

**REVIEW OF MANAGEMENT AND ADMINISTRATION IN
THE UNIVERSAL POSTAL UNION (UPU)**

Prepared by

Gönke Roscher

Joint Inspection Unit

Geneva 2017



United Nations

JIU/REP/2017/4
Original: ENGLISH

REVIEW OF MANAGEMENT AND ADMINISTRATION IN THE UNIVERSAL POSTAL UNION (UPU)

Prepared by

Gönke Roscher

Joint Inspection Unit



United Nations, Geneva 2017

EXECUTIVE SUMMARY

Review of management and administration in the Universal Postal Union (UPU) JIU/REP/2017/4

The present review of management and administration in the Universal Postal Union (UPU) is one of a series of reviews of participating organizations undertaken by the Joint Inspection Unit (JIU). JIU has the mandate to provide an independent view on all matters having a bearing on the efficiency of the services and the proper use of funds of the United Nations system organizations. The Unit conducted its first review of management and administration in UPU in 2008, in which it identified a number of areas for improvement and harmonization of management and administration practices at UPU. As appropriate, the recommendations from the 2008 report and the status of their implementation were considered in the preparation of the present report.

In the present report, the Inspector has made 10 formal recommendations: 6 are addressed to member countries through the Council of Administration and 4 are addressed to the Director General of the International Bureau, focusing on suggestions for improvement in management areas. The formal recommendations are complemented by informal recommendations (appearing in bold in the narrative), which are additional suggestions for reinforcing the administration and management of UPU, also with reference to the standards and good practices of the United Nations system. The review aims to promote good governance, oversight and accountability and reinforce the management framework (and related practices) of UPU.

Main findings and conclusions

UPU is a relatively small specialized agency with its headquarters in Bern and a regional presence through seven Regional Project Coordinators. According to the preamble of its Constitution, the primary objective of UPU is to stimulate the lasting development of efficient and accessible universal postal services of quality in order to facilitate communication between the inhabitants of the world by guaranteeing the free circulation of postal items over a single postal territory composed of interconnected networks; encouraging the adoption of fair common standards and the use of technology; ensuring cooperation and interaction among stakeholders; promoting effective technical cooperation; and ensuring the satisfaction of customers' changing needs.

UPU operates in a highly complex environment and has faced multiple challenges in recent years, mainly generated by economic and technological development, fundamental market changes, rapidly changing consumption models and an erosion of its financial base. As a result, it has undergone successive organizational reforms, restructuring and programmatic realignments. The executive management has to be given credit for managing this difficult task and their continuous efforts to adjust UPU in the light of the evolving environment. At the time of the present review, UPU continues to face a number of major challenges. It is therefore crucial that member countries and the executive management take the necessary action to secure the relevance of the organization and its role in the rapidly changing postal market. The present review is designed to assist both member countries and the executive management in achieving those goals.

Formal recommendations

The review identified a series of shortcomings requiring, inter alia, improvement and harmonization in the internal management and administration practices of the International Bureau. In the management area, the Inspector believes that appropriate and updated terms of reference for all management, institutional and other committees would enhance transparency and accountability and ensure synergy and complementarity (**recommendation 1**).

The International Bureau carries out the substantive work of the Union through four operational directorates, with the assistance of four support directorates. As the set-up of these support functions may generate shortcomings in terms of efficiency and cost-effectiveness, the Inspector suggests streamlining and consolidating some of those functions (finance, human resources management and logistics) into one administration directorate and including such a proposal in the framework of the preparation of the Programme and Budget for 2019 (**recommendation 2**). Furthermore, the Inspector stresses the importance of formalizing an appropriate framework for delegation of authority to enhance the effectiveness of the internal management (**recommendation 3**). In doing so, consideration should be given to entrusting more managers with increased responsibilities when it is appropriate for the efficiency and effectiveness of the organization, in order to enhance the transparency and accountability of the decision-making process.

The financial situation of UPU has been the focus of attention in recent years. The organization has been subject to zero nominal growth for two decades, while the workload in response to the growing demands of member countries has steadily increased. The stagnation of available resources and the continuous increase in liabilities have seriously affected the financial health of the organization. Three recommendations are therefore focused on various aspects of financial management.

A recurring practice has been established in the years that UPU holds its Congress, whereby the Chair of the Council of Administration approves the financial accounts without the full report of the external auditor being presented and approved by the Council of Administration. That is based on grounds of urgency provided for in article 12 of its rules of procedure. The Inspector calls the attention of the Council of Administration to this practice and recommends its discontinuation for the approval of the financial accounts, as it concerns a matter of principle (**recommendation 4**).

In 2011, the introduction of international public sector accounting standards (IPSAS) allowed liabilities to be more prominently reflected in the financial statements, leading to a clearer financial picture. In the light of the disproportionate volume of liabilities related to after-service health insurance and the Provident Scheme, the Inspector recommends that the Council of Administration request the elaboration of a policy aimed at containing the costs of after-service health insurance (**recommendation 5**) and an in-depth study on the financial effects of a transfer of the Provident Scheme to the United Nations Joint Staff Pension Fund (**recommendation 6**) to enhance the stability and sustainability of the finances of the organization.

Although the human resources management framework has been reinforced by, inter alia, the revision of the staff regulations and staff rules, the elaboration of the draft human resources strategy and the issuance of administrative instructions and internal

memorandums, the review identified several deficiencies in this area. **Recommendation 7** aims to enhance transparency and accountability in human resources management through coherent annual reporting to the Council of Administration, based on the standardized model adopted by it in 2011. This measure would provide member countries with comparable data that would enable them to pertinently exercise their oversight of human resources matters. The Inspector urges the executive management to finalize the human resources strategy for 2017-2020 to best resource the International Bureau with the necessary skills to face future challenges (**recommendation 8**). In terms of the human resources regulatory framework, the Inspector recommends revisiting the Staff Regulations and Staff Rules in order to reintegrate certain provisions of the conditions of service into the regulations in accordance with common practice, including the elements of the revised common system compensation package prepared by the International Civil Service Commission and approved by the United Nations General Assembly in 2015 (**recommendation 9**).

The executive management has undertaken a series of efforts to enhance transparency and good governance in the area of oversight. However, the Inspector suggests exploring a new model for an independent audit committee, as the existing UPU internal audit committee does not correspond to the standards and requirements in terms of its membership and independence. The majority of United Nations organizations have reconstituted their oversight committees as external, independent and expert-based advisory bodies. They play a key role in assisting executive heads and governing bodies to strengthen oversight and ensuring the independence and effectiveness of the internal audit function (**recommendation 10**).

Informal recommendations

Further changes are needed to improve the efficiency of the governance structure. Some elements, such as the overlapping hierarchical structures and the duplication of work and decision-making could be redesigned for more efficient and effective functioning of the organization. The Inspector has therefore made an informal recommendation on the streamlining of the governance structure (para. 31). She emphasizes that member countries bear the primary responsibility in this respect.

The Inspector has made additional suggestions through informal recommendations on the formalization of the responsibilities of the Deputy Director General of the International Bureau (para. 34); the terms of office and conditions of service of elected officials (paras. 36 and 37); the consolidation of all accountability elements into a stand-alone accountability framework (para. 55); the expeditious implementation of the enterprise resource planning system in areas other than finance (para. 57); consideration of the outsourcing of administrative support services (para. 60); the strengthening of internal coordination (para. 61); the regular conduct of staff surveys (para. 62); the establishment of a corporate-wide information and communications technology strategy and an information technology advisory committee (para. 70); the fine-tuning of the prioritization exercise (para. 79); a more frequent conduct of strategic risk assessments (para. 95) and the establishment of a comprehensive risk management policy (para. 98); the approval of the annual programme and budget with the required documentation (para. 111); the legal obligations of member countries with respect to payment of contributions and arrears (para. 114); the detailed analysis of the medium- to long-term financial situation in the context of an alternative contribution model (para. 115); the full implementation of IPSAS rule 20 concerning the remuneration of elected officials (para. 126); a more balanced membership in the governance structure of the Provident Scheme (para. 136); the

establishment of a working capital fund (para. 145) and the creation of an internal committee to review all International Bureau staff posts (para. 146). The Inspector emphasizes the need to proactively continue all measures for improving geographical diversity (para. 156). To improve gender balance, she suggests the elaboration of a gender equality and mainstreaming policy (para. 159).

Other informal recommendations are made on the procedures for the approval of the classification, reclassification and abolition of posts (paras. 177 and 178 respectively); the need to increase resources for staff training (para. 184); the establishment of a comprehensive programme of mandatory training (para. 186); a review of the arrangement for the provision of ethics services (para. 196); the strengthening of the mediation function (para. 200); addressing a broader range of audit subjects and in more depth (para. 207); the consolidation of existing elements into an investigation framework (para. 210); the development of an evaluation policy (para. 212); the introduction of rotation and term limits for the external auditor (para. 216); the consideration of JIU reports (para. 219); the accessibility of internal audit reports (para. 225); and increasing cooperation in the field with the United Nations family in the context of the 2030 Agenda for Sustainable Development (para. 235).

The Inspector stresses that in order for the recommendations contained in the present report to be successfully implemented, strong and continuous commitment is required from the member countries, the governing bodies and the executive management of the organization, as well as its staff.

Recommendations

Recommendation 1

The Director General should review the framework of the management, steering, institutional and other committees and boards, including their working procedures, to ensure synergy and complementarity, notably by publishing their respective terms of reference by the end of 2018.

Recommendation 2

The Director General should consider further streamlining the structure of the International Bureau and examine, in particular, the consolidation of support functions (finance, human resources management and logistics) into one administration directorate and include such a proposal in the framework of the preparation of the Programme and Budget for 2019.

Recommendation 3

The Director General should formalize the delegation of authority in the International Bureau by establishing, as soon as possible, the necessary administrative instructions and internal memorandums.

Recommendation 4

The Council of Administration should discontinue the application of article 12 of its rules of procedure to the approval of the UPU financial statements with immediate effect. The Council of Administration should ensure that the financial statements, including the full report of the external auditor, are discussed and approved by the Council of Administration in the years of Congress.

Recommendation 5

The Council of Administration should instruct the Director General to examine the different options for managing after-service health insurance liabilities, including for their funding, and submit a policy by 2020. The policy should take into account the reports of the United Nations Secretary-General on this issue and the related decisions of the General Assembly.

Recommendation 6

The Council of Administration should instruct the Director General to include in the study on the future sustainability of the Provident Scheme of UPU, a comprehensive analysis of its possible transfer to the United Nations Joint Staff Pension Fund, including information on expected costs and savings, and present this analysis to the Council of Administration at its first session in 2018.

Recommendation 7

The Council of Administration should request the Director General to present a comprehensive report on human resources management and related activities to its first session in 2018, based on the model adopted by the Council of Administration in 2011 as the standard format for human resources management reporting, and use this model for future reporting.

Recommendation 8

The Director General should finalize the human resources strategy for the 2017-2020 cycle as a matter of priority and present it to the second session of the Council of Administration in 2017 for information.

Recommendation 9

The Council of Administration should instruct the Director General to present to it at its first session in 2018 the revised Staff Regulations and Staff Rules for consideration and approval. The revision should reintegrate the conditions of service, including the elements of the revised common system compensation package, into the Staff Regulations. The Council of Administration might consider applying the good practice of the United Nations Secretariat of enumerating the conditions of service in annexes to the Staff Regulations.

Recommendation 10

The Council of Administration should study the possibility of establishing an independent audit committee, possibly by drawing on similar structures in place in other United Nations specialized agencies, such as the Independent Management Advisory Committee at the International Telecommunication Union, to assist the Council of Administration and the Director General in effectively fulfilling their governance and oversight responsibilities.

CONTENTS

		<i>Page</i>
	EXECUTIVE SUMMARY.....	iii
	ABBREVIATIONS.	x
<i>Chapter</i>		
I.	INTRODUCTION.....	1
	A. Objectives, scope and methodology	1
	B. Background	2
	C. Global context and overall challenges.....	3
II.	STRUCTURE AND GOVERNANCE.....	5
	A. Legal instruments	5
	B. Congress	5
	C. Council of Administration.....	5
	D. Postal Operations Council	6
	E. Consultative Committee	7
	F. International Bureau.....	7
	G. Reform of governance	7
III.	MANAGEMENT.....	9
	A. Executive management	9
	B. Internal committees of the International Bureau	10
	C. Management and administration of the International Bureau	12
IV.	STRATEGIC PLANNING AND RISK MANAGEMENT.....	20
	A. Strategic planning	20
	B. Results-based management and performance reporting.....	21
	C. Risk management and internal controls	23
V.	FINANCIAL FRAMEWORK.....	26
	A. Funding model and financial resources.....	26
	B. Financial situation	27
	C. Other financial issues	32
VI.	HUMAN RESOURCES.....	38
	A. Workforce.....	39
	B. Other human resources management issues	43
VII.	OVERSIGHT.....	54
	A. Internal oversight.....	54
	B. External oversight	57
	C. Oversight products and recommendations	59
VIII.	REGIONAL PRESENCE.....	61
 ANNEXES		
I.	UPU governance and oversight framework	63
II.	Indicative figures concerning UPU main conferences and meetings in 2015 and Congress in 2016	64
III.	International Bureau organizational chart as of January 2017	66
IV.	Main elements of UPU strategic planning (2013-2016 and 2017-2020)	67
V.	UPU risk assessment of 2014.....	68
VI.	UPU financial framework	69
VII.	Human resources figures	72
VIII.	JIU online surveys	73
IX.	Bodies related to the core postal business	76
X.	Overview of actions to be taken by participating organizations on the recommendations of the Joint Inspection Unit.....	78

ABBREVIATIONS

CEB	United Nations Chief Executives Board for Coordination
DAJ	Legal Directorate
DFI	Finance Directorate
DL	Logistics Directorate
DIRCAB	Directorate of Executive Office
DCDEV	Development and Cooperation Directorate
DMR	Markets Development and Regulation Directorate
DOP	Postal Operations Directorate
ICT	Information and communications technology
IFAD	International Fund for Agricultural Development
IPSAS	International Public Sector Accounting Standards
ITU	International Telecommunication Union
POC	Postal Operations Council
PTC	Directorate of Postal Technology Centre
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
WHO	World Health Organization
WMO	World Meteorological Organization

I. INTRODUCTION

1. As part of its programme of work for 2016, the Joint Inspection Unit (JIU) conducted a review of the management and administration in the Universal Postal Union (UPU) as one of a series of similar reviews of United Nations system organizations included in its revised strategic framework for 2010-2019.¹ JIU had previously reviewed the organization in 2008 to identify areas for improvement in its management and administration practices.² The 2008 recommendations and the status of their implementation were considered, as appropriate, in the preparation of the present report. However, the report is a fully-fledged management and administration review, taking into account the significant changes in the UPU landscape since the last review and the measures taken by UPU governing bodies and the executive management to address the related challenges.

A. Objectives, scope and methodology

2. The main objective of the present report is to provide an independent review of the regulatory frameworks and related practices concerning the management and administration of UPU. It aims to identify opportunities for improvement in the areas of governance, management, administration, strategic planning, financial and human resources management, oversight functions and information and communications technology (ICT) management. It does not cover the substantive dimensions of the work carried out by UPU or the activities undertaken by its cooperatives.

3. The present review is timely and relevant as UPU faces external challenges, such as fundamental changes in the world's economic landscape, including the liberalization and privatization of the postal sector and technological progress, as well as internal challenges, such as financial constraints. Against that background, the Congress and the executive management have initiated a reform process to secure the relevance of the organization in the future and its operational capacity.

4. The executive management, re-elected by the Congress for a second four-year term (2017-2020), showed a high degree of commitment to the JIU review, which is considered an important contribution to enhancing the efficiency and effectiveness of the organization. However, the complexity of the UPU governance structure, the internal framework of management and administration and the unavailability of some internal documents at times presented a challenge to a comprehensive assessment of organization-wide issues.

5. The Inspector applied a range of evaluation techniques to triangulate the findings and to issue well-supported conclusions and recommendations. The report draws on information and data, mainly collected in 2016, and relevant comments and additional information received from the UPU executive management during the finalization of the report were also taken into account. In accordance with the JIU internal standards and guidelines and its internal working procedures, the preparation of the report included:

- A desk review and an in-depth analysis of the documents produced by the UPU governing bodies and the internal documentation issued by the International Bureau (for example, administrative instructions, internal memorandums, etc.);
- Interviews with the Director General and the Deputy Director General;

¹ A/66/34, annex 1.

² JIU/REP/2008/1.

- Interviews with officials representing corporate management functions, the chairs/vice-chairs of internal committees of the International Bureau and the seven Regional Project Coordinators. Their inputs complemented information received through the JIU corporate questionnaire and the follow-up questionnaire, both completed by the International Bureau;
- The views of representatives of member countries were sought via a series of interviews and by a survey addressed to all the members of UPU. It should be noted that the response rate to this survey was not sufficient to draw any pertinent conclusions;
- Interviews with the external providers of oversight and related services, such as the internal auditor (Ernst & Young), the external auditor (Swiss Federal Audit Office), the ethics function (BDO Consulting), the Ombudsman and social services (Swiss Post);
- Interviews with the president of the Staff Association, complemented by the responses received through an online staff survey that attracted a good participation rate (63.3 per cent, see annex VIII).

6. The report contains 10 recommendations: 6 are addressed to the Council of Administration and 4 are addressed to the Director General. These formal recommendations are complemented by informal recommendations, which constitute additional suggestions for reinforcing the management and administration framework and related practices in UPU, with reference to the standards and good practices of the United Nations system. To facilitate the handling of the report, the implementation of its recommendations and the monitoring thereof, annex X contains a table that identifies recommendations which require a decision by the governing bodies, or which can be acted upon by the Director General.

7. In accordance with article 11.2 of the JIU statute, the present review was finalized after consultations among the Inspectors so as to test its conclusions and recommendations against the collective wisdom of the Unit. The Inspector wishes to express her appreciation to all who assisted her in the preparation of the report, in particular those who participated in the interviews and willingly shared their knowledge and expertise.

B. Background

8. UPU has been a specialized agency of the United Nations since 1948.³ Its creation dates back to 1874 when 22 founding countries signed the Treaty concerning the formation of a General Postal Union (Treaty of Bern). In 1878, due to a large number of accessions, the name was changed to Universal Postal Union, while the Treaty of Bern became the Convention. UPU celebrated its 140th anniversary in 2014.

9. The treaty of 1874 was a milestone in the postal sector. It constituted the first collective convention governing the international postal services and created a single postal territory to facilitate transnational postal exchange and trade among its signatory States. The single territory and freedom of transit for postal items continue to be among the most decisive assets of the Union. Together they constitute the largest global distribution network, enabling billions of people and businesses to communicate and exchange documents and goods.⁴

³ Agreement between the United Nations and the Universal Postal Union (1947).

⁴ See website on 140th anniversary of the UPU.

10. UPU has 192 member countries and has its headquarters in Bern.⁵ It has a field presence through seven Regional Project Coordinators, the restricted unions networks of specialists in the field⁶ and national project managers.⁷ The UPU official language is French. In addition to French, English has been the second working language of the International Bureau since 1994.⁸ Since its foundation until 1972, the International Bureau was under the general supervision of the Government of Switzerland. Since 1972, the authority for the staff and financial regulations of the Union lies with the Council of Administration. Until 1979, the Government of Switzerland maintained the finances of UPU.

11. UPU is the primary forum for cooperation between actors in the postal sector. According to the preamble of the Constitution, its mission is “to stimulate the lasting development of efficient and accessible universal postal services of quality in order to facilitate communication between the inhabitants of the world by: guaranteeing the free circulation of postal items over a single postal territory composed of interconnected networks; encouraging the adoption of fair common standards and the use of technology; ensuring cooperation and interaction among stakeholders; promoting effective technical cooperation; ensuring the satisfaction of customers’ changing needs”. In line with its mandate, UPU sets the rules for international mail exchanges and makes recommendations to stimulate growth in mail, parcel and postal financial services volumes and improve the quality of services in the postal sector.

12. Although it is an intergovernmental organization, UPU has opened its structure to non-governmental organizations and private sector actors over time. Following the 1994 Seoul Congress, possible ways for the participation of non-State entities in the activities of the organization were explored. This resulted in the creation of an advisory group in 1999, open to members of the UPU governing bodies and the restricted unions and to non-governmental and private postal sector players. The postal sector stakeholders have diversified over time, mainly due to the liberalization of the postal sector, thus also affecting the role and nature of designated postal operators. In 2004, the Consultative Committee was established as a permanent platform for the involvement of non-governmental and private sector stakeholders in the work of the Union.

C. Global context and overall challenges

13. The global context in which UPU operates has become increasingly complex and challenging over recent decades, affected by risks and uncertainties, such as political instability, the economic and financial crisis, and a radically changing business environment. The latter is marked by technological developments, in particular increasing digitalization, together with a rapidly changing consumption model, liberalization of the market and increasing competition. All of these elements exacerbate the need for reform of UPU. While

⁵ For historical reasons, membership of the Union is not only limited to sovereign States but also includes non-self-governing territories to which earlier Congresses granted the status of member countries. The only territories still enjoying this position after the 2004 Bucharest Acts came into force are the Overseas Territories for whose international relations the Government of the United Kingdom of Great Britain and Northern Ireland is responsible and Aruba, Curacao and St. Maarten (Netherlands).

⁶ UPU currently has 17 restricted unions that promote cooperation between postal services from a specific region. They are governed by article 8 of the Constitution and have an important role in coordinating and facilitating the functioning of postal services at the regional level. See annex IX.

⁷ Financed through host countries or restricted unions.

⁸ The majority of UPU documents and publications are available in the official languages of the United Nations (Arabic, Chinese, English, French, Russian and Spanish) and in Portuguese.

the significance of the traditional postal sector has declined, in particular letter post traffic, new business opportunities such as parcel post traffic, e-commerce, logistics and financial services have emerged.⁹ To keep pace with those developments and to maintain the competitiveness of the postal sector, the role of UPU in the dynamic global context needs to be kept constantly under review.

14. The relevance of UPU is strongly linked to its ability to maintain the interest of all member countries in the organization and to support them in seizing key opportunities. Its success will be determined by its ability to respond to fast-changing customer needs and expectations. Like many other international organizations, UPU is facing the challenge of fulfilling a growing number of complex tasks with limited financial resources. The overall challenging context for UPU was confirmed in the internal risk assessment of 2014. It concluded that the organization was at a critical juncture and identified a number of long-term strategic risks. Against the background of the risk assessment, the International Bureau identified several opportunities for the organization to maintain its relevance, such as the growth of e-commerce and postal financial services. Mitigating risks and seizing opportunities were the dual aim of the executive management during the 2013-2016 cycle. It has remained a key factor in the preparation of the world postal strategy for the 2017-2020 cycle, taking into account the changes in the political, economic, technological, legal, social and environmental landscape and their impact on the postal sector.

15. In a larger context, the year 2015 was marked by historic decisions taken by the international community to establish a new path towards improving the lives of people everywhere: the 2030 Agenda for Sustainable Development and the Paris Agreement on Climate Change. The Istanbul world postal strategy, adopted in 2016 for the 2017-2020 cycle, clearly establishes a link to the 2030 Agenda for Sustainable Development by stating that: “The postal sector is seen as an enabler of inclusive development and an essential component of the global economy.”¹⁰ The executive management stresses that for almost every goal of the 2030 Agenda for Sustainable Development, postal networks are already providing solutions, for example by fostering social and financial inclusion, facilitating trade and commerce and delivering innovation. In his opening remarks at the UPU ministerial conference in October 2016, the Director General stressed that inclusion, trade and the digital economy are considered as the three drivers of development in which the postal sector is involved. As such, the recommendations put forth in the present review may contribute to the forward-looking approaches undertaken by the executive management and member countries to ensure that UPU maintains its relevance and that existing services are leveraged to achieve broader development goals.

⁹ As indicated in the report on the activities of the International Bureau (2013-2016 cycle), in 2013-2014, letter post traffic (international service) declined by 7.3 per cent while parcel post traffic (international service) increased by 5.7 per cent. Postal financial services have become a main source of income, now making up 17.1 per cent of total revenue in 2014. The flow of money transfers in 2015 represented \$601 billion.

¹⁰ See CA 2016.1-Doc 7c, annex 1 (adopted by the 2016 Istanbul Congress resolution C23/2016).

II. STRUCTURE AND GOVERNANCE

A. Legal instruments

16. The key principles and rules of the organization are set out in the Acts of the Union, which are the Constitution of the Universal Postal Union, the General Regulations, the Universal Postal Convention and its Regulations. The fundamental act is the Constitution, which contains the organic rules of the Union and is a diplomatic act ratified by the member countries. The General Regulations set out the provisions that ensure the application of the Constitution and the operations of the Union. Amendments to the Constitution and the General Regulations are made through additional protocols decided at the Congress, which also decides when they enter into force. The Convention and its detailed regulations contain the common rules applicable to the international postal service and the provisions concerning the letter post and parcel post services and other postal services. Those regulations are regularly reviewed and updated by the Postal Operations Council. The Acts of the Union are complemented by the Postal Payment Services Agreement, an optional agreement (treaty), which governs a set of international postal payment services. All those acts and agreements are adopted by and subject to the authority of the Congress.

17. The structure of UPU is enshrined in its Constitution and further detailed in the General Regulations, both of which were amended most recently at the 2016 Istanbul Congress.¹¹ The structure, which is described in annex I to the present report, comprises the Congress, the Council of Administration, the Postal Operations Council, the Consultative Committee and the International Bureau.

B. Congress

18. The Congress is the supreme body of the Union. It consists of the representatives of the 192 member countries and meets every four years. It “exercises all the powers coming within the scope of UPU and which have not been expressly entrusted to another body by the Acts of the Union”.¹² Its primary functions are, inter alia, determining the general principles for achieving the objectives and purpose of the Union; considering and amending the acts of the Union, where appropriate; adopting the strategy of the Union and approving its draft quadrennial business plan; fixing the expenditure ceiling of the Union; giving final discharge to the bodies responsible on the basis of the financial statements; and electing the 41 members of the Council of Administration and the 40 members of the Postal Operations Council, as well as the Director General and the Deputy Director General.¹³

C. Council of Administration

19. The Council of Administration convenes biannually and acts as the governing body of UPU between the sessions of the Congress. Its primary role is to ensure the continuity of the work of UPU. Its functions are to oversee all activities of the organization between Congresses and to study questions regarding governmental policies on postal issues. In doing so, it mainly deals with regulatory, administrative, legislative and legal issues. The Council of Administration is also responsible for approving, inter alia, the quadrennial

¹¹ See Ninth Additional Protocol to the Constitution of the Universal Postal Union and First Additional Protocol to the General Regulations.

¹² UPU Constitution, art. 14, commentary 14.1.

