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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

Revised reports by the UN Board of Auditors (BOA)  
and the UN Office of Internal Oversight (OIOS)

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).

2. The Administrative Committee also noted that the UN Office of Internal Oversight (OIOS), as recommended in BOA's Management Letter of 5 May 2005, had carried out an audit in the period March to May 2006 of the UNECE/IRU Agreement, the general functioning and operation of the TIR secretariat and the tasks carried out by the secretariat. The UNECE secretariat has provided comments to the OIOS in this respect and the OIOS has also met with the IRU. The findings of the OIOS have at the time of the adoption of this report not yet been published. The findings will, as far as possible, be made available to the Committee once they have been finalized (ECE/TRANS/WP.30/AC.2/83, paras. 12-13).

3. 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.

4. 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.

5. The Administrative Committee may wish to consider the excerpts from the draft report of the BOA, contained in annex 1 and the Audit report of the OIOS, contained in annex 2 to this document, and take the findings into consideration during its discussions.

## Annex 1

### **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 Transport) 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 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

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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.

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.**

Annex 2



**United Nations  
Office of Internal Oversight Services  
Internal Audit Division II**

# **Audit Report**

**Audit of UNECE Agreement with the International Road Transport Union  
(AE2006/720/02)  
Report No. E06/R10**

- **Report date: 15 September 2006**
- **Auditors: Chunlin Tang  
Tara Geraghty**

UNITED NATIONS



NATIONS UNIES

Office of Internal Oversight Services  
Internal Audit Division II

**Audit of UNECE Agreement with the International Road Transport Union**  
**(AE2006/720/02)**

**EXECUTIVE SUMMARY**

From March to May 2006, OIOS conducted an audit of the UN Economic Commission for Europe's (UNECE) current Agreement with the International Road Transport Union (IRU), an organization of national road transport associations. Based on the TIR Convention, 1975, administered by the UNECE, IRU manages an international guarantee chain of the Transport Internationaux Routiers (TIR) carnet system, under which trucks are sealed by Customs upon departure and cross several borders without further checks until they reach their final destination. Since 1998, the Agreements between these two parties have aimed to finance the operation of the TIR Executive Board (TIRExB) and the TIR secretariat, located within UNECE. This financing is done through a levy on the TIR carnets, distributed by an international organization, currently the IRU, until such time as alternative sources of funding are obtained, and initially for a period of two years. The audit was carried out as a result of the United Nations Board of Auditors' (BOA) finding that IRU could potentially have collected an additional amount of at least \$900,000 during 2003 and 2004 had IRU charged the unit levy for each TIR carnet in accordance with the rate pre-approved by the TIR Administrative Committee. *OIOS is pleased to note that UNECE has accepted all of the recommendations and has started to implemented some of them.*

**Difference between the approved levy and the actual amount collected for each TIR carnet**

The actual amount collected for each TIR carnet by the IRU from 1999 to 2005 differed from the unit levy pre-approved by the TIR Administrative Committee. This was a result of IRU's unilateral decision to recover the amount advanced to cover the operation costs of TIRExB and TIR secretariat on the basis of an internal forecast at the beginning of each year. The unit levy per TIR carnet is decided annually by the TIR Administrative Committee by dividing the additional funds needed for the TIRExB and the TIR secretariat operation costs with the estimated number of TIR carnets to be issued in the coming year. Since the number of TIR Carnets actually distributed each year has turned out to be higher than estimated, the IRU has each year since 2001, decided to lower the actual amount collected per TIR Carnet distributed, compared to the unit levy per TIR Carnet previously decided by the TIR Administrative Committee.

**KPMG attestation of actual amounts collected and transferred to UNECE**

To address the concerns raised by the BOA and the Contracting Parties/Countries to the TIR Convention, KPMG issued an attestation on 29 March 2005, confirming that the firm had verified the number of TIR carnets issued by IRU to its national associations, the amount collected for each distributed TIR carnet by IRU from the national associations, and the amount advanced transferred by IRU to UNECE for financing the TIRExB and the TIR secretariat during the period 1999 - 2004.

The Agreement has no audit clause for UN audit, but OIOS has concluded that it can rely on KPMG's attestation on the basis of OIOS' assessment of the audit processes of KPMG. The audit certificate amendment made in Annex 3 of the 2006 Agreement between UNECE and IRU, in accordance with a BOA recommendation, will help to provide an independent assurance of IRU's compliance with the said financing arrangement. OIOS agreed with the BOA that to ensure compliance with UN requirements, the UNECE Agreement with IRU should contain an audit clause for UN auditors. UNECE agreed with OIOS' recommendation to request through IRU, that the external auditor of IRU provide detailed explanations in the future audit certificates to facilitate understanding of the terms used in the external auditor's attestation.

### **Proposals to solve the difference between the unit levy and the actual unit amount collected**

The TIR convention requires that a levy be collected for each TIR carnet distributed. According to IRU, it meets this requirement by paying an amount advanced to UNECE for the operation costs of the TIRExB and TIR secretariat before the start of the ensuing year. IRU added that any interpretation that the amount of the levy as the precise amount to be collected by IRU per TIR carnet, and consequently by the national associations, would expose the whole system to legal disputes, as the unit levy would be regarded as a tax imposed outside the taxation laws of the countries involved. The UNECE Secretariat maintains that the Contracting Parties/Countries, from the outset of the discussion, have regarded the levy as a service charge for the costs incurred by the TIRExB and the TIR secretariat.

At its extraordinary meeting on 1 June 2006, the TIR Administrative Committee discussed the nature of the levy, but has still not decided on an interpretation. OIOS reviewed proposals to finance the TIR support costs and address the discrepancy between the approved unit levy and the actual amount collected for each distributed TIR carnet:

- The unit-levy-based financing arrangement with adjusting mechanism for the actual number of carnets distributed, would avoid the confusion between the unit levy calculated in the budget process and the actual amount collected by IRU per distributed TIR carnet. It would maintain the TIR Convention's requirement for a levy per carnet.
- The lump-sum financing arrangement with assessment would have the advantage of simplicity without complex adjusting of the unit levy.

