

FINANCES OF THE UNION

2019 audited accounts for the Administrative Section. 2021 budget for the Administrative Section.

Memorandum by the Secretary General of APPU

1. Subject	References/Paragraphs
<p>Informing the EC on:</p> <ul style="list-style-type: none"> - the audited accounts for the Administrative Section for 2019 - the budget for the Administrative Section for 2021 - six additional documents containing proposals, recommendations and information for consideration viz., <ul style="list-style-type: none"> • updated position on unpaid membership contributions • budget process requirements for the ASRF • update reports on projects eligible for funding from the ASRF • items currently under action within the Finance Committee • special measures taken or proposed regarding the Union's financial situation in light of the COVID-19 pandemic • foreign exchange management proposal 	<p>§§ 2.1 - 2.2, Annex 1 §§ 3.1 – 3.3, Annex 2 §§ 1.2, 4.1 – 4.2</p> <p>EC 2019 Doc 5.1 EC 2019 Doc 5.2 EC 2019 Doc 5.3, and its Annexes 1, 2 and 3</p> <p>EC 2019 Doc 5.4 EC 2019 Doc 5.5 EC 2019 Doc 5.6 and Add 1</p>
2. Decisions expected	
<p>The EC, via the Finance Committee, is asked to:</p> <ul style="list-style-type: none"> - approve the 2019 auditor's financial report - approve the proposed 2021 budget - note that each of the decisions expected for the additional documents will be dealt with separately to Doc 5 	<p>Annex 1 Annex 2 EC 2020 Docs 5.1, 5.2, 5.3 (and its Annexes 1, 2 and 3), 5.4, 5.5, 5.6</p>

1. Introduction

1.1 EC 2020 Doc 5 contains the following material.

- (i) Audited accounts for the Administrative Section for 2019.
- (ii) Draft budget for the Administrative Section for 2021.

1.2 In addition, EC 2020 Doc 5 also introduces (as separate documents), proposals, recommendations and information for consideration by the EC, via the Finance Committee, related to:

- (i) updated position on unpaid membership contributions. (EC 2020 Doc 5.1);
- (ii) budget process requirements for the ASRF (EC 2020 Doc 5.2);
- (iii) update reports on projects eligible for funding from the ASRF (EC 2020 Doc 5.3, and its Annexes 1, 2 and 3);

- (iv) items currently under action within the Finance Committee (EC 2020 Doc 5.4);
- (v) special measures taken or proposed regarding the Union's financial situation in light of the COVID-19 pandemic (EC 2020 Doc 5.5); and
- (vi) foreign exchange management proposal (EC 2020 Doc 5.6 and Add 1).

2. Audited accounts for the Administrative Section for 2019

- 2.1 By virtue of Article 117.3 of the General Regulations of the Asian-Pacific Postal Union, the Bureau shall prepare a report of the Administrative Section to which shall be attached a detailed final account of the preceding year and all documents regarding receipt and expenditure. This report shall be submitted to the Executive Council or to the Congress for approval.
- 2.2 The report of the certified public accountant covering these requirements set out in Article 117.3 is thus submitted as **Annex 1** for consideration and approval.

3. Draft budget for the Administrative Section for 2021

- 3.1 The annual expenditure of the Union shall be separate for the Administrative Section and for the Training Section. The maximum amount for the annual expenditure for the Administrative Section as stipulated in Article 117.1 of the General Regulations is US\$ 80,000. However, Article 117.5 stated that the limit laid down in Article 117.1 may be exceeded to enable the recruitment of personnel or otherwise to provide for the efficient operation of the Administrative Section if the majority of member countries agree.
- 3.2 The expenditure for the Administrative Section is shared by all member countries, in accordance with the UPU contribution class of that member, as prescribed in Article 116.
- 3.3 The Bureau has prepared the budget for the Administrative Section and it is submitted for consideration and approval as **Annex 2**. The budget total of US\$213,868 is US\$ 4,866 more than the 2020 budget submitted at Tokyo. However, the contribution unit is unchanged at US\$2,650.

4. Additional documents for consideration

- 4.1 The additional documents described in paragraph 1.2 are referred to the Finance Committee for their consideration and report to the EC.
- 4.2 The summary of each additional document is as follows.
 - (i) The Union is updated on unpaid membership contributions. (EC 2020 Doc 5.1).
 - (ii) Following the approval of rules for the management and replenishment of the ASRF in late 2019, it is an annual requirement for the EC to review the minimum financial level of the Fund and whether it is necessary to replenish or

- (iii) increase the minimum level. The EC is provided with information and recommendations on action to take (EC 2020 Doc 5.2).
- (iii) The EC is updated on three projects eligible for funding from the ASRF (EC 2020 Doc 5.3, and its Annexes 1, 2 and 3).
- (iv) There are two matters currently under action within the Finance Committee (Secretary General attendance at POC sessions and Nauru request for changes to contribution class and contributions arrears). An update is provided (EC 2020 Doc 5.4).
- (v) The COVID-19 pandemic impacts the financial position of the APPU. The Bureau updates members on special measures taken or proposed (EC 2020 Doc 5.5).
- (vi) A proposal to minimise foreign exchange exposure for funds carried forward to a later year (EC 2020 Doc 5.6 and Add 1).

**ASIAN-PACIFIC POSTAL UNION
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2019**

REPORT OF CERTIFIED PUBLIC ACCOUNTANT

To Executive Council of Asian-Pacific Postal Union

Opinion

I have audited the financial statements of Asian-Pacific Postal Union, which comprise the statement of financial position as at December 31, 2019, and the statement of income, and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Asian-Pacific Postal Union, as at December 31, 2019, and its financial performance for the year then ended in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Union in accordance with the Federation of Accounting Professions' Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Thailand office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Thailand office or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Standards on Auditing, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Thailand office's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Thailand office's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Thailand office to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Nitjarin T.

Nitjarin Tangamonviriyakul
Certified public accountant (Thailand) No. 6286

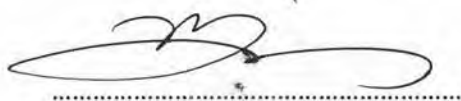
N2S Solutions Company Limited
329/33, Soi Wat Chan Nai,
Charoen Krung Road, Bangkholaem
Bangkholaem, Bangkok
5 February 2020

ASIAN-PACIFIC POSTAL UNION
STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(In USD)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	428,411.18	350,520.29
Account receivables on contribution shares	4		
- 2013 contribution shares		1,500.00	1,500.00
- 2014 contribution shares		-	3,700.00
- 2015 contribution shares		1,850.00	5,550.00
- 2016 contribution shares		5,850.00	13,650.00
- 2017 contribution shares		6,450.00	12,900.00
- 2018 contribution shares		7,950.00	21,200.00
- 2019 contribution shares		7,950.00	-
Others		5,517.28	-
TOTAL CURRENT ASSETS		<u>465,478.46</u>	<u>409,020.29</u>
NON - CURRENT ASSETS			
Retirement funds	5	83,498.75	69,622.64
TOTAL NON - CURRENT ASSETS		<u>83,498.75</u>	<u>69,622.64</u>
TOTAL ASSETS		<u><u>548,977.21</u></u>	<u><u>478,642.93</u></u>

The accompanying notes are an integral part of the financial statements.

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Secretary General



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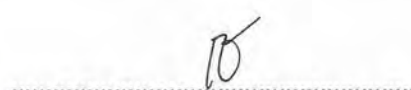
ASIAN-PACIFIC POSTAL UNION
STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(In USD)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Contribution shares received in advance	6	149,450.00	125,600.00
Special contribution - Financial Inclusion		9,969.87	9,969.87
APPU Reform- Consultancy fee		15,248.49	13,308.24
Accrued expenses		28,589.69	14,323.26
TOTAL CURRENT LIABILITIES		<u>203,258.05</u>	<u>163,201.37</u>
EQUITY			
Reserve fund		262,220.41	245,818.92
Reserve for retirement fund		83,498.75	69,622.64
TOTAL EQUITY		<u>345,719.16</u>	<u>315,441.56</u>
TOTAL LIABILITIES AND EQUITY		<u><u>548,977.21</u></u>	<u><u>478,642.93</u></u>

The accompanying notes are an integral part of the financial statements.



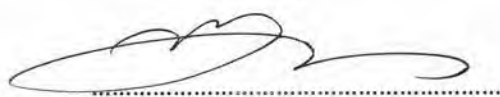
Secretary General



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ASIAN-PACIFIC POSTAL UNION
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(In USD)

	<u>2019</u>	<u>2018</u>
Cash, Beginning Balance		
Petty cash	1,513.33	5,102.30
SCB - TOT branch A/C No. 198-2-01649-0	47,242.62	52,154.97
SCB - Ratchayothin branch A/C No. 111-200071-5-840	<u>371,386.98</u>	<u>269,822.68</u>
	420,142.93	327,079.95
<u>Add : Income (contribution shares)</u>		
2014 contribution shares		
Fiji	3,700.00	-
2015 contribution shares		
Mongolia	3,700.00	-
Vanuatu	-	1,850.00
2016 contribution shares		
Fiji	3,900.00	-
Mongolia	3,900.00	-
2017 contribution shares		
Malaysia	-	4,300.00
Mongolia	4,300.00	-
Solomon Islands	2,150.00	-
Tonga	-	4,300.00
2018 contribution shares		
Afghanistan	-	2,650.00
Bangladesh	-	5,300.00
Brunei Darussalam	-	5,300.00
Cambodia	-	2,650.00
Fiji	-	5,300.00
India	-	13,250.00
Indonesia	-	7,950.00
Lao	-	2,650.00
Malaysia	-	5,300.00
Mongolia	5,300.00	-



Secretary General



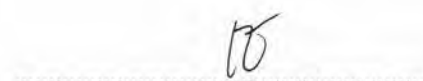
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ASIAN-PACIFIC POSTAL UNION
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019
(In USD)

	<u>2019</u>	<u>2018</u>
Nepal	-	5,300.00
Pakistan	-	7,950.00
Philippines	-	5,300.00
Samoa	-	2,650.00
Sri Lanka	-	7,950.00
Solomon Islands	2,650.00	-
Tonga	5,300.00	-
Vanuatu	-	2,650.00
Vietnam	-	5,300.00
2019 contribution shares		
Afghanistan	2,650.00	-
Australia	13,250.00	-
Bangladesh	-	5,300.00
Bhutan	-	2,650.00
Brunei Darussalam	5,300.00	-
Cambodia	2,650.00	-
China	-	13,250.00
Fiji	-	5,300.00
India	-	13,250.00
Indonesia	7,950.00	-
Iran	-	7,950.00
Japan	-	13,250.00
Korea	-	13,250.00
Lao	2,650.00	-
Malaysia	-	5,300.00
Maldives	5,300.00	-
Mongolia	-	5,300.00
Myanmar		2,650.00
Nepal	5,300.00	-
New Zealand	-	13,250.00
Pakistan	7,950.00	-
Philippines	5,300.00	-
Samoa	-	2,650.00



