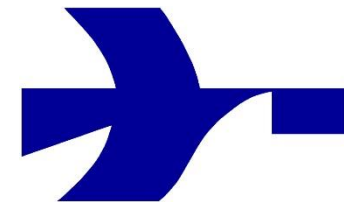


# Finance Committee Meeting

Presentation by Ms. Kwanjai Kajornwuttideth

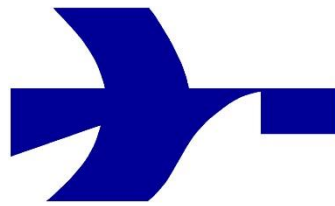
Manager Administration and APPU Affairs, APPU Bureau

**ASIAN-PACIFIC POSTAL UNION EXECUTIVE COUNCIL MEETING**  
**16 June 2020 , Online Session**



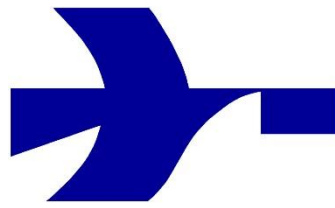
## Structure of Bureau Documents

- **Standard documents presented each year**
  - Doc 5 – main summary
  - Doc 5, Annex 1 – Audit report
  - Doc 5, Annex 2 – Proposed budget for 2020
- **Documents relating only to specific issues in 2020**
  - Doc 5.1 - Updated position on unpaid membership contributions
  - Doc 5.2 - Administrative Section Reserve Fund (ASRF): Budget Process Requirements
  - Doc 5.3 - Projects, funded from Reserve Funds, approved at Tokyo EC / GB meetings: update report
  - Doc 5.3, Annex 1, 2, and 3 - Project reports
  - Doc 5.4 - Update on items currently open
  - Doc 5.5 – Update report on Union's finances
  - Doc 5.6 – Foreign exchange management – update on proposed solution
  - Doc 5.6 Add 1 – Foreign exchange management (detailed document prepared for Governing Board)



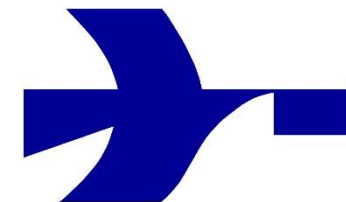
## **Doc 5 Annex 1 – Auditor’s report of 2019 for the Administrative Section**

- **Auditor regards the financial statements for 2019 as a fair representation of the Administrative Section’s position**
- **The remaining balance of Administrative Section Reserve Fund (ASRF) at the end of 2019 is US\$262,220**
- **We only need to note the report**



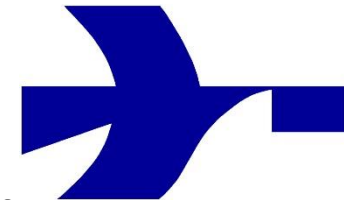
## Main aspects of the 2021 Budget – Doc 5 Annex 2

- The proposed budget in 2021 is US\$213,868. This is US\$ 4,866 more than 2020 budget submitted at Tokyo EC meeting
- Retains the contribution unit unchanged at US\$2,650
- Contains
  - Salary movement of US\$2,499 (or +2.5% - arising from 0.71% for CPI ,and the balance from annual increments)
  - Decrease of US\$9,128 for travel (-25%)
  - Increase of US\$4,720 for retirement fund (+54%)
  - Decrease of US\$635 for retirement tax (-16%)
  - Increase of US\$7,310 for General Operations (+15%)



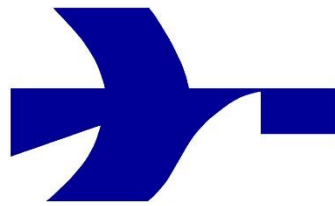
## Main aspects of the 2021 Budget – Doc 5 Annex 2

Position	Retirement Fund Balance 31 December 2020 (US\$)	Retirement Fund Balance 31 December 2021 (US\$)	Increase (US\$)	% Charged to Admin Section	Increase Allocated to Admin Section (US\$)
Secretary General	39,130	45,708	6,578	50	<b>3,289</b>
Manager Administration & APPU Affairs	1,804	2,886	1,082	30	<b>325</b>
Senior Administrative officer	17,685	18,901	1,216	20	<b>243</b>
Secretary	7,725	8,537	812	20	<b>162</b>
System Support Officer	10,300	11,205	905	20	<b>181</b>
Admin. Support Officer	5,533	6,092	559	15	<b>84</b>
Office Assistant*	1,020	228	-792	15	<b>-119</b>
Driver 1	3,781	4,073	292	10	<b>29</b>
Driver 2	1,966	2,193	227	10	<b>23</b>
Total	88,944	99,823	10,879		<b>4,217</b>
*New appointee					



