



## **Annual reporting 2025 – Internal Audit**

Council of Administration - 27 November 2025 - Bern

IA Report 03-2025

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

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



November 27, 2025

Dear Mr. Metoki,

Following our approval of the audit plan for fiscal year 2025 at the end of March 2025 and subsequent discussion with the senior management, I am delighted to present the **current outcomes of our internal audit activities for the fiscal year 2025**. 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 2025.

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

# Table of Contents



<b>1. Internal audit at UPU</b>	<b>3</b>
<b>2. Internal audit 2024-2025 - Key findings</b>	<b>6</b>
<b>3. Final remarks</b>	<b>8</b>

*This report is intended solely for the information and internal use of the Universal Postal Union (UPU) and should not be used by any other person or entity. No other person or entity is authorized to rely in any manner whatsoever for any purpose whatsoever on this report.*

# 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 (FINN)	International Labor organisation (ILO)	Department for International Development (DFID)	European Patent Office	Independent Inquiry Committee into the UN Oil-for-Food Programme (ICC)
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

*This report is intended solely for the information and internal use of the Universal Postal Union (UPU) and should not be used by any other person or entity. No other person or entity is authorized to rely in any manner whatsoever for any purpose whatsoever on this report.*

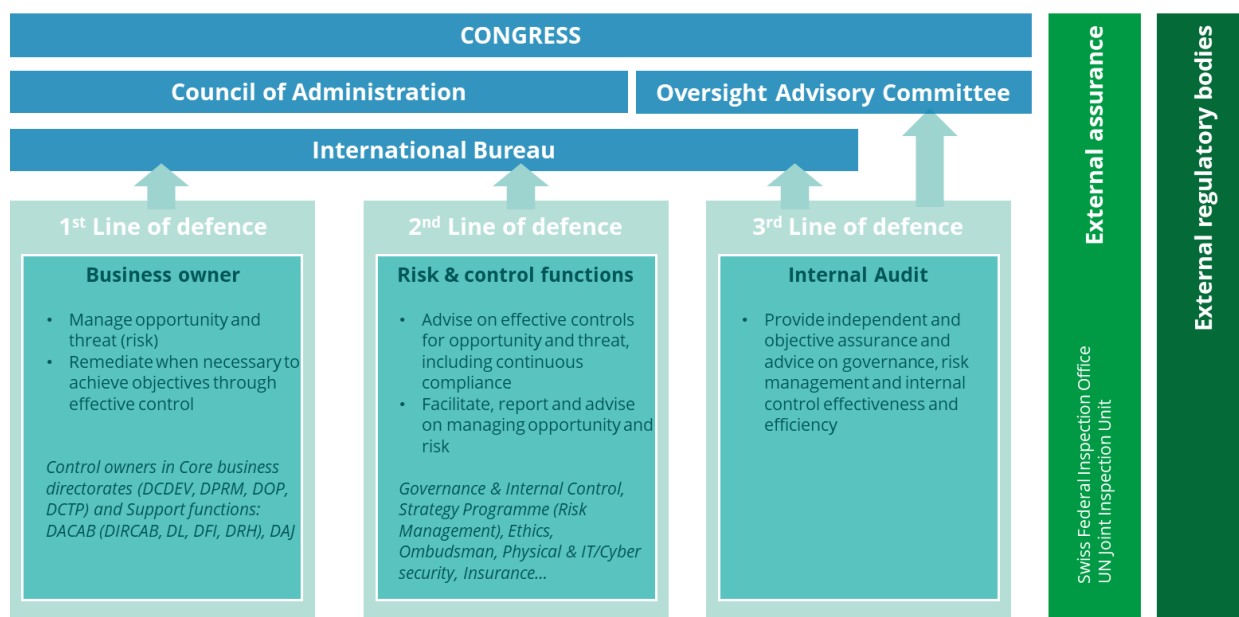
Deloitte Switzerland covers the 6 major industries in Switzerland, including **Government & Public Services**; we employ 2,183 professionals, among which over **100 experts ready to support UPU and its internal audit activities**.

