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To the Council of Administration of the

## **UNIVERSAL POSTAL UNION - UPU**

Bern

# **Internal audit report 05.2021**

## **Annual internal audit activity reporting 2021**

12 November 2021  
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BIT/WIL

<b>Report number</b>	05.2021
<b>Audit period</b>	2021 (January - October)
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# 1 ANNUAL ACTIVITY REPORT

## Internal audit function

The internal audit charter establishes that "the internal auditor writes an annual report, with view to be presented, in its entirety, at the next Council of administration meeting, together with the appropriate observations from the Director General".

## Handover of the internal audit mandate

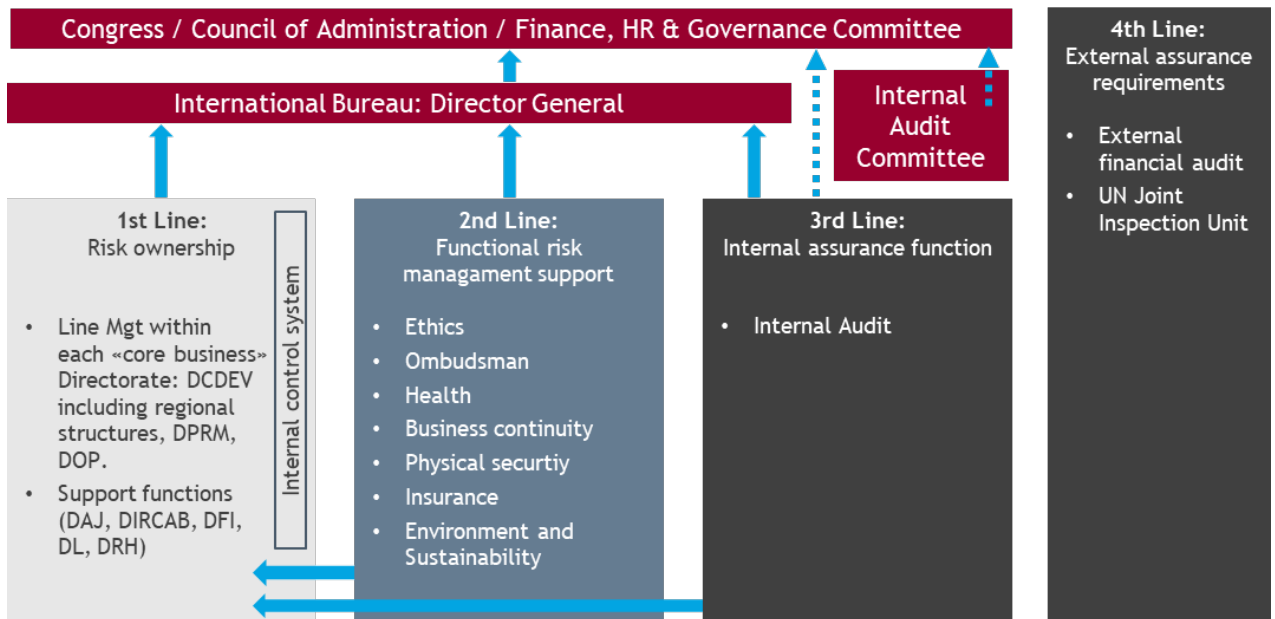
Following a "UPU internal audit" tender, BDO was selected by the Tender and Procurement Committee to take over the internal audit function for six years 2018 - 2023.

In order to confirm our understanding of the environment of the UPU in its various business segments, BDO gained knowledge on the basis of actual documentation of the organisation. Moreover, meetings with the external auditor, le contrôle fédéral des finances, were conducted to obtain a better understanding of the institution. On this basis, a risk assessment, an audit planning for the year 2018 and a rotation plan for the years 2018 - 2023 were established. In consultation with UPU, the audit plan of 2021 was adjusted due to the corona pandemic.

## Internal audit as part of the wider UPU risk management framework

The above-mentioned charter states that, "internal auditing is defined, at UPU, as an independent function bringing to the Director General and, through him, to the Governing Bodies, the assurance that the organisation is managed in an efficient manner".

Internal audit forms part of the wider risk management framework that is based on the concept of the "lines of defence". The UPU framework is outlined below:



## Risk assessment & audit planning 2021

According to the IIA norms, the internal audit evaluates the risk of the organisation at the planning stage. The risk assessment and the audit planning were elaborated on the basis of the strategy 2017-2020 presented at the congress in Istanbul in 2016, the existing risk assessment from 2017, the knowledge gained through the handover process and eventual specific expectations from the International Bureau.

The 2021 audit planning was approved by the Director General.

## 2 INTERNAL AUDIT 2021 - MAIN OBSERVATIONS

For the year 2021, we have issued three audit reports, one as scheduled in the audit plan, one mission was added during the way and one regarding a special investigation. A further audit will occur during the 4<sup>th</sup> quarter of 2021.

For each of those assignments, a planning memorandum was issued, the main objectives of those assignments were:

- Review the coverage of the identified risks;
- Review the organisation of the area audited;
- Identify and discuss management's actions and responses to the risk drivers;
- Identify areas of potential further improvement in Management's actions and responses.

