



**United Nations  
Environment  
Programme**

Distr.  
GENERAL

UNEP/OzL.Pro/ExCom/75/81  
29 October 2015



ORIGINAL: ENGLISH

EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Seventy-fifth Meeting  
Montreal, 16-20 November 2015

**RECONCILIATION OF THE 2014 ACCOUNTS**

1. This document is prepared in collaboration with the implementing agencies (IAs) and the Treasurer in response to decision 38/9(d)<sup>1</sup>. It presents the reconciliation of the income as recorded in the 2014 accounts with the 2014 Progress Report financial data (Progress Report) of the IAs and the Secretariat's Inventory of Approved Projects database (Inventory); expenditures reported in the 2014 accounts and in the Progress Report; and recommendations.

**Reconciliation of the income as recorded in the 2014 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 THE 2014 PROGRESS REPORTS AND THE INVENTORY  
(Total funds approved including support costs (US \$))**

Agency	Progress Report	Inventory	Difference
UNDP	771,449,109	771,449,108	1*
UNEP	261,301,518	261,459,470	-157,952
UNIDO	795,912,137	795,778,193	133,944
World Bank	1,159,480,598	1,159,480,603	-5*
<b>Total</b>	<b>2,988,143,362</b>	<b>2,988,167,374</b>	<b>-24,012</b>

\*When the difference is higher or lower than US \$5 it is suggested that the agencies align their figures to the Inventory

<sup>1</sup> 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.

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.

3. UNEP's records on approved projects is less by US \$157,952 compared to the Inventory, which remains an outstanding reconciling item to be explained by UNEP.

4. UNIDO explained that out of the discrepancy of US \$133,944, US \$132,543 relates to the interest for various projects held by the Foreign Economic Cooperation Office (FECO) of the Government of China and was offset against fund transfer to UNIDO; therefore the records in the Inventory should be adjusted. Of the remaining US \$1,401, US \$1,386 relates to the difference between US \$1,540, which was returned by mistake at the 73<sup>rd</sup> meeting, and the actual amount of US \$154, which UNIDO had already adjusted in its report on balances submitted to the 75<sup>th</sup> meeting<sup>2</sup>; and the remaining US \$15 is due to rounding differences. UNIDO will need to adjust the amounts of the relevant projects to reconcile with the Inventory.

#### Net approvals in Progress Reports and 2014 income accounts

5. Differences between the Progress Reports of the IAs and the 2014 income accounts of the Multilateral Fund are shown in Table 2, and the explanations provided by relevant IAs are shown in Table 3.

Table 2

#### **DIFFERENCES BETWEEN AGGREGATE INCOME (US\$)**

Agency	Progress Report	Aggregate income for final accounts	Difference*
	Funds approved including support costs		
(1)	(2)	(3)	(4) = (3)-(2)
UNDP	771,449,109	771,366,278	-82,831
UNEP	261,301,518	261,472,501	170,983
UNIDO	795,912,137	795,774,976	-137,161
World Bank	1,159,480,598	1,172,025,988	12,545,390

(\*A positive number in column 4 means more income, while a negative number means less income reported in the IAs' accounts than indicated in the Progress Report.

Table 3

#### **RATIONALE FOR DIFFERENCES IN INCOME BETWEEN THE 2014 PROGRESS REPORTS AND THE 2014 ACCOUNTS OF THE FUND (US\$)**

Row	Comments	UNDP	UNEP	UNIDO	World Bank
1	Difference between Progress Report and Final Accounts	-82,831	170,983	-137,161	12,545,390
	<b>Explanations provided by relevant IAs</b>				
2	Difference between provisional and final interest income to be adjusted by the Treasurer against 75 <sup>th</sup> meeting approvals	82,831		24,667	
3	Interest held by FECO of China deducted from the 73 <sup>rd</sup> meeting approvals at the end of 2014. Adjustments have been made by UNIDO during 2015			111,075	

