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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventieth Meeting
Bangkok, 1-5 July 2013

PROVISIONAL 2012 ACCOUNTS

1. This document presents the provisional 2012 accounts of the Multilateral Fund, the four implementing agencies (IAs) and the Secretariat as contained in Schedules 1.1 through 1.7. and is submitted for information only at this time.

Adjustments to IAs 2011 Provisional Statements

2. The differences between the agencies' provisional and final 2011 financial statements, as reflected in Executive Committee decision 68/43(d) of document UNEP/OzL.Pro/ExCom/68/48 were recorded during the year 2012 as prior years' adjustments. The final 2012 accounts of the Fund will be submitted to the 71st Meeting of the Executive Committee following the submission schedule agreed between the representatives of the IAs and the Treasurer at the Workshop on Common Terminology and Procedures for reconciliation of accounts, during which the agencies agreed with the Treasurer to submit their provisional accounts to UNEP by 31 January and the final accounts by 30 September of the year following the accounting period to which they relate.

Audit

3. During the months of April and May 2013, the United Nations Board of Auditors, represented by a team from the national Audit Office of Tanzania performed an interim audit of UNEP accounts for the biennium 2012 – 2013. This included examining the records of the Multilateral Fund. UNEP is currently awaiting the draft report of the audit.

Follow-up to decision 68/43(c)

4. By decision 68/43(c)(i)a. and b., the Executive Committee decided to request the Treasurer “to note that the auditors had undertaken a review of the appropriateness of the current reporting arrangements for expenditures by the Trust Fund of the Multilateral Fund, and determined that the inclusion and the presentation as a separate statement, were proper under United Nations System Accounting Standards (UNSAS)”. It also decided “to request UNEP to consult the Executive Committee prior to any decision regarding possible integration of the accounts of the Multilateral Fund with the accounts of UNEP under the International Public Sector Accounting Standards (IPSAS)”. In response to decision 68/43(c)(i)b. the Treasurer indicated that UNEP is still discussing with the IPSAS team at the UN Headquarters, responsible for the implementation of IPSAS system-wide, and the UN Board of Auditors and a decision on the methodology to be adopted is pending.

5. Also by decision 68/43(c)(i)c. the Executive Committee decided to request the Treasurer “to reflect the footnote regarding the Russian Federation in the 2012 accounts, as directed by the Executive Committee in decision 67/1(c), requesting the Treasurer to maintain the outstanding contributions of the Russian Federation in the outstanding contributions category of the Fund’s accounts”. In the Treasurer’s reply to the Secretariat, the Treasurer indicated that following accounting standard rules and practices, any outstanding contributions not written off are maintained in the outstanding contributions category of the accounts. On this basis, a footnote is not required.

6. Also by decision 68/43(c)(i)d. the Executive Committee requested the Treasurer to “ensure that the recommendation by the United Nations Board of Auditors to record audited statements from IAs (World Bank and UNIDO) would not prevent the annual reconciliation of the accounts taking place within the same time frame.” The issue of recording only the audited financial statements of the two IAs instead of their provisional accounts as is currently the practice is likely to be subject to further discussions with the new external audit team from the National Audit office of Tanzania. Any views on this subject from the new team of auditors will be communicated to the committee in due course.

7. By decision 68/43(c)(i)e. the Executive Committee requested the Treasurer “to request UNEP to inform the Executive Committee of any options it considers to mitigate exchange rate risks prior to their implementation”. In this regard it appears that UNEP has not addressed the issue yet.

8. In decision 68/48(c)(ii) the Executive Committee decided “to request UNEP, as implementing agency, to advise the Executive Committee if it determines that any changes to its current practices and procedures related to cash advances may be needed”. In its response UNEP advised the Secretariat that it is currently reviewing its processes and procedures taking into account the on-going implementation of the IPSAS and the adaptation of a new Enterprise Resource Planning System. This implementation is United Nations Secretariat wide, global business practices and corporate guidance are currently being developed which will in turn result in UNEP wide common procedures being put into place. As an implementing agency for the Montreal Protocol, UNEP will review all advances made to its partners on a case-by-case basis to determine that the adopted procedures set by the UNEP wide standard will not impede nor restrict the countries in meeting their commitments under the Montreal Protocol, at the same time taking the necessary steps to minimize the financial risk to the organisation. UNEP will keep the Multilateral Fund Secretariat informed of any development that will impact project implementation.

