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). 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>
<thead>
<tr>
<th>Agency</th>
<th>Progress report</th>
<th>Inventory</th>
<th>Difference**</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNDP</td>
<td>809,736,625</td>
<td>809,942,667</td>
<td>-206,042</td>
</tr>
<tr>
<td>UNEP</td>
<td>285,338,142</td>
<td>285,338,142</td>
<td>0</td>
</tr>
<tr>
<td>UNIDO</td>
<td>838,910,750</td>
<td>838,910,472</td>
<td>278</td>
</tr>
<tr>
<td>World Bank</td>
<td>1,232,124,615</td>
<td>1,232,129,814</td>
<td>-5,199</td>
</tr>
</tbody>
</table>

*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 74th meeting; this amount has been adjusted in the return of

---

1 A full reconciliation of the accounts with the progress and financial reports should be prepared for the last meeting of each year.
balances to the 77\textsuperscript{th} 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>
<thead>
<tr>
<th>Agency</th>
<th>Progress report*</th>
<th>Final accounts</th>
<th>Difference**</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNDP</td>
<td>809,736,625</td>
<td>809,235,358</td>
<td>-501,267</td>
</tr>
<tr>
<td>UNEP</td>
<td>285,338,142</td>
<td>285,596,881</td>
<td>258,739</td>
</tr>
<tr>
<td>UNIDO</td>
<td>838,910,750</td>
<td>835,506,101</td>
<td>-3,404,649</td>
</tr>
<tr>
<td>World Bank</td>
<td>1,232,124,615</td>
<td>1,216,699,888</td>
<td>-15,424,727</td>
</tr>
</tbody>
</table>

(*) 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>
<thead>
<tr>
<th>Row</th>
<th>Comments</th>
<th>UNDP</th>
<th>UNEP</th>
<th>UNIDO</th>
<th>World Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Difference between progress report and final accounts</td>
<td>-501,267</td>
<td>258,739</td>
<td>-3,404,649</td>
<td>-15,424,727</td>
</tr>
<tr>
<td></td>
<td><strong>Explanations provided by IAs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Interest income difference between provisional and final accounts to be adjusted by the Treasurer against 77\textsuperscript{th} meeting approval</td>
<td></td>
<td>-105,346</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Conditional approval for a project (DOM/PHA/74/INV/58) at the 74\textsuperscript{th} meeting in 2015 and funds transferred in 2016</td>
<td></td>
<td></td>
<td>182,750</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Funds for a project (IND/PRO/75/INV/462) not recorded in the Inventory (to be corrected by the Secretariat)</td>
<td></td>
<td></td>
<td></td>
<td>341,032</td>
</tr>
<tr>
<td>5</td>
<td>Overstated interest refunded in 2016 (UNDP to adjust its 2015 interest income in 2016 accounts)</td>
<td></td>
<td></td>
<td></td>
<td>82,831</td>
</tr>
<tr>
<td>6</td>
<td>Interest income reported in the account but not in the progress</td>
<td></td>
<td></td>
<td></td>
<td>217,633</td>
</tr>
<tr>
<td>Row</td>
<td>Comments</td>
<td>UNDP</td>
<td>UNEP</td>
<td>UNIDO</td>
<td>World Bank</td>
</tr>
<tr>
<td>-----</td>
<td>----------</td>
<td>------</td>
<td>------</td>
<td>-------</td>
<td>-------------</td>
</tr>
<tr>
<td>7</td>
<td>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)</td>
<td></td>
<td></td>
<td>2,040,715</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Funds approved in 2015 and transferred by the Treasurer in 2016</td>
<td></td>
<td></td>
<td>1,284,000</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Interest earned in 2015 not offset in 2015</td>
<td></td>
<td></td>
<td>-43,421</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Interest earned by China in 2012 were offset twice at the 71st and 74th meetings (to be added to UNIDO transfers for 77th meeting by the Treasurer)</td>
<td></td>
<td></td>
<td>21,467</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Difference in interest income between provisional and final 2015 accounts, adjusted at the 76th meeting</td>
<td></td>
<td></td>
<td>24,667</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Interest income already offset</td>
<td></td>
<td></td>
<td>76,926</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Support costs for one project (BHE/PHA/52/INV/22) erroneously returned to the 74th meeting and adjusted in the return of balance report to the 77th meeting</td>
<td></td>
<td></td>
<td>252</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Investment income for the 4th quarter of 2015 deducted from the 76th meeting approvals</td>
<td></td>
<td></td>
<td>-40,437</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Standing reconciling item of Japan’s bilateral contribution (THA/PHA/68/TAS/158)*</td>
<td></td>
<td></td>
<td>-342,350</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Standing reconciling item of Sweden bilateral contribution (THA/HAL/29/TAS/120)*</td>
<td></td>
<td></td>
<td>-225,985</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Standing reconciling item of the United States of America bilateral contribution (CPR/PRO/44/INV/425)*</td>
<td></td>
<td></td>
<td>-5,375,000</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Standing reconciling item of the United States of America bilateral contribution (CPR/PRO/47/INV/439)*</td>
<td></td>
<td></td>
<td>-5,375,000</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Standing reconciling item of Thailand chiller project (THA/REF/26/INV/104)*</td>
<td></td>
<td></td>
<td>-1,198,946</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Standing reconciling item of the Thailand HPMP</td>
<td></td>
<td></td>
<td>10,385,585</td>
<td></td>
</tr>
</tbody>
</table>
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 78th 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>
<thead>
<tr>
<th>Agency</th>
<th>Funds disbursed</th>
<th>Funds committed</th>
<th>Total cumulative</th>
<th>Cumulative expenditures for final accounts</th>
<th>Differences**</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNDP</td>
<td>738,951,404</td>
<td>525,187</td>
<td>739,476,591</td>
<td>737,061,417</td>
<td>2,415,174</td>
</tr>
<tr>
<td>UNEP</td>
<td>239,783,712</td>
<td>18,767,967</td>
<td>258,551,679</td>
<td>241,413,946</td>
<td>17,137,733</td>
</tr>
<tr>
<td>UNIDO</td>
<td>728,653,171</td>
<td>37,358,254</td>
<td>766,011,425</td>
<td>725,575,061</td>
<td>40,436,364</td>
</tr>
<tr>
<td>World Bank</td>
<td>1,146,354,887</td>
<td>85,386,085</td>
<td>1,231,740,972</td>
<td>1,152,079,747</td>
<td>79,661,225</td>
</tr>
</tbody>
</table>

