

AUDIT

# Development Fund for Iraq

Year-end results - 31 December 2009

IAMB Meeting 28 April 2010

Paris, France

- Notice to the reader
- Scope of work and deliverables
- Government bodies completed and not visited yet
- Draft Financial Statements
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This presentation summarizes our findings as a result of our audit of the financial statements for the year ended 31 December 2009 of the Development Fund for Iraq (“DFI”). Our audit has not been finalized to date, and our findings may change as a result of further work. Only our final audit report is binding.

This presentation includes financial information extracted from the draft financial statements for the year ended 31 December 2009 of the “DFI”. The draft financial statements are the responsibility of the Government of Iraq. The draft financial statements have not yet been approved by the Minister of Finance.

We have been engaged to perform an audit of the financial statements in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Government of Iraq’s preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the DFI’s internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the Government of Iraq, as well as evaluating the overall presentation of the financial statements.

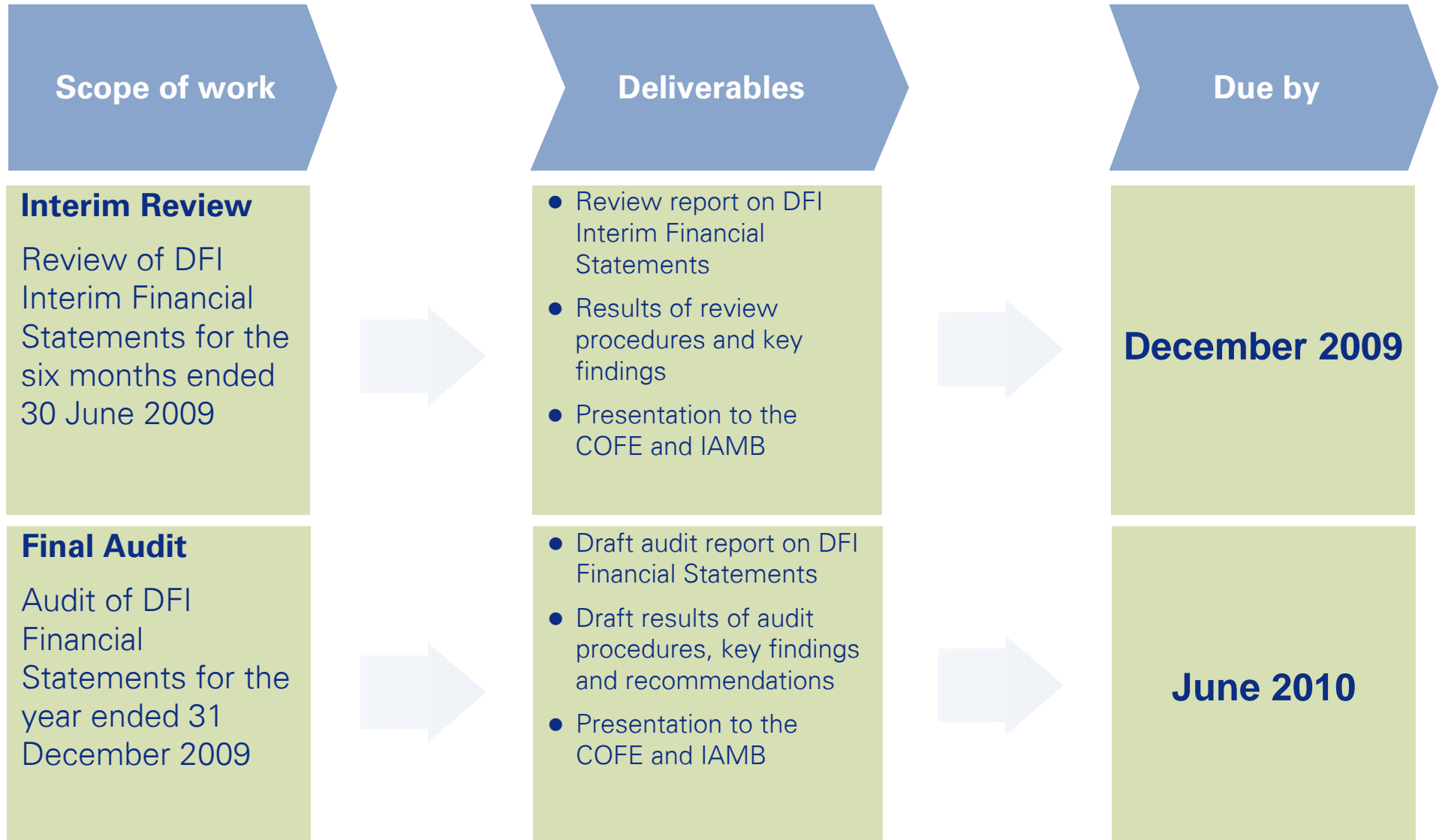
This presentation includes certain issues relating to our audit. These relate to completeness of petroleum and petroleum products produced, completeness of proceeds from frozen assets, and understatement of cash receipts and cash balances for petroleum products sales proceeds deposited in SOMO and overstatement of cash receipts and cash and cash equivalents for License fee of mobile telecommunication deposited in DFI. We have not yet finalized our audit on the financial statements. Our audit report is likely to include qualifications relating to these issues.

