



**United Nations
Environment
Programme**

Distr.
GENERAL

UNEP/OzL.Pro/ExCom/75/80
26 October 2015



ORIGINAL: ENGLISH

EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Seventy-fifth Meeting
Montreal, 16-20 November 2015

FINAL 2014 ACCOUNTS

Introduction

1. By decision 74/52(b), the Executive Committee requested the Treasurer to submit to the 75th meeting the final 2014 accounts of the Multilateral Fund (MLF) containing the required information on the fixed-exchange rate mechanism (FERM), promissory notes, outstanding contributions, and counterpart contribution by the Government of Canada; to continue submitting separate sub-accounts for each implementing agency (IA), one for the budget of the Fund Secretariat, and another on the financial status of the MLF, using the same format when the accounts were reported under the United Nations System Accounting Standards (UNSAS); and to report on the status of the MLF bank account located in New York and its impact on the financial operation of the Fund Secretariat and the MLF. The Treasurer was also requested to organize, together with the Fund Secretariat, an information workshop to update the IAs on the reporting requirement under International Public Sector Accounting Standards (IPSAS) prior to the 75th meeting.

2. This document contains three parts: Part I provides the 2014 accounts of the MLF; Part II provides a status report on the MLF bank account in New York; and Part III provides a summary of the workshop on the reporting requirement under IPSAS.

Part I: 2014 accounts of the MLF

3. Annex I to the present document contains the financial status of the MLF and consists of the following seven Schedules:

- (a) Schedule 1.1: The statement of income and expenditures
- (b) Schedule 1.2: 2014 Statement of assets and liabilities
- (c) Schedule 1.3: 2014 Expenditures for Account MLF
- (d) Schedule 1.4: Sub-accounts of UNDP Managed Activities 1991-2014
- (e) Schedule 1.5: Sub-accounts of UNEP Managed Activities 1991-2014
- (f) Schedule 1.6: Sub-accounts of UNIDO Managed Activities 1991-2014
- (g) Schedule 1.7: Sub-accounts of the World Bank Managed Activities 1991-2014

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.

4. Schedule 1.1 provides information on the 2014 agreed contribution by the contributing parties under the income category; the payment by the Government of Canada of US \$2.7 million to cover the cost differentials between having the Secretariat in Montreal as opposed to Nairobi (indicated in a footnote in Schedule 1.1); and the exchange gain/loss in respect of the FERM, i.e., a loss of US \$1,784,000 in 2014 as compared to a loss of US \$2,987,000 in 2013.

5. Schedule 1.2 shows an amount of US \$26,428,000 under the voluntary pledges receivable. This amount does not reflect 100 per cent of the total aggregated outstanding contribution standing at US \$200,986,000 in 2014 from which outstanding contributions older than 3 years (called doubtful pledges) have been deducted. The provision for doubtful account of US \$174,558,000 is kept separately in line with IPSAS which requires to provide allowance for doubtful accounts aged over three years. Schedule 1.2 also shows an amount of US \$20,120,000 in promissory notes deposited.

6. Schedule 1.3 presents the 2014 actual expenditures of the Secretariat budget as approved by decision 73/69(b)¹. It shows an unspent balance of US \$1,245,943 against total budget of US \$6,836,174, which includes IPSAS adjustment of US \$25,423 associated with depreciation expenses². The unspent balances have been returned to the MLF at the 75th meeting as shown in the status of contributions and disbursements of the Fund report³.

7. Schedules 1.4 to 1.7 contain the accounts of the IAs. The IAs submitted to the Treasurer their provisional accounts in January 2015 and their final 2014 accounts by the end of September 2015 in line with the agreed deadline. Since the IAs' final accounts were submitted after UNEP 2014 accounts were closed, only the provisional accounts of the agencies were recorded in the UNEP final accounts. The differences between the IAs' 2014 provisional accounts and their final accounts are reflected in Tables 1 and 2 below, and shall be recorded in the 2015 accounts.

