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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-first Meeting
Montreal, 2-6 December 2013

FINAL 2012 ACCOUNTS

1. At its 70th meeting, the Executive Committee considered UNEP's provisional accounts for the Multilateral Fund for the year 2012 submitted by the Treasurer¹. The financial statements included the 2012 provisional accounts of the implementing agencies (IAs) and the 2012 accounts of the Fund Secretariat. The Executive Committee decided to note the Multilateral Fund's provisional accounts for the year 2012 and that the final 2012 accounts would be submitted to the Committee at its 71st meeting by the Treasurer with further adjustments as required (decision 70/24(a) and (b)(i)).

2. In response to decision 70/24(a) and (b)(i) the IAs submitted their final 2012 accounts to the Treasurer by the end of September 2013 (in line with the agreed deadline). Since UNEP's accounts for 2012 were closed by the time the final accounts of the IAs were received, there were no changes in the accounts of the Multilateral Fund (MLF) as presented to the 70th meeting. The differences between the agencies' 2012 provisional accounts as presented in document UNEP/OzL.Pro/ExCom/70/56 and the IAs final accounts as submitted to the Treasurer (schedules 1.1 through 1.7 attached as Annex I to the present document), are reflected in Tables 1 and 2 below, and shall be recorded in the 2013 accounts.

¹ UNEP/OzL.Pro/ExCom/70/56

Pre-session documents of the Executive Committee of the Multilateral Fund for the Implementation of the Montreal Protocol are without prejudice to any decision that the Executive Committee might take following issuance of the document.

Table 1

**DIFFERENCES BETWEEN IAS' PROVISIONAL AND FINAL 2012 ACCOUNTS ON
AGGREGATE INCOME (US \$)**

Agency	Provisional as reported by the Treasurer	Final statements	Difference
(1)	(2)	(3)	(4) = (3)-(2)
UNDP	686,055,920	708,208,875	22,152,955
UNEP	218,374,420	232,470,280	14,095,860
UNIDO	711,531,103	711,582,054	50,951
World Bank	1,087,629,424	1,087,629,424	0
	2,703,590,867	2,739,890,633	36,299,766

Table 2

**DIFFERENCES BETWEEN IAS' PROVISIONAL AND FINAL 2012 ACCOUNTS ON
AGGREGATE EXPENDITURE (US \$)**

Agency	Provisional as reported by the Treasurer	Final statements	Difference
(1)	(2)	(3)	(4) = (3)-(2)
UNDP	619,390,985	620,230,605	839,620
UNEP	204,855,261	202,511,732	-2,343,529
UNIDO	623,919,566	623,919,566	0
World Bank	1,017,634,113	1,017,634,113	0
	2,465,799,925	2,464,296,016	-1,503,909

Follow-up to the 2011 audit report on key findings and recommendations

3. By decision 67/33(b), the Executive Committee requested the Secretariat to bring to the attention of the Executive Committee elements of the 2010-2011 audit of UNEP's accounts by the United Nations Board of Auditors of relevance to the MLF. These elements are presented below:

Consolidation of the MLF accounts with those of UNEP

4. At its 70th meeting, the Executive Committee noted the responses provided by the Treasurer as a follow-up to decision 68/43(c)(i) whereby a decision on the methodology to be adopted to integrate the accounts of the MLF with those of UNEP was still pending the outcome of discussions involving UNEP, the International Public Sector Accounting Standard (IPSAS) team at United Nations Headquarters (UNHQs), and the United Nations Board of Auditors (UNBOAs) (decision 70/24(b)).

5. The Secretariat received an official communication from UNEP dated 10 September 2013 informing all Multilateral Environment Agreements (MEAs) that the United Nations will adopt IPSAS with effect from 1 January 2014, and that all UNEP administered MEA accounts are consolidated with the UNEP Secretariat's operation and thus are included in UNEP's year-end audited financial statements. Currently the MLF accounts are included in UNEP's financial statement but reported separately.

6. In responding to a clarification on the implication of UNEP's memo on the MLF accounts, the Treasurer indicated that the United Nations Office at Nairobi (UNON) is at a stage where it is simulating how the 2012 UNEP financial statements would look like in an IPSAS format using the guidelines provided by UNHQs. The Treasurer further provided preliminary information advising that the presentation of the MLF accounts would be reflected in a column specifically designed for it. However, consultation between the UNHQs and the UNBOAs on the presentation of the UNEP accounts including the MLF are still on-going, and any conclusion on this matter would be premature at this stage. An update will be provided by the Treasurer by the 72nd meeting.

Mitigation of exchange rate risks on pledge contributions

7. In response to decision 70/24(c), to request the Treasurer to address the issue of mitigating exchange rate risks with UNEP as requested by decision 68/43(c)(i) and (e), and to report back at the 71st meeting, UNEP informed the Fund Secretariat in October 2013 that the issue was raised during the Audit Entry meeting with UNEP and several subsequent meetings held in mid-October 2013. The auditors indicated that they would need additional time to further consider this matter. An update will be provided by the Treasurer by the 72nd meeting.

