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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL

Forty-ninth Meeting
Montreal, 10-14 July 2006

PROVISIONAL 2005 ACCOUNTS

1. This document presents the provisional 2005 accounts of the Multilateral Fund for the four implementing agencies (IAs) and the 2005 provisional accounts of the Secretariat as contained in Schedules 1.1-1.7, and contains a note from the Treasurer in respect of the audit of the Fund's accounts as per Annex I of this document.
2. Advanced Schedules 1.1-1.7 attached to this document UNEP/OzL.Pro/ExCom/49/41 are submitted for information only at this time and reflect expenditures incurred by the IAs and the Secretariat against transfers made.
3. The final 2005 accounts of the Fund will be submitted to the 50th Meeting of the Executive Committee following the submission schedule agreed between the representatives of the IAs and the Treasurer at the workshop on Common terminology and procedures for reconciliation of accounts, during which the agencies agreed with the Treasurer to submit their provisional accounts to UNEP on 31 January and the final accounts on 30 September of the following year of the accounting period in light of the overlap in the closing of the Accounts between the IAs and UNEP.

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 issue of the document.

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.

Prior year's adjustments

4. The variance between the 2004 provisional statements and the IAs 2004 final accounts have been recorded by the Treasurer as part of the expenditures of the IAs in 2005. The total 2003-2004 prior years' adjustments amounts to a sum of US \$ 9,216,000 as reflected in schedule 1.1.

Adjustments resulting from the 2003 - 2004 reconciliation of the accounts

5. The reconciliation of the 2003 and 2004 accounts exercise which addressed the differences in financial reporting between the IAs and the Secretariat resulted in an indication of the "possible need to recover US \$103,948 from UNDP and US \$32,735 from UNIDO, and to transfer US \$96,680 to the World Bank". Through decision 47/47 the Executive Committee requested the Treasurer to make the appropriate adjustments. The Treasurer made these adjustments in 2005 in line with the findings of the reconciliation exercise.

Adjustments resulting from decision 47/47(b) to transfer only net amounts approved by the Executive Committee

6. Schedule 1.3 that provides the Secretariat's 2005 provisional accounts shows that bank charges of US \$2,100 for transfers of funds to IAs have been made to the Secretariat budget. In line with decision 47/47(b) requesting the transfer only of net amounts approved by the Executive Committee, and recalling discussions by Executive Committee members in the context of the reconciliation of the IAs' 2004 accounts over negative miscellaneous income, exchange-rate losses and gains, and bank charges to be assigned to either project or administrative costs, the amount of US \$2,100 may need to be approved by the Executive Committee as an additional allocation to the Secretariat or an adjustment to be made in 2006 to transfer these charges as directed by the Executive Committee.

Audit

7. The note from the Treasurer on the 2005 audit of the financial statements of Multilateral Fund raises the issue of the US \$82,267,000 of receivables, which include the Russian Federation's outstanding payment against its pledges since 1991, and advises that these amounts may not be considered to be "recoverable by the auditors" unless advised otherwise by the Executive Committee.

8. In the calculation of the replenishment of the Fund the amounts for the countries with economies in transition (CEITs) are not included in the carry over but are reflected in the status of the fund as outstanding contributions. As such they may be considered as not recoverable and not due. However these amounts have not been written off by the Meeting of the Parties, and as such are still due to the Fund unless decided otherwise by the Parties. It should also be noted that disputed contributions by non-CEITs, which amount to US \$8,098,267, are also not included in the carry over and as such may be considered as not recoverable.

9. The IAs expenditures are recorded against unaudited preliminary expenditure reports. The auditors appear to be concerned about this practice, although the recording of the IAs' provisional accounts in the UNEP final accounts is in line with clause 4.1 and 4.2 of the Agreement between the IAs and the Treasurer and follows the internal practices and procedures of the Treasurer to provide advanced information on the Accounts of the Fund to the Executive Committee.

Recommendations

10. The Executive may wish to:
- (a) Take note of the Fund's 2005 provisional accounts;
 - (b) Note that the 2005 final accounts of the Fund will be submitted to the Committee at the 50th Meeting taking into account adjustments for prior years;
 - (c) Note the actions taken by the Treasurer to reflect adjustments resulting from the reconciliation of the 2003 -2004 accounts exercise;
 - (d) Request the Treasurer to make the necessary adjustments in 2006 to transfer bank charges on transfers made by the Treasurer to the implementing agencies from the Secretariat budget to the administrative costs, or as directed by the Executive Committee;
 - (e) Take note of the Treasurer's report on the audit of the Multilateral Fund accounts and the possibility that a separate audit of the financial statements of the Multilateral Fund may take place;
 - (f) Take note of the additional information provided on the outstanding contributions from countries with economies in transition and disputed contributions from countries not belonging to this category.
 - (g) Note the explanations provided in respect of the submissions of the implementing agencies' provisional accounts to the Executive Committee.