All the recommendations issued in our reports were presented to the General Management in order to obtain their comments. The General Management has accepted our recommendations.

All the internal audit reports were presented to the Internal Audit Committee.

The conclusions of those audits were not designed to underline those well-functioning elements in the internal control system, but rather to draw Management's attention to relative weaknesses if any.

The findings and recommendations stemming from the internal audits performed have been discussed with the management teams concerned. Those teams share the conclusions and have established action plans with a view to strengthening Management's responses to the risk drivers.

### Internal audit report 06.2020 - Management of the Business Continuity in relation to COVID-19

The objective of this audit is to assess the organisation and the internal controls related to the reactions due to COVID-19.

We evaluated / reviewed the following processes / areas:

- Review of the regulations
- Switch to home office
- Maintain daily business

Our main observations are the following:

#### 1. Define and trace working hours for teleworking

Predefined working hours exist for working in the office. On the other hand, no core period, when employees have to be online is defined for working remotely at home. Furthermore, the working time is not traced, as badging at home is not possible.

As home office is still practiced, we recommend to evaluate whether a defined attendance time is needed and evaluate whether it would make sense, with reference to the Swiss law, to have the working hours written down by the employees and controlled by supervisors.

Implementation planned by the end of 2021.

2. Include the regulation of home office expenses

The payment of expenses caused by teleworking is not regulated.

We recommend that you always keep an eye on the current discussions regarding labor law and evaluate, in which way UPU wants to implement the decisions that are valid under Swiss Law.

Implementation planned by the end of 2021.

3. Review the regulations and implement further subjects

No information in the administrative instruction regarding further important subjects.

We recommend you to give clear instructions and information concerning the mentioned points are:

- Data security
- liability of the employees

Implementation planned by the end of 2021.

4. Cloud solution on private laptop

Due to the cloud solution, employees have, in some cases, to save documents on their private laptop.

We recommend you to find a solution in regard of saving documents locally on the private desktops

Implementation deadline from June 2021 postponed to end of 2021

5. Alternatives to passenger flights

The postal network relies heavily on passenger airplanes. Many of them were cancelled due to the pandemic.

We recommend you to seek for further alternatives which can also be used in the long term.

IB has taken actions in this regard. Alternative transport options have been explored immediately from March 2020.

### **Internal audit report 02.2021 - Risk Assessment**

The objective of this audit is the identification and evaluation of the major risks that can threaten the achievement of UPU's strategic objectives. This risk assessment will enhance transparency, promote awareness and understanding of risk issues and foster risk dialogue.

This risk assessment was conducted in different steps: first the risks from 2017 were compared to the new Abidjan Postal Strategy & Business Plan 2021 - 2025 and redefined, then participants were asked to answer an online questionnaire and to classify the risks. Finally, interviews were conducted with some of the participants in order to discuss those risks, the actual mitigation measures and potential new additional risks and mitigation measures.

The total amount of 17 risks has been categorized according to their significance and likelihood as followed:

- Significant risk: 7
- Medium risk: 7
- Insignificant risk: 3

The main risks identified as significant are the following:

1. Raison d'être

The organisation is not able to address all the demands of the member countries with the regular budget due to lack of people, thus further reducing its ability to remain relevant and to continue to fulfil its role as the only global organisation in this sector. The resource allocation model should be rethought. As the market of the designated operators is diminishing, companies from the private sector should be targeted.

## 2. Funding

The regular budget does not cover all the demands from the member countries as well as the employees' liabilities. New revenue streams need to be developed by converting operational services into fee paying services. By opening targeted products to other players on the market, the financial situation should be improved.

## 3. Talent acquisition & retention

Recruitment is biased by political decisions in certain cases. This may lead to not having the right person in the right position. A control whether the staff member suits their position and is appropriately qualified and experienced should be implemented on a regular basis. In addition, budget cuts lead to a higher workload for some of the staff members which is not always recognised. Staff are at times penalised as holidays cannot be taken entirely and the residual holiday credit is cancelled.

## 4. Conflict of interest

As member countries can be represented by their designated operators (DO), they may take the main decisions in their own interest and not in the best interests of the organisation. It should be defined which decisions, that are in relation to the existence and structure of the UPU, need to be taken by a representative from the government.

### **Internal audit report 03.2021 - Review of the voting system**

The objective of this mission is to support UPU's efforts to ensure the online voting system guarantees the secrecy, integrity and transparency of the votes.

This mission was reported directly to the project team.

### **Special Investigation 2021**

A special investigation was performed in September as requested by the organisation.

### **Internal audit report 04.2021 - Follow up of recommendations**

As per good practices, a specific audit focused on the follow up on the recommendations put forward by internal audit over the period 2011-2020. This review evidence a completion of 6 recommendations out of 22 open in April 2021, 4 was closed whereas the remaining 12 are in progress.

## **3 FINAL REMARK**

Following the decision by the Finance and Administrative Commission 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.

Through the following statements, we confirm that we comply and have complied during the period with the independence requirements. We confirm that we received full support and cooperation from the persons involved in our audit and we would like to thank them.

Berne, 12 November 2021

BDO SA

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