Procedures set by the UNEP-wide standard on cash advances and the potential impact on MLF funded project implementation

8. By decision 70/24(d) and (e) the Executive Committee requested UNEP to update the Committee at its 71st meeting on the procedures set by the UNEP-wide standard on cash advances and the potential impact on Multilateral Fund-funded project implementation. In this regard, UNEP reported that internal consultations are still on-going and further consultation with the UNBOAs' team is required. A verbal update will be made at the time of the meeting by the Treasurer if consultations with the UNBOAs are finalized by then.

2012 audited accounts report

9. The audit of UNEP's 2012 account's has been completed and the report is pending finalisation. As at the time of writing this document, UNBOAs' team was still performing interim audit work on the 2012-2013 biennium accounts.

RECOMMENDATIONS

10. The Executive Committee may wish to:
- (a) Note the final financial statements of the Multilateral Fund as at 31 December 2012 contained in document UNEP/OzL.Pro/ExCom/71/60;
 - (b) Note that UNEP is yet to receive from the United Nations Board of Auditors the final audit report of the 2012 accounts;
 - (c) Request the Treasurer to record in the 2013 accounts of the Multilateral Fund the differences between the implementing agencies' provisional financial statements and their final 2012 accounts as reflected in in Tables 1 and 2 of the document UNEP/OzL.Pro/ExCom/71/60;
 - (d) Request UNEP to inform the Executive Committee at its 72nd meeting on the:
 - (i) Consolidation of the Multilateral Fund accounts with those of UNEP under the International Public Sector Accounting Standards;
 - (ii) Mitigation of exchange rate risks on pledged contributions; and
 - (iii) Procedures set by the UNEP-wide standard on cash advances and the potential impact on the 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) ⁽¹⁾	(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 ⁽²⁾	34,170	39,395	619,391
UNIDO Managed Activities ⁽²⁾	59,345	31,627	623,914
World Bank Managed Activities ⁽²⁾	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

⁽¹⁾ The Exchange loss for 2012 is in respect of the fixed-exchange rate mechanism.

⁽²⁾ 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 has adopted the practice of recording UNDP, UNIDO and World Bank unaudited expenditure submitted. There is however, an agreement that the implementing agencies will provide audited expenditures immediately they become available but not later 30 September of the following year.

N.B. 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. UNEP 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 \$225,473,000

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				
	1100	<i>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	Senior 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	Information Network Officer (P-3)	130,000	125,612	4,388
	1114	Programme Management Officer (P-3)	155,137	148,124	7,013
	1188	Prior Year's Adjustment			
	1199	<i>Sub-total</i>	2,501,137	2,442,563	58,574
	1200	<i>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
	1299	<i>Sub-total</i>	92,979	25,435	67,544
	1300	<i>Administrative Support Staff costs</i>			
	1301	Administrative Assistant (G-7)	89,161	84,270	4,891
	1302	Meetings Services Assistant (G-7)	84,366	78,311	6,055
	1303	Programme Assistant (G-7)	89,161	88,288	873
	1304	Programme Assistant (G-5)	66,045	39,553	26,492
	1305	Programme Assistant (G-5)	66,046	66,825	(779)
	1306	Computer Operations Assistant (G-6)	89,161	57,505	31,656
	1307	Programme Assistant (G-5)	69,803	73,360	(3,557)
	1308	Secretary/Clerk (Administration) (G-6)	74,881	67,350	7,531
	1309	Registry Clerk (G-4)	57,053	57,314	(261)
	1310	Database Assistant (G-7)	89,161	96,879	(7,718)
	1311	Programme Assistant (Monitoring and Evaluation) (G-5)	66,045	72,639	(6,594)
	1313	Programme Assistant (G-5)	66,045	55,340	10,705
	1314	Programme Assistant (G-5)	66,045	43,119	22,926
	1301-14	<i>Sub-total (support staff costs)</i>	972,973	880,753	92,220
	1333	66 th Meeting of the Executive Committee	297,000	292,765	4,235
	1334	67 th Meeting of the Executive Committee	336,868	342,385	(5,517)
	1336	68 th Meeting of the Executive Committee***	335,688	355,664	(19,976)
	1333-34 & 1336	<i>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
	1388	<i>Sub-total</i>	-	0	0
	1399	<i>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 in 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 repaid 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 savings)	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.

*****Based on 2012 cost differentials, the rental costs will be offset by US \$751,956 leaving an amount of US \$46,248 to be charged to the Fund.

			Approved Budget ⁽¹⁾	Actual Expenditure	Savings/ (Deficit)
	5201	Executive Committee meetings	15,300	9,252	6,048
	5202	Reporting (others)			0
	5299	Sub-total	15,300	9,252	6,048
	5300	Sundry			
	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	Sub-total	120,899	71,781	49,118
	5400	Hospitality			
	5401	Official hospitality	24,000	22,342	1,658
	5499	Sub-total	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.