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Item 6 of the provisional agenda

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

Draft Agreement between the United Nations Economic Commission for Europe (ECE) and the International Road Transport Union (IRU)

Note by the secretariat

Introduction

1. At its sixty-ninth session in February 2019, the Administrative Committee (AC.2) took note of the new draft agreement to be signed with the international organization, as contained in Informal document WP.30/AC.2 (2019) No. 7. The Committee was informed that the agreement was still under review, due, inter alia, to the need for a new Annex dealing with the audit of the records and accounts pertaining to the organization and functioning of an international guarantee system and the printing and distribution of TIR Carnets, as required by new Annex 9, Part III, Article 2 (q). The Committee understood that as a consequence of the ongoing consultations (both internal and between the two parties), nothing in the presented draft should be considered as final. Having taken note of this document, the Committee agreed to provide the secretariat a preliminary mandate to conclude the new agreement with the international organization, subject to official confirmation at its October 2019 session (ECE/TRANS/WP.30/AC.2/141, paragraph 38).

2. In Annex, the secretariat transmits the text of the draft agreement between ECE and IRU, for consideration of the Committee.

Annex



**UNITED NATIONS
ECONOMIC COMMISSION
FOR EUROPE**



**INTERNATIONAL ROAD
TRANSPORT UNION**

**Agreement between United Nations Economic Commission
for Europe (UNECE) and International Road Transport
Union (IRU) for the period 2020 to 2022 (inclusive)**

Agreement between United Nations Economic Commission for Europe (UNECE) and International Road Transport Union (IRU)

I. Whereas the amendments to the Customs Convention on the International Transport of Goods Under Cover of TIR Carnets of 1975 ("the TIR Convention"), adopted by the Administrative Committee for the TIR Convention of 1975 ("the TIR Administrative Committee") at its twenty-third session (Geneva, 26 and 27 June 1997) which entered into force on 17 February 1999, provide for the establishment of a TIR Executive Board ("TIRExB") and a TIR secretariat;

II. Whereas the establishment of TIRExB and the TIR secretariat is aimed at strengthening cooperation among national customs authorities in the application of the TIR Convention and between customs authorities, national associations and an international organization referred to in Article 6 of the TIR Convention ("international organization");

III. Whereas the TIR Convention stipulates that TIRExB, as a subsidiary body of the TIR Administrative Committee, shall inter alia supervise the application of the TIR Convention, including the operation of the guarantee system and supervise the centralized printing and distribution of TIR Carnets, which may be performed by an agreed international organization;

IV. Whereas the TIR Convention provides for the financing of TIRExB and the TIR secretariat – until such time as alternative sources of funding are obtained through an amount per TIR Carnet distributed by an international organization;

V. Whereas the amount per TIR Carnet and the procedure to implement the financing of the operation of TIRExB and the TIR secretariat shall be approved by the TIR Administrative Committee;

VI. Whereas the amount per TIR Carnet should be based on (a) the budget of TIRExB and the TIR secretariat as approved by the TIR Administrative Committee and (b) the forecast of the number of TIR Carnets to be distributed as established by an international organization;

VII. Whereas the total amount required to finance the operation of TIRExB and the TIR secretariat and to be transferred each year by the international organization to the TIR Trust Fund established by UNECE for this purpose shall be approved by the TIR Administrative Committee;

VIII. Whereas, on 1 July 2018, new paragraphs (o), (p) and (q) to Annex 9, Part III, Article 2 of the TIR Convention entered into force;

IX. Whereas, in accordance with Explanatory Note 0.6.2 bis-2 of the TIR Convention, the authorization granted in accordance with Article 6.2 bis shall be reflected in a written agreement between UNECE and the international organization. The agreement shall stipulate that the international organization shall fulfil the relevant provisions of the Convention, shall respect the competencies of the Contracting Parties to the Convention and shall comply with the decisions of the TIR Administrative Committee and the requests of TIRExB. By signing the agreement, the international organization confirms that it accepts the responsibilities imposed by the authorization. The agreement shall also apply to the responsibilities of the international organization set out in Annex 8, Article 10 (b), in case the centralized printing and distribution of TIR Carnets is performed by the above-noted international organization. The Agreement shall be adopted by the TIR Administrative Committee;

X. Whereas the TIR Administrative Committee at its seventy-first session (17 October 2019) approved the present agreement and mandated the UNECE secretariat to conclude the final Agreement;

XI. Whereas, in accordance with Article 6.2 bis of the TIR Convention, the TIR Administrative Committee at its sixty-ninth session (7 February 2019) has authorized the International Road Transport Union (IRU), for the period of 2020–2022 inclusive, as an international organization to take on responsibility for the effective organization and functioning of an international guarantee system and, in accordance with Annex 8, Article 10 (b) of the TIR Convention, to centrally print and distribute TIR Carnets.

