

# Audit of the 2023 consolidated financial statements

Universal Postal Union (UPU)

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CDF-23369

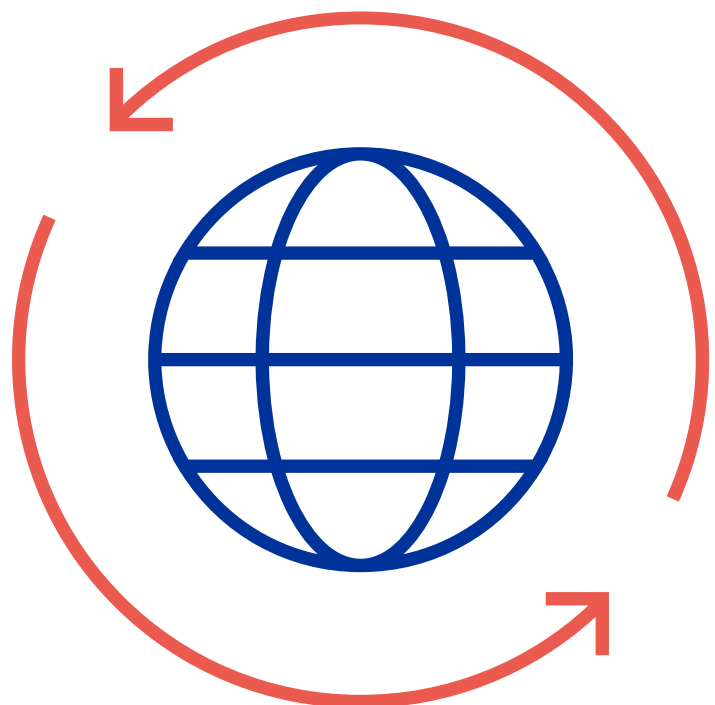
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EXTERNAL AUDITOR'S REPORT

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30/08/2024

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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 on its relevance to the international organization as a whole (absolute).

# Audit of the 2023 consolidated financial statements

Universal Postal Union (UPU)

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## HIGHLIGHTS

### Audit opinion without reservation

1. The 2023 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.

### The management of IT changes remains ineffective

2. Since the 2021 financial year, no evidence of controls regarding the management of IT changes has been available. Tests and launch authorizations are not systematically documented, or not documented at all. Their existence cannot be confirmed. It is also not possible to confirm the effectiveness of internal controls.

### The preparation process of the consolidated financial statements and the international control system must be strengthened.

3. While the SFAO had noted an improvement in the preparation of the consolidated financial statements and the internal control system last year, it noted shortcomings in 2023. The internal control process and system did not enable the International Bureau to present consolidated financial statements that were free of material misstatements and in line with IPSAS, particularly following the entry into force of IPSAS 41 *Financial Instruments* on 1 January 2023. Improvement in this area is essential. The entry into force of new IPSAS standards over the coming years, and their increasing complexity, requires processes and an internal control system that perform well.
4. To improve the quality of financial statements, the SFAO recommends that the organization automate the identification and removal of intercompany transactions, and keep individual accounts that are in line with the financial statements. Avoiding manual procedures would reduce the risk of errors and improve the effectiveness and efficiency of the process.

## EXECUTION OF THE AUDIT

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### Purpose and scope of the audit

5. The purpose of the financial audit is to issue an opinion on the consolidated financial statements of the , on the basis of the International Public Sector Accounting Standards (IPSAS), for the financial year ending 31 December 2023.
6. Financial year 2023 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.
7. 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.
8. 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 significant misstatements.
9. The 2023 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.

### Key areas of the audit

10. 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.
11. The ISA 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 misstatement risks in the financial statements. The results of the audit procedures are provided in the chapters indicated.

No.	Description of potential risk 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).	§§ 50–51
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.	§§ 57–68
3	<i>Recognition of revenue and evaluation of debts</i> Sales and voluntary contributions are overvalued, fictitious or periodically misclassified. Recovery of doubtful debts is inadequate. Insufficient provision is made for needs in respect of reserves and depreciation.	§§ 53–55; 70–73; 77– 83; 91–94
4	<i>Investments</i> There are significant errors in the valuation of investments.	§ 69

5	<i>Employee benefits</i> Commitments to employees are not correctly entered in the accounts. The assumptions used by the Management in evaluating commitments in respect of employee benefits are not reasonable or sufficient.	§§ 87–90
6	<i>Staff costs</i> Staff costs are erroneous, incomplete and/or misclassified.	§§ 99–100

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

12. During the preparation of the audit, the SFAO met with Mr J.-A. Ducrest, Director of Finance; Mr O. Dreier, Accounting, Budget and Treasury Coordinator; and Ms X. Fu, Governance and Internal Control Programme Coordinator.
13. 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, and other employees of the Finance Directorate (DFI), and with members of other International Bureau directorates, depending on the subject matter.
14. The findings of the audit were communicated to the Administration and Cabinet Directorate and the DFI at meetings held on 14 December 2023 and 25 June 2024 in the presence of Mr M. Köhli, Competence Centre Manager, and Ms V. Bugnon, Audit Manager. The final meeting was held on 2 July 2024 in the presence of Mr M. Metoki, Director General; Mr M. Osvald, Deputy Director General (DDG); Mr A. Miyaji, Special Senior Adviser; Mr O. Boussard, Director of Administration and Cabinet; Mr J.-A. Ducrest, Director of Finance; Mr O. Dreier, Accounting, Budget and Treasury Coordinator; and Ms X. Fu, Governance and Internal Control Coordinator. The SFAO was represented by Mr D. Monnot, External Cooperation Project Manager, and Ms V. Bugnon, Audit Manager.
15. 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.
16. 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 staff members approached in providing the information and documents.
17. This report was originally drafted in French; the French version is therefore the official version.

## Examination of the work of the Internal Auditor

18. During the interim and final audits, the SFAO conducted a review of the work of the Internal Auditor. The internal audit function has been outsourced since 2011.
19. The internal audit reports<sup>1</sup> that were reviewed contain observations which, while requiring action on the part of the UPU, did not have a direct, significant impact on the work of the SFAO.

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

- Report 01.2023: Risk assessment and audit planning
- Report 02.2023: Long-term impact of home office implementation
- Report 03.2023: Annual internal audit activity reporting 2023
- Report 04.2023: Follow-up of recommendations

## INTERNAL CONTROL SYSTEM

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20. Each year, the SFAO notes the controls carried out at the organization level and general IT controls. For each financial year, it examines the account closure and consolidated financial statement preparation procedure.

### Controls at the organization level

21. The Union has an internal control system (ICS) manual setting out the ICS objectives and describing the ICS components applicable to the organization. The various roles and responsibilities are also set out in the manual.