Table 1. Differences between IAs' provisional and final 2014 accounts on aggregate income (US\$)

Agency	Provisional	Final	Difference
UNDP	771,449,109	771,366,278	(82,831)
UNEP	261,421,066	261,472,501	51,435
UNIDO	795,799,643	795,774,976	(24,667)
World Bank	1,172,025,988	1,172,025,988	0
Total	3,000,695,806	3,000,639,743	(56,063)

Table 2. Differences between IAs' provisional and final 2014 accounts on aggregate expenditure (US \$)

Agency	Provisional	Final	Difference
UNDP	699,772,709	700,244,202	471,493
UNEP	230,512,145	228,649,691	(1,862,454)
UNIDO	733,716,077	732,728,087	(987,990)
World Bank	1,104,308,101	1,104,308,101	0
Total	2,768,309,032	2,765,930,081	(2,378,951)

¹ To authorize the Secretariat to reallocate the sum of US \$118,750 from the approved 2014 budget under budget lines 1200, 1600 and 3301 to budget lines 1333, 1334 and 3302, in order to accommodate the additional cost of having the 73rd meeting of the Executive Committee in Paris, noting that the proposed transfer among budget lines was above the 20 per cent limit.

² "Depreciation expense" does not involve cash payment and are included in the accounts for information only and when the fixed assets are initially acquired, it is reported as spent to decrease the value of equipment acquired over time.

³ UNEP/OzL.Pro/ExCom/75/3

2014 audited accounts

8. The first IPSAS compliant financial statement for 2014 of UNEP and the MLF has been issued and audited by UN Board of Auditors. The unqualified report⁴ by the auditors did not find major issues pertaining to the above statement.

9. The financial statement (Statement XI) of the MLF, which is consolidated with other UNEP funds as per IPSAS requirement, has been extracted from UNEP-wide financial statements for the Multilateral Trust Fund.

Part II: Bank account of the MLF

10. The MLF Bank account in New York will continue to exist for receiving contributions from parties only. It would no longer be used to transfer funds to IAs as in the past, as a result of the implementation of a new Enterprise Planning Resource (ERP) system in the UN, whereby only a few selected bank accounts per country and per currency would remain open to serve as House Banks to disburse funds. Transfers will continue to be disbursed through the House Banks, without any implication on the operation of the MLF, as long as the cash balance in the MLF bank account is sufficient to cover all fund transfers to IAs and to the Secretariat for its petty cash needs as approved by the Executive Committee. Interest accrued will continue to be recorded in the accounts, based on the IAs' biannual reports to the Treasurer and amount accrued to the MLF trust fund bank account.

Part III: Report on the information workshop on the reporting requirements under IPSAS

11. The information workshop on reporting requirements under IPSAS took place in the margins of the Interagency Coordination meeting at the Fund Secretariat on 2 September 2015. The Report of the workshop is contained in Annex II to the present document.

12. During the workshop, the need for the IAs to continue submitting provisional financial statements on the understanding that they are advanced copies of the audited financial statements was highlighted. The financial statements should exclude bilateral agencies' projects. It was also indicated that IAs should submit the four statements of the accounts, namely: Statement of financial position (balance sheet); Statement of financial performance (income statement); Statement of changes in net assets (fund balance); and Cash flow statement. Particular importance should be placed on submitting IPSAS compliant report in 2014 to ensure that UNEP's accounts are IPSAS compliant in 2014. It was also agreed to change the terminology used in the progress and balances reports from the IAs to the Secretariat⁵ to be IPSAS compliant.

RECOMMENDATIONS

13. The Executive Committee may wish:

(a) To note:

(i) The final financial statements of the Multilateral Fund as at 31 December 2014 prepared in accordance with decision 74/52(b) contained in document UNEP/OzL.Pro/ExCom/75/80;

⁴A copy the unqualified report by the auditors is available upon request.

