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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-third Meeting
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RECONCILIATION OF THE ACCOUNTS

1. This document is prepared in collaboration with the implementing agencies (IAs) and the Treasurer in response to decision 38/9(d)¹. It presents the reconciliation of the income as recorded in the 2013 accounts with the 2013 Progress Report financial data (Progress Report) of the IAs and the Secretariat's Inventory of Approved Projects database (Inventory); expenditures reported in the 2013 accounts and in the Progress Report; and recommendations.

Reconciliation of the income as recorded in the 2013 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 PROGRESS REPORTS AND THE INVENTORY
(Total funds approved including support costs (US \$))**

Agency	2013 Progress Report	Inventory	Difference
UNDP	745,978,083	745,978,228	-145
UNEP	248,755,715	248,755,713	2
UNIDO	766,637,046	766,637,043	3
World Bank	1,132,359,183	1,132,359,188	-5
Total	2,893,730,027	2,893,730,173	-147

¹ 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.

3. The discrepancy of US \$145 in UNDP's Progress Report is due to an overstatement in the support cost in the amount of US \$144 to be adjusted by UNDP; and the remaining US \$1 is due to rounding. The discrepancies in UNEP, UNIDO and the World Bank's Progress Reports are due to rounding².

Net Approvals in Progress Reports and 2013 Income Accounts of the Implementing Agencies

4. Differences were found between the Progress Reports of the IAs and the income in the 2013 Accounts of the Fund as shown in Table 2. An explanation for the differences provided by relevant IAs is shown in Table 3.

Table 2

DIFFERENCES BETWEEN THE 2013 PROGRESS REPORTS OF THE IAs AND THE 2013 FINAL ACCOUNTS OF THE FUND (Funds approved including support costs and income (US\$))

Agency	Progress Report	Aggregate Income for Final Accounts (Final)	Difference
(1)	(2)	(3)	(4) = (3)-(2)
UNDP	745,978,083	746,111,031	132,948
UNEP	248,755,715	248,433,319	-322,396
UNIDO	766,637,046	766,693,712	56,666
World Bank	1,132,359,183	1,125,324,025	-7,035,158
Total	2,893,730,027	2,886,562,087	-7,167,940

Note: 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 THE DIFFERENCES BETWEEN THE 2013 PROGRESS REPORTS OF THE IAs AND THE 2013 ACCOUNTS OF THE FUND (US\$)

Row	Comments	UNDP	UNEP	UNIDO	World Bank
1	Difference between Progress Report and Final Account	132,948	-322,396	56,666	-7,035,158
	Explanations provided by relevant IAs				
2	Difference between final and provisional interest income to be adjusted by Treasurer against 73 rd meeting approvals (action by Treasurer)	-205,719		-17,064	
3	Difference between further interest reported under 2013 provisional accounts and the interest adjusted during 2013. (Adjustments were made during 2014, after 72 nd ExCom)			-61,086	
4	Interest earned by the Foreign Economic Cooperation Office (FECO) of China deducted from 71 st meeting approvals at the end of 2013. (Adjustments have been made by UNIDO during 2014)			21,468	

² Only where the difference is higher than US \$5 it is suggested that the agencies align their figures to the Inventory.

Row	Comments	UNDP	UNEP	UNIDO	World Bank
5	Interest income returned by FECO, China and already adjusted by Treasurer against UNDP approvals at the 71 st meeting	72,771			
6	71 st meeting payments made in 2014 net of interest income from 2013				19,635,910
7	Investment income in 4 th quarter of 2013 deducted from 72 nd meeting approvals				-55,029
8	Standing reconciling item of Thailand Chiller Project (THA/REF/26/INV/104)*				-1,198,946
9	Standing reconciling item of Sweden bilateral (THA/HAL/29/TAS/120)*				-225,985
10	Standing reconciling item of the United States of America bilateral (CPR/PRO/44/INV/425)*				-5,375,000
11	Standing reconciling item of the United States of America bilateral (CPR/PRO/47/INV/439)*				-5,375,000
12	Standing reconciling item of Japan's bilateral contribution (THA/PHA/68/TAS/158)*				-342,350
13	Standing reconciling item of undocumented balance in ODS special account refunded by Government of the Philippines*				-28,434
14	Total (Rows 2 to 15)	-132,948	0	-56,682	7,035,166
15	Difference (outstanding reconciling item)	0	-322,396	(16)	(8)

