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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Sixty-fifth Meeting
Bali, Indonesia, 13-17 November 2011

RECONCILIATION OF THE ACCOUNTS

1. This document contains four sections: Section I: Background; Section II: Reconciliation of the Income as recorded in the 2010 Accounts with the Implementing Agencies' Progress Report Financial Data and the Fund Secretariat's Inventory of Approved Projects. Section III: Expenditures Reported in the 2010 Accounts and in the Progress Report; and Section IV: Recommendations.

Section I: Background

2. Following the 38th meeting and the submission of the 2001 accounts of the Fund, the Executive Committee requested that a full reconciliation of the accounts with the progress and financial reports should be prepared for the last meeting of each year (decision 38/9(d)). The Secretariat in collaboration with the implementing agencies and the Treasurer has conducted this exercise every year and reported the results annually to the last meeting of the year with outstanding reconciling items not resolved in the course of a given year being carried over to the following year.

Section II: Reconciliation of the Income as recorded in the 2010 Accounts with the Implementing Agencies' Progress Report Financial Data and the Fund Secretariat's Inventory of Approved Projects

3. Adjustments are proposed to be effected in UNEP's 2011 accounts in consultation with the implementing agencies and the Treasurer subject to the decision of the Executive Committee as recommended in the present report.

Progress Report Financial Data and the Inventory of Approved Projects

4. As shown in Table 1 the Progress Report Financial Data of the implementing agencies reflects discrepancies for all the agencies compared to the Secretariat's Inventory of Approved Projects. Since the ultimate source of the implementing agencies' approvals is the inventory maintained by the Secretariat, it

is suggested that the 2010 approved amount of US \$2,433,020,987 as per the inventory be used for the purpose of the 2010 reconciliation of the accounts exercise.

Table 1

COMPARISON BETWEEN PROGRESS REPORTS AND INVENTORY OF APPROVED PROJECTS (US \$)

Agency	2010 Progress Report – Total funds approved including support costs	Inventory – Total funds approved including support costs	Difference
UNDP	605,123,673	605,123,640	-33
UNEP	193,503,722	193,507,706	3,984
UNIDO	608,582,868	608,582,854	-14
World Bank	1,025,806,791	1,025,806,787	-4
Total	2,433,017,054	2,433,020,987	3,933

5. Table 1 shows a US \$(33) difference between the Secretariat's Inventory of approved projects and the 2010 approvals reported in the UNDP's progress report. For the purpose of the reconciliation exercise UNDP used the inventory provided by the Secretariat in May 2011. In the meantime the Secretariat updated its records resulting in a different figure as at September 2011. The discrepancy of US \$(33) is most likely a result of rounding differences. It is anticipated that UNDP will update its records to match the Secretariat's inventory as of September 2011.

6. The discrepancy of US \$3,984 between UNEP's records and the Secretariat's inventory reflected in table 1 is the sum of an amount of US \$3,900 against project SAM/SEV/25/PRP/05, and US \$81 against project SIL/REF/41/TRA/08 returned to the 58th meeting of the Executive Committee and not adjusted in UNEP's records, together with a rounding difference of US \$4. UNEP agreed to make the necessary adjustments to match its progress report data with the Secretariat's Inventory of Approved Projects.

7. UNIDO explained that US \$(14) discrepancy between the UNIDO's Progress Report and the Secretariat's inventory of approved projects is a rounding difference which UNIDO would need to adjust.

8. The difference of US \$(4) in the World Bank's case also results from rounding between the World Bank's Progress Report and the Secretariat's inventory of approved projects.

9. Where the difference is higher than US \$5 it is suggested that the agencies align their figures to the inventory maintained by the Secretariat or justify the discrepancy. It is therefore recommended that UNDP, UNEP and UNIDO align their records of approved amounts reported in their progress report to the Secretariat's Inventory before the next reconciliation of the accounts exercise.

Net Approvals in Progress Reports and 2010 Income Accounts of the Implementing Agencies

10. The net approved funds in the agencies' progress reports and the income in the 2010 accounts of the Fund cover the same period. However, as shown in Table 2, there are differences between the two reports.