SCHEDULE 1.1 MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL 2005 STATEMENT OF INCOME AND EXPENDITURE (in US\$) (Thousands of United States dollars)			
INCOME	2005	2004	1991- 2005
Agreed contributions	123,938	140,668	1,926,781
Interest income	8,006	4,663	152,354
Miscellaneous income	13,042	4,161	34,176
TOTAL INCOME	144,986	149,492	2,113,311
EXPENDITURE			
UNEP Managed Activities	13,374	12,766	89,924
UNDP Managed Activities	27,903	41,858	401,911
UNIDO Managed Activities	38,964	42,048	376,789
World Bank Managed Activities	87,630	64,026	678,516
Secretariat	5,501	5,035	48,546
TOTAL EXPENDITURE	173,372	165,733	1,595,686
Excess of income over expenditure	(28,386)	(16,241)	517,625
Prior period adjustments	(2,773)	(92)	(2,428)
Net excess of income over expenditure	(31,159)	(16,333)	515,197
Fund balance, beginning of period	546,356	562,689	0
Fund balance, end of period	515,197	546,356	515,197

Changes to Previous years expenditures as reported by the major implementing agencies.

The reported expenditures include the changes in prior period expenditures as reported by the implementing agencies and treated as part of the current year expenditures

For easy monitoring of the expenditures reported by the major implementing agencies, (UNDP, UNEP, UNIDO and WEIBRD), the Treasurer has adopted the practice of recording any changes reported by these agencies against previous period (s) expenditures, as part of the current period transactions

In this regard, the total expenditures reflected in the current accounts include an amount of US\$9,216,000 relating to previous periods but reported in the current period

SCHEDULE 1.2		
MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL		
2005 STATEMENT OF ASSETS AND LIABILITIES		
(Thousands of United States dollars)		
ASSETS	31.12.2005	31.12.2004
Cash and term deposits	10,791	67,553
Voluntary pledges receivable	165,179	160,755
Inter-fund balance receivable	3,750	53
Other accounts receivable	0	217
Other assets - deferred charges	3	19
Promissory notes	90,929	107,345
Operating funds provided to implementing agencies	252,963	216,259
TOTAL ASSETS	523,615	552,201
LIABILITIES		
Deferred credits	4,465	5,276
Reserve for obligations	437	396
Inter-fund balance payable	0	0
Other accounts payable	3,516	173
Advances provided by implementing agencies	0	0
TOTAL LIABILITIES	8,418	5,845
RESERVES AND FUND BALANCES		
Cumulative surplus	515,197	546,356
TOTAL RESERVES AND FUND BALANCES	515,197	546,356
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	523,615	552,201