Secretary General



Manager Administration & APPU Affairs

ASIAN-PACIFIC POSTAL UNION
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019
(In USD)

	<u>2019</u>	<u>2018</u>
Singapore	-	5,300.00
Solomon Islands	2,650.00	-
Sri Lanka	-	7,950.00
Thailand	-	5,300.00
Tonga	5,300.00	-
Vanuatu	2,650.00	-
Vietnam	5,300.00	-
2020 contribution shares received in advance		
Australia	13,250.00	-
Bangladesh	10,600.00	-
Bhutan	2,650.00	-
China	13,250.00	-
India	13,250.00	-
Japan	13,250.00	-
Korea	13,250.00	-
Lao	2,650.00	-
Malaysia	5,300.00	-
Maldives	5,300.00	-
Mongolia	5,300.00	-
Myanmar	2,650.00	-
Nepal	5,300.00	-
New Zealand	13,250.00	-
Samoa	2,650.00	-
Singapore	5,300.00	-
Sri Lanka	7,950.00	-
Thailand	5,300.00	-
Vietnam	5,300.00	-
	<u>254,850.00</u>	<u>219,800.00</u>
Interest received	407.18	339.24
Service for APP	5,000.00	5,000.00
Gain on exchange rate	1,233.73	3,730.57




Secretary General



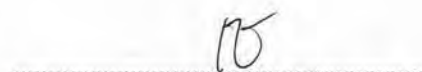
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ASIAN-PACIFIC POSTAL UNION
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019
(In USD)

	<u>2019</u>	<u>2018</u>
Due to APPC	14,049.65	-
Due from APP	-	19,713.31
Special contribution - Financial Inclusion	-	9,969.87
APPU Reform - Consultancy fee	1,940.25	13,308.24
Other	216.78	11.23
Total cash & cash receipts carried forward	697,840.52	598,952.41
<u>Less : Expenditure</u>		
Staff cost	103,573.62	99,144.15
Overtime	294.29	158.96
Travel expenses	24,871.95	19,082.95
General operations	15,962.03	20,494.69
Consultancy fee for APPU Reform Proposal Development	32,338.00	35,982.56
Bank charges	743.53	1,187.97
Due to APPC	-	977.50
Due to RTCAP	5,283.68	-
Secretary General	233.60	-
Retirement fund payment	2,629.89	-
Unidentified remittance	-	1,780.70
	<u>185,930.59</u>	<u>178,809.48</u>
Cash, Ending Balance	<u>511,909.93</u>	<u>420,142.93</u>
Breakdown of Cash , Ending Balance :		
Petty cash	1,982.88	1,513.33
SCB - TOT branch A/C No. 198-2-01649-0	48,407.15	47,242.62
SCB - Ratchayothin branch A/C No. 111-200071-5-840	461,519.90	371,386.98
	<u>511,909.93</u>	<u>420,142.93</u>



Secretary General



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ASIAN-PACIFIC POSTAL UNION
STATEMENTS OF CASH RESERVE FUND
FOR THE YEAR ENDED 31 DECEMBER 2019
(In USD)

	<u>2019</u>	<u>2018</u>
Cash, Beginning Balance	245,818.92	217,991.39
<u>Add</u> Excess income over expenditure	10,504.11	19,945.69
Interest earned on savings deposits	407.18	339.24
Gain on exchange rate	1,233.73	3,730.57
Service for APP	5,000.00	5,000.00
Sub total	262,963.94	247,006.89
<u>Less</u> Bank charges	743.53	1,187.97
Cash, Ending Balance	<u>262,220.41</u>	<u>245,818.92</u>



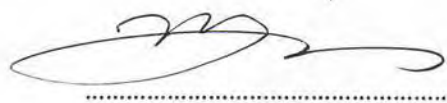
Secretary General




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ASIAN-PACIFIC POSTAL UNION
SOURCES AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2019
(In USD)

	<u>2019</u>	<u>2018</u>
Sources of Funds		
2019 Contribution shares		
Received in 2017	-	95,400.00
Received in 2018	121,900.00	87,450.00
Received in 2019	74,200.00	-
Account receivable	<u>7,950.00</u>	<u>21,200.00</u>
	<u>204,050.00</u>	<u>204,050.00</u>
<u>Less Application of Funds</u>		
Staff cost	103,573.62	99,144.15
Overtime	294.29	158.96
Travel expenses	24,871.95	19,082.95
Retirement fund and tax	16,506.00	9,241.00
General operations	15,962.03	20,494.69
Consultancy fee for APPU Reform Proposal Development	<u>32,338.00</u>	<u>35,982.56</u>
	<u>193,545.89</u>	<u>184,104.31</u>
 Excess income over expenditure	 <u><u>10,504.11</u></u>	 <u><u>19,945.69</u></u>



Secretary General



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ASIAN-PACIFIC POSTAL UNION
COMPARISON OF EXPENDITURES WITH APPROVED BUDGET FOR 2019
(In USD)

	<u>Budget</u>	<u>Expenditure</u>	
	<u>2019</u>	<u>2019</u>	<u>2018</u>
Salary :			
- Secretary General	64,818.00	64,559.50	62,100.00
- Manager Administration & APPU Affairs	11,134.00	10,570.51	10,309.96
- Senior Administrative Officer	6,561.00	6,640.82	6,269.96
- Secretary	6,120.00	6,186.62	5,841.35
- System Support officer	6,113.00	6,186.62	5,841.35
- Administrative Support officer	4,105.00	4,154.62	3,922.80
- Office Assistant	1,758.00	1,705.73	1,555.33
- Driver1	1,799.00	1,816.86	1,715.29
- Driver2	1,735.00	1,752.34	1,588.11
Overtime	200.00	294.29	158.96
Travelling expenses	32,360.00	24,871.95	19,082.95
Retirement fund *	15,306.00	15,306.00	8,041.00
Retirement tax for local staff**	1,200.00	1,200.00	1,200.00
Medical expenses	1,500.00	-	-
General operations***	20,500.00	15,962.03	20,494.69
Consultancy fee for APPU Reform Proposal Development	32,338.00	32,338.00	35,982.56
Total	<u><u>207,547.00</u></u>	<u><u>193,545.89</u></u>	<u><u>184,104.31</u></u>

* Transferred to Reserve for Retirement Fund - accumulative funds

** Transferred to Reserve for Retirement Fund - accumulative retirement tax



Secretary General



Manager Administration & APPU Affairs

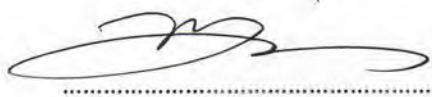
ASIAN-PACIFIC POSTAL UNION
COMPARISON OF EXPENDITURES WITH APPROVED BUDGET FOR 2019
(In USD)

***Details are as follows :-


	<u>Budget 2019</u>	<u>Actual 2019</u>	<u>Actual 2018</u>
Auditing	1,000.00	989.07	919.83
Electricity	9,000.00	7,969.39	11,297.38
Postage	500.00	474.16	271.68
Printing	1,700.00	736.15	1,087.00
Stationery	2,500.00	510.50	711.27
Telecommunication	3,000.00	4,131.53	3,381.38
Cleaning	2,800.00	1,151.23	2,826.15
	<u>20,500.00</u>	<u>15,962.03</u>	<u>20,494.69</u>

ASIAN-PACIFIC POSTAL UNION
APPU REFORM - CONSULTANCY FEE
(In USD)

	<u>Actual 2019</u>
APPU Reform - consultancy fee, Beginning balance	13,308.24
<u>Add</u> Consultancy fee budget 2019	32,338.00
<u>Less</u> Disbursements for consultancy fee	30,397.75
APPU Reform - consultancy fee, Ending balance	<u>15,248.49</u>



Secretary General




Manager Administration & APPU Affairs

ASIAN-PACIFIC POSTAL UNION
SCHEDULE OF 2019 CONTRIBUTION SHARES
FOR THE YEAR ENDED 31 DECEMBER 2019
(In USD)

No.	Member Country	Unit	Amount	Paid in 2018	Paid in 2019	Due in 2019
1	Afghanistan	1	2,650.00	-	2,650.00	-
2	Australia	5	13,250.00	-	13,250.00	-
3	Bangladesh	2	5,300.00	5,300.00	-	-
4	Bhutan	1	2,650.00	2,650.00	-	-
5	Brunei Darussalam	2	5,300.00	-	5,300.00	-
6	Cambodia	1	2,650.00	-	2,650.00	-
7	China	5	13,250.00	13,250.00	-	-
8	Fiji	2	5,300.00	5,300.00	-	-
9	India	5	13,250.00	13,250.00	-	-
10	Indonesia	3	7,950.00	-	7,950.00	-
11	Iran	3	7,950.00	7,950.00	-	-
12	Japan	5	13,250.00	13,250.00	-	-
13	Korea	5	13,250.00	13,250.00	-	-
14	Lao	1	2,650.00	-	2,650.00	-
15	Malaysia	2	5,300.00	5,300.00	-	-
16	Maldives	2	5,300.00	-	5,300.00	-
17	Mongolia	2	5,300.00	5,300.00	-	-
18	Myanmar	1	2,650.00	2,650.00	-	-
19	Nauru	1	2,650.00	-	-	2,650.00
20	Nepal	2	5,300.00	-	5,300.00	-
21	New Zealand	5	13,250.00	13,250.00	-	-
22	Pakistan	3	7,950.00	-	7,950.00	-
23	Papua New Guinea	2	5,300.00	-	-	5,300.00
24	Philippines	2	5,300.00	-	5,300.00	-
25	Samoa	1	2,650.00	2,650.00	-	-
26	Singapore	2	5,300.00	5,300.00	-	-
27	Solomon Islands	1	2,650.00	-	2,650.00	-
28	Sri Lanka	3	7,950.00	7,950.00	-	-
29	Thailand	2	5,300.00	5,300.00	-	-
30	Tonga	2	5,300.00	-	5,300.00	-
31	Vanuatu	1	2,650.00	-	2,650.00	-
32	Vietnam	2	5,300.00	-	5,300.00	-
	Total	77	204,050.00	121,900.00	74,200.00	7,950.00



Secretary General



Manager Administration & APPU Affairs

**ASIAN-PACIFIC POSTAL UNION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. GENERAL INFORMATION

The Asian-Pacific Postal Union (APPU) is an inter-governmental organization of 32 postal administrations of the Asia-Pacific region. APPU is affiliated to the Universal Postal Union which is a specialized agency of the United Nations. The purpose of the APPU is to extend, facilitate and improve postal relations between member countries and to promote cooperation in the field of postal services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Income and expenditure recognition

Income and expenditure are recognized on an accrual basis.

2.2 Foreign currencies

Foreign currency transactions are translated into US Dollars at the exchange rates ruling on the transaction dates. Assets and liabilities denominated in foreign currencies outstanding on the balance sheet date are translated into US Dollars at the rates ruling on the balance sheet date.

Gains and losses on exchange are included in determining income.