¹³ See General Regulations, arts. 103 and 107 and Financial Regulations, arts. 38.1 and 38.2.

business plan, the annual programme and budget, the financial statements,¹⁴ the annual report on the work of the Union prepared by the International Bureau and membership applications for the Consultative Committee. It exercises control over the activities of the International Bureau and establishes the financial regulations, the staff regulations and the conditions of service of the elected officials.¹⁵

20. The Council of Administration is entitled to set up its own bodies (committees, project groups, etc.) and determine their powers.¹⁶ During the Doha cycle (2013-2016), it established four committees and 11 project groups. The committees focus on governance and regulatory issues, finance and administration, strategy and development cooperation. The Council of Administration is supported by its own Management Committee that, inter alia, prepares and directs the work of each session.¹⁷

D. Postal Operations Council

21. The Postal Operations Council is the main operational and technical body of the Union. It meets biannually ahead of the meetings of the Council of Administration and is responsible for operational, commercial, technical and economic issues related to the postal sector.¹⁸ Its main task is to coordinate practical measures for the development and improvement of international postal services aimed at enhancing quality and modernizing the international postal service. The Postal Operations Council also provides input to the Council of Administration for the development of the UPU world postal strategy.

22. During the Doha cycle, the Postal Operations Council established five committees, five direct reporting bodies and 29 working/project groups. It is also supported by its Management Committee.¹⁹ The five direct reporting bodies (reporting directly and not through subsidiary structures to the Postal Operations Council)²⁰ are the Telematics Cooperative, Express Mail Service Cooperative, UPU*Clearing User Group, .POST Group and the Quality of Service Fund (see annex IX). The first four bodies mentioned are constituted as user-funded subsidiary bodies, which are of optional membership for member countries (or their designated operators for some of these bodies).

23. The provisions of the General Regulations allow the Postal Operations Council to establish user-funded subsidiary bodies on the basis that their range of activities falls “within its competence under article 18 of the Constitution” and that the funding of these activities does not come from the regular budget, but is voluntary.²¹ The secretariats of these bodies are administered by the Director General, as they are an integral part of the International Bureau.²²

¹⁴ See Financial Regulations, art. 38.

¹⁵ See General Regulations, art. 107.

¹⁶ See Rules of Procedure of the Council of Administration, art. 10.

¹⁷ See General Regulations, art. 108.

¹⁸ Ibid., art. 113.

¹⁹ Ibid., art. 114 and Rules of Procedure of the Postal Operations Council, art. 5.2.

²⁰ The Geneva Congress (2008) recommended that the Postal Operations Council update its structure. Previously, most of these reporting bodies were located under different overlapping bodies, which led to an overwhelming need for coordination and undermined the efficiency of the Council.

²¹ See General Regulations, arts. 113 and 152 and Rules of Procedure of the Postal Operations Council, art. 16.

²² For details on the role and functions of the Postal Operations Council direct reporting bodies, see annex IX.

E. Consultative Committee

24. The Consultative Committee was created in 2004 with the aim of representing the interests of the wider international postal sector and providing a framework for dialogue between stakeholders. Its membership is composed of non-governmental organizations representing customers, delivery service providers, organizations of workers, suppliers of goods and services to the postal services sector, organizations of individuals and companies which have an interest in supporting the mission and objectives of the Union, and members designated by the Council of Administration and the Postal Operations Council.²³ The 2016 Istanbul Congress decided to extend the scope of membership of the Consultative Committee in order to include regional and international non-governmental postal organizations; standardization, financial and development organizations; and high-level representatives from the postal sector recommended by member countries or by the relevant bodies of the Union.²⁴

F. International Bureau

25. The International Bureau serves as an organ of execution, support, liaison, information and consultation, and acts as the secretariat of the UPU governing bodies (Congress, the Council of Administration, the Postal Operations Council and the Consultative Committee). Located at UPU headquarters in Bern, the International Bureau is administered and directed by a Director General and placed under the control of the Council of Administration. One major task of the International Bureau is the implementation of the world postal strategy, as mandated by member countries. Furthermore, it is charged with providing annual reports on the work of the Union, collecting and distributing information related to the international postal service and developing postal technical assistance. The International Bureau sees itself as a unique forum for providing affordable technical solutions and as a knowledge centre for member countries.

26. In directing the International Bureau, the Director General, assisted by the Deputy Director General, is assigned a wide range of tasks and prerogatives, including preparing the draft strategy and the annual programme and budget of the Union, representing the Union and acting as its intermediary with the United Nations and other international stakeholders, submitting proposals to the Council of Administration and/or the Postal Operations Council and taking action to achieve the objectives set by the bodies of the Union.²⁵

27. The International Bureau has a relatively small secretariat, with around 250 staff members financed partly from the regular budget and partly from extrabudgetary resources. As of January 2017, it consists of nine directorates, four of which undertake operational activities, four undertake management, administrative and technical support functions, and one that acts as the executive office (cabinet) (see annex III).

G. Reform of governance

28. Since 1999, UPU has been working towards enhancing its efficiency and effectiveness and securing its global role and relevance. To keep pace with the changes in the international postal environment, in 2004 member countries established a committee to review the mission, structure, constituency, financing, decision-making and budgetary processes of UPU. Later, it became the reform of the Union project group, a body established by the 2012 Doha Congress as a joint body of

²³ See General Regulations, art. 119.

²⁴ See General Regulations, First Additional Protocol, art. V.

²⁵ See General Regulations, art. 127, commentary 127.3.8.

the Council of Administration and the Postal Operations Council, with a mandate to study possible adjustments to the mission of the Union and to find ways to improve the governance structure of its main bodies and their operations.²⁶ At the same time, a number of internal reforms were undertaken, including several restructuring measures; that process was ongoing over the course of the review.

29. The 2012 Doha Congress reaffirmed the need for reform and instructed the Council of Administration and the Postal Operations Council to propose further changes at the next Congress.²⁷ In 2016, the Council of Administration submitted a report and reform proposals to the Congress in which it identified major weaknesses, such as the overlapping hierarchical structures of the Council of Administration and the Postal Operations Council and their committees and the duplication of their respective work; a disproportionate number of subsidiary bodies, meetings and documents; and lengthy decision-making processes.²⁸ The Inspector noted that until 2016, the two Councils had operated with 9 committees and 40 working groups, all of which spent around six weeks each year in meetings. That resulted in, inter alia, the production of a disproportionate number of documents (see annex II).

30. In its 2016 report, the Council of Administration specifically recommended the establishment of a single council to replace the existing Council of Administration and Postal Operations Council. Owing to a lack of consensus, the 2016 Istanbul Congress decided to defer this issue to an extraordinary Congress in 2018, where a more substantive revision of the governance structure is expected to take place. However, the Congress decided to implement certain elements of the reform proposal with immediate effect, such as limiting the number and duration of the meetings of the Council of Administration and the Postal Operations Council to twice a year for a maximum of 10 days each and substantially reducing the respective substructures. These changes are expected to reduce conference costs, in particular regarding printing and travel, and are likely to produce tangible budgetary savings from 2017 onwards.

31. The Inspector considers this decision an initial step towards enhanced efficiency and cost-effectiveness in the governance of the organization. The need for keeping pace with progress in the postal sector has an impact on the operational requirements of the Union. The current set-up of the governance bodies may not be fit for purpose to enable UPU to successfully implement its mandate. Some elements of the current governance, such as the overlapping hierarchical structures and the duplication of work and decision-making, have a negative effect on the performance of the organization and on the availability of resources. **Further streamlining the governance structure would continue to enhance the efficient and effective functioning of UPU. Member countries should continue the reform exercise and bear the primary responsibility in this respect.**

²⁶ See Doha Congress-Doc 17, Reform of the Union.

²⁷ See Doha Congress resolution C 26/2012, Management of the work of the Union - Further reform of the UPU.

²⁸ See Istanbul Congress-Doc 38, Reform of the Union.

III. MANAGEMENT

A. Executive management

32. According to article 20 of the Constitution and articles 127 and 128 of the General Regulations, the Director General is the head of the International Bureau with responsibility for the overall administration and management of the organization, for which he is accountable to member countries. The authority of the Director General with regard to the administration of the International Bureau in the areas of human resources and finance are set out in the Staff Regulations of the International Bureau and in the UPU Financial Regulations, respectively. The Director General is assisted by a Deputy Director General. Together they form the “General Management of the Bureau”²⁹ (referred to as “executive management” further in the report) assisted by the Directorate of the Executive Office, and are responsible for governance, strategy, communication and cabinet and council affairs.

33. Whilst the duties and authority of the Director General are enumerated in detail in the General Regulations, those of the Deputy Director General are only defined in broad terms as assisting the Director General and being responsible to him, with no further specification.³⁰ As in many United Nations system organizations, the Deputy Director General is to exercise the functions of the Director General when he or she is absent or prevented from discharging his or her duties. The executive management provided several examples of tasks entrusted to the Deputy Director General, such as the review of correspondence, the organization of the Congress and chairing the Appointments and Promotions Committee, and stressed the process of constant consultation and communication between the two elected officials on all decisions. However, in the course of the review, no evidence was found as to whether a formal division of labour existed between the elected officials and which particular tasks were entrusted to the Deputy Director General.

34. **The Inspector is of the view that a more strategic approach with regard to the functions of the Deputy Director General, as the second most senior official of the organization, is needed. Although member countries have entrusted the Director General with determining the functions of the Deputy Director General, the Inspector believes that specifying his or her role to establish clear operational and management responsibilities, and formalizing them in an internal memorandum would ensure related accountability and benefit the management of the organization.** That would allow the Director General more time to concentrate on political and strategic issues requiring principal-level attention. This is a practice followed in some United Nations system organizations. For example, at the International Telecommunication Union (ITU), the functions of the Deputy Secretary-General are subject to successive service orders that have gradually granted increased authority and responsibilities at different levels and been communicated to the governing bodies.³¹

35. Article 126 of the General Regulations describes the procedure for the election of the Director General and the Deputy Director General, whereby the Congress elects them for the period between two successive Congresses, with a minimum duration of a term of office of four years, renewable only once. Article 126 is silent on the issue of election to a different

²⁹ See the Internal Rules concerning the organization and operation of the International Bureau of the Universal Postal Union (2002), art. 1.

³⁰ See General Regulations, art. 128.

³¹ See ITU document C15/36-E, Report of the Secretary-General on the tasks and functions of the Deputy Secretary-General.

position, implicitly entailing the extended tenure of elected officials. However, the commentary to article 126.1 of the General Regulations, states that: “In a reply to a question from a delegation in the 1997 Rio de Janeiro Congress Comm 4, the IB expressed the opinion that a Deputy Director General who had completed a first five-year term of office (four years following the 2004 Bucharest Congress) could be elected only once to the post of Director General. That interpretation was based on the spirit of article 126.1, second sentence, which intended that the period of service completed should in no case exceed ten years (eight years following the 2004 Bucharest Congress), whether the person concerned acted solely as Deputy Director General or Director General or the two in succession.”

36. That interpretation is in line with the principles advocated by JIU in its system-wide report on the selection and conditions of service of executive heads in the United Nations system organizations.³² **A limit of two terms for executive heads promotes better regional representation and gender balance and injects fresh vision into management and leadership; the latter is a particularly important dimension for an organization operating in a dynamic and rapidly changing global context. The Inspector therefore encourages the governing bodies to consider these aspects in the light of future elections.**

37. In 1977, the governing bodies decided that the conditions of service of the elected officials (both holding the rank of Under-Secretary-General) should be aligned to those of the Secretary-General and the Deputy Secretary-General of ITU.³³ However, there are considerable differences between the two organizations regarding their respective budgets and staffing.³⁴ In contrast to other United Nations specialized agencies, the present conditions of service of the two elected officials at UPU (with respect to their grade, remuneration and other benefits and entitlements, such as retirement pension and first-class travel) can be considered as rather generous. **In the context of future appointments, the Council of Administration should consider re-examining these conditions and their benchmarking against those of ITU, with a view to updating and aligning them with the management requirements of the organization, and integrating them into the contractual agreement between UPU and its elected officials.**

B. Internal committees of the International Bureau

Management committees

38. The executive management is advised by a Steering Committee established in 2013 by the Director General through an internal memorandum with the aim of providing technical and professional support in the framework of the UPU mandate.³⁵ While the composition and the frequency of Steering Committee meetings are clearly stated (all directors of the operational directorates are to meet at least once a month), the memorandum does not provide any further information on the terms of reference, working methods or decision-making process of the committee. Owing to the unavailability of further information and documentation, the review could not determine whether this high-level forum meets as

³² JIU/REP/2009/8.

³³ See resolution CE1/1977, Conditions of service of the elected officials (Director General and Deputy Director General) of the International Bureau; resolution C51/Rio de Janeiro 1979, Conditions of service of elected officials; and Bucharest Congress resolution C5/2004, Retirement pensions of elected officials.

³⁴ In 2016, the ITU annual budget was approximately CHF 160 million and there were 780 staff members while the UPU annual budget was CHF 60 million for a total of 250 staff.

³⁵ See internal memorandum No. 19/2013 on the reorganization of the structure of the International Bureau and staff rationalization.

intended, focuses on substantive issues, in particular the implementation of the strategic mission and purposes of UPU, and whether it provides an adequate forum for strategic deliberations or improves cohesion at the senior level.

39. The Management Committee, a larger body than the Steering Committee, is composed of the directors of all the International Bureau directorates with the Director General and Deputy Director General as Chair and Vice-Chair, respectively. The Inspector was informed that this committee deals with the most important questions regarding the overall management of the International Bureau. The Inspector could not find any administrative instruction or internal memorandum setting out the terms of reference of the Management Committee, nor were minutes of its meetings made available to her. It was therefore difficult to ascertain the exact mandate, nature and substance of issues handled by the committee, notably considering the frequency of its meeting (every three months), which appears too low to ensure adequate overall management of the International Bureau.

Institutional and other committees and boards of the International Bureau

40. Besides the Steering Committee and the Management Committee, there are several other committees that report to the Director General, carrying out specific corporate functions which are presented in table 1. They are called either institutional committees, based on the relevant UPU rules and regulations,³⁶ or other committees and boards advising the Director General on different aspects of management and administration. Information on the composition of most of the committees is available through an internal memorandum.³⁷ JIU was informed that all committees are covered by terms of reference and that meeting records are generally taken and properly maintained. However, none of those were shared over the course of the review.

Table 1: Overview of the framework of International Bureau committees

	Institutional Committees	Other committees and boards
Governance		Congress Organizing Committee
Executive Management		Steering Committee Management Committee
Human Resources	Joint Consultative Committee Appointments and Promotions Committee Disciplinary Committee Appeals Committee Administrative Board of the Social Fund	Committee for the Reclassification of Posts (<i>suspended</i>) <i>Career Development Board (establishment in progress)</i>
Provident Scheme	Management Board of the Provident Scheme Investment Committee of the Provident Scheme Loans Committee	
Oversight		Internal Audit Committee
Information Technology		IT Advisory Committee
Communication		Publications Committee
Procurement	Tenders and Procurements Committee	

Source: prepared by JIU on the basis of information provided by the International Bureau.

³⁶ Namely the Staff Regulations and Staff Rules, the Regulations of the Social Fund, the Constitution and Regulations of the Provident Scheme, Management Board decisions and the Rules on Financial Administration.

³⁷ See internal memorandum No. 35/2016 on the updated composition of the committees.

41. The Inspector is of the view that comprehensive terms of reference for the committees, including their basic functions and mandates, and ensuring that minutes of committee meetings are properly recorded, are indispensable elements of transparency and accountability in the management of the International Bureau. In the absence of such documents, it was not possible to assess the functions of most of the committees; neither did the interviews held with their members provide enough information to draw conclusions. The role of some committees is self-explanatory, while for others it is not. The Inspector is of the opinion that a review of the different roles of the committees, in particular the Steering Committee and the Management Committee, would reinforce the overall management framework at UPU, contribute to enhanced synergy and complementarity and reduce the risk of duplication.

42. The following recommendation aims to enhance transparency and accountability within the framework of the internal committees and boards of the International Bureau.

Recommendation 1

The Director General should review the framework of the management, steering, institutional and other committees and boards, including their working procedures, to ensure synergy and complementarity, notably by publishing their respective terms of reference by the end of 2018.

C. Management and administration of the International Bureau

Structure of the International Bureau

43. The International Bureau is a central office serving as an organ of execution, support, liaison, information and consultation.³⁸ Since 2013, it has been restructured on four different occasions, resulting in major changes with regard to its organization and the distribution of tasks and activities. As a result of the December 2016 restructuring, the International Bureau is composed of nine directorates that report directly to the Director General (see annex III).³⁹ The core postal business is delivered by four directorates headed by managers at the D-2 level: the Postal Operations Directorate, the Markets Development and Regulation Directorate, the Development and Cooperation Directorate and the Directorate of Postal Technology Centre. Four directorates headed by managers at the D-1 level provide support functions: the Legal Affairs Directorate, the Finance Directorate, the Human Resources Directorate and the Logistics Directorate.⁴⁰ The ninth directorate headed by a D-2 level manager is the Directorate of Executive Office. According to the executive management, this structure is aligned to the deliverables with which the International Bureau was tasked by the Congress through the Istanbul world postal strategy.

44. With the exception of the executive office, all the directorates, including Legal Affairs, are organized as line divisions. Each directorate is organized into programmes (units). The analysis of the organizational structure shows substantial differences between the directorates, both in terms of number of programmes (from 3 to 7) and their human resources capacity.

³⁸ See UPU Constitution, art. 20.

³⁹ See internal memorandum No. 01/2017 on the new organizational structure effective 1 January 2017. Previously, the structure consisted of eight directorates, as the Postal Technology Centre was part of the former Directorate of Operations and Technology.

⁴⁰ The Directorate of Postal Technology Centre also provides support functions on ICT matters to the International Bureau.

According to the 2017 Programme and Budget, the four directorates headed by officials at the D-1 level consist of three programmes, while the number of staff posts varies between 5 and 36.7. The number of programmes in the five directorates headed by D-2 managers varies between 3 and 7, while the number of staff posts ranges between 16.6 and 62.8 (see table 2).

Table 2: Overview of staffing and programmes managed by the directorates in 2017

			Core Postal Business				Support Functions				Total
	DG/DDG	DIRCAB	DOP	PTC	DMR	DCDEV	DFI	DAJ	DRH	DL	
Regular budget core	5.0	14.6	27.0	5.0	11.5	18.0	13.0	5.0	9.7	31.7	140.5
Regular budget non-core	0	2.0	3.0	1.0	3.0	0	1.0	0	0	0	10
Extrabudgetary	0	0	20.0	56.8	6.5	6.7	6.8	0	0.8	5.0	102.6
Staff	5.0	16.6	50.0	62.8	21.0	24.7	20.8	5.0	10.5	36.7	253.1
Number of Programmes	N/A	4	6	3	5	7	3	3	3	3	37
Elected Officials and Directors	DG and DDG	D-2	D-2	D-2	D-2	D-2	D-1	D-1	D-1	D-1	11

Source: prepared by JIU on the basis of the revised Programme and Budget for 2017 (CA C 1 2017.1-Doc. 10 and annexes I and III below). Abbreviations: DG/DDG, Director General/Deputy Director General; DIRCAB, Directorate of Executive Office; DOP, Postal Operations Directorate; PTC, Directorate of Postal Technology Centre; DMR, Markets Development and Regulation Directorate; DCDEV, Development and Cooperation Directorate; DFI, Finance Directorate; DAJ, Legal Affairs Directorate; DRH, Human Resources Directorate and DL, Logistics Directorate.

45. The Inspector considers the current structure suboptimal for efficient and cost-effective management and administration, in particular considering the large number of directorates carrying out support functions and the level of staffing of some of them. Consolidation and streamlining would enhance efficiency and effectiveness. The Inspector therefore recommends a further revision of the existing structure aimed at reducing the number of directorates tasked with support functions, for example by creating an administration directorate, headed by a D-2 manager, as is the case with the operational directorates, overseeing finance, human resources and logistics programmes. JIU took note that a proposed merger of the human resources and finance functions was rejected by the Council of Administration in 2009, among other reasons to avoid any conflict of interest. However, the operational and financial situation of the organization has changed considerably since that decision was taken and, in the opinion of the Inspector, such restructuring has the potential to generate savings in the long term, notably through the reduction of D-1 level posts and the reclassification of other posts.

46. The following recommendation is expected to enhance the efficiency and effectiveness of the International Bureau.

Recommendation 2

The Director General should consider further streamlining the structure of the International Bureau and examine, in particular, the consolidation of support functions (finance, human resources management and logistics) into one administration directorate and include such a proposal in the framework of the preparation of the Programme and Budget for 2019.

Internal coordination

47. The most recent available internal rules of the International Bureau, describing the functions of the different directorates, date back to 2002.⁴¹ Considering the changes in the organizational structure, the Inspector believes that, building on the existing work, there is a need for further updating and alignment of the internal rules to properly reflect the functions and responsibilities of each directorate. The Inspector noted that such a process was initiated in 2017, as the executive management tasked the Legal Affairs Directorate to carry out a comprehensive review of the rules to bring them into line with current practices and new processes.⁴² Those rules should be made available to all UPU staff and reviewed each time an organizational restructuring is carried out.

48. Furthermore, the internal rules do not provide any guidance on the internal coordination processes. It is the understanding of the Inspector that coordination between directorates is exercised through the Management Committee and that the Executive Office Directorate is also tasked with internal coordination. However, the way in which coordination is organized at the working level is not set out in any of the internal documents made available to JIU. At the working level, about one third of the respondents to the JIU staff survey listed coordination between the organizational units of the International Bureau as an area for improvement. Internal coordination within organizational units was assessed more positively.

Delegation of authority

49. The Inspector was informed by the executive management that delegation of authority takes place in practice. It was indicated that in the absence of the Director General, the Deputy Director General usually exercises overall authority in the organization and that, in the absence of the two top officials, one of the directors is authorized to carry out the duties of the Director General. However, the review revealed a lack of formal instruments in this respect (internal rules or other clear instructions). Most decisions, including on personnel and financial matters, travel authorizations or placement of contracts, are taken by the Director General.

50. The Inspector is of the view that delegation of authority needs to be formalized by issuing relevant administrative instructions and internal memorandums. In this context, the option of lower-level delegated authority as an effective management mechanism should be considered, to entrust more managers with increased responsibilities when it is appropriate for the efficiency and effectiveness of the organization. This would also enhance the transparency and accountability of the decision-making process.

51. The following recommendation is expected to enhance the transparency and accountability of the decision-making process in the International Bureau.

Recommendation 3

The Director General should formalize the delegation of authority in the International Bureau by establishing, as soon as possible, the necessary administrative instructions and internal memorandums.

⁴¹ Internal Rules concerning the organization and operation of the International Bureau of the Universal Postal Union (2002) art. 7.

⁴² See CA C 1 2017.1-Doc 5, Report on governance, risk management and management information systems.

Accountability framework

52. Key elements of a robust accountability framework include internal controls. In that regard, the Inspector welcomes the introduction of an internal control system in 2011, which includes the five main components, as defined in the JIU report on accountability frameworks in the United Nations system, namely control environment, risk assessment, control activities, information and communication and oversight and steering (monitoring).⁴³ In the absence of any documentation made available to JIU, the question remains as to what extent the internal control system concept has been cascaded down to the staff of the International Bureau. In this context, the Inspector noted the comments of the external auditor in his 2015 report on the deficiencies of the internal control system for the closure of accounts and the preparation of financial statements, in which he considered the situation as still not satisfactory, with three recommendations from previous years remaining to be implemented.⁴⁴

53. Other core elements for accountability have been introduced and enhanced in recent years, such as a financial disclosure policy, the inclusion of risk management in strategic planning, performance management tools, efforts towards mainstreaming results-based management and the introduction of the ethics function and a code of conduct. The Inspector noted that these accountability components are at various stages of maturity. Almost half (44.8 per cent) of the respondents to the JIU staff survey stated that UPU managers comply with the standards of accountability corresponding to their delegated authority and responsibility.

54. In addition to all the standard accountability elements, the executive management introduced a management dashboard to the International Bureau in 2016. It works as a scorecard and includes sectoral information and benchmarks, products and services delivery, finance and other indicators. At the time of the review, the dashboard integrated 108 key indicators relating to the International Bureau as well as the postal sector. The dashboard serves as an accountability and management tool, primarily conceived to gather all relevant information on the overall activities of the International Bureau, both core and support, thus enabling the executive management to take informed decisions on management and administration. The executive management intends to make this tool available to all staff members in the near future.

55. The Inspector is of the opinion that UPU would benefit from the consolidation and strengthening of the accountability elements, inter alia, the internal control system, the ethics function and the financial disclosure policy, into a stand-alone formal accountability framework document to better articulate and clarify all the dimensions and mechanisms for accountability.

Administrative support services

56. Overall, staff members who participated in the JIU survey assessed the quality of the services provided by the International Bureau as satisfactory or above (see table 3). No major concerns were mentioned, other than matters related to human resources management and staff development and training. Those results have been noted by the executive management, which announced its intention to take remedial measures.

⁴³ JIU/REP/2011/5.

⁴⁴ See CA C 1 2017.1-Doc 3, annex 2, External audit report on the UPU financial statements for 2015.

Table 3: Opinion of UPU staff members on the quality of support services (percentage)

	Very good	Good	Satisfactory	Poor	Very poor
Human resources	6.6	21.3	29.4	22.1	19.9
Finance	12.5	39	36.8	5.9	0
ICT	13.2	36.8	27.9	5.9	2.9
Staff development/training	7.4	19.1	33.1	20.6	14
Travel support	6.6	33.8	32.4	9.6	5.9
Conference services	19.9	41.2	25.0	3.7	0.7
Document processing (translation, editing, etc.)	28.7	48.5	14.7	1.5	0
Procurement	6.6	24.3	37.5	7.4	3.7
Buildings management	11.8	36.8	32.4	11.0	3.7

Source: JIU staff survey (2016).

57. *Travel.* The UPU travel policy is regulated in the Staff Regulations and further developed in the Staff Rules.⁴⁵ The travel budget available under the regular budget for 2015 amounted to CHF 996,000 (information received from the International Bureau). There is no specific travel unit in place and bookings are done through a partner travel agency. Travel support is provided by the Human Resources Directorate. It should be noted that processing is done manually for all missions and statutory travel requests. **The Inspector urges the executive management to expedite the implementation of the enterprise resource planning system in the Human Resources Directorate to reduce the heavy administrative burden caused by manual processing and thus free up resources.** Currently, all travel requests have to be authorized by the Director General and have to be finalized no later than two weeks prior to departure. The Inspector notes that this deadline may lead to higher travel costs, especially for airfares.⁴⁶

58. *Procurement.* The overall volume of procurement activities in UPU was CHF 25 million in 2014, of which CHF 14 million were spent on staff health insurance and after-service health insurance. There is no dedicated procurement unit within the International Bureau, procurement activities are examined by the Tenders and Procurements Committee, which gives advice to the Director General before he takes the final decision on procurement orders. In that context, the Inspector noted several outstanding recommendations by the external auditor on issues such as control and transparency processes, risk management and the standardization of exception requests.⁴⁷ The procurement procedures vary according to the volume of expected expenditure.⁴⁸ The procedures foresee exemptions for specific cases, for example contracts involving cooperation with the United Nations Development Programme and the United Nations Office for Project Services, which are processed by the Development and Cooperation Directorate.⁴⁹

⁴⁵ Staff Regulations, chap. VII (regulations 7.1 and 7.2) and Staff Rules, chap. VII (rule 107).

⁴⁶ The practice in the United Nations system is between 16 and 21 working days.

⁴⁷ See CA C 1 2017.1-Doc 3, annex 2.

⁴⁸ For amounts below CHF 20,000 no tender is required; for amounts from CHF 20,000 to CHF 50,000, a call for tender is mandatory; and for amounts above CHF 50,000 an open tender is required.