⁵ "Funds Obligated" will be labelled "Obligations/Commitments" for 2014 but "Commitments" thereafter. The balances report will continue to mention "Funds Disbursed" but will change "Obligated Balance" to "Commitments" and "Unobligated Balance" to "Balance of Funds Not-committed".

- (ii) That UNEP had received the report of United Nations Board of Auditors for the biennium ended 31 December 2014 and that there were no major issues of relevance to the Multilateral Fund;
 - (iii) The feedback from the Treasurer of the bank account of the Multilateral Fund in New York;
 - (iv) That the International Public Sector Accounting Standards (IPSAS) report on outstanding contributions up to 3 years under the “voluntary pledges receivable” category and maintains the records of outstanding contribution of more than 3 years under the doubtful accounts receivable;
 - (v) The report of the workshop on the reporting requirements under the IPSAS contained in Annex II to the present document; and
- (b) To request the Treasurer to record in the 2015 accounts of the Multilateral Fund the differences between the implementing agencies’ provisional 2014 financial statements and their final 2014 statements as reflected in Tables 1 and 2 of the document UNEP/OzL.Pro/ExCom/75/80.

SCHEDULE 1.1 MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL 2014 STATEMENT OF INCOME AND EXPENDITURE (in US\$) ⁽¹⁾ (Thousands of United States dollars)			
INCOME	2014	2013	1991- 2014
Agreed contributions ⁽²⁾	133,273	132,086	3,090,525
Interest income	1,949	2,370	214,301
Exchange gain/(loss) ⁽³⁾	(1,784)	(2,987)	18,669
Miscellaneous income	21	49	31,287
TOTAL INCOME	133,459	131,518	3,354,782
EXPENDITURE			
UNEP Managed Activities ⁽⁴⁾	14,939	11,513	231,112
UNDP Managed Activities ⁽⁴⁾	35,342	45,040	699,773
UNIDO Managed Activities ⁽⁴⁾	44,555	65,241	733,710
World Bank Managed Activities ⁽⁴⁾	47,065	39,609	1,104,307
Secretariat ⁽⁵⁾	5,717	6,741	104,560
Reduction on bad debt provision	(3,645)	0	(3,645)
Exchange loss on outstanding promissory notes ⁽⁶⁾	3,650	0	3,650
TOTAL EXPENDITURE	147,623	168,144	2,873,467
Excess of income over expenditure	(14,164)	(36,626)	481,315
Prior period adjustments	(3,986)	(1,842)	(176,896)
Net excess of income over expenditure	(18,150)	(38,468)	304,419
Fund balance, beginning of period	322,569	361,037	0
Fund balance, end of period	304,419	322,569	304,419

⁽¹⁾ During the 2010-2011 financial period, the Fund changed its accounting policy to start recording a provision for doubtful accounts receivable amounting to 100 per cent of all outstanding receivable over four years old and other specific receivables considered uncollectible. Previously there was no provision for doubtful accounts being made. UNEP believes that this policy results in a more transparent treatment of uncollectible accounts.

⁽²⁾ Agreed contributions includes: US \$2.7 million voluntary contribution (cost differential) from the Government of Canada; Kazakhstan pledges from 2001-2013 amount to US \$954,013.

⁽³⁾ The exchange loss for 2014 is in respect of the FERM.

⁽⁴⁾ In order to enable UNEP as the Treasurer to comply with the requirement to issue financial statements by 31 March of the following year, the Treasurer, with the approval by the Executive Committee, has adopted the practice of recording UNDP, UNIDO and World Bank provisional accounts submitted. The IAs will provide audited final accounts when they become available but not later than 30 September of the following year. Further adjustments to the 2013 accounts are pending.

⁽⁵⁾ Include depreciation item of US \$25,423.

⁽⁶⁾ This loss is unrealized and recognized because of IPSAS requirements otherwise, it will be realized as FERM loss when promissory notes encashed.