2.3 Retirement funds

Retirement funds are expensed when incurred.

3. CASH AND CASH EQUIVALENTS

	(Unit: USD)	
	2019	2018
Petty cash	1,982.88	1,513.33
Bank accounts		
- SCB TOT branch A/C No. 198-2-01649-0	48,407.15	47,242.62
- SCB Ratchayothin branch A/C No. 111-2-00071-5-840	461,519.90	371,386.98
Total	511,909.93	420,142.93
<u>Less Retirement funds</u>	<u>(83,498.75)</u>	<u>(69,622.64)</u>
Net total	<u>428,411.18</u>	<u>350,520.29</u>



Secretary General





Manager Administration & APPU Affairs

**ASIAN-PACIFIC POSTAL UNION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

4. ACCOUNT RECEIVABLES ON CONTRIBUTION SHARES

		(Unit : USD)
	2019	2018
2013 Contribution shares		
Nauru	1,500.00	1,500.00
2014 Contribution shares		
Fiji	-	3,700.00
2015 Contribution shares		
Mongolia	-	3,700.00
Nauru	1,850.00	1,850.00
2016 Contribution shares		
Fiji	-	3,900.00
Mongolia	-	3,900.00
Nauru	1,950.00	1,950.00
Papua New Guinea	3,900.00	3,900.00
2017 Contribution shares		
Mongolia	-	4,300.00
Nauru	2,150.00	2,150.00
Papua New Guinea	4,300.00	4,300.00
Solomon Islands	-	2,150.00
2018 Contribution shares		
Mongolia	-	5,300.00
Nauru	2,650.00	2,650.00
Papua New Guinea	5,300.00	5,300.00
Solomon Islands	-	2,650.00
Tonga	-	5,300.00
2019 Contribution shares		
Nauru	2,650.00	-
Papua New Guinea	5,300.00	-
Total	31,550.00	58,500.00


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Secretary General


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Manager Administration & APPU Affairs

**ASIAN-PACIFIC POSTAL UNION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**


5. RETIREMENT FUNDS

	(Unit : USD)
	2019
	2018
Cash, Beginning Balance	69,622.64
Add reserve for retirement fund (US\$ 15,306.00) and Tax (US\$ 1,200.00)	16,506.00
Less retirement fund payment	(2,629.89)
Total	83,498.75
	60,381.64
	9,241.00
	-
	69,622.64

6. CONTRIBUTION SHARES RECEIVED IN ADVANCE

	(Unit: USD)
	2019
	2018
Australia	13,250.00
Bangladesh	10,600.00
Bhutan	2,650.00
Brunei Darussalam	3,700.00
China	13,250.00
Fiji	-
India	13,250.00
Iran	-
Japan	13,250.00
Korea	13,250.00
Lao	2,650.00
Malaysia	5,300.00
Maldives	5,300.00
Mongolia	5,300.00
Myanmar	2,650.00
Nepal	5,300.00
New Zealand	13,250.00
Samoa	2,650.00
Singapore	5,300.00
Sri Lanka	7,950.00
Thailand	5,300.00
Vietnam	5,300.00
	149,450.00
	125,600.00




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Secretary General


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Manager Administration & APPU Affairs

**ASIAN-PACIFIC POSTAL UNION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

7. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Secretary General of the Union for the approval of the Executive Council.


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Secretary General
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Manager Administration & APPU Affairs

ASIA PACIFIC POST (APP) COOPERATIVE
STATEMENTS OF CASH RECEIPT AND DISBURSEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019
(In USD)

Cash, Beginning Balance		
SCB - Ratchayothin branch A/C No. 111 - 200072-3-840		1,293,821.36
<u>Add</u> Receipts		
Membership Fees for 2019		
Bhutan Post	3,180.12	
Brunei Darussalam	3,200.00	
China Post	33,639.18	
Hong Kong Post	79,860.00	
India Post	15,974.14	
Japan Post	80,000.00	
Macau Post	16,000.00	
Pos Malaysia	32,614.17	
Maldives Post	4,778.03	
Nepal Post	3,194.65	
PhilPost	4,760.07	
Solomon Islands Post	3,200.00	
Sri Lanka Post	4,770.04	
Thailand	4,800.00	
Vanuatu Post	3,200.00	
Vietnam Post	4,763.06	297,933.46
2020 membership fees received in advance		
Korea Post	80,017.00	
Mongolia Post	3,170.01	83,187.01
Due to APPU - Nepal contribution for 2019		5,294.65
Due to RTCAP - Nepal voluntary for 2019		494.64
Interest earned on savings deposits		622.88
Total cash & cash receipts carried forward		1,681,354.00



Secretary General



Manager Administration & APPU Affairs


ASIA PACIFIC POST (APP) COOPERATIVE
STATEMENTS OF CASH RECEIPT AND DISBURSEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019
(In USD)

Less Disbursements

Reimbursement to APP		
4 th quarter, 2018	112,942.93	
1 st quarter, 2019	124,794.79	
2 nd quarter, 2019	122,221.11	
3 rd quarter, 2019	<u>163,953.70</u>	523,912.53
2019 Financial Service for APP		5,000.00
APPU - Nepal contribution for 2019		5,294.65
RTCAP - Nepal voluntary for 2019		494.64
Bank charges		<u>1,533.77</u>
Cash, Ending Balance		<u><u>1,145,118.41</u></u>


Breakdown of Cash , Ending Balance :

SCB - Ratchayothin branch A/C No. 111 - 200072-3-840	<u><u>1,145,118.41</u></u>
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Secretary General

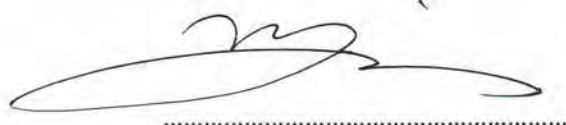


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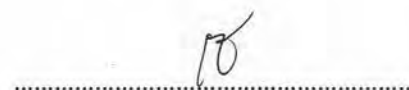
Manager Administration & APPU Affairs

REGIONAL TECHNICAL CENTRE FOR ASIA PACIFIC (RTCAP)
STATEMENTS OF CASH RECEIPT AND DISBURSEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019
(In USD)

Cash, Beginning Balance		
SCB - Ratchayothin branch A/C No. 111 - 200073 - 1 - 840		237,996.08
<u>Add</u> Receipts		
Voluntary contributions for 2019		
India	4,977.52	
Japan	40,000.00	
Nepal	494.64	
Philippines	962.49	
Thailand	1,500.00	
Vietnam	960.83	48,895.48
2020 contribution shares received in advance		
Bhutan	480.04	
China	4,967.55	
India	4,977.52	
Nepal	491.85	
Singapore	5,000.00	
Thailand	1,500.00	17,416.96
Due to APPU -Nepal contribution share		5,283.68
Interest earned on saving deposits		118.72
Total cash & cash receipt carried forward		309,710.92



Secretary General



Manager Administration & APPU Affairs

REGIONAL TECHNICAL CENTRE FOR ASIA PACIFIC (RTCAP)
STATEMENTS OF CASH RECEIPT AND DISBURSEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019
(In USD)

Less Disbursements

Reimbursement to RTCAP

4 th quarter, 2018	16,007.22	
1 st quarter, 2019	12,466.78	
2 nd quarter, 2019	21,110.52	
3 rd quarter, 2019	<u>17,350.73</u>	66,935.25

Less Disbursements

Bank charges

348.13

Cash, Ending Balance

242,427.54

Breakdown of cash , Ending balance :

SCB - Ratchayothin branch A/C No. 111 - 200073 - 1 - 840	<u><u>242,427.54</u></u>
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Secretary General



Manager Administration & APPU Affairs

Proposed 2021 APPU (Administrative Section) Budget

Starting position of ASRF 1 January 2020	US\$	262,220.41	<i>Minimum level of ASRF US\$ 80,000</i>
2021 Income			
Contribution share @ US\$ 2,650 x 79 Units	US\$	209,350	
APP financial management charge	US\$	5,000	
Total Income		214,350	

Expenditure		2021 Budget US\$	2020 Budget US\$	2019 Actual US\$	
Staff cost (Note 1)		109,212	106,713	103,573.62	
- Secretary General	68,562		67,080	64,559.50	50% of Salary, Post Adj. & Dependency Allowance
- Manager					
- Administration & APPU Affairs	11,544		10,821	10,570.51	30% of Salary
- Senior Administrative Officer	6,873		6,632	6,640.82	20% of Salary
- Secretary	6,403		6,180	6,186.62	20% of Salary
- System Support Officer	6,403		6,180	6,186.62	20% of Salary
- Administrative Support Officer	4,300		4,150	4,154.62	15% of Salary
- Office Assistant	1,367		2,040	1,705.73	15% of Salary
- Driver 1	1,880		1,815	1,816.86	10% of salary
- Driver 2	1,880		1,815	1,752.34	10% of salary
Overtime		300	200	294.29	
Travel expenses (Note 2)		27,460	36,588	22,344.41	
Retirement fund (Note 3)		13,509	8,789	15,306.00	
Retirement tax for local staff (Note 4)		3,387	4,022	1,200.00	
Medical expenses		2,400	2,400		
General operations (Note 5)		57,600	50,290	55,450.03	
Total		213,868	209,002	198,168.35	

Note 1: Staff costs have moved by US\$2,499 overall (or +2.34%). There are two factors in this movement i.e., CPI adjustment (as provided for in Staff Regulations, and where the CPI adjustment is taken from the Bank of Thailand.

(<https://www.bot.or.th/English/MonetaryPolicy/MonetPolicyComittee/MPR/Pages/default.aspx>), and annual salary increments for those who qualify for these. The \$2,499 is evenly split (approximately) across these two factors.

Note 2: the Travel expenses are set out in detail in a supporting document as part of the 2021 Budget material.

Note 3: a detailed explanation of the calculation and associated matters regarding the Retirement Fund is set out in a supporting document as part of the 2021 Budget material.

Note 4: Retirement Tax is a complex calculation taking in individual tax rates related to the overall value of an employee's accumulated Retirement Benefit. The methodology has been peer-reviewed and the budgeted amount is accurate.

Note 5: a detailed breakdown of the various expenditure items in General Operations is set out in a supporting document as part of the 2021 Budget material.

