annual leave and overtime. Owing to an accounting error, the provision was under-valued by 76,973 CHF at 31 December 2024 (see § 92).
77. Actuarial liabilities relating to pensions and various other UPU employee benefits are accounted for in accordance with IPSAS 39 and presented on a long-term basis. The actuarial analysis was performed by the UPU consultant actuary.
78. Long-term employee benefits, calculated using the projected unit credit method, are shown as a liability on the balance sheet in the amount of 202.0 million CHF. The two most significant liabilities concern net obligations to the Provident Scheme (154.3 million CHF) and after-service health insurance (45.2 million CHF). The increase in these two liabilities resulted mainly from a net actuarial loss of 20.1 million CHF.
79. The SFAO examined the application of IPSAS 39, the completeness and accuracy of the data used as a basis for the actuary's calculations, the assumptions used, and the entries into the accounts. The SFAO found no material misstatements regarding long-term employee benefits.
80. The cumulative actuarial gains and losses of 73.9 million CHF presented in note 12 to the financial statements did not reconcile with the individual balances. This discrepancy had no impact on the compliance of the financial statements with IPSAS. In order to reconcile the accounts with the financial statements, the UPU adjusted the individual balances at 31 December 2024 (see § 92).

### 3.8 Deferred revenue

81. Deferred revenue totalled 87.1 million CHF at the end of 2024 (85.1 million CHF at the end of 2023). It mainly represents statutory contributions billed in advance, and tied funds received from third parties.
82. Benefits billed in advance included advance payments from one customer of 390,223 CHF. In the course of the 2024 financial year, the PTC carried out work relating to these advance payments. The International Bureau recorded a prepaid expense and a sale for 212,802 CHF. The advances were not deducted. The SFAO proposed an audit adjustment (see § 92).

### 3.9 Sales

83. Sales mainly comprise POST\*CODE and WNS sales, along with services provided by the Telematics Cooperative. They totalled 12.9 million CHF in 2024.
84. The audit procedures on sales identified inter- and intra-company transactions that had not been eliminated in the consolidated financial statements (see §§ 44 and 92).

### 3.10 Staff expenses

85. Staff expenses, which amounted to 47.6 million CHF in 2024, represent the largest expenditure item of the UPU (58% of its total expenditure). The number of full-time-equivalent employees remained stable compared with 2023 (243 at 31 December 2024 compared to 234 at 31 December 2023).
86. The SFAO found no material misstatements regarding staff expenses at 31 December 2024.

### 3.11 Financial costs and financial revenue

87. Financial revenue includes interest on deposits and bank accounts. The Union reallocates part of the interest that it receives to the various UPU entities. Interest repaid to consolidated entities is eliminated in full. Interest allocated to the Social Fund and to the translation services' current accounts is shown under financial costs for 226,265 CHF (see § 92).

#### SFAO ASSESSMENT

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This internal reallocation of interest does not represent a cost for the UPU. Interest allocated to the Social Fund and to the translation services' current accounts needs to be presented net with income in the financial revenue.

### 3.12 Exchange gains and losses

88. The initial version of the 2024 consolidated financial statements showed foreign exchange gains of 14.2 million CHF and foreign exchange losses of 12.2 million CHF. The SFAO was struck by the significant and unexpected increase in these positions. It put in place specific audit processes.
89. Reclassifications in the accounts held in USD at the time of the annual closing resulted in unjustified exchange gains and losses of 7.4 million CHF (see § 92).
90. The SFAO identified a significant foreign exchange impact in February 2024 due to a transaction recorded and converted at a different exchange rate to that applicable. The monthly revaluation of the balance sheet accounts was overvalued by 750,000 CHF (see § 92). The application of a different exchange rate was not justified.

#### SFAO ASSESSMENT

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Analytical review of the financial statements would enable the International Bureau to identify this type of error. The SFAO encourages the UPU to implement such analysis during the quality review of the financial statements.

#### COMMENT BY THE DIRECTOR GENERAL

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While analysis of the operational elements in the financial statements is conducted regularly throughout various stages of the annual account closure process (e.g. for accounts receivable), a global analytical review of the financial statements will be included in the work programme of the annual account closure process. This review will be conducted after the other closure activities but before the start of the final audit.

Deadline: April 2026.

## 4 LIST OF ADDITIONAL ENTRIES

91. Misstatements, including omissions, are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The SFAO considers an individual misstatement to be material if it exceeds 64,000 CHF. The impact of misstatements in the interpretation of the financial statements as a whole is considered material if it exceeds 800,000 CHF in total.