## **Doc 5.1 – Updated position on unpaid membership contributions**

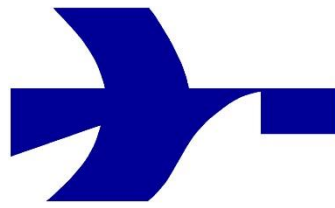
- Information paper re significant progress made on recovering unpaid membership contributions since the 2018 Da Nang EC meeting, particularly during 2019 and 2020
- US\$53,700 out of a total owing of US\$66,450 (2013 – 2019) has been recovered
- The overall value of unpaid contributions at 31 May 2020 is US\$12,750



## Doc 5.2 – Administrative Section Reserve Fund (ASRF): Budget Process Requirement (1)

- EC approved the minimum financial requirement for the ASRF of US\$80,000 in November last year
- Doc 5.2 reports on the financial health of the ASRF
- ASRF **might**\* be used for four projects in 2020, namely
  - 1. Renovation, 2. IT Upgrade, 3. Archiving project and 4. High-Level Strategic Discussion (HLSD)
- By the end of 2020, the estimated closing balance of ASRF will be **a minimum**\* of US\$165,000

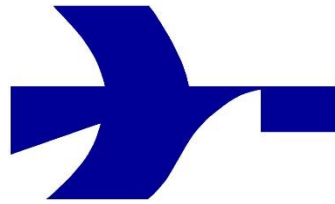
\* Decision made in the GB meeting on 15 June requires additional special funding lines to be set up by the Bureau before the TSRF can be used for Renovation and IT Upgrade. If these two projects do not start in 2020, then it will mean US\$77,975 will not be taken from the ASRF in 2020 for them.



## **Doc 5.2 – Administrative Section Reserve Fund (ASRF): Budget Process Requirement (2)**

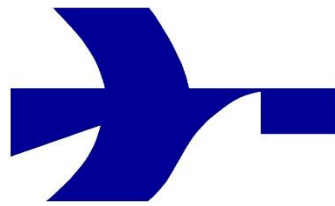
- Rules for management and replenishment of Reserve Funds require an annual review of adequacy to meet reasonable calls on funds, and the need to replenish a Reserve Fund.
- The ASRF is healthy, the minimum financial level is more than adequate.
- Bureau recommends:
  - No change to the current minimum financial requirement of US\$80,000 for the ASRF; and
  - No requirement to seek replenishment funds for the ASRF





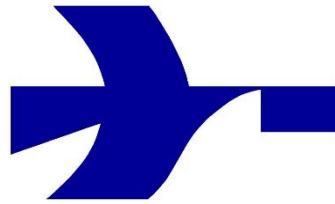
## **Doc 5.3 – Projects, funded from Reserve Funds, approved at Tokyo EC**

- Four projects were approved in principle for funding from the Reserve Funds:
  - 50th Anniversary celebrations for the APPC
  - Renovation of the Bureau
  - Renovation of the dormitories and apartments in the Bureau building
  - Bureau IT Upgrade
- Note: the two projects - renovation of the Bureau and renovation of the dormitories and apartments in the Bureau building - have been combined into one renovation project.
- There is one additional project - Archive Management - it is of minor financial scale, but it is important for the Bureau.



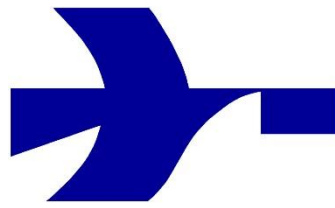
## Doc 5.3 Annex 1, 2 and 3 – Renovation, IT Upgrade, Archiving

Project	ASRF	TSRF
Renovation of the Bureau including dormitories and apartments	X	X
Bureau IT Upgrade	X	X
Archive Management	X	



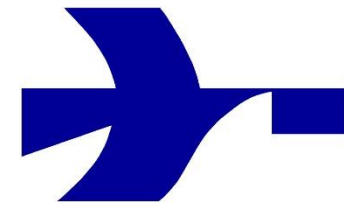
## **Doc 5.4 – Update on items currently open (1)**

- Representation by the Secretary General at plenary sessions of the Postal Operations Council (POC)
- A request from Nauru for a reduction in contribution class to the APPU administrative expenses



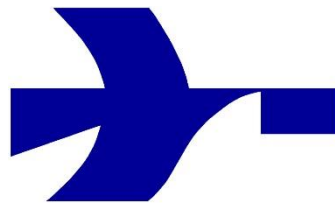
## Doc 5.4 – Update on items currently open (2)

- Representation by the Secretary General at plenary sessions of the Postal Operations Council (POC)
  - Referred to Finance Committee because issue was seen as a budgetary one
  - Bureau has prepared a background document that covers:
    - The reasons why the Bureau attends POC (and CA)
    - Issues with representation
    - Why attendance at POC Plenary sessions is not an issue
    - The Finance Committee reporting back to the EC with a proposed **way forward**