#### *Control environment*

22. According to the ICS manual, to provide an effective control environment, the UPU is committed to pursuing integrity and ethical values, establishing structures, authorities and responsibilities, and ensuring the competency and accountability of its staff.
23. During the audit of the 2022 annual accounts, the SFAO found that the perceived independence of the Legal Affairs Directorate (DAJ) was no longer guaranteed. The International Bureau took measures to reposition the DAJ within the organization to increase its perceived independence. Since the start of 2024, the DAJ has been part of the Executive Management as a directorate that is separate from the other operational and support directorates.

#### *Risk assessment*

24. Every three years, the UPU has undertaken an assessment of the strategic risks faced by the organization. This exercise was first carried out in 2014, and then again in 2017 and 2021. On each occasion, the Internal Auditor supported the UPU by providing it with a method and consolidating the results.
25. In its report of 28 June 2021, the SFAO issued audit recommendation No. 1, calling on the UPU to carry out a “top-down” assessment of strategic risks at least annually. In 2022, the UPU Executive Management decided to conduct the strategic risk assessment every two years (rather than each year), in line with the strategic cycle (Congress cycle and mid-term examination of strategy implementation). The International Bureau proceeded to carry out a new strategic risk assessment in late 2023 and early 2024.

## SFAO ASSESSMENT

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Recommendation No. 1 from the 28 June 2021 report (No. 20339) has been implemented.

## COMMENT BY THE DIRECTOR GENERAL

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The task has been completed internally, and also with our external stakeholders.

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#### *Control activities*

26. The Union has introduced a number of risk and control matrices for each directorate. The ICS manual provides information on defining the controls and measuring their effectiveness. During its previous audits, the SFAO provided the International Bureau with a number of observations and points to improve the documentation of control activities.

27. Following audit recommendation No. 2 in the report of 31 August 2022 (No. 21481), the International Bureau reviewed the risk and control processes and matrices. In particular, the UPU updated the control descriptions, the proof of controls and the frequency of controls. These matrices are not based on cross-cutting processes, but rather on the responsibilities of each department for several financial processes (in silos). In early 2024, the International Bureau initiated a cross-cutting analysis of certain processes to establish flowcharts, and adjust risk and control matrices.

## SFAO ASSESSMENT

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The risk and control matrices as prepared in mid-December 2022 still do not meet the objectives of an effective and efficient ICS. The directorate-specific internal control documentation makes it difficult to gain an overview of a cross-cutting financial operating process. Regardless of whether the International Bureau initiated a process analysis, the SFAO considers that this analysis is fragmented by directorate, does not cover cross-cutting processes, and did not focus on processes with a financial impact. Recommendation No. 2 of the report of 31 August 2022 (No 21481) is still being implemented.

## COMMENT BY THE DIRECTOR GENERAL

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The risk matrices template in use is the same one developed since the introduction of the ICS within the UPU, though it has been regularly improved with the implementation of auditors' recommendations and suggestions over the years.

We understand that the fact that the matrices are directorate-focused does not allow for optimum visibility of cross-cutting processes. Although a complete redesign of the matrices may take some time, we will develop new risk matrices taking into account the analysis of certain processes, so as to have one matrix per cross-cutting process instead of one matrix per directorate, so as to provide a clear overview of cross-cutting processes, the risks associated therewith, and control measures being implemented.

### *Monitoring of controls*

28. The SFAO identified three key controls in the ICS manual concerning ICS oversight by the International Bureau.
29. First of all, the planning of the ICS evaluations (practice 16 of the ICS manual) includes updating the inventory and analyzing processes and risks. The Governance and Internal Control Coordinator launches this update annually through the monitoring loop and the self-assessment questionnaire on risks and controls for each directorate. Each directorate's evaluations of the risks and internal controls are consolidated and reported to the Executive Management.
30. The ICS manual sets out assessments to be performed on the system, such as the examination of documentation regarding the system, as well as hearings, observations, checks and/or processing tests (practices 17 and 18 of the ICS manual). Monitoring, as defined in practices 17 and 18 of the ICS manual, is not fully in place.
31. Practices 19 and 20 of the ICS manual outline the status reports on the ICS. The results of the self-assessment are presented to the International Bureau's directorates and Executive Management. The Oversight Advisory Committee prepares an annual report on the state of the ICS for the Council of Administration.

## SFAO ASSESSMENT

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The SFAO considers that the monitoring of the ICS carried out by the Governance and Internal Control Coordinator relates more to coordinating and consolidating the results of the ICS. The SFAO encourages the UPU to strengthen the implementation of practices 17 and 18 in parallel with the review of the risk and control matrices.

## COMMENT BY THE DIRECTOR GENERAL

Following the remarks made by the SFAO since the final discussion in 2021, the ICS annual questionnaire for IB directorates has been updated to include a question covering assessments to be performed on the system as defined in practices 17 and 18 of the ICS manual. The IB will make efforts to implement practices 17 and 18 in parallel with the review of the risk and control matrices.

### General IT controls

32. During the interim audit at the end of 2023, 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*

33. 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.
34. In the course of the audit procedures, evidence of which user made the modification and which user implemented it in the production environment was not available. The tests are not systematically documented (for example, test plans, test results). The production launch authorizations are not necessarily documented.

## SFAO ASSESSMENT

Without documentation, the efficacy of change management is not guaranteed and cannot be validated. Recommendation No. 3 from the 31 August 2022 report (No. 21481) has not been implemented.

## COMMENT BY THE DIRECTOR GENERAL

The UPU International Bureau (IB) agrees with this evaluation. All changes are now tracked within the IB IT ticketing system.

Further formalization of change management procedures will be implemented following the upgrading of the ERP platform.

#### *Access rights and information security*

- 35. 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. The SFAO identified six key controls in this area.
- 36. Following the recommendation in the 2021 audit concerning password security, the International Bureau reviewed its policy in line with the best practices of the National Institute of Standards and Technology, which no longer include a recommendation concerning the expiry of passwords. However, the SFAO notes that the International Bureau has not introduced multifactor authentication, as recommended in those best practices.

 **SFAO ASSESSMENT**

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Recommendation No. 4 from the 31 August 2022 report (No. 21481) has not been fully implemented.

 **COMMENT BY THE DIRECTOR GENERAL**

The UPU IB agrees with this evaluation.

The setting up of MFA authentication method will be completed with the implementation of the IB-approved Information Security Policy and Framework.

Planned implementation date: July 2025, DCTP.