SCHEDULE 1.3					
A. 2005 Expenditures for Account MFL 2336-2211-2661: (Secretariat's Main Account)					
			Approved	Actual	Savings/
			Budget	Expenditure	(Deficit)
10	PROJECT PERSONNEL COMPONENT				
	1100	<i>Project Personnel</i>			
	1101	Chief Officer (D-2)*	171,839	193,034	(21,195)
	1102	Deputy Chief Officer (Economic Cooperation) (P-5)*	157,689	169,199	(11,510)
	1103	Deputy Chief Officer (Technical Cooperation) (P-5)*	160,849	182,802	(21,953)
	1104	Senior Project Management Officer (P-5)*	153,248	151,342	1,906
	1105	Senior Project Management Officer (P-5)*	153,248	197,622	(44,374)
	1106	Senior Project Management Officer (P-5)*	153,248	150,805	2,443
	1107	Senior Project Management Officer (P-5)*	153,248	169,469	(16,221)
	1108	Information Management Officer (P-3)*	135,504	158,751	(23,247)
	1109	Administrative and Fund Management Officer (P-4)*	137,495	147,622	(10,127)
	1110	Senior Monitoring and Evaluation Officer (P-5)*	153,248	188,321	(35,073)
	1111	Executive Assistant to Chief Officer (P-2)*	71,400	112,033	(40,633)
	1188	Prior Year's Adjustment			
	1199	<i>Sub-total</i>	1,601,016	1,821,000	(219,984)
	1200	<i>Consultants</i>			
	1201	Projects and technical reviews etc	150,000	44,216	105,784
	1299	<i>Sub-total</i>	150,000	44,216	105,784
	1300	<i>Administrative Support Staff costs</i>			
	1301	Admin Assistant (G-8)**	59,535	62,481	(2,946)
	1302	Meetings Services Assistant (G-7)**	56,333	59,776	(3,443)
	1303	Programme Assistant (G-8)**	59,535	36,471	23,064
	1304	Senior Secretary (Deputy Chief, Economic Cooperation) (G-6)**	44,100	51,714	(7,614)
	1305	Senior Secretary (Deputy Chief, Technical Cooperation) (G-6)**	44,100	42,755	1,345
	1306	Computer Operations Assistant (G-7/G-8)**	59,535	85,337	(25,802)
	1307	Secretary (to 2 Programme Officers) (G-6)**	46,609	53,416	(6,807)
	1308	Secretary/Clerk, Administration (G-5)**	50,000	43,456	6,544
	1309	Registry Clerk (G-4)**	36,263	57,133	(20,870)
	1310	Database Assistant (G-8)**	59,535	66,421	(6,886)
	1311	Secretary, Monitoring and Evaluation, (G-5/G-6)**	44,100	22,971	21,129
	1301-11	<i>Sub-total (support staff costs)</i>	559,645	581,931	(22,286)
	1333	Executive Committee meetings	600,000	584,486	15,514
	1333	<i>Sub-total (conference servicing)</i>	600,000	584,486	15,514
	1335	Tempory Assistance	50,000	49,933	67
	1388	Prior Year's Adjustment	-	-	0
	1388	<i>Sub-total</i>	-	0	0
	1399	<i>Sub-total</i>	1,209,645	1,216,350	(6,705)

*= Professional staff category: Actual expenditures reflect salaries payments as made through payroll which take into account staff entitlement and post adjustment. The post adjustment in Montreal has increased by 12% during the year 2005. The multiplier rate for Montreal reached 46.6 in December 2005. Line 1106 and 1111 include costs related to the departure on retirement of one SM and the lateral transfer from Montreal to Nairobi of another one.

**=General Service Staff category: The actual expenditure is offset by the payment by the Government of Canada of the cost differential in the GS category staff costs which include the employer's contribution to the unemployment insurance and Medicare. The over expenditure in line 1309 is due to the shifting of responsibility of the Secretariat Email from a Professional Staff member to the Registry Clerk. This has increased the staff work load substantially. The overtime can not be predicted in this function and is directly linked to the downloading, printing, photocopying and distributing of the IA's project submissions in their original and revised form. The overtime included in line 1306 for the computer operations assistant also can not be predicted in advance.

			Approved Budget	Actual Expenditure	Savings/ (Deficit)
	1600	<i>Travel on Official Missions</i>			
	1601	Mission costs	160,000	154,786	5,214
	1699	<i>Sub-total</i>	160,000	154,786	5,214
1999	COMPONENT TOTAL		3,120,661	3,236,352	(115,691)
20	SUB-CONTRACTS COMPONENT				
	2100	<i>Sub-Contracts with UN Agencies:</i>			
	2101	Information materials			0
	2102	Treasury services	500,000	500,000	0
	2199	<i>Sub-total</i>	500,000	500,000	0
	2300	<i>Sub-Contracts with Profit Making Institutions</i>			0
	2301	Corporate Consultancies	0	0	0
	2399	<i>Sub-total</i>	0	0	0
2999	COMPONENT TOTAL		500,000	500,000	0
30	MEETINGS PARTICIPATION COMPONENT				
	3300	<i>Assistance to Participants from Developing Countries</i>			
	3301	Travel of Chairman / Vice-Chairman	30,000	6,239	23,761
	3302	Executive Committee meetings - 2005	225,000	190,289	34,711
	3303	Sub-Committee and Informal Sub-group meetings	30,000	0	30,000
	3399	<i>Sub-total</i>	285,000	196,528	88,472
3999	COMPONENT TOTAL		285,000	196,528	88,472
40	EQUIPMENT COMPONENT				
	4100	<i>Expendables</i>			
	4101	Office stationery etc	15,000	14,933	67
	4102	Software & Computer expendables	9,000	6,786	2,214
	4199	<i>Sub-total</i>	24,000	21,719	2,281
	4200	<i>Non-expendable Equipment</i>			
	4201	Computer, printers etc.	10,000	6,557	3,443
	4202	Others	5,000	1,001	3,999
	4299	<i>Sub-total</i>	15,000	7,558	7,442
	4300	<i>Rental of premises</i>			
	4301	Rental of office premises*	310,000	459,918	(149,918)
	4399	<i>Sub-total</i>	310,000	459,918	(149,918)
4999	COMPONENT TOTAL		349,000	489,195	(140,195)
50	MISCELLANEOUS COMPONENT				
	5100	<i>Operations and Maintenance</i>			
	5101	Computers, printers etc	9,000	5,987	3,013
	5102	Office premises	9,000	4,855	4,145
	5103	Rental of Photocopiers	15,000	15,402	(402)
	5104	Telecommunications equipment	9,000	9,000	0
	5105	Miscellaneous equipment rentals	12,000	12,000	0
	5199	<i>Sub-total</i>	54,000	47,244	6,756
	5200	<i>Reporting Costs</i>			