SCHEDULE 1.2		
MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL		
2014 STATEMENT OF ASSETS AND LIABILITIES		
(Thousands of United States dollars)		
ASSETS	2014	2013
Current Assets		
Cash and term deposits	38,762	16,276
Voluntary pledges receivable*	26,428	20,647
Inter-fund balance receivable		
Other accounts receivable		
Other assets - deferred charges		
Promissory notes - short term	20,120	12,610
Advance or prepayments	321	33
Operating funds provided to implementing agencies - current	116,500	109,785
Other current assets		55
TOTAL CURRENT ASSETS	202,131	159,406
Non current Assets		
Investments	22,308	10,086
Promissory notes - long term	8,655	23,962
Operating funds provided to implementing agencies - non current	104,220	143,441
Property, plant and equipment	96	116
TOTAL NON CURRENT ASSETS	135,279	177,605
TOTAL ASSETS	337,410	337,011
LIABILITIES		
Accounts payable and accrued payables	12,950	341
Advance receipts	19,857	17,041
Employee benefits	57	43
Other accounts payable	127	1,074
TOTAL LIABILITIES	32,991	18,499
RESERVES AND FUND BALANCES		
Cumulative surplus		
TOTAL RESERVES AND FUND BALANCES	304,419	318,512
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	337,410	337,011

*This amount is the net amount of outstanding contribution for three years. The total voluntary contribution receivable is US \$200,986,000 which has been reduced by US \$174,558,000 outstanding contribution of more than 3 year recorded under the doubtful account.

SCHEDULE 1.3

A. 2014 Expenditures for Account MFL 2336-2211-2661: (Secretariat's Main Account)

		Revised budget per decision 73/69(b)	Total Expenditures	Savings / (Deficit)	Comments
10	PROJECT PERSONNEL COMPONENT				
	1100 <i>Project Personnel</i>				
	1101 Chief Officer (D-2)	251,635	239,732	11,903	
	1102 Deputy Chief Officer (Economic Cooperation) (D-1)	248,333	22,905	225,428	Post vacant from 30/09/2013 to 31/11/2014
	1103 Programme Management Officer (P-3)	164,585	152,217	12,368	
	1104 Senior Project Management Officer (P-5)**	224,409	211,330	13,079	Post vacant since 1/12/2014
	1105 Senior Project Management Officer (P-5)	224,409	193,439	30,970	
	1106 Senior Project Management Officer (P-5)	224,409	87,695	136,714	Post vacant from 18/06/2014 to 09/08/2015
	1107 Senior Project Management Officer (P-5)	224,409	190,173	34,236	
	1108 Information Management Officer (P-3)	198,426	186,854	11,572	
	1109 Senior Administrative and Fund Management Officer (P-5)	201,342	170,883	30,459	
	1110 Senior Monitoring and Evaluation Officer (P-5)	224,409	205,938	18,471	
	1111 Programme Management Officer (P-3)	164,585	128,968	35,617	Incumbent retired on 30/09/2014
	1112 Information Network Officer (P-3)	137,917	127,454	10,463	
	1114 Programme Management Officer (P-3)	164,585	153,910	10,675	
	1115 Associate Administrative Officer (P-2)	60,000	45,218	14,783	Post established on 1/12/2013, incumbent on Special Post Allowance till finalisation of recruitment effective 1/06/2015
	1116 Associate Database Officer (P-2)	60,000	47,156	12,844	Post established on 1/12/2013, incumbent on Special Post Allowance till finalisation of recruitment effective 1/06/2015
	1198 Prior Year's Adjustment	0	0	0	
	1199 Sub-total	2,773,453	2,163,873	609,580	
	1200 <i>Consultants</i>				
	1201 Projects and technical reviews	21,110	14,964	6,146	Breakdown available upon request
	1202 MCII Consultants	0	0	0	
	1203 MYA Table access & development	0	0	0	
	1299 Sub-total	21,110	14,964	6,146	
	1300 <i>Administrative Support Staff costs</i>				
	1301 Administrative Assistant (G-7)	47,501	32,248	15,253	Post was upgraded into P2 effective 1/12/2013 and cancelled thereafter
	1302 Meetings Services Assistant (G-7)	94,591	77,857	16,734	
	1303 Programme Assistant (G-7)	94,591	80,179	14,412	
	1304 Programme Assistant (G-5)	70,067	35,254	34,813	Post vacant until 26/03/2014 (before that staff on short term contracts)
	1305 Programme Assistant (G-5)	70,067	62,175	7,892	
	1306 Computer Operations Assistant (G-6)	89,504	72,698	16,806	
	1307 Programme Assistant (G-5)	74,054	68,023	6,031	
	1308 Secretary/Clerk (Administration) (G-6)	79,441	67,531	11,910	
	1309 Registry Clerk (G-4)	60,527	37,223	23,304	Post vacant 1/09/2013 through 1/07/2014
	1310 Database Assistant (G-7)	47,501	35,658	11,843	Post was upgraded into P2 effective 1/12/2013 and cancelled thereafter
	1311 Programme Assistant (Monitoring and Evaluation) (G-5)	70,067	38,632	31,435	Post vacant 1/09/2013 through 6/04/2014
	1313 Programme Assistant (G-5)	70,067	55,559	14,508	Special leave without pay starting 18/06/2014
	1314 Programme Assistant (G-5)	70,067	65,725	4,342	
	1301-14 Sub-total (support staff costs)	938,045	728,763	209,282	
	1333 72nd Executive Committee Meeting	350,000	349,423	577	
	1334 73rd Executive Committee Meeting	485,000	475,358	9,642	
	1333-34 & 1336 Sub-total (conference servicing)	835,000	824,781	10,219	
	1335 Temporary Assistance	21,352	19,617	1,735	
	1336 Other Meeting	0	(118,324)	118,324	Credit from 2013
	1337 Excom costs	0	(413)	413	Credit from 2013
	1388 Prior Year's Adjustment	0	0	0	
	1335-37 & 1388 Sub-total	21,352	(99,119)	120,471	
	1399 Sub-total	1,794,397	1,454,425	339,972	