⁴⁹ Justification based on the reasons contained in the Rules on Financial Administration, art. 110.

59. *Provision of administrative support services to third parties.* The Inspector was informed that the executive management was considering providing certain support services, such as accounting services, to other Bern-based international institutions as part of ongoing revenue-generating activities.⁵⁰ The Inspector acknowledges the endeavours of the executive management to generate additional income, in particular in the light of the financial situation of UPU. However, selling support services to external clients could entail some risks, such as conflicting priorities in the delivery of services (external v. internal) and the use of UPU staff for purposes other than those foreseen in the annual programme and budget. Furthermore, it may raise the question of whether there is spare staff capacity.

60. **To enhance cost-effectiveness, the Inspector recommends examining outsourcing administrative support services, such as procurement, payroll or travel. The executive management may also consider joining the Common Procurement Activities Group in Geneva,⁵¹ or using the services provided by other United Nations system organizations.**

Communications

Internal communications

61. The UPU executive management style is based on a top-down communications model. Decisions are communicated through administrative instructions and internal memorandums. Most communications to staff are made through the UPU portal and, occasionally, through town hall meetings. Nearly half of the respondents to the JIU staff survey (47.6 per cent) indicated that important management decisions are adequately communicated through official channels. However, 32.2 per cent of respondents disagreed with that statement. Some respondents asked for clearer and timelier communication. The Inspector believes that transparent and timely communication is a key requirement for the successful management of an organization, as it directly impacts on the engagement of staff and the level of confidence in the executive management. **The Inspector recommends strengthening internal communications to ensure that information and decisions are communicated to staff in a consistent, transparent and timely manner. That should include external issues that may affect decision-making and the work of the International Bureau.**⁵²

62. The high participation rate in the JIU staff survey (63.3 per cent) and the quantity and quality of comments demonstrated that staff members were keen to express their opinions on key aspects of their work and on broader organizational issues. **The Inspector recommends that the executive management consider conducting staff surveys periodically, as this constitutes an important management tool and could also contribute to improving staff-management relations.**

External communications

63. Member countries have access to UPU official documents through an online extranet that mainly contains working documents and decisions taken by the governing bodies. Information for the general public is made available through the UPU official website, where information about the organization, the universal postal strategy, some annual reports and reports on the activities of the International Bureau are published.

⁵⁰ The organizations in question are the Intergovernmental Organisation for International Carriage by Rail and the International Rail Transport Committee.

⁵¹ For more information, see annual reports of the Common Procurement Activities Group for Geneva-based United Nations entities and other international organizations.

⁵² See International Organization of Supreme Audit Institutions, "Guidelines for internal control standards for the public sector", p. 13.

64. Considerable shortcomings in external communications came to light during the review. There is no overarching external communications policy in place. The structure, substance and availability of relevant information on the official website do not correspond to common standards, especially those of other United Nations system entities. Being accountable to the public, such organizations must provide comprehensive information on their activities in a timely manner. The user-friendliness and substantive content of the UPU official website need to be substantially improved. Clear, accessible and organized communication products are key components for effective management and building trust, as they have a direct effect on how an organization is perceived.

65. The executive management acknowledged that during the Doha cycle, the communications programme suffered inadequate funding and the freezing of a number of positions as a result of prioritization of other activities, which led to underperformance in this area. Currently, the communications function is exercised by the communication and events programme under the Executive Office Directorate, which has three Professional and one General Service posts. The Inspector noted with concern the staffing situation with positions in the Professional category currently vacant, including the post of chief being unfilled for more than 18 months. JIU was informed that the positions within the communication and events programme have finally been opened up and are due to be filled before the end of 2017. Given the importance of the communications function, the Inspector considers the filling of these vacancies crucial and calls upon the Director General to expedite the recruitment process.

66. In order to enhance external communications, the Inspector welcomes the intention of the executive management to develop a comprehensive communications policy and the activities that are underway to redesign the official website and allocate the necessary resources to the communications function by the end of 2017.

Information and communications technology

67. The UPU information and communications technology (ICT) infrastructure has been subject to reorganization in recent years. Until 2016, information technology (IT) functions were not consolidated under a single programme or directorate. Whilst the IT and Methods Section under the Logistics Directorate was responsible for overseeing and providing information technology services for the International Bureau internally, the Directorate of Postal Technology Centre provided state-of-the-art solutions for designated postal operators and the International Bureau upon request.⁵³

68. The external auditor examined IT activities and systems during the Doha cycle (2013-2016).⁵⁴ Drawing on some of the findings, especially on the risks associated with the absence of a business continuity management framework, the executive management requested an internal feasibility study aimed at optimizing IT services in the International Bureau. Advice was also sought from Ernst & Young, who carried out an internal audit of the IT strategy.⁵⁵ As a result, all staff with IT responsibilities were consolidated under the Directorate of Postal Technology Centre in January 2017. Furthermore, the establishment of an overarching IT governance body to support the executive management was recommended, however has not

⁵³ For internal services delivery, the Postal Technology Centre invoices the International Bureau.

⁵⁴ See CA C 2 2015.1-Doc 3, annex 1, Audit of the 2014 financial statements and CA C 1 2017.1-Doc 3, annex 1, Audit of the 2015 financial statements.

⁵⁵ See internal audit, IT strategy, August 2016 (updated November 2016).

yet been implemented. In the view of the Inspector, the lack of a corporate-wide ICT strategy, in line with the priorities of the organization, remains a matter of concern.

69. In the area of ICT governance, the 2016 Istanbul Congress stressed the need to strengthen information technology security. It instructed the Postal Operations Council “to conduct a study to identify relevant information technology security best practices, strategies and other measures”.⁵⁶ The internal IT audit also addressed the issue of IT security as a matter requiring action. During the elaboration of the present review, the executive management did not indicate any further developments in this regard.

70. The Inspector recommends establishing a corporate-wide ICT strategy and reviving the former IT Advisory Committee (discontinued in mid-2015), entrusting it with the monitoring of the strategy implementation and empowering it with a decision-making function for the coordination of IT projects, as well as an IT security function. That would be in line with the recommendations of the external auditor and the internal audit report.

71. The launching of the enterprise resource planning system in 2011 constituted a major ICT achievement, which contributed to significant enhancement within the organization, both in terms of management and administration. As a result, some administrative processes in the area of financial management (accounting, procurement, etc.) are currently managed within the Finance Directorate. In addition, UPU expects cost savings from further rationalization of support services through an extension of this system to the other directorates. In particular, it is expected that the area of human resources will be covered in 2017. During the interviews, users and the external auditor agreed that efficiency had improved since the implementation of enterprise resource planning system. Furthermore, 41.9 per cent of staff members who responded to the JIU survey affirmed that the system facilitated or somehow eased workflows and access to information in their day-to-day work.

72. The Inspector supports the planned development of enterprise resource planning to further increase the effectiveness of administrative processes to produce savings and efficiency gains. The organization as a whole will benefit from automatized processes, in particular in the areas of payroll, travel, procurement, logistics and administrative staff self-services. Building on the management possibilities introduced through the enterprise resource planning system, the executive management introduced the management dashboard.

⁵⁶ See Istanbul Congress resolution C 17 2016, Strengthening information technology security.

IV. STRATEGIC PLANNING AND RISK MANAGEMENT

A. Strategic planning

73. Strategic planning is defined in the United Nations system as an instrument for identifying and mobilizing all the resources available and for setting priorities for their optimal allocation to agreed goals and objectives endorsed by the governing bodies.⁵⁷ The main strategic instrument at UPU is the world postal strategy, which is approved by the Congress every four years to provide key guidance, while detailed activities, objectives and financial plans are contained in the quadrennial business plans. The main elements of the strategic planning during the Doha and Istanbul cycles are presented in annex IV.

Strategy elaboration process

74. The strategic planning process takes around 18 months and is driven by a Council of Administration committee in charge of the strategy. Seven regional conferences and one world strategy conference feed the strategic planning process. Their purpose is to review the implementation of the current strategy, propose adjustments where necessary and prepare for the following strategic cycle. They engage a broad range of UPU stakeholders, such as governments, regulators and designated postal operators, and take place on a mid-term basis between Congresses. Stakeholders not participating in these conferences, such as select members of the private sector, are invited to meetings of the Council of Administration and the Postal Operations Council, in order to allow consultation with all actors and to tap into the knowledge of experts beyond the postal sector.

75. To prepare the strategic plan for the 2017-2020 cycle, the future strategy project group of the Council of Administration prepared the first draft of the Istanbul world postal strategy and presented it at the world strategy conference in 2015. Subsequently, a questionnaire was circulated among member countries to seek their inputs on the first version, which were incorporated into a second version of the draft strategy. The second draft was presented to the Council of Administration in November 2015 and the feedback from member countries was incorporated into a third and final version of the draft strategy.⁵⁸

76. The 2016 Istanbul Congress adopted the final Istanbul world postal strategy, which sets three overarching goals for the 2017-2020 cycle, namely, improving the interoperability of network infrastructure; ensuring sustainable and modern products; and fostering effective market sector functioning. These three goals are supported by 15 programmes and one supporting lever (development cooperation), as well as functional support activities.

77. Additional tools completing the UPU strategic framework are comparable to those of other United Nations system organizations. They include a quadrennial business plan constituting a detailed road map for the implementation and monitoring of the current world postal strategy and serving as the basis for the preparation of the annual programme and budget. The latter presents the activities that the organization will implement annually in order to achieve the goals of the business plan.

78. Member countries participate in the elaboration of the quadrennial business plan by providing inputs to the drafting of the work proposals. The International Bureau consolidates all draft work proposals and sets the budgets for all of them. The criteria for the allocation of resources are based on the definition of a funding structure for every work proposal around

⁵⁷ See JIU/REP/2012/12.

⁵⁸ See CA C 3 2015.1-Doc 5, Report on the November 2015 strategy day.

the UPU three-pillar system (see chap. V below) on the assumption of full cost coverage (regular budget and extrabudgetary resources). In the event that the overall resource allocation exceeds the available resources, a prioritization exercise based on cost takes place through voting in the framework of the Congress.⁵⁹ At the following Council of Administration session, through the programme and budget, the budget is allocated to the different work proposals on the basis of the vote at the Congress.

79. As the prioritization exercise is based on a vote by member countries, its results should in principle reflect qualitative aspects, that is, the perceived added value and impact of specific work proposals. However, a procedure mainly driven by the availability of financial resources may lead to the exclusion of activities necessary to fulfil the goals of the strategy. **The Inspector is of the view that the prioritization exercise would profit from fine-tuning to ensure that qualitative aspects are decisive.**

Implementation, monitoring and evaluation of the world postal strategy

80. The concerns expressed by some member countries during the review were already highlighted by the strengths, weaknesses, opportunities and threats analysis prepared in the framework of the process of elaboration of the world postal strategy.⁶⁰ The main concern was the need to address long-standing weaknesses of UPU in order to successfully implement the strategy at the global, regional and national levels. Weaknesses were described as the lack of flexibility and responsiveness of UPU to adapt to the complex market trends of the postal sector. The Council of Administration reaffirmed in 2016 that those weaknesses had remained relatively unaddressed over the previous two strategic cycles.

81. With regard to monitoring and evaluation, the International Bureau reports on the implementation of the strategy to the Congress at the end of every cycle. That reporting includes an evaluation of the strategic goals and programmes implemented during the cycle, including progress on key performance indicators. The Inspector was informed of the intention of the Council of Administration to review the quadrennial business plan annually, with the aim of adapting it to possible future opportunities and unexpected developments or threats. The Inspector recommends incorporating the annual reviews by the Council of Administration into the overall reporting on implementation of the strategy.

B. Results-based management and performance reporting

Results-based management framework

82. According to the benchmarks set out in the 2006 JIU report on results-based management, a comprehensive results-based management strategy includes three pillars: (a) a planning-programming-budgeting-monitoring-evaluation-reporting cycle; (b) the necessary set of human resources management policies; and (c) the supporting corporate information management systems.⁶¹ The 2004 Bucharest Congress adopted a resolution, which for the first time formally instructed the Council of Administration and the Postal Operations Council to establish a results-based management framework.⁶² In 2012, the Doha Congress again tasked

⁵⁹ Istanbul Congress, report 5, annex 4, Report on the outcome of the prioritization exercise.

⁶⁰ See CA 2016.1-Doc 7c, annex 1, Istanbul world postal strategy, third draft.

⁶¹ JIU/REP/2006/6.

⁶² See Bucharest Congress resolution C 83/2004, Continuation of work on strategic planning.

both bodies with “continuing the development of a results-based management concept in its strategic planning process”,⁶³ reflecting the strong interest of member countries.

83. Recent efforts made by UPU towards mainstreaming results-based management were stressed in its corporate response to the JIU questionnaire. They include the optimization of the internal control system, the development and introduction of the International Bureau management dashboard and the setting of objectives. However, the review suggests that UPU needs more robust processes and harmonization in order to achieve a sufficient level of maturity in results-based management in the long term. Main challenges to accomplishing the latter were described by the executive management as highly resource-consuming in terms of both time and human resources. In particular, it was underlined that among the challenges of implementing results-based management were onerous data collection mechanisms and intensified internal communication, all of which required additional resources.

84. Nonetheless, officials interviewed during the review showed a strong commitment to the full implementation of results-based management. Roughly two thirds (60.4 per cent) of the respondents to the JIU staff survey indicated that they had a basic conceptual understanding of results-based management and how it related to their work. In contrast, only 35.1 per cent confirmed that they had received sufficient training and instruction on it, as against 38.1 per cent who assessed the training received as insufficient. With regard to results-based management at the working level, the vast majority (78.4 per cent) of respondents confirmed that the objectives and expected results of their respective directorates and/or programmes were linked to their work plan and that they had a clear idea of the expected results of their work.

85. The executive management considers the structure currently in place for measuring results and outcomes as adequate. In its view, it ensures coherence between objectives and the broader strategic vision, since indicators flow into the strategic goals, programmes and projects within the strategy. The review of the quadrennial business plan for the 2017-2020 cycle shows clear linkages between the strategic goals, the programmes, the work proposals and the mandates of the 2016 Istanbul Congress, together with key performance indicators and corresponding targets to be achieved by each work proposal.

86. During the interviews, some representatives of member countries pointed out that development projects are mainly focused on training activities and workshops, and that the related key performance indicators are too quantitative. The analysis of the strategic plans for the cycles 2013-2016 and 2017-2020 confirmed that the key performance indicators are indeed focused mainly on quantitative aspects, which do not allow for the substantive progress made in achieving the strategic goals to be properly measured. The definition of more consistent and qualitative key performance indicators could improve the assessment of the impact of UPU activities.

Performance reporting

87. Monitoring, evaluation and performance reporting functions are carried out through a variety of mechanisms at different levels. Building on a recommendation by the 2012 Doha Congress,⁶⁴ the Council of Administration created a committee in charge of the strategy with

⁶³ See Doha Congress resolution C 81/2012, Strategic planning activities.

⁶⁴ See Doha Congress recommendation C 18/2012, Structure and management of the work of the Council of Administration.

three different project groups.⁶⁵ Among these, the monitoring and evaluation project group constitutes the first line of reporting on the strategy. On the basis of its work, the Council of Administration reports to the Congress on the results achieved with regard to the approved key performance indicators, and submits a strategy implementation report to the Congress at the end of each cycle. In parallel, the International Bureau monitors the implementation of the strategy and reports to the Congress on the activities carried out at the end of each cycle. The International Bureau presented the draft quadrennial report on the implementation of the Doha Postal Strategy, including the four goals and their 18 programmes, to the 2016 Istanbul Congress for approval. For each programme, the report included the following elements: a description and the main objectives of the given programme; their notable achievements; the challenges encountered; highlights; key performance indicators; and, in some cases, a short evaluation and corrective actions to be taken.

88. The conclusions and lessons learned included in the report outlined the challenges identified throughout the strategic cycle.⁶⁶ The lessons learned from the implementation of the Doha Postal Strategy have been integrated in the world postal strategy adopted by the 2016 Istanbul Congress. That is a good example of how the member countries and the executive management use such reporting as a strategic planning tool.

C. Risk management and internal controls

89. As an essential element of good governance and accountability, enterprise risk management is a systematic organization-wide approach, supporting the achievement of strategic objectives by proactively identifying, assessing, evaluating, prioritizing and controlling risks across the organization.⁶⁷ Addressing risk management in strategic planning processes has been a matter of growing concern in recent years, as the executive management repeatedly stated during the review.

90. UPU has a corporate risk management framework based on the concept of “lines of defence”, as outlined in the 2015 and 2016 internal audit function activity reports and thus in line with the recommendations of the Institute of Internal Auditors.⁶⁸ The risk ownership (first

⁶⁵ See CA C 3 2013.1-Doc 2 on the functions and responsibilities of Council of Administration Committee 3 (strategy) and its three project groups: the programme and budget prioritization and allocation project group (joint Council of Administration/Postal Operations Council), the monitoring and evaluation project group (Council of Administration only) and the future strategy project group (joint Council of Administration/Postal Operations Council).

⁶⁶ See Istanbul Congress Doc-12, Draft four-yearly report on the implementation of the Doha Postal Strategy. They are: (a) Remain relevant where growth opportunities exist – now more important than ever given the anticipated decline in letter post volumes; (b) Attract and increase the level of effective participation and leadership of member countries and designated operators within UPU; (c) Prioritize projects, focusing more on the ones that produce favourable results for customers and member countries; (d) Address the speed of the decision-making process throughout the organization (Congress, Council of Administration, Postal Operations Council and International Bureau); (e) Find creative ways to do more with less; (f) Limit working groups and focus on integrated efforts to prevent a silo effect; (g) Leverage strategic partnerships with stakeholders of the postal industry; (h) Fast-track capacity building, including the most fragile links in the universal postal delivery network; (i) Address the funding of strategic projects at international, regional and national levels; (j) Enhance cohesion between the international, regional and national levels through key stakeholders in the development process.

⁶⁷ See JIU/REP/2010/4.

⁶⁸ See CA C 2 2015.1-Doc 6a, annex 1, 2015 Internal audit function activity report and CA C 1 2017.1-Doc 4, annex 1, 2016 Internal audit function activity report.

line of defence) lies with the directorates dealing with the core business of UPU and the directorates providing support functions. Functional risk management support constitutes the second line of defence. The third line of defence relates to the internal assurance function, which is provided through internal audit, while the fourth line of defence relates to external assurance requirements provided by the external auditor and JIU. In the context of that framework, the Governance and Management Information Systems Programme of the International Bureau, which is part of the Directorate of Executive Office and which was established in 2015, has a particular role to play. Its activities cover the areas of audit, the internal control system, internal rules, ethics, financial disclosure and procurement.

91. While the first and second lines of defence report through the Director General to the governing bodies, the third line of defence (internal audit) is characterized by a dual reporting line. The internal audit function carried out by Ernst & Young reports to the Internal Audit Committee and to the Director General.

92. The objectives of the internal control system and the associated responsibilities of the various bodies of the Union were defined for the first time by the Council of Administration in 2010.⁶⁹ The internal control system was formalized in 2013 and was completely integrated into the Governance and Management Information Systems Programme by 2015. A yearly monitoring loop for financially relevant risks was introduced in 2013. With respect to the monitoring loop, the external auditor in his report for 2015 recalled the outstanding recommendation that UPU should strengthen its internal control system strategy and the results of the internal control system report should be used to define the objectives for the mandates assigned to the internal auditor, so that a key process could be audited each year over a five-year cycle. After the follow-up conducted in August 2015, the external auditor reiterated that one of the tasks of the internal auditor was to check the monitoring loop through sampling and according to a rotation plan. UPU was requested to ensure that this recommendation was implemented when the mandate for the new service provider for internal audit for the 2017-2020 cycle was drawn up.

93. The Inspector concurs with the recommendations of the external auditor, as regular audits are a prerequisite for the control of risks and assurance that the internal controls are operating as intended.⁷⁰ Furthermore, the Inspector noted the comments of the external auditor in its report on the audit of the 2015 financial statements relating to the need for improving the internal control system for the account closure process. Although several improvements were noted in a follow-up conducted in May 2016, there were still deficiencies, such as a lack of effectiveness of the “four-eyes” principle for approval of certain actions and the need to present full financial statements to the external auditors at the start of their work.

94. In 2016, the internal control system was complemented by the introduction of a new methodology. The internal control system manual, published in 2016, states that “an internal control system is often defined as a set of activities, methods and measures applied at all levels of the organization, aimed at reinforcing operations, reporting and compliance with the rules applicable to the organization.”⁷¹ The manual also sets out the objectives of the internal control system, its component parts and the roles and responsibilities of staff and bodies of the organization in the area of internal control.

⁶⁹ See CA C 3 2010.1-Doc 3, Universal Postal Union financial operating report 2009 on extrabudgetary accounts.

⁷⁰ See CA C 1 2017.1-Doc 3, annex 1, Audit of 2015 financial statements.

⁷¹ See Internal control system manual, Strategy and Communication Directorate (DCSC), January 2016.

95. Two external strategic risk assessments were conducted in 2011 and 2014. The Inspector was informed that the executive management planned a new external risk assessment in 2017. The executive management stressed that internal risk assessments take place on an annual basis. As one of the key pillars of the control system, the International Bureau directorates are asked to complete risk and control self-assessments. The executive management stated that risk mitigation is done through the annual risk and control self-assessments, which since 2016, have been entirely aligned with the structure of the strategic framework. In that context, programme managers are asked to assess the risks to the completion of the work proposals under their responsibility. In the view of the executive management, this is fully in line with best practices in the United Nations system and the private sector. **However, considering the overall situation of UPU and the fast-changing environment in which it operates, the Inspector recommends conducting external strategic risk assessments more frequently, as the annual risk and control exercises are based primarily on self-assessments.**⁷²

96. The 2014 risk assessment conducted on the basis of the Ernst & Young methodology identified 10 risks for the organization: role and relevance, products and services, funding, organizational capacity and flexibility, human resources/talent management, financial sustainability, image/communication, resource allocation, security, and compliance (see annex V). At the time of the present review, the internal audits had covered all identified risks at least once in the period 2011-2016 (see chap. VII below). The Inspector found the identified strategic risks pertinent; they also echoed some concerns expressed by member countries during interviews with JIU. The report on the activities of the International Bureau for the 2013-2016 cycle stated that mitigation of risks was a basis for the actions launched by the executive management throughout the cycle, together with seizing major opportunities identified through internal analysis. The executive management stated that attention had been paid to key risks, such as the role and relevance of the organization, its products and services, and its funding once the strategic goals and programmes had been defined and specific deliverables and actions launched. However, a review of the strategic plans for the cycles 2013-2016 and 2017-2020 did not clearly indicate how these risks were considered. Furthermore, the report on the implementation of the Doha Postal Strategy included a summary of the 2014 risk assessment without establishing a link outlining if and how those risks were addressed during the strategic cycle.

97. Although the quadrennial business plan for the 2017-2020 cycle mentions the need to address some major strategic risks, in particular products and services, funding and financial sustainability, it does not contain any indication as to how these risks would be confronted.⁷³ Risk mitigation measures or risk-minimizing procedures were not mentioned in the documents reviewed. Noting the many activities carried out in the context of risk management, the Inspector is concerned about the absence of a clear strategy for risk mitigation measures or action plans.

98. The Inspector therefore emphasizes the importance of further strengthening the risk management framework and the internal control manual, notably by expanding the existing framework into a comprehensive risk management policy addressing all major risks faced by the organization and providing for appropriate mitigation measures, to be updated regularly.

⁷² See Institute of Internal Auditors, International standards for the professional practice of internal auditing (2016).

⁷³ See CA 2016.2-Doc 11, Revised Istanbul Business Plan.

V. FINANCIAL FRAMEWORK

99. The Finance Directorate is led by a Director at the D-1 level, assisted by approximately 20 core and non-core staff members.⁷⁴ Its main functions and responsibilities are accounting, reporting and financial analysis, treasury, cash flow and expenditure control. In addition, it leads the budgeting process and is responsible for the administration of the Provident Scheme. The Inspector took note of recent improvements in financial management, notably the implementation of IPSAS in 2011 to a good standard. With the enterprise resource planning system in place, financial processes have been automated, thus simplifying monitoring and reporting activities. The Finance Directorate has been assigned to monitor the implementation of enterprise resource planning system in other directorates.

100. The review of the UPU financial documents in recent years showed that the financial statements were elaborated in a professional and clear manner. Despite the fact that the external auditor has provided unqualified opinions over the last few years on the financial statements, the Inspector noted a few reservations made on IPSAS compliance and a series of comments on other subjects.

A. Funding model and financial resources

101. The 2008 Nairobi Congress set up the current system of financing the budget of the Union, based on three separate pillars. The first pillar represents the Union's regular budget and is financed by contributions from member countries. The second pillar comprises extrabudgetary resources from members of the Telematics Cooperative, the Express Mail Service Cooperative and other similar bodies to finance their activities; while the third pillar is financed through public and private donors with earmarked and unearmarked funds (see annex VI). For 2016, the expenditure approved under the regular budget was CHF 36.8 million (first pillar).⁷⁵ For the same year, contributions to the second pillar amounted to CHF 15.5 million and those to the third pillar totalled CHF 6.67 million, resulting in extrabudgetary resources accounting for 37.5 per cent of the total budget.

First pillar: contributions of member countries (regular budget)

102. Member countries finance the regular budget of UPU on the basis of contribution classes. According to the Constitution, member countries can choose the class in which they intend to be included, of which there are currently 11, ranging from a maximum of 50 to a minimum of 0.5 units (reserved for the least developed countries).⁷⁶ One of the main characteristics of the UPU funding model is that it allows member countries to adjust their financial commitments on the condition that changes are communicated at least two months before the Congress. Member countries cannot decrease their contribution by more than one class at a time. The current funding model thus ensures relative financial predictability.

103. Annex VI shows the evolution of the number of contributing units and their value over time. Over the past two decades, the total number of contribution units agreed at Congress meetings has been steadily decreasing from 908.5 units in 1999 to 830.5 units during the Istanbul cycle (2017-2020). The value of one contribution unit is decided by the Congress. Since 1999, that value has increased from CHF 37,280 to CHF 41,770 in 2011, thus compensating for the reduction in contribution units. However, the value was frozen during

⁷⁴ Figures as of January 2017.

⁷⁵ See Istanbul Congress-Doc 26, Report on the finances of the Union.

⁷⁶ Art. 21.

the Doha cycle (2013-2016), reducing the available resources in the regular annual budgets. As a result, the Union was faced with a budgetary shortage of approximately CHF 1 million. In order to manage this situation, the executive management has introduced in recent years a range of efficiency and cost-saving measures, such as a reduction in costs for meetings, travel, procurement and energy. Further savings were made by changing the staff health insurance provider. The 2016 Istanbul Congress decided to return to the solidarity principle by increasing the value of the contribution unit to allow 100 per cent funding of net recurrent expenses.⁷⁷

Second pillar: Telematics Cooperative, Express Mail Service Cooperative and similar bodies (extrabudgetary resources)

104. The activities of the Telematics Cooperative, the Express Mail Service Cooperative and other similar bodies are funded by annual fees paid by their members (mainly designated operators).⁷⁸ These bodies are by definition self-funding profit and investment centres and full-scale service providers doing business in a competitive environment. The resources of this pillar are not affected by the expenditure ceiling set by the Congress and are used for enhancing and promoting the activities of the respective bodies.

