



## Annual reporting 2024 – Internal Audit

Council of Administration - 04 November 2024 - Bern

IA Report 03-2024

To: Mr. Metoki; Oversight Advisory Committee; External Auditor

Cc: Mr. Osvald; Mr. Boussard; Mrs. Fu



November 4, 2024

Dear Mr. Metoki,

Following your approval of the audit plan for fiscal year 2024 at the end of March 2024 and subsequent discussion with the senior management, I am delighted to present the **current outcomes of our internal audit activities for the fiscal year 2024**. The purpose of this report is to offer a comprehensive overview of past, present, and future internal audit activities at UPU, encompassing internal audit planning, audits conducted, and follow-up activities undertaken thus far in 2024.

We are eager to delve into the details of this report with you and work together to contribute to the achievement of UPU's objectives through effective and systematic assurance.

If you have any questions or require additional information, please do not hesitate to contact us.

Best regards,

  
Kathleen Tench

  
Olivier Lagrange

Deloitte SA

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# 1. Internal audit at UPU



## Internal audit function

The internal audit charter establishes that "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".

## Outsourcing of the internal audit mandate

Following a competitive tender process for the UPU internal audit, Deloitte was chosen by the Tender and Procurement Committee to assume the internal audit function for the upcoming six-year period from 2024 to 2029.

Beside the fact that Deloitte is the world's largest professional services firm, we are also proud to be **one of the largest professional services suppliers to the public sector**. We collaborate daily with the International Organisations in the public and private sector. For example,

World Health organisation (WHO)	United Nations High Commissioner for Refugees (UNHCR)	WIPO's (World Intellectual Property organisation)	United Nations Office for Project Services (UNOPS)	United Nations Procurement Division (UNDP)	United Nations World Food Programme (UNFPA)
UNITAID	UNAIDS	The Global Fund	United Nations System Staff College (UNSSC)	United Nations Environment Programme (UNEP)	United Nations Educational, Scientific and Cultural organisation (UNESCO)
International Committee of the Red Cross (ICRC)	International Federation of Red Cross and red Crescent societies (IFRC)	Gavi the Vaccine Alliance	UN Women	United Nations Framework Convention on Climate Change (UNFCCC)	World Food Programme (FAO)
International organisation for Migration (IOM)	United Nations Children's Fund (UNICEF)	Roll Back Malaria	United Nations Joint Staff Pension Fund (UNJSPF)	World Economic Forum	UN Secretariat
Drugs for Neglected Diseases Initiative (DNDI)	Foundation for Innovative New Diagnostics (FIND)	International Labor organisation (ILO)	Department for International Development (DFID)	European Patent Office	Independent Inquiry Committee into the UN Oil-for-Food Programme (ICQ)
Geneva Centre for Security Policy (GCSP)	Millennium Foundation for Innovative Finance and Health	International Union for the Conservation of Nature and Natural Resources (IUCN)	World Bank	United States Agency for International Development (USAID)	Centers for Disease control & Prevention (CDC)
CARE International	World Trade organisation (WTO)	World Business Council for Sustainable Development	UMOJA	European Union/Commission	Gates Foundation

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Deloitte Switzerland covers the 6 major industries in Switzerland, including **Government & Public Services**; we employ 2,183 professionals, among which over **100 experts ready to support UPU and its internal audit activities**.

### Internal audit within UPU risk management framework

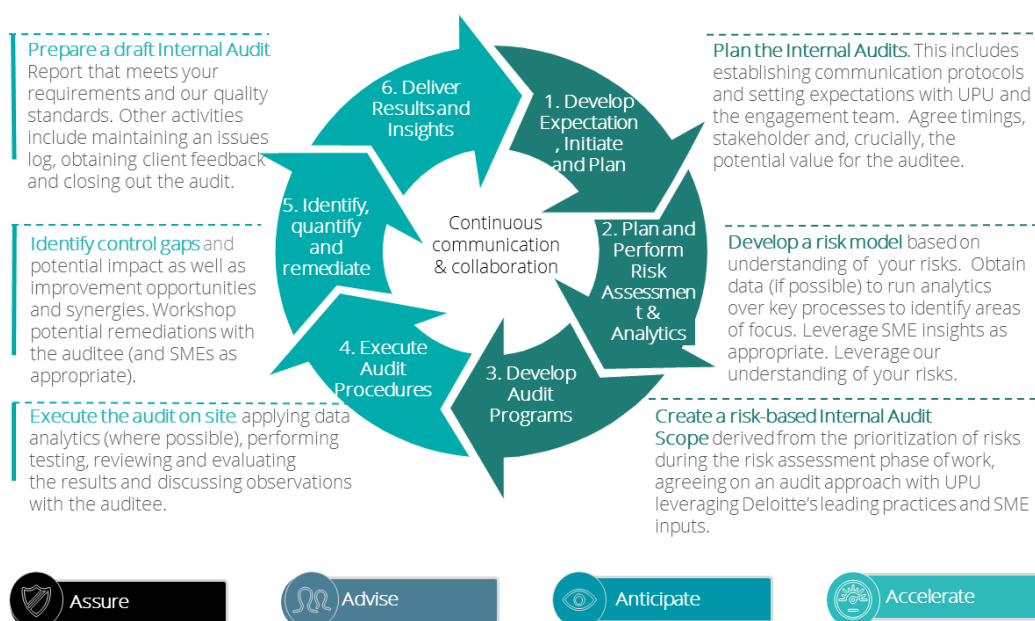
The above-mentioned charter states that "the internal auditing requirement is defined in the UPU as an independent function providing **assurance to the Director General, and through him/her to the governing bodies, that the organization is managed effectively, efficiently and economically**. Accordingly,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