Table 2

DIFFERENCES BETWEEN THE PROGRESS REPORTS AND 2010 ACCOUNTS OF THE FUND – FUNDS APPROVED AND INCOME (US\$)

(1)	(2)	(3)	(4)	(5) = (3)-(2)	(6) = (4)-(2)
Agency	2010 Progress Report – Total funds approved including support costs	Aggregate Income for 2010 Accounts of the Fund (Provisional as reported by the Treasurer)	Aggregate Income for 2010 Accounts of the Fund (per Final statements)	Difference between Provisional Accounts and Progress Report	Difference between Final Accounts and Progress Report
UNDP	605,123,673	605,123,684	605,091,042	11	-32,631
UNEP	193,503,722	193,614,931	193,544,008	111,209	40,286
UNIDO	608,582,868	608,679,323	608,705,606	96,455	122,738
World Bank	1,025,806,791	1,036,752,675	1,036,752,675	10,945,884	10,945,884
Total	2,433,017,054	2,444,170,613	2,444,093,331	11,153,559	11,076,277

Note: A positive number in the last column means more income was reported in the agency's accounts than indicated in the progress report. A negative number means less income was reported in the agency's accounts than indicated in the progress report.

11. Table 3 explains the differences between the progress reports and the agencies' aggregate income in the 2010 final accounts.

Table 3

RATIONALE FOR DIFFERENCES BETWEEN NET APPROVALS IN PROGRESS REPORTS AND INCOME IN THE 2010 FINAL ACCOUNTS OF THE FUND (US\$)

Row	Comments	UNDP	UNEP	UNIDO	World Bank
1	Difference between Agency Audited Accounts and Progress Report	-32,631	40,286	122,738	10,945,884
2	2010 final quarter interest earnings accounted for in the 65 th meeting approvals				-8,133
3	Interest accrued in 2010 not reflected in the progress report (UNEP and UNIDO for action)		-22,807	-226,429	
4	Miscellaneous income for 2010 not reflected in UNEP and UNIDO progress report (UNEP and UNIDO for action)		-13,494	-3,015	
5	UNIDO Income Adjustments made by Treasurer in 2010 (after 61 st ExCom)			38,031	
6	UNIDO Income Adjustments made by Treasurer in 2010 (after 62 nd ExCom)			68,663	
7	Difference between actual and estimated 2010 interest to be refunded to UNDP by the Treasurer (Treasurer for action)	32,642			
8	Return to ExCom 58 for SIL/REF/41/TRA/PRP/05 to be adjusted by UNEP in 2011 progress report		-81		
9	Rounding difference in Programme		-4		

Row	Comments	UNDP	UNEP	UNIDO	World Bank
	Support Costs in UNEP's records to be adjusted by UNEP in 2011 progress report				
10	Adjustment to be reflected by UNEP on project SAM/SEV/25/PRP/05 in 2011 progress report		-3,900		
11	Standing reconciling item of Sweden bilateral (THA/HAL/29/TAS/120)*				-225,985
12	Standing reconciling item US bilateral (CPR/PRO/44/INV/425)*				-5,375,000
13	Standing reconciling item US bilateral (CPR/PRO/47/INV/439)*				-5,375,000
14	Total (Rows 2 to 13)	32,642	-40,286	-122,750	-10,984,118
15	Difference	11	0	-12	-38,234

*Standing reconciling items to be closed on completion of the Bank's MP activities.

12. Table 3 shows that all agencies were able to identify the reasons for differences between their 2010 income and the approved amounts as per the Inventory with the exception of the World Bank with respect to the amount of US \$38,234.

UNDP

13. UNDP explained that the difference of US \$(32,631) between the 2010 progress report and its 2010 financial statement represents the difference in interest income between the 2010 UNDP provisional and final financial statements amounting to US \$32,642. This amount will be refunded to UNDP by the Treasurer following the 65th meeting because the estimated income from interest reported by UNDP as of September 2010 of US \$500,000 was overstated compared to the final interest income figure for 2010 of US \$467,358. The remaining difference of US \$11 is an outstanding reconciling item due to a pending adjustment to be made after the discrepancy between the Secretariat's inventory of approved projects and data on approved projects in UNDP's progress report is clarified between UNDP and the Secretariat.

UNEP

14. Row 1 of table 3 shows that UNEP's 2010 final accounts reflect US \$40,286 more income in its 2010 financial statement than in its 2010 progress report. UNEP explained that the amount of US \$22,807 (row 3 of Table 3) in interest income and US \$13,494 in miscellaneous income (row 4 of Table 3) had been reflected in its 2010 accounts and not in the progress report. It shall be adjusted by UNEP in its 2011 Progress Report.