*To authorize the Secretariat to reallocate from the approved 2014 budget under budget lines 1200, 1600 and 3301 to budget lines 1333, 1334 and 3302, in order to accommodate the additional cost of having the 73rd meeting of the Executive Committee in Paris, noting that the proposed transfer among budget lines was above the 20 per cent limit.

**Includes tax payment to the staff member's Government.

			Revised budget per decision 73/69(b)	Total Expenditures	Savings / (Deficit)	Comments
	1600	Travel on Official Missions				
	1601	Mission costs	168,000	160,940	7,060	
	1602	Network meetings	33,000	32,642	358	
	1699	Sub-total	201,000	193,582	7,418	
1999	COMPONENT TOTAL		4,789,960	3,826,843	963,117	
20	SUB-CONTRACTS COMPONENT					
	2100	Sub-Contracts with UN Agencies:				
	2101	Treasury services	500,000	500,000	0	
	2102	Corporate consultancies	0	0	0	
	2199	Sub-total	500,000	500,000	0	
	2300	Sub-Contracts with Profit Making Institutions				
	2301	Corporate Consultancies	0	0	0	
	2399	Sub-total	0	0	0	
2999	COMPONENT TOTAL		500,000	500,000	0	
30	MEETINGS PARTICIPATION COMPONENT					
	3300	Assistance to Participants from Developing Countries				
	3301	Travel of Chairman / Vice-Chairman	0	0	0	
	3302	Executive Committee meetings	154,000	153,084	916	
	3399	Sub-total	154,000	153,084	916	
3999	COMPONENT TOTAL		154,000	153,084	916	
40	EQUIPMENT COMPONENT					
	4100	Expendables				
	4101	Office stationery (revision initiated to use anticipated savings)	9,828	5,040	4,788	
	4102	Software and computer expendables	12,835	2,936	9,899	
	4199	Sub-total	22,663	7,976	14,687	
	4200	Non-expendable Equipment				
	4201	Computer, printers etc.	20,154	19,779	375	
	4202	Others	0	0	0	
	4299	Sub-total	20,154	19,779	375	
	4300	Rental of premises				
	4301	Rental of office premises***	870,282	745,942	124,340	
	4399	Sub-total	870,282	745,942	124,340	
4999	COMPONENT TOTAL		913,099	773,697	139,402	
50	MISCELLANEOUS COMPONENT					
	5100	Operations and Maintenance				
	5101	Computers, printers	11,622	2,662	8,960	
	5102	Office premises	6,400	1,117	5,283	
	5103	Rental of Photocopiers	12,000	4,679	7,321	
	5104	Telecommunications equipment	6,400	534	5,866	
	5105	Miscellaneous equipment rentals	8,000	3,138	4,862	
	5199	Sub-total	44,422	12,130	32,292	
	5200	Reporting Costs				

