



Economic Commission for Europe**Administrative Committee for the TIR Convention, 1975****Seventy-third session**

Geneva, 14 and 15 October 2020

Item 9 (a) of the provisional agenda

Other business:**The International Road Transport Union external audit report and related matters****Audit report for the year 2019 on the records and accounts kept by the international organization pertaining to the organization and functioning of the international guarantee system and the printing and distribution of TIR Carnets*****Transmitted by the International Road Transport Union****Background**

The Committee may wish to recall that on 1 July 2018, new paragraphs (o), (p) and (q) to Annex 9, Part III, Article 2 of the TIR Convention, which required annual issuance of an audit report and a management letter concerning the records and accounts kept by the international organization pertaining to the organization and functioning of the international guarantee system and the printing and distribution of TIR Carnets, entered into force. Further, Annex IV to the Agreement between the United Nations Economic Commission for Europe (ECE) and the International Road Transport Union (IRU) for the period 2020–2022 provided the necessary binding requirements and guidelines for the audit report as per referred new provisions of the Convention (see ECE/TRANS/WP.30/AC.2/2019/24). In this regard, ECE and IRU amended the agreement for the period 2017–2019 to ensure that the guidelines in Annex IV of the new agreement was applied for the year 2019 as well. In the Annex, the secretariat reproduces the management letter and the audit report for the year ended 31 December 2019.

* The present document contains the text submitted to the secretariat, reproduced without any changes.



Annex

International Road Transport Union (IRU)
For the attention of Mr Umberto de Pretto
Secretary General
16, La Voie Creuse 1211 Geneva

Geneva, 23 July 2020

Management letter resulting from our audit of the International Road Transport Union (IRU) records and accounts pertaining to the organization and functioning of the international guarantee system and the printing and distribution of TIR Carnets for the year 2019

Management letter resulting from our audit of the International Road Transport Union (IRU) records and accounts pertaining to the organization and functioning of the international guarantee system and the printing and distribution of TIR Carnets for the year 2019.

Dear Mr. de Pretto,

We have completed our audit of IRU records and accounts pertaining to the organization and functioning of the international guarantee system and the printing and distribution of TIR Carnets for the year 2019 as per the UNECE-IRU Agreement for the period 2017–2019, including its annexes and Amendment no.1 and have issued our audit report dated 21 July 2020.

During the audit, we have assessed the accounting principle used, the significant estimates made by the management, and the design and operating effectiveness of your internal control system. Our audit test included both substantive test of details as well as test of controls as determined necessary in the circumstances.

The purpose of a management letter is to set out any opportunities for improvement related to accounting procedures or controls which came to our attention during this work. During our audit we did not note any significant weaknesses in your internal control system to report in this letter.

Yours sincerely

PricewaterhouseCoopers SA

(Signed) Philippe Tzaud

(Signed) Tarik Bouchama

International Road Transport Union Geneva

Report of the Auditors to the Presidency

Audit of the IRU records and accounts pertaining to the organization and functioning of the international guarantee system and the printing and distribution of TIR Carnets for the year 2019.

Report of the auditors to the Presidency of International Road Transport Union (IRU) Geneva

We have audited the IRU records and accounts pertaining to the organization and functioning of the international guarantee system and the printing and distribution of TIR Carnets for the year 2019 as per the UNECE-IRU Agreement for the period 2017–2019, including its annexes and Amendment no.1.

This report is the responsibility of the IRU's management. Our responsibility is to express an opinion on this report based on our audit.

We conducted our audit in accordance with the International Standards on Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the financial information is free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the schedules. We have also assessed the accounting principles used, significant estimates made and the overall financial information presentation. Our audit provides a reasonable basis for our opinion.

In our opinion, the financial information provided by the IRU relative to the implementation of the UNECE-IRU Agreement related to:

- The records, accounts and related documentation which pertain to the organization and functioning of an international guarantee system and the printing and distribution of TIR Carnets, and the related internal controls; and
- The TIR Statistics transmitted by IRU to AC.2 and to WP.30 (SafeTIR, Situation of irregularities— Settlement of claims for payments and Statistics of TIR Carnets distribution to national associations) are prepared fairly and in accordance with the related internal controls.

