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Administrative Committee for the TIR Convention, 1975 14 September 2010

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Authorization for the conclusion of an agreement between the United Nations Economic Commission
for Europe and the International Road Transport Union

Transmitted by the International Road Transport Union

IRU document for AC.2 on renewal of UNECE-IRU agreement

The Administrative Committee for the TIR Convention is the highest authority in the TIR System that efficiently monitors the application of the TIR Convention which has always been successful in serving global trade. Moreover, in the prevailing downturn, the TIR System has been helping to expedite economic recovery.

In light of this success, the Administrative Committee for the TIR Convention (AC.2) took the decision at its most recent session to authorise the International Road Transport Union (IRU) to continue – as it has been doing since the inception of the TIR Convention – to centrally print and distribute TIR Carnets and to organise the effective functioning of the guarantee system.

This authorisation is a clear demonstration of the public-private partnership and the close cooperation which exists between the IRU and the UN TIR bodies and recognition of the IRU's role in the proper functioning of the TIR System as mentioned in the letter addressed to the IRU by the Director of the UNECE Transport Division dated 16 June 2010 (79EM/KG). It also reflects the excellent cooperation that currently exists between the IRU and its Member Associations and the customs administrations at national level.

In accordance with the positive results achieved through this long-standing public-private partnership, the IRU requests the Contracting Parties, members of the Administrative Committee for the TIR Convention, to resolve outstanding issues concerning the UNECE-IRU Agreement.

The Administrative Committee for the TIR Convention at its last meeting requested the UNECE Secretariat and the IRU to speed up consultations with a view to presenting the draft new agreement for approval at its next session in September 2010.

At the moment, the bulk of the agreement meets with the approval of both parties. However, there remain two outstanding issues which are of a critical nature and imperative to the future proper functioning of the TIR System.

Unfortunately, all attempts undertaken since October 2009 to find a mutually acceptable solution to these issues in the time frame prescribed by the UNECE-IRU Agreement (February 2010) have failed. Indeed, the inability of the parties to come to an agreement has created serious concern for the IRU's partners in the TIR guarantee chain thus jeopardising the IRU's ability to renew its contractual relations with the insurers and reinsurers.

Pursuant to consultations undertaken and taking into account the recommendations of the UNECE, the IRU submits these two issues to the Administrative Committee for the TIR Convention for its consideration and decision at its meeting on 30 September 2010.

The first issue concerns the need for the TIR Trust Fund to bring its operations into full conformity with the UN financial rules, regulations and directives by establishing a Steering Committee to avoid potential conflicts of interest and to strengthen Contracting Parties' ability to properly control and monitor the allocation and utilisation of funds. To manage the mentioned Trust Fund, there is a need to have three distinct entities – a financial contributor (donor), an administrator of the Trust Fund and a beneficiary. To date, the IRU is the sole financial contributor to the TIR Trust Fund.

It should also be noted that currently there is no distinction between the administrator of the TIR Trust Fund (UNECE) and a beneficiary (a UNECE division dealing with TIR related matters) which might potentially create a conflict of interests.

The IRU has the honour of proposing that the Steering Committee to the TIR Trust Fund consist of the following three parties: the chairperson of the Administrative Committee for the TIR Convention, 1975 (on behalf of the Contracting Parties to better monitor and control the allocation and utilisation of funds), a representative of the IRU (as the financial contributor) and a representative from the UNECE Secretariat (as the beneficiary and the administrator).

Another issue concerns the need to properly reflect in the UNECE-IRU Agreement the IRU's role and responsibilities in the framework of public-private partnership, by explicitly referring to the IRU not only as an "observer" but also as the "implementing partner" of the TIR System.

It should be noted that neither of these two proposals require any change to the TIR Convention.

* * *

Annex – draft UNECE-IRU Agreement proposed by the IRU

Annex

DRAFT

AGREEMENT

between

UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE (UNECE)

and

INTERNATIONAL ROAD TRANSPORT UNION (IRU)

For the period 2011 to 2015 (inclusive)

AGREEMENT

between

UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE (UNECE)

and

INTERNATIONAL ROAD TRANSPORT UNION (IRU)