Third pillar: voluntary contributions by other sources of funding including the private sector (extrabudgetary resources)

105. Given the decrease in the number of contribution units paid by member countries, raising voluntary contributions has become increasingly important for the funding of UPU activities. The executive management has reinforced its efforts in this regard in the 2017-2020 cycle. The third pillar represents a source of revenue to fund activities that are part of the world postal strategy, for the implementation of which there are insufficient financial resources. This funding is provided by private and public donors through either earmarked and/or unearmarked contributions. The most important donors to this pillar in the period 2012-2015 were China, France, Japan, Switzerland, the European Union, the International Fund for Agricultural Development, the International Organization for Migration and the Bill and Melinda Gates Foundation.

B. Financial situation

106. The quadrennial business plan is the instrument by which UPU implements the world postal strategy. The plan takes into account the environment in which UPU operates, with a special focus on the postal sector, development challenges for its member countries and issues related to the United Nations system and other international organizations. It establishes the link between the world postal strategy and the resources available for achieving the agreed strategic goals. The draft business plan is prepared by the International Bureau and presented to the Congress. After its approval, the draft business plan is finalized and approved by the Council of Administration, taking into account the resources available and the projects resulting from the prioritization process carried out by the Congress.⁷⁹

⁷⁷ See Istanbul Congress resolution C 26/2016, Period covered by the financial decisions taken by the 26th Congress.

⁷⁸ Includes the activities of UPU*Clearing (low-cost means of settling international postal accounts), the Quality of Service Fund (for projects that improve the quality of service of international mail), the World Association for the Development of Philately numbering system (world numbering system for postage stamps) and international reply coupons.

⁷⁹ General Regulations, art. 107.

107. The business plan also serves as the basis for the preparation of the annual programme and budget of the Union for the following four years.⁸⁰ The Congress sets the ceiling for annual expenditure under the regular budget for the four-year strategic cycle. The availability of resources for the regular budget is decided by the Congress through determining the value and number of contribution units paid by member countries. It should be noted that the ceiling for annual expenditure and the amount generated through member countries contribution units may differ, as shown in table 4 on the evolution of the regular budget during the period 2011-2017.

108. The ceiling for annual expenditure has been set at CHF 37.2 million since 2011. At the 2016 Istanbul Congress, the International Bureau proposed to increase the expenditure ceiling for the following four-year cycle to a level above CHF 40 million, with a maximum expenditure ceiling of approximately CHF 49 million in 2018. The rationale for this request was to enable the funding of the approved business plan in its entirety and to channel recapitalization payments into the pension scheme through the regular budget. The Congress rejected the proposal and decided to keep the expenditure ceiling at the previous level.

109. The executive management claims that UPU has been subject to zero nominal growth since 1997, as the regular budget has been maintained at the same level since then. At the same time, the workload of the organization in responding to the growing demands of member countries has steadily increased. A review of the financial data confirmed that the maximum ceiling of expenditure has remained unchanged since 1997, while the approved regular budgets have varied only slightly.

110. Although the trend of maintaining budgets at a zero nominal growth level can be observed in many other international organizations, this policy has lasted for a very long time at UPU. The 2008 JIU report considered that UPU was already an exception and stated that the organization was experiencing negative growth. It further stated the importance of relaxing this restriction for the immediate future. Notwithstanding that statement, the policy of zero nominal growth was maintained during the two cycles following the presentation of the 2008 JIU report, as well as the for current Istanbul cycle. The Inspector concurs with the views expressed in 2008. The funding situation cannot be compensated alone through efficiency measures and organizational reforms. The review clearly shows that there is a lack of funding for important functions such as evaluation, internal and external audit, ethics and staff training.

Table 4: Evolution of annual expenditure ceiling and regular budget (in Swiss francs)

	2011	2012	2013	2014	2015	2016	2017
Expenditure ceiling	37 235 000	37 235 000	37 235 000	37 235 000	37 235 000	37 235 000	37 235 000
Approved regular budget	37 235 000	37 235 000	36 697 925	36 739 695	36 824 735	36 824 735	37 235 000
Share of ceiling	100%	100%	98.56%	98.67%	98.9%	98.9%	100%
Member countries' contributions	36 089 280	36 151 935	35 608 925	35 608 925	35 608 925	35 692 465	36 148 343

Source: prepared by JIU on the basis of the Programme and Budget for 2017 (CA 2016.2-Doc.9, annex 1).

⁸⁰ Until the end of 2010, the Union operated on the basis of a biennial programme and budget. Since the introduction of IPSAS in 2011, it has operated on the basis of an annual programme and budget.

111. The approval of the annual programme and budget falls under the authority of the Council of Administration. In that regard, the Inspector noted that the latter approved the UPU Programme and Budget for 2017 without the assignment chart of staff (staff posts financed from the regular budget and staff posts financed from extrabudgetary resources), as required by article 7.1 of the Financial Regulations, which clearly states that it shall be supplemented by an investment budget and the assignment chart of staff posts. **The assignment chart of staff posts constitutes an integral part of the programme and budget of an organization, owing to its direct impact on the budget, and thus falls under the authority of member countries. The Inspector expresses concern regarding the failure to adhere to the Financial Regulations and calls upon member countries to avoid approval of the programme and budget without the required documentation in the future.** The Inspector noted that the assignment chart of staff posts was presented together with the revised Programme and Budget for 2017 to the first session of the Council of Administration in 2017.

Collection rate and arrears

112. The macroeconomic environment, in particular declining interest rates, has influenced the state of UPU finances. Furthermore, the economic and financial situation of member countries has had an impact on their payment behaviour, leading in some cases to late payment or increased non-payment of contributions, which has further compromised the finances of the Union, as the reports of the International Bureau on the situation regarding the collection of mandatory contributions clearly show.⁸¹ To address this risk, member countries approved a system of automatic sanctions in 2001,⁸² with a broadening of its application in 2010 to arrears related to translation services.⁸³ Furthermore, the conditions for granting technical assistance to countries were modified with regard to developing countries under sanctions in 2006.⁸⁴

113. Despite the system of automatic sanctions, the amount of outstanding mandatory contributions has continuously increased from year to year, as has their share of the total compared to the UPU annual budget. In its report on the finances of UPU, the International Bureau stated that at the end of 2015, arrears of mandatory contributions amounted to a total of CHF 32.7 million (up from CHF 26.5 million at the end of 2011).⁸⁵ At the same time, the collection rate for the mandatory contributions has deteriorated from 89.45 per cent as of 30 June 2010 to 83.11 per cent as of 31 July 2015. Both developments threaten the financial stability of UPU and the implementation of agreed activities. The Director General regularly reminds member countries to meet their financial obligations towards the Union and as standard operating procedure, the International Bureau circulates on a quarterly basis a document covering the arrears, with statements on the accounts of member countries and proposals for debt rescheduling where applicable.

⁸¹ See International Bureau circulars No. 216 (2010), No. 203 (2011), No. 144 (2012), No. 165 (2013), No. 175 (2014), No. 142 (2015) and No. 154 (2016).

⁸² The application of automatic sanctions results in the loss of voting rights at Congress and at meetings of the Council of Administration and Postal Operations Council, and loss of the right to stand for election to those two councils (General Regulations, art. 149).

⁸³ The three translation services for Arabic, English and Portuguese are the subject of separate budgets.

⁸⁴ See summary record of the 2006 Council of Administration, resolution CA 2/2006 on assistance to countries under automatic sanctions.

⁸⁵ See Istanbul Congress-Doc 26, Report on the finances of the Union.

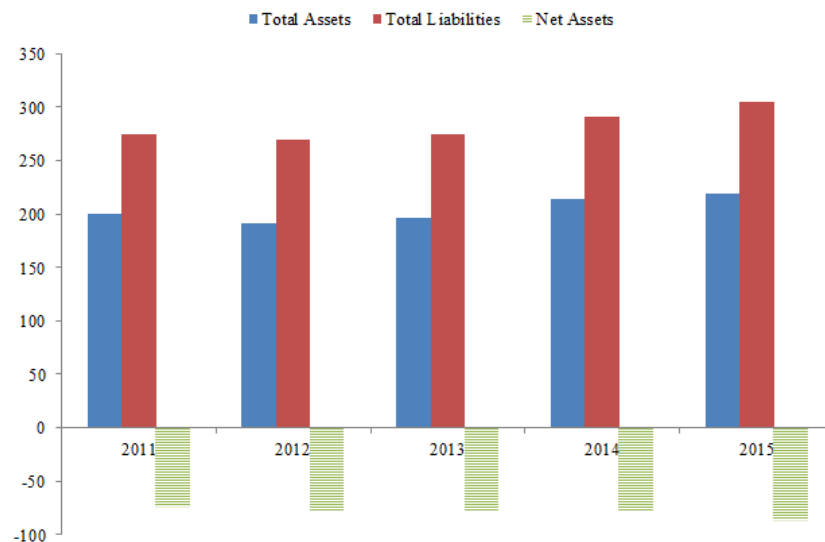
114. In the light of the continued decline in the number of contribution units, the volume of unpaid contributions and the worsening collection rate, the Inspector considers the medium- and long-term funding of UPU to be a challenge. **The Inspector encourages all member countries to fulfil their legal obligations and financial commitments, in accordance with article 21.3 of the Constitution, article 146.2 of the General Regulations, and article 15.1 of the Financial Regulations.**

115. To stabilize the financial situation and ensure long-term financial sustainability, the Council of Administration set up an ad hoc working group in 2015 to seek innovative ways of funding and identify potential solutions. However, the discussion did not result in any consensual proposals. The 2016 Istanbul Congress therefore instructed the Council of Administration to prepare a proposal for an alternative contribution model, to be submitted to the 2018 extraordinary Congress. **The Inspector is of the opinion that the medium- and long-term financial situation of UPU requires detailed analysis by the Council of Administration, with a view to assessing any proposal for an alternative contribution model to ensure that the regular budget provides UPU with sufficient resources to fulfil its mandated functions. Member countries bear the primary responsibility in this respect.**

Liabilities

116. After the introduction of IPSAS in 2011, liabilities appeared more prominently in the financial statements, thus revealing a clearer picture of the financial situation of the Union. The financial statements show increasing negative net assets for the years 2011 to 2015, mainly as a result of the liabilities incurred by the Provident Scheme and after-service health insurance (figure I and annex VI).

Figure I: UPU total assets and liabilities (2011-2015) in millions of Swiss francs



Source: prepared by JIU on the basis of the UPU financial statements.

117. Against this background and on the basis of some financial ratios, the Inspector is concerned by the financial situation of UPU. Looking at the indicators for its long-term financial stability (equity ratio and debt to asset ratio), long-term solvency is in a vulnerable position, with the equity ratio for 2015 being negative (-39.6 per cent) and the debt to asset ratio comparatively high (139.6 per cent). With regard to the equity ratio, the average of selected organizations of the United Nations system was around 35.4 per cent and the debt to

asset ratio was around 97.3 per cent for the same year. In general, the financial situation of an organization is deemed more stable the higher its equity ratio is. The high debt to asset ratio shows that the long-term solvency of UPU is negatively affected by the significant amount of liabilities, mainly for the Provident Scheme and after-service health insurance.

118. The current ratio (104.4 per cent) and the cash ratio (27.2 per cent), indicating the degree of short-term solvency, show that in 2015, UPU was in a position to settle its current liabilities, as stated in the report of the external auditor. However, in comparison, in 2015 the average current ratio for other organizations of the United Nations system was around 270 per cent and the average cash ratio around 109 per cent. With regard to short-term solvency, the quick ratio of 102.2 per cent shows that the Union has enough liquid assets to cover its current liabilities, as its 2015 quick ratio is above 100 per cent. Other organizations of the United Nations system recorded an average quick ratio of 257.9 per cent in 2015. The Inspector is concerned that the short-term solvency of UPU is approaching a critical level.

Table 5: UPU financial ratios^a

Type of indicators		2013	2014	2015
Long-term financial stability	Equity ratio (Equity/Total assets)	-39.3%	-36.5%	-39.6%
Financial stability from liability side	Debt-to-Asset ratio (Total liabilities/ Total assets)	139.3%	136.5%	139.6%
Short-term solvency (next 12 months)	Current ratio (Current assets/ Current liabilities)	110.1%	110.8%	104.4%
Short-term solvency (next 12 months)	Quick ratio (Cash and cash equivalents + investments + accounts receivable/ Current liabilities)	105.8%	106.3%	102.2%
Short-term solvency (shows how current liabilities are covered by cash and equivalents)	Cash ratio (Cash and deposit/ Current liabilities)	64.7%	27.8%	27.2%

Source: prepared by JIU on the basis of the UPU financial statements.

^a The higher the equity ratio, the more stable the financial foundation of the entity. Nevertheless, attention should be paid to the fact that a too high equity ratio might imply that donor contributions are not being put to the best use. Therefore, the equity ratio should be neither too high nor too low. The lower the debt to asset ratio, the more stable the financial foundation of the entity. A high current ratio indicates the ability to pay off short-term liabilities. A quick ratio of over 100 per cent indicates that the organization has sufficient liquid assets to pay its current liabilities. The cash ratio is an indicator of liquidity by measuring the amount of cash equivalents or deposited funds there are in current assets to cover current liabilities.

119. The Inspector noted a significant increase in the volume of provisions in 2015 as a result of litigation at the International Labour Organization Administrative Tribunal following the reorganization of the International Bureau and the subsequent abolition of posts. According to the audited financial statements (2015), the projected outflow of resources amounts to CHF 1 million compared to approximately CHF 200,000 in previous years.

C. Other financial issues

Approval of financial statements

120. The Financial Regulations foresee that the annual financial statements are prepared in accordance with IPSAS and submitted together with the external auditor's report to the Council of Administration for approval. Since its establishment, all UPU accounts and financial statements have been audited by the Swiss Federal Audit Office. After discussion and approval by the Council of Administration, it falls within the authority of Congress to give the final discharge for the financial statements to the bodies responsible.

121. The Inspector noted with concern that the 2016 Istanbul Congress approved the 2015 accounts and discharged the financial statements to the bodies responsible without the full report of the external auditor being presented and without the prior approval of the Council of Administration. This was explained by the absence of a Council of Administration session between the issuing of the audit opinion in May 2016 and the beginning of the Congress in September 2016, and by the inability to produce an English translation in time.⁸⁶ The Chair of the Council of Administration therefore exceptionally approved the accounts by applying article 12 of its rules of procedure, which states that "urgent questions between sessions shall be dealt with by the Chairman". However, the action taken disregards another provision of this article that requires the Chair to consult the members of the Council of Administration if questions of principle are involved. The Inspector was informed that the full report of the external auditor for 2015 was presented to the first Council of Administration session in 2017 as a matter of form.

122. That approach raised concerns during the 2016 Istanbul Congress regarding the validity of the financial statements, which the Council of Administration had not approved in accordance with the financial regulations. The establishment of the budget and exercising financial control is a core activity of the Council of Administration. Approval of financial statements should therefore remain within its authority and not be replaced by the exceptional approval of the Chair of the Council of Administration. Against that background, the Inspector shares the concerns expressed at the 2016 Istanbul Congress.⁸⁷ Furthermore, the situation is recurrent, arising in each year of the Congress, and cannot be considered an urgent question.

123. The Inspector is of the opinion that it is a matter of principle for the Council of Administration to discuss and approve the financial statements, together with the full report of the external auditor, as stipulated in the General Regulations and the Financial Regulations, before the Congress can authorize the final discharge to the bodies responsible.⁸⁸ The Inspector considers the approval of the financial statements by the Chair of the Council of Administration in years of the Congress inappropriate, as it disregards the hierarchy of the legal texts and entails an increased risk. The Council of Administration should explore ways to discuss and approve the financial statements in years of the Congress, i.e. by holding a meeting in the margins of the Congress, as other organizations do in comparable extraordinary cases.

⁸⁶ In years of the Congress, Council of Administration meetings take place at the beginning of the year and after the Congress.

⁸⁷ See Istanbul Congress C 2-report 4, report of Committee 2 (Finance).

⁸⁸ General Regulations, art. 107 and Financial Regulations, art. 38.

124. The following recommendation is expected to enhance control and compliance with the General Regulations and Financial Regulations of UPU.

Recommendation 4

The Council of Administration should discontinue the application of article 12 of its rules of procedure to the approval of the UPU financial statements with immediate effect. The Council of Administration should ensure that the financial statements, including the full report of the external auditor, are discussed and approved by the Council of Administration in the years of Congress.

IPSAS compliance

125. Since the introduction of IPSAS in 2011, the annual reports of the external auditor have brought to the attention of member countries the fact that the salaries of the Director General and the Deputy Director General are not indicated in the notes to the financial statements, thus not adhering to IPSAS rule 20. The executive management has explained that UPU prefers to publish the salaries of all its senior managers in an aggregated manner.

126. The Inspector considers this to be a lack of transparency and accountability with regard to member countries and the general public. She concurs with the successive external audit opinions indicating that the distinction between the remuneration of the heads of the organization (elected officials) and the directors subordinate to them (staff members) should be made when preparing future financial statements, in line with the common practice of other United Nations system organizations. Apart from accounting obligations, international organizations are accountable to their member countries. It has been common practice for the private and public sectors to make the remuneration of top officials publicly available. **The Inspector recommends that IPSAS rule 20 should be fully implemented when preparing future financial statements.**

After-service health insurance

127. As a United Nations specialized agency, UPU has a legal obligation to provide medical benefits to its retired staff members, their spouses, dependent children and survivors, in the form of insurance premiums for the medical and accident insurance plan. The liabilities reported for after-service health insurance reached CHF 44.5 million by the end of 2015, reflecting an increase of more than CHF 1 million over the previous year (see annex VI).

128. These liabilities have become a major concern across the United Nations system for a number of reasons related but not limited to: the ever-increasing costs of health insurance generally; the increase in the number of eligible retirees and in life expectancy; the largely unfunded nature of accrued after-service health insurance liabilities; and the introduction of IPSAS, whereby these liabilities are now disclosed.

129. This issue has been looked into by the United Nations General Assembly for several years. In its resolution 68/244, the General Assembly requested the Secretary-General to undertake a survey of current health-care plans within the United Nations system to explore all options to increase efficiency and contain costs. A working group on after-service health insurance, headed by the United Nations Secretariat and with the participation of, inter alia, 16 United Nations system organizations, conducted a system-wide study and presented a

report to the General Assembly at the end of 2015, containing eight recommendations for managing after-service health insurance liabilities.⁸⁹

130. Some of the recommendations made were endorsed, while the recommendation calling for adequate funding of after-service health insurance liabilities and building reserves was not supported, owing to the rapid growth in liabilities. The working group continued its work and studied further options for increasing efficiency and containing costs. Based on its work, the Secretary-General of the United Nations presented a further report to the General Assembly at its seventy-first session in 2017 containing several recommendations.⁹⁰ The Advisory Committee on Administrative and Budgetary questions commented on this report, in particular the recommendations.⁹¹ The General Assembly did not take a decision on this matter at its seventy-first session, the issue will be studied further at its seventy-third session.

131. The following recommendation is expected to enhance the financial stability of UPU through strengthened coherence and harmonization.

Recommendation 5

The Council of Administration should instruct the Director General to examine the different options for managing after-service health insurance liabilities, including for their funding, and submit a policy by 2020. The policy should take into account the reports of the United Nations Secretary-General on this issue and the related decisions of the General Assembly.

Provident Scheme

132. The UPU Provident Scheme as a defined benefit-based plan provides retirement, death, disability and related benefits for the staff of the International Bureau, including the staff of the translation services.⁹² The Scheme is organized as a foundation under Swiss law, supervised by the Bern Supervisory Authority for Foundations and Provident Institutions⁹³ and audited by the Swiss Federal Audit Office.⁹⁴ While the administration costs of the Scheme incurred by the International Bureau are borne by UPU (one P-4 post and one General Service post at 60 per cent in the Finance Directorate), the cost of remunerating the actuary and investing funds in connection with the Scheme are borne by the Scheme itself.

133. The Provident Scheme consists of a provident fund and a pension fund. The pension fund is a closed fund providing retirement and disability benefits to individuals who were members of the Provident Scheme prior to 31 December 1964. Since 1 January 1965, all staff and retirees have been covered by the provident fund. Both staff members and UPU contribute to the Provident Scheme. According to the annual report for 2015 on the Provident Scheme, prepared by AXA Pension Solutions, it was financed by a total of 244 active participants in 2015 (250 active participants in 2014) with, on the other hand, 225 beneficiaries in the same year (216 beneficiaries in 2014).

⁸⁹ A/70/590.

⁹⁰ A/71/698 and Corr.1.

⁹¹ A/71/815.

⁹² The benefits for active staff working or retirees having worked in the three translation services are calculated separately by the consultant actuary, as their respective accounts are not consolidated.

⁹³ Official designation in French: l'Autorité bernoise de surveillance des institutions de prévoyance et des fondations (ABSPF).

⁹⁴ See Swiss Civil Code, arts. 80-89.

134. The Provident Scheme is administered by a management board consisting of three members with the right to vote, namely the Chair of the Council of Administration, the Director General and a staff member designated by the active participants in the Scheme, and three members without the right to vote, namely the Director of the Human Resources Directorate, the Director of Legal Affairs, and one representative of retired staff members. The secretariat of the Provident Scheme is appointed by the management board and consists of the Director of the Finance Directorate (as secretary) and the head of the Provident Scheme administration (as assistant secretary).

135. The investment committee of the Provident Scheme is responsible for developing and carrying out, on behalf of the Management Board, the investment policy of the Scheme on the basis of the proposals and advice provided by the external investment manager selected by the management board.⁹⁵ Chaired by the Deputy Director General, the investment committee is composed of one member designated by the Staff Association Committee, the Director of Legal Affairs, the Secretary of the Scheme and the Secretary appointed by the committee, who has no right to vote.

136. The Provident Scheme is managed and controlled mainly by staff members and elected officials, who are either present or future beneficiaries. UPU member countries that provide the financial means and exercise budget control are only represented through one member, namely the Chair of the Council of Administration. **The Inspector believes that the representation in the governance structure of the Provident Scheme should be more balanced, notably through increased representation of member countries, as is the case in the United Nations Joint Staff Pension Fund and in other international organizations. A clear distinction between operational (decision-management) and oversight (decision-control) activities of the Scheme should be maintained.**

137. The financial situation of the Provident Scheme raises considerable concern, owing to a sharp increase in net pension costs from CHF 4.9 million to CHF 11.2 million between 2014 and 2015.⁹⁶ Another element is the disproportionately high volume of liabilities, amounting to CHF 83.8 million by the end of 2015, and the continuous decline in the coverage rate (coverage of 79.6 per cent in 2015 as compared to 83.6 per cent in 2013). This alarming situation is exacerbated by a low yield on investments following the financial crisis, the growing gap between active and retired staff members, defined by a continuous increase in the number and age of beneficiaries, and a decline in contributing staff members, including the lack of new participants.

138. To improve the financial situation of the Provident Scheme, stabilization measures were undertaken in 2013, 2014 and 2015. They included a lowered technical interest rate (from 3.5 per cent to 3 per cent in 2015), an adjustment of the expected portfolio yield and public sector mortality rates, and a new investment strategy. However, these stabilization measures were not sufficient to improve the coverage rate of the Scheme. Long-term projections by a consultant actuary in 2014 indicated an increasing shortfall against the statutory objective of 85 per cent coverage. The International Bureau therefore requested member countries to fulfil their commitments made at the 1964 Vienna Congress, at which they guaranteed appropriate

⁹⁵ See internal memorandum No. 35/2016 on the composition of the committees, Investment Committee of the UPU Provident Scheme (Management Board decision of 22 March 1991).

⁹⁶ These costs were determined on the basis of actuarial calculations.

payments sufficient to stabilize in the medium term this level of coverage, as set out in article 8 of the Provident Scheme regulations.⁹⁷

139. The proposal put forward by the International Bureau was rejected by the Council of Administration and the 2016 Istanbul Congress. Instead, the latter requested the Council of Administration to conduct a full study, with the primary aim of examining potential options for future reform of the Provident Scheme. It also instructed the International Bureau to continue to provide the necessary sums required to amortize any technical deficit through the regular budget.⁹⁸ In 2015, the International Bureau had already made an extraordinary contribution of approximately CHF 1.1 million to the Provident Scheme to address the deficit. It is to be noted that this, in the context of continued zero nominal growth, further aggravates the financial situation of the organization and may be detrimental to the implementation of core mandated activities and the financing of important functions, such as internal audit and ethics.

140. The executive management argued that the recapitalization scenarios proposed by the actuary took into account the adverse and further deteriorating member profile. It was confident that, if implemented in their entirety, they would allow a sustainable statutory funding rate with a sufficient degree of statistical probability. Given the critical overall financial situation of the Provident Scheme, the Inspector shares the opinion of the International Bureau that an injection of capital by member countries may be required. However, the Inspector is of the view that this measure would not resolve the fundamental deficiencies of the Provident Scheme in the long term. It is unlikely that the ratio between active and retired staff will improve. Further, it is unclear when the financial environment will change to allow for better returns on investment. Above all, the principle question is whether a small organization, such as UPU with around 250 staff, needs to maintain, manage and administer its own Provident Scheme.

141. The 2016 Istanbul Congress further instructed the Council of Administration to include in its study on how to ensure the continued stability and sustainability of the Scheme, a comprehensive analysis of its possible transfer to the United Nations Joint Staff Pension Fund. The Inspector is of the opinion that such an option is worth exploring, since it may lead to savings in administrative expenses and human resources, considering that the direct administrative expenses amounted to approximately CHF 456,000 in 2015 (CHF 705,000 in 2014),⁹⁹ not counting indirect costs incurred through the time spent by elected officials and other International Bureau staff on the management of the Scheme. Such a transfer would relieve the International Bureau of those responsibilities and might significantly reduce the risk and liabilities of the organization. The study should therefore examine in detail the financial implications of such a transfer, including the required capital injection and the future administrative costs, as well as all expected savings in administrative expenses and the freeing up of staff posts, among other aspects.

⁹⁷ Vienna Congress, resolution C9/1964, Provident Scheme of the Universal Postal Union.

⁹⁸ Istanbul Congress, resolution C31/2016, Future sustainability of the Union's Provident Scheme.

⁹⁹ See AXA Pension Solutions, annual report on the Provident Scheme (2015).

142. The following recommendation is expected to enhance the sustainability of the finances of UPU.

Recommendation 6

The Council of Administration should instruct the Director General to include in the study on the future sustainability of the Provident Scheme of UPU, a comprehensive analysis of its possible transfer to the United Nations Joint Staff Pension Fund, including information on expected costs and savings, and present this analysis to the Council of Administration at its first session in 2018.

Follow-up on finance-related recommendations in the 2008 JIU report

Budget transfers, external borrowing and working capital fund

143. In its 2008 review of the management and administration of UPU, JIU recommended limiting the authority of the Director General to transfer budget between chapters.¹⁰⁰ The Inspector noted that this authority has not been used since 2008 and that the relevant provision in the Financial Regulations has been withdrawn.

