



**United Nations
Environment
Programme**

Distr.
LIMITED

UNEP/OzL.Pro/ExCom/45/50
7 March 2005



ORIGINAL: ENGLISH

EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-fifth Meeting
Montreal, 4-8 April 2005

**REPORT ON THE WORKSHOP ON COMMON TERMINOLOGY AND
PROCEDURES FOR THE RECONCILIATION OF ACCOUNTS
(FOLLOW-UP TO DECISION 44/55 (D)
AND
DECISION 44/54)**

1. Through decision 44/55, the Executive Committee requested the Treasurer, the Implementing Agencies and the Secretariat to hold a meeting on common terminology and procedures for the reconciliation of the accounts, and to forward the results of the workshop to the Executive Committee if deemed necessary by the workshop participants.
2. Also through decision 44/54 the Executive Committee “directed the Treasurer to review the pertinent aspects of the implementing agencies agreements to address the issue of new cash balances being granted when old ones had not been fully accounted for”.
3. This document reports on the results of the workshop and addresses decision 44/54 as part of the workshop report.

Follow up to decision 44/55

4. As a Follow up to decision 44/55 a workshop took place in the Multilateral Fund Secretariat on 1 February 2005 before the Interagency Coordination Meeting (2-3 February 2005).

For reasons of economy, this document is printed in a limited number. Delegates are kindly requested to bring their copies to the meeting and not to request additional copies.

5. The workshop was attended by representatives from the programme and financial departments from the four Implementing Agencies' (IAs), UNDP, UNEP, UNIDO and the World Bank, as well as the Treasurer of the Multilateral Fund and the Fund Secretariat. It was facilitated by the Treasurer.
6. The workshop revealed that there is a general agreement on the procedures surrounding the submission of annual and interim statements of accounts as well as satisfaction with the procedures in place with respect to the reconciliation of the account exercise conducted by the Secretariat on a yearly basis. It appeared however, that areas of concern were centred around the use of accounting terminology and standards, differentiating between reconciliation reporting streams, reporting on bilateral assistance projects, the definition of tasks of the Treasurer, the Secretariat and the IAs, the use of various and divergent reporting mechanisms, reporting of interest, promissory note encashment procedures and lack of database integration.
7. Anticipated outcomes included; new standardized reporting and procedures including templates, accepted use of terminology, clear definition of roles and responsibilities between the Treasurer, Secretariat and the IAs, accepted practices on reporting of bilaterals. On this basis existing agreements between each of the IAs and the Executive Committee were provided as handouts to participants together with the Agreement between the Executive Committee and the Treasurer.
8. The original Agreement between the Executive Committee and the Treasurer made reference to an agreement to be entered between the Treasurer and the IAs. However there is no record of finalized agreements between the Treasurer and any of the IAs except a copy of an unsigned draft agreement between the Treasurer and the World Bank. The new Agreement between the Executive Committee and the Treasurer does not foresee agreements between the Treasurer and the implementing agencies. The group felt that some type of agreement/understanding/memorandum of understanding was needed.
9. The Secretariat requested IAs to verify if any agreement (or exchange of correspondence in lieu of an Agreement with the Treasurer) was available in their records and the Treasurer expressed his wish to conclude an agreement with each IA based on the World Bank draft.
10. With respect to a possible agreement/memorandum of understanding between the Treasurer and each IA regarding the administration of funds remitted to them from the Fund, it was agreed that these agreements should be consistent with the agreements between the Executive Committee and the IAs; and that draft agreements between the Treasurer and the IAs are under consideration and would be submitted to the Executive Committee for review.
11. Participants were reminded that their respective agreements with the Executive Committee made reference to regular yearly reporting requirements to the Secretariat and the Treasurer through progress reports (PR) and financial statements (FS).

12. Based on the two types of reports, two types of reconciliations were identified and discussed:
 - (a) Reconciliation type (RT1) based on aligning approved amounts with income of the Implementing Agency through the submission of yearly Progress Reports (PR), and periodic Balances reports and the Inventory of Approved Projects of the Secretariat; and
 - (b) Reconciliation type 2 (RT2) based on aligning financial statements (FS) of the IAs with the Treasurer's report on the accounts of the Fund in the form of IA's schedules.
13. A flow chart of the 2 types of reconciliations was distributed to the participants to define roles and responsibilities, word usage and terminology, procedures and other areas of concerns.
14. While these two types do not reconcile with each other, reconciliation type 1 is an ongoing exercise based on the progress reports, while reconciliation type 2 takes place one or two years later based on the financial statements. IAs should not report on their bilateral assistance programme in both type of reconciliation neither to the Secretariat nor to the Treasurer and should ensure that a schedule that excludes bilateral projects accompanies the FS submitted to the Treasurer if necessary. Bilateral agencies report directly to the Secretariat when submitting their progress reports.

Follow up to decision 44/54

15. As a follow up to decision 44/54, and in reviewing the different aspects of the agreements, the Treasurer took the opportunity to address Executive Committee decision 44/54 "directing the Treasurer to review the pertinent aspects of the implementing agencies agreements to address the issue of new cash balances being granted when old ones had not been fully accounted for".
16. Since the Fund Secretariat instructs transfers of funds at aggregate level to the Treasurer, the Treasurer does not handle financial information at project level to determine the level of funds retained by IAs which are not utilized. The allocations and provisions to the implementing agencies will be based on the agencies' financial statements as updated by net transfers indicated by the Secretariat based on Executive Committee meeting reports. Then, based on the annual reconciliation of accounts (RT1), any errors in transfer instructions, recordkeeping, or agency financial statements would be identified and addressed as appropriate. In this way, the Treasurer can ensure that any new cash balance transferred to the implementing agencies takes into account old cash balance transfers.

17. The Treasurer updates and maintains a ledger of all transfers made in cash. Any correction required to old transfers would be reflected in the ledger to maintain accurate records of all financial transactions and transfers to implementing agencies.
18. Based on the discussions on items in the flow chart the outcomes of the workshop were:
- (a) Standard reporting formats of IAs financial statements (Status: In progress).
 - (b) Deadlines to report on interest accrued and provisional and final accounts (Status: Done).
 - (c) Clear recording procedures of bank charges, interest accrued and promissory notes (Status: Done).
 - (d) A common understanding of word usage and definitions (Status: In progress).
 - (e) A detailed description of procedures roles and responsibilities under each type of reconciliation (Status: In progress).
19. The minutes of the workshop were drafted and circulated for clearance and may be further developed into a manual on reporting and recording of the Multilateral Fund accounts once all appendices and annexes are reviewed and agreed upon.

Recommendations

20. The Executive Committee may wish to:
- (a) Note the document UNEP/OzL.Pro/ExCom/45/50;
 - (b) Request that draft agreements/memoranda of understanding between the Treasurer and the IAs be submitted to the Executive Committee for review and endorsement.
 - (c) Note that a detailed description of procedures, roles and responsibilities in the reconciliation of the accounts will be available in the minutes of the workshop and that further work is required to finalize and develop a manual/primer on reporting and recording of the Multilateral Funds accounts.
 - (d) Note the Treasurer's explanation on the issue of new cash advances being granted to IAs when old ones have not been fully accounted for.