- I. Whereas the International Road Transport Union (IRU), as an international organisation referred to in Article 6.2**bis** of the Customs Convention on the International Transport of Goods Under Cover of TIR Carnets of 1975 (“the TIR Convention”) being the implementing partner of the TIR Convention, is responsible for the effective organisation and functioning of an international guarantee system in a true public-private partnership with its national guaranteeing associations and competent authorities and is authorised by the Administrative Committee for the TIR Convention of 1975 (“the TIR Administrative Committee”) to centrally print and distribute TIR carnets in accordance with the TIR Convention, 1975; (*new Art.*)
- II. Whereas the amendments to the TIR Convention, adopted by the TIR Administrative Committee at its twenty-third session (Geneva, 26 and 27 June 1997) which entered into force on 17 February 1999, provide for the establishment of a TIR Executive Board (“the TIRExB”) and a TIR secretariat; (*former Art.I*)
- III. Whereas the establishment of the TIRExB and the TIR secretariat is aimed at strengthening cooperation among national Customs authorities in the application of the TIR Convention and between Customs authorities, national associations and the IRU as an international organization referred to in Article 6 of the TIR Convention (“international organization”); (*former Art.II*)
- IV. Whereas the TIR Convention stipulates that the TIRExB, as a subsidiary body of the TIR Administrative Committee, shall inter alia supervise the application of the TIR Convention, including the operation of the guarantee system and supervise the centralized printing and distribution of TIR Carnets, which may be performed by the agreed international organization; (*former Art.III*)
- V. Whereas the TIR Convention provides for the financing of the TIRExB and the TIR secretariat - until such time as alternative sources of funding are obtained through an amount per TIR Carnet distributed by the international organization; the amount per TIR Carnet and the procedure to implement the financing of the operation of the TIRExB and the TIR secretariat shall be approved by the TIR Administrative Committee; (*former Art.IV*)
- VI. Whereas the amount per TIR Carnet should be based on (a) the budget of the TIRExB and TIR secretariat as approved by the TIR Administrative Committee and (b) the forecast of the number of TIR Carnets to be distributed as established by the international organization; (*former Art.V*)
- VII. Whereas the total amount required to finance the operation of the TIRExB and the TIR secretariat and to be transferred each year by the international organization to the TIR Trust Fund established by the UNECE for this purpose shall be approved by the TIR Administrative Committee; (*former Art.VI*)

- VIII. Whereas the TIR Trust Fund and activities financed through the Fund shall be administered by a Steering Committee composed of the chairperson of the Administrative Committee, a representative of the IRU and a representative from the UNECE Secretariat, in accordance with the applicable United Nations financial regulations, rules and directives. Accordingly, personnel shall be hired and managed; equipment, supplies and services purchased; and contracts entered into, all in accordance with the provisions of such financial regulations, rules and directives. *(former Annex 3)*
- IX. Whereas in accordance with Explanatory Note 0.6.2**bis**-2 of the TIR Convention, the authorization granted in accordance with Article 6.2**bis** shall be reflected in a written Agreement between the UNECE and the international organization. The Agreement shall stipulate that the international organization shall fulfil the relevant provisions of the Convention, shall respect the competencies of the Contracting Parties to the Convention and shall comply with the decisions of the Administrative Committee and the requests of the TIR Executive Board. By signing the Agreement, the international organization confirms that it accepts the responsibilities imposed by the authorization. The Agreement shall also apply to the responsibilities of the international organization set out in Annex 8, Article 10 (b), in case the centralized printing and distribution of TIR Carnets is performed by the above-noted international organization. The Agreement shall be adopted by the Administrative Committee; *(former Art.VII)*
- X. Whereas the TIR Administrative Committee at its ... session approved the present Agreement and mandated the UNECE secretariat to conclude the final Agreement; *(former Art.VIII)*
- XI. Whereas, in accordance with Article 6.2**bis** of the TIR Convention, the TIR Administrative Committee has authorized the IRU, an implementing partner, for the period of 2011-2015 inclusive, as an international organization to take on responsibility for the effective organization and functioning of an international guarantee system and the IRU has accepted these responsibilities and, in accordance with Annex 8, Article 10 (b) of the TIR Convention, to centrally print and distribute TIR Carnets; *(former Art.IX)*

Now therefore, the UNECE secretariat, mandated by and acting on behalf of the TIR Administrative Committee, and the IRU (“parties”) have **agreed** that:

1. Without prejudice to the provisions of the TIR Convention, in particular to Article 6.2**bis** and Explanatory Note 0.6.2**bis**-2 thereto, the IRU, taking into account and in the light of the above preambles, accepts to:
 - Provide the Contracting Parties of the TIR Convention via the national associations affiliated to the IRU with certified copies of the global guarantee contract and proof of guarantee coverage;
 - Provide the competent body(ies) of the TIR Convention with information on the rules and procedures set out for the issue of TIR Carnets by national associations;
 - Provide the competent body(ies) of the TIR Convention, on a yearly basis, with global data of claims lodged, paid and pending;
 - Provide the competent body(ies) of the TIR Convention with timely and well founded information on trends in the number of non-terminated TIR operations, claims lodged or

pending that might give rise to concerns with regard to the proper functioning of the TIR system or that could lead to difficulties for the continued operation of its guarantee system;