External borrowing and working capital fund

144. The General Regulations foresee the possibility of external borrowing, including through a loan at the most favourable conditions from Switzerland.¹⁰¹ The Inspector recalls the recommendation in the 2008 JIU report that external borrowing should be restricted to major maintenance of existing premises and the construction of new buildings. The Inspector noted that this option has been used once in the history of the organization for the UPU building. However, the Inspector was informed that the provision had been kept unchanged as a possible source of cash advances to cover late payments of member country contributions. In the Inspector's opinion, resorting to external borrowing in such circumstances abrogates the financial obligations of member countries to UPU and incurs financial obligations to third parties.

145. The JIU also recommended the establishment of a working capital fund to replace the external borrowing provision. The Inspector acknowledges that the present financial situation of the organization is difficult. **However, the Inspector recommends that in the medium term, the Council of Administration consider establishing a working capital fund, in line with the common practice of the United Nations system organizations.**

¹⁰⁰ JIU/REP/2008/1.

¹⁰¹ General Regulations, art. 147 and commentary 147.2.

VI. HUMAN RESOURCES

146. Human resources management plays a crucial role in the UPU reform process. Against the background of financial constraints and the need to reposition the organization, the freezing, reclassification and abolition of posts, as well as restructuring exercises, have taken place in the last few years. Some directorates have been abolished, others have been merged, renamed or created; staff members have moved accordingly and their tasks and activities have been redistributed. As the reform process is still ongoing, further changes are to be expected to adapt the organization to new circumstances. Changes in staff posts have to be submitted to member countries as part of the annual programme and budget. **The Inspector is of the view that a holistic approach is needed to ensure that UPU can accomplish its mandate with an adequate level of appropriately qualified staff. For that purpose, she suggests creating an internal committee to review all staff posts at the International Bureau and make recommendations for their future.**

147. Table 6 provides information on staffing costs in recent years. The analysis shows that around 70 per cent of the total UPU budget is spent on staff costs, which is relatively moderate in comparison to some other United Nations system organizations. Despite the measures undertaken by the executive management to reduce staff costs through the abolition or freezing of posts, the overall staff cost has increased from 67.3 per cent in 2013 to 71.5 per cent in 2016. Furthermore, the financial statements for 2015 show that the abolition of two D-1 posts¹⁰² and the prolonged vacancies on three other posts at director level¹⁰³ have not reduced expenditure on the executive management and senior officials. While in 2014 the average spend per capita for 12 senior officials amounted to approximately CHF 295,843, the average spend in 2015 was CHF 308,045 per capita for a total of 10.3 senior staff posts.¹⁰⁴

Table 6: Overview of staff costs versus budget, 2013-2016 (in Swiss francs)

	2013	2014	2015	2016
Regular budget	36 697 925	36 739 695	36 824 735	36 824 735
Staff costs (regular budget)	27 740 310	28 156 100	27 866 695	27 926 980
Share of regular budget staff costs against total regular budget	75.6%	76.6%	75.7%	75.8%
Total budget (regular budget and extrabudgetary)	60 187 244	59 643 704	58 663 415	58 970 415
Total staff costs (regular budget and extrabudgetary)	40 530 630	41 483 780	41 513 215	42 159 460
Share of total staff costs against total budget	67.3%	69.6%	70.8%	71.5%

Source: prepared by JIU on the basis of UPU programme and budget documents.

148. The International Bureau reports annually to the Council of Administration on human resources management matters, presenting major developments, statistics on the staffing situation and a list of promotions and appointments. In 2011, the Council of Administration

¹⁰² Director of Markets Development and Director of the Provident Scheme and Social Services.

¹⁰³ One D-1 in the Logistics Directorate and one D-2 in each of the Markets Development and Regulations Directorate and the Development and Cooperation Directorate.

¹⁰⁴ See Istanbul Congress-Doc 26, Report on the finances of the Union, annex 1, attachment 1, note 18.

adopted a standard format for this reporting modality.¹⁰⁵ However, the review showed a significant lack of coherence between the different annual reports on human resources management and related activities, not following the model that had been adopted. While in one year detailed information on all main activities and areas was provided, the same information was missing in following years, which makes it difficult to compare data between years and draw conclusions. Furthermore, this lack of transparency impedes member countries from exercising proper oversight on human resources management.

149. The following recommendation is expected to enhance transparency and accountability in human resources management in the International Bureau.

Recommendation 7

The Council of Administration should request the Director General to present a comprehensive report on human resources management and related activities to its first session in 2018, based on the model adopted by the Council of Administration in 2011 as the standard format for human resources management reporting, and use this model for future reporting.

150. Decision-making in human resources management is a shared responsibility between the Council of Administration and the Director General. While the Director General has the authority for classifications, appointments and promotions in grades G-1 to D-2 and informs the Council of Administration once a year of appointments in grades P-4 to D-2,¹⁰⁶ the Council of Administration has the authority for the creation and abolition of posts.¹⁰⁷ The management of human resources is exercised by the Human Resources Directorate headed by a director at the D-1 level. The responsibilities of the directorate range from providing strategic guidance to dealing with matters related to staff administration, social security, travel and official business, conference services, training, performance evaluation and classification of posts, as well as related regulations and publications. The Human Resources Directorate is structured in four separate sections: human resources planning in charge of staff development and issues, such as classification and recruitment among others; staff administration and social affairs; human resources policies; and cooperatives human resources management, which was added to the Directorate during the last restructuring in early 2017. This section is responsible for human resources management in the Postal Operations Council and the Express Mail Service Cooperative.

A. Workforce

151. The contractual framework for the employment of core staff foresees the following three types of contracts: continuing, fixed-term and temporary appointments in both the Professional category and above and in the General Service category.¹⁰⁸ The category of non-core staff is a specificity of UPU and refers to appointments of staff either to a post of which the duration is not assured beyond a budget cycle or a period between Congresses, or to a post

¹⁰⁵ See Doha Congress resolution C 74/2012, Management of staff of the International Bureau of the Universal Postal Union, and CA C 3 2011.1-Doc 23. Rev 1, Summary of the final report of the Human Resources Reflection Group.

¹⁰⁶ See General Regulations, art. 127.

¹⁰⁷ See General Regulations, art. 107.

¹⁰⁸ See Staff Regulation 4.1 (1), as of 31/3/2016 (after amendment by the Council of Administration, to align it with the ICSC contractual framework).

that is not financed from the regular budget. Another category of staff is support staff, specifically engaged for conferences, replacements and other short-term services. Non-core staff and support staff are governed by two separate sets of rules.¹⁰⁹ It should be noted that non-core staff, despite their status as international civil servants, are not entitled to the same benefits and allowances as core staff (in particular, education grant, rental subsidy, mobility and hardship allowance, home leave and repatriation grant).

152. Table 7 presents an overview of the staffing by main categories in the period 2013-2017. Overall, UPU staffing has remained relatively stable at around 250 posts. The most important change was the abolition of two director posts, bringing down the total number of core posts at director level to eight. Professional core posts remained stable, while non-core professional posts increased from 11.3 in 2013 to 15.1 in 2017. For several strategic cycles, the maximum number of core posts authorized under the regular budget by the Council of Administration has amounted to 151.¹¹⁰

Geographical diversity

153. The Staff Regulations stipulate that next to the necessity of securing the highest standards of efficiency, competence and integrity, due regard shall be paid to the importance of recruiting as widely as possible to ensure an equitable geographical distribution. That does not apply to posts in the General Service category.¹¹¹ Notwithstanding the provisions in the Staff Regulations, UPU has no formal policy on geographical representation within its workforce in the Professional category. Due to the limited number of posts being eligible for geographical distribution, compared with the total number of member countries, UPU does not have, for international appointments, a system of country quotas.¹¹² The principle of equitable geographical distribution is understood in a “continental sense” referring to the five geographical groups acknowledged by UPU.

154. The review identified a high degree of disparity in the representation of the five geographical groups in the UPU workforce on core posts: in 2015, one geographical group accounted for nearly 43 per cent (30 posts) in the Professional and higher categories, followed by two other geographical groups accounting for around 17.1 per cent each (12 posts each). In the General Service category (for which equitable geographical distribution is not applicable) one geographical group occupied 82 per cent of the posts (55 posts) while the second largest share of another geographical group was 7.5 per cent (5 posts). With regard to the geographical representation of non-core staff, one geographical group accounted for 51 per cent (55 posts), followed by another geographical group with 15.7 per cent (17 posts).

¹⁰⁹ See Rules governing non-core staff of the International Bureau of the Universal Postal Union (2008) and Rules applicable to support staff (2008).

¹¹⁰ See CA C 2 2015.1-Doc 10, Draft Union Programme and Budget 2016, referencing CA 3/1995 modified by decision CA/17/1997 and resolution CA 2/2008.3.

¹¹¹ See Staff Regulation 4.1.

¹¹² See General Regulations, art. 127 and commentary 127.1.

Table 7: Overview of UPU staffing by main categories (core and non-core), 2013-2017

Staff in posts	2013			2014			2015			2016			2017		
	RB	XB	Total	RB	XB	Total	RB	XB	Total	RB	XB	Total	RB	XB	Total
DG/DDG	2	-	2	2	-	2	2	-	2	2	-	2	2	-	2
D-1 and D-2 (core)	10	-	11	11	-	12	11	-	12	9	-	10	8	-	9
D-1 and D-2 (non-core)	0	1		0	1		0	1		0	1		0	1	
Professional (core)	62.4	-	81.7	62.2	-	84.3	62	-	83.7	61.2	-	86.2	63.3	-	85.4
Professional (non-core)	8	11.3		8.7	13.4		8	13.7		7	18		7	15.1	
General Service (core)	67.7	-	151.4	67.5	-	154.9	67.1	-	157.2	65	-	152.9	67.2	-	155.9
General Service (non-core)	0.6	83.1		3	84.4		4	86.1		4	83.9		3	85.7	
Total	150.7	95.4	246.1	154.4	98.8	253.2	154.1	100.8	254.9	148.2	102.9	251.1	150.5	101.8	252.3

Source: prepared by JIU on the basis of the annual programme and budget documents.

N.B.: The table excludes short-term staff, non-staff, consultants and interns. Extrabudgetary personnel mentioned in programme and budget tables are hereby considered “non-core”. Abbreviations: RB, regular budget; XB, extrabudgetary; DG, Director General; DDG, Deputy Director General.

155. A closer analysis of the data showed a pronounced imbalance in the representation of member countries within the geographical groups: only 55 of the 192 countries are represented (28.7 per cent). Moreover, staff from three member countries constitute 44.1 per cent of the total UPU workforce, while nationals from one of those three countries account for 23.3 per cent.¹¹³

156. Figures for recent recruitment reflect the endeavour of the executive management to improve the geographical diversity of the workforce. To that end, the executive management decided to amend the language skill requirement: proficiency in either English or French is now considered sufficient. That decision was intended to increase the number of qualified candidates and to improve geographical diversity. As a result, in July 2016, 60 member countries were represented on the staff of the International Bureau, compared to 55 in August 2015. The Inspector concurs with this approach and commends the Director General for his accomplishments in this regard. **The Inspector encourages the executive management to proactively continue all measures for improving the geographical diversity within the UPU workforce, with priority given to the recruitment of qualified candidates from underrepresented regions and particularly from countries which are not represented.**

Gender balance

157. UPU has no formal policy on gender balance. Annex VII contains a detailed comparison of the gender balance within the different staff categories in the years 2011 and 2015, showing an overall improvement, although at some levels, in particular the senior Professional level, gender balance remains a major concern. JIU observed a slight increase of the share of female staff members in both the Professional and General Service categories. Women represented 46.6 per cent of core staff in 2015. However, they were mainly employed in the General Service category and at P-1 to P-3 levels.

158. It is therefore not surprising that the report of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) on the representation of women in the United Nations system in 2013 ranked UPU low in comparison with other United Nations system organizations. While in the period 2003-2013 the proportion of women in the United Nations system increased from 36.5 per cent to 41.6 per cent, the proportion of women in UPU increased from 20.3 per cent to 28.7 per cent during the same period, with the largest increase at the P-1 level. In the trends and projections for gender parity (2016), UN-Women concluded that gender parity in UPU at the P-3 level will be reached in 2037, never at the P-4 level, in 2030 at the P-5 level, in 2154 at the D-1 level and never at the D-2 and Under-Secretary-General levels.¹¹⁴

159. The status of gender balance in the UPU workforce, in particular at the senior level, is unsatisfactory. The Inspector acknowledges the efforts of the executive management to improve gender balance and welcomes the intention to cooperate with UN-Women. However, additional measures are required to attract more qualified female candidates for posts at the Professional level and above. These could include the nomination of a gender focal point, increased outreach activities, expanded training for current staff members and a review of the composition of the selection panel of the Appointments and Promotions Committee. **The Inspector suggests that the executive management intensify its efforts in this regard, elaborate a gender equality and mainstreaming policy to improve gender balance in the**

¹¹³ See CA C 2 2015.1-Doc 13, all numbers as of August 2015.

¹¹⁴ See UN-Women factsheets on the status of women in the United Nations system (2013), and on the trends and projections for Gender Parity (2016).

International Bureau and report on the results of its implementation in the framework of the annual report on human resources management to the Council of Administration. Particular attention should be paid to increasing the proportion of women at the Professional and senior management levels. In this context, the Inspector noted that the vacancies at director level announced in early 2017 were filled with male candidates, thus missing an opportunity to improve gender balance at senior level.

Non-staff personnel and consultants

160. Consultants are hired on a short-term basis for specific functions (postal reform, quality of service, postal financial services etc.), mainly by the Development and Cooperation Directorate, when in-house competencies and expertise are not available. They are financed from the development and cooperation budget. The performance of consultants is evaluated through the mission reports approved by the responsible project managers. All details for the recruitment of consultants (contracts, terms of reference and other templates) and their tasks are outlined in the International Bureau procedures for technical assistance projects. Owing to the very limited number of consultants hired, there has been no audit of the use of individual consultants. UPU has initiated a study for reviewing the policy and procedures on their use.

161. As stated by the external auditors in their reports, expenses relating to consultants and external contractual services, such as translators, interpreters, service agreements and other non-staff, amounted to approximately CHF 4.5 million in 2015, increasing from CHF 3.4 million in 2013. External contractual services included internal audit, the ethics function, the ombudsman and the social services function.

B. Other human resources management issues

Human resources planning

162. The management of human resources at UPU is based on the Vision 2020 strategy. It provides the International Bureau with the conceptual basis to meet the human resources needs of the organization in the short and medium term. The existing strategy will be replaced by a revised human resources strategy for the 2017-2020 cycle, developed in line with the Istanbul world postal strategy and in the light of the decisions taken at the 2016 Istanbul Congress that have a bearing on human resources issues.

163. At the time of the preparation of the present review, the approval of the revised human resources strategy by the executive management was still pending. The draft strategy for the 2017-2020 cycle focuses on four objectives: talent management, an enabling working environment, shared responsibility and enhancing leadership. It provides directions for the future role of the Human Resources Directorate in its implementation. A process of in-depth consultation between management and staff representatives on the new strategy and the provision of information to staff to the extent possible are recommended.

164. The human resources strategy is a key policy document for the management of the International Bureau. The Inspector is of the view that the draft strategy is focusing on the appropriate objectives. Having the right talent in the right place is crucial to achieving the strategic goals of the organization. The Inspector recommends bringing the revised draft strategy to the attention of all staff members with a view to achieving wide ownership.

165. The following recommendation is expected to enhance the effectiveness of the management of human resources in the International Bureau.

Recommendation 8

The Director General should finalize the human resources strategy for the 2017-2020 cycle as a matter of priority and present it to the second session of the Council of Administration in 2017 for information.

Human resources policies and implementation

166. Human resources policies and their implementation are based on the Staff Regulations and Staff Rules. The regulations provide the legal framework for the conditions of service and the rights and obligations for staff members of the core category. The rules contain the details for implementing the provisions of the staff regulations. While the regulations fall under the authority of the Council of Administration, the rules are governed by the Director General. Amendments to the Staff Rules must be brought for information to the Council of Administration.¹¹⁵ The Staff Regulations and Staff Rules are complemented by a number of internal administrative instructions and several statutory committees are involved in the implementation of human resources policies, as mentioned above.

167. The executive management considered the existing staff regulations and staff rules outdated, not corresponding to the needs and expectations of the organization, and as a possible impediment to efficient management. It therefore requested the Council of Administration to consider and approve amendments to the Staff Regulations in 2015. While recognizing that UPU is a specialized agency of the United Nations, owing to its size, budget and technical nature, a more appropriate and flexible staff management policy in line with available resources was another rationale for this request. An ad hoc group on human resources was established by the Council of Administration to study the changes proposed by the International Bureau. Based on its report, the Council of Administration adopted the amendments, on the understanding that the details of their implementation would be in conformity with the United Nations common system provisions. The new Staff Regulations became effective as of 1 April 2016, with the Staff Rules amended accordingly.¹¹⁶

168. Since 1957, UPU has aligned its conditions of service with the provisions of the United Nations common system and therefore needs to update its regulations according to decisions taken on this issue by the United Nations General Assembly.¹¹⁷ The Inspector considers the latest amendment to the Staff Regulations premature, as it did not take into account the substantial revision of the common system compensation package adopted by the General Assembly in December 2015. The revised United Nations compensation package is the result of a comprehensive review by the International Civil Service Commission (ICSC) in close collaboration with the common system organizations. The new package simplifies and streamlines the previous system of benefits and entitlements and was implemented in two steps: on 1 January 2016 and on 1 January 2017.¹¹⁸

¹¹⁵ Staff Regulations, section on reporting, para. 2.

¹¹⁶ See CA 2016.1-Doc 6a, Human resources management at the International Bureau.

¹¹⁷ See UPU Constitution, part I (historical outline).

¹¹⁸ The list of elements included in the new ICSC package are: (a) a unified salary scale structure with the establishment of a dependent spouse allowance at the level of 6 per cent of net remuneration; (b) an allowance for staff members who are single parents, who provide the main and continuous support for

169. When reviewing the revised Staff Regulations and Staff Rules, the Inspector noted with concern the lack of legal provisions in a number of regulations. The provisions of several former regulations have been completely or partially transferred to the staff rules. As a result, the legal provisions as listed in table 8 previously falling under the authority of member countries were shifted mainly to the staff rules and now fall under the authority of the Director General.

Table 8: Legal provisions formerly covered by the staff regulations and their coverage by the revised Staff Regulations and Staff Rules

Legal provisions formerly covered by the Staff Regulations	Legal provisions covered by the revised Staff Regulations and Staff Rules
Regulation 3.1 “Basic Salaries”, numbers 2-4 on “Dependency rates”	New Rule 103.6 “Dependency allowances”
Regulation 3.4 “Advancement within grade”	New Rule 103.4 “Salary increments”
Regulation 3.5 “Post adjustments”	New Rule 103.7 “Post adjustments”
Regulations 3.6 “Language allowance”	New Rule 103.9 “Language allowance”
Regulation 3.10 “Education grant”	New Rule 103.13 “Education grant”
Regulation 3.11 “Dependency allowances”	New Rule 103.6 “Dependency allowances”
Regulation 3.19 “Mobility and hardship allowance”	New Rule 103.17 “Mobility and hardship allowance”
Regulation 4.12 “Letter of appointment”	New Regulation 4.9 “Letter of appointment” with the details in new Rule 104.7 “Appointment procedures”
Regulation 9.6 “Termination indemnity”	New Rule 109.4 “Termination indemnity”
Regulation 9.7 “Repatriation grant”	New Regulation 104 “Repatriation grant” with details in new Rule 109.1 “Repatriation grant”

Source: prepared by JIU.

170. The distribution of responses to the JIU staff survey indicates that the International Bureau has not been successful in communicating to its staff the added value and improvements of the revision for both staff members and the organization (see annex VIII). The common assessment was that too much power had shifted from the member countries to the executive management, that there was a lack of transparency and that it had not improved the situation of staff members.

171. The Inspector emphasizes that the details of conditions of service are not a purely administrative matter, as they have budgetary implications. Therefore, they need to be subject

their dependent children, at the level of 6 per cent of net remuneration; (c) granting within-grade step increments annually from step I to step VII and biennially thereafter for grades P-1 through P-5 and maintaining the biennial steps at the D-1 and D-2 levels; (d) an education grant system based on a global sliding scale of reimbursement of a streamlined list of education-related expenses; (e) new options concerning relocation shipment; (f) an adjusted hardship allowance with increased amounts for single staff; (g) a new non-family service allowance, in lieu of the current additional hardship allowance; (h) a new mobility incentive, in lieu of the current mobility allowance; (i) changes to accelerated home leave travel, which will be granted for staff at D and E category duty stations that do not fall under the rest and recuperation framework; and (j) an incentive payment for the recruitment of experts in highly specialized fields.

to the decision and control of member countries. Against this background, the Inspector is of the view that the provisions listed above need to be reintegrated into the staff regulations, possibly through annexes, as is the case for the United Nations Secretariat.¹¹⁹ The Inspector was informed that most of the changes resulting from the revised common system compensation package have been implemented through the staff rules.

172. The following recommendation is expected to enhance control and compliance in the management of human resources in the International Bureau.

Recommendation 9

The Council of Administration should instruct the Director General to present to it at its first session in 2018 the revised Staff Regulations and Staff Rules for consideration and approval. The revision should reintegrate the conditions of service, including the elements of the revised common system compensation package, into the Staff Regulations. The Council of Administration might consider applying the good practice of the United Nations Secretariat of enumerating the conditions of service in annexes to the Staff Regulations.

Performance appraisal

173. The current procedures for the performance assessment of permanent/continuing and fixed-term staff at UPU are governed by an administrative instruction of 2007.¹²⁰ The basic principles of performance appraisal are laid out in four supplementary documents, which are available to the staff on the UPU intranet. The principles applied are similar to those in other United Nations system organizations, with some minor exceptions. In the responses to the JIU staff survey, 45 per cent of respondents questioned its usefulness as a management tool (rewarding good performance or sanctioning underperformers). The executive management assesses compliance with completing the performance appraisal as high. The review showed that over 90 per cent of staff members are appraised with an overall satisfactory assessment. However, some issues were identified by the executive management regarding the accuracy of the performance assessments, such as overrating or underestimating performance and the engagement of supervisors in providing honest and constructive feedback.

174. The staff appraisal system is currently being reviewed and updated in the light of the ongoing work on the draft human resources strategy for the 2017-2020 cycle. Key elements envisaged are: enhancing the methods of addressing the underperformance of staff and recognizing and rewarding excellent performance; establishing a rebuttal process; and strengthening the linkage between the performance appraisal system and human resources actions (e.g., succession planning, promotion and renewal of contracts). As part of the review of the performance management policies, the executive management plans to revise the current competency framework and to amend the job descriptions based on the new framework. Furthermore, UPU plans to establish an online performance appraisal system. The envisaged key elements are to be welcomed, as they are commonly shared by other organizations of the United Nations system.

¹¹⁹ See ST/SGB/2017/1 and Corr.1: Staff Regulations and Rules of the United Nations, Annex I “Salary scales and related provisions”, Annex II “Letters of appointment”, Annex III “Termination indemnity”, and Annex IV “Repatriation grant”.

¹²⁰ Administrative Instruction No. 28/Rev 1 on Performance Management (2007).

Reclassification and abolition of posts

175. The principles for the appointment, promotion and transfer of staff are stipulated in broad terms in the staff regulations and the staff rules. The provisions for the classification of posts in all categories are laid out in an internal administrative instruction.¹²¹ The final decision on classification/reclassification of posts falls under the authority of the Director General, based on an administrative procedure involving, inter alia, internal committees and an external classifier. According to the annual report on human resources for 2012, the Human Resources Directorate dealt with 30 post classification files, out of which 28 were reclassification requests. The Inspector noted that since July 2013, following the decision of the Director General to suspend the reclassification of posts, staff members and their supervisors no longer had the opportunity to request the reclassification of their posts. The activities of the Committee for the Reclassification of Posts were suspended accordingly.

176. The process of reclassification is not linked to the budget process and thus its results are not approved by member countries. With regard to the authority for reclassification of posts, in its 2008 report JIU noted that there might be different interpretations of the applicable General Regulations. It stated that the Congress set the four-year expenditure ceiling and the Council of Administration approved the programme and budget and with it the number of established posts, while the Director General had the authority to administer and manage the International Bureau within that framework. On that basis, it could be argued that the Director General has the authority to reclassify posts and only notify the Council of Administration after the fact, as long as the result complies with the ceiling set by the Congress and the number of established posts is not exceeded. It is to be noted that in the context of the latest restructuring of the International Bureau, which became effective on 1 January 2017, a core G-7 position was converted to a core P-3 post, a non-core P-3 position was reclassified to a P-5 post and one D-1 position was reclassified to D-2.¹²²

177. In the 2008 JIU report, referencing General Assembly resolution 37/126, the Inspector expressed strong reservations and believed, in keeping with other JIU recommendations, that “any reclassifications of posts should be approved through the budget process, not after implementation; notifying member States after the fact in the budget document skews the notion of approved staffing tables, represents backdoor promotions, raises issues of transparency and fairness and should be discontinued. Consequently, any reclassifications of Professional level posts and from General Service to Professional level posts should be sought from member States through the budget process before the fact and should be done in accordance with the guidelines of the International Civil Service Commission.”¹²³ **In the light of the latest reclassifications, the Inspector recalls the recommendation in the 2008 JIU report. Given the long-term financial implications, she emphasizes that classification and reclassification of posts should be integrated into the budget process and approved by the Council of Administration.**

178. According to the report on human resources covering the period from November 2014 to September 2015, five staff posts were abolished, including three encumbered positions at the Director and Professional levels and the continuing/permanent contracts of those staff members were terminated in May 2015.¹²⁴ Following a recommendation by the executive management, the decision to abolish the posts was taken by the Chair of the Council of

¹²¹ Administrative instruction No. 17/Rev. 3 on post classification (2009).

¹²² See CA 2016.2-Doc 13, New structure of the International Bureau for the Istanbul cycle.

¹²³ JIU/REP/2008/1.

¹²⁴ See CA C 2 2015.1-Doc 13, International Bureau human resources management.

Administration, based on article 12 of its rules of procedure. The Council of Administration, the body responsible for the creation and abolition of posts, was not consulted.¹²⁵ The Inspector was informed that the abolition of the posts was a matter of urgency, given the financial implications, and therefore could not be deferred to the next session of the Council of Administration. **The Inspector fails to see the urgency of the matter. Proposals on the abolition of posts (in particular posts at director level) should be brought to the Council of Administration, as foreseen in the General Regulations, thus allowing member countries to exercise proper oversight.**¹²⁶

Career development and training

179. The personal promotion scheme has been suspended since 2011. Promotion takes place either through the reclassification of a staff member's post or an assignment to a vacant post at a higher grade through a competitive selection process. Staff regulation 4.2 stipulates that: "Without prejudice to the recruitment of fresh talent at all grades, full account shall be taken in making appointments to vacant posts of the qualifications and experience which persons already in the service of the Union may possess." In line with this provision, the administrative instruction on post classification stipulates that upgraded posts shall be advertised internally, with a few exceptions only. Approximately 29 per cent of the respondents to the JIU staff survey considered the recruitment process in UPU fair and transparent, while 45 per cent did not share that opinion. With regard to promotions, 55 per cent of respondents did not consider the process fair and transparent. Many comments were made, mostly expressing concern about limited opportunities for career development and reservations about the recruitment process.

