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**ECONOMIC COMMISSION FOR EUROPE**

Administrative Committee for the TIR Convention, 1975

Forty-second session  
Geneva, 28 September 2006  
Item 3 (b) (iv) of the provisional agenda

**ACTIVITIES AND ADMINISTRATION OF THE TIR EXECUTIVE BOARD (TIRExB)**

Financial administration of the TIRExB and the TIR secretariat

Audit by the UN Board of Auditors

Note by the TIR Secretary\*

**I. BACKGROUND**

1. At its forty-first session, the Administrative Committee took note of information provided by the secretariat that the United Nations Board of Auditors (BOA) in May 2006 had carried out an audit of the UNECE following the audit carried out in spring 2005, which had resulted in the BOA Management Letter dated 5 May 2005 communicated to all delegations before the fortieth session of the Committee (ECE/TRANS/WP.30/AC.2/81, paras. 27 and 28). The UNECE has provided comments to the BOA in respect of the follow-up audit. The final BOA report will be presented to the UN General Assembly in autumn 2006. The findings related to the UNECE-IRU agreement will be made available to the Committee once the report has been transmitted to the UNECE (ECE/TRANS/WP.30/AC.2/83, para. 12).

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\* The UNECE Transport Division has submitted the present document after the official documentation deadline.

2. The BOA has informed the UNECE that the final report is not yet available, but that the final draft, which will remain unchanged, has been submitted to the UN General Assembly for print and distribution and will be published as document in the series A/61/5. Considering the final status of the draft, the BOA has agreed to the UNECE's publishing of the paragraphs of the final draft relating to the Agreement with the International Road Transport Union.

3. The recommendations by the BOA in the report to the UN General Assembly are without prejudice to the recommendations and audit observations of the BOA, contained in its Management Letter of 5 May 2005.

3. The Administrative Committee may wish to consider the excerpts from the draft report of the BOA, contained in annex to this document, and take the findings into consideration during its discussions.

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**Annex****Excerpts from the final draft of the BOA report  
relating to the Agreement with the International  
Road Transport Union.***Agreement with the International Road Transport Union*

374. Under the auspices of ECE, the “TIR” (Transports internationaux routiers, International Road Transports) functions in accordance with the TIR Convention, of 1975. In 1999, to strengthen the implementation of the Convention, the Contracting Parties established a supervisory organ, the TIRExB, and a TIR Secretariat.
375. The operations of the TIR Executive Board and the TIR secretariat are financed through a local technical cooperation trust fund managed at the United Nations Office at Geneva by ECE. According to Annex 8, article 13 of the TIR Convention, the operation of the TIR Executive Board and the TIR secretariat shall be funded through a levy on each TIR Carnet distributed by the international organization, for the time being the IRU, until such a time as alternative sources of funding are obtained.
376. The Administrative Committee determines the amount of the levy and the procedure for its collection, following consultations with IRU. The annual budget and cost plan are approved by the TIR Administrative Committee, which, based on IRU forecasts on the number of carnets to be distributed during the following year, determines also the value of the “levy”<sup>1</sup> required for the operation of the TIR Executive Board and the TIR secretariat. As per the Agreement (article 3 and 4) between ECE and IRU, IRU shall then transfer the requested amount to the ECE trust fund to pre-finance the budget for the following year, the pre-financing being recovered during the year by the collection of levies on each carnet distributed by the organization.
377. By applying its own budgetary procedures and deciding on the value of the levy to be collected irrespective of the value decided by the TIR Administrative Committee, IRU contradicted the provisions of the TIR Convention and Agreement with ECE, which stipulate that the amount of the levy

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<sup>1</sup> At its 41<sup>st</sup> session to be held on 1 June 2006, the Administrative Committee for the TIR Convention considered the issue of the relevance of the term “levy” used in Annex 8, Article 13, considering that it “could be ambiguous, as it was very often used in relation to tax measures, whereas the collection of funds, as referred in Annex 8, Article 13 should be regarded as a compensation for costs incurred by the TIR Executive Board and the TIR Secretariat”. The Committee requested the Secretariat to obtain the opinion of the UN Office of Legal Affairs (OLA) on that issue (ECE/TRANS/WP.30/AC.2/2006/3 dated 27 March 2006 refers). However, for sake of simplicity and pending issuance of OLA’s opinion and possible amendment of the TIR Convention in that regard, the Board will still use the term “levy”, without prejudice to the actual legal status of the income so collected.