UNECE agreed with OIOS' recommendation to request the TIR Administrative Committee to clarify the nature of the levy on TIR carnets – whether a service charge or a tax - and decide on a more permanent model for the financing arrangement between the UNECE secretariat and IRU. The model should aim to improve accountability, transparency, sustainability and administrative manageability of the arrangement, and safeguard the legitimate authority and interests of the TIR Administrative Committee and Contracting Parties.

### **Functions that IRU agreed to perform within the UNECE-TIR Agreement**

The Agreement was mainly on the financing arrangement for TIR support costs, and IRU agreed to perform 16 additional functions to enhance reporting and oversight of the TIR carnet system by the Contracting Parties. However, the role and responsibilities of the international organization (currently IRU) have not been explicitly defined in the current text of the TIR Convention. UNECE agreed with OIOS' recommendation to invite Contracting Parties to consider the addition of a new Part 3 to Annex 9 of the TIR Convention "Authorization to take on responsibility for the organization and functioning of an international guarantee system and to print and distribute TIR carnets," as proposed by the Government of the Netherlands. This proposed revision if approved, would have a stronger legal binding effect on IRU to honour its obligations and responsibilities under the TIR Convention.

### **TIR Secretariat Operations**

The TIRExB and TIR secretariat budget and cost plan need to be results-based, taking into consideration the reasonableness and sufficiency of expenditure vis-à-vis the expected accomplishments, its fund balance and the required operating reserve and contingent reserve for termination of the UNECE-IRU Agreement and staff separation costs.

Regarding its project to computerize the paper based TIR carnet system (eTIR), the UNECE secretariat should submit the *eTIR project* to a formal project review and approval process by a competent UN ICT Board or Committee before the implementation of the eTIR project, as required under ST/SGB/2003/17. UNECE should also consider the resource requirements and the implications on its secretariat functions of its possible involvement in substantive operations of the eTIR project. UNECE agreed to submit the eTIR project for formal review and approval by the UNECE MG and ICT Board and consider the implications of UNECE's involvement in this project.



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## I. INTRODUCTION

1. From March to May 2006, OIOS conducted an audit of the UN Economic Commission for Europe (UNECE) Agreement with the International Road Transport Union (IRU). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

### TIR transit guarantee system

2. Under the auspices of UNECE, the "TIR" (Transports internationaux routiers, International Road Transport) transit guarantee system was developed after the Second World War in order to help revitalize the economies of post-war Europe. The system simplifies Customs requirements by permitting the contents of approved load compartments, sealed by customs authorities, to pass through customs control on international journeys without delay or payment of duty, accompanied by the TIR Carnet, which is a control document accepted by the Customs authorities of the countries of departure, transit and destination. The TIR Carnet also serves as a guarantee document to cover duties and taxes due in case of irregularity by an international guarantee chain throughout the journey. The first "TIR Agreement" between a small number of European countries on this kind of international road transport under cover of the TIR carnet was concluded in 1949. The success of this limited scheme led to the adoption of a TIR Convention (the Customs Convention on the International Transport of Goods Under Cover of TIR Carnets) in 1959 by the UNECE Inland Transport Committee. The Convention was revised in 1975 to take into account experiences in operating the Carnet system, technical advances and changing Customs and transportation requirements. The United Nations acts as the depository of the Convention.

3. The Contracting Parties to the TIR Convention meet under the auspices of UNECE, which provides secretariat services to the TIR Administrative Committee. The roles of other major entities in the TIR Carnet system are described below.

- TIR Administrative Committee (AC.2) and the UNECE Working Party on Customs Questions affecting Transport (WP.30) - Since its introduction into the TIR Convention in 1975, the TIR Administrative Committee composed of all Contracting Parties to the Convention, is the decision-making organ under the TIR Convention. Among other functions, the TIR Administrative Committee decides on the unit levy for each TIR Carnet distributed by the international organization administering the TIR guarantee system to finance the operation of the TIRExB and the TIR secretariat. The decisions taken by the TIR Administrative Committee are prepared within the framework of the UNECE Working Party on Customs Questions affecting Transport (WP.30), which has existed since 1948.
- TIR Executive Board (TIRExB) - Established by the Contracting Parties to the TIR Convention in 1999, its objective is to enhance international cooperation among Customs authorities in the application of the TIR Convention and to supervise and provide support in applying the TIR and the international guarantee systems. The TIRExB is composed of nine members, who are selected in their personal capacity by the Governments that are Contracting Parties to the TIR Convention for two-year terms of office. The TIRExB is, *inter alia*, mandated to supervise the centralized printing and distribution of TIR Carnets, to oversee the operation of the international guarantee and insurance system and to coordinate and foster exchange

of intelligence among Customs and other Governmental authorities (Article 58ter and Annex 8 of the TIR Convention)

- TIR Secretary and TIR Secretariat - Established in 1999, the TIR Secretary, who is a staff member of UNECE, executes the decisions of the TIRExB and is assisted by the TIR secretariat. Also established in 1999, the TIR secretariat currently consists of 6 extra-budgetary funded UNECE staff members (4 professional and 2 general service staff).
- International Road Transport Union (IRU) - IRU administers an international guarantee chain of the Transport Internationaux Routiers (TIR) carnet system, under which trucks are sealed by Customs upon departure and cross several borders without further checks until they reach their final destination. IRU charges an amount for each TIR carnet that it distributes to its national member associations. In addition, it charges an additional amount (levy) on each TIR Carnet distributed to finance the operation of the TIRExB and the TIR secretariat, in accordance with the provisions of Annex 8, Article 13 of the Convention. Since the entry into force of the first TIR Convention in 1959, the IRU in Geneva Switzerland, a non-governmental organization representing the interest of the road transport industry, has, within the context of the TIR Convention, acted as an international organization in accordance with Article 6, paragraphs 1 and 2 of the TIR Convention, 1975. All national associations, issuing and guaranteeing TIR Carnets at the national level are affiliated with the IRU. Pursuant to Annex 8, Article 10 (b) on 17 February 1999, the IRU has been authorized by the TIR Administrative Committee to centrally print and distribute TIR Carnets, and pursuant to Article 6.2bis on 12 May 2002, to take on the responsibility for the organization and functioning of an international guarantee system.