- Provide the competent body(ies) of the TIR Convention with statistical data on the number of TIR Carnets distributed to each Contracting Party;
 - Provide, at the request of the TIRExB, full and complete information on the functioning of the TIR system, provided such request does not infringe legislation concerning confidentiality and/or data protection; in case such information cannot be given, IRU will specify the legal provisions or other reasons prohibiting the exchange of information;
 - Provide the TIRExB with details of the distribution price by the IRU of each type of TIR Carnet;
 - Take all reasonable steps to reduce the risk of counterfeiting TIR Carnets;
 - Take the appropriate corrective action in cases where faults or deficiencies with the TIR Carnet have been detected;
 - Fully participate in cases where the TIRExB is called upon to facilitate the settlement of disputes;
 - Ensure that any problem involving fraudulent activities or other difficulties, with regard to the application of the TIR Convention, is immediately brought to the attention of the TIRExB;
 - In accordance with Annex 10 of the TIR Convention on a control system for TIR Carnets, manage the IRU SafeTIR system with national guaranteeing associations affiliated to the IRU and the Customs authorities and to inform the Contracting Parties and the competent body(ies) of the TIR Convention of significant problems encountered in the system;
 - Provide the competent body(ies) of the TIR Convention with statistics and data on the performances of Contracting Parties with regard to the IRU SafeTIR system;
 - Seek continuously to enhance the IRU SafeTIR system in order to improve its efficiency as a risk management and anti-fraud tool;
 - Be available for meetings with the TIRExB, the TIR Secretary, the TIR secretariat and other key organizations, active in the field of TIR;
 - Offer its good offices and experiences to support the training of interested parties, e.g. national associations.
2. The IRU shall transfer the amount due under this Agreement, in its entirety, by 15 November each year to the TIR Trust Fund, established by the UNECE for this purpose. Particulars concerning the amount due per year are contained in Annex 1 to this Agreement; the cost plan per year is contained in Annex 2. Particulars concerning the administration of the fund are contained in Annex 3 to this Agreement. Annex 4 provides steps, procedures and related timeline. Annex 5 provides requirements for an external audit of the IRU accounts kept for the

invoicing and advance transfer of the money required to financing the operation of the TIRExB and the TIR secretariat. Annex 1 and Annex 2 will be adjusted on an annual basis through an exchange of letters between the UNECE and the IRU, in accordance with the relevant decisions of the TIR Administrative Committee.

3. This Agreement supersedes all previous Agreements signed between the United Nations Economic Commission for Europe (UNECE) and the International Road Transport Union (IRU).
4. This Agreement shall enter into force on 1 January 2011 and, unless renewed by written agreement of the parties, shall remain in force until 31 December 2015 in accordance with the mandate given by the TIR Administrative Committee. Annex 1, Annex 2, Annex 3, Annex 4 and Annex 5 form an integral part of this Agreement.

5. The parties shall amend or renew the Agreement in accordance with the relevant decisions of the TIR Administrative Committee at any of its meetings, but in any case not later than at its first meeting in the year 2015. If amendment proposals to the TIR Convention enter into force during the five-year period starting 1 January 2011 or before with an outcome that has a material impact on the implementation of the Agreement, the Agreement shall be amended accordingly. The Annexes to the Agreement shall also be amended in case the financing of the TIRExB and the TIR secretariat are taken over in full or partly by the Regular Budget of the United Nations or alternative sources.

6.1. In the event that one of the parties has any reason for considering that the circumstances for the continuation of the Agreement have changed in comparison to those that appertained at the time of conclusion of this Agreement, the parties shall seek to find a mutually acceptable adaptation of the Agreement. Where it proves to be not possible to reach mutual agreement to adapt this Agreement, either party may unilaterally terminate it, provided it gives the other party not less than six (6) months written notice. In case the IRU has not transferred the amount due under this Agreement in its entirety by 15 November each year, UNECE may consider this as IRU's intention to terminate the Agreement in six (6) months, despite the absence of any written notice to that extent, invoking the application of (6.2) of the Agreement.

6.2. On the date of effective termination of this Agreement under the conditions provided under (6.1.) above, or upon expiration of the Agreement, the funds transferred by the IRU, including accumulated reserves, will continue to be held by the UNECE. Upon request by the UNECE, the IRU agrees to transfer any additional funds deemed necessary by the UNECE to fully cover all expenditures relating to the continuation of the operation of the TIR secretariat until the effective date of termination of the Agreement.

7.1. Any dispute between the parties concerning the interpretation or application of this agreement shall, so far as possible be settled by negotiation between them.

7.2. Any such dispute between the parties, unless settled by amicably under the preceding paragraph within sixty (60) days after receipt by either Party of the other Party's request for such amicable settlement, shall be referred by either Party to arbitration in accordance with the UNCITRAL Arbitration Rules then pertaining. The arbitral tribunal shall have no authority to award punitive damages or to award interest. The arbitral award shall contain a statement of the reasons on which it is based and shall be accepted by the Parties as the final adjudication of the dispute.

8. The IRU understands and agrees that, for the purposes of this Agreement, UNECE is acting pursuant to a mandate provided by, and on behalf of, the TIR Administrative Committee. Except for the receipt of the amounts transferred by the IRU under this Agreement, UNECE shall have no obligation or liability towards the IRU arising from this Agreement.

9. Nothing in or relating to this Agreement shall be deemed a waiver, express or implied, of any privileges or immunities of the United Nations.

10. This Agreement may be amended only by written agreement of both parties. Each Party shall give full consideration to any proposal for amendment made by the other Party.

