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EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Seventy-seventh Meeting  
Montreal, 28 November - 2 December 2016

**RECONCILIATION OF THE 2015 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 2015 accounts with the 2015 progress report financial data (progress report) of the IAs and the Secretariat's inventory of approved projects database (Inventory); expenditures reported in the 2015 accounts and in the progress report; and recommendations.

**Reconciliation of the income**

2. Discrepancies were found between the 2015 progress report and the Inventory as shown in Table 1.

**Table 1. Discrepancies between the 2015 progress report and the Inventory (US \$)\***

Agency	Progress report	Inventory	Difference**
UNDP	809,736,625	809,942,667	-206,042
UNEP	285,338,142	285,338,142	0
UNIDO	838,910,750	838,910,472	278
World Bank	1,232,124,615	1,232,129,814	-5,199

\*Including agency support costs.

\*\*When the difference is higher or lower than US \$5 it is suggested that the agencies align their figures to the Inventory.

3. UNDP discrepancy of US \$206,042 is related to the cumulative interest income from stage I of the HCFC phase-out management plan (HPMP) for China. This amount is adjusted in the progress report since UNDP received only the net approved funds.

4. UNIDO discrepancy of US \$252 relates to an erroneous additional return of support costs for one project (BHE/PHA/52/INV/22) at the 74<sup>th</sup> meeting; this amount has been adjusted in the return of

<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.

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.

balances to the 77<sup>th</sup> meeting. The remaining difference of US \$26 is an outstanding reconciling item to be adjusted by UNIDO in its progress report.

5. Of the World Bank's discrepancy of US \$5,199, US \$5,195 is related to the 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 progress report. The remaining difference of US \$4 is due to rounding.

Net approvals in progress reports and income in the 2015 accounts

6. Differences between the progress report and the income in the 2015 accounts are shown in Table 2.

**Table 2. Differences between the progress report and the 2015 accounts (US\$)**

Agency	Progress report*	Final accounts	Difference**
(1)	(2)	(3)	(4) = (3)-(2)
UNDP	809,736,625	809,235,358	-501,267
UNEP	285,338,142	285,596,881	258,739
UNIDO	838,910,750	835,506,101	-3,404,649
World Bank	1,232,124,615	1,216,699,888	-15,424,727

(\*) 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 2015 accounts are shown in Table 3.

**Table 3. Rationale for differences in income between the progress report and the 2015 accounts (US\$)**

Row	Comments	UNDP	UNEP	UNIDO	World Bank
1	Difference between progress report and final accounts	-501,267	258,739	-3,404,649	-15,424,727
	<b>Explanations provided by IAs</b>				
2	Interest income difference between provisional and final accounts to be adjusted by the Treasurer against 77 <sup>th</sup> meeting approval	-105,346			
3	Conditional approval for a project (DOM/PHA/74/INV/58) at the 74 <sup>th</sup> meeting in 2015 and funds transferred in 2016	182,750			
4	Funds for a project (IND/PRO/75/INV/462) not recorded in the Inventory (to be corrected by the Secretariat)	341,032			
5	Overstated interest refunded in 2016 (UNDP to adjust its 2015 interest income in 2016 accounts)	82,831			
6	Interest income reported in the account but not in the progress		217,633		