Recommendations

9. The Executive Committee may wish to:

- (a) Take note of the Fund’s 2012 provisional accounts contained in document UNEP/OzL.Pro/ExCom/70/56;

- (b) Note that the 2012 final accounts of the Fund will be submitted to the Committee at the 71st meeting and that further adjustments will be introduced as required;
- (c) Note the actions taken by the Treasurer in 2012 to reflect the adjustments resulting from the reconciliation of the 2011 accounts exercise;
- (d) Note the following responses provided by the Treasurer as a follow-up to decision 68/43(c)(i) that:
 - (i) A decision on the methodology to be adopted to integrate the accounts of the Fund with those of UNEP is still pending the International Public Sector Accounting Standard's decision;
 - (ii) A footnote reflecting the outstanding contribution of the Russian Federation is not necessary in the light of the accounting standard rules and practices, whereby any outstanding contributions not written off are maintained in the outstanding contributions category of the accounts;
 - (iii) The issue of recording only the audited financial statements of UNIDO and the World Bank instead of their provisional accounts, as is currently the practice, is pending further discussions on the subject with the new external audit team from the National Audit office of Tanzania;
 - (iv) UNEP has not yet addressed the issue to mitigate exchange rate risks prior to their implementation and to request the Treasurer to follow-up with UNEP as requested by decision 68/43(c)(i)e. and report back at the 71st meeting.
- (e) Note the response provided by UNEP, as implementing agency, as a follow-up to decision 68/43(c)(ii) on its current practices and procedures related to cash advances; and
- (f) Request UNEP to update the Committee at its 71th meeting on the adopted procedures set by the UNEP wide standard on cash advance and its potential impact on Multilateral Fund funded project implementation.

SCHEDULE 1.1 MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL 2012 STATEMENT OF INCOME AND EXPENDITURE (in US\$) (Thousands of United States dollars)			
INCOME	2012	2011	1991- 2012
Agreed contributions	129,008	128,349	2,825,166
Interest income	2,347	2,496	209,982
Exchange gain/(loss)(i)	(3,090)	(4,310)	23,440
Miscellaneous income	351	(1,109)	31,217
TOTAL INCOME	128,616	125,426	3,089,805
EXPENDITURE			
UNEP Managed Activities	15,519	18,848	204,660
UNDP Managed Activities	34,170	39,395	619,391
UNIDO Managed Activities	59,345	31,627	623,914
World Bank Managed Activities	8,275	11,200	1,017,633
Secretariat	7,182	6,765	92,102
TOTAL EXPENDITURE	124,491	107,835	2,557,700
Excess of income over expenditure	4,125	17,591	532,105
Prior period adjustments	(5,815)	(8,949)	(171,068)
Net excess of income over expenditure	(1,690)	8,642	361,037
Fund balance, beginning of period	362,727	354,085	0
Fund balance, end of period	361,037	362,727	361,037

(i) The Exchange loss for 2012 is in respect of FERM.

(ii) In order to allow UNEP to comply with the requirement to issue the financial statements by 31 March of the following year, the Treasurer with the approval of the Executive Committee of the Multilateral Fund, has adopted the practice of recording UNDP, UNIDO and WB-IBRD unaudited expenditure submitted. audited expenditures immediately they become available but not later 30 September of the following year. There is however an agreement that the implementing agencies will provide

(iii) During the 2010-2011 financial period, the Fund changed its accounting policy to start recording a provision for doubtful accounts receivable amounting to 100% of all outstanding receivable over four years old and other specific receivables considered uncollectible. Previously there was no provision for doubtful accounts being made. Management believes that this policy results in a more transparent treatment of uncollectible accounts.

SCHEDULE 1.2		
MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL		
2012 STATEMENT OF ASSETS AND LIABILITIES		
(Thousands of United States dollars)		
ASSETS	31.12.2012	31.12.2011
Cash and term deposits	86,311	16,069
Voluntary pledges receivable	209,779	187,122
Less provision for doubtful receivables	-172,177	-166,233
Inter-fund balance receivable		
Other accounts receivable	313	353
Other assets - deferred charges*	225,481	126,653
Promissory notes	21,790	24,844
Operating funds provided to implementing agencies	226,815	305,094
TOTAL ASSETS	598,312	493,902
LIABILITIES		
Deferred credits*	237,067	130,747
Reserve for obligations	99	266
Inter-fund balance payable	6	42
Other accounts payable	103	120
TOTAL LIABILITIES	237,275	131,175
RESERVES AND FUND BALANCES		
Cumulative surplus	361,037	362,727
TOTAL RESERVES AND FUND BALANCES	361,037	362,727
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	598,312	493,902

*Other assets and Deferred credits include commitments for future years amounting to US \$225,473 (Thousands of United States dollars).

