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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-first Meeting
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RECONCILIATION OF THE ACCOUNTS

1. This document on the Reconciliation of the accounts is prepared in response to decision 38/9(d)¹, and in collaboration with the Implementing Agencies (IAs) and the Treasurer. It presents the reconciliation of the income as recorded in the 2012 accounts with the 2012 Progress report financial data (Progress Report), of the IAs and the Secretariat's Inventory of approved projects database (Inventory); expenditures reported in the 2012 accounts and in the Progress Report; and recommendations.

Reconciliation of the income as recorded in the 2012 accounts

2. In reviewing the Progress Reports, discrepancies were found with the records in the Inventory as shown in Table 1.

Table 1

**DISCREPANCIES BETWEEN PROGRESS REPORTS AND THE INVENTORY
(Total funds approved including support costs (US \$))**

Agency	2012 Progress report	Inventory	Difference
UNDP	707,657,585	707,658,211	626
UNEP	232,455,179	232,448,947	-6,232
UNIDO	731,710,118	731,707,235	-2,883
World Bank	1,086,752,859	1,086,752,864	5
Total	2,758,575,741	2,758,567,257	-8,484

3. The discrepancy of US \$626 in UNDP's progress report is due to a balance returned by UNDP at the 67th meeting for the project LEB/FUM/47/INV/61 which was not recorded in the Inventory. No further reconciliation on UNDP's progress report is required.

¹ 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.

4. An explanation of the discrepancies between the Progress Reports and the Inventory is presented below:

- (a) The discrepancy of US \$6,232 in UNEP's progress report is due to the return of the balance of the agency support cost for the project AFG/SEV/43/CPG/02 reported twice to the 64th and 68th meetings by UNEP. The Inventory and UNEP's progress reports have been updated accordingly; therefore, no further reconciliation on UNEP's progress report is required;
- (b) The discrepancy of US \$2,880 in UNIDO's progress report is due to the return of balances on five completed projects to the 66th meeting and the 67th meeting, which were not reflected in the Inventory (leaving a rounding difference of US \$3). Accordingly, an adjustment has been made under the return of balances on completed projects report submitted by UNIDO to the 71st meeting that would lead to an adjustment in Inventory after the 71st meeting; and
- (c) The discrepancy of US \$5 in the World Bank's progress report is due to rounding².

Net Approvals in Progress Reports and 2012 Income Accounts of the Implementing Agencies

5. Differences were found between the Progress Reports of the IAs and the income in the 2012 Accounts of the Fund as shown in Table 2. An explanation for the differences provided by relevant IAs is shown in Table 3.

Table 2

DIFFERENCES BETWEEN THE PROGRESS REPORTS OF THE IAs AND THE 2012 ACCOUNTS OF THE FUND (Funds approved including support costs and income (US\$))

Agency	2012 Progress Report	Aggregate income for 2012 Accounts (Provisional)	Aggregate Income for 2012 Accounts (Final)	Difference: Provisional and Progress Reports	Difference: Final Accounts and Progress Report
(1)	(2)	(3)	(4)	(5) = (3)-(2)	(6) = (4)-(2)
UNDP	707,657,585	686,055,920	708,208,875	-21,601,665	551,290
UNEP	232,455,179	218,374,420	232,470,280	-14,080,759	15,101
UNIDO	731,710,118	711,531,103	711,582,054	-20,179,015	-20,128,064
World Bank	1,086,752,859	1,087,629,424	1,087,629,424	876,565	876,565
Total	2,758,575,741	2,703,590,867	2,739,890,633	-54,984,874	-18,685,108

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

² Only where the difference is higher than US \$5 it is suggested that the agencies align their figures to the Inventory.