TRAVEL EXPENSES							
							Unit : US\$
Destination	Person traveling	Purpose	Benefit to the APPU/ reasons	Cost of airfares	Subsistence Allowance	Other Expenses	Total cost
Bern, Switzerland	Secretary General	Attend UPU CA meeting	Represent APPU on various matters in the POC and CA sessions as well as represent the APPU in the Restricted Union Conference.	4,700	3,080	400	8,180
				BKK-Zurich-BKK	(7 days at US\$ 440 per day)	US\$ 400, train from/to Zurich-Bern-Zurich and others	
Bern, Switzerland	Secretary General	Attend UPU CA meeting	Represent APPU on various matters in the POC and CA sessions as well as represent the APPU in the Restricted Union Conference.	4,700	3,080	400	8,180
				BKK-Zurich-BKK	(7 days at US\$ 440 per day)	US\$ 400 train from/to Zurich-Bern-Zurich and others	
Thailand	Secretary General	Attend APPU Executive Council and Related Meetings	Requirement of the position to assume the task of Secretary General	500	2,100		2,600
				50% of airfare	(7 days at US\$ 300 per day)		
	Manager, Administration & APPU Affairs	Attend APPU Executive Council and Related Meetings	Provide support to the Secretary General Render secretariat service to the members and the meetings	500	2,400		2,900
				50% of airfare	(8 days at US\$ 300 per day)		
	APPU staff	Attend APPU Executive Council and Related Meetings	Provide support to the Secretary General. Build knowledge and capability regarding Restricted Union matters within the Bureau. Render secretariat service to the members and the meetings.	1,000	2,100		3,100
				100% of airfare	(7 days at US\$ 300 per day)		
Asia	Secretary General	Contingency	Raise the profile of APPU	1,000	1,500		2,500
					(5 days at US\$ 300 per day)		
TOTAL				12,400	14,260	800	27,460

RETIREMENT FUND (Note 1, Note 4)

Unit : US\$

Position	2021 Salary	Monthly Salary	Years of Service	Retirement Fund	Retirement Tax	Tax rate
Secretary General	68,562	5,714	8	45,708	-	0%
Manager Administration & APPU Affairs	11,544	962	3	2,886	-	0%
Senior Administrative officer	6,873	573	33	18,901	5,670	30%
Secretary	6,403	534	16	8,537	2,134	25%
System Support Officer	6,403	534	21	11,205	2,801	25%
Admin. Support Officer	4,300	358	17	6,092	1,523	25%
Office Assistant	1,367	114	2	228	-	0%
Driver 1	1,880	157	26	4,073	815	20%
Driver 2	1,880	157	14	2,193	439	20%
Total (Note 2, Note 5)				99,824	13,382	

Retirement fund at 31 December 2019

77,526 5,973

Allocated Retirement fund in 2020

8,789 4,022

Proposed retirement fund for 2021 (Note 3)

13,509 3,387

99,824 13,382

GENERAL OPERATIONS

Items	Budget 2021	Budget 2020	Actual 2019	Remark
Audit	1,000	1,000	989.07	
Electricity	9,500	12,000	7,969.39	Bureau Office - 1st Fl
Postage	500	500	474.16	
Printing	1,200	1,500	736.15	Rental fee of photocopy machine
Stationery	1,000	2,500	510.50	
Telecommunication charge	4,000	3,000	4,131.53	
Cleaning	4,400	3,000	1,151.23	
RTCAP Relocation	-	7,150	7,150.00	
Hospitality (Note 6)	1,000	-		
Consultancy fee for APPU Reform (Note 7)	35,000	19,640	32,338.00	
Total	57,600	50,290	55,450.03	

Note 1: the Retirement Fund is calculated as 1 month's salary for every year of service as at the end of the budget year (i.e., 31 December 2021). For example, a person earning US\$3,000 per month with 5 years of service as at 31 December 2021, will have a retirement entitlement of US\$15,000 (being US\$3,000 x 5).

Note 2: the "Total" is the amount that will be owing to all staff in retirement entitlements as at 31 December 2021 (i.e., US\$99,824).

Note 3: the "Proposed retirement contribution for 2021" is the difference between the balance that is estimated to be in the Fund as at 31 December 2020 (i.e., US\$77,526 + US\$8,789 = US\$ 86,315) and the amount at Note 2 (i.e., US\$99,824). The difference is US\$ 13,509 i.e., the proposed Retirement Fund contribution for 2021.

Note 4: the data in this Retirement Fund table is calculated using the Administrative Section share of total salaries. There is a corresponding calculation for the Training Section share of salaries in the Governing Board documentation.

Note 5: the total funds actually held in Retirement Fund bank accounts is equal to current entitlements, and this is calculated to also be the case as at 31 December 2021.

Note 6: "Hospitality" has been added as a new line item to facilitate the separate allocation of costs between the Administrative Section and the Training Section (currently, only the Training Section has a "Hospitality" allocation and this risks Administrative Section costs being charged to the Training Section).

Note 7: The Consultancy budget for 2021 includes a portion of cost incurred in 2020. In particular, after the 2020 Consultancy budget was approved at the Tokyo EC meeting, the Bureau was requested to undertake additional work during 2020 (i.e., the High-Level Strategic Discussion on the sustainable future for the College). Because there was insufficient budget in 2020, a special meeting convened in March 2020 agreed for the ASRF to fund additional work in 2020 and for the ARSF to be repaid from the 2021 Consultancy budget. Hence, the Consultancy budget of \$35,000 has up to \$17,750 relating to 2020 work.

Additional estimated expenditure in 2020

	PROJECTS *	Unit :US\$	Unit : Baht
1	Renovation of the Bureau office and Accommodation (Note 1)	52,975	1,615,725
2	IT upgrade (Note 2)	24,590	750,000
3	Archive Management (Note 3)	9,836	300,000
Sub-Total		87,401	2,665,725

Note 1: The Project was approved, in principle, at the 2019 EC meeting, Specific approval was given by the EC in March 2020 following the submission of the required Business case.

Note 2: The project was approved, in principle, at the 2019 EC meeting. The required Business Case will be submitted for specific approval during 2020.

Note 3: The Bureau will propose the Business Case for Archive Management within 2020.

*** Projects have been adopted by the 2019 APPU EC, and the funds will be taken from the TRSF and ASRF in 2020 based on the following percentages :**

	Project	Source of fund
1	Renovation of the Bureau office and Accommodation:	
	- Level 1 (Office):	50/50 Between TRSF and ASRF
	- Level 2 (classroom and training facilities)	100% TRSF
	- Level 3 (training facilities):	100% TRSF
	- Level 6A (Accommodation for participants):	100% TRSF
	- Level 6B (Accommodation for staff):	75% TRSF, and 25% ASRF
2	IT Upgrade:	50%TRSF, and 50% ASRF
3	Archive Management:	100% ASRF

2021 Contribution Shares

Unit : US\$

<i>No.</i>	<i>Member Country</i>	<i>Contribution Unit</i>	<i>Contribution Share</i>
1	Afghanistan	1	2,650
2	Australia	5	13,250
3	Bangladesh	4	10,600
4	Bhutan	1	2,650
5	Brunei Darussalam	2	5,300
6	Cambodia	1	2,650
7	China	5	13,250
8	Fiji	2	5,300
9	India	5	13,250
10	Indonesia	3	7,950
11	Iran	3	7,950
12	Japan	5	13,250
13	Korea	5	13,250
14	Lao	1	2,650
15	Malaysia	2	5,300
16	Maldives	2	5,300
17	Mongolia	2	5,300
18	Myanmar	1	2,650
19	Nauru	1	2,650
20	Nepal	2	5,300
21	New Zealand	5	13,250
22	Pakistan	3	7,950
23	Papua New Guinea	2	5,300
24	Philippines	2	5,300
25	Samoa	1	2,650
26	Singapore	2	5,300
27	Solomon Islands	1	2,650
28	Sri Lanka	3	7,950
29	Thailand	2	5,300
30	Tonga	2	5,300
31	Vanuatu	1	2,650
32	Vietnam	2	5,300
Total		79	209,350

Contribution share @ US\$ 2,650 per unit

2020 Contribution shares

Unit : US\$

<i>No.</i>	<i>Member Country</i>	<i>Received</i>	<i>Bank Charges</i>	<i>Owing</i>
1	Afghanistan	-	-	2,650.00
2	Australia	13,217.45	32.55	-
3	Bangladesh	10,568.37	31.63	-
4	Bhutan	2,630.01	19.99	-
5	Brunei Darussalam	5,300.00	-	-
6	Cambodia	2,650.00	-	-
7	China	13,208.38	41.62	-
8	Fiji	5,275.23	24.77	-
9	India	13,223.37	26.63	-
10	Indonesia	-	-	7,950.00
11	Iran	7,950.00	-	-
12	Japan	13,250.00	-	-
13	Korea	13,250.00	-	-
14	Lao	2,625.00	25.00	-
15	Malaysia	5,300.00	-	-
16	Maldives	5,286.75	13.25	-
17	Mongolia	5,266.80	33.20	-
18	Myanmar	2,655.59	- 5.59	-
19	Nauru	2,627.99	22.01	-
20	Nepal	5,300.00	-	-
21	New Zealand	13,233.37	16.63	-
22	Pakistan	7,883.39	66.61	-
23	Papua New Guinea	-	-	5,300.00
24	Philippines	5,276.75	23.25	-
25	Samoa	2,630.01	19.99	-
26	Singapore	5,300.00	-	-
27	Solomon Islands	2,630.09	19.91	-
28	Sri Lanka	7,923.42	26.58	-
29	Thailand	5,300.00	-	-
30	Tonga	-	-	5,300.00
31	Vanuatu	2,629.99	20.01	-
32	Vietnam	5,286.75	13.25	-
Total		187,678.71	471.29	21,200.00

Contribution share @ US\$ 2,650 per unit

2019 Contribution Shares

Unit : US\$

<i>No.</i>	<i>Member Country</i>	<i>Received</i>	<i>Bank Charges</i>	<i>Owing</i>
1	Afghanistan	2,580.23	69.77	-
2	Australia	13,217.67	32.33	-
3	Bangladesh	5,271.79	28.21	-
4	Bhutan	2,630.83	19.17	-
5	Brunei Darussalam	5,300.00	-	-
6	Cambodia	2,650.00	-	-
7	China	13,209.67	40.33	-
8	Fiji	5,253.30	46.70	-
9	India	13,224.70	25.30	-
10	Indonesia	7,950.00	-	-
11	Iran	7,919.80	30.20	-
12	Japan	13,250.00	-	-
13	Korea	13,250.00	-	-
14	Lao	2,625.16	24.84	-
15	Malaysia	5,300.00	-	-
16	Maldives	5,276.77	23.23	-
17	Mongolia	5,261.81	38.19	-
18	Myanmar	2,650.00	-	-
19	Nauru		-	2,650.00
20	Nepal	5,294.65	5.35	-
21	New Zealand	13,234.80	15.20	-
22	Pakistan	7,919.58	30.42	-
23	Papua New Guinea	5,288.75	11.25	-
24	Philippines	5,256.83	43.17	-
25	Samoa	2,615.81	34.19	-
26	Singapore	5,300.00	-	-
27	Solomon Islands	2,650.00	-	-
28	Sri Lanka	7,891.64	58.36	-
29	Thailand	5,300.00	-	-
30	Tonga	5,266.80	33.20	-
31	Vanuatu	2,650.00	-	-
32	Vietnam	5,271.79	28.21	-
Total		200,762.38	637.62	2,650.00