180. UPU has no formal policy on rotation and mobility. The draft human resources strategy for the 2017-2020 cycle envisages establishing a rotation policy for staff at all levels. However, as UPU is a relatively small headquarters-based and highly specialized organization, with only seven Regional Project Coordinators and no other regional or field representation, opportunities for mobility and rotation are limited. The Inspector considers mobility and rotation opportunities for the professional development of staff to be important and encourages initiatives in this regard.

181. Owing to financial constraints, the training budget has decreased over the past years. In 2016, it amounted to CHF 300,000. That represents 0.7 per cent of total staff costs and is close to the usual ratio of around 1 per cent across the United Nations system. However, it is to be noted that the Human Resources Network of the Chief Executives Board for Coordination recommended in 2003 that 2 per cent of total staff costs should be used for training programmes as a standard.¹²⁷ Most of the training funds are managed by the Human Resources Directorate for language training programmes and to support centralized training initiatives or individual training. In addition, the Development and Cooperation Directorate manages separate training funds to provide training in the framework of its development programmes.

182. Training of staff is considered key for enhancing the efficiency of UPU. Consequently, staff development and training are identified as priorities in the draft human resources strategy for the 2017-2020 cycle. In line with this strategic priority, UPU envisages

¹²⁵ See CA C 2 2015.1-Doc 12, Human resources management, Changes to the International Bureau's organizational structure.

¹²⁶ See General Regulations, art. 107.

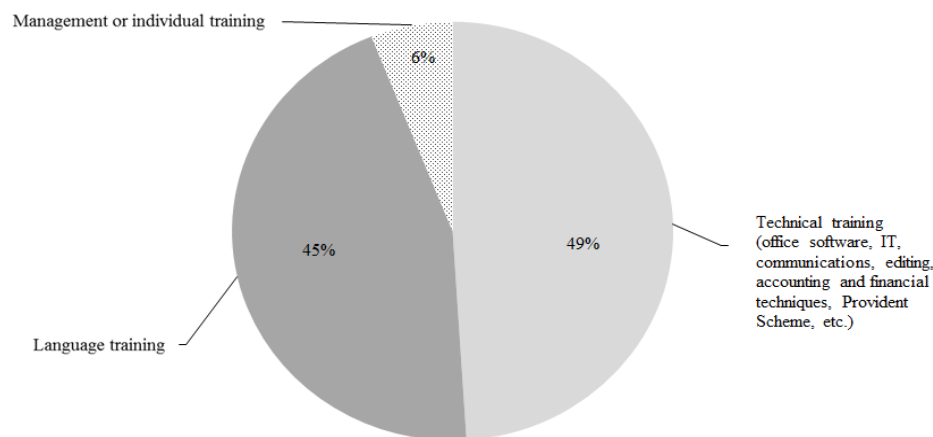
¹²⁷ See CEB/2003/HLCM/17, Organizational Learning Framework overview.

strengthening distance learning. Language training ranks prominently in UPU learning programmes, as the International Bureau has two working languages. In 2016, UPU dedicated 45 per cent of its training resources to language courses. The overall distribution of training resources is illustrated in figure II.

183. Fewer than 45 per cent of respondents to the JIU staff survey rated the training and development activities provided by UPU as adequate to enhance skills and competencies in order to perform well in their functions. Responses to the question as to whether the training and development opportunities at UPU were adapted to career development needs were more negative: only 34.5 per cent thought they were well adapted, while 36 per cent disagreed.

184. Language training is essential in a secretariat such as the International Bureau, with two working languages.¹²⁸ In the comments made in the JIU staff survey and during the interviews, criticism was expressed of the growing number of International Bureau staff without sufficient proficiency in French. For the sake of good internal communications, the Inspector considers it necessary that staff members have the required language skills. However, career development in general and the development of talent on the job should be given more attention. **The Inspector therefore recommends increasing the training budget to support staff in the development of new skills and competencies.**

Figure II: Distribution of UPU training resources in 2016



Source: prepared by JIU on the basis of information provided by the International Bureau.

185. UPU has not formalized an organization-wide learning and development policy. As the International Bureau needs a highly qualified workforce equipped with the required managerial, substantial, technical and language skills; such a policy should be part of the human resources strategy. It should determine the most appropriate areas and scope of learning and the corresponding delivery methods. For the development of this policy, it is recommended that an organization-wide skills and competencies inventory be conducted to identify the current strengths and weaknesses of the UPU workforce. At present, the training requirements and needs for UPU staff are generally defined by the strategic direction of the organization and on an individual basis through the overall performance assessment of each staff member. JIU was informed that a comprehensive programme on training opportunities

¹²⁸ General Regulations, art. 154.

for staff is being finalized. In addition, in an annual training needs analysis, the International Bureau identifies the training requirements for directors and their staff.

186. Mandatory training at UPU is limited. Staff in the regional offices must follow a few courses based on the training requirements of the United Nations system in the field. UPU staff at headquarters have to participate in one mandatory training (on ethics), whereas the staff of the United Nations Secretariat have to complete a series of training courses, with additional mandatory modules for senior managers, line managers and staff in technical areas (procurement, human resources, ICT, etc.). Compared to the practice in the United Nations Secretariat (minimum annual training of five working days through formal or informal sessions), the number and scope of the mandatory training courses at UPU is insufficient. **Based on the findings above, the Inspector believes that the executive management should establish a comprehensive programme of mandatory training for all staff members. For the purposes of cost-efficiency, participation in online training courses and cooperation with the United Nations Office at Geneva and use of their training capacity could be considered.**

Staff-management relations

187. According to the findings of the JIU review on the subject conducted in 2012, staff-management relations at UPU were tense during the period 2009-2011, with a peak crisis in 2010.¹²⁹ The Staff Association acts as the interlocutor with the executive management and represents staff in the statutory consultative bodies on human resources and staff-related matters. In 2016, the composition of the Staff Association Committee changed, when a historically rooted anomaly related to retired staff members was abolished. Previously, retired staff could retain member status in the Staff Association, including voting rights. Under the new Staff Regulations, as of 1 April 2016 membership in the Staff Association is restricted to active staff members.¹³⁰

188. Although staff-management relations in general were described as good in the course of the interviews, the overall assessment by respondents to the JIU staff survey remained critical on some aspects. The majority of staff members (68.4 per cent) considered staff-management relations to be currently either very good (8.3 per cent), good (24.8 per cent) or satisfactory (35.3 per cent). However, only one quarter (25.5 per cent) found the existing internal mechanisms and procedures effective in preventing and resolving conflicts and grievances.

189. UPU is equipped with the core mechanisms to ensure staff representation and address staff complaints and grievances with the Staff Association, the Appeals Committee and the Ombudsman. The interviews and the JIU staff survey implied that some of these mechanisms were not well known or trusted. In particular, the functioning and effectiveness of the Appeals Committee is of major concern to many staff members. Only 22 per cent of respondents assessed the existing Appeals Committee as an effective channel for reviewing appeals concerning administrative decisions. That finding corresponds to the high number of critical comments received from staff members regarding the Committee. When adopting the amended Staff Regulations, the Council of Administration also approved outsourcing the Appeals Committee (use of the World Health Organization Global Board of Appeals in

¹²⁹ For a detailed analysis of staff-management relations, see the complementary paper to the JIU report on staff-management relations in the United Nations specialized agencies and common system (JIU/REP/2012/10) is available on the JIU website.

¹³⁰ See Staff Regulation 8.1.

Budapest is currently being explored) and maintaining the internal committee only for an interim period. It is to be hoped that the outsourcing will improve staff-management relations.

190. Respondents to the JIU staff survey were rather divided in their opinions as to whether staff representatives supported staff complaints and grievances in their relations with management. While 32.3 per cent thought they did provide that support, 31.6 per cent disagreed. Respondents were equally divided in their opinions regarding the question of whether staff representatives were appropriately involved by management in major decisions affecting staff (27 per cent thought they were, while 28.5 per cent disagreed). This division of opinions suggests that neither the executive management nor the Staff Association have convinced staff members fully of the usefulness and objectivity of the procedures in place, or the commitment of the Staff Association to addressing effectively the concerns and grievances of staff and to participating in all decisions affecting human resources policies and practices to their satisfaction. The Inspector considers improvement in this area a major element in promoting trust among staff, which would ultimately benefit all parties involved and be conducive to a positive working environment.

Ethics function

191. Ethics is one of the components of the accountability framework. The purpose of the ethics function is to ensure that staff act in accordance with their own mission and demonstrate the highest standards of competence and integrity, as enshrined in the Charter of the United Nations, the UPU Staff Regulations and Staff Rules and the UPU Code of Conduct, by embedding a culture of ethics, transparency and accountability within the International Bureau. Administrative instructions 34 and 35, governing conflict resolution mechanisms related to discrimination, abuse of authority and harassment, and the protection of individuals who report misconduct and cooperate with duly authorized audits or investigations, respectively, allow the intervention of the ethics function in the context of the issue of retaliation.

192. Following the recommendation in the 2008 JIU report, the Council of Administration created an ethics office in 2009 as a second function attached to an existing post within the Legal Affairs Directorate in the International Bureau.¹³¹ However, in line with a further recommendation by JIU in its 2010 report on ethics in the United Nations system,¹³² the 2011 Council of Administration decided to place this function in the ethics office of another organization within the United Nations system, in order to avoid a potential conflict of interest through the dual legal affairs and ethics office function. An agreement was signed with ITU, whereby its Ethics Office would carry out this function for UPU from 2012.

193. When the post in ITU became vacant in July 2013 and remained unfilled for some time, the ethics function was temporarily carried out in-house by the Human Resources Directorate. In 2014, the Council of Administration authorized the International Bureau to outsource the ethics function to an external service provider.¹³³ After a restricted tender process, the ethics function was initially contracted to Deloitte in 2015. When the Council of Administration decided to extend the pilot phase until 2018, the mandate was transferred to BDO Consulting. However, the general agreement with ITU was maintained. It is to be noted that ITU and the World Meteorological Organization have recently concluded a memorandum of understanding on the establishment of a joint ethics office, which became operational in 2017.

¹³¹ See CA C 3 2009.1-Doc 17, Creation of an Ethics Office at the International Bureau.

¹³² JIU/REP/2010/3.

¹³³ See CA C 2 2014.1-Doc 12a, Ethics Office and 2014 financial disclosure exercise.

194. The review showed a low level of promotion of and training in ethics since July 2013 and the absence of any activities in 2015. Training was initiated again only in 2016. The last comprehensive report on ethics provided by the ITU Ethics Office dates back to 2012. While the function was being carried out temporarily by the Human Resources Directorate, ethics was briefly mentioned in the report on human resources of 2014. Since then, the provider of the ethics function has presented only one annual report, to the first session of the Council of Administration in 2017.

195. The Inspector notes with concern the overall insufficient level of ethics activities during the last few years and the lack of regular reporting to the governing bodies on ethics matters. With no activities in 2015 and some training in 2016 (at a cost of around CHF 19,000), this situation constitutes a risk for the organization. An active institutional framework is a prerequisite for adherence to ethical standards and the promotion of good governance. Training on ethics has to be complemented by the development and regular updating of an ethics policy based on United Nations standards and by instruments providing staff with access to the function and to information and guidance on the policy. In the light of the outsourcing of the function, the Inspector recommends the creation of a comprehensive internal website for all staff members to make the ethics function more accessible. This needs to be complemented by strengthening the capacity of the ethics function beyond training.

196. The executive management reported to the first Council of Administration session in 2017 that it had reviewed the options concerning the ethics function. Considering the specific needs of UPU and the limited resources available, the executive management favoured outsourcing of the function in the form of an on-demand service. The recommendation to use the services of an external partner during the Istanbul cycle was supported by the Council of Administration. **Considering the low level of activities, the Inspector recommends that the Director General carefully review the arrangement with the present external provider of the ethics function with a view to them furnishing services beyond raising awareness and delivering training, in order to bring the function into line with United Nations standards.**

Financial disclosure programme

197. In 2009, the Council of Administration approved the UPU system of financial disclosure and declaration of interest,¹³⁴ and subsequently the International Bureau issued an administrative instruction specifying the procedures and rules applicable to its implementation.¹³⁵ Although JIU recommended in 2008 that an established ethics function should administer the financial disclosure programme, it is kept separate from the ethics function at UPU. The verification of the financial disclosure and declaration of interest statements has been carried out since 2014 by an external independent service provider, Hudson-Ethics Consulting Company. The reviewer chooses at random a number of staff participating in the exercise, who must provide supporting documents in relation to their financial disclosure statements. In 2015, the exercise concerned 51 officials, from the Director General to the members of the Tenders and Procurements Committee; no conflict of interest was identified. With regard to the requirement to submit annual reports, the Inspector noted that no report was presented in 2016. She was informed that the report of the independent

¹³⁴ See CA C 3 2009.1-Doc 17.

¹³⁵ Administrative instruction No. 32.Rev 4 on financial disclosure and declaration of interest statements (2016).

reviewer on the financial disclosure statements covering the year 2015 was presented to the first session of the Council of Administration in 2017.¹³⁶

Mediation function and social services

198. UPU has had a mediation function since 2012.¹³⁷ This function is based on a bilateral services agreement and carried out by the Ombudsman of the Swiss Post. The contract has been renewed until 2019. Information about the ombudsman services is provided through an administrative instruction, an internal memorandum and through the human resources section of the UPU intranet.¹³⁸ According to administrative instruction No. 37, the Ombudsman is an independent, neutral person who provides confidential, off-the-record and impartial assistance for the informal resolution of concerns and conflicts that are related to employment with UPU. The service is available to all UPU employees, regardless of their type of contract and location, including consultants and interns.

199. As indicated during the interviews and confirmed by the results of the JIU staff survey, the present function has limitations. Only 25.5 per cent of the respondents to the survey agreed with the assertion that the Ombudsman provides an effective informal way of preventing or solving conflicts. The responses suggest that not all staff are aware of the function and its benefits and therefore do not make use of this option in resolving their problems, as would be advisable. In the period 2013-2016, the Ombudsman handled between 4 and 17 cases per year.¹³⁹ The Ombudsman reports regularly on his or her activities to the Director General, but not to the governing bodies.

200. **The Inspector believes that UPU would benefit from a strengthened and more visible mediation function as a first resort for conflict resolution.** As an initial step, the executive management should integrate the mediation function into the organizational culture, including through regular contact with the executive management. Appropriate measures should be taken to raise the awareness of staff of the role and functioning of the ombudsman services. For that purpose, regular meetings with the Director of Human Resources and participation in town hall meetings should be introduced. The Inspector noted the plans of the Human Resources Directorate to prepare an internal memorandum on the additional services offered by the Swiss Post to UPU staff. With respect to reporting, the Inspector draws the attention of the Council of Administration to the 2015 review by JIU of ombudsman services across the United Nations system, in which it recommended that “the legislative bodies of the United Nations system organizations should make it possible for the ombudsman to report to them on systemic issues identified on a regular basis.”¹⁴⁰

201. Since 2007, the Swiss Post has also provided a social service function to UPU. That includes counselling with respect to personal problems, the provision of assistance and training to supervisors and managers, subject to the prior agreement of the Human Resources Directorate, and advice on professional development and career issues (for staff members wishing to pursue their careers outside UPU). The service is available for all International Bureau staff, regardless of length of contract, with the exception of support staff.¹⁴¹

¹³⁶ See CA C 1 2017.1-Doc 7 and annex 1, Financial disclosure period 2016.

¹³⁷ Administrative instruction No. 37 on the Office of the Ombudsman (2012).

¹³⁸ Internal memorandum No. 17/2012 on provision of an ombudsman service.

¹³⁹ Number of cases managed by the Ombudsman: 7 (2013), 4 (2014), 17 (2015) and 16 (2016).

¹⁴⁰ See JIU/REP/2015/6, recommendation 5.

¹⁴¹ See internal memorandum No. 4/2007 on Social services.

VII. OVERSIGHT

202. The oversight function at UPU is comprised of the internal audit function outsourced to a service provider and two external oversight mechanisms, namely the external auditor and the Joint Inspection Unit of the United Nations system. In addition, an Internal Audit Committee is in place to monitor the oversight framework. The Governance and Management Information Systems Programme, which is part of the Executive Office Directorate, coordinates governance activities, notably in terms of work planning and information sharing. It does not carry out audit activities, but manages relations with the external auditor, the JIU, the provider of internal audit services and the Internal Audit Committee. Furthermore, it is responsible for the internal control system of the International Bureau, managing the ethics service and financial disclosure programme, supervising the procurement process and developing a decision-making system for the executive management.

A. Internal oversight

Internal audit

203. Internal audit activities have been carried out for UPU by an external service provider since 2011. Before that date, internal audit was covered by 0.5 of a post and since 2009, by a full-time core post within the International Bureau. In its report on oversight lacunae in the United Nations system, JIU recommended that the internal audit and investigation function be placed with another organization in the United Nations system, as the UPU budget was below the threshold of \$250 million per biennium.¹⁴² In 2010, the Council of Administration decided, at the request of the International Bureau, to outsource this function.¹⁴³ After a one-year pilot exercise, the function was contracted through an open tendering process to Ernst & Young for a non-renewable term of six years (2012-2017). The executive management explained that given the size of the organization, this arrangement allowed UPU to obtain services cost-effectively and capitalize on the professional practices and resources of a professional internal audit service. The cost of the internal audit service is approximately CHF 125,000 per year.¹⁴⁴

204. The UPU Charter of internal auditing is part of the Financial Regulations and sets out the principles that govern the internal audit function.¹⁴⁵ It was last updated in 2015, following a Congress decision to allow member countries access to internal audit reports. The provisions of the charter are in line with the required professional standards and JIU recommendations on the subject. JIU was informed that the Charter of internal auditing is regularly updated and submitted to the Council of Administration when amendments are deemed necessary. This was done in 2009 and 2015. The JIU recommendation is that internal audit charters be reviewed at least every three years and the results presented to the executive head and the oversight committee; any proposed changes should be presented to the governing body for approval.¹⁴⁶

205. The Charter of internal auditing 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,

¹⁴² See JIU/REP/2006/2, para. 47 and recommendation 14 (b).

¹⁴³ See CA C 3 2010.1-Doc 22, Internal Auditor's report.

¹⁴⁴ See JIU/REP/2016/8, annex V. A.

¹⁴⁵ See Financial Regulations, annex 4, Charter of internal auditing.

¹⁴⁶ JIU/REP/2016/8, para. 56 and JIU/REP/2010/5, recommendation 1.

efficiently and economically.” The internal audits undertaken annually follow the workplan agreed with the Director General. Internal audits in UPU have been conducted on the basis of the specific risks identified through a risk assessment carried out in 2014 using the Ernst & Young methodology. Internal audits are undertaken in line with the international standards for the professional practice of internal auditing. The analysis of the internal audit work referred to in table 9 and made available to the Inspector showed that the reports have followed a consistent pattern over the years. Building on the analysis made of their specific components, the internal audits formulate clear recommendations in order to mitigate the risks and outline action plans with concrete deadlines for full implementation.

Table 9: Internal audits conducted on key risks since 2011

Key risks	Internal audit reports
Risk 1: Role and relevance	Governance (2012) Role and relevance (2014)
Risk 2: Products and services	Postal Technology Centre orientation (2011) Products and services portfolio (2013)
Risk 3: Funding	Funding (2014)
Risk 4: Organizational capacity and agility	Governance (2012)
Risk 5: Human resources/talent management	Human resources (2011) Succession planning (2013)
Risk 6: Financial sustainability	Funding (2014)
Risk 7: Image/communication	Communication (2012)
Risk 8: Resource allocation	Strategic controlling (2011) Products and services portfolio (2013) Resource allocation (2015)
Risk 9: Security	IT Strategy (2016)
Risk 10: Compliance	Governance (2012)

Source: CA C 2 2015.1-Doc 6a, annex 1.

206. The review showed that the output of the UPU internal audit function is low compared with other small United Nations system organizations, as presented in the 2016 JIU report on the state of the internal audit function in the United Nations system. In 2014, the actual average outputs for small United Nations system organizations were six and the budgeted average outputs for 2015 were also six.¹⁴⁷ The actual outputs of the UPU internal audit function were two in 2014, two in 2015 and one in 2016. Furthermore, the review of the UPU internal audit reports since 2011 shows that they cover more strategic than operational risks. The Inspector is of the view that the agreed workplan for the internal audit function does not provide enough coverage of operational risks, such as internal control reviews, non-compliance with policies, fraud (no fraud risk assessment has been made or fraud response plan recommended), litigation, security or safety and reputational risks.

207. The Inspector is of the opinion that the low level and narrow scope of internal audit outputs are not sufficient to provide the necessary assurance to the Director General and the governing bodies that the organization is managed effectively, efficiently and economically, as it may leave risks uncovered or unidentified. **The Inspector recommends addressing a**

¹⁴⁷ See JIU/REP/2016/8, annex V. C.

broader range and depth of audit subjects, which will provide independent assurance that the risk management, governance and internal control processes at UPU are operating effectively.

Investigation

208. The International Bureau does not have a consolidated investigation function. According to the Charter of internal auditing, the mandate of the internal auditor entails investigation in cases of alleged wrongdoing, as well as financial compliance and a value-for-money audit. The charter states that the Director General may ask the internal auditor to investigate all allegations or presumptions of fraud or mismanagement. The Inspector was informed that Ernst & Young, as the provider of the internal audit function, would carry out investigations if the need arose. In such cases, the investigation would be undertaken by a separate, specialized Ernst & Young team, in order to avoid any overlap with ongoing internal audits and to exclude any conflict of interest. This service was called upon five times in the period 2011-2015, according to the internal audit function activity reports. The documentation available to JIU gave no indication of the topics covered.

209. In addition to the Charter of internal auditing, two internal administrative instructions govern (a) conflict resolution mechanisms related to discrimination, abuse of authority and harassment (2011)¹⁴⁸ and (b) the protection of individuals who report misconduct and cooperate with duly authorized audits or investigations (2012).¹⁴⁹ These documents allow aggrieved individuals to report cases of prohibited conduct directly to the internal auditor. If a formal investigation is deemed necessary, either the internal auditor or the investigation unit of the internal auditor of another United Nations common system organization, such as the United Nations Office of Internal Oversight Services, can be appointed to conduct such an investigation. In addition, Executive Council decision CE 1/1977 governs the mechanism applicable in cases of misconduct by elected officials.

210. The review identified the fact that the investigation function is dispersed and that there is no specific investigation policy in place. **The Inspector is of the view that the organization needs a coherent policy, including clear procedures, and therefore recommends consolidating the existing elements into an investigation framework (policy and procedures). That policy should ensure that internal oversight entities are authorized to initiate investigations without the prior approval of the executive management.**¹⁵⁰

Evaluation

211. The International Bureau does not have a corporate evaluation function, although some forms of evaluation exist at the programmatic and project levels, in particular within the Directorate of Development Cooperation. The JIU staff survey indicated that only 36.6 per cent of respondents agreed that UPU activities were measured against clearly defined and meaningful performance indicators.

212. The 2008 JIU report recommended the establishment of a formal evaluation function. While acknowledging the financial implications, the Inspector is of the view that such a function would make an important contribution to strategic direction-setting, operational

¹⁴⁸ Administrative instruction No. 34 on conflict resolution mechanisms related to discrimination, abuse of authority and harassment (2011).

¹⁴⁹ Administrative instruction No. 35 on the protection of individuals who report misconduct (2012).

¹⁵⁰ See JIU/REP/2011/7.

planning, performance monitoring and reporting on achievements. **As an initial step, the executive management might consider developing an evaluation policy and a work plan, in the context of the preparation of the next world postal strategy.**

B. External oversight

External auditor

213. According to the General Regulations: “The Government of the Swiss Confederation shall supervise, without charge, the book-keeping and accounting of the International Bureau within the limits of the credits fixed by Congress.”¹⁵¹ For that purpose it appoints the Swiss Federal Audit Office to audit the financial statements at no cost. During the interviews, the executive management stated that the Swiss Federal Audit Office carried out adequate external audit services.

214. In reviewing the report of the external auditor for 2015, the Inspector noted with concern the high number of outstanding recommendations.¹⁵² A total of 21 recommendations issued in previous reports had not been implemented as at the end of May 2016. Of those, 11 were in the area of management, 7 in the area of IT and 3 related to the financial statements, presentation of accounts and accounting. The substance of the outstanding recommendations referred, among others, to the need to regularly update the human resources strategy, as well as rules and administrative instructions and the management of procurement, the need to reinforce IT governance, the setting up of an IT steering committee, and, lastly, the need to put in place an organization-wide business continuity management system.

215. In its 2008 report, JIU recommended an amendment to the General Regulations and the Financial Regulations to introduce the principle of a competitive selection process and a rotation of the external auditor. The recommendation was not approved by the Council of Administration. It was explained that the recommendation was untimely, as it coincided with the introduction of new accounting standards (IPSAS) and also that Switzerland provided the external audit free of charge.

216. Notwithstanding the quality and comprehensiveness of the external audit services provided by the Swiss Federal Audit Office, the Inspector reiterates that the introduction of a periodic rotation of the external auditor and introducing term limits as a principle of good governance widely adopted in the United Nations system, would enhance the independence of the oversight function and provide a variety of experience that is beneficial for an organization. That would be in line with the internal control standards for the public sector with regard to the issue of the selection and rotation of external auditors.

Joint Inspection Unit

217. JIU has provided independent external oversight with a focus on system-wide issues to UPU since 1977, when the Organization accepted its statute.¹⁵³ The cooperation between the Unit and UPU was further framed in a pilot scheme adopted in 2001 by the Council of

¹⁵¹ See General Regulations, art. 148.

¹⁵² See CA C 1 2017.1-Doc 3, annex 2.

¹⁵³ UPU Executive Council decision 30/1977, Statute of the Joint Inspection Unit of the United Nations system.

Administration, notably in terms of consideration and handling of reports of interest to UPU.¹⁵⁴

218. Despite the existence of this framework, in 2016 a JIU management letter reviewing the cooperation with UPU flagged up a relatively low rate of acceptance and implementation of JIU recommendations.¹⁵⁵ For the period 2006-2012, UPU ranked low in this regard according to the JIU web-based tracking system, with a 25.7 per cent rate of acceptance and a 46.8 per cent rate of implementation. In 2016, the International Bureau reported a rate of implementation of 48 per cent (25 out of 52 recommendations had been implemented).¹⁵⁶ The executive management has committed to taking the necessary steps to update the information recorded in the online tracking system and to improving its follow-up practices, notably by clearing the backlog of long-standing pending recommendations. The Inspector noted that initial steps had been taken in this regard.

219. Another area for possible improvement mentioned in the JIU management letter concerns the way the Council of Administration considers JIU reports. **The Inspector recommends that in the future the Council of Administration clearly indicates in its decisions whether it accepts the JIU recommendations and consequently instructs the International Bureau to implement them.** That would place UPU in line with the provisions of the JIU statute and the relevant resolutions of the United Nations General Assembly.