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 for the period 2017–2019, as approved by the TIR Administrative Committee, including its annexes and Amendment no.1

PricewaterhouseCoopers SA

(Signed) Philippe Tzaud

(Signed) Tarik Bouchama

Geneva, 23 July 2020

Enclosures:

- Explanations of IRU internal controls over the organization and functioning of the international guarantee system.
- Explanations of IRU internal controls over the printing of TIR Carnets.
- Explanations of IRU internal controls over the distribution of TIR Carnets.
- Explanations of IRU internal controls over the TIR Statistics transmitted by IRU to AC.2 and to WP.30 (SafeTIR, Situation of irregularities – Settlement of claims for payments and Statistics of TIR Carnets distribution to national associations).
- Explanations of audit tests applied.

Enclosure 1: Explanations of IRU internal controls over the organization and functioning of the international guarantee system

IRU is striving to maintain and further develop TIR value proposition according to the needs of specific regions aiming to maintain its use in existing markets. Besides, IRU in strong collaboration with UNECE, is also making efforts to develop TIR in identified new countries.

In TIR existing markets IRU aims at making TIR more accessible to its end-users. In both existing and new markets, IRU is also supporting UNECE, Contracting Parties and IRU members to enhance the dematerialization of the TIR procedure (eTIR).

TIR, and in particular eTIR, is one concrete tool, which can come to service of the industry and bring concrete benefits, especially at the time of the pandemic COVID-19.

Besides, IRU, together with its member associations, also aims at finding and implementing solutions optimizing the overall processes and procedures carried out by transport operators and other actors of the supply chain.

Organization of the international TIR Guarantee Chain and its functioning through handling of TIR irregularities/claims:

1. IRU has concluded a global guarantee policy with AXA Assurance SA to cover the liabilities of the guaranteeing associations resulting from the TIR guarantee agreements with national customs authorities up to CHF 300'000'000 per annum and has provided a certified true copy of this policy to each Contracting Party where TIR is operational. Each year IRU provides to customs through the national guaranteeing association the insurance certificate as a proof of guarantee coverage.
2. IRU provides monthly to AXA Assurance SA information on the number of TIR carnets issued to associations. Based on this information AXA sends invoices for the insurance premium to IRU. IRU pays the premium within the set deadline.
3. AXA guarantee policy requires IRU to ensure that each association implements an insurance to cover responsibility of each TIR carnet holder vis-à-vis the TIR Guarantee Chain in the framework of the TIR Convention.
4. To comply with the above requirement IRU implements an international insurance program managed by an international broker.
5. A provision for claims is accounted for by IRU to cover the absence of insurance coverage in some countries.
6. Customs claims i.e. pre-notifications, notifications and claims for payments, are transmitted by guaranteeing associations to IRU and are registered in IRU computer system. They are handled in cooperation with guaranteeing associations and insurers and in accordance with principles and deadlines defined by the TIR Convention, applicable national legislation and IRU contractual rules and regulations.
7. TIR Guarantee Chain stakeholders (insurers) are regularly informed of the status of the customs' claims received by IRU and accordingly of the status of the actual financial risks. General trends and series of pre-notifications, notifications and claims for payments are also detected and reported. This information enables to measure the effectiveness of the international guarantee system.
8. When IRU is notified by the guaranteeing association of a claim for payment, it informs the guaranteeing association of IRU's position concerning the claim within the period of three months provided by article 11.4 of the TIR Convention, by authorizing payment of claims for payments which are in line with the TIR Convention and applicable national legislation.
9. Claimed amounts settled by the guaranteeing associations for TIR claims are reimbursed to the latter by IRU on behalf of the TIR Guarantee Chain. All amounts paid by IRU are registered in IRU accounts, duly shared with insurers and reimbursed by them.

10. Claims for payments considered issued in violation of the provisions of the TIR Convention cannot be paid voluntarily by the TIR guarantee chain. Therefore, they are opposed by the guaranteeing associations vis-à-vis competent authorities, if need be, with the support of the lawyers of the TIR guarantee Chain.

IRU provision for risks and charges

11. IRU provision for risks and charges is intended to cover the risk of cash outflow in relation to the international guarantee chain provided by the TIR system.

12. The required provision to cover the risk of cash outflow above the existing insurance program is assessed applying the Basel III framework.

13. IRU appoints yearly an independent external expert to perform the annual assessment of the capital requirements that should enable IRU to guarantee its financial standing.