SCHEDULE 1.3

A. 2012 Expenditures for Account MFL 2336-2211-2661: (Secretariat's Main Account)

		Approved Budget (1)	Actual Expenditure	Savings/ (Deficit)
10	PROJECT PERSONNEL COMPONENT			
	<i>1100 Project Personnel</i>			
	1101 Chief Officer (D-2)*	237,190	257,064	(19,874)
	1102 Deputy Chief Officer (Economic Cooperation) (D-1)	234,078	225,408	8,670
	1103 Programme Management Officer (P-3)	155,137	153,939	1,198
	1104 Senior Project Management Officer (P-5)**	211,527	226,531	(15,004)
	1105 Senior Project Management Officer (P-5)*	211,527	184,847	26,680
	1106 Senior Project Management Officer (P-5)	211,527	195,190	16,337
	1107 Senior Project Management Officer (P-5)	211,527	187,981	23,546
	1108 Information Management Officer (P-3)*	187,037	201,398	(14,361)
	1109 Administrative and Fund Management Officer (P-5)*	189,786	180,671	9,115
	1110 Senior Monitoring and Evaluation Officer (P-5)	211,527	197,479	14,048
	1111 Programme Management Officer (P-3)	155,137	158,319	(3,182)
	1112 Associate IT Officer (P-2)	130,000	125,612	4,388
	1114 Programme Management Officer (P-3)	155,137	148,124	7,013
	1188 Prior Year's Adjustment			
	<i>1199 Sub-total</i>	2,501,137	2,442,563	58,574
	<i>1200 Consultants</i>			
	1201 Projects and technical reviews etc	50,949	20,935	30,014
	1202 MC2 Consultants	40,200	2,700	37,500
	1203 MYA Table access & development	1,830	1,800	30
	<i>1299 Sub-total</i>	92,979	25,435	67,544
	<i>1300 Administrative Support Staff costs</i>			
	1301 Administrative Assistant (G-8)	89,161	84,270	4,891
	1302 Meetings Services Assistant (G-8)	84,366	78,311	6,055
	1303 Programme Assistant (G-8)	89,161	88,288	873
	1304 Senior Secretary (Economic Cooperation) (G-6)	66,045	39,553	26,492
	1305 Senior Secretary (Technical Cooperation) (G-6)	66,046	66,825	(779)
	1306 Computer Operations Assistant (G-8)	89,161	57,505	31,656
	1307 Programme Assistant (G-6)	69,803	73,360	(3,557)
	1308 Secretary/Clerk (Administration) (G-7)	74,881	67,350	7,531
	1309 Registry Clerk (G-4)	57,053	57,314	(261)
	1310 Database Assistant (G-8)	89,161	96,879	(7,718)
	1311 Secretary (Monitoring and Evaluation) (G-6)	66,045	72,639	(6,594)
	1313 Secretary (Senior Programme Officer) (G-6)	66,045	55,340	10,705
	1314 Secretary (Senior Programme Officer) (G-6)	66,045	43,119	22,926
	<i>1301-14 Sub-total (support staff costs)</i>	972,973	880,753	92,220
	1333 66th Meeting of the Executive Committee	297,000	292,765	4,235
	1334 67th Meeting of the Executive Committee	336,868	342,385	(5,517)
	1336 68th Meeting of the Executive Committee***	335,688	355,664	(19,976)
	<i>1333-34 & 1336 Sub-total (conference servicing)</i>	969,556	990,814	(21,258)
	1335 Temporary Assistance	26,782	21,772	5,010
	1388 Prior Year's Adjustment	-	-	0
	<i>1388 Sub-total</i>	-	0	0
	<i>1399 Sub-total</i>	1,969,311	1,893,339	75,972

(1) 2012 Approved Budget has been adjusted to reflect a) an additional amount of US \$68,668 to cover the cost differential of holding the 67th meeting in Bangkok rather than Montreal in line with decision 68/45(a); b) US \$195,388 reallocated between budget lines in line with document 68/50; and c) An amount of US \$136,988 repensed from prior year savings.