Internal Audit Committee

220. The executive management has undertaken a series of efforts to enhance transparency and good governance in the area of oversight. The Internal Audit Committee was established in 2006 to follow up on the recommendations made by the various oversight bodies. The committee is chaired by the Deputy Director General, and its membership consists of the directors of the Development and Cooperation Directorate, the Directorate of Postal Technology Centre and the Directorate of Executive Office, as well as the coordinator of the Governance and Management Information Systems Programme as secretary. The committee reports and addresses recommendations to the Director General on key issues related to risk management and the internal control system, internal and external audit reports and recommendations, their follow-up and implementation. The committee presents a brief annual report on its activities and major developments in the oversight areas to the Council of Administration.

221. Considering its role, it is a concern that the Internal Audit Committee is not covered by any terms of reference. A matter of greater concern to the Inspector is that it does not comply with good practice in terms of its membership and independence. The members are all internal to UPU and are involved in the day-to-day management of the organization, which is the scope of the internal audit activities and could result in a conflict of interest. There have been discussions between the executive management and the Council of Administration since 2014 regarding the establishment of an independent audit committee made up of external experts. No decision has yet been taken, reportedly owing to financial considerations.

222. The majority of United Nations system organizations have reconstituted their oversight committees as external, independent and expert-based advisory bodies with a hybrid reporting

¹⁵⁴ See CA 2001-Doc 6b and annex 1, Relations with the United Nations and other international organizations and 2001 summary record of the Council of Administration.

¹⁵⁵ JIU/ML/2016/11: Review of the acceptance and implementation of JIU recommendation by the Universal Postal Union (UPU).

¹⁵⁶ See CA 2016.1-Doc 6c, Report by the International Bureau on the Internal Audit Committee.

arrangement to both the executive management and the governing bodies. Those committees play a key role, not only in assisting the executive heads and governing bodies to strengthen oversight, but in ensuring the independence and effectiveness of the internal audit function. They advise the executive heads and governing bodies on the effectiveness of internal controls, risk management and governance, ethics arrangements and financial reporting. They also contribute to reinforcing the credibility of the internal oversight activities and management practices in general. The Institute of Internal Auditors views independent audit committees as a mandatory part of public sector governance.¹⁵⁷

223. In the opinion of the Inspector, the present composition of the Internal Audit Committee does not correspond to the standards and requirements outlined above. She therefore strongly encourages the executive management and member countries to further explore alternatives for a new model for an independent audit committee, comprised of external professional experts. As stated by JIU, “governing bodies should rely on oversight committees to provide functional guidance and advice to them with regard to internal audit in order to ensure the independence of the service. One area concerns the completeness of the internal audit plan and the sufficiency of the internal audit budget to adequately address the highest-risk areas of operation.”¹⁵⁸

224. The following recommendation is expected to enhance transparency and accountability in the management of UPU.

Recommendation 10

The Council of Administration should study the possibility of establishing an independent audit committee, possibly by drawing on similar structures in place in other United Nations specialized agencies, such as the Independent Management Advisory Committee at the International Telecommunication Union, to assist the Council of Administration and the Director General in effectively fulfilling their governance and oversight responsibilities.

C. Oversight products and recommendations

Circulation of oversight products

225. In 2010, in its report on the audit function in the United Nations system organizations, JIU recommended that a disclosure policy should be incorporated into all internal audit charters.¹⁵⁹ UPU member countries did not have access to the internal audit reports until 2014. A Doha Congress resolution instructed the Council of Administration to study the conditions whereby those reports might be made available to member countries.¹⁶⁰ Subsequently, the Council of Administration instructed the Director General to grant member countries access to the internal audit reports and to prepare the necessary amendments to the Financial Regulations.¹⁶¹ To that end, the Charter of internal auditing, as part of the Financial

¹⁵⁷ See Institute of Internal Auditors, “Global public sector insight: policy setting for public sector auditing in absence of government legislation”, October 2014, p. 13.

¹⁵⁸ See JIU/REP/2016/8, para. 238.

¹⁵⁹ See JIU/REP/2010/5, para. 88.

¹⁶⁰ See Doha Congress resolution C 75/2012, Disclosure of audit report of UPU projects, activities and finances.

¹⁶¹ See resolution CA 4/2014.1, Access to internal audit reports.

Regulations, was amended through the introduction of an audit report disclosure policy, adopted by the Council of Administration in 2015.¹⁶² Since then, internal audit reports have been made available to member countries upon their written request, to be read at the Office of the Director General, without copies being made, printed, saved or taken from UPU office premises. The disclosure policy applies to internal audit reports written on or after 1 January 2013. **The Inspector is of the opinion that the procedure for access to internal audit reports is too cumbersome and should be reconsidered. It is a good practice in the United Nations system for these reports to be made available online through internal intranet sites or secure portals.**

226. The executive management provides regularly updated information to member countries on the status of implementation of the recommendations of the external auditor, the internal audit service provider and JIU, supplemented by comments on the actions taken. External audit reports and opinions are presented in full to the Council of Administration, while information on the internal audit findings and recommendations are given in general terms only. In addition, Ernst & Young reports annually on its internal audit activities to the Director General. The internal audit activity reports presented to the Council of Administration in recent years were found to be brief and repetitive. In the view of the Inspector, there is room for improvement concerning the reporting on audit activities, the findings and conclusions to align them with good practices in place in most United Nations system organizations. The annual report should contain a summary of activities and main findings and elaborate on audit plans and major risks, as well as on new and outstanding recommendations. The report should also be seen as an opportunity to provide comments on any issues that may have an impact on the effectiveness of the internal audit function.

Follow-up of oversight recommendations

227. The executive management has established a good practice to follow up on the acceptance and implementation of oversight recommendations by consolidating all audit reports containing recommendations in the management dashboard within the framework of the Governance, and Management Information Systems Programme. That information is also recorded in a detailed list of all the outstanding recommendations issued by all oversight bodies and made publicly available on the UPU website.¹⁶³ An analysis of the list of internal audit recommendations, dated November 2015, showed that a considerable number of them are still in the process of implementation, in particular those related to human resources and talent management, issued in 2011, and image and communications, issued in 2012. The Inspector recalls that to ensure the relevance, usefulness and timeliness of the audit recommendations, it is important to accelerate their implementation within predetermined and reasonable timelines. Long-standing open recommendations should be reviewed periodically and, where appropriate, their continued relevance should be assessed.

¹⁶² See CA CG 2015.1-Doc 4, Amendment of the UPU Financial Regulations-Internal audit report disclosure policy.

¹⁶³ See CA 2016.1-Doc 6c.

VIII. REGIONAL PRESENCE

228. UPU maintains a field presence through its seven regional offices falling under the responsibility of the Regional Project Coordinators (non-core staff at the P-3 level) and reporting to the Development Cooperation Directorate at UPU headquarters.¹⁶⁴ Regional Project Coordinator positions were first established in six regions by the Congress in resolution C 21/1989 under the name of Regional Advisers for the 1990-1994 cycle, with a view to them providing technical assistance for postal development. In the same resolution, the Congress instructed the Director General to seek in-kind contributions from the host countries, such as offices and support services, and the Regional Advisers to work closely with the restricted unions, especially in the definition of regional programmes of technical assistance.

229. Since then, member countries have consistently renewed their commitment to reinforcing the regional presence, not only by increasing the number of Regional Project Coordinators but also by expanding the capacities of the offices to support their operational functioning.¹⁶⁵ Indeed, during the interviews with the Regional Project Coordinators, the Inspector was assured that host countries and restricted unions contribute to UPU by providing not only office space but also human resources (all seven of the offices are supported by one national associate expert and one assistant and/or secretary). In the view of the Inspector, these contributions reflect the strong commitment and ownership of developing member countries.

230. The latest job description for the Regional Project Coordinators dates from 2012 and constitutes their general terms of reference. It outlines their functions and the required skills and competencies. In addition, the Development Cooperation Directorate has developed a set of guiding documents that help them to fulfil their mandates, such as the operational guide for Regional Project Coordinators and the procedures for technical assistance projects.¹⁶⁶ However, the review did not reveal any indication concerning the delegation of authority to the Regional Project Coordinators, except that their authority is restricted to project management.

231. UPU intends to task the Regional Project Coordinators with fundraising responsibilities for the strategic cycle 2017-2020, aimed at attracting more extrabudgetary funding at the field level. For this purpose, UPU conducted specific training for all coordinators in the area of fundraising in 2016. The Inspector is of the opinion that this initiative needs further efforts in

¹⁶⁴ Regional Coordinator Office for the countries of West and Central Africa (Benin), Regional Coordinator Office for the countries of Southern and East Africa (Zimbabwe), Regional Coordinator Office for the countries of Latin America (Costa Rica), Regional Coordinator Office for the countries of Asia and the Pacific (Thailand), Regional Coordinator Office for the Caribbean countries (Saint Lucia), Regional Coordinator Office for the countries of Europe and CIS (Bern), Regional Coordinator Office for the Arab region (Egypt).

¹⁶⁵ See Seoul Congress resolution C 21/1994, Reinforcement of UPU presence in the field, Beijing Congress resolution C 30/1999, Continuing UPU presence in the field, and Bucharest Congress Resolution C 14/2004, Union presence in the field.

¹⁶⁶ While the operational guide defines the working methods, procedures and guidelines to be applied by the coordinators in fulfilling their functions and in their relations with UPU headquarters and other stakeholders involved in the process of implementing development cooperation actions, the procedures for technical assistance projects describe the procedures to be applied to the administrative management of missions by consultants, including staff members of the International Bureau, working in the field.

order to better respond to the demands for technical assistance at the regional and national levels. Furthermore, the terms of reference for the Regional Project Coordinators should be updated and include their additional fundraising function and the level of authority attached to it.

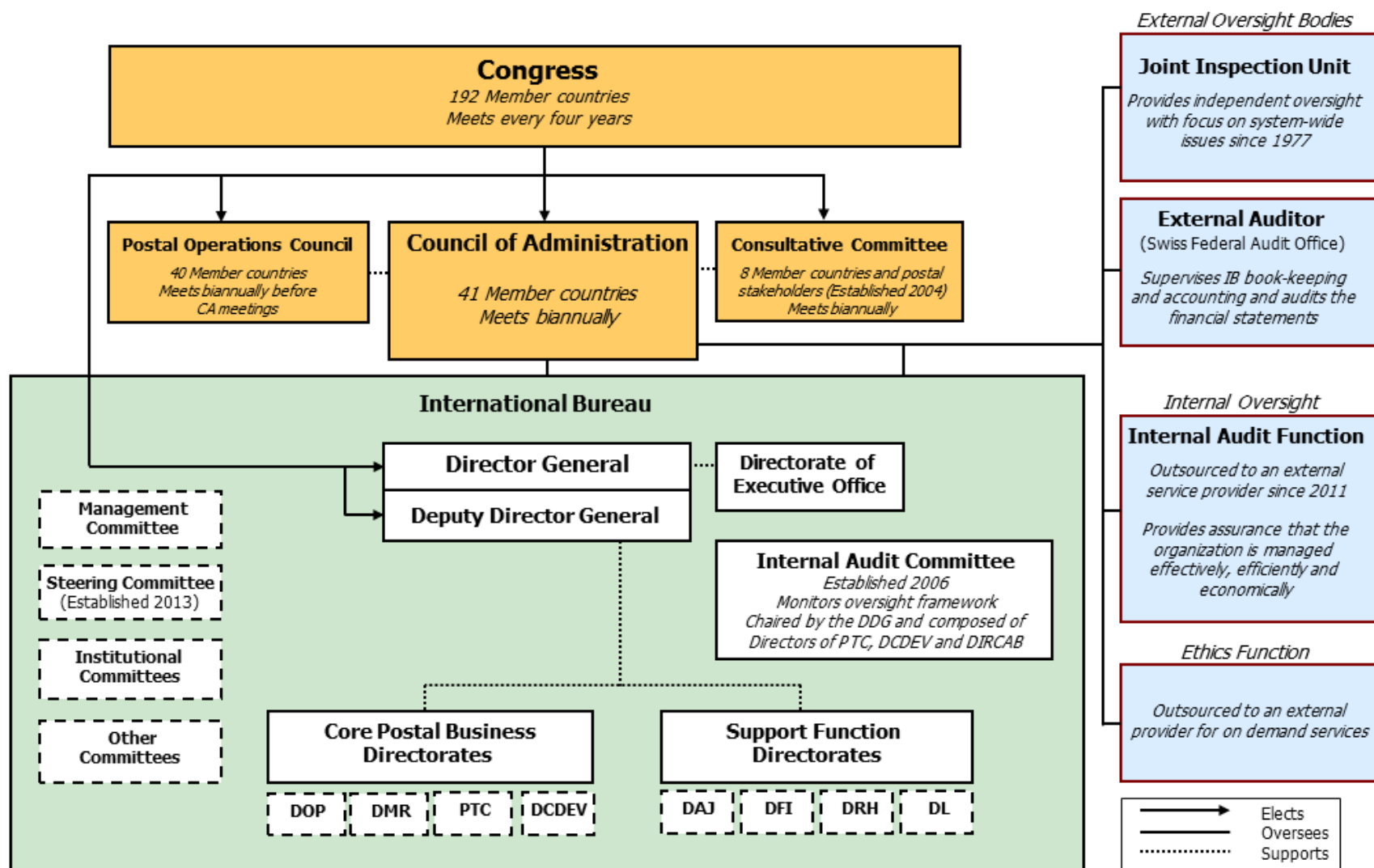
232. UPU development cooperation in the field is based on regional development plans that are agreed and set up at the field level with the engagement of all stakeholders of the postal sector. The process of developing the plans is well defined and mainstreamed across all UPU regions. The review showed that regional development plans are adequately reflected in the Istanbul world postal strategy and references to their regional presence are included in the quadrennial business plan and the annual programme and budget documents.

233. Communication and coordination between Regional Coordinator Offices and UPU headquarters take place on a regular basis. The reporting lines and responsibilities are defined in the operational guide for Regional Project Coordinators that describes, inter alia, the type and periodicity of reporting.

234. During the interviews, and through their responses to the JIU survey, member countries provided an overall positive assessment on the relevance, effectiveness and performance of the Regional Coordinator Offices, despite a few comments regarding the overly quantitative nature of some performance indicators, as they do not relate to significant qualitative aspects, such as the impact of UPU development interventions. With regard to the important role of the offices and their contribution to postal development issues, the Inspector is of the opinion that the executive management should report regularly to the Council of Administration on their activities and achievements.

235. The review showed a high degree of outreach activities and ongoing cooperation of the Regional Coordinator Offices with other United Nations entities in the field. There are promising examples of cooperation, such as shared community information centres set up in post offices in the field with the United Nations Children's Fund (UNICEF), or mobile money initiatives with the United Nations Capital Development Fund, and other projects to breach the digital divide with the involvement of the United Nations Development Programme, ITU, UNICEF and the United Nations Educational, Scientific and Cultural Organization. **Building on these successful examples, the Inspector recommends increasing cooperation in the field with the wider United Nations family, in particular by making use of UPU assets for the implementation of the 2030 Agenda for Sustainable Development.**

Annex I: UPU governance and oversight framework



Source: prepared by JIU.

Annex II: Indicative figures concerning UPU main conferences and meetings in 2015 and Congress in 2016

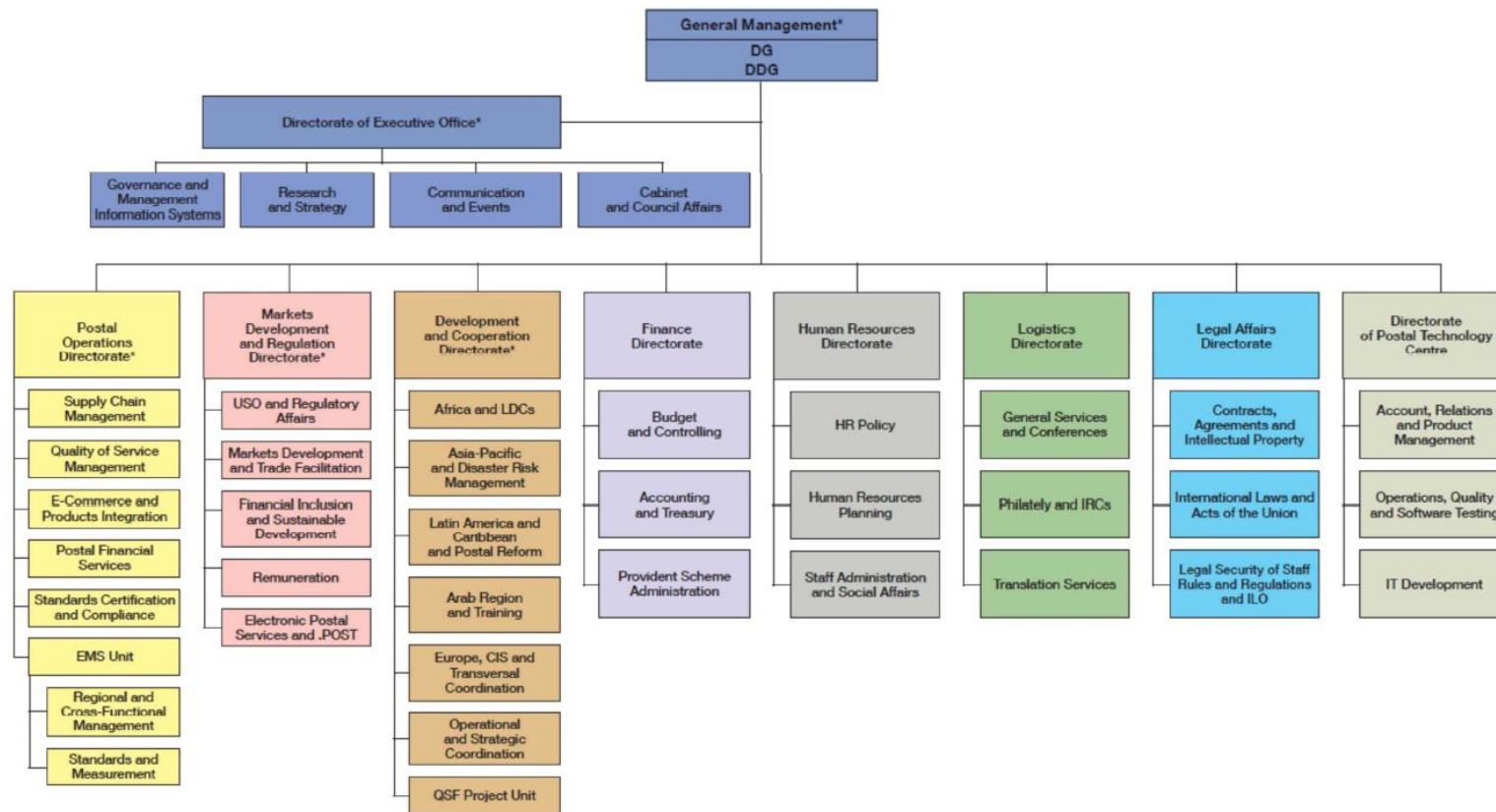
		Number of meetings/ year	Number of days/ year	Documents/ year	Pages/year	Translation	Interpretation	Estimated cost for one day of meeting (incl. interpretation if any), in CHF	Estimated cost for one page (incl. translation if any), in CHF
Congress (2016)	Plenary	10	5	8	27	A, E, F, P, R, S	A, C, E, F, O, R, S	N/A	N/A
	Committees (1 to 7)	22	11	80	79	A, E, F, P, R, S	A, C, E, F, O, R, S	N/A	N/A
	POC EMS Cooperative General Assembly	2	1	9	53	A, E, F, P, R, S	A, E, F, R, S	N/A	N/A
	Congress bureau	5	5	18	42	A, E, F, P, R, S	A, C, E, F, O, R, S	N/A	N/A
	Congress documents	N/A	N/A	260	2035	A, E, F, P, R, S		N/A	N/A
	Congress notes	N/A	N/A	11	32	A, E, F, P, R, S	N/A	N/A	N/A
	Proposals	N/A	N/A	417	594	A, E, F, P, R, S	N/A	N/A	N/A
	Council of Administration constituent plenary	N/A	N/A	7	38	A, E, F, P, R, S	N/A	N/A	N/A
	POC constituent plenary	N/A	N/A	11	48	A, E, F, P, R, S	N/A	N/A	N/A
Council of Administration (2015)	Plenary	5	3	31	221	A, E, F, P, R, S	A, C, E, F, O, R, S	215 000	1890
	Council of Administration Management Committee	2	2	1	1	A, E, F, P, R, S	A, E, F, O, S	91 000	2618
	Committees (1 to 4) including working groups	33	13	238	2181	A, E, F, P, R, S	A, E, F, O, R, S	238 000	2618
	English Translation Service Management Committee	N/A	N/A	3	6	E	A, E, F, O, R, S	N/A	N/A
Postal Operations Council (2015)	Plenary	3	2	69	746	A, E, F, P, R, S	A, E, F, O, R, S	598 000	1759
	Management Committee	3	2	6	15	A, E, F, P, R, S	A, E, F, O, R, S	108 000	1333
	Committees (1 to 5) including working groups	147	26	404	2400	A, E, F, P, R, S	A, E, F, O, R, S	84 000	1333

		Number of meetings/ year	Number of days/ year	Documents/ year	Pages/year	Translation	Interpretation	Estimated cost for one day of meeting (incl. interpretation if any), in CHF	Estimated cost for one page (incl. translation if any), in CHF
Consultative Committee (2015)	Management Committee	1	1	9	19	<i>A, E, F, P, R, S</i>	<i>E, S</i>	69 000	1791
World and Regional Strategy Conferences (2015)	World	4	2	1	20	<i>A, E, F, P, R, S</i>	<i>A, E, F, R, S</i>	N/A	N/A
	Africa	1	2	1	20	<i>A, E, F, P, R, S</i>	<i>E, F</i>	N/A	N/A
	Arab region	1	2	1	20	<i>A, E, F, P, R, S</i>	<i>A, E, F</i>	N/A	N/A
	Asia-Pacific	1	2	1	20	<i>A, E, F, P, R, S</i>	<i>Not provided</i>	N/A	N/A
	Caribbean	1	2	1	20	<i>A, E, F, P, R, S</i>	<i>E, F</i>	N/A	N/A
	Europe (Posteurope)	1	2	1	20	<i>A, E, F, P, R, S</i>	<i>E, F</i>	N/A	N/A
	Europe (RCC)	1	2	1	20	<i>A, E, F, P, R, S</i>	<i>F, R,</i>	N/A	N/A
	Latin America	1	2	1	20	<i>A, E, F, P, R, S</i>	<i>E, S</i>	N/A	N/A

Source: prepared by JIU on the basis of information provided by the International Bureau.

Abbreviations: A, Arabic; C, Chinese; E, English; F, French; P, Portuguese; R, Russian; S, Spanish; O, Others.

Annex III: International Bureau organizational chart as of January 2017



*Member of the Steering Committee

Note: All directors are members of the Management Committee

Source: CA 2016.2-Doc 13, New structure of the International Bureau for the Istanbul cycle.

Annex IV: Main elements of UPU strategic planning (2013-2016 and 2017-2020)

	Doha world postal strategy cycle (2013-2016)	Istanbul world postal strategy cycle (2017-2020)
World postal strategy (4-year)	<p>4 UPU strategic goals (19 programmes)</p> <p>Goal 1: Improve the interoperability of the international postal networks</p> <p>Goal 2: Provide technical knowledge and expertise related to the postal sector</p> <p>Goal 3: Promote innovative products and services (developing the 3-D network)</p> <p>Goal 4: Foster sustainable development of the postal sector</p>	<p>3 UPU goals (15 programmes)</p> <p>Goal 1: Improve the interoperability of network infrastructure</p> <p>Goal 2: Ensure sustainable and modern products</p> <p>Goal 3: Foster effective market sector functioning</p> <p>Plus: Development cooperation as supporting lever</p>
Quadrennial business plan	There was no quadrennial business plan during the Doha cycle as the draft had not been approved by Congress	The business plan includes several work proposals (and resolutions) for each programme. Each work proposal contains the correspondent key performance indicator
Programme and budget (cumulative for 4 years)	<p>First pillar: CHF 147 087 090 (total)</p> <p>Second pillar: CHF 60 697 942 (total)</p> <p>Third pillar: CHF 29 065 260 (total)</p> <p>Overall budget overview (pillars 1, 2 and 3): CHF 236 850 292</p>	<p>First pillar: CHF 164 132 272</p> <p>Second pillar: CHF 88 764 000</p> <p>Third pillar: CHF 39 507 600</p> <p>Overall budget overview (pillars 1, 2 and 3): CHF 292 403 872</p>
Overall reporting	Istanbul Congress, draft four-yearly report on implementation of the Doha Postal Strategy by the International Bureau	An updated business plan and strategy implementation report is presented to the Council of Administration twice a year. To be submitted at the 2020 Congress, draft four-yearly report on implementation of the Istanbul world postal strategy by the International Bureau
Performance reporting	Report on the activities of the International Bureau, 2013-2016 cycle	Report on the activities of the International Bureau, 2017-2020 cycle will be submitted to the 2020 Congress

Source: prepared by JIU based on information provided by the International Bureau.

Annex V: UPU risk assessment of 2014

Risk 1	Role and relevance	In the context of a rapidly evolving environment with numerous stakeholders (member countries, regulators, designated operators, other private sector actors, etc.) and a high degree of technological innovation, there is a risk that the organization does not manage to obtain a consensus on its role as a multilateral organization and, as a result, struggles to define a clear and relevant strategic position.
Risk 2	Products and services	Risk that the organization, as its strategic position as a multilateral organization is not clarified, does not provide a portfolio of products and services valued by its stakeholders or the postal community.
Risk 3	Funding	Risk that the organization faces changes in its funding (either in amount, or in its structure between regular budget and extrabudgetary contributions), raising issues in terms of the activities to be carried out and the size and structure of the organization itself.
Risk 4	Organizational capacity and flexibility	Risk that the organization is not flexible enough to undergo the required future transformations, thereby limiting its ability to adapt to a constantly evolving environment, or compromising its ability to deliver quality products and services.
Risk 5	Human resources/talent management	Risk that the organization does not manage to attract or develop the right talent in a timely fashion to ensure knowledge transfer or proper handover of key positions.
Risk 6	Financial sustainability	In the context of high indebtedness and competing priorities within member countries, there is a risk that the financial sustainability of the organization is not guaranteed in the medium term.
Risk 7	Image/communication	Risk that the organization does not engage its stakeholders proactively enough in order to promote a positive image of the organization overall and its activities and contribution to the postal sector.
Risk 8	Resource allocation	Risk that resources are not allocated in line with the priorities set by the governing bodies. Efficient allocation of resources can be undermined owing to insufficient management to steer and monitor budgets.
Risk 9	Security	Security risk for key UPU assets (people, IT systems, etc.).
Risk 10	Compliance	Risk that internal rules and procedures are not sufficiently communicated, not followed in practice, or hinder the organization in its dealings with third parties.

Source: Istanbul Congress-Doc 12, Draft four-yearly report on implementation of the Doha Postal Strategy.