Row	Comments	UNDP	UNEP	UNIDO	World Bank
	report (UNEP to reflect its 2015 interest income in its 2016 progress report)				
7	2016 core unit funding reflected in 2015 accounts as deferred income since it is for the year 2016 (UNIDO to adjust in its 2016 account)			2,040,715	
8	Funds approved in 2015 and transferred by the Treasurer in 2016			1,284,000	
9	Interest earned in 2015 not offset in 2015			-43,421	
10	Interest earned by China in 2012 were offset twice at the 71 <sup>st</sup> and 74 <sup>th</sup> meetings (to be added to UNIDO transfers for 77 <sup>th</sup> meeting by the Treasurer)			21,467	
11	Difference in interest income between provisional and final 2015 accounts, adjusted at the 76 <sup>th</sup> meeting			24,667	
12	Interest income already offset			76,926	
13	Support costs for one project (BHE/PHA/52/INV/22) erroneously returned to the 74 <sup>th</sup> meeting and adjusted in the return of balance report to the 77 <sup>th</sup> meeting			252	
14	Investment income for the 4 <sup>th</sup> quarter of 2015 deducted from the 76 <sup>th</sup> meeting approvals				-40,437
15	Standing reconciling item of Japan's bilateral contribution (THA/PHA/68/TAS/158)*				-342,350
16	Standing reconciling item of Sweden bilateral contribution (THA/HAL/29/TAS/120)*				-225,985
17	Standing reconciling item of the United States of America bilateral contribution (CPR/PRO/44/INV/425)*				-5,375,000
18	Standing reconciling item of the United States of America bilateral contribution (CPR/PRO/47/INV/439)*				-5,375,000
19	Standing reconciling item of Thailand chiller project (THA/REF/26/INV/104)*				-1,198,946
20	Standing reconciling item of the Thailand HPMP				10,385,585

Row	Comments	UNDP	UNEP	UNIDO	World Bank
	(THA/PHA/74/INV/164 and 165)*				
21	Standing reconciling item of the China HPMP (CPR/PRO /75/INV/568)*				17,740,800
22	Total (Rows 2 to 21)	501,267	217,633	3,404,606	15,568,667
<b>23</b>	<b>Difference (outstanding reconciling item)</b>	<b>0</b>	<b>41,106</b>	<b>-43</b>	<b>143,940</b>

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

8. A further explanation on some of the differences between the progress reports and the 2015 accounts are presented below:

- (a) UNEP explains a difference of US \$217,633 in row 6 above, leaving an outstanding reconciling item of US \$41,106 which should be explained by UNEP at the 78<sup>th</sup> meeting;
- (b) UNIDO explained its discrepancy of US \$3,404,606 in rows 7-13 above. The difference of US \$43 remains an outstanding reconciling item, which would need to be adjusted by UNIDO in 2016;
- (c) The World Bank explains the difference of US \$15,568,667 in rows 14-21 above, leaving an outstanding reconciling item of US \$143,940 to be identified by the World Bank. Rows 20-21 consists of two new standing reconciling items: US \$10,385,585 representing the second tranche of stage I of the HPMP for Thailand (THA/PHA/74/INV/164 and 165) and US \$17,740,800 representing the fourth tranche of stage I of the HCFC production phase-out management plan for China (CPR/PRO/75/INV/568).

#### Expenditures reported in the 2015 accounts and in the progress report

9. Table 4 shows the differences between the cumulative expenditures reported to the Treasurer in the 2015 accounts and the funds disbursed and committed as reported in the progress report for the period 1991 to 2015.

**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	738,951,404	525,187	739,476,591	737,061,417	2,415,174
UNEP	239,783,712	18,767,967	258,551,679	241,413,946	17,137,733
UNIDO	728,653,171	37,358,254	766,011,425	725,575,061	40,436,364
World Bank	1,146,354,887	85,386,085	1,231,740,972	1,152,079,747	79,661,225

(\*) Including agency support costs.

(\*\*) 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.

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

**Table 5. Rationale for differences in expenditures between the 2015 progress report and the 2015 accounts of the Fund (US\$)**

Row	Comments	UNDP	UNEP	UNIDO	World Bank
1	Difference between progress report and final accounts	2,415,174	17,137,733	40,436,364	79,661,225
	<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	-1,792,633			
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	-525,187	-18,767,967	-34,816,279	
4	Savings on prior biennium obligations. 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	-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	Unreconciled amount carried forward from 2014 (remains as an outstanding reconciling item to be adjusted by UNEP)		221,570		
7	Expenditures recorded in 2015 accounts but not in the progress report (to be recorded in 2016 progress report)		123,412		
8	Savings reflected in 2015 accounts but not in progress report (to be adjusted in the 2016 progress report)		-190,385		

