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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-sixth Meeting
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**PROGRESS ON DOCUMENTING INTERNAL PROCEDURES AND PRACTICES OF
THE TREASURER:
FOLLOW UP TO DECISION 45/59 f (ii)
AND
RECOMMENDATION 23 OF ANNEX VIII OF THE 46th EXECUTIVE COMMITTEE
REPORT**

1. Document UNEP/OzL.Pro/Excom/46/Inf.2 is submitted by the Secretariat as a follow up to Decision 45/59 f (ii) "Requesting the Treasurer to report on *progress in documenting the Treasurer's internal procedures and practices annually until they had been fully documented*" and Recommendation 23 of Annex XVII to the report of the 45th meeting of the Executive which *requests the Treasurer to report on final progress on documenting the internal procedures and practices of the Treasurer to the 46th Meeting*. Recommendation 23 also requires that the Executive Committee should report back to the Parties once the internal procedures and practices of the Treasurer had been documented.
2. The workshop on common terminology and procedures held in the Secretariat of the Multilateral Fund on 2 February 2005 provided an opportunity to review the Treasurer's existing internal practices and procedures and allowed for the introduction of new practices and procedures in an effort to facilitate the reconciliation of the Accounts exercises.
3. The Secretariat has compiled all documentation provided to the participants at the workshop into a comprehensive document containing reference materials describing the Treasurer's internal procedures and practices in handling Multilateral Fund matters.

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.

4. This set of reference materials which includes Appendix 1 to the Agreement between UNEP as the Treasurer of the Multilateral Fund and the Executive Committee on the “Functions of the Treasurer” as well as various appendices and Annexes on reporting requirements and reporting formats from the IAs to the Treasurer and from the Treasurer to the Executive Committee, will be converted into a manual to enable a primer to also be developed.

5. It also contains the outcomes of the workshop as listed in the draft minutes and the follow up actions required to further document the internal procedures and practices of the Treasurer.

6. This document presents therefore a brief summary of progress made in documenting the Treasurer’s existing internal procedures and practices.

7. It is presented taking into account the overall responsibilities of the Treasurer in providing the Committee with regular and updated reports on the following items:

- (a) The Status of the Fund
- (b) The Accounts of the Fund
- (c) Promissory notes deposits, receipts and encashment and holding
- (d) Gains and Loss on the FERM
- (e) Interest accrued
- (f) Any other financial reporting on the Fund.

- (a) Status of the Fund

8. The report of the Treasurer on the Status of the Fund is prepared by the Treasurer for the Executive Committee, in coordination with the Secretariat and the implementing agencies for each meeting. The Status of the Fund document aims at providing the Executive Committee with updated information on the status of contributions and the status of disbursements as well as the Fund balance available to cover commitments.

9. Through decision 40/2 paragraph (b) item (i), the Executive Committee, at its 40th Meeting, requested that the explanation of the methodology and assumptions being used by the Treasurer in preparing the report be made available through the intranet. This record of assumptions and methodology first published in the Treasurer’s report document UNEP/OzL.Pro/Excom/39/3/Rev.1 is still available for reference on the Multilateral Fund’s intranet. It provides a reference document on the Treasurer’s internal practices and procedures in providing the information contained in the status of the Fund including some basic assumptions with respect to the loss and gain in the exchange rate as it relates to the value of the promissory notes, the approved value of bilateral cooperation projects and the Fixed Exchange Rate Mechanism (FERM)

Progress made in documenting internal procedures on recording contributions in the Status of the Fund

10. Contributions made by non-Article 5 countries to the Fund are traditionally updated on an on-going basis to reflect the most up to date information on payments. The information on contributions made to the Fund is further updated during the Executive Committee meeting to allow donor countries to draw the Treasurer's attention to any adjustments they may require.

