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Item 7 of the provisional agenda

Audit of the accounts of TIR Executive Board and TIR secretariat

Audit of the accounts of TIRExB and the TIR secretariat

Note by the secretariat

In Annex, the secretariat reproduces a letter that sent to the United Nations Ethics Office, further to Recommendation No 6 of the United Nations Office of Oversight Services (OIOS): “ECE should seek the advice of the Ethics Office on the apparent conflict of interest arising from its arrangement with the external partner on the eTIR project, including the receipt of funds from the external partner to whom ECE has become accountable under the contribution agreement, despite having the responsibility to assist the Executive Board in overseeing the external partner’s operations and assessing its compliance with the TIR Convention.”¹

¹ For the full report, please refer to document ECE/TRANS/WP.30/AC.2/2019/25; www.unece.org/fileadmin/DAM/trans/bcf/ac2/documents/2019/ECE-TRANS-WP30-AC2-2019-25e.pdf

Annex



Ref.: UNECE/2019/TRANS/152/KA/AB

20 December 2019

Dear Ms. Yi Armstrong,

I address myself to you regarding a recommendation of an audit undertaken by the United Nations Office of Internal Oversight Services (OIOS).

As part of its ongoing mandate and as a recurring exercise, OIOS conducted, in the course of 2018, at the invitation of the Administrative Committee for the TIR Convention, 1975 (AC.2), an audit of the accounts of the TIR Executive Board (TIRExB), the intergovernmental body supervising the application of the TIR Convention, and the TIR secretariat. On 13 March 2019, OIOS published its report¹. In addition to a set of recommendations, addressing TIRExB and the TIR secretariat, OIOS recommended that "ECE should seek the advice of the Ethics Office on the apparent conflict of interest arising from its arrangement with the external partner on the eTIR project, including the receipt of funds from the external partner to whom ECE has become accountable under the contribution agreement despite having the responsibility to assist TIRExB in overseeing the external partner's operations and assessing its compliance with the TIR Convention." ECE has accepted this recommendation and informed OIOS that it will contact the Ethics Office after submission of the auditor's report to AC.2 at its seventy-first session (Geneva, 16–17 October 2019).

While fully recognizing the importance of potential conflicts of interest, the ECE secretariat always avoids financial support from its external partners, in this case the International Road Transport Union (IRU), for travels or the use of facilities and carefully handles any financial support from them for its activities. The ECE secretariat is under the impression that OIOS, in the limited context and time period of its audit, may not have been in a position to fully grasp all aspects of the TIR system, leading to its conclusion that there seems to be an apparent conflict of interest. In Annex, I will provide you with all ingredients of the relationships that exist between the various stakeholders of the TIR Convention, which should allow you to provide advice. In particular, I would like to point at various facts, such as, but not limited to, that

- (1) the authorization of IRU to take on the responsibility for the effective organization and functioning of an international guarantee system and to centrally print and distribute TIR Carnets is granted by AC.2, consisting of the seventy-six contracting parties to the TIR Convention;
- (2) the Memorandum of Understanding (MoU) that was concluded on 6 October 2017 by ECE and IRU deals with a specific joint pilot testing of eTIR (the computerization of the TIR procedure);

Ms. Elia Yi Armstrong
Director
Ethics Office

¹ For the full report, please refer to <https://oios.un.org/audit-reports>
Report 2019/10



- (3) despite various calls from the Inland Transport Committee, the highest policy-making body at ECE in the field of transport, “urging contracting parties and relevant stakeholders to make every effort to ensure that the required financing for operationalizing the eTIR project be in place in the shortest possible time”, the lack of funds, at the national and international level, remains one of the main obstacles in making progress with the computerization process. When discussing the financing of eTIR, “the delegation of the European Union wondered whether IRU could not consider a voluntary contribution, since the transport sector would be the main beneficiary of the computerized TIR procedure”;
- (4) the MoU was carefully vetted and approved by the competent body at ECE, viz. the Executive Committee (EXCOM), consisting of representatives from all ECE member States;
- (5) AC.2 was briefed on progress of the MoU before and after it was signed and welcomed the positive developments related to financing the gradual establishment and the maintenance of eTIR, and, in its review of the OIOS report in October 2019, AC.2 “reiterated its strong support for the continuation of the project, knowing that the future of the TIR Convention is strictly connected with the implementation of the eTIR project” and stated that “irrespective of the OIOS recommendation, the vital importance of the MoU for the future of the eTIR project and, thus, for the TIR system, needed to be acknowledged”;
- (6) there is no link or accountability between ECE receiving funds from IRU for joint pilots testing eTIR and its responsibility to assist TIRExB, which is an intergovernmental body, established under the TIR Convention and which functions independently from ECE in its activities of overseeing IRU’s operations and compliance with the TIR Convention, other than that the TIR Secretary is a regular-budgetary staff member of ECE;
- (7) the supervision of IRU by AC.2 and TIRExB is strictly governed by provisions of the TIR Convention, through annually conducted external audits.

I look forward to receiving your advice. In case of any additional question, do not hesitate to contact me at Konstantinos.alexopoulos@un.org.

Yours sincerely,

A handwritten signature in black ink, appearing to be "K. Alexopoulos", written over a horizontal line.

