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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-fourth Meeting
Montreal, 18-22 May 2015

**REPORT ON THE STATUS OF CONSOLIDATION OF THE ACCOUNTS
OF THE MULTILATERAL FUND (DECISION 72/42(b)(i))**

Background

1. At the 72nd meeting, in the document containing the accounts of the Multilateral Fund¹, the Treasurer reported that UNEP had adopted the International Public Sector Accounting Standards (IPSAS) as of 1 January 2014 while Umoja (the new enterprise resource system)² will be implemented towards the last quarter of 2014.
2. Therefore, at that time the extent of potential changes to the presentation of accounts of the Multilateral Fund (MLF) had not been finalized. Accordingly, the Executive Committee *inter alia* requested the Treasurer to report on the status of consolidation of the accounts of the MLF to the 74th meeting once the IPSAS and Umoja were fully operational (decision 72/42(b)(i)).
3. In response to decision 72/42(b)(i), the Treasurer has submitted a status report on the implementation of IPSAS and UMOJA to the 74th meeting.

Progress report

4. Under the United Nations System Accounting Standards (UNSAS), UNEP financial report included separate financial statements for the MLF. Under IPSAS, UNEP is required to consolidate the MLF accounts with those of UNEP but will still maintain a distinct segment for the MLF comprising the statement of financial position, the statement of financial performance, the statement of cash flows and related notes and schedules.
5. The IPSAS presentation aggregates all UNEP operations and various categories of income, expenditures, assets and liabilities, reserves and fund balance, while maintaining full disclosure of the financial results of the MLF and other segments. In order to maintain the same level of details provided to

¹ UNEP/OzL.Pro/ExCom/72/44.

² UMOJA will be the United Nations new central administrative system, replacing multiple and fragmented legacy systems such as IMIS, Mercury and Sun.

the Executive Committee under UNSAS, the Treasurer will continue to provide certified financial statements including annexes to provide additional details including a schedule of contributions to the MLF.

6. Under UNSAS, the bilateral cooperation programme assistance was not reflected in the accounts of the MLF (as revenue and expenditures). This will continue under IPSAS considering that UNEP does not have detailed information on actual disbursement of funds and related expenditures. However, information on the bilateral cooperation programme will still be provided in the document on the status of contributions and disbursements as has been the practice.

7. The provisional 2014 accounts as submitted by the implementing agencies (IAs) have been recorded in the UNEP accounts following IPSAS requirement. The drafts financial statement for 2014 submitted to the Secretariat for review, reflect new accounting terminology and procedures that merits to be shared and discussed with the IAs before they submit their final financial statements to the Treasurer.

8. As part of the changes in administrative procedures due to the implementation of UMOJA, all offices administered by the United Nations Secretariat, including the Fund Secretariat, were advised that banking arrangement will change. The (current) MLF bank account in New York will be dedicated to receiving the assessed contribution of the MLF; however, new arrangements will be introduced through a centralized bank account for disbursements.

9. As IPSAS-compliant accounting policies continued to be implemented, changes in procedures, workflows and instructions will be introduced, as well as in the control framework that underpin financial accounting and reporting. This organizational change shall take into account the terms of reference of the MLF and the Agreement between the Executive Committee and UNEP as the Treasurer of the MLF.

Observations

10. The Treasurer will continue to provide detailed certified financial statements on the MLF extracted from the consolidated financial statements of UNEP with additional information as required by the Executive Committee.

11. The Treasurer will ensure that MLF segment in the UNEP consolidated financial statements provides sufficient information in the footnotes and/or annexes to the schedules on: the gain/loss of the fixed exchange rate mechanism (FERM); deposits and encashment of promissory notes; long outstanding contributions³; and cost differentials from the Government of Canada as separate income from the assessed contribution.

12. The Treasurer will take appropriate action towards keeping operational the MLF bank account in New York until the matter is given due consideration by the Executive Committee. As a result of the new banking arrangements, the banking fees and interest accrued attributable to MLF will continue be computed and reported, as it has been the practice.

Recommendation

13. The Executive Committee may wish:

- (a) To note the report on the status of consolidation of the accounts of the Multilateral Fund (decision 72/42(b)(i)) contained in document UNEP/OzL.Pro/ExCom/74/52;
- (b) To request the Treasurer:

³ The MLF accounts will include a schedule on the status of contributions by individual countries in line with the MLF policy on outstanding contribution.

- (i) To submit the final 2014 accounts of the Multilateral Fund containing the required information on the fixed-exchange rate mechanism, promissory notes, outstanding contributions, and counterpart contribution by the Government of Canada, to the 75th meeting;
 - (ii) To continue submitting one schedule per implementing agency, one stand-alone schedule for the budget of the Fund Secretariat, and a separate schedule on the financial status of the Multilateral Fund using the same format when the accounts were reported under United Nations System Accounting Standards;
 - (iii) To report on the Multilateral Fund bank account located in New York and the impact on the financial operation of the Fund Secretariat and the Multilateral Fund to the 75th meeting; and
- (c) To organise, together with the Fund Secretariat, an information workshop to update the implementing agencies on the reporting requirement under International Public Sector Accounting Standards prior to the 75th meeting.

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