UNIDO

15. UNIDO has reported more income in its 2010 accounts than in its progress report. This is due to the interest earned plus miscellaneous income yet to be reflected in UNIDO's progress report. On the difference of US \$122,738 between the progress report and 2010 accounts, UNIDO attributed US \$226,429 to interest and US \$3,015 to miscellaneous income reported to the Treasurer in the final statements. US \$38,031 and US \$68,663 were deducted by the Treasurer after the 61st and 62nd meetings respectively, based on provisional interest income reported by UNIDO for the period January to September 2010. This would leave a US \$(12) difference unexplained and constitute an outstanding reconciling item which UNIDO considers to be a rounding difference.

World Bank

16. Row 1 shows a difference of US \$10,945,884 between net approvals in the Bank's progress reports and income in the 2010 final accounts of the Fund. Out of this amount, US \$8,133 corresponds to the interest earned in the last quarter of the year that was taken into account in 2011. The last row of table 3 shows a shortfall of US \$38,234 in the World Bank accounts which could not be identified in time for the 65th meeting submission deadline. However, the Bank is working with the trust fund accounting group and resource management specialist to identify this shortfall and will report back to the Fund Secretariat and the Treasurer before or at the time of the meeting.

*Standing reconciling items*World Bank

17. The World Bank reported the same standing reconciling item of US \$5,375,000 for a bilateral contribution received in 2006 from the United States of America towards the US-China Accelerated Production Phase-out projects (CPR/PRO/44/INV/425). The Bank added another amount of US \$5,375,000 related to the Accelerated Production Phase-out US bilateral project for China (CPR/PRO/47/INV/439). This project was approved at the 47th Executive Committee meeting. Both amounts will remain standing reconciling items in the accounts because the World Bank has included them as part of its income in the 2006 and 2008 accounts, whereas it is not included in the Secretariat's list of approved projects for the World Bank because it is a bilateral contribution.

18. The Bank also reported the same sum of US \$225,985 that was a standing reconciling item in previous annual reconciliations of accounts. It represents a Swedish bilateral contribution approved at the 29th Executive Committee meeting (THA/HAL/29/TAS/120) and has been treated in a similar manner as the bilateral contribution received from the United States mentioned above. Consequently, it will remain a standing reconciling item since it cannot be treated as normal income from the Multilateral Fund in the Bank's progress report.

Section III: Expenditures Reported in the Accounts and in the Progress Report

19. Table 4 sets out the differences between the cumulative expenditures provisionally reported to the Treasurer in the 2010 accounts of the Fund, and the sum of the funds disbursed and funds obligated as reported to the Fund Secretariat in the annual progress reports of the implementing agencies for the period 1991 to 2010.

Table 4**EXPENDITURES (US\$)**

(1)	PROGRESS REPORT			(5)	(6)
	(2)	(3)	(4)		
Agency	Funds disbursed including support costs	Funds obligated including support costs	Total cumulative expenditures {(2)+(3)}	Total cumulative expenditures reported to the Treasurer	{(4)-(5)} (See Note)
UNDP	550,904,661	1,212,719	552,117,380	545,826,418*	6,290,962
UNEP	163,683,422	6,865,748	170,549,170	170,549,170	0
UNIDO	513,841,867	19,332,184	533,174,051	533,233,787	-59,736
World Bank	990,327,904	34,401,181	1,024,729,085	998,158,038	26,571,047

*Provisional accounts.

Note: A positive number in the last column means more expenditure was indicated in the progress report than in the accounts of the Fund. A negative number means less expenditure was indicated in the progress report than in the accounts.

20. Table 5 summarises the differences in the expenditures reported in the agencies' progress reports and the accounts of the Fund.

Table 5

RATIONALE FOR DIFFERENCES IN EXPENDITURES REPORTED IN PROGRESS REPORTS AND THE ACCOUNTS OF THE FUND (US\$)

	UNDP	UNEP	UNIDO	World Bank
1. Difference between Agency Accounts and Agency Progress Report	6,290,962	0	-59,736	26,571,047
2. Funds allotted to cover 2011 & 2012 administrative commitments. Earned and reported in progress report, not yet disbursed per 2010 accounts	5,317,436			
3. Difference between provisional and final 2010 financial statements to be recorded in 2011 based on the final 2010 financial statement submitted by UNDP	906,966			
4. Project level errors identified and removed from 2010 progress report not adjusted in 2010 financial statement. To be adjusted by UNDP in 2011 accounts.	-30,794			
5. Standing reconciling item of reduction of expenditure in financial statements not associated with any specific projects. Increases the fund balance due to MLF but can only be returned when the trust fund is closed*	68,300			
6. Standing reconciling item of reduction of expenditure in financial statement not associated with any specific projects. Increases the fund balance due to MLF but can only be returned when the trust fund is closed*	29,054			
7. UNIDO's accounts already adjusted in 2011			59,920	
8. Committed value for approved projects				34,401,181
9. Disbursement to WB Special Accounts				-7,830,134
10. Total (Rows 2 to 10)	6,290,962	0	59,920	26,571,047
11. Difference	0	0	184	0

