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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-sixth Meeting
Montreal, 9-13 May 2016

RECONCILIATION OF THE 2014 ACCOUNTS (DECISION 75/71(d))

Introduction

1. At its 75th meeting, the Executive Committee considered the document on the reconciliation of the 2014 accounts[1]. UNEP provided the Secretariat an update on the results of the reconciliation exercise at the meeting and also advised that it was undertaking a thorough review of the data reported in its 2014 progress report in order to narrow down the differences in data with the accounts. Subsequently, the Executive Committee requested UNEP to submit a revised 2014 progress report to the 76th meeting with a view to completing the 2014 reconciliation of accounts exercise[2].

2. In response to decision 75/71(d), UNEP submitted the revised 2014 progress report to complete the reconciliation exercise of the 2014 accounts.

Reconciliation of the income as recorded in the 2014 accounts

3. There was no difference in total funds approved (US $261,459,470) between UNEP's revised 2014 progress report and the Secretariat's Inventory of approved projects.

<u>Net approvals in UNEP's 2014 revised progress report and the 2014 income accounts</u>

4. The difference in income between UNEP's revised 2014 progress report and the 2014 accounts (US $261,421,066) amounts to US $(33,403) (i.e. less income reported in the accounts than in the revised 2014 progress report), the rationale for which is presented in Table 1.

[1] UNEP/OzL.Pro/ExCom/75/81.
[2] Decision 75/71(d).

Table 1. Rationale for difference in income between UNEP's revised progress report and the accounts

Description	Amount (US $)
Transfer of funding withheld for one project[3] not reflected in the 2014 accounts	133,340
Interests deducted at the 72nd meeting reflected in the 2014 accounts and not in the revised progress report	-24,658
Interests deducted at the 73rd meeting reflected in the 2014 accounts and not in the revised progress report	-75,279
Total	**33,403**

Expenditures reported in the 2014 accounts and in UNEP's revised 2014 progress report

5. The difference between UNEP's revised 2014 progress report (US $231,691,518) and the 2014 accounts (US $228,649,691) amounts to US $(3,041,827) (i.e. less disbursements reported in the accounts than in the revised 2014 progress report), the rationale for which is presented in Table 2[4].

Table 3. Rationale for difference in expenditures between UNEP'S revised progress report and the accounts

Row	Description	Amount (US $)
1	**Difference between the accounts and the revised 2014 progress report**	**-3,041,827**
2	Difference between the accounts in UNSAS[5] and the revised progress report:	1,116,544
3	• Calculation error which has been corrected in the 2014 progress report	63,763
4	• Reallocation of balances of five NPP projects to HPMPs[6] treated as disbursed amounts in the 2014 progress report	-455,362
5	• Net savings due to closure of obligations[7] raised in previous two years which were reflected in the 2014 progress report and not in the accounts	-897,031
6	• Correction on the agency support cost due to wrong calculation in UNSAS accounts	-10,483
7	• **Remaining difference to be reconciled in the 2015 accounts (–(Rows 3+4+5+6)-Row 2)**	**182,570**
8	Re-obligated amounts (US $4,274,476) plus agency support costs (US $302,924) of cancelled obligations and new obligations[8] recorded in the revised 2014 progress report but not in the accounts	4,577,400
9	Savings from closure of obligations reflected in the accounts but not in the revised 2014 progress report	-2,613,117
10	**Total (Rows 2+8+9)**	**3,080,827**
12	**Outstanding reconciling item (representing more expenditures in the revised 2014 progress report than in the accounts) (Rows 1+11)**	**39,000**

[3] Second tranche of stage I of the HCFC phase-out management plan for Afghanistan (AFG/PHA/72/TAS/16). Transfer of funds was pending submission of the verification report which took place later.

[4] In light of the transition from UNSAS to IPSAS in 2014, a two-step reconciliation exercise was required: i.e., comparing data in the revised 2014 progress report with the United Nations System Accounting Standards (UNSAS), followed by comparing data in UNSAS with the International Public Sector Accounting Standards (IPSAS).

[5] In 2013, the UNEP accounting system was based on the UNSAS and from 2014 on IPSAS. The difference between the two systems is that in UNSAS obligations are treated as expenditures whereas in IPSAS are not.

[6] These projects are: Bahrain (BAH/PHA/50/TAS/17, US $10,000; BAH/PHA/59/TAS/21, US $95,000), Kuwait (KUW/PHA/52/TAS/10, US $220,000); Qatar (QAT/PHA/59/TAS/14, US $55,000); Mozambique (MOZ/PHA/66/TAS/22, US $22,975); plus agency support costs (US $52,387).

[7] UNEP treats obligations as part of expenditure in the year they are created. When obligations are liquidated (expensed), no additional expenditures are incurred. However, when obligations are liquidated (canceled), they are treated as savings in the year they are canceled. Obligations are canceled after two year of creation in case they are unspent.

[8] It includes cash advances to countries under legal instruments (e.g., Project Cooperation Agreement (PCA), and Small-Scale Funding Agreement (SSFA)), which last between one to five years.

Recommendations

(a) The Executive Committee may wish:

(b) To note the reconciliation of the 2014 accounts (decision 75/71(d)) contained in document UNEP/OzL.Pro/ExCom/76/61;

(c) To note with appreciation the submission by UNEP of a revision of its progress report as at 31 December 2014; and

(d) To request UNEP to reconcile in the 2015 accounts:

(i) US $182,570 representing the differences between the accounts in the United Nations System Accounting Standards (UNSAS) and the revised 2014 progress report of UNEP; and

(ii) US $39,000 representing more expenditure in the revised 2014 progress report of UNEP than in the International Public Sector Accounting Standards (IPSAS).