is decided upon by the TIR Administrative Committee. Besides, since no adjustment is made *a posteriori* to the amount transferred to ECE in advance of the year, in order to take into account the amount actually collected, it is more than likely that the total income generated from the distribution of carnets differs from the amount paid to ECE, and consequently that IRU would either keep for itself resources that were due to TIR's trust fund or finance TIR related operations from its own funds. Both cases constitute a breach of the TIR Convention and Agreement between ECE and IRU.

378. As disclosed in table II.10, IRU provided a summary analysis of amounts paid and collected from 1999 to 2004, showing that overall the balance in favour of ECE amounted to CHF 275,224 (or approximately \$225,000 at the May 2006 United Nations operational rate of exchange).

Table II.10

**Summary of amounts paid to ECE and amounts collected by IRU from the issuance of TIR carnets from 1999 to 2004**

<i>Date of payment</i>	<i>Amount transferred to ECE in USD</i>	<i>Amount transferred to ECE in CHF<sup>(1)</sup> (A)</i>	<i>Levy per TIR carnet in CHF</i>	<i>Amount collected from TIR carnets in CHF (B)</i>	<i>Yearly balance in CHF (A) - (B)</i>
November-98	698 880	984 023	0.40	937 600	46 423
November-99	500 000	773 500	0.40	1 113 040	(339 540)
November-00	600 000	1 063 560	0.30	812 385	251 175
November-01	450 000	752 535	0.30	928 560	(176 025)
December-02	685 300	1 020 137	0.30	989 400	30 737
November-03	737 000	1 008 437	0.30	963 315	45 122
November-04	305 000	417 331	0.30	0	417 331
<b>Total 1999-2004</b>	<b>3 976 180</b>	<b>6 019 524</b>		<b>5 744 300</b>	<b>275 224</b>

Source: Annex to TRANS/WP.30/AC.2/2005/17 (IRU's audited financial statements dated 30 March 2005)

<sup>(1)</sup> Based on the exchange rate applied by IRU at the date of payment

379. Further amendments to the TIR Convention and ECE/IRU Agreement in respect of the financial aspects of the transfer of funds by the IRU to ECE were discussed during the 1 June 2006 session of the TIR Administrative Committee. Among other issues, the establishment of "a system for final assessment of the funds collected by IRU at the end of the forthcoming year, based on the submission of data, audited in accordance with United Nations approved standards, on the total number of TIR Carnets distributed, in combination with a well-defined procedure dealing with any deficit/surplus with regard to the funds already transferred"<sup>2</sup>, is under consideration by the Administrative Committee.

380. **The Board recommends that ECE and IRU review the practical arrangements contained in the UNECE/IRU agreement with the view to strictly abide by the provisions of the TIR Convention.**

381. While UNECE agreed with the recommendation, it however informed the Board that UNECE must take into account the decisions of the TIR Administrative Committee, and it cannot speak on behalf of the IRU.

382. As stated in Annex 8, article 13 to the TIR Convention, the aforementioned financial arrangements based on the collection of levy on TIR Carnets distributed were established in 1999 on a provisional basis, and a funding through the United Nations regular budget or any other alternative source was envisaged after a two-year trial period. As at May 2006, these perspectives did not materialize and no other funding sources have been identified so far, although the issue has been considered on several occasions. Therefore, the Contracting Parties to the TIR Convention have so far requested the UNECE to continue the UNECE-IRU agreement.

383. Following its 2005 audit, the Board recommended that a comprehensive internal audit of the implementation and impact of the ECE-IRU agreement, including a review of the long-term perspectives. The requested audit was carried out in March-April 2006, but outcomes have yet to be communicated to the Administration.

384. **In the light of the conclusions of the internal audit, the Board recommends that the ECE reassess the relevance of continuing the ECE/IRU agreement.**

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