- 37. In the audit report from 31 August 2023 (No 22365), the SFAO identified eight users, mainly in the finance service, who had rights to modify all data, and seven other users with rights to modify all data and all items in the application. These seven super-users included two external users.
- 38. In 2023, the SFAO made the same observation. Six users still have rights to modify all data, and seven other users still have rights to modify all data and all items in the application.

 **SFAO ASSESSMENT**

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In the SFAO’s view, there are too many super-users. Critical users need to be closely monitored. There should be only one account per person. External users should either be prevented from having the most extensive access rights, or they should be subject to close, trackable monitoring.

Recommendation No. 3 from the 31 August 2023 report (No. 22365) has been only very partially implemented.

 **COMMENT BY THE DIRECTOR GENERAL**

The Finance Directorate reviewed and approved the 13 user accounts during the 2023 audit. External consultants are temporarily granted access only for pre-approved modifications.

An annual review of the users will be conducted in coordination with the Finance Directorate.

- 39. In 2022, the SFAO noted that there were non-personal users with system administrator rights in the live Navision database. In addition, there was a DFI user in the Navision database. The SFAO also identified 44 users at operating system level on the Navision database server.
- 40. In 2023, the International Bureau reduced the number of users at operating system level on the Navision database server to 24. However, the UPU has not put in place a periodic review of those users.

 **SFAO ASSESSMENT**

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The SFAO considers a periodic review of users to be necessary because they have extensive access rights that present a high inherent risk. Recommendation No. 4 from the 31 August 2023 report (No. 22365) has only been partially implemented.

 **COMMENT BY THE DIRECTOR GENERAL**

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The UPU IB agrees with this evaluation.

An annual review of the users took place in November 2023. The next exercise will be conducted in coordination with the Finance Directorate at the end of 2024.

*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. With regard to monitoring the implementation of the work programme, the SFAO noted that the job queue parameters do not enable work journal entries to be viewed over more than 30 to 60 days. Nevertheless, errors are systematically recorded even if they occurred 60 to 90 days earlier. The SFAO noted that restarting the system resolved two incidents. However, no formal evidence was provided to the SFAO.

 **SFAO ASSESSMENT**

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

 **RECOMMENDATION 1**

**PRIORITY LEVEL 2**

The SFAO recommends extracting the entries in the work journal on a monthly basis (“jobs log entries for restore”). If action is needed to resolve an incident, the SFAO recommends formalizing the resolution.

 **COMMENT BY THE DIRECTOR GENERAL**

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The recommendation is accepted.

The full implementation will be completed following the upgrade of the enterprise resource planning (ERP Navision) platform.

## Consolidated financial statement closure, consolidation and establishment procedures

43. Keeping of the accounts and preparation of the consolidated financial statements is based on an accounting manual, which was last updated in 2019. It does not include the new IPSAS standards, particularly IPSAS 41 *Financial Instruments*.

### SFAO ASSESSMENT

The SFAO considers all accounting manuals to be a point of reference for accounting and the preparation of the consolidated financial statements. Without making any recommendations, the SFAO expects the UPU to update its manual in accordance with the new IPSAS standards in force.

### COMMENT BY THE DIRECTOR GENERAL

The accounting manual will be updated to integrate the new IPSAS standards, especially IPSAS 41.

Planned implementation date: December 2025, DFI

44. During the consolidation of the various accounts, intercompany transactions are eliminated. The SFAO notes that the consolidation module in ERP Navision does not automatically eliminate these transactions. Entries are made manually by the International Bureau and then entered into Navision. Intercompany transactions are identified through the extraction of account transactions. For certain known transactions, the UPU eliminates the intercompany transactions without a preliminary extraction from the system (for example, USPS contributions). According to the information provided by the UPU, the ERP offers an automated solution, but it is not used.

### SFAO ASSESSMENT

The SFAO considers that an automated process would reduce the risk of errors and would improve efficiency when preparing the consolidated financial statements.

### RECOMMENDATION 2

**PRIORITY LEVEL 2**

The SFAO recommends that the UPU automate the consolidation process, including the elimination of inter-segment transactions.

### COMMENT BY THE DIRECTOR GENERAL

The recommendation is accepted.

During the implementation of Navision, more than 10 years ago, the IB had evaluated the possibility of automating the consolidation process. At the time, it was considered preferable to carry out the consolidation manually, given the few elimination entries. This opinion is reassessed periodically

and the findings have remained the same. In the course of 2025, the UPU will carry out a major migration of the ERP Navision system. With this new version, automation will then be implemented, including the elimination of cross-sector transactions.

Planned date of implementation: June 2026, DFI

45. The SFAO also notes that the “mapping” of certain accounts or positions differs between individual balances, the consolidated file and the financial statements. By way of example, certain accounts are presented as capital in individual balance sheets, whereas they are categorized as third-party funds in consolidated accounts and in the financial statements.

## SFAO ASSESSMENT

Categorizing the accounts in individual balances according to the headings of the financial statements would provide clarity and transparency when preparing the consolidated financial statements. It would also reduce manual entries when preparing the financial statements, create potential for improved automation, reduce the risk of errors, provide comparisons between different financial years, and increase internal understanding of accounting.

## RECOMMENDATION 3

## PRIORITY LEVEL 2

The SFAO recommends that the UPU keep individual accounts as presented in the consolidated financial statements. In other words, this means adapting the “mapping” of accounts and headings from the financial statements to completely align the individual balance sheets, the consolidated file and the consolidated financial statements.

## COMMENT BY THE DIRECTOR GENERAL

The recommendation is accepted

As already indicated, the UPU will carry out a major migration of its ERP Navision system. During this exercise, standardized mapping of the accounts and sections of the financial statements between the accounts will be put in place in order to optimize the consolidation process.

Planned implementation date: June 2026, DFI

46. Regarding the preparation of the financial statements, the SFAO notes that the first version of the 2023 consolidated financial statements was not completely finalized at the start of the audit. The DFI provided the various pending sections to the SFAO. This initial version was signed by the Accounting, Budget and Treasury Coordinator and the Director of Finance, which means that the UPU had carried out the necessary internal controls, including a global quality review, on the financial statements. The SFAO noted several misstatements in this version (see §§ 55, 106–108). The second version of the consolidated financial statements prepared by the UPU was also signed by these two staff members. In this version, the statement of financial position was no longer balanced. There was a difference of 45,533 CHF in the net assets when compared to the total assets and liabilities. The statement of changes in net assets was still not presented correctly. The SFAO requested other corrections (see §§ 106–108).

## SFAO ASSESSMENT

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Based on numerous observations made during the audit, the SFAO considers the quality of the 2023 consolidated financial statements to be unsatisfactory. When preparing the consolidated financial statements, IPSAS requirements should be consulted more carefully to ensure that they are properly understood and that new developments are taken into account. The ICS for preparing the consolidated financial statements, particularly the quality review of these statements, is inadequate and therefore ineffective. It does not enable the International Bureau to present consolidated financial statements that are free of material misstatements and in line with IPSAS.