Table 3

**RATIONALE FOR THE DIFFERENCES BETWEEN THE PROGRESS REPORTS OF THE IAS
AND THE 2012 ACCOUNTS OF THE FUND (US\$)**

Row	Comments	UNDP	UNEP	UNIDO	World Bank
1	Difference between Progress Report and Final Account	551,290	15,101	-20,128,064	876,565
	Explanations provided by relevant IAs				
2	Interest income difference between 2012 Provisional and Final Accounts (action by Treasurer)	-551,278		-50,951	
3	Interest accrued in 2012 reflected in the Accounts and not reflected in the Progress Report (action by UNEP)		-11,982		
4	Interest earned in the last quarter of 2011 to be deducted from 2013 approvals (action by Treasurer)				-71,078
5	68 th meeting payments made in 2013 net of interest income from 2012				11,369,453
6	Funds approved at 68 th meeting and only transferred in 2013			20,601,529	
7	Refund of completed projects at the 68 th meeting not adjusted in 2012 (action by Treasurer)			-104,472	
8	Interest earned in 2 nd and 3 rd quarters of 2012 adjusted in 68 th meeting (action by Treasurer)			-221,896	
9	Part of interest earned in 4 th quarter of 2012 adjusted in 69 th meeting (action by Treasurer)			-99,041	
10	UNIDO balances for various projects returned at the 66 th and 67 th meetings			2,880	
11	Standing reconciling item of Thailand Chiller Project (THA/REF/26/INV/104)*				-1,198,946
12	Standing reconciling item of Sweden bilateral (THA/HAL/29/TAS/120)*				-225,985
13	Standing reconciling item of the United States bilateral (CPR/PRO/44/INV/425)*				-5,375,000
14	Standing reconciling item of the United State bilateral (CPR/PRO/47/INV/439)*				-5,375,000
15	Total (Rows 2 to 15)	-551,278	-11,982	20,128,049	-876,556
16	Difference (outstanding reconciling item)	12	3,119	(15)	9

* To be closed on completion of the World Bank's Montreal Protocol's activities.

6. An explanation of the differences between the Progress Reports and the 2012 Accounts for the Fund is presented below:

- (a) UNDP explained that US \$551,278 is due to interest income. This amount will be adjusted by the Treasurer as 2012 prior years' adjustment in 2013 and shall be withheld by the Treasurer against the 71st meeting approvals. The remaining US \$12 is due to balance returned for the project LEB/FUM/47/INV/61 which has to be recorded in the Inventory;
- (b) Of the US \$15,101 additional income in the 2012 Final Accounts, US \$11,982 is due to interest accrued not yet reflected in UNEP's Progress Report. This would leave an outstanding reconciling item of US \$3,119 yet to be explained by UNEP;

- (c) The differences between UNIDO's Progress Reports and the 2012 Final Accounts (in the amount of US \$20,128,049) are explained in rows 6 to 11 of Table 3. This would leave a balance of US \$15 which UNIDO attributes to rounding differences, which would need to be reconciled;
- (d) The difference of US \$876,565 between the World Bank's Progress Reports and the 2012 Final Accounts is due to: -US \$71,078 interest earned in the fourth quarter in 2011 which was not deducted from the 2012 approvals as there were no payments made to the World Bank by the Treasurer at the 66th and 67th meetings due to a large return in balances. At the 68th meeting, the full 2012 interest earnings were netted out, but the earnings for 2011 were inadvertently omitted. This amount should be offset by the Treasurer against the 71st meeting approvals. US \$11,369,453 corresponds to the 68th meeting payments made in 2013 net of interest income from 2012. This would leave an outstanding reconciling item of US \$9;
- (e) The World Bank reported the same standing reconciling item of US \$1,198,946 for the loan repaid by the Government of Thailand through the Bank directly to the Treasurer in 2007. Along with this repayment, a previous return of the balance of the original project approval of US \$2,475,000 was made through the Bank's overhead in 2005. The total approval has been shown as zero in the progress report as appropriate, to account for the repayment and return of the funds to the Multilateral Fund. Thus, it is expected that this will continue to be a standing reconciliation item;
- (f) The World Bank also reported same standing reconciling item 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 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; and
- (g) The World Bank reported the same standing reconciling items for bilateral contributions from the United States of America received towards the accelerated production phase-out projects in China of US \$5,375,000 (CPR/PRO/44/INV/425), and an additional US \$5,375,000 (CPR/PRO/47/INV/439). 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 recorded in the Inventory for the World Bank but for the United States of America (as a bilateral agency).

Expenditures reported in the 2012 Accounts and in the Progress Report

7. Table 4 shows the differences between the cumulative expenditures provisionally reported to the Treasurer in the 2012 Accounts, and the funds disbursed and obligated as reported to the Secretariat in the Progress Reports of the IAs for the period 1991 to 2012. An explanation for the differences provided by relevant IAs is shown in Table 5.

Table 4

DIFFERENCES BETWEEN CUMULATIVE EXPENDITURES (US\$)

IA	Progress Report			Total cumulative expenditures reported to the Treasurer	Differences *
	Funds disbursed including support costs	Funds obligated including support costs	Total cumulative expenditures		
(1)	(2)	(3)	(4)= (2)-(3)	(5)	(6)= (4)-(5)
UNDP	623,709,968	748,049	624,458,017	620,230,605	4,227,412
UNEP	197,993,933	4,521,474	202,515,407	202,511,732	3,675
UNIDO	590,581,761	33,339,002	623,920,763	623,919,566	1,197
World Bank	1,009,456,113	77,244,813	1,086,700,926	1,017,634,113	69,066,813

(*): 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.

