



**United Nations
Environment
Programme**

Distr.
GENERAL



UNEP/OzL.Pro/ExCom/82/7
14 November 2018

ORIGINAL: ENGLISH

EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Eighty-second Meeting
Montreal, 3-7 December 2018

RECONCILIATION OF THE 2017 ACCOUNTS

1. This document is prepared in collaboration with the Treasurer and the implementing agencies (IAs) in response to decision 38/9(d)¹. It presents the reconciliation of the income as recorded in the 2017 accounts with the 2017 progress report financial data (progress report) of the IAs and the Secretariat's inventory of approved projects database (Inventory); expenditures reported in the 2017 accounts and in the progress report; and a recommendation.

Reconciliation of the income

2. No discrepancies were found between the 2017 progress report and the Inventory as shown in Table 1.

Table 1. Discrepancies between the 2017 progress report and the Inventory (US \$)*

Agency	Progress report	Inventory	Difference
UNDP	888,014,540	888,014,544	-4
UNEP	319,391,123	319,391,123	0
UNIDO	899,105,647	899,105,647	0
World Bank	1,251,005,095	1,251,005,097	-2

*Including agency support costs.

Net approvals and income in the 2017 final accounts and the progress reports

3. Differences between the 2017 final accounts and the progress report are shown in Table 2.

¹ 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.

Table 2. Differences between the 2017 final accounts and the progress report (US\$)

Agency	Progress report*	2017 Final accounts	Difference**
UNDP	888,014,540	893,298,504	5,283,964
UNEP	319,391,123	322,847,686	3,456,563
UNIDO	899,105,647	898,613,415	(492,232)
World Bank	1,251,005,095	1,264,609,629	13,604,534

(*) Including agency support costs.

(**) A positive number means more income, while a negative number means less income reported in the IAs' accounts.

4. The explanations provided by relevant IAs for the difference between the progress report and the 2017 final accounts are shown in Table 3.

Table 3. Rationale for differences in income between the progress report and the 2017 final accounts (US\$)

Row	Comments	UNDP	UNEP	UNIDO	World Bank
1	Difference between progress report and final accounts	5,283,964	3,456,563	(492,232)	13,604,534
	Explanations provided by IAs				
2	Additional voluntary contributions included in final accounts but not in progress report (no action needed)	5,060,683	3,483,920	2,595,820	
3	Cumulative interest for China's HPMP adjusted from UNDP income but not reflected in its 2017 progress report (UNDP to correct in its 2018 progress report)	(410,975)			
4	Final interest earned in 2017 (Treasurer to offset UNDP's amount against 82 nd meeting approvals. Action already taken for UNIDO's amount)	634,258		78,754	
5	Dominica institutional strengthening emergency funding recorded in 2018 (no action needed)		(20,000)		
6	Interest for China's HPMP deducted at the 80 th meeting but not off-set in 2017 (UNIDO to correct in its 2018 accounts)			(61,894)	
7	2018 core unit funding reflected in 2017 accounts as deferred income (UNIDO to adjust in its 2018 accounts)			(2,069,358)	
8	Conditional approval for a project (SAU/PHA/77/INV/31) at the 77 th meeting and funds transferred in 2017 (no action needed)			(831,390)	
9	Income adjustment recorded in 2017 accounts while fund returns processed in 2018 (UNIDO to adjust its 2018 progress report)			(38,693)	

Row	Comments	UNDP	UNEP	UNIDO	World Bank
10	Interest deducted twice and not offset in 2017; it was offset against 81 st meeting approvals (No action needed)			(159,354)	
11	Investment income for the 4 th quarter of 2017 not yet deducted from approvals (Treasurer to offset against 82 nd meeting approvals)				122,167
12	Funds returned from investment income of a project (CPR/PHA/73/INV/551) (World Bank to adjust its 2018 progress report)				(4,813)
13	Funds approved at the 80 th meeting received in 2018 (no action needed)				834,600
14	Standing reconciling item of Japan's bilateral contribution (THA/PHA/68/TAS/158)*				342,350
15	Standing reconciling item of Sweden bilateral contribution (THA/HAL/29/TAS/120)*				225,985
16	Standing reconciling item of the United States of America bilateral contribution (CPR/PRO/44/INV/425)*				5,375,000
17	Standing reconciling item of the United States of America bilateral contribution (CPR/PRO/47/INV/439)*				5,375,000
18	Standing reconciling item of Thailand chiller project (THA/REF/26/INV/104)*				1,198,946
19	Total (rows 2 to 18)	5,283,966	3,463,920	(486,115)	13,469,235
20	Difference (outstanding reconciling item)	(2)	(7,357)	(6,117)	135,299

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

5. Based on the explanations provided, the outstanding reconciling items that would need to be explained are: US \$7,357 by UNEP; US \$6,117 by UNIDO; and US \$135,299 by the World Bank.

Expenditures reported in the 2017 final accounts and in the progress report

6. Table 4 shows the differences between the cumulative expenditures reported to the Treasurer in the 2017 final accounts and the funds disbursed and committed as reported in the progress report for the period 1991 to 2017.