Geneva, 2010

Geneva, 2010

Ján Kubiš
Executive Secretary
For the United Nations
Economic Commission for Europe

Martin Marmy
Secretary General
For the
International Road Transport Union

Annex 1

The IRU and the UNECE,

Whereas the TIR Administrative Committee, at its fiftieth session (Geneva, 30 September 2010), has approved the present agreement and mandated the UNECE to conclude the final agreement (ECE/TRANS/WP.30/AC.2/);

Whereas the TIR Administrative Committee, at its fiftieth session (Geneva, 30 September 2010) approved the budget proposal and the cost plan for the TIRExB and the TIR secretariat for the year 2011 as contained in document ECE/TRANS/WP.30/AC.2/ (ECE/TRANS/WP.30/AC.2/);

Referring to the consultations that had been held with the IRU on the number of TIR Carnets estimated to be distributed in 2011 and the procedure for collection of an amount per TIR Carnet for the year 2011;

Now therefore, the IRU and the UNECE agree as follows:

1. The IRU shall transfer an amount of US\$...- (...), covering the operation of the TIRExB and the TIR secretariat for the year 2011, as described in Annex 2, to the TIR Trust Fund established by the UNECE for this purpose.
2. The amount of US\$...- is a result of the estimated budget for the TIRExB and the TIR secretariat for the year 2011 amounting to US\$...-, (i.e., Cost Plan US\$...-plus operating cash reserve US\$...-) minus the positive balance of the budget for the TIRExB and the TIR secretariat for the year 2010 which is estimated to amount to US\$...-.
3. Since the accounts of the year 2011 will only close on 31 December 2011, complete and final financial statements showing the funds received and expended for the TIRExB and the TIR secretariat in 2011, in line with the internal and external auditing procedures of the United Nations, will only be available in the second quarter of 2011. Any difference between the estimated and the actual expenditures in 2011 will be credited to or deducted from the relevant budget for the following year.
4. The funds due for the year 2011 under this Annex shall be transferred not later than 15 November 2011 in US dollars to the UN Geneva General Fund, Account No 485001802 with the J.P. Morgan Chase Bank, New York, International Agencies Banking, 1166 Avenue of the Americas, 17th floor, New York, N.Y., 10036-2708 USA, ABA 021000021 (US Banking Code), swift code CHASUS33, specifying: "Credit A/C ZLB –TIR Project" or other bank account which shall be communicated in writing by the UNECE.

Annex 2

Cost plan for the year 2011

Approved by the TIR Administrative Committee at its session
(ECE/TRANS/WP.30/AC.2/)

Programme: TIR Executive Board (TIRExB) and TIR secretariat
Title of Trust Fund: “Transport International Routier - TIR”;
Account No.: ZL-RER-8001.

<u>Object of expenditure</u>	<u>Amount (in US\$)</u>
Project Personnel	,0
Administrative Support Personnel	,0
Consultants fees and travel	,0
Travel on official business	,0
Travel of experts	,0
Staff Training	,0
Office automation & equipment	,0
Operation and maintenance of equipment	,0
External contractual services	,0
General operating expenses	,0
<hr/>	
Total estimated direct expenditures	,0
Programme support (13% of Total direct expenditures)	,0
<hr/>	
Grand Total	,0

TIR Trust Fund resource requirements for the year 2011

Project Personnel US\$ 0,0

The proposed amount under this object of expenditure is intended to cover the salary and related costs¹ for one year of four experts on fixed-term appointments: one Customs expert, one Legal officer, one Project Management expert and one Computer Information System expert. It also includes provisions for short-term expert to assist in the development of mandated IT projects (i.e. ITDBonline+ project, online Register of Customs sealing devices and stamps project).

Administrative Support Personnel US\$ 0,0

The proposed amount under this object of expenditure is intended to cover the salary and related costs¹ of two administrative support staff for one year.

Consultant fees and travel US\$ 0,0

The proposed amount under this object of expenditure is intended to cover consultancy costs for a security audit to test the level of security of the Internet applications developed within the secretariat: ITDBonline+ project and online Register of Customs sealing devices and stamps project.

Travel on official business US\$ 0,0

The proposed amount under this object of expenditure is intended to cover the travel cost of Project Staff and the TIR Secretary.

Travel of experts US\$ 0,0

The proposed amount under this object of expenditure is intended to cover DSA for the nine members of the TIRExB for meetings held outside Geneva and in Geneva when not in conjunction with the meetings of WP.30 and AC.2.

Staff Training US\$ 0,0

The proposed amount under this object of expenditure is intended to cover training costs of the TIR secretariat staff.

Office automation & equipment US\$ 0,0

The proposed amount under this object of expenditure is intended to cover the acquisition and replacement of relevant electronic and computer office equipment (PCs, printers, copy machine, fax, office furniture, etc.), including data base hard and software systems.

Operation and maintenance of equipment US\$ 0,0

The proposed amount under this object of expenditure is intended to cover the cost of repair and maintenance of office and computer equipment (PCs, printers, copy machine, fax, etc.).

External contractual services US\$ 0,0

The proposed amount under this object of expenditure is intended to cover expenses for meeting rooms, interpretations, translations, external printing of training materials, hospitality, telephone/fax, miscellaneous expenses, etc, related to one Regional TIR Seminar and one TIRExB meetings organized outside the UN premises.

General operating expenses US\$ 0,0

The proposed amount under this object of expenditure is to provide for communication costs (i.e. postage, fax, long distance calls, pouch) and other miscellaneous expenses.

¹ In line with the United Nations staff regulations.