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

5. An explanation of the differences between the Progress Reports and the 2013 Final Accounts for the Multilateral Fund is presented below:

- (a) UNDP explained the US \$132,948 difference as follows: US \$205,719 is the difference between final and provisional accounts to be adjusted by the Treasurer as 2013 prior years' adjustment in 2014 and shall be withheld by the Treasurer against the 73rd meeting approvals. US \$72,771 is the interest income returned by FECO, China and has already been adjusted by the Treasurer against the 71st meeting approvals;
- (b) UNEP's difference of US \$322,396 remains an outstanding reconciliation item which UNEP is reviewing with a view to provide an update at the 73rd meeting;
- (c) UNIDO's difference of US \$56,666 is explained in rows 2 to 4 of Table 3 above. This would leave a balance of US \$16 which UNIDO attributes to rounding differences, and constitutes an outstanding reconciling item for UNIDO (to be reconciled); and
- (d) The difference of US \$7,035,158 for the World Bank is explained as follows, leaving an outstanding reconciling item of US \$8:
 - (i) US \$19,635,910 corresponds to the 71st meeting payments made in 2014 net of interest income of the second and third quarters of 2013. US \$55,029 is investment income for the fourth quarter of 2013 deducted from the 72nd meeting approvals;
 - (ii) Two new standing reconciling items: the first 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 the funds be administered by the World Bank and consequently the Treasurer transferred the full approved grant and support costs to the Bank in November 2013. The second item is US \$28,434 representing an undocumented

balance that was refunded by the Philippines' Department of Environmental and Natural Resources to the ODS project's special account held by the financial intermediary. As the ODS project closed financially on 31 October 2011, the refund was transmitted to the Ozone Trust Fund. The Treasurer deducted the amount from 72nd meeting approvals. Once it is determined what completed project(s) it is attributed to, the World Bank will adjust its progress report accordingly;

- (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 Bank's overhead 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, it is expected that this will continue to be a standing reconciliation item;
- (iv) The same standing reconciling item of US \$225,985 is a standing reconciling item in previous annual reconciliations of accounts. It represents a Swedish bilateral contribution approved at the 29th meeting (THA/HAL/29/TAS/120) and has been treated in a similar manner as the bilateral contribution received from the United States of America mentioned 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 Bank's progress report; and
- (v) The same standing reconciling items is 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). Both amounts will remain standing reconciling items in the accounts 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 2013 Accounts and in the Progress Report

6. Table 4 shows the differences between the cumulative expenditures provisionally reported to the Treasurer in the 2013 Final Accounts, and the funds disbursed and obligated as reported in the Progress Reports for the period 1991 to 2013. An explanation for the differences provided by relevant IAs is shown in Table 5.

Table 4

DIFFERENCES BETWEEN CUMULATIVE EXPENDITURES (US\$)

IA	Progress Report			Total cumulative expenditures reported to the Treasurer	Differences *
	Funds disbursed including support costs	Funds obligated including support costs	Total cumulative expenditures		
(1)	(2)	(3)	(4)= (2)+(3)	(5)	(6)= (4)-(5)
UNDP	667,120,120	582,478	667,702,598	664,430,980	3,271,618
UNEP	213,588,288	1,983,378	215,571,666	215,573,244	-1,578
UNIDO	665,773,979	23,386,860	689,160,839	689,160,896	-57
World Bank	1,051,082,001	77,902,176	1,128,984,177	1,057,242,820	71,741,357

(*): 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 REPORTED IN PROGRESS REPORTS AND THE ACCOUNTS OF THE FUND (US\$)