The financial information contained in this presentation is qualified in its entirety by reference to the financial statements from which they are extracted and the notes thereto.

The financial statements have been prepared in accordance with the International Public Sector Accounting Standard "Financial Reporting Under the Cash Basis of Accounting". The financial statements and the financial information contained in this presentation may not be suitable for another purpose.

The financial statements and this presentation are intended solely for the information and use of the Government of Iraq, the International Advisory and Monitoring Board of the Development Fund for Iraq and the Committee of Financial Experts and should not be used for any other purpose. We do not accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come.

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# Government bodies completed and not visited yet

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Visits to Government bodies					
Government bodies	Completed	Not visited	Government bodies	Completed	Not visited
Ministry of Oil	✓		Ministry of Education	✓	
SOMO	✓		Ministry of Planning	✓	
Ministry of Finance	✓		Ministry of Human Rights	✓	
Central Bank of Iraq	✓		Ministry of Housing and Construction	✓	
Ministry of Higher Education and Scientific Research	✓		Ministry of Communication	✓	
Ministry of Trade	✓		Ministry of Transportation	✓	
Ministry of Water Resources	✓		Ministry of Technology	✓	
Ministry of Sports and Youth	✓		Ministry of Municipalities and Public Work	✓	
Ministry of Labor and Social Affairs	✓		Ministry of Industry and Minerals	✓	
Ministry of Agriculture	✓		Ministry of Defense		✓
Ministry of Migration and Displaced	✓		Ministry of Foreign Affairs		✓
Ministry of Environment	✓		Ministries in Sulaimaniyah	✓	
Ministry of Culture	✓		Ministries in Erbil	✓	
Ministry of Electricity	✓		Governorate of Babil	✓	
Ministry of Health	✓		Governorate of Salah Ad Din	✓	
Ministry of Justice	✓		Governorate of Al-Basrah	✓	
Ministry of Interior		✓	Governorate of Wasit		✓
			Governorate of Al-Qadisiyyah		✓

We are facing some delays at the Ministry of Finance due to the bombings of 19 August 2009.

The Ministry of Foreign Affairs has postponed our work till May 2010 due to the damage it has sustained due to bombings.



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# Draft Financial Statements

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Draft Statement of Cash Receipts and Payments			
For the year ended in USD '000	2009	2008	Variance
<b>Cash receipts</b>			
Export sales of petroleum	37,016,434	58,789,576	(21,773,142)
Proceeds from frozen assets in foreign countries	47,817	833	46,984
United Nation Oil for Food Program	121	5,860	(5,739)
Interest received	128,569	577,007	(448,438)
Other receipts	457,292	1,966,026	(1,508,734)
<b>Total cash receipts</b>	<b>37,650,233</b>	<b>61,339,302</b>	(23,689,069)
<b>Cash payments</b>			
Transfers to the Ministry of Finance	23,000,000	45,524,455	(22,524,455)
Letters of Credit to the benefit of Iraqi Ministries	13,437,912	14,846,387	(1,408,475)
Contracts administered by U.S. Agencies	852	314,750	(313,898)
Iraqi external debt repayments	100,000	229,216	(129,216)
Other payments	1,429,067	27,330	1,401,737
<b>Total cash payments</b>	<b>37,967,831</b>	<b>60,942,138</b>	(22,974,307)
<b>Excess (deficit) of cash receipts over cash payments</b>	<b>(317,598)</b>	<b>397,164</b>	(714,762)
Cash and cash equivalents as at 1 January	130,286	2,547,331	(2,417,045)
Proceeds from treasury bills on maturity	18,357,436	27,622,431	(9,264,995)
<b>Total cash and cash equivalents</b>	<b>18,170,124</b>	<b>30,566,926</b>	(12,396,802)
Treasury bills purchased	(14,679,051)	(30,436,640)	15,757,589
<b>Cash and cash equivalents as at 31 December</b>	<b>3,491,073</b>	<b>130,286</b>	3,360,787
<b>Treasury Bills at 31 December</b>	<b>6,494,563</b>	<b>10,172,948</b>	(3,678,385)
<b>Cash and cash equivalents and treasury bills at 31 December</b>	<b>9,985,636</b>	<b>10,303,234</b>	(317,598)