**Local Technical Cooperation Trust Fund
Transport International Router - TIR
Fund Statement (US Dollars)**

(1) 20...	Projected Expenditures:	
	20... Estimated direct expenditures	0
	13 % Programme Support Cost	0
	15% Operating Cash Reserve ()	<u>0</u>
	20.. Estimated projected requirements (rounded) ¹	<u>0</u>

Estimated Funds Available at 31 December 20...:

Actual fund balance at 31 December 20...²

20.. Contribution received in 20..

Total funds as at 31 December 20...³

0

Less:(The following estimates are inclusive of 13% Programme Support Cost)

20.. Estimated projected expenditures

Provision for Installation and Separation Costs

Provision for early termination UNECE/IRU Agreement (forwarded year-to-year)

0

(2) Total estimated available balance as at 31 December 20... for 20... operations (rounded)

0

(3) Estimated Funds to be transferred for 20... operation (rounded) (1-2)

0

Note 1: The Operating Cash Reserve will be used to complement the provision for separation costs in case of closure of the TIR secretariat.

Note 2: See document ECE/TRANS/WP.30/AC.2/

Note 3: Source: UNOG Financial statements as at 31 December 20....

Annex 3

Administration of the TIR Trust Fund

Programme: TIR Executive Board (TIRExB) and TIR secretariat

1. The TIR Trust Fund (“Fund”) has been created to finance the operation of the TIR Executive Board and the TIR secretariat (“programme”).
2. The TIR Trust Fund and activities financed through the Fund shall be administered by a Steering Committee composed of the chairperson of the Administrative Committee, a representative of the IRU and a representative from the UNECE Secretariat, in accordance with the applicable United Nations financial regulations, rules and directives. Accordingly, personnel shall be hired and managed; equipment, supplies and services purchased; and contracts entered into, all in accordance with the provisions of such financial regulations, rules and directives.
3. The UNECE will charge the above programme an amount equal to 13 per cent (thirteen per cent) of the Fund’s actual expenditures in order to assist in the defrayment of administration costs and other expenses incurred by the United Nations (“programme support costs”). The UNECE will also charge an amount equal to 1 per cent (one per cent) of the remuneration or net salary of the staff engaged by the UNECE in this programme to cover any claims for service-incurred death, injury or illness.
4. The United Nations regulations and rules also require provision of an operating cash reserve of 15 per cent (fifteen per cent) of the estimated programme’s annual expenditures. This operating cash reserve, which shall be maintained during the duration of the programme, shall be used to cover exchange rate fluctuations, any shortfalls and final expenditures under the Fund, including any liabilities.
5. The UNECE will submit an annual report to the TIR Administrative Committee. The report shall include a financial statement showing the funds received and expended. As for all United Nations trust funds, the TIR Trust Fund shall be exclusively subject to auditing procedures laid down in the financial regulations, rules and directives of the United Nations. As such, it shall be audited according to the schedule set by the United Nations Board of Auditors.
6. For each and every calendar year, between 2011-2015, the IRU shall request an independent external auditor (appointed by the IRU General Assembly) to audit the accounts kept for the invoicing and advance transfer of the money required for the operation of the programme. After the selection, the external auditor shall request from the UNECE secretariat a copy of the “guidelines and terms of reference for external audit” (Annex 5).
7. The 2011-2015 UNECE-IRU Agreement and its annexes provide the necessary guidance, methods, requirements and expected outcomes of such audit (Annex 5). Annex 4 provides the steps, procedures and related timeline for the financing of the operation of the TIRExB and TIR secretariat.

8. To begin fulfilling the mandatory audit requirements, the IRU shall annually draw up a written agreement (“engagement letter”) with the external auditor, stipulating the objectives and scope of the audit, the extent of the auditor’s responsibilities, and the form and timing of audit reports to be issued. The engagement letter shall explicitly refer to the “guidelines and terms of reference for external audit” (Annex 5). The “guidelines and terms of reference for external audit” shall be provided by the UNECE secretariat to the auditor, upon the auditor’s request, through an exchange of letters.

9. The engagement letter shall explicitly stipulate inclusion of the following in the audit report:

(i) detailed explanations of IRU internal controls over TIR Carnet distribution to national associations, including invoicing, defining financial terms applied in the TIR Carnet distribution such as the amount invoiced per TIR Carnet, the total amount invoiced, the number of TIR Carnets distributed and financial year, and

(ii) an explanation of the audit tests applied;

10. The engagement letter is subject to acceptance by the UNECE secretariat.

11. After the end of each and every calendar year, between 2011 and 2015, the external auditor shall submit to the UNECE secretariat, based on the engagement letter for the calendar year just ended, the following:

(a) a copy of the Audit Report containing a clear expression of opinion based on review and assessment of the conclusions drawn from evidence obtained by the auditor in the course of the audit; and

(b) a copy of the Management Letter providing either an unqualified or qualified opinion of the auditor.