***Based on 2014 cost differentials, the rental costs will be offset by US \$693,080 leaving an amount of US \$52,890 to be charged to the Fund.

SCHEDULE 1.4			
MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL			
UNDP Managed Activities 1991 - 2014			
INCOME	2014	2013	1991-2014
Cash transferred from the Multilateral Fund	24,738,078	37,096,437	684,500,604
Promissory notes encashment		0	31,150,012
Interest and miscellaneous income earned and retained	600,000	600,000	55,798,493
TOTAL INCOME	25,338,078	37,696,437	771,449,109
TOTAL EXPENDITURE	35,499,199	44,200,375	699,772,709
EXCESS OF INCOME OVER EXPENDITURE	(10,161,121)	(6,503,938)	71,676,400
NET EXCESS OF INCOME OVER EXPENDITURE	(10,161,121)	(6,503,938)	71,676,400
Fund balance, beginning of period	81,474,333	87,978,271	0
Adjustment on prior period income and expenditure	363,189	0	0
Add excess of income over expenditure	(10,161,121)	(6,503,938)	71,676,400
Fund balance, end of period	71,676,401	81,474,333	71,676,400

SCHEDULE 1.5			
MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL			
UNEP Managed Activities 1991 - 2014			
INCOME	2014	2013	1991-2014
Cash transferred from the Multilateral Fund	12,904,377	15,747,308	251,763,351
Interest earned and retained	82,130	138,691	9,579,054
Other income	1,240	1,761	78,661
TOTAL INCOME	12,987,747	15,887,760	261,421,066
TOTAL EXPENDITURE	14,938,901	13,856,954	230,512,145
EXCESS OF INCOME OVER EXPENDITURE	(1,951,154)	2,030,806	30,908,921
Prior period adjustments	0	0	0
NET EXCESS OF INCOME OVER EXPENDITURE	(1,951,154)	2,030,806	30,908,921
Fund balance, beginning of period	31,989,354	29,958,548	0
Add excess of income over expenditure	(1,951,154)	2,030,806	30,908,921
Adjustment on prior period income and expenditure	870,721		
Fund balance, end of period	30,908,921	31,989,354	30,908,921

SCHEDULE 1.6			
MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL			
UNIDO Managed Activities 1991 - 2014			
INCOME	2014	2013	1991-2014
Cash transferred from the Multilateral Fund	28,980,439	54,845,833	758,633,187
Interest and miscellaneous income earned and retained	125,492	248,761	37,166,456
TOTAL INCOME	29,105,931	55,094,594	795,799,643
TOTAL EXPENDITURE	44,555,181	65,241,330	733,716,077
EXCESS OF INCOME OVER EXPENDITURE	(15,449,250)	(10,146,736)	62,083,566
NET EXCESS OF INCOME OVER EXPENDITURE	(15,449,250)	(10,146,736)	62,083,566
Fund balance, beginning of period	77,515,751	87,662,487	0
Adjustment on prior year income	17,064		
Add excess of income over expenditure	(15,449,250)	(10,146,736)	62,083,566
Fund balance, end of period	62,083,565	77,515,751	62,083,566