*Home leave year.

**Includes tax payment to the staff member's Government.

***Approximately US \$205,000 were spent in translation costs at the 69th Meeting.

			Approved Budget (1)	Actual Expenditure	Savings/ (Deficit)
	1600	Travel on Official Missions			
	1601	Mission costs****	256,700	265,939	(9,239)
	1602	Network meetings	47,306	48,612	(1,306)
	1699	Sub-total	304,006	314,551	(10,545)
1999	COMPONENT TOTAL		4,867,433	4,675,888	191,545
20	SUB-CONTRACTS COMPONENT				
	2100	Sub-Contracts with UN Agencies:			
	2101	Treasury services	500,000	500,000	0
	2102	Corporate consultancies	639,973	254,551	385,422
	2199	Sub-total	1,139,973	754,551	385,422
	2300				0
	2300	Sub-Contracts with Profit Making Institutions			0
	2301	Corporate Consultancies	0	0	0
	2399	Sub-total	0	0	0
2999	COMPONENT TOTAL		1,139,973	754,551	385,422
30	MEETINGS PARTICIPATION COMPONENT				
	3300	Assistance to Participants from Developing Countries			
	3301	Travel of Chairman / Vice-Chairman	6,816	3,358	3,458
	3302	Executive Committee meetings	250,260	233,952	16,308
	3399	Sub-total	257,076	237,310	19,766
3999	COMPONENT TOTAL		257,076	237,310	19,766
40	EQUIPMENT COMPONENT				
	4100	Expendables			
	4101	Office stationery etc. (revision initiated to use anticipated	8,353	8,373	(20)
	4102	Software & Computer expendables	2,111	1,477	634
	4199	Sub-total	10,464	9,850	614
	4200	Non-expendable Equipment			
	4201	Computer, printers etc.	13,000	2,872	10,128
	4202	Others	11,720	(1,369)	13,089
	4299	Sub-total	24,720	1,503	23,217
	4300	Rental of premises			
	4301	Rental of office premises	870,282	798,204	72,078
	4399	Sub-total	870,282	798,204	72,078
4999	COMPONENT TOTAL		905,466	809,557	95,909
50	MISCELLANEOUS COMPONENT				
	5100	Operations and Maintenance			
	5101	Computers, printers etc.	8,100	1,703	6,397
	5102	Office premises	3,797	1,904	1,893
	5103	Rental of Photocopiers	15,000	4,220	10,780
	5104	Telecommunications equipment	643	(7,216)	7,859
	5105	Miscellaneous equipment rentals	24,807	20,960	3,847
	5199	Sub-total	52,347	21,571	30,776
	5200	Reporting Costs			

****Includes staff travel costs to the 67th meeting in Bangkok

		Approved Budget (1)	Actual Expenditure	Savings/ (Deficit)
	5201 Executive Committee meetings	15,300	9,252	6,048
	5202 Reporting (others)			0
	5299 <i>Sub-total</i>	15,300	9,252	6,048
	5300 <i>Sundry</i>			
	5301 Communications	58,500	45,372	13,128
	5302 Freight charges	13,500	8,037	5,463
	5303 Bank charges	7,863	1,509	6,354
	5305 Staff training	41,036	16,863	24,173
	5399 <i>Sub-total</i>	120,899	71,781	49,118
	5400 <i>Hospitality</i>			
	5401 Official hospitality	24,000	22,342	1,658
	5499 <i>Sub-total</i>	24,000	22,342	1,658
5999	COMPONENT TOTAL	212,546	124,946	87,600
99	PROJECT TOTAL	7,382,494	6,602,252	780,242
	<i>Programme Support Costs (budget lines 1100 and 1300)</i>	451,634	432,031	19,603
	GRAND TOTAL	7,834,128	7,034,283	799,845
B. 2012 Expenditures for Account MFL 2336-2212-2661: (Monitoring and Evaluation)				
		Approved Budget	Actual Expenditure	Savings/ (Deficit)
	1201 Projects and technical reviews/Customs Trng	11,800	9,604	2,196
	1202 Projects and technical reviews etc./Methyl bromide	7,750	520	7,230
	1203 Projects and technical reviews etc./Extending desk study	17,500	17,500	0
	1204 Projects and technical reviews etc.	84,000	58,650	25,350
	1205 Projects and technical reviews etc.	5,000	0	5,000
	1206 Projects and technical reviews etc./evaln of TPMPs	12,500	12,500	0
	1207 Projects and technical reviews etc./evaln of TPMPs	17,500	19,995	(2,495)
	1601 Travel on Official business	28,769	28,410	359
	4201 Non Expendable Computer Equipment	4,500	0	4,500
			0	0
	ACCOUNT TOTAL	189,319	147,179	42,140
TOTAL FOR ALL ACCOUNTS				
		8,023,447	7,181,462	841,985