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

1. Taking into account and in the light of the above preambles, IRU shall comply with the provisions of the TIR Convention, in particular its Article 6.2 bis, Explanatory Note 0.6.2 bis-2 thereto and Annex 9 Part III.

2. IRU shall transfer the amount due under this Agreement, in its entirety, by 15 November each year in advance of the year to which it relates to the TIR Trust Fund, established by UNECE for this purpose. Particulars concerning the amount due per year are contained in Annex I to this Agreement. Annex II provides steps, procedures and related timeline. Annex III provides requirements for an external audit of the IRU accounts kept for the invoicing and advance transfer of the money required to finance the operation of TIRExB and the TIR secretariat. Annex IV provides requirements for an external audit of the IRU records and accounts which pertain to the organization and functioning of an international guarantee system and the printing and distribution of TIR Carnets, as stipulated by Annex 9, Part III, Article 2 (q) of the Convention. Annex I will be adjusted on an annual basis through an exchange of letters between UNECE and IRU, in accordance with the relevant decisions of the TIR Administrative Committee.

3. IRU agrees to pay all sums due under this agreement regardless of any set off or cross claims.

4. By entering into this Agreement IRU confirms that there are no amounts due by UNECE to IRU relating to the financing of the operation of TIRExB and the TIR secretariat arising from the implementation of the previous, and current, Agreements signed between UNECE and IRU.

5. This Agreement, upon its entry into force, supersedes all previous agreements signed between UNECE and IRU.

6. Wherever there is any conflict between any provision of this Agreement and the provisions of the TIR Convention, the latter shall prevail.

7. In the event that any provision of this Agreement, or any portion thereof, shall be held invalid or unenforceable, the remainder of this Agreement shall remain valid and enforceable.

8. This Agreement shall enter into force on 1 January 2020 and, unless renewed by written agreement of the parties, shall remain in force until 31 December 2022 in accordance with the mandate given by the TIR Administrative Committee. Annex I, Annex II, Annex III and Annex IV form an integral part of this Agreement.

9. The parties shall amend or renew the Agreement in accordance with the relevant decisions of the TIR Administrative Committee at any of its meetings, but in any case not later than at its first meeting in the year 2022. If amendment proposals to the TIR Convention enter into force during the 3-year period starting 1 January 2020 or before with an outcome that has a material impact on the implementation of the Agreement, the Agreement shall be amended accordingly. The Annexes to the Agreement shall also be amended in case the financing of TIRExB and the TIR secretariat are taken over in full or partly by the Regular Budget of the United Nations or alternative sources.

9.1 In the event that one of the parties has any reason for considering that the circumstances for the continuation of the Agreement have changed in comparison to those that appertained at the time of conclusion of this Agreement, the parties shall seek to find a mutually acceptable adaptation of the Agreement. Where it proves to be not possible to reach mutual agreement to adapt this Agreement, either party may unilaterally terminate it, provided it gives the other party not less than six (6) months written notice. In case IRU has not transferred the amount due under this Agreement in its entirety by 15 November each year, UNECE may consider this as IRU's intention to terminate the Agreement in six (6) months, despite the absence of any written notice to that extent, invoking the application of (9.2) of the Agreement.

9.2. On the date of effective termination of this Agreement under the conditions provided under (9.1) above, or upon expiration of the Agreement, the funds

transferred by IRU, including accumulated reserves (meaning the resources provisions of US\$ 305,000 exceptionally transferred by IRU in 2004 to be used in the event of termination of the UNECE/IRU agreement and USD 307,100 for installation and separation costs which were left unallocated and carried forward from year to year under the UNECE/IRU Agreement for the period 2017–2019 inclusive (“2017–2019 Agreement”, dated 25 October 2016) will continue to be held by UNECE. Upon request by UNECE, IRU agrees to transfer the additional funds deemed necessary by UNECE to fully cover all expenditures, including the obligations arising from the Agreement, relating to the continuation of the operation of TIRExB and the TIR secretariat until the effective date of termination of the Agreement. UNECE shall return to IRU any amount transferred by IRU which remains unspent upon the settlement of all obligations arising from the Agreement.

