

REPORT OF THE FINANCE COMMITTEE

EC 2018 Doc 5 Rev 2

1. The Finance Committee was chaired by Australia during the APPU-EC meeting. All the Finance Committee members, namely Australia, China, India, Japan, Korea, Pakistan and Thailand, were present at the meeting on 25 June 2018 which reviewed a number of issues including (a) finances of the Union, including the 2017 audit report, as reported by the Secretary General in Doc 5; (b) proposed Administrative Section Budget for 2019; (c) proposed adjustment of staff medical benefit; (d) amendment to Staff Regulations to reflect the proposed adjustment of staff medical benefit; (e) the Bureau's responses to Tehran Congress Finance Committee's suggestions in respect to aging accounts receivables on contribution shares and the current financial ceiling to the budget; and (f) proposed investment in Bureau's staff development.
2. The APPU Bureau was represented by Secretary General and Manager, Administration and APPU Affairs.

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3. In reviewing the financial statements for the year ended 31 December 2017, particularly the aging accounts receivables on contribution shares, the Committee suggested that the Bureau seek advice from the UPU IB on its practice for amortization programme so as to make it affordable for members to repay the outstanding amounts.

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4. The Committee requested that the Bureau ensure that the unused amount for the 'consultancy fee from APPU Reform Proposed Development' which was approved in 2017 was accrued and carried forward to the following year in line with the Tehran Congress proposal. The Bureau advised that the amount of the consultancy fee in the 2019 budget would also be adjusted to US\$32,338 to reflect what was approved by the Tehran Congress.
5. The Committee requested the Bureau to check the 2018/2019 consumer price index (CPI), figure and cite the source in the report and correct as applicable. The Bureau had previously used the average CPI from January – December 2017 in Bangkok, which was at 100.51, and its in-house estimation of 2018 CPI to be 105.53 thus giving an increase of 5%. It was noted that this might be over-estimated and as such the Bureau was requested to review the figure this was done in the period between when the Finance Committee met and when this report was delivered to the EC Plenary.

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6. Based on comment from members of the Finance Committee the Bureau has revised the 2019 Budget with the adjusted and correct CPI figures of 1.5% increment which is based on the calculation by the Ministry of Commerce or Bank of Thailand. The Bureau has used the CPI figure of of 1.5% the sources are noted below:

- a) Average CPI data from Ministry of Commerce (2015 = 100)
May 2018/ May2017 (YoY) = 1.51%

	May 2017	May 2018	Average YoY
CPI (All commodities)	100.6	102.14	1.51

Source: <http://www.price.moc.go.th/en/Default5.aspx> 2015 = 100

- b) CPI data by Bank of Thailand (2015 = 100)

	2017	2018	2019 (f) Inflation
Headline CPI	100.85	101.34	1.5%

Source: (2017/ 2018)

<http://www2.bot.or.th/statistics/BOTWEBSTAT.aspx?reportID=409&language=ENG>

Forecast (2019): <https://www.focus-economics.com/country-indicator/thailand/inflation>.

EC 2018 Doc 5 Rev 2 Annex 3 and Annex 4

7. The Committee endorsed the proposed adjustment of staff medical benefit and noted the amendments to Staff Regulations reflecting this adjustment.

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8. The Committee noted the Bureau's responses to the requests by the Tehran Congress Finance Committee in 2017 relating to: (i) finding appropriate measures to deal with aging accounts receivables on contribution shares that had accumulated between 2013-2016; and (ii) reviewing and proposing an alternative to the current financial ceiling in the Union budget.
9. Regarding the aging contribution share, the Committee suggested that the Bureau seek advice from the UPU IB on its practice for fee amortization programme so as to make it affordable for members to repay the outstanding amounts.

10. Regarding the expenditure ceiling, the Committee agreed with the Bureau that the annual budget provides an adequate system of annual ceilings. Hence the expenditure ceiling for the Bureau's expenses is no longer relevant.

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11. In order to provide a development opportunity for the Bureau staff, and to meet the general reform objective of the Bureau which is "to enhance its value, role and image", the Committee noted and supported the proposal for an additional Bureau staff member to attend the 2019 EC meeting, subject to being funded from the existing 2019 budget (i.e. no additional funds required). If this proves to be a worthwhile initiative, the Bureau may seek funds to do this beyond 2019.

Recommendations for EC

12. The Finance Committee recommends the EC:
 - (a) **Approve** the 2017 auditor's financial report;
 - (b) **Note** the proposed 2019 APPU Bureau (Administrative Section) Budget and that this required adjustment. The proposed 2019 budget has been adjusted from US\$206,726 to US\$ 207,547 as a result of the adjustment in the consultancy fee for the APPU Reform, under 'general operations' item, of US\$32,339 as approved at the Tehran Congress in 2017. The Bureau has provided the below information for members of the EC:
 - a. The previous amount of US\$ 25,000 which was budgeted in the 2019 Budget and reviewed by the Committee during its meeting was used to create spare capacity to absorb the unexpectedly high increase in salaries. When the salary increment was reduced due to the CPI figure being corrected from 5.1% to 1.5%, the consultancy budget fee is restored to the level approved at the Tehran Congress. It also enables some other lesser expenditure items to be restored to their original levels; and
 - b. The contribution unit of US\$2,650 has automatically placed a ceiling on 2019 expenditure of US\$209,050 (being the total funds available from member contributions plus the APP accounting fee). While recognising the need to honour staff salary obligations that were forecast to rise by more than 10% due to high CPI factor (this figure was subsequently found to be incorrect).

The EC will be asked to approve the 2019 Budget subject to the further information provided by the Bureau above.

- (c) **Co-approve** (in conjunction with the Governing Board of the Training Section of the Bureau) the adjustment of staff medical benefit;
- (d) **Note** the amendment to Staff Regulations to reflect the adjustment of the staff medical benefit;

- (e) **Note** the improvement in the aging accounts receivables for 2013-2016, **note** the deterioration in the aging accounts receivables for 2013-2017 and **note** that the Bureau will retain its focus on more recent unpaid contributions and seek advice on older items; and
- (f) **Approve**, in principle, the abolition of the concept and practice of an expenditure ceiling for the Union's expenses and that it be replaced by the annual budget, equally regarded as an annual ceiling (this decision will need, in due course, to be the subject of a confirming amendment to the General Regulations).

Bhavana Chhagan
Chair
APPU Finance Committee
28 June 2018, Da Nang