Contribution share @ US\$ 2,650 per unit

2018 Contribution Shares

Unit : US\$

<i>No.</i>	<i>Member Country</i>	<i>Received</i>	<i>Bank Charges</i>	<i>Owing</i>
1	Afghanistan	2,580.61	69.39	-
2	Australia	13,199.65	50.35	-
3	Bangladesh	5,271.79	28.21	-
4	Bhutan	2,630.74	19.26	-
5	Brunei Darussalam	5,300.00	-	-
6	Cambodia	2,650.00	-	-
7	China	13,209.61	40.39	-
8	Fiji	5,252.83	47.17	-
9	India	13,223.98	26.02	-
10	Indonesia	7,950.00	-	-
11	Iran	7,919.71	30.29	-
12	Japan	13,234.60	15.40	-
13	Korea	13,234.66	15.34	-
14	Lao	2,625.42	24.58	-
15	Malaysia	5,300.00	-	-
16	Maldives	5,274.78	25.22	-
17	Mongolia	5,300.00	-	-
18	Myanmar	2,605.77	44.23	-
19	Nauru		-	2,650.00
20	Nepal	5,294.84	5.16	-
21	New Zealand	13,242.30	7.70	-
22	Pakistan	7,919.14	30.86	-
23	Papua New Guinea	5,288.75	11.25	-
24	Philippines	5,256.83	43.17	-
25	Samoa	2,615.54	34.46	-
26	Singapore	5,300.00	-	-
27	Solomon Islands	2,650.00	-	-
28	Sri Lanka	7,924.00	26.00	-
29	Thailand	5,300.00	-	-
30	Tonga	5,266.80	33.20	-
31	Vanuatu	2,615.58	34.42	-
32	Vietnam	5,286.75	13.25	-
Total		200,724.68	675.32	2,650.00

Contribution share @ US\$ 2,650 per unit

Finances of the Union

Updated position on unpaid membership contributions (Document prepared by APPU Bureau)

1. Subject	References/paragraphs
Informing the EC, via the Finance Committee, on the current position regarding unpaid contributions to the Union's expenses.	§ 2.1, Table
2. Decisions expected The EC, via the Finance Committee, is asked to: <ul style="list-style-type: none"> - note that the recovery of unpaid contributions has continued to be diligently pursued since the Tokyo EC meeting - note that since the Tokyo EC meeting US\$53,700 out of a total owing of US\$66,450 (2013-2019) has been recovered - note the overall value of unpaid contributions at 31 May 2020 is US\$12,750 - note that the likely position for unpaid contributions for the period 2013-2019 at 31 December 2020 is US\$12,750 	§ 2.1 § 2.1, Table – Line 6 § 2.1, Table – Line 4 § 2.1, Table – Line 8

1. Introduction

- 1.1 EC 2020 Doc 5.1 is an update on its counterpart document presented at the 2019 Tokyo EC meeting (i.e., EC 2019 Doc 5.4) regarding the position for unpaid contributions.
- 1.2 Although the Tokyo EC meeting did not call for a further report on this matter, in line with business management principles developed between the Bureau and the Reform Consultant, this updated report is being tabled to demonstrate transparency regarding effort and financial results.

Continued on next page

2. Updated position for unpaid contributions

2.1 The table below details the position at 31 December 2108, 31 December 2019 and 31 May 2020 for unpaid contributions (all figures in USD).

Line No.	Timing	Total	Contribution Shares - Years						
			2013	2014	2015	2016	2017	2018	2019 ¹
1	Unpaid at 31 Dec 2018	58,500	1,500	3,700	5,550	13,650	12,900	21,200	
2	Unpaid at 31 Dec 2019	23,600	1,500	0	1,850	5,850	6,450	7,950	
3	Improvement: Dec 2018 to Dec 2019	34,900	0	3,700	3,700	7,800	6,450	13,250	
4	Unpaid at 31 May 2020	12,750	1,500	0	1,850	1,950	2,150	2,650	2,650
5	Improvement: Dec 2019 to May 2020	18,800	0	0	0	3,900	4,300	5,300	5,300
6	Overall improvement: Dec 2018 to May 2020	53,700	0	3,700	3,700	11,700	10,750	18,550	5,300
7	Commitments to pay in 2020	0	0	0	0	0	0	0	0
8	Likely position for 2013-2020 at 31 Dec 2020	12,750	1,500	0	1,850	1,950	2,150	2,650	2,650

2.2 The Bureau has been energetic in its approach to unpaid contributions and is pleased with the results achieved since the Tokyo EC meeting. Much of the credit for the work involved is the Manager, Administration and APPU Affairs (Ms Kwanjai Kajornwuttideth).

¹ Contribution share payments are to be paid by 1 January of the year to which they relate. Technically speaking, on 31 December 2019 there could not be any unpaid contributions for 2019. However, on 1 January 2020 there was US\$7,950 unpaid contributions for 2019 on record.

Finances of the Union

Administrative Section Reserve Fund (ASRF): Budget Process Requirements (Document prepared by APPU Bureau)

1. Subject	References/paragraphs
Informing the EC, via the Finance Committee, on:	
- processes to be followed during annual budgeting activity regarding the minimum financial level and 2021 adequacy of the ASRF	§ 1.1
- the current financial position of the ASRF	§ 2.1
2. Decisions expected	
The EC, via the Finance Committee, is asked to:	
- note the financial position of the ASRF in relation to calls for funds during 2020 and the impact on the end-of-year (i.e., 2020) balance	§ 2.1, Lines 3 and 5
- note that there are no significant activities in 2021 that call for a review of the minimum financial level of the ASRF	§ 2.1, Line 4
- note that the balance estimated to be carried forward to 2021 is more than adequate to meet reasonable funding requirements	§ 2.1, Line 5
- approve the ASRF retaining its current minimum financial level of US\$80,000	§ 3.1 (i)
- approve no additional funds needing to be budgeted for the ASRF for 2021	§ 3.1 (ii)

1. Background

1.1 The operational rules for the management and replenishment of the ASRF require the minimum amount of the Fund to be calculated each year.¹ This is essentially a process that:

- (i) updates the EC on the adequacy of the ASRF to meet current and future financial needs; and
- (ii) identifies whether the current annual budgeting process needs to include an expense item to replenish the ASRF (if it has reduced below its approved minimum financial level), or to increase the funds held in the ASRF if the EC decides that the minimum financial level should be raised.

¹ Reference paragraph 6 of the “Operational rules for the management and replenishment of the ASRF” i.e., “The minimum amount of a Reserve Fund is calculated each year as part of the annual budgeting process. Where the ASRF has reduced below the fixed minimum level (as set out in Financial Regulation 2 (i.e., US\$80,000)), it is replenished, normally annually, to maintain the fixed minimum level through:

- (i) surplus unrestricted operating funds; and/or
- (ii) an expense included in the Administrative Section’s annual budget.”

- 1.2 As further guidance, the operational rules specify what factors to take into account when making the annual review of the ASRF.² For example, if it is known that there will be a significant increase in salaries in the next year's budget, then the current minimum financial level of the ASRF might need to be increased (as alluded to in subparagraph (ii) above).

2. Current position of the ASRF

- 2.1 The table below sets out the key financial details of the ASRF.

Line No.	Item	Amount (US\$)	Comment
1	Minimum financial level required	80,000	Reference paragraph 2 of the approved rules for management and replenishment of the ASRF.
2	Opening financial level on 1 January 2020	262,220	Source: Audit Report for the Administrative Section (i.e., the closing balance on 31 December 2019).
3	Estimated of spending from the ASRF during 2020	97,925	1. Renovation project: 52,975 ³ 2. IT Upgrade project: 25,000 3. Archiving project: 2,200 4. HLSD: 17,750*
4	Changes to Administrative Section business in 2021 that might impact on minimum financial level required	0	None known of at the time of drafting Finance Committee documentation.
5	Estimated closing balance of ASRF on 31 December 2020	164,295	The estimated closing balance is 105% above the minimum financial level required.
6	Estimate of additional funding required to cover reasonable requirements in 2021	0	There are adequate funds in the ASRF to more than cover reasonable requirements in 2021.

* Part or all of the costs for the HLSD activity will be repaid to the ASRF from the 2021 Consultancy allocation (reference paragraph 7.1 (vi) of "Final Report – High-Level Strategic Discussion (HLSD) on Sustainable Future for the College").

² Reference paragraph 5 of the "Operational rules for the management and replenishment of the ASRF" i.e., "The financial level at which a Reserve Fund is set is based around risk and represents a financial amount sufficient to maintain ongoing operations and programmes for a set period of time, measured in months. The calculation of average monthly operating expenses includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, programmes, and ongoing professional services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation."

³ This figure may reduce depending on final decisions to be made in the Governing Board of the Training Section of the Bureau. In particular, if one or more of the priority projects is subject to deferral or cost reduction then there may be a flow-on effect that similarly reduces the funds taken from the ASRF.

3. Bureau recommendation to Finance Committee

3.1 The Bureau recommends that the Finance Committee:

- (i) **retains** the minimum financial level for the ASRF at US\$80,000; and
- (ii) **approves** no additional funds being necessary for the ASRF in the 2021 Administrative Section budget.

Projects, funded from Reserve Funds, approved at Tokyo EC / GB meetings: update report

1. Background

1.1 The 2019 Tokyo EC / GB meetings approved the use of Reserve Funds (i.e., the Administrative Section Reserve Fund (ASRF) and the Training Section Reserve Fund (TSRF)) to fund specific projects. The process agreed on was broadly as follows.

- Minimum financial levels would be agreed (by the EC) for each of the Funds (this would then confirm how much excess money was available for projects, as well as providing reassurance of a reasonable residual financial balance to meet medium-term funding requirements)
- Approval in principle would be given for specific projects being funded from Reserve Funds
- Final approval for the release of funds for a specific project would be based on a Business Case presented to the EC

1.2 In terms of the process set out in paragraph 1.1 above, the status of actions is set out below.

1.2.1 Minimum financial levels to be agreed by the EC for the ASRF and the TSRF:

This was completed during November and December 2020. The ASRF has a minimum financial level of US\$80,000. The TSRF has a minimum financial level of US\$210,000.

1.2.2 Approval in principle to be given for specific projects

(i) Four projects have been 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.

(ii) One additional project, of minor financial scale, has been brought to the attention of the EC as being of an urgent nature and a Business Case would be

prepared as priorities permit. This project deals with archiving in the Bureau's Administrative Section.

1.2.3 Submission of Business Cases for final approval for the release of funds for specific projects

Two projects have progressed to this stage.

- (i) 50th Anniversary celebrations for the APPC – this was dealt with during the 2019 Tokyo EC / GB meetings
- (ii) Renovation of the Bureau (including the dormitories and apartments) – the Business Case was approved by the EC in April 2020.

2. Current status of projects

2.1 Brief reports on each of the four projects have been prepared for the information of EC and GB members. Because two of the projects relate to both the ASRF and the TSRF, there are co-referenced documents for these two items.