# Draft Financial Statements (cont'd)

DRAFT FOR DISCUSSION PURPOSES ONLY

Draft Statement of Proceeds of Oil Export Sales			
For the year ended in USD '000	2009	2008	Variance
Total export sales of petroleum	41,329,854	59,538,813	(18,208,959)
Less:			
Demurrage claims deducted from export sales invoices	(2,782)	(24,470)	21,688
Proceeds deposited in OPRA after end of period	(4,156,197)	(1,780,392)	(2,375,805)
Add:			
Proceeds deposited related to prior period export sales invoices	1,780,392	4,123,319	(2,342,927)
Price differential	13,396	26,287	(12,891)
Interest on delayed bank transfers	4	207	(203)
<b>Proceeds deposited in OPRA</b>	<b>38,964,667</b>	<b>61,883,764</b>	(22,919,097)
Amounts transferred to the Compensation Fund (5%)	(1,948,233)	(3,094,188)	1,145,955
<b>Net proceeds deposited in the DFI (95%)</b>	<b>37,016,434</b>	<b>58,789,576</b>	(21,773,142)

# Draft Financial Statements (cont'd)

**DRAFT FOR DISCUSSION PURPOSES ONLY**

- For a detailed analysis on the decrease in proceeds from export sales of petroleum see slides 14 through 24.

## Transfers to Ministry of Finance

- The decrease in transfers to the ministry of finance is mainly due to the funds (see below) held at the Ministry of Finance's accounts at the Central Bank of Iraq as at 31 December 2008 which were high as compared to 1 January 2008.
- In 2009 the government passed a budget of U.S. Dollars 58.6 billion based on an oil price of U.S. Dollar 50/barrel and exports of 2 million barrels/day.

### 2008 Iraq federal budget vs. expenditures in USD million

	Budget		Expenditures		Budget execution
Operating budget	51,124	71%	40,857	83%	80%
Investment budget	21,112	29%	8,646	17%	41%
<b>Total budget</b>	<b>72,236</b>	<b>100%</b>	<b>49,503</b>	<b>100%</b>	<b>69%</b>

Source: Ministry of Finance

### Ministry of Finance accounts in USD million

	DFI	70009	300349	Total
<b>1 January 2008</b>	9,906	852	526	<b>11,284</b>
<b>31 December 2008</b>	10,303	6,838	4,191	<b>21,332</b>
<b>30 June 2009</b>	9,217	1	789	<b>10,007</b>

Source: Ministry of Finance

### 2009 Iraq federal budget in USD million

Operating budget	45,888	78%
Investment budget	12,727	22%
<b>Total budget</b>	<b>58,615</b>	<b>100%</b>

Source: Ministry of Finance

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# Production quantities

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Crude oil produced in 2009			
Barrels			
Month	North	South	Total
January	19,766,762	47,858,538	67,625,300
February	18,185,087	43,046,182	61,231,269
March	20,665,656	51,510,139	72,175,795
April	19,736,696	49,048,544	68,785,240
May	21,332,067	50,316,864	71,648,931
June	20,685,019	51,534,424	72,219,443
July	21,445,606	53,321,328	74,766,934
August	20,758,327	53,331,968	74,090,295
September	20,459,012	50,768,108	71,227,120
October	21,274,946	52,634,992	73,909,938
November	19,698,070	51,606,303	71,304,373
December	21,038,362	52,682,428	73,720,790
<b>Total</b>	<b>245,045,610</b>	<b>607,659,818</b>	<b>852,705,428</b>