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 IAs Accounts and Progress Report	4,227,412	3,675	1,197	69,066,813
Explanations provided by relevant IAs				
2. Funds allotted to cover 2013 and 2014 administrative commitments. Earned and reported in progress report, not yet disbursed per 2012 accounts	-3,382,009			
3. Obligations included in progress report but not in financial statement. Only expenses are included in the IPSAS ³ financial statement as commitments are not included as expenses until disbursed	-748,049			
4. Standing reconciling item of reduction of expenditure in financial statements not associated with any specific projects. Increases the fund balance due to the Fund; can only be returned when the trust fund is closed*	-68,300			
5. Standing reconciling item of reduction of expenditure in financial statement not associated with any specific projects. Increases the fund balance due to the Fund; can only be returned when the trust fund is closed*	-29,054			
6. Savings on prior year adjustments (2011) to be adjusted in the 2013 progress report (action by UNEP)		-3,675		
7. Committed value for approved projects				-77,244,813
8. Disbursement to the World Bank special accounts				8,178,000
9. Total	-4,227,412	0	0	-69,066,813
10. Difference	0	0	1,197	0

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

³ International Public Standard Accounting System.

8. In addition to the explanations provided in row 2 to 8 of Table 5, the following observations are relevant:

- (a) For UNDP the amounts of US \$68,300 and US \$29,054 will remain as standing reconciling items until the closure of the Multilateral Fund funded projects. By reducing the expenditures by these amounts in its financial statement UNDP has, in theory, taken the required action to return these amounts to the Multilateral Fund;
- (b) For UNIDO, the US \$1,197 reported as an additional expenditure in its 2012 remains a reconciling item that UNIDO is still reviewing and will report back to the Secretariat;
- (c) For the World Bank, the difference of US \$69,066,813 is due to the fact that, in line with the Bank's accounting procedures, "obligated" or "committed" funds are not counted as disbursement (i.e. not recorded in financial statements) until such payments are made. Therefore the figure in the "obligated" column is not included in the 2012 Final Accounts. In 2012, the amount of obligated funds is particularly large due to the first tranche of the HCFC phase-out foam sector plan for China at the total amount of approximately US \$39 million. In addition, the progress report's disbursement amounts figures are reported to the Bank by its financial agents and partner countries (in the case of some sector and national ODS 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). If obligated funds were taken out of the reconciliation, the difference between the funds disbursed in the progress report and those disbursed from the Bank's Ozone Trust Fund, would be about one per cent.

Recommendations

9. The Executive Committee may wish to:

- (a) Note the reconciliation of the 2012 accounts, as presented in document UNEP/OzL.Pro/ExCom/71/61;
- (b) Request UNEP to adjust its income by US \$11,982 in interest accrued and US \$3,675 in prior years' savings in its next progress report;
- (c) Request the Treasurer to:
 - (i) Reflect in UNIDO's 2013 accounts as prior years' adjustment: income transfers made to UNIDO in 2012 related to the refund on completed projects amounting to US \$104,472; interest earned amounting to US \$221,896 for 2nd and 3rd quarters of 2012 adjusted in 68th meeting; US \$99,041 for 4th quarter of 2012 adjusted in 69th meeting; and difference in interest income between 2012 provisional and final accounts amounting to US \$50,951;
 - (ii) Withhold from its future transfers to UNDP an amount of US \$551,278 representing the additional interest income reported by UNDP in its provisional financial statement but not in its final financial statement, and to reflect this amount as a prior year adjustment in UNDP's 2013 accounts;
 - (iii) Withhold from its future transfers to the World Bank an amount of US \$71,078 representing interest earned in the 4th quarter of 2011 which was not deducted from the 2012 approvals, as no payments were made to the World Bank by the Treasurer at the 66th and 67th meetings due to a large return in balances; and

- (iv) Note that the adjustments of US \$2,880 returned twice by UNIDO against five projects and US \$810 in agency support costs returned twice by UNEP against one project have been effected in the report on balances and availability of resources (document UNEP/OzL.Pro/ExCom/71/4) for each agency separately;
- (d) Note the 2012 outstanding reconciling items as follows:
 - (i) US \$12 in income between UNDP's progress report and final accounts;
 - (ii) US \$3,119 in income between UNEP's progress report and final accounts;
 - (iii) US \$15 in income and US \$1,197 in expenditure between UNIDO's progress report and final accounts; and
 - (iv) US \$9 in income between the World Bank's progress report and final accounts;
- (e) Note the standing reconciling items as follows:
 - (i) UNDP for unspecified projects at the amounts of US \$68,300 and US \$29,054; and
 - (ii) World Bank for the following projects:
 - Thailand chiller project (THA/REF/26/INV/104) at the amount of US \$1,198,946;
 - 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.