	UNDP	UNEP	UNIDO	World Bank
1. Difference between IAs Accounts and Progress Report	3,271,618	-1,578	-57	71,741,357
Explanations provided by relevant IAs				
2. Funds allotted to cover 2014 and 2015 administrative commitments. Earned and reported in progress report, not yet disbursed per 2013 financial statement	-2,749,257			
3. Commitments included in progress report but not in financial statement, not included as expense until disbursed	-582,478			
4. Decrease in expenditure between provisional and final accounts to be recorded by Treasurer (action by Treasurer)	157,470			
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 but 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. Committed value for approved projects				-77,902,176
7. Disbursement to the World Bank special accounts				6,160,819
8. Total	-3,271,619	0	0	-71,741,357
10. Difference	-1	-1,578	-57	0

* Standing reconciling item that can be returned when the trust fund is closed

7. In addition to the explanations provided in row 2 to 7 of Table 5, the following observations are relevant:

- (a) 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 funded projects. 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. The remaining discrepancy of US \$1 is due to rounding;
- (b) UNEP's difference in expenditure of US \$1,578 remains an outstanding reconciliation item which UNEP will continue to review and report to the 73rd meeting;
- (c) For UNIDO, the difference of US \$57 remains an outstanding reconciling item that UNIDO is still reviewing and will report back to the 73rd meeting;
- (d) For the World Bank, the difference of US \$71,741,357 is due to the fact that, in line with the Bank's accounting procedures, "obligated" or "committed" funds are not

counted as disbursement (i.e., not recorded in financial statements) until such payments are made. Therefore the figure in the “obligated” column is not included in the 2013 Final Accounts. In addition, the progress report’s disbursement amounts figures are reported to the Bank by its financial agents and partner countries (in the case of some sector and national ODS phase-out plans), whereas expenditures in the financial statement represent the funds that flow out of the Bank into the special accounts (and eventually to the beneficiary). If obligated funds were taken out of the reconciliation, the difference between the funds disbursed in the progress report and those disbursed from the Bank’s Ozone Trust Fund, would be about one per cent.

Recommendations

8. The Executive Committee may wish:

- (a) To note the reconciliation of the 2013 accounts, as presented in document UNEP/OzL.Pro/ExCom/73/56;
- (b) To request UNDP to adjust the support costs approved in its progress report by US \$144;
- (c) To request the Treasurer:
 - (i) To withhold from its future transfers to UNDP an amount of US \$205,719 representing the additional interest income reported by UNDP in its provisional financial statement but not in its final financial statement, and to reflect this amount as a prior year adjustment in UNDP’s 2014 accounts;
 - (ii) To record the decrease in expenditure in the amount of US \$157,470 between UNDP’s provisional and final financial statements in 2014;
 - (iii) To withhold from its future transfers to UNIDO an amount of US \$17,064 representing an additional interest income reported by UNIDO in its provisional statements but not in its final statements, and to reflect this amount as a prior year adjustment in UNIDO’s 2014 accounts;
- (d) To note the 2013 outstanding reconciling items as follows:
 - (i) US \$16 in income and US \$57 in expenditure between UNIDO’s progress report and final accounts;
 - (ii) US \$322,396 in income and US \$1,578 in expenditure between UNEP’s progress report and final accounts; and
 - (iii) US \$8 in income between the World Bank’s progress report and final accounts;
- (e) To note the standing reconciling items as follows:
 - (i) UNDP for unspecified projects at the amounts of US \$68,300 and US \$29,054; and
 - (ii) World Bank for the following projects implementing with other bilateral agencies where applicable:

- The Government of the Philippines' refund of US \$28,434 representing an undocumented balance to the ODS project special account, which is a new item;
- Thailand chiller project (THA/REF/26/INV/104) at the amount of US \$1,198,946;
- Japan bilateral (THA/PHA/68/TAS/158) at the amount of US \$342,350, which is a new item;
- Sweden bilateral (THA/HAL/29/TAS/120) at the amount of US \$225,985;
- United States of America bilateral (CPR/PRO/44/INV/425) at the amount of US \$5,375,000; and
- United States of America bilateral (CPR/PRO/47/INV/439) at the amount of US \$5,375,000.