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Annex 4

Financing of the operation of the TIRExB and TIR secretariat: steps, procedures and related timeline

Approved by the TIR Administrative Committee at its ... session

The financing of the operation of the TIRExB and TIR secretariat includes the following steps and procedures as well as related timeline:

1. The UNECE secretariat prepares a budget proposal for the operation of the TIRExB and TIR secretariat based on activity based budgeting principles (August);
2. The TIRExB establishes the budget proposal (September);
3. The UNECE secretariat prepares a document comprising the budget proposal established by the TIRExB for approval by the TIR Administrative Committee (September);
4. The UNECE secretariat informs the IRU of the budget proposal and the net amount to be transferred and requests the IRU to provide an operational forecast of the number of TIR Carnets it expects to distribute in the forthcoming year (September);
5. The IRU provides the TIR Administrative Committee with its forecast of the number of TIR Carnets it expects to distribute in the forthcoming year and its internal calculation concerning the amount per TIR Carnet (September-October);
6. The TIR Administrative Committee approves the budget and the net amount to be transferred by the IRU, and takes note of the forecast established by the IRU. The TIR Administrative Committee also approves the amount per TIR Carnet, calculated by the UNECE secretariat on the basis of the forecast provided by the IRU (September-October);
7. The IRU transfers the net amount approved by the TIR Administrative Committee to the UNECE named bank account (15 November);
8. The IRU maintains a separate account detailing the number of TIR Carnets distributed and the related amounts received;
9. The IRU independent external auditor produces an audit certificate providing an opinion of the above-mentioned account for the year in question showing the amount transferred and the total amount actually invoiced (15 January);
10. The difference between the two amounts will need to be adjusted a posteriori;
11. On the basis of the above-mentioned audit certificate, if there is excess (i.e. more was invoiced than initially transferred), the TIR Administrative Committee, at its spring session, will be informed

and the IRU shall transfer the excess to the UNECE named bank account (before 15 March). This amount will be reflected in the UNECE account to be taken into account for the next budget year;

12. On the basis of the above-mentioned audit certificate, if there is a deficit (i.e. less was invoiced than initially transferred), the TIR Administrative Committee, at its spring session, and on the proposal of the IRU, shall approve the appropriate action, which shall be either:

(a) a recalculation of the amount per TIR Carnet, or

(b) the deficit will be recorded in the IRU account referred to above and shall, on the basis of a proposal from the IRU as endorsed by the TIR Administrative Committee, be subsequently adjusted;

13. These arrangements shall be subject to the accounting controls and audits as foreseen in Annex 3 of the UNECE-IRU Agreement;

14. UNECE shall provide full transparency concerning the TIR funds accumulated;

15. The above described procedures are considered to comply with general audit and accounting standards and the requirements for transparency and accountability by Contracting Parties.

Annex 5

Guidelines and terms of reference for external audit of IRU accounts used for the invoicing and the advance transfer of the money required to finance the operation of the TIRExB and TIR secretariat

Introduction:

This Annex is a revised and updated version of the “Guidelines and Terms of Reference for External Audit” document dated 7 December 2005, which was created to begin implementing recommendations of the United Nations Board of Auditors. All requirements contained in the document of 7 December 2005 have been retained in this Annex while the additional requirements only relate to recommendations of the Office of Internal Oversight Services (OIOS) contained in the “Scope of External Audit” and “Terms of engagement” sections.

In January 2005, the UN Board of Auditors carried out an UNECE audit. The audit covered the UNECE-IRU Agreement, for which the UN Board of Auditors, after consultations with the UNECE and IRU, issued a management letter (5 May 2005). The management letter contained a number of recommendations. Some of the recommendations were aimed at improving transparency of the financial aspects of the UNECE-IRU Agreement and its annexes.

In order to increase transparency, both the UNECE and IRU have agreed that the IRU would engage an independent external auditor (“the IRU external auditor”). In this respect, an agreement between the IRU and the IRU external auditor is to be drawn up each year stipulating the objectives and scope of an external audit. This audit is to cover the IRU accounts used to record the amounts transferred and the total amount invoiced to finance the operation of the TIRExB and TIR secretariat. The IRU external auditor is to be appointed by the IRU General Assembly.

The external audit is to be performed in accordance with International Standards on Auditing (ISA). The audit is to result in an audit report and a management letter, issued by the IRU external auditor to the IRU with copies sent directly to the UNECE. In this context, the IRU external auditor will communicate simultaneously with the UNECE and IRU.

This Annex provides the necessary binding requirements and guidelines for the annual issuance of an audit report and a management letter. In this context, the document provides guidance both to the IRU and the IRU external auditor.

Objective of the external audit:

The IRU’s external audit will provide reasonable assurance that:

- the financial reporting by the IRU concerning the accounts kept by the IRU for recording the money transferred and the total amount invoiced to finance the operation of the TIRExB and TIR secretariat, the resulting balance as well as the actual number of TIR Carnets distributed by the IRU in the corresponding year gives a true, accurate and fair representation of the financial affairs;
- that the financial reporting has been prepared properly and in accordance with the relevant accounting and reporting techniques; and

- that it meets the requirements stipulated in the UNECE-IRU Agreement and its annexes.

Scope of the external audit:

The opinion expressed by the IRU External auditor shall cover:

- the accounts kept by the IRU for recording the net amount transferred;
- the actual number of TIR Carnets distributed by the IRU in the corresponding year;
- the actual amounts invoiced to finance the operation of the TIRExB and TIR secretariat;
and
- the resulting balance.