* = Actual expenditures of \$459,918 for Rental of office premises is offset by the payment of Cost differential by the Government of Canada.

		Approved Budget	Actual Expenditure	Savings/ (Deficit)
5201	Executive Committee meetings			
5202	Reporting (others)	20,000	7,278	12,722
5299	Sub-total	20,000	7,278	12,722
5300	Sundry			
5301	Communications	40,000	44,846	(4,846)
5302	Freight charges	15,000	13,956	1,044
5303	Bank charges	5,000	1,096	3,904
5304	Bank charges - NY	0	2,103	(2,103)
5305	Staff training	38,000	12,436	25,564
5399	Sub-total	98,000	74,437	23,563
5400	Hospitality			
5401	Official hospitality	10,000	10,681	(681)
5499	Sub-total	10,000	10,681	(681)
5999	COMPONENT TOTAL	182,000	139,640	42,360
99	PROJECT TOTAL	4,436,661	4,561,715	(125,054)
	Programme Support Costs	280,886	315,557	(34,671)
	GRAND TOTAL	4,717,547	4,877,272	(159,725)
B. 2005 Expenditures for Account MFL 2336-2212-2661: (Monitoring and Evaluation)				
		Approved Budget	Actual Expenditure	Savings/ (Deficit)
1201	Consultants - Projects and technical reviews	90,000	79,562	10,438
1202	Projects and technical reviews etc./Case studies	111,271	100,557	10,714
1203	Projects and technical reviews etc./Extending desk study	30,000	15,925	14,075
1205	Projects and technical reviews etc./Desk study	80,000	68,593	11,407
1601	Travel on Official business	50,000	30,514	19,486
4101	Office Stationery	4,000	0	4,000
4201	Non Expendable Computer Equipment	0	0	0
5105	Miscellaneous Equipment Rentals	0	0	0
5201	Executive Committee Meetings	0	0	0
5301	Communications	2,000	2,000	0
	ACCOUNT TOTAL	367,271	297,151	70,120
C. 2005 Expenditures for Account MFL 2336-2213-2661: (Technical Audits: Production Sector)				
2300	Sub-Contracts with Profit Making Institutions			
2301	Corporate Consultancies	66,154	56,000	10,154
	ACCOUNT TOTAL	66,154	56,000	10,154
D. 2005 Expenditures for Account MFL 2336-2720-2661: (Information Strategy)				
		Approved Budget	Actual Expenditure	Savings/ (Deficit)
1201	Consultant	0	0	0
4102	Expendable Computer Equipment	0	0	0
4201	Non Expendable Computer Equipment	0	0	0
5105	Miscellaneous equipment rentals/Network maintenance	12,500	12,500	0
	ACCOUNT TOTAL	12,500	12,500	0
	TOTAL FOR ALL ACCOUNTS	5,163,472	5,242,923	(79,451)

SCHEDULE 1.4			
MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL			
UNDP Managed Activities in 1991 - 2005 (Thousands of United States dollars)			
INCOME	2005	2004	1991-2005
Cash transferred from the Multilateral Fund	43,931	41,173	433,670
Promissory notes encashment	0	0	24,846
Promissory notes held on behalf of agency	0	0	6,304
Interest and miscellaneous income earned and retained	1,995	1,185	39,898
TOTAL INCOME	45,926	42,358	504,718
TOTAL EXPENDITURE	29,010	41,858	403,017
EXCESS OF INCOME OVER EXPENDITURE	16,916	500	101,701
Prior period adjustments	2,132	0	2,132
NET EXCESS OF INCOME OVER EXPENDITURE	19,048	500	103,833
Fund balance, beginning of period	84,785	84,285	0
Add excess of income over expenditure	19,048	500	103,833
Fund balance, end of period	103,833	84,785	103,833

