

REPORT OF THE FINANCE COMMITTEE

1. The Finance Committee (Committee) was chaired by Australia during the APPU-EC meeting on 22 June 2021. All Committee members were represented (i.e. Australia, China, Japan, Korea, New Zealand, and Thailand).
2. The Committee reviewed several issues including:
 - The Finances of the Union, including the 2020 audited accounts report and the 2022 budget in Doc 5, and Annex 1 and Annex 2 respectively;
 - The consideration of a new contribution class for SIDS with a population of <200,000 at the request of Nauru (Doc 5.1);
 - Work done to reduce exposure due to currency conversion fluctuations (Doc 5.2);
 - Proposed use of the Administrative Section Reserve Fund (ASRF) for high priority projects (Doc 5.3); and
 - A review of the Bureau staff cost allocations (Doc 5.4).
3. The APPU Bureau was represented by Secretary General and Manager Administration and APPU Affairs.

EC 2021 Doc 5 Annex 1 and 2

4. The Committee approved the 2020 auditor's financial report. The report noted no financial concerns represented to the APPU.
5. The 2020 auditor's financial report was approved.
6. The proposed 2022 budget was approved.
7. Docs 5.1, 5.2, 5.3, and 5.4 were accepted for discussion.

EC 2021 Doc 5.1

8. The Committee noted the request from the Republic of Nauru: Reduction in contribution to APPU expenses, waiving of arrears could be separated into two distinct elements, being (i) the request to waive historic debt, and (ii) to create a new contribution class to enable ongoing contribution and participation.
9. The Working Group assigned to consider these requests noted that the UPU was considering a similar request to (i), and recommended that the APPU consider the matter with the benefit of the UPU outcome.
10. The Working Group noted differences in UPU/APPU contributions, and some similarities in consideration of new classes, leading to a recommendation that a) the APPU consider a 0.5 contribution unit category applicable to SIDS with a population of <200,000, that would affect Nauru, Tonga, and Samoa. This would result in a US\$87 increase per contribution

unit for other countries. Australia supported the paper and commended the output and work of the Working Group.

11. The Working Group also noted that a full review of APPU contributions has not been undertaken, and this may be something to consider in the future.
12. The Committee noted the two requests and deferred the topic of waiving arrears until after the UPU had made a similar decision given the similarity in issues.
13. The Committee noted that there was no reasonable mathematical relationship between the contribution systems of the UPU and APPU on which to base a precisely-calculated reduction in the APPU contribution unit to a level of 0.5 units (or to any other level below 1 unit). However, the Committee also agreed that there was now such a significant disparity of a general nature between the two systems, that an interim step of creating a 0.5-unit class could be justified. The Committee further noted that no anomalies had been found that required reporting to the EC, and recommended that the 2022 APPU Congress direct a full review of the financial contribution system be undertaken.

EC 2021 Doc 5.2

14. The APPU noted the continued exposure of the Administrative Section to currency fluctuations between the currencies - THB and USD and noted that journal and reporting issues needed to be reviewed.
15. The Committee:
 - **noted** the successful introduction of a foreign exchange management process in the Training Section.
 - **noted** that the Training Section solution appears to be appropriate for implementation in the Administrative Section.
 - **noted** that internal procedures associated with audit requirements and some general reporting questions need to be reviewed prior to implementation of a solution.
 - **noted** the next steps in the review, including the possible use of an external expert to advise on internal procedures and general reporting.
 - **noted** that any cost involved in using an external expert would be met from the Administrative Section Reserve Fund and that this expenditure is covered separately in EC 2021 Doc 5.3.

EC 2021 Doc 5.3

16. The Bureau presented on the matter of the ASRF at 31 December 2020 which contained US\$313K, well above the US\$80K target, and noted that there were no additional funds requested for the ASRF in 2022.
17. The Bureau requested the Finance committee consider and recommend the following activities: Archive Management (US\$ 10K), 60th Anniversary milestone (US\$ 10K), Business strengthening in Foreign Exchange management (US\$ 7K).
18. The Bureau noted the importance of the projects above and outlined how the ASRF was intended to support these projects, and that it was in a sound position to do so. New Zealand requested clarity on the holding of the ASRF in USD instead of THB, and whether – if

USD was necessary – an appropriate interest-earning account was chosen. The Secretary General clarified that the external expertise to assist with finalizing the Foreign Exchange management intended to address this point, and convert USD to THB as had been done.

19. The Committee:

- **noted** the current level of the ASRF.
- **noted** that the balance estimated to be carried forward to 2022 is more than adequate to meet reasonable funding requirements .
- **approved** the ASRF retaining its current minimum financial level of US\$80,000.
- **approved** no additional funds needing to be budgeted for the ASRF for 2022
- **approved** the proposed expenditure ceilings from the ASRF of:

* US\$10,000 for the Archiving Project

* US\$10,000 for APPU 60th Anniversary celebrations.

* US\$7,000 for external expertise to assist with finalizing foreign exchange management in the Administrative Section.

EC 2021 Doc 5.4

20. The Committee reviewed the cost allocations between the Administrative and Training sections, noting that accuracy could not currently be reviewed.

21. The Committee:

- **noted** the current allocation of costs between the three budget areas in the Bureau.
- **noted** that neither the accuracy of the current allocations nor how they were established can be verified from documentation that has been reviewed.
- **noted** the activity mix, including the parties who benefit from Bureau activity, has almost certainly changed since the current allocations were calculated.
- **noted** that the Bureau will initiate a review of the current allocations using in-house resources in the first place.
- **noted** that the Bureau will report to the membership on this matter no later than the 2022 Congress.

Recommendations for the APPU EC

22. The Committee recommends the EC:

- **Approve** the 2020 auditors financial report
- **Approve** the proposals 2022 budget
- **note** the two requests from Nauru
 - **note** the matter of waiving arrears is deferred until the UPU Congress deals with this issue in its financial system.
 - **note** the following responses to the four questions that the Finance Committee was asked to deal with.
 - **approve** the necessary action being taken for a proposal to be presented to the 2022 APPU Congress for the creation of a 0.5-unit contribution class which, in principle (and, if approved by Congress), would be offered to Nauru, Samoa and Tonga.
 - **note** the financial impact on members of the creation of a 0.5-unit contribution class.
 - **recommend** to the 2022 APPU Congress that a full review be undertaken of the financial contributions system.

- **note** the current level of the ASRF.
- **note** that the balance estimated to be carried forward to 2022 is more than adequate to meet reasonable funding requirements.
- **approve** the ASRF retaining its current minimum financial level of US\$80,000.
- **approve** no additional funds needing to be budgeted for the ASRF for 2022.
- **approve** the proposed expenditure ceilings from the ASRF of:
 - * US\$10,000 for the Archiving Project
 - * US\$10,000 for APPU 60th Anniversary celebrations
 - * US\$7,000 for external expertise to assist with finalizing foreign exchange management in the Administrative Section
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Bhavana Chhagan

Chair

APPU Finance Committee

22 June 2021, Melbourne