## RECOMMENDATION 4

**PRIORITY LEVEL 1**

The SFAO recommends that the UPU improve its process for preparing consolidated financial statements and its ICS to ensure that consolidated financial statements are prepared in line with **the International Public Sector Accounting Standards (IPSAS)** and without significant errors.

## COMMENT BY THE DIRECTOR GENERAL

The recommendation is accepted.

The extreme complexity of implementing the new IPSAS 41 standard, as well as difficulties linked to the lack of human resources at the International Bureau, has placed significant pressure on the process for preparing the consolidated financial statements and the internal control system. More time, as well as the necessary new resources, will be dedicated to fully meeting the requirements for the preparation of the financial statements for the next financial year. Finally, it should be noted that the difficulties encountered in implementing IPSAS 41 have had no impact on the integrity of the financial data, but only on its presentation.

Planned implementation date: December 2025, DFI

## MAIN RESULTS OF THE AUDIT OF 2023 CONSOLIDATED FINANCIAL STATEMENTS

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47. The audit carried out related to the 2023 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.
48. The SFAO considers the 2023 consolidated financial statements of the UPU to have been prepared in compliance with **the International Public Sector Accounting Standards (IPSAS)**. It is therefore able to issue an audit opinion without reservation.
49. 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 and recommendations are presented in the following paragraphs.

### Analysis of accounting data

50. 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.
51. 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.

### Implementation and conformity with IPSAS

52. On 1 January 2023, two new IPSAS standards entered into force: IPSAS 41 *Financial Instruments* and IPSAS 42 *Social Benefits*.
53. Whereas IPSAS 42 *Social Benefits* does not affect the UPU financial statements because none of the social benefits are applicable, IPSAS 41 *Financial Instruments* led to a revaluation decrease of 3.6 million CHF in accounts receivable.
54. To implement IPSAS 41 *Financial Instruments*, the UPU reviewed its accounting methods for the valuation of receivables. The lifetime expected credit loss model was implemented (see §§ 71–72). The expected credit loss concerning cash, cash equivalents and investments is considered negligible.
55. The SFAO notes that the International Bureau has not correctly accounted for and presented the change in accounting method following the introduction of IPSAS 41 in its consolidated financial statements. Although it was not necessary to restate the comparative figures, the UPU did so nevertheless (see §§ 106–107). In parallel, the effect was presented in the 2023 statement of financial performance. The statement of changes in net assets incorrectly presented the effect of changing the accounting method as of 1 January 2023 (see §§ 101, 106–107). Moreover, the information required by IPSAS 30 *Financial Instruments: Disclosures* following the initial application of IPSAS 41 was not provided in its entirety. The descriptions of accounting methods and terminology have also not been updated. The table showing the movements in provisions for expected credit losses in note 4 of the financial statements incorrectly presented the revaluation at 1 January 2023 (see §§ 107–108). As a result, the SFAO requested significant changes and additions to the consolidated financial statements.
56. The IPSAS Board published seven new standards that would take effect after 31 December 2023:

- IPSAS 43: Leases (coming into force on 1 January 2025)
- IPSAS 44: Non-current Assets Held for Sale and Discontinued Operations (coming into force on 1 January 2025)
- IPSAS 45: Property, Plant, and Equipment (coming into force on 1 January 2025)
- IPSAS 46: Measurement (coming 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)
- IPSAS 49: Retirement Benefit Plans (coming into force on 1 January 2026)

## SFAO ASSESSMENT

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The UPU will need to familiarize itself with these new standards in order to assess their impact on the organization's financial statements and begin preparing for their implementation.

Heritage assets are no longer excluded from the scope of IPSAS 45 *Property, Plant and Equipment*. The introduction of this new standard could impact the recognition and evaluation of heritage assets, such as the stamp collection.

Moreover, IPSAS 47 *Revenue* redefines the accounting principles for recognizing revenue. The impacts of this new standard could be significant for the UPU regarding the recognition of the organization's different revenue categories, such as statutory contributions, other annual contributions, voluntary contributions and sales.

Lastly, IPSAS 48 *Transfer Expenses* could significantly impact the accounting of the organization's expenses, particularly project expenses.

The SFAO encourages the UPU to follow the work of the UN Task Force regarding the new standards and to anticipate their implementation.

In the SFAO's view, IPSAS 49 *Retirement Benefit Plans* is not applicable to the financial statements of the UPU Provident Scheme. As a foundation under Swiss law, it must comply with Swiss pension fund standards and legislation.

## COMMENT BY THE DIRECTOR GENERAL

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The UPU IB will follow the work of the "UN Task Force" and will be reinforced by the contribution of an external partner to allow it better anticipate the new IPSAS standards due to come into force. In view of the small size of the UPU team, the new IPSAS standards will remain an ongoing challenge for the organization.

## Operational continuity

57. Under the going concern assumption, it is presumed that an organization will be continuing its operations for the foreseeable future. The financial statements were prepared on the basis of this assumption.
58. 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 UPU's consolidated financial statements show a downward trend in cash flow between 2020 and 2023. Given the financial policy of the International Bureau, current investments must be taken into account when analyzing the organization's financial situation. Taking the current investments into account, the organization was in a position to honour its current liabilities at 31 December 2023. At that date, cash and investments reached a particularly high level owing to the short-

term QSF-held bonds worth 71,227,008 CHF, which will reach maturity in 2024. Furthermore, the funds readily available to the Union, which have been increasing in recent years, enable it to cover its current liabilities.