The external audit will be conducted in accordance with generally accepted auditing standards, including the International Standards on Auditing (in particular Standards 200 and 315) and will include the necessary audit tests. This audit will necessarily analyze IRU internal controls over TIR Carnet distribution to national associations, including invoicing, defining financial terms applied in the TIR Carnet distribution such as the amount invoiced per TIR Carnet, the total amount invoiced, and the number of TIR Carnets distributed and financial year.

The audit report will describe the obligations of the IRU under the UNECE-IRU Agreement and its annexes and should, generally, include the confirmation that the IRU external auditor has obtained, in the course of the audit, an understanding of the accounting and internal control systems in order to assess their adequacy.

To do so, the IRU external auditor – within the scope of the audit - will undertake, but not necessarily limit itself to, the assessment of:

- the accounting records maintained, which normally includes: a general ledger accounting system; bank statements and reconciliations;
- the accounting records by which the actual distribution of TIR Carnets is monitored;
- the accounting records, including reviewing control accounts and trial balances concerning the total amount invoiced . This should include: the operation of a separate interest bearing bank account and, if not, separate identification of financial transactions; appropriate disclosure and treatment of miscellaneous income receipts; and
- compliance with the UNECE-IRU Agreement and its annexes.

Responsibilities of the IRU and its external auditor:

The management of the IRU is responsible for ensuring that proper accounting records are maintained to report on its obligations under the UNECE-IRU Agreement and its annexes.

The IRU is responsible for making available to the IRU external auditor, as and when required, all financial and accounting records as well as other relevant records and/or related information necessary for the audit.

The responsibility for prevention and detection of fraud, error and non-compliance with the UNECE-IRU Agreement and its annexes and the relevant provisions of the TIR Convention rests with the IRU.

The IRU external auditor has the responsibility to report its own opinion on the implementation by the IRU of the UNECE-IRU Agreement and its annexes.

The IRU external auditor has the responsibility to plan its audit so that it has a reasonable expectation of detecting material misstatement in the financial statements and accounting records (including those resulting from fraud, error or non-compliance).

In arriving at the opinion the IRU external auditor is required to consider the following issues and to report on any aspects with which it is not fully satisfied:

- whether proper accounting records have been kept and adequate information has been received;
- whether the financial information provided by the IRU is in agreement with the accounting records and other relevant data;
- whether all the information and explanations which the IRU external auditor considers necessary for the purpose of the audit have been obtained;
- whether the information given to the IRU external auditor by the IRU management is consistent with the UNECE-IRU Agreement and its annexes.

In undertaking, and within the scope of, the audit, the IRU external auditor shall:

- obtain an understanding of the accounting and internal controls systems in order to assess their adequacy as a basis for the preparation of the financial reporting of the IRU and establish whether proper accounting records have been maintained;
- carry out procedures designed to obtain sufficient audit evidence, in accordance with generally accepted auditing standards to determine with reasonable confidence whether the financial reporting of the IRU is free of material misstatement;
- evaluate the financial reporting related to the financial operations in order to ascertain whether it has been prepared in accordance with the UNECE-IRU Agreement and its annexes and generally accepted accounting standards;
- evaluate whether adequate internal controls related to the financial operations covered by the scope of the audit are in place and function effectively;
- issue a report containing a clear expression of opinion on the financial reporting of the IRU concerning the implementation of the UNECE-IRU Agreement and its annexes;
- issue a management letter either confirming its unqualified opinion or communicating any weaknesses in the accounting and the internal control systems identified during the audit;

- submit simultaneously to the UNECE and IRU the audit report and management letter (together or separately).

Terms of engagement:

A written agreement will be drawn up between the IRU and its external auditor to ensure that there is no misinterpretation or misunderstanding of the objectives and scope of the external audit, of the extent of the auditor's responsibilities, or of the form and timing of reports to be issued. Such an agreement is generally known as an "Engagement Letter", however, another form such as a contract may also be acceptable.

The engagement letter is to be prepared by the IRU external auditor for signature by the IRU.

The acceptance of the terms of engagement by the parties shall be documented in writing prior to the commencement of the audit. While the external auditor is to be engaged by the IRU, the UNECE shall be involved in the establishment of the terms of engagement.

The Agreement between the IRU and the IRU external auditor is also subject to acceptance by the UNECE.

In order to establish the IRU's responsibility and ensure the ability to subsequently undertake an audit, the IRU external auditor should be engaged at the beginning of the project period, not at the end.

The following elements should be included in the engagement letter:

- the responsibilities of the IRU external auditor;
- the scope of the audit;
- provision of other services, if applicable;
- the deadline for the submission of the audit report and of the management letter;
- the audit fees;
- agreement of terms.

The engagement letter will also explicitly stipulate provisions of the following in the audit report:

- detailed explanations of IRU internal controls over TIR Carnet distribution to national associations, including invoicing, defining financial terms applied in the TIR Carnet distribution such as the amount invoiced per TIR Carnet, the total amount invoiced, the number of TIR Carnets distributed and financial year;
- an explanation of the audit tests applied.