10. The Parties agree to fully cooperate and act in consultation with each other during the implementation and performance of this Agreement.

11. In line with the Secretary General’s Bulletin ST/SGB/2003/13, sexual exploitation and sexual abuse violate universally recognized international legal norms and standards and have always been unacceptable behaviour and prohibited conduct for United Nations staff. Such conduct is prohibited by the United Nations Regulations and Rules. When entering into this agreement with UNECE, you shall, by way of signing this agreement issue a written undertaking that you accept these standards. Failure on your part to take preventive measures against sexual exploitation or sexual abuse, to investigate allegations thereof, or to take corrective action when sexual exploitation or sexual abuse has occurred, shall constitute grounds for termination of any agreement with the UNECE.

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

12.1 Any such dispute between the parties, unless settled amicably under the preceding paragraph within sixty (60) days after receipt by either Party of the other Party’s request for such amicable settlement, shall be referred by either Party to arbitration in accordance with the UNCITRAL Arbitration Rules then pertaining. The arbitral tribunal shall be empowered to order the return or destruction of goods or any property, whether tangible or intangible, or of any confidential information provided under this Agreement, as appropriate, all in accordance with the authority of the arbitral tribunal pursuant to article 26 (“Interim Measures”) and Article 34 (“Form and Effect of the Award”) of the UNCITRAL Arbitration Rules. The arbitral tribunal shall have no authority to award punitive damages or to award interest. The arbitral award shall contain a statement of the reasons on which it is based and shall be accepted by the Parties as the final adjudication of the dispute.

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

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

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

Geneva,.....-2019

Geneva,.....-2019

Executive Secretary

Secretary General

For the United Nations

For the

Economic Commission for Europe

International Road Transport Union

Annex I

To the Agreement between the United Nations Economic Commission for Europe and the International Road Transport Union

Whereas the TIR Administrative Committee, at its seventy-first session (Geneva, 17 October 2019), has approved the present Agreement and mandated UNECE to conclude the final Agreement (ECE/TRANS/WP.30/AC.2/145, para. xxx);

Whereas the TIR Administrative Committee, at its seventy-first session (Geneva, 17 October 2019) approved the budget proposal and the cost plan for the TIRExB and the TIR secretariat for the year 2020 as contained in document ECE/TRANS/WP.30/AC.2/2019/19 (ECE/TRANS/WP.30/AC.2/145, para. xxx);

Referring to the consultations that had been held with IRU on the number of TIR Carnets estimated to be distributed in 2020 and the procedure for collection of an amount per TIR Carnet for the year 2020 referred to in Annex 8, Article 13 of the TIR Convention;

Now therefore, IRU and UNECE agree as follows:

1. IRU shall transfer an amount of US\$ xxx covering the operation of the TIRExB and the TIR secretariat for the year 2020, to the TIR Trust Fund established by UNECE for this purpose.

2. The amount of US\$ xxx is a result of the estimated budget for TIRExB and the TIR secretariat for the year 2020 amounting to US\$ (i.e., Cost Plan US\$ plus operating cash reserve US\$) minus the positive balance of the budget for the TIRExB and the TIR secretariat for the year 2019 which is estimated to amount to US\$ xxx .

3. Since the accounts of the year 2019 will only close on 31 December 2019, complete and final financial statements showing the funds received and expended for TIRExB and the TIR secretariat in 2019, in line with the internal and external auditing procedures of the United Nations, will only be available in the second quarter of 2020. Any difference between the estimated and the actual expenditures in 2019 will be credited to or deducted from the relevant budget for the following year.

4. The funds due for the year 2020 under this Annex shall be transferred not later than 15 November 2019 in US dollars to the UNOG General Fund, Account No 485001802 with the J.P. Morgan Chase Bank, 277 Park Avenue, 23rd Floor, New York, NY 10172 USA, ABA 021000021 (US Banking Code), swift code CHAS US 33, specifying: "Credit TIR Project/E211" or other reference or bank account which shall be communicated in writing by UNECE.

