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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
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**RECONCILIATION OF THE 2016 ACCOUNTS**

1. This document is prepared in collaboration with the implementing agencies (IAs) and the Treasurer in response to decision 38/9(d)<sup>1</sup>. It presents the reconciliation of the income as recorded in the 2016 accounts with the 2016 progress report financial data (progress report) of the IAs and the Secretariat's inventory of approved projects database (Inventory); expenditures reported in the 2016 accounts and in the progress report; and recommendations.

**Reconciliation of the income**

2. Discrepancies were found between the 2016 progress report and the Inventory as shown in Table 1.

**Table 1. Discrepancies between the 2016 progress report and the Inventory (US \$)\***

Agency	Progress report	Inventory	Difference
UNDP	853,614,810	853,671,647	-56,837
UNEP	307,791,778	307,791,778	0
UNIDO	880,657,662	880,656,540	1,122
World Bank	1,247,493,391	1,247,498,593	-5,202

\*Including agency support costs.

3. UNDP explains that the discrepancy of US \$56,837 resulted from additional funds (US \$52,800 in project costs and US \$3,960 in agency support costs) approved for Indonesia's HCFC phase-out management plan (HPMP) at the 66<sup>th</sup> meeting not recorded in the progress report, and an incorrect adjustment of US \$39 for project DOM/PHA/77/INV/60, to be corrected by UNDP in its 2017 progress report. The overstatement of US \$4 for a project (CPR/PHA/77/INV/577) and a historical agency support cost rounding difference of US \$34 will be corrected in UNDP's 2017 progress report.

<sup>1</sup> A full reconciliation of the accounts with the progress and financial reports should be prepared for the last meeting of each year.

4. For the discrepancy of US \$1,122, UNIDO explains that balances returned for several projects were not correctly reflected in the 2016 progress report which will be corrected by UNIDO after reconciling its records with the Inventory.

5. For the discrepancy of US \$5,202, the World Bank explains that US \$5,195 was related to interest earned in the project account of China that was not accounted for as interest kept with China but as an additional project approval reported in the 2016 progress report. The Bank has taken corrective action by removing this return from its database. The remaining difference of US \$7 was due to rounding with US \$4 from the previous year to be adjusted by the Bank.

Net approvals in progress reports and income in the 2016 accounts

6. Differences between the progress report and the income in the 2016 accounts are shown in Table 2.

**Table 2. Differences between the progress report and the 2016 accounts (US\$)**

Agency	Progress report*	Final accounts	Difference**
(1)	(2)	(3)	(4) = (3)-(2)
UNDP	853,614,810	853,563,045	-51,765
UNEP	307,791,778	307,681,124	-110,654
UNIDO	880,657,662	876,229,532	-4,428,130
World Bank	1,247,493,391	1,249,381,612	1,888,221

(\*) Including agency support costs.

(\*\*) A positive number means more income, while a negative number means less income reported in the IAs' accounts.

7. The explanations provided by relevant IAs for the difference between the progress report and the 2016 accounts are shown in Table 3.

**Table 3. Rationale for differences in income between the progress report and the 2016 accounts (US\$)**

Row	Comments	UNDP	UNEP	UNIDO	World Bank
1	Difference between progress report and final accounts	-51,765	-110,654	-4,428,130	1,888,221
	<b>Explanations provided by IAs</b>				
2	Conditional approval for a project (HAI/PHA/76/INV/22) at the 76 <sup>th</sup> meeting and funds transferred in 2017 (no action needed)	-105,860			
3	Cumulative interest for China's HPMP adjusted from UNDP income but not reflected in its 2016 progress report (UNDP to correct in 2017 progress report)	-312,406			
4	Additional funds approved for a project (IDS/PHA/64/INV/195) at the 66 <sup>th</sup> meeting (UNDP to adjust in its 2017 progress report)	56,760			
5	Incorrect adjustment for a project (DOM/PHA/77/INV/60) in 2016 progress report (UNDP to adjust in its 2017 progress report)	39			