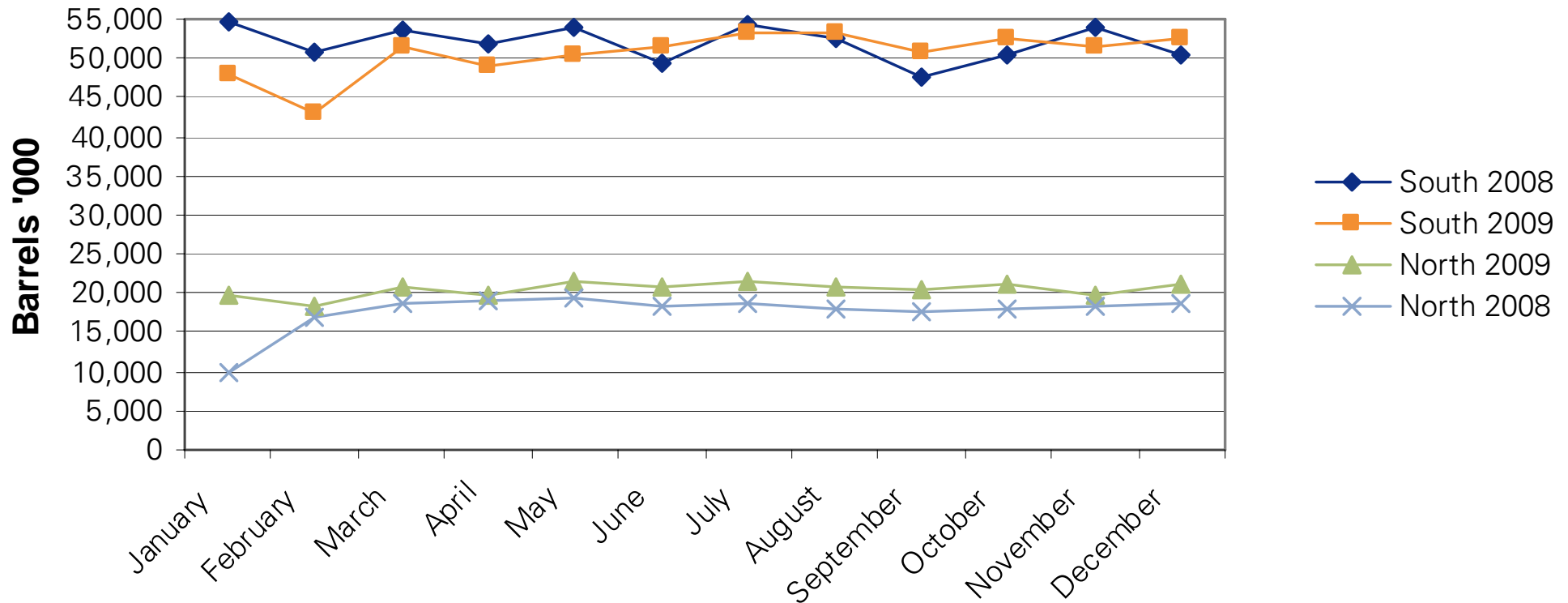
Source: State Oil Marketing Organization (SOMO)

Crude oil produced in 2008			
Barrels			
Month	North	South	Total
January	9,828,468	54,579,960	64,408,428
February	17,069,735	50,813,765	67,883,500
March	18,791,650	53,722,318	72,513,968
April	19,005,776	51,706,974	70,712,750
May	19,226,707	54,083,273	73,309,980
June	18,309,474	49,515,695	67,825,169
July	18,636,599	54,396,987	73,033,586
August	18,156,242	52,398,297	70,554,539
September	17,585,489	47,512,451	65,097,940
October	18,000,564	50,455,484	68,456,048
November	18,192,220	53,842,996	72,035,216
December	18,532,643	50,313,060	68,845,703
<b>Total</b>	<b>211,335,567</b>	<b>623,341,260</b>	<b>834,676,827</b>

Source: State Oil Marketing Organization (SOMO)

- The overall production has increased by 18 million barrels. The increase in production in the north of 34 million barrel has more than offset the decrease in production in the South of 16 million barrel
- Production in the south has declined due to problems in the oil extraction process.
- Production in the north has increased due to the improved security conditions.