14. IRU controls that the assessment is prepared based on accurate data, thanks to a reconciliation of amounts considered such as: average value of carnet, total number of cases paid, total amounts paid, total number of issued TIR carnets, average paid case, and internal and external claims handling costs.

15. IRU Presidential Executive, based on the annual assessment performed by the independent external expert, decides on any change to be recorded in IRU provision for risks and charges and to be reflected in IRU financial statements.

Enclosure 2:

Explanations of IRU internal controls over the printing of TIR Carnets

16. The national associations are required to send out twice a year the forecast for their need of TIR Carnets so that the IRU can plan the necessary number of TIR Carnets to be printed for the next year.

17. Based on forecast of the TIR Carnets, IRU pre-informs printer(s) at the end of each year of the number and nature of TIR Carnet forms expected to be printed for the next year, and sets up delivery timeline /schedule.

18. IRU ensures that the deliveries of TIR Carnet forms from printer(s) correspond to the quantity and nature of the TIR Carnets expected / ordered by IRU and that the invoice received from printer(s) is in line with their agreement before being recorded in IRU accounts.

19. IRU builds and maintains sufficient stock of TIR Carnet forms to ensure upcoming deliveries.

Enclosure 3:

Explanations of IRU internal controls over the distribution of TIR Carnets

20. Receipt of the order from the Association (normally 6 weeks before the desired delivery date): When the order is received, IRU makes two controls before going to the next stage in the process: the IRU checks that the inventory of desired TIR Carnets is enough to fulfil the order and IRU also checks that the association has no overdue debt otherwise the order will not be treated as long as the payments are outstanding.

21. If the two preceding controls are satisfactory, the IRU sends a confirmation to the Association and communicates the deadline for delivery of the order.

22. Once the TIR carnets are ready to be dispatched, the IRU transmits the delivery details to the Association (dispatch reference number for the transport, date and location).

23. Physical preparation of the order by IRU (on pallets or in boxes) and preparation delivery order.

24. Issue of the delivery note by the IRU computer system on the day the TIR carnets are dispatched. Each TIR carnet number which is part of the dispatch is assigned to the receiving national association. From that moment on, the TIR carnets are considered to be issued by IRU to the association. The delivery note details the type and number of TIR carnets shipped.
25. The issue of the delivery note generates the production of the invoice and records it automatically in the accounts system of the IRU. The price of each type of TIR carnet is automatically imported from the system. The TIRExB / TIR Secretariat costs per carnet appear separately on the invoice for the year 2019.
26. Each TIR carnet is linked to a delivery note number and an invoice number in the IRU applications so that the IRU knows precisely which associations are using the TIR Carnets.
27. Upon receipt of the delivery, the Association sends a confirmation to the IRU.
28. Payment of the invoice within 60 days from the date of the final invoice.
29. The recovery of outstanding amounts is performed manually by the IRU as the system does not allow such a follow up. Moreover, an association cannot receive TIR Carnets if it has not paid overdue invoices.

Enclosure 4:

Explanations of IRU internal controls over the TIR Statistics transmitted by IRU to AC.2 and to WP.30 (SafeTIR, Situation of irregularities – Settlement of claims for payments and Statistics of TIR Carnets distribution to national associations)

30. The situation of TIR termination data and reconciliation data (SafeTIR statistics) are published for internal purposes by the statistics department each month for the terminations registered by Customs and for the reconciliations sent to Customs the previous month, in coordination with SafeTIR team.
31. TIR Claims and SafeTIR statistics are shared externally with UNECE three times per year (for each WP30 session) by the statistics department, in coordination with TIR Claims team.

Enclosure 5:

Explanations of audit tests applied

Substantive testing:

For all the accounts in the scope of our audit, i.e. the accounts pertaining to the organization and functioning of the international guarantee system and the printing and distribution of TIR Carnets, we have performed the following audit procedures:

- Analytical reviews
- Test of details (based on sampling)

Test of controls:

For all the controls which pertains to the organization and functioning of the international guarantee system and the printing and distribution of TIR Carnets (which are also mentioned in the enclosures 1 to 4), we have made test of controls using various methods such as: reperformance, observation or inspection, in order to obtain an assurance over the existence and the correct implementation of those relevant controls.