(*) 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$)

<table>
<thead>
<tr>
<th>Row</th>
<th>Comments</th>
<th>UNDP</th>
<th>UNEP</th>
<th>UNIDO</th>
<th>World Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Difference between progress report and final accounts</td>
<td>2,415,174</td>
<td>17,137,733</td>
<td>40,436,364</td>
<td>79,661,225</td>
</tr>
<tr>
<td></td>
<td><strong>Explanations provided by IAs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Funds allotted to cover 2016 and 2017 administrative commitments. Earned and reported in progress report, but not yet disbursed per 2015 financial statement</td>
<td>-1,792,633</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>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</td>
<td>-525,187</td>
<td>-18,767,967</td>
<td>-34,816,279</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>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</td>
<td>-68,300</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>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</td>
<td>-29,054</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Unreconciled amount carried forward from 2014 (remains as an outstanding reconciling item to be adjusted by UNEP)</td>
<td></td>
<td></td>
<td>221,570</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Expenditures recorded in 2015 accounts but not in the progress report (to be recorded in 2016 progress report)</td>
<td></td>
<td></td>
<td></td>
<td>123,412</td>
</tr>
<tr>
<td>8</td>
<td>Savings reflected in 2015 accounts but not in progress report (to be adjusted in the 2016 progress report)</td>
<td></td>
<td></td>
<td></td>
<td>-190,385</td>
</tr>
<tr>
<td>Row</td>
<td>Comments</td>
<td>UNDP</td>
<td>UNEP</td>
<td>UNIDO</td>
<td>World Bank</td>
</tr>
<tr>
<td>-----</td>
<td>---------------------------------------------------------------------------</td>
<td>-------</td>
<td>-------</td>
<td>----------------</td>
<td>------------</td>
</tr>
<tr>
<td>9</td>
<td>Expenditure adjustments required for 2015 accounts (to be adjusted in the 2016 accounts)</td>
<td></td>
<td></td>
<td>329,900</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>2014 reconciliation items not adjusted in 2015 accounts (to be adjusted in 2016 accounts)</td>
<td></td>
<td></td>
<td>907,514</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Support costs recorded incorrectly in the accounts (to be adjusted in 2016 accounts)</td>
<td></td>
<td></td>
<td>219,231</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>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</td>
<td></td>
<td></td>
<td>-5,657,810</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Committed value for approved projects</td>
<td></td>
<td></td>
<td></td>
<td>-85,386,085</td>
</tr>
<tr>
<td>14</td>
<td>Disbursement to the World Bank special accounts</td>
<td></td>
<td></td>
<td></td>
<td>5,724,860</td>
</tr>
<tr>
<td>15</td>
<td>Total (Rows 2 to 14)</td>
<td>-2,415,174</td>
<td>-17,156,725</td>
<td>-40,474,089</td>
<td>-79,661,225</td>
</tr>
<tr>
<td>16</td>
<td>Difference</td>
<td>0</td>
<td>-18,992</td>
<td>-37,725</td>
<td>0</td>
</tr>
</tbody>
</table>

11. In addition to the explanations provided in Table 5, the following observations are relevant:

(a) 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;

(b) 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;

(c) 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;

(d) 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 71st and 74th 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 78th 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.