## Crude Oil Produced in 2009 vs. 2008



Source: State Oil Marketing Organization (SOMO)

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# Export quantities

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Export quantities in 2009			
Barrels			
Month	North	South	Total
January	15,811,194	42,809,981	58,621,175
February	12,604,112	35,901,114	48,505,226
March	13,082,988	43,171,541	56,254,529
April	12,251,378	42,374,190	54,625,568
May	16,158,812	42,925,962	59,084,774
June	15,833,631	41,914,698	57,748,329
July	16,894,756	46,250,574	63,145,330
August	16,131,663	46,155,374	62,287,037
September	14,908,872	43,825,236	58,734,108
October	11,951,374	46,277,060	58,228,434
November	12,122,342	44,901,977	57,024,319
December	13,735,818	47,549,444	61,285,262
<b>Total</b>	<b>171,486,941</b>	<b>524,057,151</b>	<b>695,544,092</b>

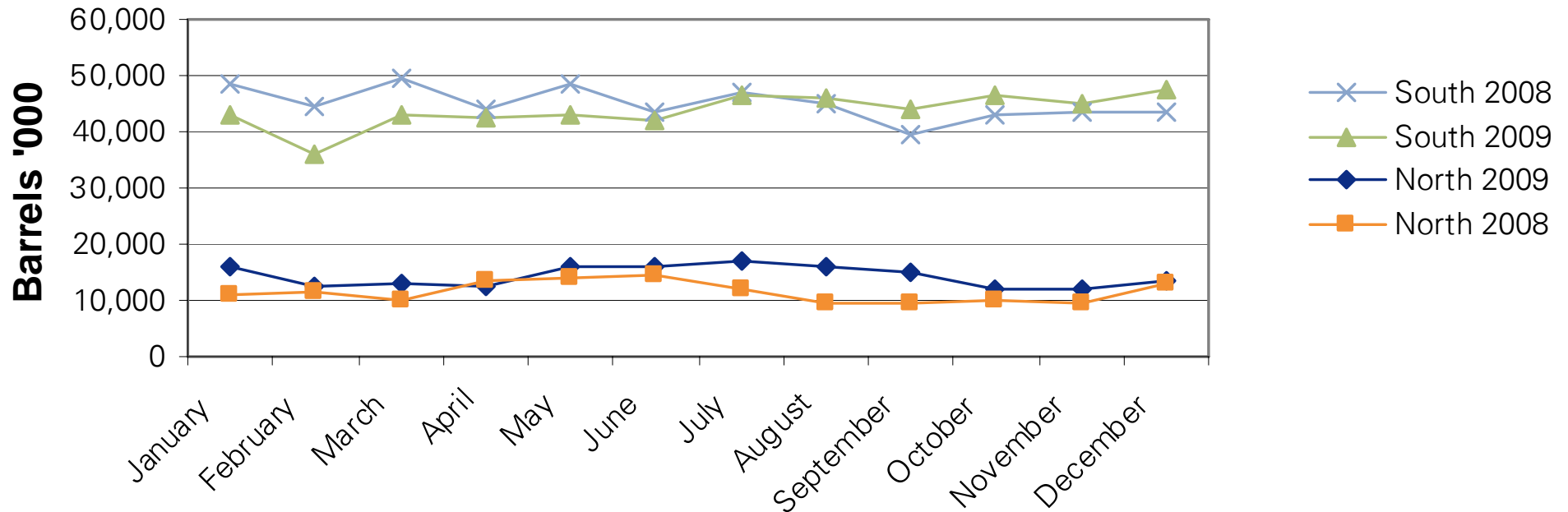
Source: State Oil Marketing Organization (SOMO)

Export quantities in 2008			
Barrels			
Month	North	South	Total
January	11,046,364	48,632,859	59,679,223
February	11,413,845	44,682,059	56,095,904
March	9,926,439	49,538,919	59,465,358
April	13,253,537	43,789,948	57,043,485
May	13,757,284	48,563,129	62,320,413
June	14,469,035	43,614,178	58,083,213
July	11,903,794	46,851,252	58,755,046
August	9,515,114	44,916,218	54,431,332
September	9,666,594	39,677,211	49,343,805
October	9,853,356	42,941,293	52,794,649
November	9,311,653	43,544,301	52,855,954
December	12,834,623	43,429,857	56,264,480
<b>Total</b>	<b>136,951,638</b>	<b>540,181,224</b>	<b>677,132,862</b>

Source: State Oil Marketing Organization (SOMO)

- The overall export quantities of crude oil have increased by 18 million barrels. This increase is mainly due to the increase of exports from the north of 34 million barrel which more than offset the reduction in exports from the south fields.
- The increase in oil exported from the north is due to an increase in production (see slide 14) as security conditions have improved in the Kirkuk region.
- The decrease in oil exported from the south is due to a decrease in production (see slide 14) caused by congestion in oil wells.
- In addition, the global decrease in oil demand has had its adverse effect on the demand of Iraqi oil.