* Standing reconciling item that can be returned when the trust fund is closed

UNDP

21. Row 2 represents funds allotted to cover 2011 and 2012 administrative commitments earned, included in the progress report, and not yet disbursed as per the 2010 financial statement. Row 3 represents the difference of US \$906,966 between the provisional and final 2010 financial statements to be recorded by the Treasurer in 2011 based on the final 2010 financial statement submitted by UNDP. Row 4 is a 2010 reconciling item related to an error at an amount of US \$(30,794) identified and removed from the 2010 progress report that will be adjusted by UNDP in its 2011 accounts.

Standing reconciling items

22. Rows 5 and 6 show the sums of US \$68,300 and US \$29,054 that will remain as standing reconciling items for UNDP till closure of the Multilateral Fund funded projects and cannot be associated with any specific project. It is to be noted that through reducing its expenditures by these two amounts in its financial statement UNDP has, in theory, taken the required action to return these amounts to the Fund.

UNEP

23. There is no discrepancy between UNEP's 2010 progress report and 2010 accounts.

UNIDO

24. With respect to UNIDO, it has reported US \$59,736 more expenditure in its 2010 financial statement compared to its 2010 progress report. UNIDO explained that the cumulative expenditures as reported to the Treasurer are US \$59,920 higher than should be and that UNIDO's accounts have already been adjusted by the same amount in 2011. The remaining difference of US \$184 is a reconciling item that UNIDO is unable to explain at this meeting.

World Bank

25. Regarding the World Bank, US \$26,571,047 relates to the fact that it uses a cash basis of accounting where disbursements are not recorded in its financial statements until such payments are made, but are nevertheless reflected in its progress reports. Therefore its progress report will always reflect a higher expenditure than its final statement. The progress report's disbursement figures are primarily made up of those reported to the World Bank by their financial agents and client countries (in the case of some sector and national ozone depleting substance phase-out plans), whereas expenditures in the financial statement represent the funds that flow out of the Bank into the special accounts (and eventually to the beneficiary). At any given time, there will be a higher total expenditure level in the accounts than in the progress report because of the time lag between disbursement to the special accounts and disbursement to the beneficiary

Section IV: Recommendations

26. The Executive Committee may wish to:

- (a) Note the reconciliation of the 2010 accounts, as presented in document UNEP/OzL.Pro/ExCom/65/57;
- (b) Request the implementing agencies to carry out 2010 adjustments in 2011 as follows:
 - (i) UNDP to adjust its records of approved amounts by US \$(33) in its Progress Report;
 - (ii) UNEP to adjust its records on approved amounts by US \$3,984 and its income by US \$22,807 and US \$13,494 in its Progress Report; and
 - (iii) UNIDO to adjust its records of approved amount by US \$(14) and its income by US \$226,429 and US \$3,015 in its Progress Report.
- (c) Request the Treasurer to refund to UNDP an amount of US \$32,642 to rectify the overstated interest income reported by UNDP as of September 2010;
- (d) To note the 2010 outstanding reconciling items as follows:
 - (i) US \$11 difference in income in UNDP's 2010 Accounts;
 - (ii) US \$(12) in income and US \$184 additional expenditure in UNIDO's 2010 Accounts; and
 - (iii) Shortfall in income of US \$38,234 in the World Bank's accounts.

- (e) To note the standing reconciling items as follows:
- (i) UNDP standing reconciling items for unspecified projects at the amounts of US \$68,300 and US \$29,054; and
 - (ii) World Bank standing reconciling items for the following projects:
 - Sweden bilateral (THA/HAL/29/TAS/120) at the amount of US \$225,985;
 - United States of America bilateral (CPR/PRO/44/INV/425) at the amount of US \$5,375,000; and
 - United States of America bilateral (CPR/PRO/47/INV/439) at the amount of US \$5,375,000.