Row	Comments	UNDP	UNEP	UNIDO	World Bank
6	Rounding difference in agency support costs adjusted in 2015 progress report but not in 2016 (UNDP to adjust in its 2017 progress report)	34			
7	2017 core unit funding reflected in 2016 accounts as deferred income (UNIDO to adjust in its 2017 accounts)			-2,055,000	
8	Conditional approval for a project (SAU/PHA/77/INV/31) at the 77 <sup>th</sup> meeting and funds transferred in 2017 (no action needed)			-831,390	
9	Conditional approval for a project (SOA/PHA/76/INV/10) at the 76 <sup>th</sup> meeting and funds transferred in 2017 (no action needed)			-1,393,499	
10	Interest earned in 2016 (Treasurer to offset against 80 <sup>th</sup> meeting approvals)	309,668		78,754	
11	Investment income for the 4 <sup>th</sup> quarter of 2016 not yet deducted from approvals (Treasurer to offset against 80 <sup>th</sup> meeting approvals)				131,618
12	Funds returned from investment income of a project (CPR/PHA/73/INV/551). Action already taken by the World Bank (see paragraph 5)				5,195
13	Funds approved at the 77 <sup>th</sup> meeting received in 2017 (no action needed)				-10,901,177
14	Standing reconciling item of Japan's bilateral contribution (THA/PHA/68/TAS/158)*				342,350
15	Standing reconciling item of Sweden bilateral contribution (THA/HAL/29/TAS/120)*				225,985
16	Standing reconciling item of the United States of America bilateral contribution (CPR/PRO/44/INV/425)*				5,375,000
17	Standing reconciling item of the United States of America bilateral contribution (CPR/PRO/47/INV/439)*				5,375,000
18	Standing reconciling item of Thailand chiller project (THA/REF/26/INV/104)*				1,198,946
19	Total (Rows 2 to 21)	-51,765	0	-4,201,135	1,752,917

Row	Comments	UNDP	UNEP	UNIDO	World Bank
20	Difference (outstanding reconciling item)	0	-110,654	-226,995	135,304

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

8. Based on the explanations provided, the outstanding reconciling items that would need to be explained are: US \$110,654 by UNEP; US \$226,995 by UNIDO; and US \$135,304 by the World Bank.

#### Expenditures reported in the 2016 accounts and in the progress report

9. Table 4 shows the differences between the cumulative expenditures reported to the Treasurer in the 2016 accounts and the funds disbursed and committed as reported in the progress report for the period 1991 to 2016.

**Table 4. Differences between cumulative expenditures (US\$)**

Agency	Progress report*			Cumulative expenditures for final accounts	Differences**
	Funds disbursed	Funds committed	Total cumulative		
(1)	(2)	(3)	(4)= (2)+(3)	(5)	(6)= (4)-(5)
UNDP	767,756,166	928,539	768,684,705	766,543,494	2,141,211
UNEP	252,332,957	20,494,574	272,827,531	253,435,179	19,392,352
UNIDO	754,819,859	43,017,440	797,837,299	752,127,645	45,709,654
World Bank	1,192,886,927	54,376,513	1,247,263,440	1,205,627,566	41,635,874

(\*) Including agency support costs.

(\*\*) A positive number means more expenditure and a negative number means less expenditure indicated in the progress report than in the accounts.

10. The explanation for the differences provided by relevant IAs is shown in Table 5.

**Table 5. Rationale for differences in expenditures between the 2016 progress report and the 2016 accounts of the Fund (US\$)**

Row	Comments	UNDP	UNEP	UNIDO	World Bank
1	Difference between progress report and final accounts	2,141,211	19,392,352	45,709,654	41,635,874
	<b>Explanations provided by IAs</b>				
2	Funds allotted to cover 2016 and 2017 administrative commitments. Earned and reported in progress report, but not yet disbursed per 2015 financial statement	1,115,318			
3	Commitments included in progress report but not in financial statement, as only expenses are included in the International Public Sector Accounting Standards (IPSAS) financial statement	928,539	19,093,464	40,107,953	
4	Savings on prior biennium obligations. Standing reconciling item of reduction of expenditure in financial statement not	68,300			