Mr. Konstantinos Alexopoulos
TIR Secretary
UNECE Sustainable Transport Division



Annex

TIR Convention and its intergovernmental bodies

The TIR Convention, 1975 establishes the only global customs transit system. It consists, at present, of seventy-six contracting parties, whereas the TIR system is active in sixty-two countries. Main assets of the TIR system include the use of a single, internationally valid customs document and the availability of a single, internationally valid guarantee, which both come together in the TIR Carnet. The TIR Convention is governed by the TIR Administrative Committee (AC.2), in which all contracting parties are represented. In 1999, AC.2 established TIRExB, as a supervisory intergovernmental body, consisting of nine members elected from nine different contracting parties, to assist it in the application of the TIR Convention, including the operation of the TIR guarantee system.

TIR secretariat

AC.2 and TIRExB are serviced by the TIR Secretary, a regular-budgetary staff member of the ECE secretariat, who is assisted by the TIR secretariat (currently 4 P and 2 G staff), which is funded from extra-budgetary resources.

International Road Transport Union

Since the start of the first TIR Agreement in 1949, IRU has managed the international guarantee system that backs the TIR customs transit system. Since 1999, this role is reflected in an authorization granted by AC.2 (in accordance with Article 6.2 *bis* of the TIR Convention). The authorization is usually granted for a period of various years (3 to 5 years). In accordance with Explanatory Note 0.6.2 *bis*-2 to Article 6.2 *bis* of the Convention, the authorization by AC.2 shall be reflected in a written agreement between ECE, mandated by AC.2, and the authorized international organization (IRU). As part of the authorization by AC.2, IRU is also obliged, on behalf of the transport industry, to transfer, annually, the budget for the operation of TIRExB and the TIR secretariat, which IRU collects through an amount for each TIR Carnet that is sold (through national guaranteeing associations) to transporters who have been authorized by national competent authorities to use the TIR system (for 2020, the amount per TIR Carnet is \$ 1.39).

As part of the agreement, IRU shall request, for every calendar year, an independent external auditor (appointed by the IRU General Assembly) to audit the accounts kept for the invoicing and advance transfer or the money required to finance the operation of TIRExB and the TIR secretariat.

In addition, in accordance with the provisions of Annex 9, Part III, paragraph (q) IRU, as authorized international organization “shall engage an independent external auditor to conduct annual audits of the records and accounts, containing information and documentation pertaining to the organization of an international guarantee system and the printing and distribution of TIR Carnets. Both external audits shall be performed in accordance with International Standards of Auditing (ISA) and shall result in and annual audit report and a management letter, which shall be submitted to the Administrative Committee.” Annex 8, Article 1 *bis*, paragraphs 4–6 provide the Administrative Committee various tools to examine the annual audit reports.

TIR and eTIR

The TIR system is a paper-based system (the TIR Carnet). Since almost twenty years, contracting parties are working on computerizing the system (eTIR). Despite various calls from the Inland Transport Committee, the highest policy-making body at ECE in the field of transport, “urging contracting parties and relevant stakeholders to make every effort to ensure that the required financing for operationalizing the eTIR project be in place in the shortest possible time”, the lack of funds, at the national and international level, remains one of the main obstacles in making progress with the computerization process. The entry into force of the legal provisions introducing eTIR in the legal text of the TIR



Convention will not take place before 2021. When discussing the financing of eTIR, “the delegation of the European Union wondered whether IRU could not consider a voluntary contribution, since the transport sector would be the main beneficiary of the computerized TIR procedure” (see ECE/TRANS/WP.30/292, paragraph 24).

Memorandum of Understanding and Contribution Agreement

On 6 October 2017, ECE and IRU concluded an MoU, accompanied by a Contribution Agreement (CA), in the field of computerization of the TIR procedure. Purpose of the MoU and CA is to conduct eTIR pilot projects in selected countries to facilitate the introduction of full computerization of the TIR procedure. The MoU runs for a period of five years and the total maximum budget amounts to 1,511,275 \$².

In line with the applicable administrative rules and regulations at ECE, MoU and CA have been carefully reviewed and approved by the ECE Executive Committee (EXCOM), consisting of representatives from all ECE member States, which deals with “all matters related to programme planning, administrative and budget issues, including extrabudgetary funding”.³

Ever since its 146th session (June 2017) and its sixty-sixth session (October 2017), the secretariat has consistently briefed the Working Party on Customs Questions affecting Transport (WP.30) and AC.2, respectively, on progress in the activities under the MoU, which currently consists of two pilot projects (one between Iran (Islamic Republic of) and Turkey, and one between Azerbaijan and Iran (Islamic Republic of), which will soon be extended to Georgia and other countries). At that sixty-sixth session, AC.2 “welcomed the positive developments related to financing the gradual establishment and the maintenance of the eTIR international system. At its seventy-first session (October 2019), when considering the OIOS audit report, AC.2 “reiterated its strong support for the continuation of the project, knowing that the future of the TIR Convention is strictly connected with the implementation of the eTIR project. It added that, irrespective of the OIOS recommendation, the vital importance of the MoU for the future of the eTIR project and, thus, for the TIR system, needed to be acknowledged.”

² For the text of the MoU and CA, please refer to:
<http://www.unece.org/fileadmin/DAM/trans/bcf/ac2/documents/2019/ECE-TRANS-WP30-AC2-2019-26e.pdf>

³ For more information on EXCOM, please refer to:
<http://www.unece.org/commission/excom/welcome.html>