#### UNECE-IRU Agreement

4. Annex 8, Article 13 of the TIR Convention provides for financing arrangement for the operations of the TIRExB and TIR secretariat, through a levy on TIR carnets distributed by the international organization (currently the IRU), until such time as alternative sources of funding are obtained, and initially for a period of two years. This arrangement was adopted, as it was known that in the short to medium-term, it would not be possible to include the funds needed to support the TIRExB and TIR secretariat in the UN Regular Budget. The TIR Administrative Committee would determine the amount of the levy and the procedure for collecting it, following consultations with the international organization, IRU, and will authorize any proposed changes to the levy. Since IRU had assumed the role of the international organization and had been distributing TIR carnets, IRU had agreed to provide such financing through TIR carnets distribution and to recover the amount advanced through the collection of a levy on each TIR carnet distributed. Thus, UNECE-IRU Agreement was signed on 25 November 1998 to finance the operations of the TIRExB and TIR secretariat. Since then, UNECE has signed similar Agreements with IRU every year with some revisions and/or updated annexes. The most recent Agreement was signed on 6 October 2005 for the years 2006-2010.

5. In 2005, the United Nations Board of Auditors (BOA) conducted an audit of UNECE and reported on the difference between the unit levy for each TIR carnet approved by the TIR Administrative Committee as part of the budget process and the amount actually collected by IRU for each TIR carnet distributed. The BOA calculated that IRU could have

collected at least \$900,000 more in 2003 and 2004 if IRU had charged the national associations the unit levy at the rate approved by the TIR Administrative Committee. Thus, in its management letter, the BOA requested UNECE to launch an internal audit of the implementation of the UNECE-IRU Agreement, after UNECE secures full access to all relevant data. OIOS undertook this audit per BOA recommendation.

6. The findings and recommendations contained in this report were discussed during an exit conference held on 24 April 2006 with the Director, Transport Division UNECE and the Secretary of the TIR secretariat, UNECE. OIOS also held another debriefing with the representative of IRU on 5 May 2006 on the findings related to IRU, which provided additional documents for OIOS' consideration. The auditors also observed the TIR Administrative Committee meeting of 1 June 2006 in Geneva. Comments of UNECE and IRU and relevant discussions at the TIR Administrative Committee were considered in drafting this report where appropriate. A draft of the audit report was shared with the Director of the UNECE Transport Division on 8 September 2006, whose comments received on 14 September 2006, are reflected in italics in this final audit report. *UNECE has accepted all of the recommendations and have started to implement some of them.*

## II. AUDIT OBJECTIVES

7. The overall objective of the audit was to assess IRU's compliance with the provisions of the UNECE – IRU Agreement and the TIR Convention, and evaluate the efficiency and effectiveness of the implementation of the Agreement and TIR secretariat operations. This included:

- Determining the cause of the difference between the unit levy for each TIR carnet approved by the TIR Administrative Committee and calculated in the budget process, and the amount actually collected by IRU for distributed TIR carnets;
- Evaluating the appropriateness of the financing arrangement for the TIRExB and TIR secretariat support costs to ensure sustainability of their operations and accountability and transparency of IRU operations regarding the TIR carnet system, and safeguard the legitimate authority and interests of the Contracting Parties and the United Nations;
- Assessing the appropriateness of the content of the UNECE-IRU Agreement to ensure the independent operation of the TIR secretariat and compliance with applicable provisions of the TIR Convention; and
- Evaluating the effectiveness of internal controls in the TIR secretariat's operations including financial/budgetary, human resources and information management to ensure the reliability of records and reports.

## III. AUDIT SCOPE AND METHODOLOGY

8. The audit focused on reviewing the Agreements signed by the UNECE secretariat and the IRU since 1998. OIOS reviewed financial and operational information systems and documentation provided by the UNECE secretariat and IRU relating to TIR carnet distribution, levy collection and fund transfers from IRU to the UNECE secretariat. The audit also reviewed the financial, human resource and ICT management practices in the TIR secretariat. The auditors interviewed staff of the UNECE /TIR secretariat, IRU representatives and IRU's external auditor.

9. Since the BOA had reviewed IRU's compliance with 16 additional functions as listed under Article 2 of the UNECE-IRU Agreements, OIOS did not carry out a second review of this area, except for evaluating the appropriateness of including these functions in the Agreement rather than in the Convention.

#### IV. AUDIT FINDINGS AND RECOMMENDATIONS

##### A. Difference between the unit levy calculated in the budget and the actual amount collected per distributed TIR carnet

10. Both the UNECE secretariat and IRU noted that there had always been a difference between the unit levy for each TIR carnet as approved by the TIR Administrative Committee and calculated in the budget process, and the amount actually collected for each carnet distributed by IRU. The TIR Administrative Committee calculated the unit levy per TIR carnet annually by dividing the funds needed for the TIRExB and TIR secretariat operational costs, with the estimated number of TIR carnets to be issued in the following year. However, IRU, instead of using this pre-approved amount for each TIR Carnet issued, decided to collect a different amount per TIR carnet from national associations, which based on a forecast at the beginning of each year, was estimated to cover the total amount that IRU advances for the operating costs of the TIRExB and the TIR secretariat. Since the number of TIR carnets actually distributed each year has been higher than estimated, the IRU has each year since 2001 decided to lower the actual amount collected per TIR carnet distributed, compared to the unit levy per TIR carnet previously decided by the TIR Administrative Committee.

11. According to the UNECE secretariat, Annex 8, Article 13 of the Convention provides the legal basis for the collection of the unit levy on each TIR carnet. However, IRU argued that its main obligation was to transfer the annual amount needed for TIRExB and TIR secretariat support costs in advance (before 15 November of the preceding year), and that IRU recovered this advance payment through an amount collected per distributed TIR carnet that differed from the levy estimated by the TIR Administrative Committee in the context of the budget procedure.