	2023	2022	2021	2020	2019
Cash and cash equivalents	34,667,167	33,558,447	47,511,785	60,075,614	42,461,675
Current investments	124,945,588	68,537,321	87,770,689	56,465,725	50,229,628
<b>Total</b>	<b>159,612,755</b>	<b>102,097,790</b>	<b>135,284,495</b>	<b>116,543,359</b>	<b>92,693,322</b>
<b>Current liabilities, excluding advances and deferred revenue</b>	<b>22,666,021</b>	<b>44,541,937</b>	<b>34,054,210</b>	<b>30,092,085</b>	<b>35,374,410</b>
Readily available liquid assets to the Union	35,325,143	32,025,408	29,346,918	19,428,535	20,945,477
Current Union liabilities, excluding advances and deferred revenue	12,740,987	12,733,268	12,896,569	11,700,647	11,479,623

59. The recapitalization of the UPU Provident Scheme has 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 or partially made in recent years with the aim of increasing the scheme's degree of coverage to the minimum level according to the provisions of the Provident Scheme Constitution.
60. Since 2020, the UPU has transferred the whole of the annual financial guarantee of 3.7 million CHF to the UPU Provident Scheme. The UPU Provident Scheme achieved a coverage rate of 83.4% at 31 December 2023. This represented an improvement since 31 December 2022, when it stood at 74.7%. The requirement of minimum coverage of 85% in 2025, provided for in article 5bis.2 of the Provident Scheme Constitution, has not yet been achieved. 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.
61. Since the 2023 financial year, the translation services and other UPU entities (PTC, EMS, UPU\*Clearing and IRC) have participated in financing the annual financial guarantee. At its May 2022 meeting, the Council of Administration agreed in principle to distribute the financing of the annual guarantee of 3.7 million CHF between these entities and the Union. In autumn 2022, the Council of Administration defined how this decision would be applied. The SFAO notes that the annual contributions of the language groups for the three translation services have not been increased to include the payment of their contribution to the financial guarantee. In fact, the Union paid the total guarantee and recorded a reduction in its debts towards the translation services in return.
62. According to article 29 of the UPU Convention on the self-declaration of rates, the United States (USPS) is required to pay the Union 40 million CHF in fees over five years as of 2020. These fees are 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.
63. The 16 million CHF portion has no impact on the readily available liquid assets of the Union as it is earmarked for project funding. The remaining 24 million CHF is to be allocated to recapitalizing the UPU Provident Scheme. The 2023 annual notification from USPS defines the allocation of the 8 million CHF

tranche paid: 3,530,450 CHF allocated to the implementation of projects; and 4,469,550 CHF allocated to the tied fund covering the long-term liabilities of the Union. The Union has directly transferred this amount to the Provident Scheme. The United States decides upon the distribution of the 8 million CHF annual payment. In 2024, USPS will transfer the balance, estimated to be 3,011,480 CHF, to the Provident Scheme.

64. The report by the External Auditor of the UPU Provident Scheme on the financial statements at 31 December 2023 mentions that, even if coverage reaches 83.4% at the end of 2023, the Scheme still needs to draw on the Union's guarantee, and the recapitalization plan must be pursued in order to durably restore the Scheme's financial situation.
65. The building renovations represent another factor adversely affecting the readily available liquid assets of the Union. Initial studies estimate the investment needed at 36.5 million CHF. As the organization is unable to meet the cost of 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%.
66. 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 41.6 million CHF at the end of 2023. The SFAO reminds the International Bureau that the issue of debt recovery is capital. The 2021 Congress adopted an amendment to article 147 of the General Regulations, aiming to improve the recovery of debts. This came into force on 1 July 2022.
67. Nine Union member countries benefited from these regulatory changes in 2022. The Council of Administration agreed to lift the sanctions on three other member countries in 2023. These countries either paid the last five years' contributions, or settled half of their arrears. In recent years, the Union received 313,000 CHF from these three countries thanks to these provisions. However, this amount remains marginal compared to the Union's gross open receivables, which stood at 59.4 million CHF at 31 December 2023. The debts towards the Union set aside following the application of these provisions total 9.8 million CHF.
68. The DFI updated a four-year financial plan with three scenarios (one neutral, one optimistic and one pessimistic) at 31 December 2023. This plan does not indicate any major issues in terms of the amount of liquid assets available to the UPU up to 2026, the theoretical start date of the UPU building renovation project.

## **SFAO ASSESSMENT**

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The SFAO considers the going concern assumption to be appropriate at 31 December 2023. There is no material uncertainty that might cast significant doubt on the organization's ability to continue in its operations.

Nevertheless, the SFAO believes that 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 cash flow. Debt recovery remains a decisive factor for the organization's liquidity, and it should continue to be monitored regularly, or indeed strengthened.

## **COMMENT BY THE DIRECTOR GENERAL**

The UPU IB has set up cash planning instruments in order to prepare the responses to future challenges as efficiently as possible. In complete transparency, it defines scenarios in order to better anticipate the evolution of liquidity. It also seeks to improve the collection of debts, in particular with the help of the task force on contribution arrears under the Council of Administration.

## Investments

69. Total current investments amounted to 124.9 million CHF at the end of 2023. All of the investments, including QSF-held bonds amounting to 71.2 million CHF, are short-term due to their maturity.

## SFAO ASSESSMENT

The SFAO did not identify any significant misstatements in its evaluation of the investments, particularly the bonds. Recommendation No. 6 from the 31 August 2023 report (No. 22365) has been implemented.

## COMMENT BY THE DIRECTOR GENERAL

The introduction by the UPU of tighter control over the valuation of investments in 2024 has enabled the implementation of the recommendation issued in 2023.

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

70. Current receivables (from both exchange and non-exchange transactions) represent a net value of 39.3 million CHF (64.9 million CHF at the end of 2022). At 31 December 2023, no more non-current receivables (non-exchange transactions) were presented. The decrease in non-current receivables of 8 million CHF can be explained by the ongoing contract with the US operator USPS for the financing of the UPU Provident Scheme and specific projects on postal security. The 8 million CHF corresponding to the 2023 tranche was transferred to the Union. The remaining balance of 8 million CHF is shown in full under current assets.
71. 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 2023 in line with IPSAS 41.
72. The SFAO did not note any significant misstatements in its valuation of open debts in line with IPSAS 41 at 31 December 2023.
73. The SFAO noted that the International Bureau lifted automatic sanctions for one member country in 2023. The Chair of the Council of Administration accepted the cancellation of the interest owed by that member country between the sessions of the Council of Administration, in line with article 147.6 of the General Regulations. The SFAO notes that this approval is documented in an e-mail with an attached modifiable file containing the request of the member country. It is not available in the UPU document management database. The lifting of the automatic sanctions enabled this country to obtain cancellation of its interest due. The SFAO noted that the report on arrears presented to Committee 1 of the Council of Administration indicates the lifting of the sanctions in line with articles 147.7 to 147.10 of the General Regulations. The reasons and legal references underpinning the lifting of the automatic sanctions differ between the available documents. The Chair's approval is therefore not completely consistent with the report on arrears presented to Committee 1 of the Council of Administration.

## SFAO ASSESSMENT

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The reasons for lifting the automatic sanctions, as well as the legal references, have been communicated inconsistently to the representatives of the Council of Administration. However, the lifting of the automatic sanctions has been announced to member countries. Given that the result is the same, the SFAO does not wish to make a recommendation. However, the SFAO requests that the International Bureau ensure that the decisions taken by the Council and its Chair be formally and correctly documented in future. Full documentation should be made available in the UPU document management system.