The IRU and the IRU external auditor shall sign the letter of engagement/contract, indicating mutual acceptance of the audit appointment and the terms of engagement.

Reporting requirements:

A deadline for submission of the audit report and the management letter shall be stipulated. The language of the report and the management letter should be either English or French. The audit report and management letter should be addressed to the IRU, with copies of the report and of the management letter submitted directly and simultaneously to the UNECE by the external auditor.

The audit report should contain a clear expression of opinion – within the scope of the audit - on the financial obligations of the IRU in relation to the implementation of the UNECE-IRU Agreement and its annexes and on any further matters required by the letter of engagement. This opinion shall be based on a review and an assessment of the conclusions drawn from the evidence obtained in the course of the audit. The audit report shall contain the following elements:

- a title identifying the organization to whom the report is addressed;
- an introductory paragraph identifying the UNECE-IRU Agreement and its annexes audited;
- a section dealing with the respective responsibilities of the IRU and the IRU auditor;
- the basis of the IRU auditor’s opinion;
- the IRU auditor’s opinion on the audits carried out;
- the signature of the IRU auditor and the date of the audit report.

External Auditor’s Opinions:

The IRU External Auditor’s report may include either an “Unqualified” or a “Qualified” opinion.

An *Unqualified Opinion* is expressed when, in the auditors’ judgment, the financial reporting gives a true, accurate and fair representation of the financial affairs and has been prepared in accordance with the relevant accounting or other requirements.

Sample auditor’s report -- unqualified opinion

Auditor’s report to the IRU, copied to the United Nations Economic Commission for Europe
(UNECE)

Final report for the operational period from
1 January 2010 to 31 December 2010

We have audited the financial information provided by the IRU relative to the implementation of the UNECE-IRU Agreement dated ... and its annexes, as of and for the year ended December 31, 200... This information is the responsibility of the IRU. Our responsibility is to express an opinion on the financial information based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require us to plan and perform the audit to obtain reasonable assurance about whether the financial information is free from material misstatement. Our audit has included examination, on a test basis, of evidence supporting the financial information. Our audit has also included assessing the accounting principles used and significant estimates made by management as well as evaluating the

overall presentation of the financial information. We believe that our audit provides a reasonable basis for our opinion.

Opinion:

In our opinion, the financial information provided by the IRU relative to the implementation of the UNECE-IRU Agreement concerning the accounts kept by the IRU for recording the advance amount transferred, the sums actually collected to finance the operation of the TIRExB and TIR secretariat through the TIR Trust Fund according to the decisions of the TIR Administrative Committee, the resulting balance as well as the actual number of TIR Carnets distributed by the IRU in the corresponding year present fairly, in all material respects, the financial position relative to the implementation of the UNECE-IRU Agreement dated ... and its annexes as at 31 December 200... and the results of operations and cash flows for the period then ended.

Furthermore, in our opinion, the transactions that have been identified or tested as part of our audit have, in all significant respects, been found to be in accordance with the UNECE-IRU Agreement dated ... 200... as approved by the TIR Administrative Committee.

Signed: _____

Name of auditing firm:

Date:

A **Qualified Opinion** may be given if the External Auditor is not able to express an unqualified opinion. This may be the result of various circumstances, which, in the auditors' judgment, warrant a qualification. For example:

- If all the evidence reasonably expected to be available has not been obtained or evaluated, then a qualified opinion is given.
- If the possible effect is material or pervasive to the financial statements and could, as a whole, make them misleading, then a “*qualified opinion: disclaimer*” is given, i.e., "Because of the possible effect of the limitation of evidence available to us we were unable to form an opinion as to whether the financial statements give a true, accurate and fair representation of the financial affairs". If the effect is *not* material then a “*qualified opinion: scope limitation*” is given, i.e., "Except for ..., in our opinion the financial statements give a true, accurate and fair representation of the financial affairs”;
- If the auditors disagree with the accounting treatment or disclosure of a matter in the financial statements, and in their opinion the effect of the disagreement is material or pervasive to the financial statements, a description of all substantive factors giving rise to the disagreement should be included in the audit report and a “*qualified opinion: adverse*” is given i.e., "In view of the effect of ..., in our opinion the financial statements do not give a true, accurate and fair representation of the financial affairs". If the effect of the disagreement is *not* material, then a “*qualified opinion: except for ... disagreement*” is given, i.e., Except for ..., in our opinion the financial statements give a true, accurate and fair representation of the financial affairs;
- In all cases, when a qualified opinion is given the factors leading to the qualification must be included in the audit report.

Sample auditor's report -- qualified opinion

No specimen is provided as the content of such an opinion will depend on the specific situation in which it is issued.

Management Letter

In addition to the audit report, it is a normal practice as part of the audit service to issue a “management letter” either confirming the unqualified opinion of the auditor or communicating any weaknesses in the accounting and internal control systems identified during the audit. The management letter will contain the observations noted during the course of the audit and provide constructive advice and assistance in improving the performance of the IRU’s operations, its internal controls and accounting practices.

If serious weaknesses are identified, the UNECE could use this information to take immediate remedial action in the framework of the UNECE-IRU Agreement and its annexes.

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