Row	Comments	UNDP	UNEP	UNIDO	World Bank
9	Expenditure adjustments required for 2015 accounts (to be adjusted in the 2016 accounts)		329,900		
10	2014 reconciliation items not adjusted in 2015 accounts (to be adjusted in 2016 accounts)		907,514		
11	Support costs recorded incorrectly in the accounts (to be adjusted in 2016 accounts)		219,231		
12	Undepreciated assets included in progress report but not in financial statement, as only expenses are included in the International Public Sector Accounting Standards (IPSAS) financial statement			-5,657,810	
13	Committed value for approved projects				-85,386,085
14	Disbursement to the World Bank special accounts				5,724,860
15	Total (Rows 2 to 14)	-2,415,174	-17,156,725	-40,474,089	-79,661,225
<b>16</b>	<b>Difference</b>	<b>0</b>	<b>-18,992</b>	<b>-37,725</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 until the closure of the Multilateral Fund;
  - For UNEP, US \$17,156,725 (which includes an outstanding reconciling item of US \$221,570 carried forward from the 2014 reconciliation exercise) of the discrepancy of US \$17,137,733 had been explained, leaving an additional outstanding reconciling amount of US \$18,992 which UNEP will continue to investigate;
  - For UNIDO the discrepancy of US \$40,474,089 consists of committed funds amounting to US \$34,816,279 recorded in the progress report and not in the 2015 accounts and undepreciated assets amounting to US \$5,657,810. These are amounts recognized as expenditures in UNIDO's progress report but not in the accounts, leaving a difference of US \$37,725 which UNIDO explained, was due to incorrect recording of support costs yet to be analyzed. This remains an outstanding reconciling item which UNIDO will correct in 2016;
  - For the World Bank, the difference of US \$79,661,225 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 2015 accounts represent the funds that flow out of the World Bank into the special accounts.

## Recommendations

12. The Executive Committee may wish:

- (a) To note the reconciliation of the 2015 accounts contained in document UNEP/OzL.Pro/ExCom/77/73;
- (b) To request the Treasurer:
  - (i) To withhold from future transfers to UNDP the amount of US \$105,346, representing a higher interest income reported in its 2015 provisional accounts than in its final accounts;
  - (ii) To transfer to UNIDO the amount of US \$21,467, representing interest earned for China in 2012 which was offset twice at the 71<sup>st</sup> and 74<sup>th</sup> meeting approvals;
- (c) To request UNDP to adjust by US \$82,831 in income in its 2016 accounts representing overstated interest in 2015;
- (d) To request UNEP to adjust in its 2016 accounts as follows:
  - (i) US \$329,000 in expenditures adjustments required for 2015;
  - (ii) US \$221,570 in expenditure representing an unreconciled amount carried forward from 2014;
  - (iii) US \$907,514 representing 2014 reconciliation items not adjusted/actioned in 2015; and
  - (iv) US \$219,231 in support costs recorded incorrectly in the final 2015 accounts;
- (e) To request UNEP to adjust in its 2016 progress report as follows:
  - (i) US \$217,633 in income recorded in UNEP's 2015 accounts and not in the progress report; and
  - (ii) US \$123,412 in expenditures and US \$190,385 in savings reflected in UNEP's 2015 accounts and not in its progress report;
- (f) To request UNIDO to reflect the amount of US \$2,040,715 in 2015 income in its 2016 accounts not recorded in 2015;
- (g) To note the 2015 outstanding reconciling items as follows:
  - (i) US \$41,106 in income between UNEP's progress report and final accounts; and US \$18,992 in expenditures between UNEP's progress report and final accounts, and that UNEP will provide an update on this difference prior to the 78<sup>th</sup> meeting;
  - (ii) US \$26 between UNIDO's progress report and Inventory to be adjusted by UNIDO in its progress report; US \$43 in income between UNIDO's progress report and final accounts; and US \$37,725 representing the difference in support costs in expenditures between UNIDO's progress report and the final accounts; and

- (iii) US \$143,940 in income between the World Bank's progress report and the final accounts.
- (h) 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;
    - Stage I of the HCFC phase-out management plan for Thailand (THA/PHA/74/INV/164 and 165) in the amount of US \$10,385,585; and
    - Stage I of the HCFC production phase-out management plan for China (CPR/PRO/75/INV/568) in the amount of US \$17,740,800.