11. At the request of the Executive Committee at its 41st Meeting, additional information on the gain and loss of the FERM is provided to avoid the confusion between gains and losses due to the FERM and outstanding payments (when a loss is due to the FERM) or overpayment (when a gain is due to the FERM). This new practice has been introduced to respond to the concern of some non Art. 5 countries using the facility of the FERM to ensure that payments of their contributions to the Fund are accurately documented and to substantiate further the information on the gain and loss to the Fund due to the fluctuation of the value of the US dollar.

Progress made in internal procedures on recording allocations and provisions to the IAs and the Secretariat in the Status of the Fund

12. Allocations and Provisions in the Status of the Fund document reflect Executive Committee decisions on approved amounts and the Secretariat's recommendations on returns from balances and completed projects and projects.

13. During the workshop on Common methodology and procedures, the Secretariat, the IAs and the Treasurer agreed that IAs should review the amounts reflected by the Treasurer in the Status of the Fund under allocations and provisions prior to each Executive Committee as part of the on going reconciliation exercise.

14. At the workshop, participants also agreed that all transfers made by the Treasurer to the IAs should be recorded in a ledger and circulated to the IAs prior to each meeting.

15. Additionally in response to decision 45/59 (f) (i) requesting the Treasurer "to circulate to the Secretariat and implementing agencies, prior to each Executive Committee meeting, a ledger indicating when promissory notes are transferred, received and encashed", a ledger on PNs is circulated to concerned IAs and annexed as an additional table to the Status of the Fund. This provides detailed information on the PNs deposited, withheld and encashed and to further substantiate the information on PNs provided in the Status of the Fund.

(b) Accounts of the Fund

16. To streamline the reporting procedures on reporting the Fund's Accounts to the Executive Committee, the Treasurer agreed with the IAs on an internal procedure to overcome the overlap between the closing of the accounts of UNEP and the closing of the Accounts of the IAs.

17. The new procedure agreed on at the workshop consists of submitting to the Treasurer on 30 January of each year following the end of the accounting period a provisional financial statement and on 30 September of each year following the accounting period a final financial statement for the Treasurer's submission of the certified/audited Account of the Fund to the last Executive Committee meeting of the year.

18. Both the provisional and the final financial statements are prepared in line with a standard format which captures information on PNs and excludes reporting on the bilateral assistance projects.

(c) Interest accrued

19. The new internal practice on reporting interests accrued to the Treasurer consists of reporting the interest accrued twice a year on 15 April and 15 October of current year to allow the Treasurer to deduct equivalent amounts from the net transfers approved by the Executive Committee for the IAs.

(d) Gain and loss on the FERM

20. Internal procedures and practices on the FERM are described in paragraph 6 above. A separate column has been inserted in Table 3 of the 1991- 1995 summary table on the status of contributions of the report of the Treasurer.

(e) Promissory notes deposits, receipts and encashment and holding

21. The Treasurer's internal practices and procedures in handling Promissory Notes is documented in documents UNEP/OzL.Pro/ExCom/43/54 and UNEP/OzL.Pro/ExCom/43/54/add 1 as follow up to decision 41/4 and 42/44.

22. As indicated above a ledger on PNs providing details on receipts and transfers of PNs with the date of submission, the year of contributions, the country of origin, the currency, as well as details on date, value and currency of the encashment of the note is now available for both the IAs and the Executive Committee's information at each meeting of the Executive Committee as part of the report of the Treasurer.

(f) Any other financial reporting

23. The Annex to the agreement between the Executive Committee and the Treasurer provides additional information on the role of the Treasurer and the envisaged procedures of the Treasurer in accomplishing this role.

24. The agreement between the Treasurer and the IAs aims at providing an additional framework for further streamlining and documenting the internal practices and procedures of the Treasurer in transferring funds to the IAs and receiving reports from the IAs. .

Conclusion

25. In the light of Recommendation 23 mentioned above, this document presents a brief summary on progress made in documenting the internal procedures and practices of the Treasurer. A further progress report will be submitted to the 47th meeting for the consideration of the Executive Committee.