Table 4. Differences between cumulative expenditures (US\$)

Agency	Progress report*			Cumulative expenditures for 2017 final accounts	Differences**
	Funds disbursed	Funds committed	Total cumulative		
(1)	(2)	(3)	(4)= (2)+(3)	(5)	(6)= (4)-(5)
UNDP	802,446,794	3,876,428	806,323,222	801,949,544	4,373,678

Agency	Progress report*			Cumulative expenditures for 2017 final accounts	Differences**
	Funds disbursed	Funds committed	Total cumulative		
(1)	(2)	(3)	(4)= (2)+(3)	(5)	(6)= (4)-(5)
UNEP	270,364,084	39,967,202	310,331,285	273,252,440	37,078,845
UNIDO	789,826,441	40,692,861	830,519,302	787,301,245	43,218,057
World Bank	1,227,219,784	23,452,209	1,250,671,993	1,226,547,941	24,124,052

(*) Including agency support costs.

(**) A positive number means more expenditure and a negative number means less expenditure indicated in the progress report than in the accounts.

7. The explanation for the differences provided by relevant IAs is shown in Table 5.

Table 5. Rationale for differences in expenditures between the progress report and the 2017 final accounts of the Fund (US\$)

Row	Comments	UNDP	UNEP	UNIDO	World Bank
1	Difference between progress report and 2017 final accounts	4,373,678	37,078,845	43,218,057	24,124,052
	Explanations provided by IAs				
2	Funds allotted to cover 2018 administrative commitments. Earned and reported in progress report, but not yet disbursed per 2017 financial statement	399,896			
3	Commitments included in progress report but not in financial statement, as only expenses are included in the International Public Sector Accounting Standards (IPSAS) financial statement	3,876,428	21,550,330	37,948,635	23,452,209
4	Savings on prior biennium obligations. 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	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	Undepreciated assets included in progress report but not in financial statement, as only expenses are included in IPSAS financial statement			5,329,635	
7	Disbursement to the World Bank special accounts				671,843
8	Total (rows 2 to 7)	4,373,678	21,550,330	43,278,270	24,124,052
9	Difference	0	15,528,515	(60,213)	0

8. In addition to the explanations provided in Table 5, UNEP and UNIDO have differences in expenditures of US \$15,528,515 and US \$60,213, respectively. UNEP expressed difficulties in explaining the difference before the 82nd meeting and requested to submit a revised 2017 progress report to the 83rd meeting after conducting a thorough review of its financial data in its progress report. UNIDO's difference remains an outstanding reconciling item.

Recommendation

9. The Executive Committee may wish:

- (a) To note the reconciliation of the 2017 accounts contained in document UNEP/OzL.Pro/ExCom/82/7;
- (b) To request the Treasurer to deduct from future transfers:
 - (i) To UNDP, US \$634,258, on account of an interest income reported in its 2017 final accounts that had yet to be offset against new approvals;
 - (ii) To the World Bank, US \$122,167, on account of an investment income reported in its 2017 final accounts that had yet to be offset against new approvals;
- (c) To request UNDP to make an adjustment of US \$410,975 in its 2018 progress report, representing interest from the HCFC phase-out management plan (HPMP) for China, adjusted in UNDP's income but not reflected in its 2017 progress report;
- (d) To request UNIDO:
 - (i) To make an adjustment of US \$38,693 in its 2018 progress report representing income recorded in 2017 accounts with balances returned only in 2018;
 - (ii) To reflect in its 2018 accounts, US \$2,069,358 in 2017 income not to be recorded in 2017; and US \$61,894, representing interest from the HPMP for China that had been offset but not reflected in its 2017 accounts;
- (e) To request the World Bank to make an adjustment of US \$4,813 in its 2018 progress report, representing funds returned from an investment income of a project (CPR/PHA/73/INV/551);
- (f) To note that the following 2017 outstanding reconciling items would be updated prior to the 84th meeting by relevant implementing agencies:
 - (i) Differences of US \$6,117 in income and US \$60,213 in expenditures between UNIDO's progress report and final accounts;
 - (ii) Differences of US \$135,299 in income between the World Bank's progress report and final accounts;
- (g) To request UNEP to submit a revised 2017 progress report to the 83rd meeting with a view to completing the 2017 reconciliation of accounts exercise, noting the following outstanding reconciling items:
 - (i) Differences of US \$7,357 in income between UNEP's progress report and final accounts;

- (ii) Differences of US \$15,528,515 in expenditures between UNEP's progress report and final accounts;
- (h) To note the standing reconciling items as follows:
- (i) UNDP, for unspecified projects, in the amounts of US \$68,300 and US \$29,054;
 - (ii) The World Bank, for the following projects implementing with other bilateral agencies where applicable:
 - The bilateral cooperation of the Government of Japan (THA/PHA/68/TAS/158), in the amount of US \$342,350;
 - The bilateral cooperation of the Government of Sweden (THA/HAL/29/TAS/120), in the amount of US \$225,985;
 - The bilateral cooperation of the Government of the United States of America (CPR/PRO/44/INV/425), in the amount of US \$5,375,000;
 - The bilateral cooperation of the Government of the United States of America (CPR/PRO/47/INV/439), in the amount of US \$5,375,000; and
 - The Thailand chiller project (THA/REF/26/INV/104), in the amount of US \$1,198,946.
-