### 4.1 Additional adjusted and unadjusted entries

92. The following table presents the additional entries noted during the audit. The UPU recorded all the entries.

Description	Effect on result (CHF)	Effect on net assets (CHF)
Balance before additional entries	5,267,358	(143,165,494)
<i>Additional corrected entries</i>		
Inappropriate balance sheet classification of contributions receivable from the PPSUG (107,566 CHF, restatement of comparative figures totalling 40,878 CHF, see § 72)	–	–
Misstatement of PTC receivables between non-exchange and exchange transactions (118,176 CHF, see § 72)	–	–
Salary advances for the English Translation Service booked to the Union (20,000 CHF)	–	–
Provision for annual leave and overtime undervalued (76,973 CHF, see § 76)	(76,973)	(76,973)
Incorrect allocation of cumulative actuarial gains and losses (1,704,813 CHF, see § 80)	–	–
PTC deferred revenue and prepaid expenses overvalued (212,802 CHF, see § 82)	–	–
Incorrect presentation of other income received in advance from the PTC (146,111 CHF, see § 45)	–	–
Adjustment of funds-in-trust held for the translation services following an adjustment in the translation service accounts (1,830 CHF).	–	–
Incorrect elimination of PTC inter-company sales (169,090 CHF, see §§ 44 and 84)	–	–
Non-elimination of POST*CODE inter- and intra-company sales (302,568 CHF, see §§ 44 and 84)	–	–
Inappropriate gross reporting of the reallocation of interest on cash flows (226,265 CHF, see § 87)	–	–
Overvalued foreign exchange gains and losses (7,371,830 CHF, see § 89)	–	–
Transfer between bank accounts converted at incorrect exchange rate (750,000 CHF, see § 90)	–	–

Description	Effect on result (CHF)	Effect on net assets (CHF)
Balance after additional entries (according to financial statements)	5,190,385	(143,242,468)
<i>Additional uncorrected entries</i>		
None	–	–
Impact of additional entries from previous financial period corrected during current financial period		
Depreciation of intangible assets	78,584	–
Balance after all additional entries	5,268,969	(143,242,468)

## 4.2 Insufficient information or incorrect presentation

93. The SFAO identified a few errors in the annex to the consolidated financial statements 2024 following insufficient or incorrect information. All material misstatements have been corrected.

## 5 AUDIT RECOMMENDATIONS

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94. The recommendations made within the framework of previous account closure and financial monitoring audits have been followed up and their implementation status was reviewed at the end of May 2025. The audit recommendations concerning general IT controls were only followed up in December 2024.
95. Of the 21 open recommendations, four have been implemented. Implementation of the other 17 open recommendations is in progress.

### 5.1 Recommendations implemented

96. The SFAO considers the following recommendations to have been implemented since the last audit.

Audit report			Recommendations		
No.	Date	Subject	No.	Type	Unit
22365	31.08.2023	Audit of consolidated financial statements 2022	3	IT	DCTP
22365	31.08.2023	Audit of consolidated financial statements 2022	4	IT	DCTP
23369	30.08.2024	Audit of consolidated financial statements 2023	4	FS	DFI
23369	30.08.2024	Audit of consolidated financial statements 2023	7	FS	DFI

### 5.2 Recommendations still outstanding

97. The monitoring carried out by the SFAO showed that the following recommendations remain open.

Audit report			Recommendations			
No.	Date	Subject	No.	Type	Unit	Initial planned date of implementation
20338	24.08.2020	Audit of consolidated financial statements 2019	4	Management	DL	31.12.2021
21481	31.08.2022	Audit of consolidated financial statements 2021	2	FS/Management	DACAB	30.11.2022
21481	31.08.2022	Audit of consolidated financial statements 2021	3	IT	DCTP	31.12.2022
21481	31.08.2022	Audit of consolidated financial statements 2021	4	IT	DCTP	31.12.2022
22365	31.08.2023	Audit of consolidated financial statements 2022	5	FS/Management	DACAB	31.05.2024
22365	31.08.2023	Audit of consolidated financial statements 2022	8	Management	DRH	31.12.2024
23372	06.11.2023	Audit of procurement processes	1	Management	DAJ	31.05.2024
23372	06.11.2023	Audit of procurement processes	2	Management	DACAB	31.05.2024
23372	06.11.2023	Audit of procurement processes	3	Management	DAJ	31.05.2024
23369	30.08.2024	Audit of consolidated financial statements 2023	1	IT	DCTP DFI	30.06.2026
23369	30.08.2024	Audit of consolidated financial statements 2023	2	FS	DFI	30.06.2026
23369	30.08.2024	Audit of consolidated financial statements 2023	3	FS	DFI	30.06.2026
23369	30.08.2024	Audit of consolidated financial statements 2023	5	FS	DFI DOP DPRM DCDEV DACAB	31.12.2026
23369	30.08.2024	Audit of consolidated financial statements 2023	6	FS	DFI DOP	31.12.2025
23369	30.08.2024	Audit of consolidated financial statements 2023	8	FS	DFI	31.12.2026
24805	07.01.2025	Audit of governance of projects funded by voluntary contributions.	1	Management	DAJ DACAB DFI DOP DPRM DCDEV	31.12.2025

Audit report			Recommendations			
No.	Date	Subject	No.	Type	Unit	Initial planned date of implementation
24805	07.01.2025	Audit of governance of projects funded by voluntary contributions.	2	Management	DCDEV DACAB DAJ	31.12.2025

Berne, 26 August 2025  
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