2.2 The project reports are numbered as follows.

Project	EC Document Reference	GB Document Reference
50 th Anniversary of the APPC		GB 2020 Doc 6 Annex 1
Renovation of the Bureau (including the dormitories and apartments)	EC 2020 Doc 5.3 Annex 1	GB 2020 Doc 6 Annex 2
Bureau IT upgrade	EC 2020 Doc 5.3 Annex 2	GB 2020 Doc 6 Annex 3
Archiving	EC 2020 Doc 5.3 Annex 3	

Projects, funded from Reserve Funds, approved at Tokyo EC / GB meetings: update report

Item 2: Renovation of APPU Bureau, including dormitories and apartments

1. Background

- 1.1 The Bureau has occupied its current premises since 2000. During the 19+ years of occupancy there has, apart from one recent exception, been only minor work done in terms of renovation and general upkeep.
- 1.2 The Business Case for using Reserve Funds for renovation purposes had three main reasons:
 - (i) the premises were long overdue for freshening up and general updating;
 - (ii) the need to upgrade the quality of services and accommodation (classroom and residential) for “paying customers” (i.e., participants attending the College); and
 - (iii) smartening up the image of the Union (i.e., the public face of the APPU as located on Level 1 of the Bureau building).
- 1.3 The Tokyo EC meeting approved the spending of Reserve Funds, in principle, for the renovation work. Subsequently, it was necessary for a Business Case to be presented and approved by the EC.

2. The process and activities following the Tokyo EC meeting

- 2.1 The renovation project presented a number of complexities that the Bureau had to work through with some care in order to achieve the best outcome for funds deployed. Key issues included:
 - (i) limitation of funds – the renovation project could easily use the entire Reserve Funds. It was a case, therefore, of deciding what was an appropriate level to spend bearing in mind other projects and events that required funding. There was also the point that it was possible to spend too small an amount on renovation and not get value by simply wanting to be economical;
 - (ii) priorities and degrees of renovation – in order to get best value from money spent, it was important to apply the limited funds to the areas with greatest need. This meant the Bureau had to decide on priorities for renovation and, within these priorities, the extent of renovation necessary / affordable; and
 - (iii) apportionment of expenditure between the two Reserve Funds.

2.2 Limitation of funds

- 2.2.1 The renovation project was a major investment and particular attention had to be paid to the changing circumstances that impacted the financial situation of the APPU. The most significant event was the emergence of the COVID-19 pandemic. This has temporarily halted activity in the College with the main downside being reduced training-weeks' income during 2020. The Bureau has developed financial monitoring tools that assess the changing availability of cash for all reasonable uses of Reserve Funds to ensure that the spending on renovation remains appropriate.
- 2.2.2 In the course of dealing with potential suppliers and renovation options, the Bureau has made several downward adjustments to specifications (and costs).

2.3 Priorities and degrees of renovation

- 2.3.1 The Bureau developed a priority schedule for the five floors of its premises.
- 2.3.2 The schedule is below with brief comment on the reason for the priority rating.

Priority	Floor	Comment
1	2	Investment in quality of training environment and improvement of learning facilities.
2	6A	Investment in quality of living environment for course participants
3	1	Upgrading and modernising the “face of the Union and the College” to an appropriate standard.
4	3	Investment in quality of dining and recreation facilities for participants, as well as modernising the main group meeting facilities for the Union and the College.
5	6B	Upgrading accommodation facilities for long-term “internal” residents and short-term visitors.

2.4 Apportionment of expenditure

Floor	Reserve Fund Apportionment*
Level 1 (Office)	50% ASRF, 50% TSRF
Level 2 (classroom and training facilities)	100% TSRF
Level 3 (training facilities)	100% TSRF
Level 6A (accommodation for participants)	100% TSRF
Level 6B (accommodation for staff)	25% ASRF, 75% TSRF

* ASRF = Administrative Section Reserve Fund; TSRF = Training Section Reserve Fund

2.5 Approved expenditure

- 2.5.1 Based on a renovation specification that meets the internal criteria of the Bureau, the EC has approved the expenditure required i.e., expenditure not exceeding 11,660,954 Baht (USD 382,326) In terms of apportionment, this approved expenditure will be divided as follows :

(i) ASRF: 1,615,725 Baht (approximately USD 52,975)

(ii) TSRF: 10,045,230 Baht (approximately USD 329,352)

2.6 Key actions taken to date

2.6.1 Key actions taken following the Tokyo EC meeting up to 25 May 2020 are set out below.

Date	Action	Comment
18/9/2019	Contacted four construction companies for general pricing information	This was not a formal approach; simply a matter of getting initial information.
1/10/2019	General pricing information received from the four companies	
18/10/2019	Drafted a Terms of Reference (ToR) and Scope of Work (SoW) for the project	Based on examples provided by Thailand Post.
21/10/2019	Sent ToR and SoW to the four companies	One of the four companies withdrew their interest at this stage.
13/12/2019	Minimum financial levels for both Reserve Funds confirmed by EC	This step enabled the amount of money available for projects to be confirmed.
16/12/2019	Quotations and drawings for renovation work received from the three companies	
16/12/19 to 15/1/20	Individual discussions with the three companies to ensure full two-way understanding of renovation plans and pricing	
21/1/2020	Met with Thailand Post (who is the building owner) to update and generally discuss the project process	
20/2/2020	The three companies (individually) presented their plans to a joint meeting of the Bureau and Thailand Post	
26/2/2020	The successful bidder was chosen by the Bureau.	In Design and Consultant Co Ltd was selected
28/2/2020	Discussion held with the successful bidder (In Design and Consultant Co Ltd)	
4/3/2020	Documentation sent to EC members for approval decision on releasing necessary funds for renovation project	Documentation included a detailed Business Case, and detailed financial analysis.
23/3/2020	EC approved release of requested funds for renovation project	13 votes received ("Yes" – 13; "No" – 0; "Abstentions" – 0)
1/3/2020 to 25/5/2020	Drafting and review of contract for the renovation project, as well as preparation of formal advice to Thailand Post (as building owner)	Ongoing review and editing process for the contract. Thailand Post has undertaken standard pre-work checks (security etc).

2.7 Key actions to be taken after 25 May

2.6.1 Key actions to be taken from 25 May 2020 are set out below.

Date	Action	Comment
06/2020	Sign the contract with the successful bidder	
06/2020	Commence work on renovation of Floor 2 and Floor 6A	
8/2020	Commence work on renovation of Floor 1	
11/2020	Commence work on renovation of Floor 3 and Floor 6B	
11/2020	Review completed renovation work and sign off project contract	

Projects, funded from Reserve Funds, approved at Tokyo EC / GB meetings: update report

Item 3: Bureau IT upgrade

1. Background

- 1.1 There is general acceptance that the Bureau IT system needs upgrading. Aspects such as capacity, signal strength, reliability etc, give cause for concern. Typifying the general state of the system, for some time now the most common negative observation of participants attending the College is the (poor) quality of IT services in the complex.
- 1.2 The IT upgrade project was approved, in principle, for Reserve Fund funding at the 2019 Tokyo EC meeting.

2. Current situation

- 2.1 The Business Case, for final EC approval of funding, is currently being prepared. (Prior to now, the Bureau's focus has been on the renovation project.)

3. Activity schedule

- 3.1 The current activity schedule for the IT upgrade project is set out below.

Activity	Apr	May	Jun	Jul	Aug	Sep
Develop scope of work and supply to potential suppliers for indicative costs	x					
Review quotations		x				
Discuss upgrade plans and costs with potential suppliers		x				
Formalise requirements and costs with potential suppliers		x				
Develop Business Case			x			
Review availability of funds ¹			x			
Consult with EC for approval to proceed with selecting the successful supplier for the IT upgrade project			x			

¹ As a result of the COVID-19 situation, funding (i.e., the need to exercise caution with Reserve Fund spending) requires increased scrutiny. The inclusion of the "review availability of funds" step in the schedule, is to ensure that additional financial management is applied to the process prior to seeking approval from the EC.

Projects, funded from Reserve Funds, approved at Tokyo EC / GB meetings: update report

Item 4: Archiving

1. Background

- 1.1 The Bureau has identified an urgent need to make a small investment in archiving to enable better identification and awareness of key documents as well as redesigning the disciplines around document retention, indexing and disposal.
- 1.2 The archiving project was brought to the attention of the EC after its Tokyo meeting.

2. Current situation

- 2.1 The scope of work is being developed at present. This (i.e., developing the scope of work) is a hands-on, practical exercise in order to be very definite regarding issues, needs and solutions. A key element is clarity, at the earliest possible stage, on the scope of the project to include / also include:
 - document management; and/or
 - records management; and/or
 - knowledge management; and/or
 - information management.

3. Activity schedule

- 3.1 Due to other priorities within the Reserve Funds projects, an activity schedule is not yet available.
- 3.2 A further update on the project should be available at the 2020 EC session.

Finances of the Union

Update on items currently open (Document prepared by APPU Bureau)

1. Subject	References/paragraphs
<p>Informing the EC, via the Finance Committee, on the current position regarding two items that are currently open i.e.,</p> <ul style="list-style-type: none"> - attendance of the Secretary General at UPU POC meetings - the request by Nauru at the 2019 EC meeting for a reduction in contribution class to the APPU administrative expenses 	<p>§ 1</p>
<p>2. Decisions expected</p> <p>The EC, via the Finance Committee, is asked to:</p> <p>1. Attendance at POC meetings</p> <ul style="list-style-type: none"> - note that APPU representation at UPU meetings follows a process that is a mix of formal and informal steps - note that there is considerable value from a Bureau presence at CA and POC meetings for commercial and relationship interests - note that the value of a Bern presence increases given the need to urgently market the services of the College as part of the sustainable future agenda arising from the HLSD - note that core representation in the key work programmes of the CA and POC is a challenge for the Bureau in terms of subject matter expertise - note that the Finance Committee considers that the excellent background information provided by the Bureau shifts the issue from “budget for POC plenary attendance” to “updating purpose and value of the Bureau presence in UPU meetings and resetting the context accordingly” - approve the summary of actions proposed by the Finance Committee being taken up within the EC for completion of identified tasks - note that implementation of any changes to representation objectives will take effect from 1 January 2022 thus enabling the new Secretary General to ensure compatibility with his/her requirements and expectations <p>2. Nauru contribution class</p> <ul style="list-style-type: none"> - note that not being able to have a physical meeting of the Working Group assigned to review the Nauru request has resulted in a change of documentation requirement to support an online Working Group session - note that the Bureau is currently completing the necessary documentation - note that the end of August is targeted for the Working Group to have a position on the Nauru request for wider review 	<p>§ 2.2.3</p> <p>§§ 2.3.1 – 2.3.3</p> <p>§ 2.3.4</p> <p>§ 2.3.5</p> <p>§ 2.4.3 (iii)</p> <p>§ 2.4.3 (iii) (a)-(e)</p> <p>§ 2.4.3 (iii) (f)</p> <p>§ 3.2.1</p> <p>§ 3.2.1</p> <p>§ 3.2.2</p>

1. Introduction

1.1 EC 2020 Doc 5.4 provides an update on two items that were discussed in the 2019 Tokyo Finance Committee meeting and then reported to the EC Plenary session.