12. Table 1 in the next page of this report shows the differences between the unit levy per TIR Carnet as calculated in the budget process and approved by the TIR Administrative Committee, and the actual amount collected for each distributed TIR Carnet from 1999 to 2006. Since 2001, the budgeted and approved levy per TIR carnet calculated in the budget process (Column D) has been higher than the amount collected by the IRU for each distributed TIR carnet (Column E), which used another higher number of carnets for distribution at the start of the year to calculate the amount per carnet. Table 1 also shows that from 2000, the forecasted number of TIR carnets (Column B) to be distributed has always been lower than the actual number distributed (Column F). IRU stated that they were quite prudent in providing a lower forecasted number of TIR carnets, which it would distribute in the following year, in line with the general principle of sound management practice. IRU added that "this was a conservative approach as the TIR Secretariat required the forecasted number of carnets for budget purposes in the second half of the current year to calculate the unit levy per carnet for the budget (i.e. the amount advanced divided by the forecasted number of carnets) for the following year."

**Table 1: Amount of approved levy for budget purposes and amount collected per distributed carnet for 1999-2006**

Year	Advance Amount paid by IRU in US\$ (A)	Forecasted number of TIR carnets to be distributed (B)	Budgeted Unit Levy for each TIR Carnet to be distributed in US\$ (C=A/B)	Budgeted Unit Levy for each Carnet to be distributed in equivalent CHF (D=C*implied exchange rate)	Amount collected for each distributed TIR Carnet in CHF (E)	TIR Carnets Actually Distributed (F)
1999	698,880	2,500,000	0.280	0.394	0.40	2,344,000
2000	500,000	2,100,000	0.240	0.371	0.40	2,782,600
2001	600,000	2,300,000	0.290	0.514	0.30	2,707,950
2002	450,000	2,300,000	0.200	0.334	0.30	3,095,200
2003	685,300	2,500,000	0.274	0.408	0.30	3,298,000
2004	737,000	1,900,000	0.548	0.750	0.30	3,211,050
2004 - Note (vi)	305,000					
2005	883,000	1,900,000	0.460	0.546	0.30	3,240,650
2006	779,000	1,900,000	0.410	0.531	0.35	

- Notes: (i) Data for 2005 and 2006 were provided by IRU without KPMG attestation  
(ii) Data in Columns A, B and C for years 1999 to 2004 are based on UNECE/TRANS/WP.30/AC.2/2005/15  
(iii) Data in Columns E and F for years 1999 to 2004 are based on data in the KPMG Attestation of 29 March 2005  
(iv) Data in Column D for years 1999 to 2004 are calculated by multiplying Column C by the implied exchange rates in the KPMG Attestation of March 2005, which equals to the equivalent CHF advance amount divided by the amount advanced in US\$.  
(v) The relationship between columns A, B, C is  $C=A/B$ , for all the years, except 2001, where the unit levy calculated per TIR carnet would have been US\$0.261 instead of US\$0.290, had the amount advanced not been reduced from the previously budgeted US\$667,000 to the final \$600,000 actual charge.  
(vi) The amount advanced in 2004 included \$305,000, which was a one off payment from IRU in order to create a reserve for separation cost of staff in case of UNECE-IRU Agreement's early termination. This amount is outside the normal payments made by IRU and has not been recovered from the associations, which means that IRU did not increase the unit amount collected for each carnet in order to recover the special payments.

### **B. KPMG attestation of the collected and transferred amounts and IRU invoices to national associations**

13. To address the concerns on the additional amount that could have been collected by IRU in the TIR carnet system, which was raised by UN BOA and the Contracting Parties to the Convention, IRU's auditors, KPMG, attested on 29 March 2005 that they had verified the number of TIR carnets actually distributed by IRU to their national associations ("TIR Carnet Issuance" per KPMG attestation), the amount "Invoiced by TIR Carnet Issued" to national associations, as well as the amount advanced by IRU to UNECE during the 1999 to 2004 period. The attestation also showed IRU's total amount invoiced every year during the same period and that IRU transferred to the UNECE TIR trust fund, the amount advanced required for the operation of the TIRExB and the TIR secretariat.

14. Table 2 shows the amounts advanced to UNECE and collected by IRU from 1999 to 2004 as attested by KPMG. According to KPMG, IRU invoiced a total of CHF 5,744,300 for TIR carnets distributed to national associations, and transferred \$3,976,180 or CHF 6,019,524 to the UNECE TIR trust fund for the 1999 to 2004 period for operational needs of TIRExB and TIR secretariat. The excess amount of CHF 275,224 paid by IRU to UNECE, was mainly caused by the one-off payment of \$305,000 in 2004 to cover the cost of separation of staff in case of early termination of the UNECE-IRU Agreement. The IRU provided OIOS with sample invoices that IRU had issued to national associations during the period from 2000 to 2006, which showed a separate line called "TIR Executive Board 200X," corresponding to the amount collected by IRU for distributed TIR carnets.

**Table 2: Total amount advanced and collected by IRU as attested by KPMG for 1999-2004**

Year	Advance Amount paid by IRU		Amount Collected by IRU (i)
	US\$	CHF	CHF
1999	698,880	984,023	937,600
2000	500,000	773,500	1,113,040
2001	600,000	1,063,560	812,385
2002	450,000	752,535	928,560
2003	685,300	1,020,137	989,400
2004	737,000		
2004 (ii)	305,000	1,425,869	963,315
Total of amounts attested by KPMG for 1999-2004	3,976,180	6,019,624	5,744,300
Excess amount over collection			275,224

- Notes: (i) Each amount corresponds to the product of Table 1's Columns E and F.  
(ii) A one-off payment from IRU in order to create a reserve for separation cost of staff in case of UNECE-IRU Agreement's early termination.