Annex II

To the Agreement between the United Nations Economic Commission for Europe and the International Road Transport Union

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

Approved by the TIR Administrative Committee at its seventy-first session (ECE/TRANS/WP.30/AC.2/145, para. xxx)

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

1. The UNECE secretariat prepares a budget proposal for the operation of TIRExB and TIR secretariat based on activity based budgeting principles (August);
2. TIRExB establishes the budget proposal (September);
3. The UNECE secretariat prepares a document comprising the budget proposal established by TIRExB for approval by the TIR Administrative Committee and sends a copy thereof to IRU for information (September);
4. The UNECE secretariat requests IRU to provide an operational forecast of the number of TIR Carnets it expects to distribute in the forthcoming year (September);
5. IRU provides the TIR Administrative Committee with its forecast of the number of TIR Carnets it expects to distribute in the forthcoming year for the consideration of the latter (September–October);
6. The TIR Administrative Committee approves the budget and the net amount to be transferred by IRU, and takes note of the forecast established by IRU. The TIR Administrative Committee shall approve the amount per TIR Carnet as referred to in Annex 8, Article 13, paragraph 1, taking into account the calculation by the UNECE secretariat on the basis of the forecast provided by IRU (September–October);
7. IRU transfers the net amount approved by the TIR Administrative Committee to the UNECE named bank account (15 November);
8. IRU maintains a separate account detailing the number of TIR Carnets distributed and the related amounts referred to in Annex 8, Article 13 paragraph 1 received;
9. The IRU independent external auditor produces an audit certificate providing an opinion of the above-mentioned account for the year in question showing the amount transferred and the total amount actually invoiced (15 January);
10. The difference between the two amounts will need to be adjusted a posteriori;
11. On the basis of the above-mentioned audit certificate, if the amount invoiced was more than initially transferred by IRU, the TIR Administrative Committee, at its spring session, will be informed and IRU shall transfer the excess to the UNECE named bank account (before 15 March). This amount will be reflected in the UNECE account to be taken into account for the next budget year;
12. On the basis of the above-mentioned audit certificate, if the amount invoiced was less than initially transferred by IRU, the TIR Administrative Committee, will reflect this amount in the amount per TIR Carnet to be applied in the next budget year to compensate the difference and ensure the financing of the operation of TIRExB and the TIR secretariat. If the amount invoiced is less than initially transferred by IRU to ensure the funding of the operation of TIRExB and the TIR secretariat for the last year of this Agreement, or on termination of the same, the difference will be absorbed by IRU without recourse;

13. These arrangements shall be subject to the accounting controls and audits as foreseen in Annex III and Annex IV of this Agreement;

14. The above described procedures are considered to comply with general audit and accounting standards and the requirements for transparency and accountability by contracting parties.

Annex III

To the Agreement between the United Nations Economic Commission for Europe and the International Road Transport Union

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

Introduction:

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

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

In order to increase transparency, both UNECE and IRU have agreed that IRU would engage an independent external auditor (“the IRU external auditor”) to audit the IRU accounts used to record the amounts transferred and the total amount invoiced to finance the operation of TIRExB and the TIR secretariat, for each and every calendar year. The IRU external auditor shall be an internationally recognized and highly qualified external auditor, to be appointed by IRU in consultation with UNECE

In this respect, an agreement between IRU and the IRU external auditor is to be drawn up each year stipulating the objectives and scope of an external audit.

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

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

Terms of engagement:

To begin fulfilling the mandatory audit requirements, IRU shall annually draw up a written agreement with the external auditor, stipulating the objectives and scope of the audit, the extent of the auditor’s responsibilities, and the form and timing of audit reports to be issued. Such written agreement will also ensure that there is no misinterpretation or misunderstanding of the objectives and scope of the external audit, of the extent of the auditor’s responsibilities, or of the form and timing of reports to be issued. Such written agreement is generally known as an “Engagement Letter”, however, another form such as a contract may also be acceptable.

The engagement letter shall explicitly refer to the “guidelines and terms of reference for external audit” which shall be provided by the UNECE secretariat to the auditor, upon the auditor’s request, through an exchange of letters.