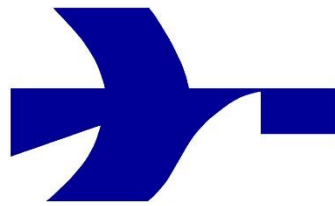
## Doc 5.4 – Update on items currently open (3)

- Representation by the Secretary General at plenary sessions of the Postal Operations Council (POC) – cont'd
  - **Way forward** might include guidance to the EC from Finance Committee that covers:
    - An explanation of current practice and process for representation at CA and POC
    - Highlighting the areas where representation could be strengthened (e.g., ensuring the Bureau has the necessary tools and knowledge to cover the main work programmes within the CA and POC as a credible APPU presence)
    - The value to the College of an ongoing presence in Bern
    - Strengthening the direction and accountability given to the Bureau for representation at CA and POC meetings
    - Recommending a documented updating of the policy and practice applying to Union representation in UPU meetings
    - Any changes for implementation in the next APPU cycle (i.e., from 1 January 2022) thereby enabling the new Secretary General to confirm representation objectives fit with his/her business requirements and expectations.



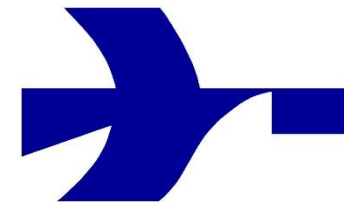
## Doc 5.4 – Update on items currently open (4)

- Nauru contribution class
  - Working Group (AU, CN, NZ, TH) set up to review
  - It was expected to have a physical meeting of the WG in Manila to deal with this in person (more appropriate for such an issue to be handled that way)
  - However, because unable to meet in person in 2020, additional documentation will be necessary to ensure all issues understood
  - Intention is for initial WG view to be ready by end of August for wider review



## **Doc 5.5 – Update report on Union's finances**

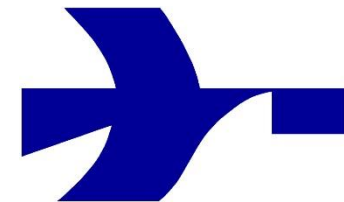
- **COVID-19 is impacting businesses very widely**
  - **Administrative Section - unaffected so far, and likely to stay that way**
  - **Training Section - under moderate stress, no indication of when it might improve**
    - **Temporary funding lines established to last through to end of 2020**
    - **Financial modelling system in place to monitor situation**
    - **Full report available (GB 2020 Doc 10 and Annexes 1-4)**



## **Doc 5.6, Doc 5.6 Add 1 – Foreign exchange management (1)**

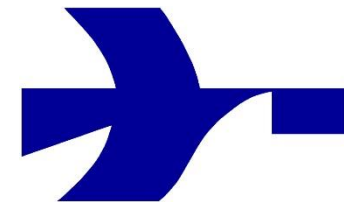
- **This is a Training Section issue – but there could be an action for the Administrative Section?**
- **Loss on foreign exchange has been an issue for many years. The Tokyo GB asked the Bureau to again look at this issue.**
  - **Confusion regarding what the real problem was - after a lot of research, we asked ourselves “what are we trying to do?” – we were of the view that the issue had not been resolved in the past because it was not clear what the issue really was.**
- **We decided that the issue was getting less Baht for the US dollar than we budgeted in our annual financial plan. If we manage the conversion of US dollars to Baht that achieves at least the budgeted rate, then we have managed the foreign exchange responsibly and well.**





## **Doc 5.6, Doc 5.6 Add 1 – Foreign exchange management (2)**

- **So, we have developed some simple rules for the Training Section.**
  - 1. Retain sufficient US dollars to meet annual expenses that are paid in US dollars.**
  - 2. Convert the balance of US dollars received to Baht preferably at the exchange rate budgeted for the income in question.**
  - 3. It is imperative to remember that the objective is not to try and make a gain through foreign exchange, the objective is to match the annual budgeted exchange rate.**
  - 4. There is no point in keeping income in US dollars if it is eventually going to be converted to Baht. That just risks losing real currency value.**



## **Doc 5.6, Doc 5.6 Add 1 – Foreign exchange management (3)**

- **What about the Administrative Section? – the same problem?**
  - **Administrative Section pays some costs in US dollars – but most of its costs are paid in Baht**
  - **The longer the Administrative Section holds US dollars before converting them, then potentially the greater the risk of exposure**
  - **Administrative Section should follow the Training Section's forex rules.**
- **Finance Committee may wish to approve the solution proposed to minimise exchange rate issues for the Training Section, also being reviewed and implemented in the Administrative Section**