SCHEDULE 1.5			
MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL			
UNEP Managed Activities in 1991 - 2005 (Thousands of United States dollars)			
INCOME	2005	2004	1991-2005
Cash transferred from the Multilateral Fund in 1998 recorded in 2002	0	0	0
Cash transferred from the Multilateral Fund in 2001 recorded in 2002	0	0	0
Cash transferred from other donors in prior periods posted to UNEP in error reversed in 2002	0	0	0
Cash transferred from the Multilateral Fund	21,539	12,592	104,282
Total transfers	21,539	12,592	104,282
Interest earned and retained	298	622	4,974
TOTAL INCOME	21,837	13,214	109,256
TOTAL EXPENDITURE	12,926	12,786	89,369
EXCESS OF INCOME OVER EXPENDITURE	8,484	428	19,460
Prior period adjustments	0	0	0
NET EXCESS OF INCOME OVER EXPENDITURE	8,484	428	19,460
Fund balance, beginning of period	10,976	10,548	0
Add excess of income over expenditure	8,484	428	19,460
Fund balance, end of period	19,460	10,976	19,460

Note: The figures presented take into account any prior period adjustments reported by Implementing agencies.

<p style="text-align: center;">SCHEDULE 1.6</p> <p style="text-align: center;">MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL</p> <p style="text-align: center;">UNIDO Managed Activities in 1991 - 2005</p> <p style="text-align: center;">(Thousands of United States dollars)</p>			
INCOME	2005	2004	1991-2005
Cash transferred from the Multilateral Fund	50,021	67,004	402,048
Interest and miscellaneous income earned and retained	1,123	1,081	26,070
TOTAL INCOME	51,144	68,085	428,118
TOTAL EXPENDITURE	38,965	42,048	377,056
EXCESS OF INCOME OVER EXPENDITURE	12,179	26,037	51,062
Prior period adjustment	0	0	261
NET EXCESS OF INCOME OVER EXPENDITURE	12,179	26,037	51,323
Fund balance, beginning of period	0	13,113	0
Add excess of income over expenditure	12,179	26,037	51,323
Fund balance, end of period	12,179	39,150	51,323

Note: The figures presented take into account any prior period adjustments reported by Implementing agencies.

SCHEDULE 1.7			
MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL			
World Bank Managed Activities in 1991 - 2005			
(Thousands of United States dollars)			
INCOME	2005	2004	1991-2005
Cash transferred from the Multilateral Fund	56,690	41,171	465,309
Promissory notes encashed*	5,140	11,515	176,194
Promissory notes transferred, net of encashments			0
Interest and miscellaneous income earned and retained (investment income)	2,804	2,138	57,703
TOTAL INCOME	64,634	54,824	699,206
TOTAL EXPENDITURE	87,630	64,026	590,831
EXCESS OF INCOME OVER EXPENDITURE	(22,996)	(9,202)	108,375
NET EXCESS OF INCOME OVER EXPENDITURE	(22,996)	(9,202)	108,375
Fund balance, beginning of period	108,375	117,577	0
Add excess of income over expenditure	(22,996)	(9,202)	108,375
Fund balance, end of period	85,379	108,375	108,375

*Promissory notes information provided by World Bank accounts.

Note: The figures presented take into account any prior period adjustments reported by Implementing agencies.

Annex I

NOTE FROM THE TREASURER

The United Nations Board of Auditors has indicated they intend to qualify UNEP's Financial Statements for two reasons:

1. The MF statements include \$82.267 million of receivables over 5 years old, mainly due from the Russian Federation that in their opinion may not be recoverable.

The treasurer has offered to add a more specific note to the Financial Statements as follows: "The unpaid contributions include \$82,267,000 outstanding for more than five years. These contributions are the subject of ongoing discussions between the Secretariat and the Governments concerned. This matter has been referred to the Executive Committee which has indicated that the authority for any decision regarding the disposition of these receivables rests with the Meeting of the Parties of the Montreal Protocol."

But this may not be sufficient. The Board of Auditors have indicated that they require confirmation that these amounts are considered recoverable, not just still due.

2. The implementing agency expenditures are recorded against unaudited preliminary expenditure reports. They are particularly concerned about the World Bank which covers 40% of expenditures. But they may also raise the issue that UNDP expenditures change significantly between the preliminary report and their audited Financial Statements.

For the future the Board may conduct a separate audit of the Financial Statements of the Multilateral Fund for the implementation of the Montreal Protocol.

The Treasurer will explain these issues together and give an update on the Board's position.