The engagement letter is to be prepared by the IRU external auditor for signature by IRU, however its terms is subject to acceptance by UNECE. While the external auditor is to be engaged by IRU, UNECE shall be involved in the establishment of the terms of engagement.

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

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

The engagement letter

The following elements should be included in the engagement letter:

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

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

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

Objective of the external audit:

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

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

Scope of the external audit:

The opinion expressed by the IRU External auditor shall cover:

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

The external audit will be conducted in accordance with International Standards on Auditing (in particular Standards 200 and 315) and will include the necessary audit tests. This audit will cover the review of IRU internal controls framework over the TIR Carnet distribution to

national associations, including invoicing, defining financial terms applied in the TIR Carnet distribution such as the amount invoiced per TIR Carnet, the total amount invoiced, and the number of TIR Carnets distributed and financial year.

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

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

- the accounting records by which the actual distribution of TIR Carnets is monitored;
- the accounting records, including reviewing accounts and trial balances concerning the total amount invoiced. This should include: the operation of a separate interest bearing bank account and, if not, separate identification of financial transactions; appropriate disclosure and treatment of miscellaneous income receipts; and
- compliance with this Agreement.

Responsibilities of the IRU and its external auditor:

The management of IRU is responsible for ensuring that proper accounting records are maintained to report on its obligations under this Agreement.

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

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

The IRU external auditor has the responsibility to report its own opinion on the implementation by the IRU of this Agreement.

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

When issuing this opinion, the IRU external auditor is required to consider the following issues and to report on any aspects with which it is not fully satisfied:

- whether proper accounting records concerning IRU accounts kept for recording the advance amount transferred, the sums actually collected to finance the operation of TIRExB and the TIR secretariat through the TIR Trust Fund according to the decisions of the TIR Administrative Committee, the resulting balance as well as the actual number of TIR Carnets distributed by IRU have been kept and adequate information has been received;
- whether the financial information provided by IRU is in agreement with the accounting records and other relevant data;
- whether all the information and explanations which the IRU external auditor considers necessary for the purpose of the audit have been obtained;
- whether the information given to the IRU external auditor by the IRU management is consistent with this Agreement.

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

- obtain an understanding of the accounting and internal controls systems in order to assess their adequacy as a basis for the preparation of the financial reporting of the IRU and establish whether proper accounting records have been maintained;
- carry out procedures, in accordance with International Standards on Auditing to determine with reasonable confidence whether the financial reporting of IRU concerning IRU accounts kept for recording the advance amount transferred, the sums

actually collected to finance the operation of TIRExB and the TIR secretariat through the TIR Trust Fund according to the decisions of the TIR Administrative Committee, the resulting balance as well as the actual number of TIR Carnets distributed by IRU is free of material misstatement;

- evaluate the financial reporting related to the financial operations in order to ascertain whether it has been prepared in accordance with this Agreement and generally accepted accounting standards;
- evaluate whether adequate internal controls related to the financial operations covered by the scope of the audit are in place and function effectively;
- issue a report containing a clear expression of opinion on the financial reporting of the IRU concerning the implementation of this Agreement;
- issue a management letter either confirming its unqualified opinion or communicating any weaknesses in the accounting and the internal control systems identified during the audit;
- submit simultaneously to the UNECE and IRU the audit report and management letter (together or separately).

Reporting requirements:

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

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

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

External Auditor’s Opinions:

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

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

Sample auditor’s report — unqualified opinion

Auditor’s report to IRU, copied to UNECE.

Final report for the operational period from

1 January 2020 to 31 December 2020

We have audited the financial information provided by the IRU relative to the implementation of the UNECE–IRU Agreement dated 17 October 2019, as of and for the year ended December 31, 2020. This information is the responsibility of IRU. Our responsibility is to express an opinion on the financial information based on our audit.

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

Opinion:

In our opinion, the financial information provided by IRU relative to the implementation of the UNECE–IRU Agreement concerning the accounts kept by IRU for recording the advance amount transferred, the sums actually collected to finance the operation of TIRExB and the TIR secretariat through the TIR Trust Fund according to the decisions of the TIR Administrative Committee, the resulting balance as well as the actual number of TIR Carnets distributed by IRU in the corresponding year present fairly, in all material respects, the financial position relative to the implementation of the UNECE–IRU Agreement dated 17 October 2019 and the results of operations and cash flows for the period then ended.