Row	Comments	UNDP	UNEP	UNIDO	World Bank
	associated with any specific projects. Increases the fund balance due to the Fund; can only be returned when the Trust Fund is closed				
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	Support costs recorded items adjusted gradually and proportionately under IPSAS financial statement		298,888		
7	Undepreciated assets included in progress report but not in financial statement, as only expenses are included in IPSAS financial statement			5,833,483	
8	Committed value for approved projects				28,895,235
9	Disbursement to the World Bank special accounts				12,740,639
10	Total (Rows 2 to 15)	2,141,211	19,392,352	45,941,436	41,635,874
<b>11</b>	<b>Difference</b>	<b>0</b>	<b>0</b>	<b>-231,782</b>	<b>0</b>

11. In addition to the explanations provided in Table 5, the following observations are relevant:
- For UNDP, the amounts of US \$68,300 and US \$29,054 will remain as standing reconciling items that can only be returned when the Trust Fund would be closed;
  - For UNIDO, the amount of US \$231,782 remains an outstanding reconciling item which UNIDO is still to identify;
  - For the World Bank, the difference of US \$41,635,874 is due to the Bank's accounting procedures where "committed" funds are not counted as disbursements (i.e., not recorded in financial statements) until such payments are made. In addition, the progress report's disbursement amounts are largely made up of amounts reported by its financial intermediaries, whereas expenditures in the 2016 accounts represent the funds that flow out of the World Bank into the special accounts.

### Recommendations

12. The Executive Committee may wish:
- To note the reconciliation of the 2016 accounts contained in document UNEP/OzL.Pro/ExCom/80/6;

- (b) To request the Treasurer to withhold from the future transfer to:
  - (i) UNDP the amount of US \$309,668 representing the final 2016 interest;
  - (ii) UNIDO the amount of US \$78,754 representing the final 2016 interest;
  - (iii) The World Bank the amount of US \$131,618 representing the final 2016 investment income.
- (c) To request UNDP to adjust in its 2017 progress report:
  - (i) US \$56,760 in income representing additional funds approved for a project (IDS/PHA/64/INV/195) at the 66<sup>th</sup> meeting but not adjusted in its 2016 progress report;
  - (ii) US \$312,406 representing interest from China's HCFC phase-out management plan, adjusted in UNDP's income but not reflected in its 2016 progress report;
  - (iii) US \$39 representing an incorrect adjustment for a project (DOM/PHA/77/INV/60) in its 2016 progress report;
  - (iv) US \$34 representing a rounding difference in agency support costs adjusted in UNDP's 2015 progress report but not in its 2016 progress report;
- (d) To request UNIDO:
  - (i) To adjust US \$1,122 in its 2017 progress report, representing balances returned for several projects not correctly reflected in its 2016 progress report;
  - (ii) To reflect the amount of US \$2,055,000 in 2016 income in its 2017 accounts not recorded in 2016;
- (e) To request the World Bank to adjust the rounding difference of US \$7 with US \$4 from previous year;
- (f) To note that the following 2016 outstanding reconciling items would be updated prior to the 82<sup>nd</sup> meeting by relevant implementing agencies:
  - (i) US \$110,654 in income between UNEP's progress report and final accounts;
  - (ii) US \$226,995 in income and US \$231,782 in expenditures between UNIDO's progress report and final accounts; and
  - (iii) US \$135,304 in income between the World Bank's progress report and final accounts.
- (g) To note the standing reconciling items as follows:
  - (i) UNDP, for unspecified projects, in the amounts of US \$68,300 and US \$29,054; and
  - (ii) The World Bank, for the following projects implementing with other bilateral agencies where applicable:

- Japan bilateral (THA/PHA/68/TAS/158) in the amount of US \$342,350;
  - Sweden bilateral (THA/HAL/29/TAS/120) in the amount of US \$225,985;
  - United States of America bilateral (CPR/PRO/44/INV/425) in the amount of US \$5,375,000;
  - United States of America bilateral (CPR/PRO/47/INV/439) in the amount of US \$5,375,000;
  - Thailand chiller project (THA/REF/26/INV/104) in the amount of US \$1,198,946;
-