15. IRU and KPMG representatives confirmed to OIOS that the amount collected for each distributed TIR carnet was consistently applied in each invoice to national associations. OIOS also interviewed KPMG, which confirmed that it had verified the IRU internal controls for invoicing and recording collections, and clarified that the term "distributed TIR carnet" referred to TIR carnets sent by IRU to national associations by mail. KPMG had also determined the total number of carnets actually distributed in each financial year. As such, there is in OIOS' view, a reasonable basis to rely on the assurance provided by KPMG on the 29 March 2005 attestation of the total amount collected by IRU during the period from 1999 to 2004. KPMG also agreed that their future audit certificates would include a detailed explanation of the terminology and audit tests it applies.

16. OIOS welcomes the audit certificate amendment made in Annex 3 to the 2006 UNECE and IRU Agreement, in accordance with a BOA recommendation. This amendment will provide independent assurance of the financing arrangement applied by IRU to ensure compliance, transparency and accountability. OIOS agrees with the BOA's position that an audit clause to allow UN auditors to audit the accounts related to this arrangement be included in the Agreement with IRU, thereby complying with relevant UN Financial

Regulations and Rules on trust funds. IRU should also furnish UNECE with a copy of KPMG's management letter to IRU in connection with the issuance of audit certificates to better inform TIRExB and TIR Secretariat of improvements that may be necessary in administering the TIR carnet system.

**Recommendation:**

- UNECE should require that the IRU ensure that its external auditor include the following in future audit certificates: (i) detailed explanations of IRU internal controls over TIR carnet distribution to national associations, including invoicing, defining financial terms applied in TIR carnet distribution such as amount invoiced per TIR carnet, total amount invoiced, number of TIR carnets distributed and financial year; (ii) an explanation of the audit tests applied; and (iii) a copy of the management letter related to the audit certificates (Rec. 01).

*UNECE agrees with this recommendation. UNECE has already communicated requirements (i) and (ii) to the IRU. UNECE will propose to include Requirements (i) - (iii) at the next annual revision of the agreement and its annexes (for the year 2007). OIOS will record the recommendation as implemented when it receives information on the inclusion of requirements (i) - (iii) in the audit certificates.*

**C. Proposals to solve the difference between the unit levy per TIR carnet stipulated in the Convention and the actual amount collected per distributed TIR carnet**

**Compliance with the TIR Convention to charge a levy on each TIR carnet**

17. Annex 8, Article 13 of the TIR Convention states that the operation of the TIR Executive Board and the TIR Secretariat shall be financed through a levy on each TIR carnet distributed by the international organization (currently IRU), until such time as alternative sources of funding are obtained. However, IRU concluded that its main obligation was to advance the amount for the operation of the TIRExB and the TIR secretariat. This understanding by IRU of the advance payment in a certain manner was stipulated in a specific clause of each Agreement between UNECE and IRU that states: "IRU will contribute, by levy on each TIR Carnet used, an amount of US\$ XXXX, covering the operation of the TIRExB and the TIR secretariat for the year XXXX, as described in Attachment A to the TIR Trust Fund established by the UNECE for this purpose." IRU also stated that any interpretation that the amount of the levy (as estimated in connection with the approval of the budget) as the precise amount to be collected by IRU per TIR carnet, and consequently by the national associations, would expose the whole system to legal disputes, as the unit levy could be regarded as a tax imposed outside the taxation laws of the countries involved.

18. UNECE explained that the original concept was to organize the financing for the operation of the TIRExB and the TIR secretariat through a levy on each TIR Carnet issued by authorized national associations. *For the sake of simplicity, the Administrative Committee, when adopting the text of Annex 8, Article 13, decided on a financing mechanism through a levy on each TIR carnet distributed by the international organization.* According to UNECE, the levy is a service charge and not a tax, and that the IRU should comply with the rate as defined by the TIR Administrative Committee, in accordance with



the requirement of Annex 8, Article 13 of the TIR Convention. UNECE suggested alternatives to settle the debate on the legal nature of the term “levy” by adding an Explanatory Note to or revising the particular provision on the levy per TIR carnet (Annex 8, Article 13) in the TIR Convention. At its extraordinary meeting on 1 June 2006, the TIR Administrative Committee discussed the nature of the levy, but had not made a final decision.

19. It is impossible to comply with both the unit levy calculated on the basis of a forecast and the amount advanced, without an adjusting mechanism. In practice, IRU applied an amount per distributed TIR carnet based on a forecast at the beginning of every year, which was higher than the prudent forecasted number of carnets used in the budget process. This approach resulted in a lower actual amount per TIR carnet collected by IRU, than the unit levy approved by the TIR Administrative Committee in the budget process. As an example, for 2003, in the budget process, the IRU estimated that only 2.5 million carnets would be distributed so the unit levy to be charged would be \$0.274 (equivalent to CHF0.408) in order to collect \$685,300 to finance the TIRExB and the TIR secretariat. But in practice, the IRU only charged CHF0.30 (equivalent to US\$0.20 on average) per carnet on an adjusted distribution of 3.4 million carnets during the course of 2003, and managed to recover the amount through an actual distribution of 3.3 million TIR carnets. Thus, the difference between the unit levy per TIR carnet calculated in the budget process and the amount collected per distributed TIR carnet would not be resolved if the amount advanced was used with the forecast number of TIR Carnets in the budget process’ calculation of the unit levy per TIR carnet, since no forecasting could perfectly predict a future result. OIOS discussed with UNECE and IRU two possible arrangements to finance the operation of the TIRExB and TIR secretariat and to address the discrepancy between the approved unit levy and the actual amount charged for each distributed TIR Carnet.