Furthermore, in our opinion, the transactions that have been identified or tested as part of our audit have, in all significant respects, been found to be in accordance with the UNECE–IRU Agreement dated 17 October 2019 as approved by the TIR Administrative Committee.

Signed: _____

Name of auditing firm:

Date:

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

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

Sample auditor's report — qualified opinion

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

Management Letter

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

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

Conclusion of the audit

After the end of each and every calendar year, between 2020 and 2022, the external auditor shall submit to the UNECE secretariat, based on the engagement letter(s) for the calendar year just ended, the following:

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

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

Annex IV

To the Agreement between the United Nations Economic Commission for Europe and the International Road Transport Union

Guidelines and Terms of Reference for the external 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

Introduction:

On 1 July 2018, new paragraphs (o), (p) and (q) to Annex 9, Part III, Article 2 entered into force.

This Annex provides the necessary binding requirements and guidelines for the annual issuance of an audit report and a management letter concerning the records and accounts kept by IRU pertaining to the organization and functioning of the international guarantee system and the printing and distribution of TIR Carnets. In this context, the document provides guidance both to IRU and the IRU external auditor.

Terms of engagement:

To begin fulfilling the mandatory audit requirements, IRU shall annually draw up a written agreement with the external auditor, stipulating the objectives and scope of the audit, the extent of the auditor's responsibilities, and the form and timing of audit reports to be issued. Such written agreement will also ensure that there is no misinterpretation or misunderstanding of the objectives and scope of the external audit, of the extent of the auditor's responsibilities, or of the form and timing of reports to be issued. Such written agreement is generally known as an "Engagement Letter", however, another form such as a contract may also be acceptable.

The engagement letter shall explicitly refer to the "guidelines and terms of reference for external audit" which shall be provided by the UNECE secretariat to the auditor, upon the auditor's request, through an exchange of letters.

The engagement letter is to be prepared by the IRU external auditor for signature by IRU, however its terms is subject to acceptance by UNECE. While the external auditor is to be engaged by IRU, UNECE shall be involved in the establishment of the terms of engagement.

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

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

One sole internationally recognized and highly qualified external auditor may be engaged by IRU in consultation with UNECE, to perform the audit set in Annex III and the one established in this Annex IV. Should be this the case, IRU may decide whether or not one single Engagement Letter will be issued for both audits.

The engagement letter

The following elements should be included in the engagement letter:

- the responsibilities of the management;
- the responsibilities of the IRU external auditor;
- the scope of the audit;

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

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

Detailed explanations of

- IRU internal controls which pertain to the organization and functioning of an international guarantee system, including how the overall guarantee provision was established in the financial statements of IRU, approval mechanism/justification for annual movements in the overall guarantee provision and measures IRU put in place for measuring the effectiveness of the international guarantee system;
- IRU internal controls which pertain to the organization and functioning of the printing and distribution of TIR Carnets including the invoicing process; and
- an explanation of the audit tests applied.

Objective of the external audit:

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

- the financial reporting by IRU concerning the records and accounts kept by IRU pertaining to the organization and functioning of the international guarantee system the printing and distribution of TIR Carnets in the corresponding year gives a true, accurate and fair representation of the financial affairs related to both aspects of its authorization in accordance with Article 6, paragraph 2 bis and Annex 8, Article 10 (b), respectively;
- that the financial reporting has been prepared properly and in accordance with the relevant accounting and reporting techniques;
- the internal controls over the above-mentioned processes exist and are implemented;
- 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 in accordance with the related internal controls; and
- that it meets the requirements stipulated in this Agreement.

Scope of the external audit:

The opinion expressed by the IRU External auditor shall cover:

- 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 in accordance with the related internal controls.

The external audit will be conducted in accordance with International Standards on Auditing (in particular Standards 200 and 315) and will include the necessary audit tests. This audit will cover the review of IRU internal control framework over the organization and functioning of an international guarantee system and the printing and distribution of TIR Carnets, including, but not limited to, the following activities: printing of TIR carnets, stock of TIR carnets, issuance and return of TIR carnets and claims management.

The audit report will describe the obligations of IRU under this Agreement and should, generally, include the confirmation that the IRU external auditor has obtained, in the course

of the audit, an understanding of the accounting and internal control systems in order to assess their adequacy.