<sup>2</sup> UNEP/OzL.Pro/ExCom/75/4

Row	Comments	UNDP	UNEP	UNIDO	World Bank
4	Adjustment to the support cost made under the report on balances submitted to the 75 <sup>th</sup> meeting (UNEP/OzL.Pro/ExCom/75/4)			1,386	
5	Investment income in the 4 <sup>th</sup> quarter of 2014 deducted from the 74 <sup>th</sup> meeting approvals				-24,684
6	Refund of balance in ODS special account by the Government of the Philippines				-3,415
7	Standing reconciling item of Thailand chiller project (THA/REF/26/INV/104)*				-1,198,946
8	Standing reconciling item of Japan's bilateral contribution (THA/PHA/68/TAS/158)*				-342,350
9	Standing reconciling item of Sweden bilateral contribution (THA/HAL/29/TAS/120)*				-225,985
10	Standing reconciling item of the United States of America bilateral contribution (CPR/PRO/44/INV/425)*				-5,375,000
11	Standing reconciling item of the United States of America bilateral contribution (CPR/PRO/47/INV/439)*				-5,375,000
12	Total (Rows 2 to 11)	82,831	0	137,128	-12,545,380
<b>13</b>	<b>Difference (outstanding reconciling item)</b>	<b>0</b>	<b>170,983</b>	<b>33</b>	<b>10</b>

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

6. A further explanation on some of the differences between the Progress Reports and the 2014 accounts are presented below:

- (a) UNDP explained that it reported a provisional interest income of US \$82,831 which will be returned by the Treasurer at the 75<sup>th</sup> meeting.
- (b) No explanation had been provided by UNEP for the difference of US \$170,983 in its Progress Report, as compared to the accounts of the Funds; this outstanding reconciling item should be explained by UNEP at the 75<sup>th</sup> meeting.
- (c) As explained by UNIDO, US \$33 outstanding reconciling item is due to rounding differences, which would require adjustments by UNIDO.
- (d) The difference of US \$12,545,390 for the World Bank is explained as follows, leaving an outstanding reconciling item of US \$10 to be corrected by the World Bank:
  - (i) US \$24,684 is an investment income for the fourth quarter of 2014 deducted from the 74<sup>th</sup> meeting approvals; and US \$3,415 is a refund of balance in ODS special account by the Government of the Philippines;
  - (ii) The same standing reconciling item of US \$342,350 represents Japan's bilateral contribution for technical assistance under stage I of the HCFC phase-out management plan for Thailand (THA/PHA/68/TAS/158). Japan requested these funds to be administered by the World Bank which were, consequently, transferred by the Treasurer to the World Bank in November 2013;

- (iii) The same standing reconciling item of US \$1,198,946 is for the loan repaid by the Government of Thailand through the World 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 World Bank's programme support costs 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, this will continue to be a standing reconciliation item;
- (iv) The same standing reconciling item of US \$225,985 is for the Swedish bilateral contribution towards the halon management programme in Thailand (THA/HAL/29/TAS/120) and has been treated in a similar manner as items 10 and 11 in Table 3. Consequently, it will remain a standing reconciling item since it cannot be treated as normal income from the Multilateral Fund in the World Bank's progress report; and
- (v) The same standing reconciling items are 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 US \$5,375,000 (CPR/PRO/47/INV/439) 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 2014 accounts and in the Progress Report

7. Table 4 shows the differences between the cumulative expenditures provisionally reported to the Treasurer in the 2014 accounts, and the funds disbursed and committed as reported in the Progress Reports for the period 1991 to 2014. An explanation for the differences provided by relevant IAs is shown in Table 5.

Table 4

#### DIFFERENCES BETWEEN CUMULATIVE EXPENDITURES (US\$)

Agency	Progress Report			Cumulative expenditures for final accounts	Differences *
	Funds disbursed including support costs	Funds committed including support costs	Total cumulative expenditures		
(1)	(2)	(3)	(4)= (2)+(3)	(5)	(6)= (4)-(5)
UNDP	702,564,123	624,540	703,188,663	700,244,202	2,944,461
UNEP	231,612,493	3,091,299	234,703,792	228,649,691	6,054,101
UNIDO	698,529,698	34,256,434	732,786,132	732,728,087	58,045
World Bank	1,098,345,880	58,093,260	1,156,439,140	1,104,308,101	52,131,039

(\*) A positive number in column 6 means more expenditure, whereas a negative number means less expenditure indicated in the Progress Report than in the accounts.