#### Proposals to finance the operating costs of the TIRExB and TIR secretariat

##### Proposal 1: Unit-levy-based financing arrangement

20. To help ensure transparency in IRU’s collection and transfer of funds to finance the TIRExB and TIR secretariat, and settle the inconsistency between the unit levy per budget process and the actual amount per distributed TIR carnet, one proposal is to apply a pre-defined and mutually agreed unit levy to each distributed TIR carnet. IRU would then collect a total amount, which could be different from the amount advanced for the financing of the TIRExB and the TIR secretariat operation. To avoid any substantial deficit or surplus this unit-levy-based financing arrangement should have a built-in adjusting mechanism, which requires the IRU to report to the TIR Administrative Committee on any substantial variance between the amount collected by IRU and the required amount to finance the TIRExB and TIR secretariat. Any decrease (when there is a substantial surplus) or increase (when there is a substantial deficit) of the unit levy should then be approved by TIR Administrative Committee in a timely manner and applied at the end of each year. This practice would avoid the confusion between the unit levy calculated in the budget process and the actual amount collected per distributed TIR carnet by IRU. It would make the total amount collected by IRU increase with the number of actually distributed TIR carnets at a rate of the pre-defined unit levy. Moreover, it would ensure that the financing arrangement is applied in a more transparent and accountable manner.

21. IRU opposed this solution and pointed out that the so-called “adjusting mechanisms” would not work in practice given the fact that the TIR Administrative Committee is scheduled to meet twice a year (in February and September/October). IRU also pointed out

that this proposal does not address how deficits or surpluses in the amount paid in advance and the amount collected should be resolved.

22. IRU further stated that "...If the unit levy based financing arrangement were connected to the pre-financing by the international organization, questions would exist about the international organisation's role as a donor." The alternative, according to IRU, is for the international organization to become a moneylender (or bank) which for IRU would contradict its constitution and Swiss law". However, the advance transfer is a prerequisite to obtaining the authorization, so IRU's status as donor or moneylender is not applicable in this context. In practice, IRU has always committed itself to making advance payments in past years. IRU stated that "The proposal to charge variable amounts of levy in return for the same level of 'service' rendered would create an administrative burden for IRU. It would be unfair and a source of discrimination against its member associations. In accordance with its constitution IRU is obliged to afford its member associations equal treatment." However, in IRU's own practice, the actual amount per distributed TIR carnet that IRU collects from national associations, also varies from year to year.

23. The Government of the Netherlands, a Contracting Party to the Convention, suggested a similar funding mechanism under which the international organization accepts to transfer annually, the total amount collected through a levy on each TIR carnet delivered, determined by the TIR Administrative Committee, and required to finance the operation of the TIRExB and the TIR secretariat in accordance with Annex 8, Article 13 of the TIR Convention. Any balance left after the completion of the current year will be used toward financing of the TIRExB and the TIR secretariat in the following years. In IRU's view, the suggestion by the Government of the Netherlands contains the same deficiencies mentioned in the above paragraph. According to IRU, it is unable to understand how it is possible to transfer "in advance" the total amount (that has yet to be) collected through a levy on each carnet. However, the Convention, by stipulating "a unit levy on each TIR Carnet" provides IRU and its national association members, with a mechanism and legitimate justification to recover from TIR Carnet holders, the funds they advance to the TIR trust fund. The TIR Administrative Committee may take actions to clarify its position in this aspect.

#### Proposal 2: Lump-sum financing arrangement and assessment method

24. Under the lump-sum financing option, the required lump-sum amount to finance the operating costs of TIRExB and TIR secretariat would not be recovered via a pre-defined unit levy per TIR carnet calculated using a forecasted number of TIR carnets. Instead, IRU should develop an assessment method with the consent of national associations to reasonably allocate and recover the lump-sum from national association members. This assessment method could be developed by using the records of the number of distributed TIR carnets by national associations, and no matter how much the actual distribution would vary from historical records, each national association would honour its obligation to pay the allotted amount in a manner similar to IRU's obligation to transfer the lump-sum amount to the UNECE. In fact, this kind of assessment scheme is widely applied by the United Nations to its Member States where an assessment rate is calculated in advance for each Member State. Then the actual funding requirements of the UN agency will be allocated among the Member States by applying the assessment rates.

25. The lump-sum financing arrangement has the advantage of simplicity, as there is no complex adjustment of the unit levy per TIR carnet. However, compared to the unit-levy-based financing arrangement, the lump-sum financing arrangement has the disadvantage of de-linking the total amount collected from the number of TIR carnets actually distributed.

Nonetheless, even if the Contracting Parties opt for lump-sum financing, IRU should still be obliged to report the number, price and the amount collected for TIR carnets actually distributed to the TIRExB according to Annex 8 of the Convention, and IRU should subject itself to the review and verification by independent auditors and Contracting Parties. However, the IRU is not in agreement and sees no reason “.. why the financing of the TIRExB and the TIR secretariat should be linked to the number of TIR Carnets distributed. It is artificial to establish a connection between the costs of funding the TIRExB and the TIR secretariat and the number of TIR Carnets distributed. The cost of funding these two bodies is the same whether or not the international organization distributes 1 million or 3 million TIR Carnets. In contrast, the lump sum financing arrangement is relevant and logical in accounting terms and has the advantage of being administratively manageable. IRU accepts that for other reasons it will be necessary for it to furnish statistical data on the number of TIR Carnets distributed.”

**Recommendation:**

- UNECE should request the TIR Administrative Committee to clarify the nature of the levy and to select the specific model for financing the operating costs of the TIRExB and TIR secretariat to be used by IRU, either the unit-levy-based or the lump-sum with assessment model, to ensure the accountability, transparency, sustainability and administrative manageability of the arrangement and safeguard the legitimate authority and interests of the TIR Administrative Committee and the Contracting Parties (Rec. 02).