1.2 The items were:

- (i) representation by the Secretary General at plenary sessions of the Postal Operations Council (POC); and
- (ii) a request from Nauru for a reduction in contribution class to the APPU administrative expenses.

2. Representation by the Secretary General at plenary sessions of the POC

2.1 2019 EC documentation

2.1.1 The EC Minutes record the following.

(i) Discussion

In reviewing the proposed budget for 2020, the Committee noted the increase to the travel expenses in 2020 to allow the Secretary General to attend the UPU Congress in 2020, as well as the UPU Council of Administration (CA) meetings. Members discussed whether the Secretary General should also attend the plenary session of the UPU Postal Operations Council (POC) given the important matters of an operational nature discussed during these meetings. The Committee agreed that this matter should be discussed at the next APPU EC in 2020 in order to give members and the Bureau time to consider outcomes and deliverables to be achieved and budget for this appropriately, should members wish to expand the representation of the APPU at UPU meetings. Any change would then coincide with the next UPU cycle.

(ii) Decision

The EC approved the proposed 2020 APPU Bureau (Administrative Section) Budget, noting that further consideration will be given to the APPU's representation at UPU meetings from 2021.

2.2 Background

2.2.1 Regulations

- (i) The Bureau has reviewed the situation regarding representation at international meetings. There are two relevant provisions. In the first place, the APPU General Regulations, Article 108, paragraph 3 specifies:

“Unless otherwise decided by the Executive Council, the Director represents the Union in the international conferences regarding the postal service where representation of the Union is required.”

- (ii) For UPU meetings, Article 8, paragraph 2 of the UPU Constitution specifies:

“Restricted Unions may send observers to Congresses, conferences and meetings of the Union, to the Council of Administration and to the Postal Operations Council.”

2.2.2 Practice

- (i) The practice since 2014 has been for the Union to be represented by the Secretary General at the annual meetings of the CA and POC (generally a week’s attendance in both cases), as well as at the 2016 UPU Congress.

2.2.3 Process

- (i) In terms of process, it is a mixture of formal and informal.
- (ii) On the formal side, the annual budgeting documentation contains a section for travel, and this sets out very clearly the details of proposed travel on behalf of the Union, including attendance at the CA and POC meetings, as well as the UPU Congress when relevant.
- (iii) Of a less formal nature is the process by which the Union is actually represented at UPU meetings. At face value, it could seem that the requirement for the Union to be represented at either the CA or POC is assumed i.e., there is no specific decision made regarding any particular CA or POC meeting (apart from the formality of budget approval), nor has there been direction by the Union regarding any CA or POC agenda items where an APPU presence or participation is required.

2.2.4 Financial

- (i) Travel and accommodation for attendance at Bern meetings (involving seven days) is US\$8,180 (as per the draft budget for 2021).

2.3 Bureau comment regarding attendance at UPU CA and POC meetings

- 2.3.1 In the absence of specific CA or POC agenda items to observe / participate in (with a regional position to promote), the main benefit to the APPU is in commercial interests and relationships.

- 2.3.2 Commercial - the UPU is the largest of the donors to the College (fellowships, consultants, in-kind contributions). In 2019, the UPU represented 30% of the donor segment (with their contribution being more than US\$200,000.) Regular meetings with the key International Bureau people involved with the College is a vital “account management” activity. It is the most important external commercial relationship the Union has. To many audiences, the College is the face of the Union.

- 2.3.3 Relationships – in the same way as CA and POC members place a value on the meetings being a networking opportunity for existing and new relationships, so, too, does the Bureau with its restricted union counterparts. Networking has formal channels (i.e., the meeting of

restricted union representatives held within the framework of the CA each year), and the usual range of informal channels.

- 2.3.4 Extending the commercial element raised in paragraph 2.3.2, the ability to participate in Bern forums increases in importance because of the identified need to be actively marketing the College to potential participants outside the region (this being an early conclusion from the High-Level Strategic Discussion on the sustainable future for the College). CA and POC sessions make available a captive audience of prospects for targeted approaches promoting the College as a training resource.

- 2.3.5 In terms of the fundamental reason for a presence at UPU meetings i.e., to represent the region on matters of interest, this needs some development as a function of the Bureau. To a certain extent, such representation depends on being able to know which issues have implications for APPU members, particularly those who are not CA or POC members. This takes the representation role into that of a knowledgeable advocate able to be a link between issue and affected party – and to then offer comment that reflects the needs of the unrepresented. Such a role takes time to build the required knowledge.

2.4 The 2019 EC request (paragraph 2.1), the background (paragraph 2.2), the Bureau position (paragraph 2.3) - bringing these three points together – and next steps

- 2.4.1 If the EC wishes the Secretary General to attend the POC plenary session, then the Bureau does not see an issue with that – subject, of course, to budget being available.

- 2.4.2 Perhaps a benefit of this matter being raised in Tokyo is the opportunity to consolidate a range of comments into one document. This may be of value to members to understand, for example, what CA and POC meetings mean to the Bureau (and, therefore, to the Union). However, a basic aspect remains i.e., representation of the Union in UPU meetings (where other restricted unions might be considered the benchmark for knowledge and participation). A high credibility level and presence in the key CA and POC work programmes would facilitate, to a considerable degree, the initiative to use the meetings as a venue to market the College.

- 2.4.3 Regarding the action that the Finance Committee noted in Tokyo i.e., “... this matter should be discussed at the next APPU EC in 2020 in order to give members and the Bureau time to consider outcomes and deliverables to be achieved and budget for this appropriately ...”, the position might be as follows.

- (i) Given the shortened duration and non-physical format of the 2020 EC meeting, discussion as intended will not be possible.

- (ii) The task remains for members to consider outcomes and deliverables to be achieved. However, this might not be just for the POC plenary session as originally stated, but for attendance at complete CA and POC sessions (i.e., the seven days of current attendance).
- (iii) If this initial report (i.e., EC 2020 Doc 5.4) is regarded by the Finance Committee as taking the matter forward (albeit not as originally intended), then it is fair to say that it has moved from being a topic that was of interest to the Finance Committee (i.e., travel budget) to one that relates to the broader topic of representation and what the Union's expectations are of the Bureau. In this situation, it seems fair that the Finance Committee should now pass the matter back to the EC with a summary that:
 - (a) explains the current practice and process for representation at CA and POC;
 - (b) highlights 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)
 - (c) reinforces the value to the College of an ongoing presence in Bern
 - (d) recommends strengthening in the direction and accountability given to the Bureau for representation at CA and POC meetings
 - (e) recommends a documented updating of the policy and practice applying in Union representation in UPU meetings
 - (f) positions 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.

3. Nauru request for reduction of contribution class to administrative expenses of the Union

3.1 2019 EC documentation

3.1.1 The EC Minutes record the following.

- (i) Discussion

The Committee noted the request from Nauru for a reduction in contribution class to the APPU administrative expenses, based on the recent decision by the 2018 UPU Extraordinary Congress to reduce the contribution class for Small Island Developing States (SIDS) with a population of under 200,000. The Committee noted that reducing Nauru and other qualifying countries'

contribution class requires an amendment to the APPU General Regulations which can only be agreed by the APPU Congress. It was agreed to set up a Working Group within the Finance Committee to further study this issue and bring forward a recommendation ahead of the APPU Congress in 2021. Australia, China, New Zealand and Thailand volunteered to be members of the Working Group.

(ii) Decision

The EC noted the request from Nauru and approved the creation of a Working Group within the Finance Committee to study Nauru's request which includes the creation of a new contribution class in the APPU, as well as consideration of how any classification anomalies might best be handled, ahead of the APPU Congress in 2021.

3.2 Update

- 3.2.1 Ideally, for a matter such as this, a physical meeting of the Working Group is the more appropriate way of exchanging views and reaching conclusions. However, given that this will not be possible for the 2020 EC session, a fuller document is now being prepared by the Bureau to assist an initial online discussion of the Working Group.
- 3.2.2 The Bureau will assist the Working Group and report back as appropriate. The end of August 2020 is targeted for having a Working Group position on the matter for wider review.

Finances of the Union

Update report on Union's finances (Document prepared by APPU Bureau)

1. Subject	References/paragraphs
Informing the EC, via the Finance Committee on the impact of COVID-19 on the Union's finances	§ 1
2. Decisions expected	
The EC, via the Finance Committee, is asked to:	
- note the Administrative Section's finances are not experiencing any stress due to the COVID-19 solution	§ 1 (i)
- note that the Training Section is under moderate stress with no indication of when this might improve	§ 1 (ii)
- note that the Bureau has established temporary funding lines and can sustain the Training Section until the end of 2020 if there is no resumption in training services	§ 2.1
- note that the situation is being monitored very closely through a financial modelling system	§§ 2.2
- note that a full report on the Training Section situation can be made available to Finance Committee members on request to the Bureau	§ 2.3

1. Background

1.1 COVID-19 has impacted the Union's finances. The broad picture is as follows.

- (i) The Administrative Section, funded through mandatory annual contributions, is not experiencing any financial stress at present. There has been no feedback suggesting payment problems when the next contribution invoices are sent (Q4, 2020).
- (ii) The Training Section, funded from participation in training services, is under moderate stress and there is no indication of when the situation might ease.

2. Dealing with the Training Section issue

- 2.1 The Bureau has put in place some temporary funding lines and has options to sustain the Training Section to the end of 2020 if there is no resumption in training services.
- 2.2 Financial modelling has been put in place that can identify, in advance, of worsening financial conditions.
- 2.3 A full report on the financial situation has been submitted to the Governing Board (GB 2020 Doc 10 and Annexes). A copy can be made available, on request, to the Bureau.

Finances of the Union

Foreign exchange management – update on proposed solution (Document prepared by APPU Bureau)

1. Subject	References/paragraphs
<p>Informing the EC, via the Finance Committee, on:</p> <ul style="list-style-type: none"> - the solution proposed to the Governing Board of the Training Section of the APPU Bureau for dealing with the “loss on foreign exchange” in the financial reporting of the Training Section - relevance of the Training Section solution to the Administrative Section’s financial management 	<p>§ 1, EC 2020 Doc 5.6 Add 1</p> <p>§ 3</p>
2. Decisions expected	
<p>The EC, via the Finance Committee, is asked to:</p> <ul style="list-style-type: none"> - note the solution that is proposed for implementation in the Training Section to minimise the risk of exchange rate fluctuations that produce less Baht than budgeted for US dollars received - note that the Administrative Section has the same exchange rate exposure as the Training Section - approve the solution proposed to minimise exchange rate issues for the Training Section, also being reviewed and implemented in the Administrative Section 	<p>§ 2.4</p> <p>§ 3.2</p> <p>§§ 2.4, 3.3</p>

1. Introduction

- 1.1 The 2019 Tokyo GB meeting requested the Bureau to establish a position on foreign exchange that could be operationalised subject to necessary approvals.
- 1.2 The Bureau has completed its work and a solution has been proposed to the GB for implementation for the Training Section’s cash management, bank accounts and financial reporting. The documentation of the proposal to the GB is in GB 2020 Doc 9. The GB document is included with this EC document as EC 2020 Doc 5.6 Add 1.