## COMMENT BY THE DIRECTOR GENERAL

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In the document presented to the CA at S4, it was indicated that a country had benefited from the lifting of sanctions in accordance with article 147.7 of the General Regulations, having paid either the last five years of mandatory contributions or half the amount of debt arrears still open. In fact, the lifting of sanctions had been granted in accordance with article 147.6, because the country in question had paid the full amount of its outstanding debts. It should also be noted that the request to the Chair of the CA, previously submitted to the CA working group on contribution arrears, had been correctly presented with the mention of article 147.6.

## Equipment

74. In preparation for the 2023 Extraordinary Congress, the UPU procured conference equipment for 1.3 million CHF. The host country for the Extraordinary Congress, Saudi Arabia, financed this investment under the Congress budget.
75. The International Bureau recorded this investment under “Land and buildings”. The SFAO requested its reclassification under the heading “Equipment”, given that the equipment procured is not an integral part of the building (see § 106).
76. The SFAO notes that the procurement of the conference system for the 2023 Congress in Riyadh was not carried out on a contractual basis between the International Bureau and the service provider at the time of the delivery and use of the equipment. The negotiations to sign a contract to procure the equipment began after the Congress. The UPU and the supplier signed a contract on 24 June 2024 with retroactive effect from 4 July 2023. The negotiations concerning the installation of features and software in the interpretation system are underway and will form part of a separate future contract.

## SFAO ASSESSMENT

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This situation does not directly impact the UPU financial statements at 31 December 2023. However, the procurement of equipment without a legal basis means that the organization is unable to benefit from contractual conditions, such as maintenance, warranties and legal recourse. The problem relates to a procurement procedure and internal control issue. The SFAO is not making a specific recommendation, but it refers back to the observations and recommendations made in its audit report on procurement procedures (no 23372) of 6 November 2023.

## COMMENT BY THE DIRECTOR GENERAL

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As indicated by the SFAO, the contract with the provider was finalized after the Riyadh Extraordinary Congress, and provides all the legal requirements and necessary contractual benefits attached to

such a contract. This situation was mainly the result of resource constraints and the high level of complexity of implementing the hybrid conference system for the Riyadh Congress in a very short timeframe. The IB agrees with the comments by the SFAO on this specific and exceptional case. Regarding the broader topic of procurement, and as indicated during CA 55, the IB is fully committed to implementing the recommendations under the SFAO audit report on procurement procedures (No. 23372) of 6 November 2023.

## Deferred revenue

77. Deferred revenue totalled 85.1 million CHF on the liabilities side of the balance sheet at the end of 2023 (compared to 96.0 million CHF at the end of 2022). It essentially consists of statutory contributions billed in advance, and third-party tied funds.
78. The SFAO has thoroughly examined the classification of third-party funds and tied own funds in accordance with IPSAS. The SFAO identified two funds, the “.POST project” third-party tied fund and the “PFS collective trademark” third-party tied fund, which do not meet the conditions for third-party funds. According to IPSAS, these funds are own tied funds. The SFAO provided two audit adjustments, including the restatement of comparative figures, to the International Bureau (see § 106). The UPU took account of these reclassifications in the consolidated financial statements.
79. During this review, the SFAO noted that complete, permanent records, ensuring the correct classification of existing funds on the balance sheet, were not kept. The creation of new funds is not systematically accompanied by supporting documentation. The SFAO also identified transfers between funds, the only justification for which were internal instructions. The external donors’ agreement to these transfers, or a communication to these donors, is not systematically established or available.

## SFAO ASSESSMENT

The SFAO considers that complete, permanent records must be established and maintained regarding the economic nature of each third-party fund and tied own fund, their accounting classification in accordance with IPSAS, and all fund transfers.

## RECOMMENDATION 5

**PRIORITY LEVEL 1**

The SFAO recommends that the DFI, in conjunction with the other IB directorates, keep complete, permanent records for each third-party fund and tied own fund. These records must include a description of the funds, the economic nature of the transactions, the accounting classification of the fund in line with IPSAS, the project number associated with each fund, and any supporting documentation concerning information and analyses carried out by the International Bureau. In the case of a transfer of funds, the donor's approval must be documented.

## COMMENT BY THE DIRECTOR GENERAL

The recommendation is accepted.

The IB will put in place a formal recording of all the contributions it receives (third-party funds or allocated own funds). This will allow access to appropriate documentation. The task will require time and resources because it needs to cover the entire organization, and all directorates. It will

also be necessary to take into account the recommendations that could be included in the audit on voluntary funds.

Planned implementation date: December 2026 DFI/Postal Operations Directorate (DOP)/Policy, Regulation and Markets Directorate (DPRM)/Development and Cooperation Directorate (DCDEV)/Administration and Cabinet Directorate (DACAB)

80. At the end of 2022, the UPU reviewed the accounting procedures for QSF contributions and projects with a view to simplifying them and making the process more efficient. The SFAO reviewed the proposed changes and gave the DFI its comments. The International Bureau applied the new accounting procedures from 1 January 2023.
81. During the 2022 audit the SFAO noted that, for GMS (Global Monitoring System) projects, the DFI records theoretical advances as expenses rather than actual expenditure. Under IPSAS, these advances should not be entered as expenses. Only actual expenses should be entered in the profit and loss account when they occur. The same is true of the respective revenue. The SFAO analyzed the impacts of this current accounting procedure on the financial statements by comparing entries with those that should have been made in accordance with IPSAS. The SFAO noted that the amounts of the deferred receipts were correct under both scenarios. Nevertheless, the recognition of income and expenses does not occur in the same year under both methods where a project lasts more than a year. Until 31 December 2022, the expenses and revenue were either undervalued or overvalued, depending on the year and the progress of the project. Since revenue is recognized at the same level as expenses, the net result is always nil.
82. With the introduction of new accounting procedures in 2023, the UPU proceeded to correct previous expenses and revenue related to the GMS projects in the 2023 statement of financial performance. The adjustments lead to greater recognition of project expenses and voluntary contributions for the current year, but do not impact the net result of the organization.
83. The deferred receipts for current QSF projects include 458,386 CHF to fund subsequent evaluations once the projects are finalized. The SFAO noted that this sum included approximately 163,000 CHF (195,000 USD) for pre-2014 projects.

## SFAO ASSESSMENT

In the SFAO's view, it is probable that some of the deferred receipts are no longer up to date.

## RECOMMENDATION 6

**PRIORITY LEVEL 2**

The SFAO recommends that the UPU regularly analyze the actual nature of the reserves for QSF evaluation and make the necessary adjustments.

## COMMENT BY THE DIRECTOR GENERAL

The recommendation is accepted.