*UNECE agrees with this recommendation. UNECE has submitted proposals to this effect to the TIR Administrative Committee. However, implementation will depend on the decision by the TIR Administrative Committee. OIOS will evaluate if the recommendation has been implemented upon receipt of a copy of the discussion and decision on the levy and the financing model.*

**D. Functions that IRU agreed to perform  
and their appropriateness within the UNECE-TIR Agreement**

27. Before 2003, the Agreements between UNECE and IRU mainly covered the financing arrangement. Starting with the 2003 Agreement, IRU agreed to perform 16 additional functions such as providing statistical data, information and reports on the operation of the TIR Carnet system, to the Contracting Parties to the Convention. These functions were included as additional clauses to the Agreements. However, the role and responsibilities of the international organization (currently IRU) have not been explicitly defined in the current text of the Convention. Instead, they have been included in the Agreement between UNECE and IRU. *Since 12 August 2006, Explanatory Notes to Article 6.2bis and Annex 8, Article 10 (b) to the Convention stipulate, inter alia, that the international organization when signing the agreement, confirms that it accepts the responsibilities imposed by the authorization.*

28. The Government of the Netherlands proposed the addition of a new Part 3 in Annex 9 of the TIR Convention, entitled “Authorization to take on responsibility for the organization and functioning of an international guarantee system and to print and distribute TIR carnets” (page 9 of TRANS/WP.30/GE.2/2005/2). This revision is a natural development of Annex 9 “Access to the TIR procedure.” Currently, Parts 1 and 2 of Annex 9 deal with “Authorization

for associations to issue TIR Carnets” (i.e., access to the TIR procedure by national associations) and “Authorization for natural and legal persons to utilize TIR carnets” (which means access to the TIR procedure by the final TIR Carnet holders). If the proposal by the Government of the Netherlands were approved, the revision would cover IRU’s additional functions in the UNECE-IRU Agreement and would have a legally binding effect on IRU to meet its obligations and responsibilities in the application of the relevant provisions of the Convention. The revision would also clarify the legal and logical links between the authorization, pre-financing, carnet distribution, and fund collection.

**Recommendation:**

- OIOS recommends that UNECE invite the Contracting Parties to the TIR Convention to consider adding a new Part 3 to Annex 9 of the TIR Convention “Authorization to take on the responsibility for the organization and functioning of an international guarantee system, to print and distribute TIR carnets,” with the aim to clarify the legal basis and logical links between the authorization, pre-financing, carnet distribution and fund collection (Rec. 03).

*UNECE agrees with the recommendation and will draw this to the attention of the UNECE Working Party WP.30, presently discussing the issue, and the TIR Administrative Committee. This is, in particular, important since only one of the proposals presently under discussion in WP.30 contains clarification of the legal and logical links between the authorization, pre-financing, carnet distribution and fund collection. OIOS will record the recommendation as implemented upon receipt of information on the discussion to consider adding the suggested new Part 3 to Annex 9 of the TIR Convention.*

## **E. TIR Secretariat Operations**

### **Financial management**

28. The budget and cost plan for TIRExB and the TIR secretariat that were submitted to TIR Administrative Committee, were not prepared in the UN results-based framework, but rather on a line-by-line expenditure basis. The current presentation of expenditures by line lacks a logical link between the resources/inputs level and the expected accomplishments. In OIOS’ view, results-based budgeting would help the TIRExB and the TIR secretariat to justify their resource levels and facilitate stakeholders’ objective evaluation of their performance by comparing actual achievements with expected accomplishments.

29. The budgets and cost plans proposed by the TIR secretariat were inaccurate:

- Staff costs were overestimated, since three L-3 professional staff costs were budgeted at the L-4 level instead of at L-3 level. This occurred because a 2003 plan had called for upgrading these L-3 posts to L-4 posts. However this proposal was not approved. The reclassification process was re-launched in 2006.
- Termination of the UNECE – IRU Agreement – \$305, 000 for separation cost of staff in case of early termination of the UNECE-IRU Agreement was requested and included in the 2004 staff costs and included again in 2005 cost plan, although the financing for 2005 did not require this amount. The TIR secretariat subsequently corrected its cost plan for 2006 and set aside reserves in its TIR trust fund for this separation cost of staff.
- TIR Secretariat staff training costs were included for 2006 in line with a BOA

recommendation, but certain budget lines have never been used, such as cost of premises, due to UNECE internal policy of not charging them to extra-budgetary activities. The cost for premises was deleted from the 2006 budget.

- Interpretation costs for TIR related meetings held in the premises of the United Nations Office at Geneva, were mainly subsidized by UNECE's conference budget and only partially funded from the TIRExB and TIR secretariat budget. The TIR secretariat should budget necessary resources for interpretation services and any costs incidental to the operation of the TIRExB and the TIR secretariat.
- The combined effects of the above factors led to an accumulated fund balance of over \$1 million at the end of 2005, excluding pre-financing fund for the year 2006, which was received in December 2005.

**Recommendation:**

- The TIR secretariat should prepare its future budgets and cost plans using a results-based budgeting framework, taking into consideration the reasonableness and sufficiency of each expenditure vis-à-vis the expected accomplishments, its fund balance and the required operating reserve and contingent reserve for staff separation costs in case of early termination of the UNECE-IRU Agreement (Rec. 04).

*UNECE agrees with this recommendation. Considering that the 2007 budget has already been prepared and submitted to the TIR Administrative Committee, the UNECE will propose to the TIR Administrative Committee to apply a result-based budgeting framework as of the 2008 budget. To enable OIOS to evaluate the implementation of this recommendation, OIOS requests a copy of procedures and/or guidelines to prepare the 2008 results-based budget.*

30. The TIR Secretariat makes off-site cash payments of Daily Subsistence Allowance (DSA) to TIRExB annual meeting participants. In some instances, the amounts paid were quite substantial presenting security risks in handling cash. For instance on October 18, 2005, one TIR Secretariat staff fetched a check for \$ 7,532 from the UNDP Moscow Office, then cashed the check at Citibank in order to pay DSA for seven TIRExB members attending the 27th session of the TIR Executive Board held in Moscow. The TIR secretariat should avoid cash transactions and instead pay DSA by travellers cheques or electronic bank transfer to delegates, as is the practice with other UN agencies.

**Recommendation:**

- The UNECE secretariat should work with the United Nations Office at Geneva (UNOG) Treasury to find ways to avoid cash transactions in paying DSA to meeting participants and thus minimize security risks relating to substantial off-site cash payments (Rec. 05).