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

- the accounting records by which the management of the international guarantee system and the printing and distribution of TIR Carnets are monitored;
- the accounting records, including reviewing accounts and trial balances in relation with the management of the international guarantee system and the printing and distribution of TIR Carnets. This should include: the operation of a separate interest-bearing bank account and, if not, separate identification of financial transactions; appropriate disclosure and treatment of miscellaneous income receipts; and
- compliance with this Agreement.

Responsibilities of the IRU and its external auditor:

The management of IRU is responsible for ensuring that proper accounting records are maintained to report on its obligations under this Agreement.

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

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

The IRU external auditor has the responsibility to report its own opinion on the implementation by IRU of this Agreement.

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

When issuing its opinion, the IRU external auditor is required to consider the following issues and to report on any aspects with which it is not fully satisfied:

- whether proper accounting records in relation with the organization and functioning of the international guarantee system and the printing and distribution of TIR Carnets have been kept and adequate information has been received;
- whether the financial information provided by IRU is in agreement with the accounting records and other relevant data;
- whether all the information and explanations which the IRU external auditor considers necessary for the purpose of the audit have been obtained;
- whether the information given to the IRU external auditor by the IRU management is consistent with this Agreement.

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

- obtain an understanding of the accounting and internal controls systems in order to assess their adequacy as a basis for the preparation of the financial reporting of IRU and establish whether proper accounting records have been maintained;
- carry out procedures, in accordance with International Standards on Auditing to determine with reasonable confidence whether the financial reporting of IRU in relation with the organization and functioning of the international guarantee system and the printing and distribution of TIR Carnets is free of material misstatement;
- evaluate the financial reporting related to the financial operations in order to ascertain whether it has been prepared in accordance with this Agreement and generally accepted accounting standards;
- evaluate whether adequate internal controls related to the financial operations covered by the scope of the audit are in place and function effectively;

- issue a report containing a clear expression of opinion on the financial reporting of IRU concerning the implementation of this Agreement;
- issue a management letter either confirming its unqualified opinion or communicating any weaknesses in the accounting and the internal control systems identified during the audit;
- submit simultaneously to UNECE and IRU the audit report and management letter (together or separately).

Reporting requirements:

A deadline for submission of the audit report and the management letter shall be stipulated. The language of the report and the management letter must be in English and may be accompanied by a French translation. The audit report and management letter should be addressed to IRU, with copies of the report and of the management letter submitted by the external auditor directly and simultaneously to UNECE to avail the submission to AC.2.

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

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

External Auditor’s Opinions:

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

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

Sample auditor’s report — unqualified opinion

Auditor’s report to IRU, copied to UNECE.

Final report for the operational period from

1 January 2020 to 31 December 2020

We have audited the financial information provided by IRU relative to the implementation of the UNECE–IRU Agreement dated 17 October 2019 as of and for the year ended December 31, 2020. This information is the responsibility of IRU. Our responsibility is to express an opinion on the financial information based on our audit.

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

Opinion:

In our opinion, the financial information provided by IRU relative to the implementation of the UNECE–IRU Agreement concerning the records and accounts kept by IRU pertaining to the organization and functioning of the international guarantee system and the printing and distribution of TIR Carnets in the corresponding year present fairly, in all material respects, the sound financial standing for the effective organization and functioning of an international guarantee system and the printing and distribution of TIR Carnets relative to the implementation of the UNECE–IRU Agreement dated xxx and the results of operations and cash flows for the period then ended.

Furthermore, in our opinion, the transactions that have been identified or tested as part of our audit have, in all significant respects, been found to be in accordance with the UNECE–IRU Agreement dated 17 October 2019 as approved by the TIR Administrative Committee.

Signed: _____

Name of auditing firm:

Date:

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

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

Sample auditor’s report — qualified opinion

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

Management Letter

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

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

Conclusion of the audit

After the end of each and every calendar year, between 2020 and 2022, the external auditor shall submit to the UNECE secretariat, based on the engagement letter(s) for the calendar year just ended, the following:

- (a) a copy of the Audit Report containing a clear expression of opinion based on review and assessment of the conclusions drawn from evidence obtained by the auditor in the course of the audit; and
 - (b) a copy of the Management Letter providing either an unqualified or qualified opinion of the auditor.
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