SCHEDULE 1.4			
MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL			
UNDP Managed Activities 1991 - 2012			
INCOME	2012	2011	1991-2012
Cash transferred from the Multilateral Fund	13,833,043	65,960,734	600,858,693
Promissory notes encashment	0	0	31,150,012
Interest and miscellaneous income earned and retained	500,000	350,000	54,047,215
TOTAL INCOME	14,333,043	66,310,734	686,055,920
TOTAL EXPENDITURE	33,827,672	38,488,043	619,390,985
EXCESS OF INCOME OVER EXPENDITURE	-19,494,629	27,822,691	66,664,935
NET EXCESS OF INCOME OVER EXPENDITURE	-19,494,629	27,822,691	66,664,935
Fund balance, beginning of period	86,159,564	58,357,659	0
Add excess of income over expenditure	-19,494,629	27,822,691	66,664,935
Fund balance, end of period	66,664,935	86,180,350	66,664,935

SCHEDULE 1.5			
MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL			
UNEP Managed Activities 1991 - 2012			
INCOME	2012	2011	1991-2012
Cash transferred from the Multilateral Fund	5,538,485	18,776,892	208,948,869
Total transfers	5,538,485	18,776,892	208,948,869
Interest earned and retained	228,555	279,358	9,349,635
Other income	15,166	-5,733	75,916
TOTAL INCOME	5,782,206	19,050,517	218,374,420
TOTAL EXPENDITURE	15,266,247	18,787,381	204,855,261
EXCESS OF INCOME OVER EXPENDITURE	-9,484,041	263,136	13,519,159
Prior period adjustments	0	0	0
NET EXCESS OF INCOME OVER EXPENDITURE	-9,484,041	263,136	13,519,159
Fund balance, beginning of period	23,003,200	22,994,838	0
Add excess of income over expenditure	-9,484,041	263,136	13,519,159
Fund balance, end of period	13,519,159	23,257,974	13,519,159

SCHEDULE 1.6			
MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL			
UNIDO Managed Activities 1991 - 2012			
INCOME	2011	2010	1991-2012
Cash transferred from the Multilateral Fund	17,718,522	84,305,807	674,789,851
Interest and miscellaneous income earned and retained	414,271	386,897	36,741,252
TOTAL INCOME	18,132,793	84,692,704	711,531,103
TOTAL EXPENDITURE	59,368,399	31,340,698	623,919,566
EXCESS OF INCOME OVER EXPENDITURE	-41,235,606	53,352,006	87,611,537
NET EXCESS OF INCOME OVER EXPENDITURE	-41,235,606	53,352,006	87,611,537
Fund balance, beginning of period	128,847,143	75,471,818	0
Add excess of income over expenditure	-41,235,606	53,352,006	87,611,537
Fund balance, end of period	87,611,537	128,823,824	87,611,537

SCHEDULE 1.7			
MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL			
World Bank Managed Activities 1991 - 2012			
INCOME	2012	2011	1991-2012
Cash transferred from the Multilateral Fund	0	50,170,096	827,419,521
Promissory notes encashed*	0	0	181,333,627
Interest and miscellaneous income earned and retained (investment income)	462,598	244,055	78,876,276
TOTAL INCOME	462,598	50,414,151	1,087,629,424
TOTAL EXPENDITURE	9,125,002	11,200,968	1,017,634,113
EXCESS OF INCOME OVER EXPENDITURE	-8,662,404	39,213,183	69,995,311
NET EXCESS OF INCOME OVER EXPENDITURE	-8,662,404	39,213,183	69,995,311
Fund balance, beginning of period**	78,657,715	38,594,637	0
Add excess of income over expenditure	-8,662,404	39,213,183	69,995,311
Fund balance, end of period	69,995,311	77,807,820	69,995,311

*Promissory notes information provided by World Bank accounts.

**The World Bank restated its Opening Fund balance for 2012 by reducing cumulative total expenditure by US \$849,895.

31 December 2005.