*UNECE agrees with this recommendation. UNECE will cooperate with UNOG Treasury to find ways to avoid in the future that DSA are paid to meeting participants in cash. To enable OIOS to evaluate the implementation of this recommendation, OIOS requests information on the results of UNECE's discussion with UNOG Treasury on ways to avoid cash payments to meeting participants.*

### Human resources management

31. The TIR Secretary, who is a member of the UNECE Secretariat, executes the decisions of the TIRExB and is assisted by the TIR secretariat. Currently, the TIR secretariat consists of 6 posts: 3 L-3 and 1 L-2 professional staff and 2 General Service staff. All of the professional staff members have been on their post for over five years without promotion or lateral movement to other UNECE posts, but L-staff are not subject to the mobility requirement. The implications of the mobility requirement for the post of the TIR Secretary should be carefully assessed and appropriate measures should be taken to plan for his mobility and possible replacement staff. *UNECE agreed to review the implications on the TIR of the staff mobility requirement for the TIR Secretary.*

32. OIOS' review of performance appraisals of TIR staff revealed that during 2003 and 2004, only minor changes were made to the staff work plans and the supervisor's comments on staff performance. As OIOS has recommended, *the TIR Secretary made a more individually-based, meaningful evaluation..*

### Information Technology projects

33. The Contracting Parties, through the TIR secretariat, have committed themselves to continuous Information Technology (IT) projects such as ITDB2001, ITDBonline, ITDBonline+ and eTIR. IRU also has developed IT systems such as SafeTIR and CuteWise, for internal risk management purposes. The eTIR project was initiated by the Contracting Parties to replace the paper TIR carnet currently printed and distributed by IRU. While IRU stated that these computerization investments could overlap, the Contracting Parties to the Convention noted that they wished to receive data under their own control, from an entity independent of the IRU. However, caution should be exercised to resolve the possible implications and difficulties in terms of financial, human, technological and legal resources/constraints in starting an IT project. These constraints were included in document ECE/TRANS/WP.30/GE.1/2006/2, which summarized the results of questionnaires that the UNECE secretariat sent to customs administrations in February 2005 to gather information on the existing systems, needs and constraints regarding the TIR project. Moreover, the eTIR project, as a substantive IT initiative, should comply with the provisions of ST/SGB/2003/17 on the Information and Communications Technology Board, requiring a formal review and approval process of IT projects by a competent UN ICT Board or Committee.

34. The full implementation of the eTIR project could require that the TIR secretariat, instead of only performing programme support functions as a secretariat body, to become involved in routine substantive operations of an electronic TIR carnets system, such as online issuance of carnets, tracking them and other substantive functions to operate an e-system and maintain a database for the TIR system. Currently, the L-2 post at the TIR secretariat is shared by two Information Technology experts employed at 50 percent. This IT staffing level would not be sufficient to cover the technical servicing requirements of the eTIR project if it is approved by the TIR Administrative Committee for implementation by UNECE. UNECE senior management has to consider the required resources and other implications of this possible involvement and should find feasible ways and organizational structures to ensure the sustainable and smooth application of the Convention in a computerized environment.

### Recommendation:

- UNECE should submit the eTIR project to a formal review and approval process by a competent UN ICT Board or

Committee before this IT project is implemented, as required under ST/SGB /2003/17 (Rec. 06).

*UNECE agrees with this recommendation. UNECE will submit, before implementation, the eTIR Project to the UNECE ICT MG and UN ICT Board for review and approval. However, it should be borne in mind that only the TIR Administrative Committee can take any formal decision on the eTIR Project. OIOS will record the recommendation as implemented upon receipt of a copy of its submission for approval of the eTIR project to the UNECE ICT MG and UN ICT Board.*

**Recommendation:**

- UNECE should consider resource requirements and technological and legal implications of UNECE's possible involvement if the eTIR project is fully implemented, and find feasible ways and organizational structures to ensure the sustainable and smooth application of the Convention within a computerized environment (Rec. 07).

*UNECE agrees with this recommendation. UNECE will consider the issue at the time when the eTIR Project is fully described and when its budget and pace of implementation will be discussed. OIOS will record the recommendation as implemented upon receipt of information on its consideration of resource requirements and other implications of the possible UNECE involvement in the eTIR project.*

## V. FURTHER ACTIONS REQUIRED ON RECOMMENDATIONS

35. OIOS monitors the implementation of its audit recommendations for reporting to the Secretary-General and to the General Assembly. The responses received on the audit recommendations contained in the draft report have been recorded in our recommendations database. In order to record full implementation, the actions described in the following table are required:

<b>Rec. no</b>	<b>Action/document required to close the recommendation</b>
01*	OIOS will record the recommendation as implemented upon receipt of information on the inclusion of requirements (i) and (iii) in the audit certificates.
02*	OIOS will evaluate if the recommendation has been implemented upon receipt of a copy of the discussion and decision on the levy and the financing model.
03*	OIOS will record the recommendation as implemented upon receipt of information on the discussion to consider adding the suggested new Part 3 to Annex 9 of the TIR Convention.
04	To enable OIOS to evaluate the implementation of this recommendation, OIOS requests a copy of procedures and/or guidelines to prepare the 2008 results-based budget.
05	To enable OIOS to evaluate the implementation of this recommendation, OIOS requests information on the results of UNECE's discussion with UNOG Treasury on ways to avoid cash payments to meeting participants.

06	OIOS will record the recommendation as implemented upon receipt of a copy of its submission for approval of the eTIR project to the UNECE ICT MG and UN ICT Board.
07*	OIOS will record the recommendation as implemented upon receipt of information on its consideration of resource requirements and other implications of the possible UNECE involvement in the eTIR project.

\* Critical recommendations

## VI. ACKNOWLEDGEMENT

36. We wish to express our appreciation for the assistance and cooperation extended to the auditors by the staff of UNECE and TIR secretariat and IRU representatives and its auditor, KPMG.

Corazón Chávez, Acting Director  
Internal Audit Division II  
Office of Internal Oversight Services

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