SCHEDULE 1.7*			
MULTILATERAL FUND FOR THE IMPLEMENTATION OF THE MONTREAL PROTOCOL			
World Bank Managed Activities 1991 - 2014			
INCOME	2014	2013	1991-2014
Cash transferred from the Multilateral Fund	46,448,543	37,391,351	1,092,593,042
Interest and miscellaneous income earned and retained (investment income)	253,420	303,250	79,432,946
TOTAL INCOME	46,701,963	37,694,601	1,172,025,988
TOTAL EXPENDITURE	47,065,281	39,608,707	1,104,308,101
EXCESS OF INCOME OVER EXPENDITURE	(363,318)	(1,914,106)	67,717,887
NET EXCESS OF INCOME OVER EXPENDITURE	(363,318)	(1,914,106)	67,717,887
Fund balance, beginning of period	68,081,205	69,995,311	0
Add excess of income over expenditure	(363,318)	(1,914,106)	67,717,887
Fund balance, end of period	67,717,887	68,081,205	67,717,887

*Schedule 1.7 includes bilateral projects income and expenditures.

Annex II

REPORT ON THE INFORMATION WORKSHOP ON THE REPORTING REQUIREMENTS UNDER THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

1. At its 74th meeting, the Executive Committee requested the Treasurer to organize, together with the Secretariat, an information workshop to update bilateral and implementing agencies on the reporting requirement under the International Public Sector Accounting Standards (IPSAS) prior to the 75th meeting (decision 74/52(b)(iv)).
2. In response to decision 74/52(b)(iv), a half-day information workshop was held on 2 September 2015 and included information on the transition from the United Nations System Accounting Standards (UNSAS) to IPSAS; progress reports of the Multilateral Fund; the accounts of the Multilateral Fund under IPSAS, and an introduction to UMOJA.

Presentation by the Treasurer

3. The Treasurer gave a presentation entitled the “UN Policy framework on IPSAS¹” covering the recognition of revenue versus income; expense recognition and the delivery principle; changes in terminology from the UNSAS to IPSAS; and specific issues relating to implementing agencies. It was highlighted that:
 - (a) The General Assembly approved the adoption of IPSAS, which was subsequently adopted by UNEP in January 2015 replacing UNSAS;
 - (b) IPSAS does not recognize expenses upon transfer of funds from the Treasurer to implementing agencies or from implementing agencies to intermediaries. When funds are transferred from the Treasurer to the implementing agencies they are recorded as receivables until audited financial statements, which must contain actual expenditure data, are received from the agencies. At this point actual expenditures are recorded in the accounts of the Fund;
 - (c) Under IPSAS, financial statements are audited every year; and
 - (d) Obligations and unliquidated obligations are no longer recognized as expenses in accordance with the “delivery principle” whereby only once goods or services are delivered then expenditures are recognised.

Feedback from implementing agencies on their IPSAS status

4. UNDP stated that it is using Atlas², which is IPSAS compliant. UNDP audited financial statement reflects actual expenditures as reported by the end beneficiaries to UNDP with the exception of the Foreign Economic Cooperation Office (FECO) of China where only disbursements from UNDP to FECO are reported. UNDP’s financial statement includes transaction related to the bilateral projects.
5. UNEP reported that it became IPSAS compliant in 2014. However, 2014 is a transition year since only some UNEP UNSAS transactions were converted into the 2014 IPSAS financial statement. As a result UNEP’s 2014 financial statement includes some obligations that have been converted into commitments. From 2015 UNEP has become fully IPSAS compliant.

¹ Available as a PowerPoint file enclosed with this report.

² Atlas is a name for the Enterprise Resource Planning (ERP) system used by UNDP and other UN agencies. UNDP uses Atlas to manage projects, finances, human resources, inventory and procurement. Atlas also forms the basis for UNDP’s internal control and accountability framework.