**Reminder - 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:



This report is intended solely for the information and internal use of the Universal Postal Union (UPU) and should not be used by any other person or entity. No other person or entity is authorized to rely in any manner whatsoever for any purpose whatsoever on this report.

## Audit plan for 2025 onward

Based on audit plan 2024 and insights gained during the audits performed in 2024, we proposed the following audit plan for 2025 (changes are highlighted in red, for your convenience):

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>
Human resources	✔ 2024				✔ 2029
Strategy (incl. Sustainability)			✔ 2026		
Stakeholder engagement & com'			✔ 2026		
Risk assessment & ICS	🔍 2024	🔍 2025	👁️ 2026 (incl SOD)	🔍 2027	
Major Project (building)					
(IT) Governance				✔ 2027	
Strategic controlling		✔ 2025			✔ 2028
Recharge mechanisms	✔ 2024				
Procurement					✔ 2029
Extra-budgetary solutions (FAQS)					🔍 2028
Operating Model		🔍 2025			
Cyber security				✔ 2027	
(IT) Resilience				✔ 2027	



The 2025 audit plan focuses on areas critical to UPU’s strategic success and risk profile, including:

- **Strategic Controlling:** Assurance on the effectiveness and accuracy of performance monitoring against the 2021-2025 strategy.
- **Internal Control System:** Advisory support for documentation and enhancement of key organisational processes related to Financial Close Process.
- **Operating Model:** high-level assessment to inform the upcoming Congress.

The plan addresses top organisational risks such as ineffective performance monitoring, inefficient resource allocation, and decreased relevance.

*This report is intended solely for the information and internal use of the Universal Postal Union (UPU) and should not be used by any other person or entity. No other person or entity is authorized to rely in any manner whatsoever for any purpose whatsoever on this report.*

## 2. Internal audit 2024-2025 - Key findings

As of our Annual Reporting 2025, the following audit projects have been completed, yielding the results outlined below:

### Internal audit report 02.2024 – Recharge mechanisms:

In independently evaluating the design- and operating-effectiveness of the current recharge mechanisms<sup>1</sup>, the internal audit has concluded with an overall rating of **Satisfactory**, indicating that the current processes generally meet expected standards. However, some control areas, particularly around **user access rights and IT segregation of duties, were found to be Not Entirely Satisfactory**, resulting in a Moderate residual risk.

The audit highlighted good practices such as the clear annual budgeting and inter-company invoicing for indirect costs, and the use of a published Schedule of Charges along with quarterly reporting for direct IT costs from the Postal Technology Centre.

Nonetheless, several important issues require attention.

- There is currently **no formal, organisation-wide policy governing recharge mechanisms**, especially for IT-related costs, which risks inconsistent cost allocation and reduced financial transparency.
- **Budget overruns** have been identified in IT support services, largely due to resource constraints and insufficient budget oversight before service delivery.
- Additionally, **documentation and approval processes for recharge transactions are often incomplete or lacking**, increasing the risk of unauthorised charges and inaccurate financial reporting.

Management has acknowledged these findings and committed to formalising policies, improving budgeting and monitoring procedures, and strengthening approval workflows. These actions are essential to ensure equitable cost distribution, maintain financial integrity, and support informed decision-making.

In summary, while the recharge mechanisms are fundamentally sound, addressing these control gaps will enhance UPU's financial transparency and operational efficiency going forward.

### Internal audit report 01.2025 – Strategic Controlling

In assessing the design and operational effectiveness of UPU Strategic Controlling for period 2021-2025 (i.e., Abidjan Strategic Cycle), the internal audit has resulted in a rating of **Needs improvement** with a High residual risk. This means that while some controls exist, significant gaps remain that could materially prevent UPU from achieving key milestones or deliverables.

The audit identified that **many KPIs are not sufficiently well-defined or aligned with outcomes**, making it difficult to objectively measure progress. **Reporting inaccuracies and fragmented monitoring processes** further reduce UPU ability to manage performance effectively. Additionally, **changes to KPIs often lack formal documentation**, which undermines accountability.