2. Summary of issue and proposal

- 2.1 The annual financial audit process for the Training Section highlighted a loss (or gain) on foreign exchange if the US dollar had weakened (or strengthened, in the case of a gain) against the Baht year-on-year.
- 2.2 The loss (or gain) reported in the auditing process is an unrealised loss (or gain). Notwithstanding, the trend over recent years has been for the Baht to strengthen i.e., the US\$ / Baht conversion rate has dropped from 40 in 2005 to around 30 now. This 25% decline in the purchasing power of the US\$ over a 15-year period is regarded as a significant negative factor.

- 2.3 All income for the Training Section is in US dollars. The major portion of Training Section payments are made in Baht. The greater the time gap between receiving US dollars and converting to Baht, then the greater the chance of:
- getting less Baht (in the case of a strengthening Baht); or
 - getting more Baht (in the case of a weakening Baht).
- 2.4 It is neither wise, nor realistic, to try and anticipate the best timing for currency conversion. That is a specialist field and the Bureau is not in the foreign exchange business. The Bureau strategy for foreign exchange management should be a safe, conservative approach. In this regard, the Bureau has proposed a simple approach to minimising the “real” loss of Baht, as follows. is suggested as follows.
- (i) Always retain sufficient US\$ to meet annual expenses that are paid in US\$ (plus a small excess for unforeseen changes to these expenses).
 - (ii) Convert excess US\$ to Baht preferably at the exchange rate budgeted for the income in question e.g., if a donor country sends US\$25,000 and it has been budgeted in the annual income at 30 baht = US\$1, then manage the conversion timing to this target; or, alternatively, if there is a strong chance of a better conversion rate within a short period, then wait and take advantage. However, it is imperative to remember that the objective is not to gain, the objective is to match the annual budgeted exchange

3. Relevance to the Finance Committee

- 3.1 The Finance Committee is primarily interested in the Administrative Section budget. The annual audit process for the Administrative Section does not highlight an unrealised loss (or gain) on foreign exchange. This is because the key reporting is in US dollars (whereas, for the Training Section, the key reporting is in Baht).
- 3.2 However, the Administrative Section has the same problem as the Training Section – the greater part of its expenditure is in Baht, all the income is in US dollars, the longer that US dollars are held before being converted then the greater the risk of getting less Baht (if the Baht strengthens), or the greater the opportunity of getting more Baht (if the Baht weakens).
- 3.3 As with the Training Section, it would make for better financial management if the appropriate amount of US dollars are converted to Baht in line with the budgeted exchange rate.

Foreign exchange management

(Document prepared by APPU Bureau)

1. Subject	Paragraphs
Informing GB members of:	
- the background to the Bureau being requested to establish a position on foreign exchange	§ 1
- examination of the problem in terms of	
• scale	§ 3.1
• exposure	§ 3.2
• historical performance	§ 3.3
• reality of foreign exchange loss	§ 3.4
• relevance of the US\$ as a banked currency	§ 3.5
- a simple way forward	§ 5
2. Decisions expected	
The GB is asked to:	
- note the background to the Bureau being requested to establish a position on foreign exchange	§ 1
- note that the main spending currency is Baht and holding more US\$ than is required is where the exposure risk starts	§ 3.5.1
- note that an annual process of converting excess US\$ to Baht benchmarked around the budgeted conversion rate for the business is a simple method of minimising any loss	§ 3.5.2
- note that the Bureau will now assess any procedures or controls necessary to implement the proposed foreign currency management process	§ 5.3

1. Background

- 1.1 The 2019 Tokyo GB meeting requested the Bureau to establish a position on foreign exchange that could be operationalised subject to necessary approvals.¹
- 1.2 Foreign exchange has been an ongoing issue for the College. One can look at meeting reports going back decades and note it being raised for one reason or another. Interest

¹ The relevant (abridged) extract from the 2019 GB meeting report is as follows.

2.3 Agenda Item 3 – Doc 3 - Auditor's report for the year 2018

Main information

New Zealand asked for comment regarding foreign exchange protection, this being an item raised in Da Nang without achieving a reply. The Philippines and APP offered comments that broadened the New Zealand question into a discussion that would not be resolved in the meeting. The Chair noted the depth of the matter and requested the Bureau to come up with options to deal with this matter and present to the next meeting for consideration.

Decision taken

Doc 3 - Auditor's report for the year 2018: noted, with the request for the Bureau to establish a position on foreign exchange that could be operationalised subject to necessary approvals.

in the issue is greatest when “loss on exchange rate” is given as a reason for a particular outcome.

- 1.3 Popular opinion is that foreign exchange is an area of the business that needs greater management. Driving this opinion is information such as the US\$ / Baht conversion rate dropping from 40 in 2005 to around 30 now. This 25% decline in the purchasing power of the US\$ over a 15-year period is regarded as a significant negative factor.

2. But is there a problem?

- 2.1 The answer over the years has been “yes, there is a problem, a big problem”. However, before accepting this as being a valid opinion, some facts should be examined.

3. Some facts

3.1 Scale

- 3.1.1 In approximate values, the foreign currency business of the APPU (Administrative Section and Training Section) is an annual income of US\$1.000m. (All income is paid to the APPU in USD, albeit there are a few very minor exceptions.)

- 3.1.2 The income is divided:

- US\$0.200m for the Administrative Section; and
- US\$0.800m for the Training Section.

- 3.1.3 Focusing on the Training Section, approximately US\$0.240m is paid to employees in US\$. Accordingly, this portion (i.e., 30% of the US\$0.800m) is not subject to foreign exchange variations. Moreover, the salaries paid in US\$ include a 10% multiplier that partly or wholly preserves purchasing power.

3.2 Exposure

- 3.2.1 The Training Section has four bank accounts. Two of these operate in Baht, and two operate in US\$. Key details are in the table below (all figures being taken from the 2019 Audit Report).

Bureau Identifier (BId)	Bank account number	Owner	Purpose	Account Currency	Amount as of 31 December 2019		
					In Baht	In USD	In Baht
1	198-201647-4	APPC	Operating expenses, salaries, employee benefits, airfare & DSA for participants, etc.	THB	1,276,069		1,276,069
2	198-201648-2	APPC	Retirement for local staff	THB	7,431,743		7,431,743
4	111-200070-7-840	APPC	Receiving account for international payments to TS. Pays directly in USD to Bid 8. Pays periodically to Bid 1, payments being converted to Baht. Balance is TSRF.	USD		743,675	22,292,908
8	111-2-00074-9-840	APPC	Retirement for international staff	USD		38,831	1,164,031
					8,707,812	782,506	32,164,751
					27%	73%	

3.2.2 Line 4 is the area of foreign exchange exposure. It is 69% of the Training Section income.

3.3 Historical performance

3.3.1 An analysis of the Training Section's financial history (2000 to 2018) shows the following picture.

- Cumulative gains on foreign exchange: 6.279m Baht
- Cumulative losses on foreign exchange: 6.085m Baht

3.3.2 The figures in paragraph 3.3.1 are not provided to say that there is no problem. However, when looked at over a period of time, it is a situation that has evened out, reflecting a variety of factors including good luck.

3.4 Is the loss "real"?

3.4.1 To comment on this, two perspectives are taken i.e., short-term (a current financial year) and long-term (more than the current financial year).

3.4.2 For the short-term perspective, the loss is not real. That is to say there can be a loss (or a gain) but it is possible to exercise some control by making adjustments to forecasts and budgets prior to the financial year in question (or even during the financial year). Exposure, in this case, should be quite limited.

3.4.3 For the long-term perspective, the loss can be real. But it is important to understand what is real and what is not real.

- (i) What is real: a loss (or a gain) is real when funds are spent.
- (ii) What is not real: a loss (or a gain) is not real for as long as funds stay in a bank account unspent.

3.4.4 The funds that the Training Section holds in the account in Line 4 of the table in paragraph 3.2.1 have not sustained a real loss because the funds have not been spent apart from spending within a current financial year. In accounting terms, any loss (or gain) experienced is an “unrealised” loss (or gain). While such an outcome (i.e., an unrealised loss (or gain)) has been occurring for the Training Section, it has led to some confusion in annual financial reporting. To explain – the financial result for 2019 was originally described as a loss of 1,681,725 Baht. The topline figures were:

Item	Baht
Income	26,711,084
Expenditure	26,385,000
Loss on foreign exchange	-2,006,810
Result	-1,681,725

However, the foreign exchange loss was simply a calculation for cash held in the bank, unspent. The loss had not actually occurred. The true trading position for 2019 was a profit of 325,084 Baht.

Item	Baht
Income	26,711,084
Expenditure	26,385,000
Result	325,084

3.5 The relevance of US\$

- 3.5.1 The greater portion of expenditure is in Baht. This means that the considerable US\$ holdings are eventually converted to Baht. On this basis, the unintentional strategy is a 50/50 game of needing the Baht to be stable or weaken so as not to make a loss (unrealised or realised).
- 3.5.2 Based on the eventual use of US\$, the safest approach is to minimise the amount retained and convert the maximum to Baht based on annual exchange rate budget plans.

4. What do the facts tell us?

4.1 The facts tell us:

- (i) one bank account that held 69% of the Training Section's funds at the end of 2019 has exposure to long-term foreign exchange fluctuations (losses or gains);
- (ii) the funds involved are long-term savings (i.e., at the end of a financial year basically the TSRF);
- (iii) the loss (or gain) is not real i.e., it is an unrealised loss (or gain) and will only be real when funds are spent;
- (iv) as of today, there are less Baht in the bank account than would have been the case if the US\$ had been converted at an earlier date – so, spent today, there would be an actual loss;
- (v) there has been confusion regarding the status of loss on foreign exchange when reporting annual trading results; and
- (vi) there is no relevance for holding a large unused amount of cash in US\$ - it merely takes a 50/50 risk of devaluing v appreciating.

5. A simple way forward

5.1 If a business wishes to avoid foreign exchange losses and only make gains (or, worst-case scenario, make neither a gain nor a loss), then it mostly requires specialist advice and / or expenditure on instruments such as hedging.

5.2 “Do nothing” is also an option, particularly if the Baht weakens. However, a business might want to take a more energetic approach in terms of controlling its future.

5.3 A simple approach to minimising the “real” loss of Baht is suggested as follows.

- (i) Always retain sufficient US\$ to meet annual expenses that are paid in US\$ (plus a small excess for unforeseen changes to these expenses).
- (ii) Convert excess US\$ to Baht preferably at the exchange rate budgeted for the income in question e.g., if a donor country sends US\$25,000 and it has been budgeted in the annual income at 30 baht = US\$1, then manage the conversion timing to this target; or, alternatively, if there is a strong chance of a better conversion rate within a short period, then wait and take advantage. However, it is imperative to remember that the objective is not to gain, the objective is to match the annual budgeted exchange rate.