Table 5

#### RATIONALE FOR DIFFERENCES IN EXPENDITURES BETWEEN THE 2014 PROGRESS REPORTS AND THE 2014 ACCOUNTS OF THE FUND (US\$)

Row	Comments	UNDP	UNEP	UNIDO	World Bank
1.	Difference between IAs Accounts and	2,944,461	6,054,101	58,045	52,131,039

Row	Comments	UNDP	UNEP	UNIDO	World Bank
	Progress Report				
	<b>Explanations provided by relevant IAs</b>				
2.	Funds allotted to cover 2015 and 2016 administrative commitments. Earned and reported in Progress Report, not yet disbursed per 2014 financial statement	-2,222,567			
3.	Commitments included in Progress Report but not in financial statement, as only expenses are included in the IPSAS financial statement	-624,540			
4.	Savings on prior biennium obligations. 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.	Obligated amounts not recorded in the IPSAS financial statement		-3,091,299		
7.	Support costs recorded in UNIDO's accounts to be corrected in 2015			-58,045	
8.	Committed value for approved projects				-58,093,260
9.	Disbursement to the World Bank special accounts				5,962,221
10.	Total	-2,944,461	-3,091,299	-58,045	-52,131,039
<b>11.</b>	<b>Difference</b>	<b>0</b>	<b>2,962,802</b>	<b>0</b>	<b>0</b>

8. In addition to the explanations provided in Table 5, the following observations are relevant:
- 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. 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;
  - For UNEP the difference in expenditure of US \$6,054,101 represents US \$3,091,299 in obligated amounts not recorded in the 2014 accounts per IPSAS policy; leaving an outstanding reconciling item of US \$2,962,802 which UNEP will continue to review and report prior to the 75<sup>th</sup> meeting;
  - UNIDO's difference of US \$58,045 in support costs would need to be adjusted by UNIDO in its 2015 accounts;
  - For the World Bank, the difference of US \$52,131,039 is due to the fact that, in line with the Bank's accounting procedures "committed" funds are not counted as disbursements (i.e. not recorded in financial statements) until such payments are made. In addition, the Progress Report's disbursement figures are largely made up of figures reported to the

World Bank by its financial agents and partner countries, whereas expenditures in the 2014 accounts represent the funds that flow out of the World Bank into the special accounts (and eventually to the beneficiary).

### **Recommendations**

9. The Executive Committee may wish:

- (a) To note the reconciliation of the 2014 accounts contained in document UNEP/OzL.Pro/ExCom/75/81;
- (b) To request the Treasurer to withhold from its future transfers to UNDP and UNIDO the amounts of US \$82,831 and US \$24,667, respectively, representing a higher interest income reported in their provisional financial statements than in their final financial statements;
- (c) To note the 2014 outstanding reconciling items as follows:
  - (i) US \$157,952 between UNEP's Progress Report and Inventory; US \$170,983 in income and US \$2,962,802 in expenditure between UNEP's Progress Report and final accounts, and that UNEP will provide an update on these differences prior to the 75<sup>th</sup> meeting; and
  - (ii) US \$10 in income between the World Bank's Progress Report and final accounts.
- (d) To request UNIDO to adjust in its 2015 accounts the expenditures of US \$58,045, representing the difference in support costs; US \$33 in income between UNIDO's Progress Report and final accounts; and US \$15 between UNIDO's Progress Report and Inventory;
- (e) To note the standing reconciling items as follows:
  - (i) UNDP, for unspecified projects, in the amounts of US \$68,300 and US \$29,054; and
  - (ii) The World Bank, for the following projects implementing with other bilateral agencies where applicable:
    - Thailand chiller project (THA/REF/26/INV/104) in the amount of US \$1,198,946;
    - Japan bilateral (THA/PHA/68/TAS/158) in the amount of US \$342,350;
    - Sweden bilateral (THA/HAL/29/TAS/120) in the amount of US \$225,985;
    - United States of America bilateral (CPR/PRO/44/INV/425) in the amount of US \$5,375,000; and
    - United States of America bilateral (CPR/PRO/47/INV/439) in the amount of US \$5,375,000.