Annex VI: UPU financial framework

(a) UPU revenues through the three pillars of the funding structure (in Swiss francs)

	2013	2014	2015	2016
First pillar Contributions from member countries	36 697 925	36 739 695	36 824 735	36 824 735
Second pillar Telematics + EMS Cooperative, UPU*Clearing, Quality of Service Fund, world numbering system and international reply coupons	15 000 594	15 016 329	15 219 639	15 460 380
Third pillar Direct mail, publishing sector, Special Fund, POST*CODE and other Voluntary Fund activities	7 951 650	7 734 780	6 693 530	6 685 300
Total	59 650 169	59 490 804	58 737 904	58 970 415

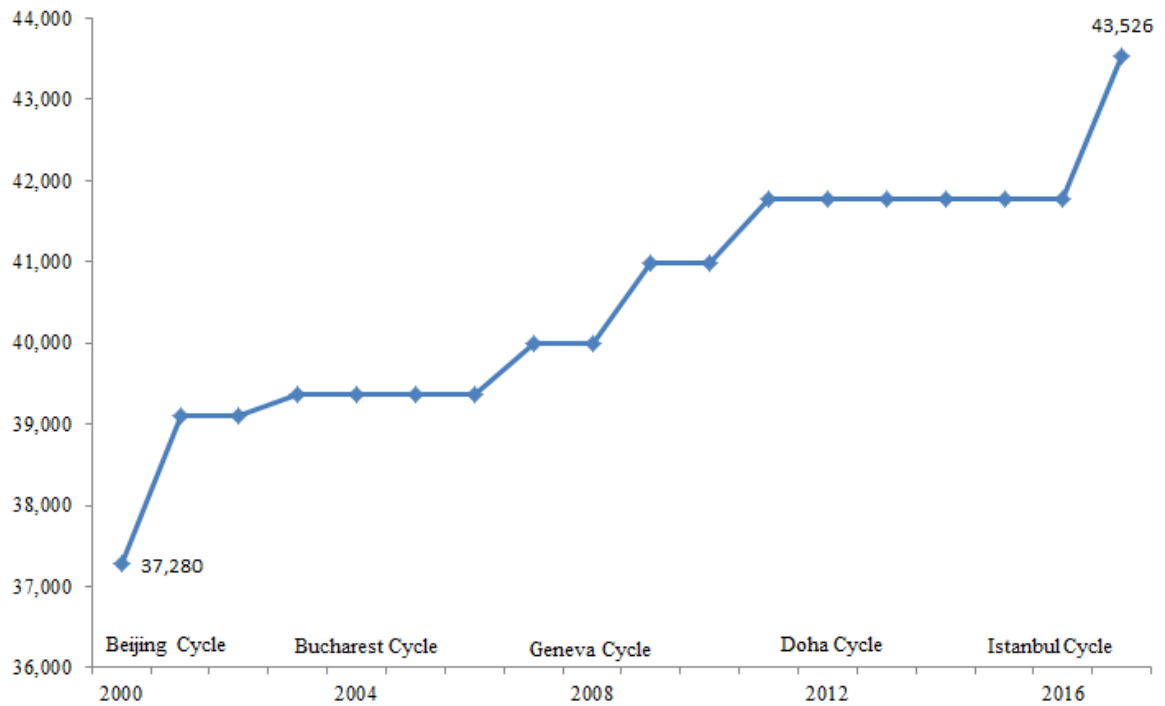
Source: prepared by JIU on the basis of the financial statements.

(b) UPU financial data from 2011 to 2015 (in Swiss francs)

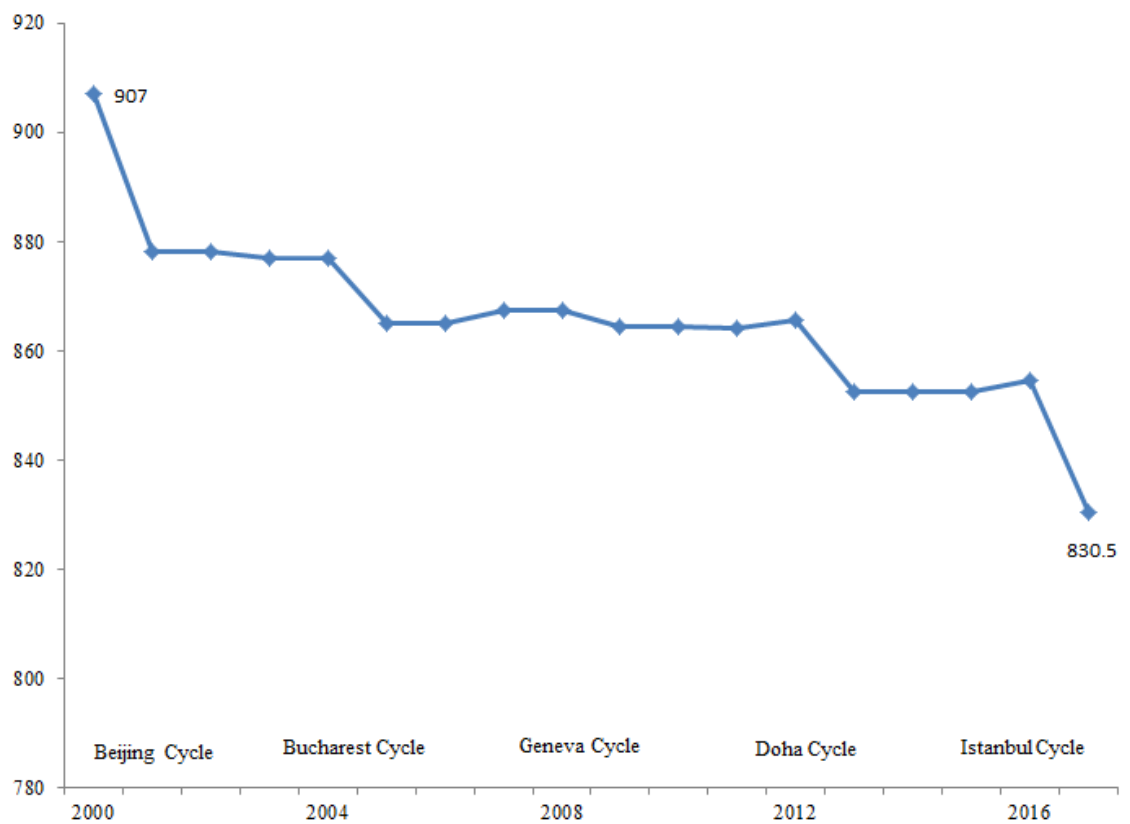
	2011	2012	2013	2014	2015
Total budget (regular budget and extrabudgetary)	54 707 533	57 336 892	57 336 892	59 490 804	58 737 904
Total revenue	68 545 784	64 862 175	67 291 622	64 557 224	69 312 715
Total expenses	70 182 628	68 449 933	68 810 417	62 423 596	78 552 366
Net result ^a	-1 636 844	-3 587 759	-1 518 795	2 133 628	-9 239 651

Source: prepared by JIU on the basis of the financial statements.

^a Annual negative net results after the introduction of IPSAS in 2011.

(c) Evolution of the monetary value of one contribution unit (in Swiss francs)

Source: prepared by JIU on the basis of information in the Programme and Budget for 2017 (see CA 2016.2-Doc.9, annex 1).

(d) Evolution of the number of contribution units (in Swiss francs)

Source: prepared by JIU on the basis of information in the Programme and Budget for 2017 (see CA 2016.2-Doc.9, annex 1).

(e) Other financial information (in Swiss francs)

	2013	2014	2015
Current assets	158 600 735	180 773 865	180 480 834
Current Liabilities	144 061 030	163 131 630	172 842 920
Total assets	197 010 483	213 574 968	218 573 614
Total liabilities	305 117 453	291 527 844	274 347 880
Cash and cash equivalents (deposits)	93 192 185	45 304 575	47 097 747

Source: prepared by JIU on the basis of the financial statements.

(f) Liabilities of the Provident Scheme and after-service health insurance (2011-2015 in millions of Swiss francs)

Source: prepared by JIU on the basis of the financial statements.

Annex VII: Human resources figures

Gender balance in UPU (2011 and 2015)

	2011					2015				
	F	%	M	%	Subtotal	F	%	M	%	Subtotal
DG	0	0	1	100	1	0	0	1	100	1
DDG	0	0	1	100	1	0	0	1	100	1
D-2	0	0	3	100	3	0	0	2	100	2
D-1	3	37.5	5	62.5	8	1	16.7	5	83.3	6
Total senior level	3	23.08	10	76.9	13	1	10	9	90	10
P-5	2	18.2	9	81.8	11	4	30.8	9	69.2	13
P-4	3	15	17	85	20	5	26.3	14	73.7	19
P-3	11	30.6	25	69.4	36	12	34.3	23	65.7	35
P-2 / P-1	4	40	6	60	10	7	46.7	8	53.3	15
Total professional level	20	26	57	74	77	28	34.1	54	65.9	82
G-7	1	16.7	5	83.3	6	1	20	4	80	5
G-6	13	52	12	48	25	12	57.1	9	42.9	21
G-5 and below	28	70	12	30	40	41	68.3	19	31.7	60
Total GS level	42	59.2	29	40.8	71	54	62.8	32	37.2	86
Total all levels	65	40.4	96	59.6	161	83	46.6	95	53.4	178

Source: UPU management response to the second corporate questionnaire.

Annex VIII: JIU online surveys

In accordance with its standard practice for management and administration reviews, JIU sought the views and opinions of the main categories of UPU stakeholders on various aspects covered by the present report. Two surveys were addressed to the following audiences: (a) member countries (members of Congress) and (b) all UPU staff members. Both surveys comprised multiple-choice questions and open-ended comment questions, which gave participants an opportunity to provide suggestions and qualitative inputs. Whilst the participation rate in the staff survey was found to be statistically representative (63.3 per cent), responses from member countries were only at a rate of 18.75 per cent. The staff survey brought a rich set of opinions and perceptions which have been used in the report as appropriate.

Participation in the JIU online surveys (November 2016)

	Recipients	Respondents	Participation rate
UPU staff members	275	174 (133 complete)	63.3%
UPU Congress member countries	192	36 (28 complete)	18.75%

Survey addressed to member countries

Member countries were consulted through one online survey as members of Congress. The low response ratio is not significant enough to draw any pertinent conclusion. Overall, member countries in their responses expressed positive views towards UPU and the performance of each of its components. These member countries also considered the executive management responsive to their needs and requests. They were partially optimistic about the opportunities made available to them to contribute to the strategic plans of UPU and the opportunities given to them to provide guidance to and exercise oversight of the International Bureau. When asked about their vision for the role of the organization in the next decade, some of the responding member countries expressed the need for UPU to better anticipate future changes in the global postal market and make a clearer separation of responsibilities between regulatory and operational areas.

Survey addressed to UPU staff members

Only 35.97 per cent of the respondents supported the statement that the UPU organizational structure was functioning effectively, while 44.6 per cent considered that reforms were necessary to keep the organization effective and efficient. Some staff members made recurring comments about management practices across UPU, in particular regarding insufficient transparency. The managerial capacity of line managers also triggered some comments, in particular in terms of the limited delegation of authority entrusted to them.

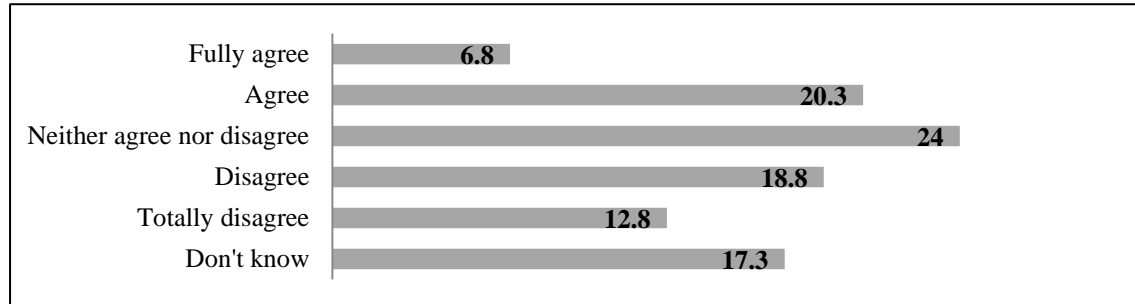
Overall, the working environment was assessed positively. More than two thirds of respondents were satisfied with the work/life balance arrangements at UPU and 71.7 per cent agreed that they were treated with consideration and respect in the workplace. Furthermore, 58.5 per cent of respondents indicated that they assumed functions in addition to those of their regular job. Statements about understaffed directorates, the absence of real career development and training opportunities, as well as questions concerning fair professional promotions, should be noted.

The revised Staff Regulations and Staff Rules approved in 2016 and the area of human resources management raised the most comments among respondents. Several comments were made concerning inconsistencies in the management of human resources regarding the enforcement of some rules. With respect to the new Staff Regulations and Staff Rules, a number of respondents considered them not to be in line with common United Nations rules and regulations.

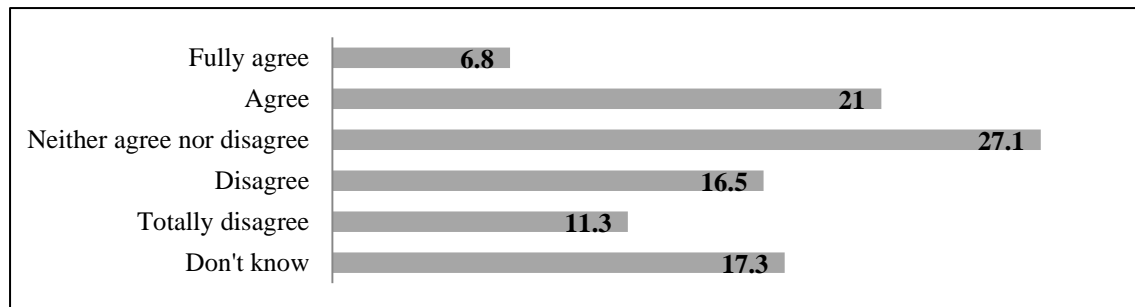
Some other comments were made on poor staff-management relations and lack of support from the Staff Association. However, the majority of respondents (68.5 per cent) considered staff-management relations to be satisfactory or better at the time of the review.

Selected responses from the JIU staff survey to the following statements (percentage)

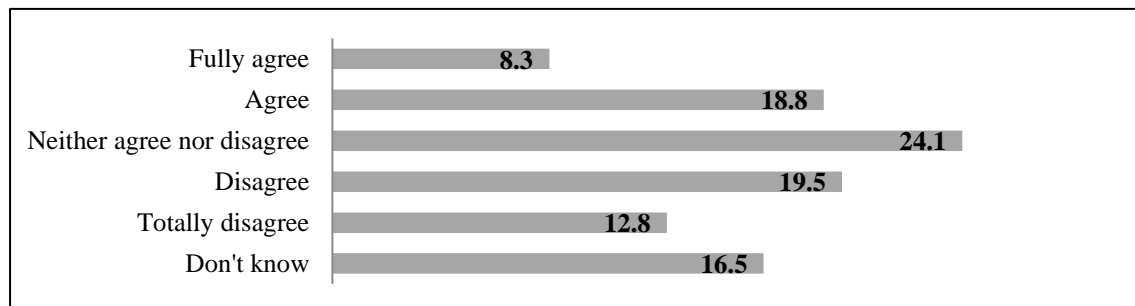
“I think the revised Staff Regulations and Rules introduce improvements for both staff members and the organization”



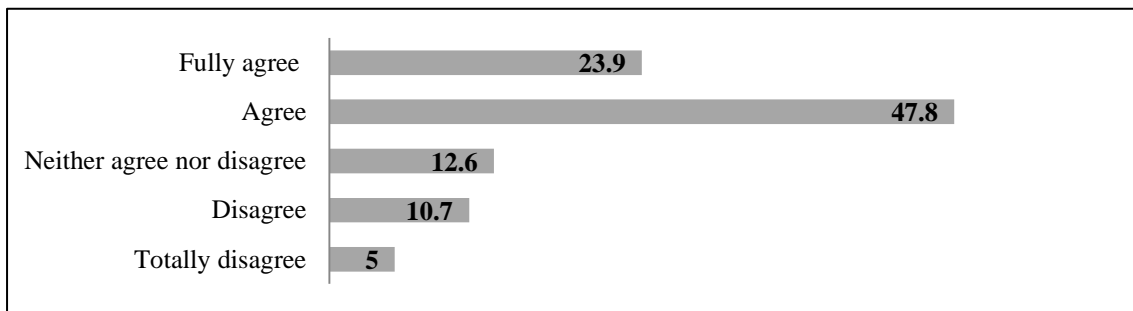
“I think the revised Staff Regulations and Rules introduce enhancements in view of the future of the UPU and the efficient HR management”



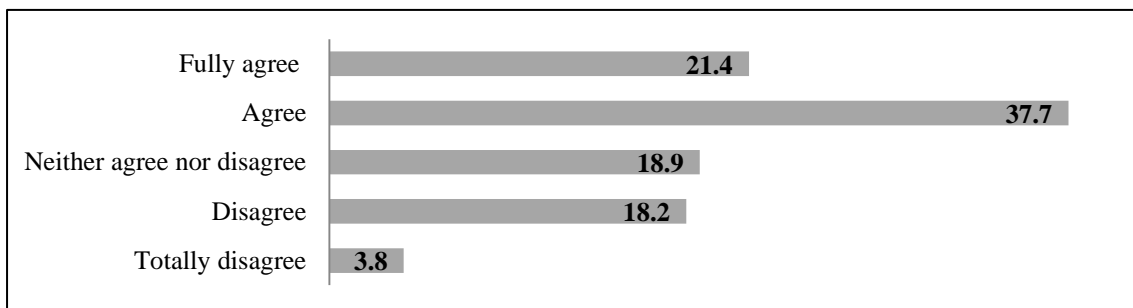
“I think the revised Staff Regulations and Rules increase UPU efficiency, ensure cost-effectiveness, simplification, better performance and accountability”



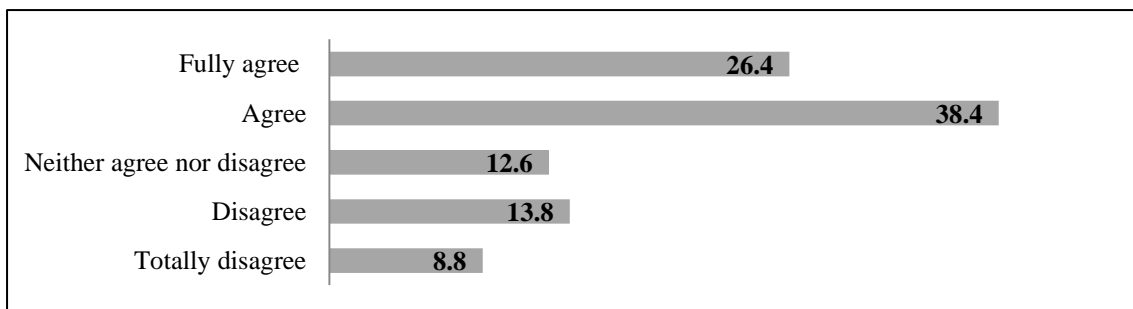
“I am treated with consideration and respect at the workplace”



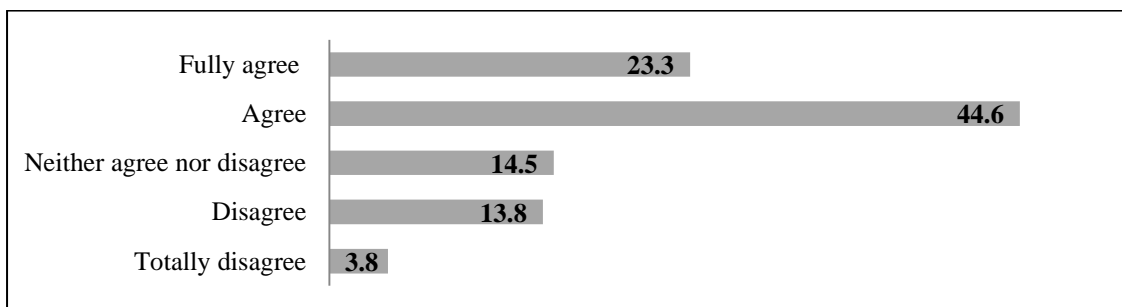
“The working atmosphere in my directorate/unit is conducive to effective teamwork”



“I am satisfied with work/life balance arrangements in UPU”



“I am satisfied with the level of support that my supervisor provides to me in order to meet my work objectives”



Annex IX: Bodies related to the core postal business

A: Role and functions of the direct reporting bodies of the Postal Operations Council

The Telematics Cooperative was established in 1996 to, inter alia, “ensure and enhance the capabilities of postal organizations to exchange electronic information, improve operational efficiency and quality, and create electronic postal services.”¹ Its operational arm within the International Bureau is the Postal Technology Centre, whose mission is “to enable Posts and their partners to be linked and to deliver leading market postal services.”² Any postal operator whose country is a member of UPU and whose national legislation enables it to execute the UPU Acts may join the Telematics Cooperative.³ Currently, 149 postal operators have membership status. Apart from its central operations in Bern, the Telematics Cooperative has five regional support centres which cooperate very closely with restricted unions at the regional level.

The Express Mail Service Cooperative was founded in 1998 to, inter alia, “promote cooperation between members in order to allow them to provide their customers with high quality and competitive EMS service worldwide at an affordable price.”⁴ Its operational arm within the International Bureau is the EMS unit, which implements the strategies and acts of the cooperative as the focal point for membership issues. Any postal administration that is an Express Mail Service owner-exporter and whose country is a member of UPU can join the cooperative.⁵ Currently, 182 designated postal operators have membership status. The Express Mail Service is integrated into the UPU regional strategy of development cooperation; five Bern-based regional coordinators provide daily remote support to members.

The UPU*Clearing User Group is a mechanism for settling international postal accounts, allowing postal operators to introduce a variety of bills instantly online. It provides a discussion platform where debtors can comment on, change, accept or refuse these electronic bills by means of an acceptance/refusal function.⁶ Its secretariat is provided by the International Bureau and serves as, inter alia, “an organ of execution, support, liaison, information and consultation for the UPU*Clearing User Group and its members.”⁷ Any designated operator of a UPU member country may submit an application for membership to the UPU*Clearing User Group secretariat; currently, 40 operators have membership status.

The .POST Group started its activities in 2013 with the aim of integrating the physical, financial and electronic dimensions of postal services to enable and facilitate e-post, e-finance, e-commerce and e-government services. It is the result of the signature, in 2009, of a contract between UPU and the Internet Corporation for Assigned Names and Numbers (ICANN), according to which UPU sponsors a top-level domain (sTLD) available exclusively for the postal sector, providing a secure and trusted electronic infrastructure on the Internet to serve the needs of the global postal community in cyberspace.⁸ Membership of .POST is open to member countries, restricted unions and designated operators, as well as to other postal sector members if authorized by the UPU. As of April 2016, the .POST Group had 49 members from all UPU regions: 44 member countries (full members) and 5 private sector organizations (associate members).⁹

The Quality of Service Fund was established in 2001 to finance projects aimed at improving the quality of inbound letter-mail flows, making national postal services and international mail flows more speedy, reliable

¹ See CEP 2016.1-Doc 19c.Rev 1, Telematics Cooperative strategy 2017-2020.

² See website of the Postal Technology Centre.

³ Telematics Cooperative Statute (2008).

⁴ See CA C 1 GPRU 2009.1-Doc 4, EMS Cooperative statute.

⁵ Ibid.

⁶ See “The world of UPU*Clearing” (2016).

⁷ See the Rules of Procedure of the UPU*Clearing User Group.

⁸ See Doha Congress-Doc 27, Postal innovation and electronic services.

⁹ See Istanbul Congress-Doc 10, Comprehensive report on the work of the Postal Operations Council 2012- 2016.

and secure. According to the International Bureau, the fund has been a stable source of funding for the developing and least advanced countries. Financing is used, amongst others, to purchase software, equipment and vehicles that lead to improvements in mail processing and delivery. Its operational arm is a secretariat based in the International Bureau, which provides guidance and assistance to member countries. Unlike the other four direct reporting bodies, the fund is not a user-funded subsidiary body. According to a decision by the 2016 Istanbul Congress, the fund is set to be dissolved by 31 December 2028.¹⁰

B: Restricted unions

Although the restricted unions are not an integral part of UPU, their role as members of the postal community makes them important partners for the achievement of the UPU strategy, especially in the field of development cooperation and technical assistance. In UPU jargon, restricted unions are understood as regimes composed by three or more member countries (or their designated operators) aimed at achieving and promoting cooperation in the field of the postal service. If these regimes (a) consider themselves restricted unions as defined by UPU and (b) do not introduce provisions less favourable to the public than those provided for by the UPU acts, UPU can conclude special agreements with them, recognizing, *inter alia*, their participation as observers in the UPU governing bodies and other conferences and meetings.

In general, restricted unions are constituted by members of the same geographical region: to date, UPU maintains relations with 17 restricted unions from all parts of the world. The relations between UPU and the restricted unions are administered by the Director General of the International Bureau.

C: Designated operators

In 2004, the Bucharest Congress decided to add a new article to the UPU Convention,¹¹ which recognized “two types of national entities responsible for fulfilling UPU treaty obligations: governmental bodies responsible for overseeing postal affairs, and officially designated operators that provide postal services on their territory.”¹²

Given that there was no official definition of the term “designated operators,” since 2005 a series of consultations took place to find a consensual definition.¹³ Subsequently, the 2008 Geneva Congress decided to approve the proposed definition and amend article 1 of the UPU Constitution accordingly.¹⁴

Since then, a “designated operator” is defined as “any governmental or non-governmental entity officially designated by the member country to operate postal services and to fulfil the related obligations arising out of the Acts of the Union on its territory”.¹⁵

¹⁰ Istanbul Congress-Doc 14, annex. 38. Rev 1: Draft Istanbul Business Plan work proposal 038.

¹¹ Bucharest Congress proposal 20.2.91, Designation of the entity or entities responsible for fulfilling the obligations arising from adherence to the Convention.

¹² Geneva Congress-Doc 17, Use of the term ‘postal administration’ in the Acts of the Union.

¹³ *Ibid.*

¹⁴ See Geneva Congress document Congrès C 3-Rapp 1, Report of the first meeting of Committee 3 (General matters and structure of the Union).


¹⁵ UPU Constitution, art. 1 bis.

Annex X: Overview of actions to be taken by participating organizations on the recommendations of the Joint Inspection Unit

JIU/REP/2017/4

		Intended impact	United Nations, its funds and programmes															Specialized agencies and I A E A												
			CEB	United Nations*	UNAIDS	UNCTAD	ITC	UNDP	UNEP	UNFPA	UN-Habitat	UNHCR	UNICEF	UNODC	UNOPS	UNRWA	UN-Women	WFP	FAO	IAEA	ICAO	ILO	IMO	ITU	UNESCO	UNIDO	UNWTO	UPU	WHO	WIPO
Report	For action		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	For information		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Recommendation 1		a																									E			
Recommendation 2		h																									E			
Recommendation 3		a																									E			
Recommendation 4		e																									L			
Recommendation 5		d																									L			
Recommendation 6		i																									L			
Recommendation 7		a																									L			
Recommendation 8		f																									E			
Recommendation 9		e																									L			
Recommendation 10		a																									L			

Legend: L: Recommendation for decision by legislative organ E: Recommendation for action by executive head

 : Recommendation does not require action by this organization

Intended impact: a: enhanced transparency and accountability b: dissemination of good/best practices c: enhanced coordination and cooperation d: strengthened coherence and harmonization e: enhanced control and compliance f: enhanced effectiveness g: significant financial savings h: enhanced efficiency i: other.

* As listed in ST/SGB/2015/3.