These issues collectively may pose a risk to the ability to maintain transparency and trust with member countries.

---

<sup>1</sup> Two different types of recharges are considered: (1) recharges related to indirect costs allocation (mechanism 1) and (2) recharges related to direct IT costs from PTC to other entities / directorates (mechanism 2) (e.g., Consulting activities, IT support activities, Maintenance costs related to IT-IB infrastructure, Specific project activities).

Management has acknowledged these findings and committed to a comprehensive action plan, including adopting SMART KPIs, improving reporting accuracy, automating monitoring tools, and formalising review and change processes. Note, we have been informed by respective management that a result-based management (RBM) approach has been adopted for the Dubai Business Plan (DBP), as might be approved by Congress.

Addressing these issues promptly will strengthen our strategic controlling framework, enhance decision-making, and ensure we remain on track to deliver our strategic objectives effectively.

### Internal audit report 02.2025 (management request) – Election process review

Following issue(s) arisen regarding the POC vote tally for two countries, Deloitte has been mandated by UPU to:

1. verify the accuracy of the vote tally by manually reviewing the ballot papers and identifying any discrepancies between the manual count and the machine tally for both Councils' elections;
2. provide a detailed process description and analysis of the issue(s), along with recommendations for improvement.

As of date, we can report the following:

1. Based on our structured approach<sup>2</sup>, we confirm that:
  - a. **For CA election, the results are consistent with the official CA election results** presented on 19 September 2025;
  - b. **For the POC election, the results are consistent with the official POC election results, except for the results concerning Georgia and Kazakhstan**. Specifically, in Group 2 – Eastern Europe and Northern Asia (6 seats), we counted 110 votes for Georgia and 34 votes for Kazakhstan, instead of 34 and 110 respectively.
2. The process description, issue analysis, and recommendations for improvement are not yet fully completed. The observations presented here are preliminary and subject to further review and agreement by the respective management. As such, they should be considered with caution. Nonetheless, in our initial assessment of the design and operational effectiveness of the 2025 POC and CA election process, we noted that while the election broadly followed established practices, several procedural weaknesses and control gaps—such as last-minute candidacy changes, translation errors, and inadequate testing and review procedures— were identified and may have affected the integrity, accuracy, and efficiency of the 2025 elections. Additionally, the absence of clearly defined roles, responsibilities, and comprehensive checklists may have undermined quality assurance.

### Follow-up on open recommendations

Prior to the 2025 follow-up review, there were a total of 11 open recommendations. Out of those open recommendations, **one (1) recommendation has been Closed**<sup>3</sup>. However, due to pending evidence, we have not yet been able to confirm the completion or closure of any other recommendations.

---

<sup>2</sup> The vote tally accuracy was confirmed through a structured process comprising several key steps: preliminary verification of ballot completeness and correctness of country listings and ISO codes; manual reconciliation and double counting of votes against electronic data; interim verification by comparing vote sums and investigating discrepancies; final count verification through aggregation and further discrepancy checks; and result confirmation by comparing the final tally with the official election results.

<sup>3</sup> 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.

As a result, including 5 recommendations related to Succession Planning (2024), 3 related to Recharge Mechanisms (2024), and 6 related to Strategic Controlling (2025), **a total of 24 recommendations remain in progress** following the current reporting period.

The Internal Audit will continue to track and support the management in closing these gaps through regular follow-up reviews.

### 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.



*This document is confidential and it is not to be copied or made available to any other party. Deloitte AG does not accept any liability for use of or reliance on the contents of this document by any person save by the intended recipient(s) to the extent agreed in writing.*

*Deloitte SA is an affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see [www.deloitte.com/ch/about](http://www.deloitte.com/ch/about) to learn more about our global network of member firms.*

*Deloitte SA is an audit firm recognised and supervised by the Federal Audit Oversight Authority (FAOA) and the Swiss Financial Market Supervisory Authority (FINMA).*

*© 2025 Deloitte SA. All rights reserved.*