As such, the internal audit forms part of the wider UPU risk management framework that is based on the concept of the "three lines of defence", ensuring effective oversight, control, and assurance across the organization.

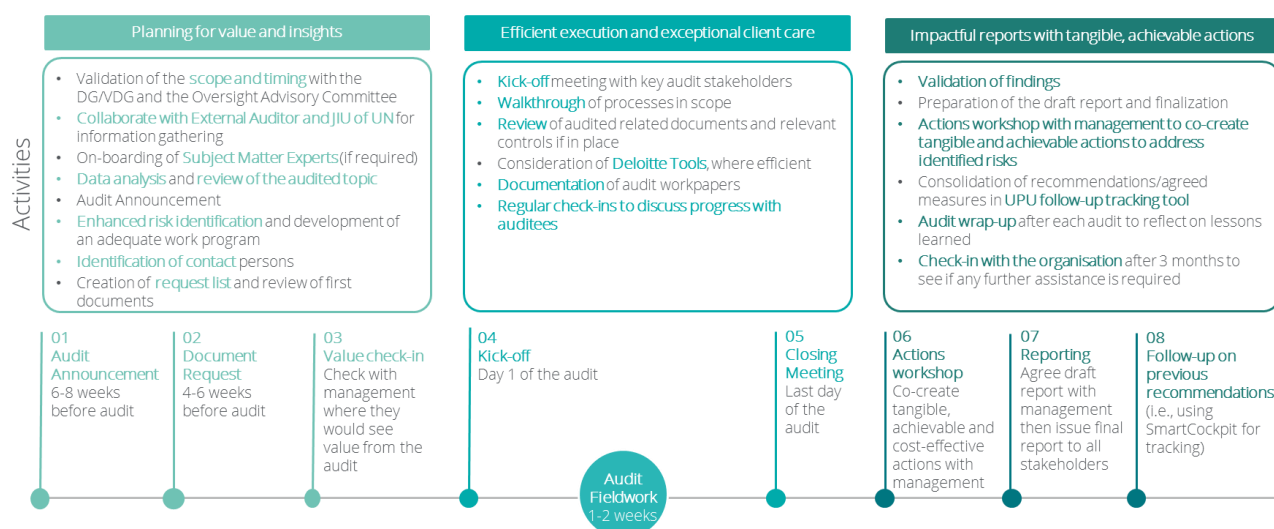
The UPU framework is outlined below:



Based on Deloitte's global IA Methodology, we will focus on bringing an innovative, risk-based and value-oriented approach to UPU.



For any assignment, we follow a similar approach to ensure that **UPU gets the expertise it requires to strengthen its governance, risk management and control environment:**



## Initial 6-year audit plan

After a thorough review of pertinent documents and interviews with senior management and external stakeholders, including the external auditor, le Contrôle fédéral Des Finances (CDF) and the previous internal audit partner, BDO, we have developed a preliminary understanding of UPU's strategy, governance, and process management. Complemented with a systematic risk assessment, this understanding has enabled us to propose our initial 6-year audit plan.



As of the date of this report, the audit plan, which **addresses the most significant risks of UPU**, is as follows:

Proposed scope	Risks covered <sup>(1)</sup>						
	<ul style="list-style-type: none"> <li>Inadequate talent acquisition &amp; retention (R4)</li> <li>Inadequate people development &amp; performance (R6)</li> <li>Inefficient resource allocation (R8)</li> </ul>	<ul style="list-style-type: none"> <li>Decreased relevance (R1)</li> <li>Inefficient resource allocation (R8)</li> <li>Ineffective performance monitoring (R9)</li> </ul>	<ul style="list-style-type: none"> <li>Decreased relevance (R1)</li> <li>Inappropriate ext. stakeholder mgmt. (R3)</li> <li>Inability to innovate products &amp; services (R5)</li> <li>Negative macro-social environment (R16)</li> <li>Poor communication (R7)</li> <li>Poor Logistics (R13)</li> <li>Conflict of interest (R18)</li> <li>Inability to identify contributions to SDGs (NR21)</li> <li>Postal sector not relevant to society (NR22)</li> <li>Inability to reach "green" targets (NR23)</li> </ul>	<ul style="list-style-type: none"> <li>Inability to innovate products &amp; services (R5)</li> <li>Inefficient resource allocation (R8)</li> <li>Ineffective performance monitoring (R9)</li> <li>Weak information technology (R11)</li> <li>Cybersecurity and increased threats (NR19)</li> <li>Inability to leverage data (NR20)</li> </ul>	<ul style="list-style-type: none"> <li>Decreased relevance (R1)</li> <li>Decreased funding (R2)</li> <li>Inappropriate ext. stakeholder mgmt. (R3)</li> <li>Inability to innovate products &amp; services (R5)</li> <li>Inefficient resource allocation (R8)</li> <li>Ineffective performance monitoring (R9)</li> <li>Conflict of interest (R18)</li> </ul>	<ul style="list-style-type: none"> <li>Inadequate talent acquisition &amp; retention (R4)</li> <li>Inadequate people development &amp; performance (R6)</li> <li>Inefficient resource allocation (R8)</li> <li>Unattractive Compensation, benefit &amp; pension (R10)</li> <li>Non-compliance with Rules &amp; ethics (R12)</li> <li>Conflict of interest (R18)</li> </ul>	
Human resources	✓ 2024 <sup>(2)</sup>					✓ 2029	
Strategy (incl. Sustainability)			✓ 2026				
Stakeholder engagement & com'			✓ 2026				
Risk assessment & ICS	⚙️ 2024 <sup>(3)</sup>		👁️ 2026				
Major Project (building)							
(IT) Governance				✓ 2027			
Strategic controlling		✓ 2025			✓ 2028		
Recharge mechanisms	✓ 2024						
Procurement						✓ 2029	
Extra-budgetary solutions					⚙️ 2028		
Operating model		✓ 2025					
Cyber security				✓ 2027			
(IT) Resilience				✓ 2027			

Notes: (1) as per risks identified in internal Risk Assessment 2023 (in bold, risks part of top 10 UPU risks), (2) HR topic covered: Succession plan, (3) Focus on ICS documentation

For the year 2024, we scheduled three audit reviews, namely the Succession Planning Review, Recharging Mechanism(s) Review, and Internal Control System Advisory Review. Out of these three audits, two are still in-progress and are scheduled to take place during the 4th quarter of 2024.

## 2. Internal audit 2024 - Key findings

As of our Annual Reporting 2024, the internal audit report 01.2024 – Succession Planning – is not yet fully completed and is currently in a provisional status. However, based on the current progress, we do not anticipate any changes to our reporting in this regard.

### Internal audit report 01.2024 – Succession planning:

- Overall assessment :

In evaluating the design- and operating-effectiveness of UPU Succession planning process, we gained a Not Entirely Satisfactory general impression of the operations carried out. The current residual risk rating remains Moderate after existing control activities.

- Good practices and existing strengths:

During the course of our work, we noted instances of good (internal control) practices or strengths including:

- DRH annually reports to the General Director (DG) and Council of Administration (CA) the expected retirements for the coming 5 years.

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- There is an administrative instruction related to Succession planning (i.e., Administrative instruction n°44 dated December 1st, 2017) and to Knowledge management (i.e., Administrative Instruction n°42 dated December 1st, 2018).
- UPU has documented a comprehensive competency framework, including detailed values, core competencies and functional competencies (per grade/level), which may serve as a foundation for Talent Assessment.
- Key findings:
 

In addition to the identification of good practices or strengths, we noted opportunities to enhance UPU's control activities in the following areas:

  - Succession plan: The lack of formal succession planning and/or the absence of identification of systematic back-ups may lead to critical roles vacancies, disrupting operations and potentially leading to a decline in organisational performance.
  - Talent assessment and calibration: The absence of systematic annual performance appraisal, incomplete documentation or absence of specific (or inconsistent) development plan may lead to inadequate employee development, thus hindering UPU ability to build a strong talent pipeline.
- Recommendations: There are 5 recommendations issued in line with this report.

#### Internal audit report 02.2023 - Follow up of recommendations

Following our review of relevant document and/or inquiry with respective management, we have assessed the current state of implementation of remaining open recommendations. Each recommendation which has been Completed or Closed since the last review has been documented.

A recommendation is considered Completed when the UPU has implemented the agreed actions; on the other hand, it is considered Closed when internal or external changes impacting the organization had the effect that the recommendation is no longer applicable. Further there are recommendations in progress for which the respective actions have not yet been implemented; these recommendations have not been neither included, nor detailed in the above report.

Before the follow up review 2024, there was a total of 20 open recommendations. Out of those open recommendations, 5 recommendations have been Completed and 4 were Closed. Consequently, excluding recommendations related to Succession Planning review, a total of 11 recommendations remains in progress after the current reporting period.

## 3. Final remarks

Following the decision by the Finance and Administrative Committee of the Council of Administration in November 2014, member countries can request access to Internal Audit reports to the International Bureau, as per the terms of circular 61 sent to member countries on 11 May 2015.

In conformity to the Global Internal Audit Standards, published on January 9, 2024, by the Institute of Internal Auditors (Standard 7.1 Organizational Independence), we confirm that during the period, **we have been independent when providing assurance to the Director General and thus to Governing Bodies**. We confirm that we received full support and cooperation from the persons involved in our audits and we would like to thank them accordingly.





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