6. UNIDO confirmed that it was IPSAS compliant, but UNIDO is tracking expenditures in both IPSAS and UNSAS. UNIDO's financial statement for its Montreal Protocol activities, as submitted to the Treasurer, includes obligations as part of the total expenditures³. UNIDO continued reporting as in the previous years, in UNSAS, similar to reporting to many other donors⁴. UNIDO was requested an Executive Committee decision or an official letter from the Chief Officer or from the Treasurer, requiring a change in the reporting modalities. The Treasurer indicated that he would write a letter.

7. The World Bank confirmed that it uses modified cash basis accounting for the Ozone Trust Fund. The World Bank's financial statement reflects expenditures as reported by the final beneficiaries to the World Bank and excludes obligations, and includes bilateral assistance projects.

Outcome of the workshop

Implementing agencies' financial statements and schedules

8. Implementing agencies shall continue submitting provisional financial statements on the understanding that financial statements are advanced copies of the audited financial statements. Implementing agencies' financial statements should exclude bilateral agencies' projects.

9. The Treasurer shall continue presenting the Multilateral Fund accounts to the Executive Committee in the same format, i.e., one schedule per agency, showing income, expenditure and balances in accordance with decision 74/52. However, implementing agencies are requested to submit to the Treasurer four statements of the accounts, as listed below:

- (a) Statement of financial position (balance sheet);
- (b) Statement of financial performance (income statement);
- (c) Statement of changes in net assets (fund balance); and
- (d) Cash flow statement.

10. UNIDO suggested reporting as per IPSAS from the year 2015 onwards on the understanding that an official request on this change would be sent to the implementing agencies and an agreement between the Secretariat, the Treasurer and the agencies would have to be made first on the reporting format and the required adjustments in the account statements when moving from UNSAS to IPSAS. However, the Secretariat and Treasurer indicated that IPSAS compliance was necessary for the current reports so that UNEP's accounts might be IPSAS compliant in 2014. As requested by UNIDO, the Treasurer would write to all agencies requesting IPSAS-compliant 2014 audited reports for the accounts of the Fund including the four statements mentioned above while UNIDO commented that it was not in a position to commit without further discussing the matter internally.

Terminology used in the progress and balances reports from the implementing agencies to the Secretariat

11. The progress report column on "Funds Obligated" will be labelled "Obligations/Commitments" for 2014 but "Commitments" thereafter.

³ UNIDO explained that in its view, it was reporting according to what it called "Donors' requirements". The Secretariat explained that there was no donor requirement for reporting outside of the financial rule of the agency and that the only reason for the requirement for obligated funds in the annual progress and financial report was to match the requirement that the Accounts to report expenditures instead of just funds disbursed, which has always been the main measure of the extent funds were no longer under the control of the agency.

⁴ UNIDO also explained that some donors specifically requested UNIDO to provide an IPSAS compliant report, which UNIDO had prepared for those donors.

12. Only “Funds Disbursed” from the Annual Progress and Financial Reports would be reconciled with “Expenses” under the IPSAS accounts of the Multilateral Fund. “Funds Disbursed” in the agencies’ progress report should be IPSAS compliant noting that UNDP and the World Bank had indicated that their reports were IPSAS-compliant. Fund advances would not be recorded as “Funds Disbursed” under IPSAS.

13. The balances report will continue to mention “Funds Disbursed” but will change “Obligated Balance” to “Commitments” and “Unobligated Balance” to “Balance of Funds Not-committed”.

14. [UNDP and UNIDO stated that disbursements from FECO to final beneficiaries are recorded in annual progress reports in line with the audited financial statements submitted by FECO and in line with the decision made by the Executive Committee on this subject. The World Bank indicated that it would prefer to report “disbursed from FECO to final beneficiaries” based on statements received from FECO, which would be IPSAS-compliant.

15. It was understood that some “inspected obligations” would be included in UNEP’s 2014 “Funds Disbursed” but that no obligations would be included in “Funds Disbursed” in future reports.

Closure of the workshop

16. The Treasurer thanked participants for the productive discussions.