The IB will undertake a comprehensive analysis of the valuation reserves for projects prior to 2014 so as to determine which are still necessary and which are no longer needed. This will then be presented to the QSF Board, which will decide on further action to be taken.

## Advance receipts

84. Advance receipts totalled 68.0 million CHF at the end of 2023 (compared to 79.1 million CHF at the end of 2022). They mainly comprise the funds available to designated operators for carrying out QSF projects, amounting to 59.9 million CHF at the end of 2023 (70.1 million CHF at the end of 2022). The funds available and the revenue gained from the sale of international reply coupons during the current cycle constitute the sum of the advance receipts.
85. The SFAO identified three types of contributions billed in advance that were incorrectly included with advance receipts. In the SFAO's view, it is more appropriate to include them with the deferred revenue. The SFAO therefore proposed audit adjustments, including the restatement of comparative figures which the UPU corrected (see § 106).
86. Member countries' credit balances with the Union, amounting to 4.8 million CHF at 31 December 2023, are comparable to bank accounts, enabling the future settlement of postal bills or other services. The International Bureau notifies the member country of the balance available to it following each transaction made by that country. Through sampling, the SFAO noted that some balances had not been the subject of a notification for several years.

## SFAO ASSESSMENT

In the SFAO's view, balance notifications must be sent periodically to member countries to ensure that the correct balance is shown in the accounts.

## RECOMMENDATION 7

**PRIORITY LEVEL 1**

The SFAO recommends that the UPU periodically notify each member country of the balance available to it.

## COMMENT BY THE DIRECTOR GENERAL

The recommendation is accepted.

The IB notifies member countries when transactions are carried out on available assets. From now on, it will also transmit, once a year, balances to member countries for which no transactions have taken place during the year.

Planned implementation date: December 2025, DFI

## Employee benefits

87. Short-term employee benefits mainly comprise provisions for annual leave and overtime. The SFAO did not identify any material misstatements

88. Actuarial liabilities relating to pensions and various other UPU employee benefits are accounted for in accordance with IPSAS 39 and are long-term. The actuarial analysis was performed by the UPU consultant actuary.
89. Long-term employee benefits, calculated using the projected unit credit method, are shown as a liability on the balance sheet for an amount of 183.5 million CHF. The two biggest amounts concern net liabilities towards the Provident Scheme (142.2 million CHF) and after-service health insurance (37.5 million CHF). The strong increase in these two liabilities resulted mainly from a net actuarial loss of 49.2 million CHF. This actuarial loss is mainly due to changes in financial assumptions with an impact of 48.3 million CHF.
90. 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 significant misstatements regarding long-term employee benefits.

## Voluntary contributions

91. Voluntary contributions amounting to 29.3 million CHF at 31 December 2023 represent an increase of 12.3 million CHF compared to the previous year. This increase is a logical consequence of the trend in project expenditure (see § 95).
92. During its audit, the SFAO analyzed the correct classification of voluntary contributions. The SFAO requested the reclassification of several contributions. Annual contributions to the .POST Group, the Postal Payment Services User Group and the Consultative Committee, which were initially presented as voluntary contributions, were reclassified as other annual contributions. These are annual contributions which enable participation in various groups and committees (see § 105). The International Bureau restated the comparative figures.
93. The SFAO audit procedures also identified revenue from sales of economic and statistical studies that was inappropriately presented as voluntary contributions. The audit adjustment has not been made as at 31 December 2023 (see § 106).
94. Based on these previous observations, the SFAO analyzed the UPU risk and control matrices. These matrices do not check for the correct classification of revenue, or its recognition.

## SFAO ASSESSMENT

The SFAO considers that, bearing in mind the risk, controls on the recognition and correct classification of revenue must be provided for and formalized within the UPU internal control system.

## RECOMMENDATION 8

**PRIORITY LEVEL 1**

The SFAO recommends that the UPU design and formalize controls on the recognition and classification of revenue within the risk and control matrices.

## COMMENT BY THE DIRECTOR GENERAL

The recommendation is accepted.

In its internal control, the IB will introduce an additional control over the revenue classification in the financial statements, so that they appear in the correct line of the financial performance statement. In order to ensure that it is fully effective, it is important that recommendation 5 of this report be implemented.

Planned implementation date: December 2026, DFI

## Project expenditure

95. Project expenditure at the end of 2023 amounted to 23.7 million CHF, compared to 9.9 million CHF at the end of 2022. QSF project expenditure increased, particularly because of projects implemented during the current financial year and the application of new accounting procedures (see §§ 80–82).
96. To improve the classification of expenses by type and ensure the comparability of information, the SFAO requested the reclassification under project expenses of certain expenses relating to travel, consultancy services and external contracts. The comparative figures were restated (see § 106).
97. The SFAO encouraged the International Bureau to present project expenses by project category rather than by type of project expense in the annex to the financial statements. The UPU adjusted this presentation.
98. During its audit procedures, the SFAO identified inter-segment project expenses which were eliminated in the statement of financial performance in the consolidated financial statements, but were not eliminated in the statement of financial position at 31 December 2023 (see § 106).

## Staff costs

99. Staff costs, which amounted to 43.8 million CHF in 2023, represent the UPU's largest expenditure item (48% of total expenditure). The number of full-time-equivalent employees remained stable compared with 2022.
100. The SFAO found no significant misstatements regarding staff costs at 31 December 2023.

## Statement of changes in net assets

101. The SFAO examined the table of changes in net assets (financial statement III) and checked the consistency of the movements. The SFAO asked for numerous adaptations to financial statement III in order to correctly present the movements, particularly the revaluation of assets following the introduction of IPSAS 41 (see §§ 55, 106–107), and to align them with the other information in the statement of financial position and in note 16 to the consolidated financial statements. The SFAO also requested restatement of the comparative figures linked to the erroneous classification of two third-party funds (see §§ 78, 106). The SFAO asked the UPU to present the use and allocation of gross reserves. The International Bureau made the necessary corrections.

## Statement of cash flow

102. The SFAO reviewed the positions in the table of cash flows (financial statement IV) and checked the amounts presented against the opening and closing balances.

103. The UPU made the necessary corrections to ensure that the table of cash flows corresponded with the closing balances of the balance sheet.

## LIST OF ADDITIONAL ENTRIES

104. 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 77,600 CHF. The impact of misstatements in the interpretation of the financial statements as a whole is considered material if it exceeds 720,000 CHF in total.

### Additional adjusted and unadjusted entries

105. The following table presents the additional entries noted during the interim audit and considered by the UPU during the preparation of the consolidated financial statements.

Description	Effect on result (CHF)	Effect on net assets (CHF)
Depreciation of non-capitalizable expenses (77,340 CHF)	77,340	77,340
Incorrect accounting of investments in the balance sheet (13,640 CHF)	13,640	13,640
Reclassification of the IRC debit account as a reduction in IRCs sold on the liabilities side of the balance sheet (61,964 USD, 51 740 CHF)	–	–
Inappropriate classification of contributions to the .POST Group (288,709 CHF, restatement of comparative figures of 307,300 CHF, see § 92)	–	–
Inappropriate classification of annual contributions to the Postal Payment Services User Group (99,796 CHF, restatement of comparative figures of 138,875 CHF, see § 92)	–	–
Inappropriate classification of annual contributions to the Consultative Committee (479,330 CHF, restatement of comparative figures of 105,556 CHF, see § 92)	–	–

106. The following table presents the additional entries noted during the audit. Two entries had not been corrected at 31 December 2023.

Description	Effect on result (CHF)	Effect on net assets (CHF)
<b>Balance before additional entries</b>	<b>(3,000,697)</b>	<b>133,895,700</b>
<i>Additional corrected entries</i>		
Incorrect accounting of the change in accounting method concerning the evaluation of receivables in line with IPSAS 41 (3,561,769 CHF, see §§ 55, 101)	(3,561,769)	–
Inadequate classification of interpretation equipment (1,299,870 CHF, see §§ 74–75)	–	–
Reclassification of project expenses incorrectly presented as relating to travel, consultancy services and external contracts (1,491,938 CHF, restatement of comparative figures of 159,652 CHF, see § 96)	–	–

Description	Effect on result (CHF)	Effect on net assets (CHF)
Inappropriate presentation of “.POST project” tied fund (125,099 CHF, re-statement of comparative figures of 243,218 CHF, see § 78)	–	(125,099)
Inappropriate presentation of “PFS collective trademark ” tied fund (80,052 CHF, restatement of comparative figures of 80,442 CHF, see § 78)	–	(80,052)
Inappropriate presentation of contributions invoiced in advance to the PTC (318,551 CHF, see § 85)	–	–
Inappropriate presentation of other contributions invoiced in advance PPS Clearing (81,600 CHF, see § 85)	–	–
Inappropriate presentation of other contributions invoiced in advance for UPU*Clearing (251,334 CHF, restatement of comparative figures of 244,386 CHF, see § 85)	–	–
Intercompany transactions not eliminated in the consolidated financial statements (261,624 CHF, see § 98)	–	–
<b>Balance after additional entries (according to financial statements)</b>	<b>(6,562,465)</b>	<b>133,690,549</b>
<i>Additional uncorrected entries</i>		
Incomplete amortization of fixed assets IMBI-0684 and IMBI-0731 (78,584 CHF)	78,584	78,584
Inappropriate presentation of revenue from sales of economic and statistical studies (110,265 CHF, see § 93)	–	–
<b>Impact of additional entries from previous financial period corrected during current financial period</b>		
None	–	–
<b>Balance after all additional entries</b>	<b>(6,483,881)</b>	<b>133,769,133</b>

## Insufficient information or incorrect presentation

107. The SFAO identified several errors in the annex to the 2023 consolidated financial statements due to insufficient or incorrect information. Below is a non-exhaustive list of the various amendments that were required. In particular, the information concerning the application of IPSAS 41 *Financial Instruments* did not comply with the requirements in IPSAS 30 *Financial Instruments: Disclosures* (see § 55). The principal accounting methods were not up to date given the introduction of IPSAS 41 *Financial Instruments*. The list of standards published by the IPSAS Board with a date of entry into force after 1 January 2023 was not exhaustive.
108. The notes concerning certain financial statement positions had to be adapted following comments from the SFAO. The movements of intangible assets in note 9 were not presented transparently or adequately according to the type of transaction (acquisition, transfer, disposal, depreciation). Note 12, Employee benefits, still contained information for the 2022 financial period. The actuarial losses presented in the annex were not consistent with the actuarial losses accounted for in the net assets. The information concerning financial risks in note 23 was not up to date. The SFAO requested amendment of the distribution by currency of the accounts payable and accrued expenses. The segment reporting in note 26 contained errors. The SFAO also requested the addition of information concerning significant transfers of funds between entities and the accounting principle applied.

109. All the material misstatements have been corrected.

## AUDIT RECOMMENDATIONS

110. 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 2024. The audit recommendations concerning general IT controls were only followed up in December 2023.
111. Of the 23 open recommendations, 12 have been implemented. Implementation of the other 11 open recommendations is in progress.

### Recommendations implemented

112. The SFAO considers that the following recommendations have been implemented since the last audit.

Audit report			Recommendations		
No.	Date	Subject	No.	Type	Unit
20091	16.07.2020	IT governance audit	2	IT	DCTP
20091	16.07.2020	IT governance audit	3	IT	DCTP
20091	16.07.2020	IT governance audit	4	IT	DCTP
20091	16.07.2020	IT governance audit	5	IT	DCTP
20339	28.06.2021	Audit of 2020 consolidated financial statements	1	Management	DACAB, DPRM
21202	14.12.2021	Electronic advance data project performance audit	2	Management	DOP/QSF
21202	14.12.2021	Electronic advance data project performance audit	5	Management	DOP/QSF
21481	31.08.2022	Audit of 2021 consolidated financial statements	10	FS	DRH
22365	31.08.2023	Audit of 2022 consolidated financial statements	1	IT	DCTP
22365	31.08.2023	Audit of 2022 consolidated financial statements	2	IT	DCTP
22365	31.08.2023	Audit of 2022 consolidated financial statements	6	FS	DFI
22365	31.08.2023	Audit of 2022 consolidated financial statements	7	FS	DFI

### Recommendations still outstanding

113. The follow up 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 2019 consolidated financial statements	4	Management	DL	31.12.2021

Audit report			Recommendations			
No.	Date	Subject	No.	Type	Unit	Initial planned date of implementation
21481	31.08.2022	Audit of 2021 consolidated financial statements	2	FS/Management	DACAB	30.11.2022
21481	31.08.2022	Audit of 2021 consolidated financial statements	3	IT	DCTP	31.12.2022
21481	31.08.2022	Audit of 2021 consolidated financial statements	4	IT	DCTP	31.12.2022
22365	31.08.2023	Audit of 2022 consolidated financial statements	3	IT	DCTP	31.12.2023
22365	31.08.2023	Audit of 2022 consolidated financial statements	4	IT	DCTP	31.12.2023
22365	31.08.2023	Audit of 2022 consolidated financial statements	5	FS/Management	DACAB	31.05.2024
22365	31.08.2023	Audit of 2022 consolidated financial statements	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

Berne, 30 August 2024

SWISS FEDERAL AUDIT OFFICE

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