## Trend for export quantities



Source: State Oil Marketing Organization (SOMO)

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# Average price per barrel

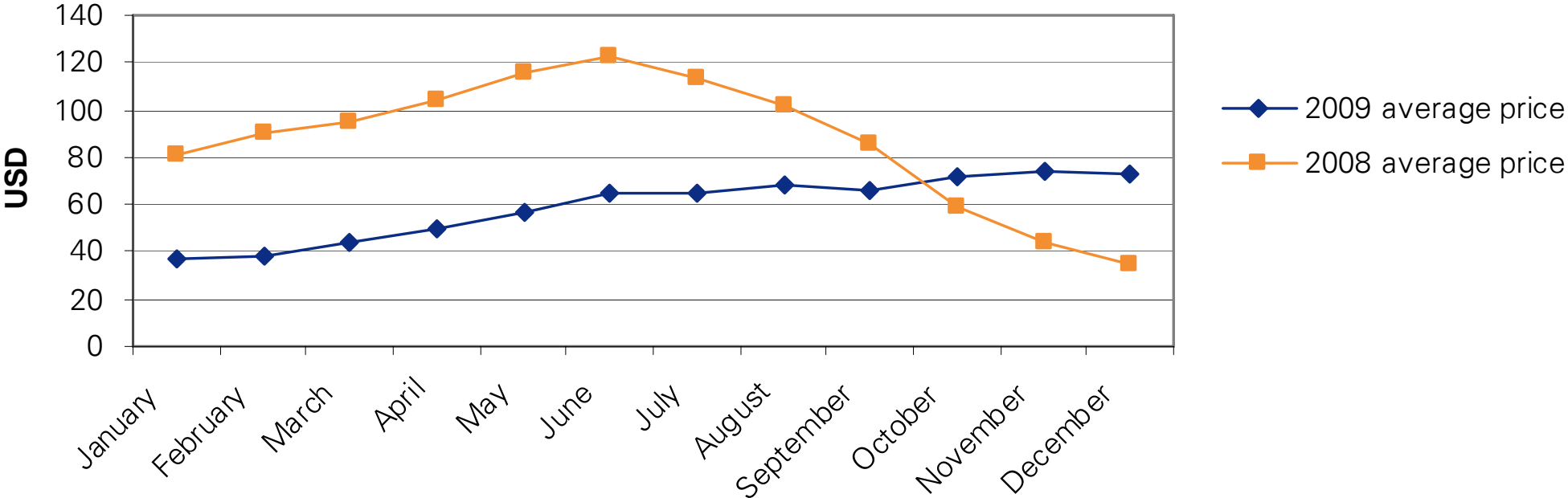
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Prices / barrel in USD		
Month	2009	2008
January	36.68	80.63
February	37.77	89.79
March	44.25	94.90
April	49.29	103.82
May	57.17	115.15
June	64.32	122.94
July	64.39	113.90
August	68.07	101.94
September	66.00	85.40
October	71.91	58.90
November	73.74	43.49
December	73.41	34.54
<b>Weighted average</b>	<b>59.42</b>	<b>87.93</b>

Source: State Oil Marketing Organization (SOMO)

- Iraqi oil prices have decreased substantially in 2009 vs. 2008 this is due to the decrease in global oil prices after prices peaked in July 2008.
- Iraqi oil prices picked up gradually in 2009 in line with the increase in global oil prices.
- The prices were calculated using the monthly weighted average of oil prices as per SOMO's records.

### Average price trend



Source: State Oil Marketing Organization (SOMO)

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# Export sales

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Export sales in USD '000			
Month	2009	2008	Variance
January	2,150,101	4,812,112	(2,662,011)
February	1,832,147	5,036,777	(3,204,630)
March	2,489,471	5,643,522	(3,154,051)
April	2,692,437	5,922,286	(3,229,849)
May	3,377,890	7,176,471	(3,798,581)
June	3,714,424	7,140,939	(3,426,515)
July	4,065,912	6,692,288	(2,626,376)
August	4,239,827	5,548,773	(1,308,946)
September	3,876,621	4,213,923	(337,302)
October	4,187,151	3,109,814	1,077,337
November	4,204,733	2,298,652	1,906,081
December	4,499,140	1,943,256	2,555,884
<b>Total</b>	<b>41,329,854</b>	<b>59,538,813</b>	<b>(18,208,959)</b>

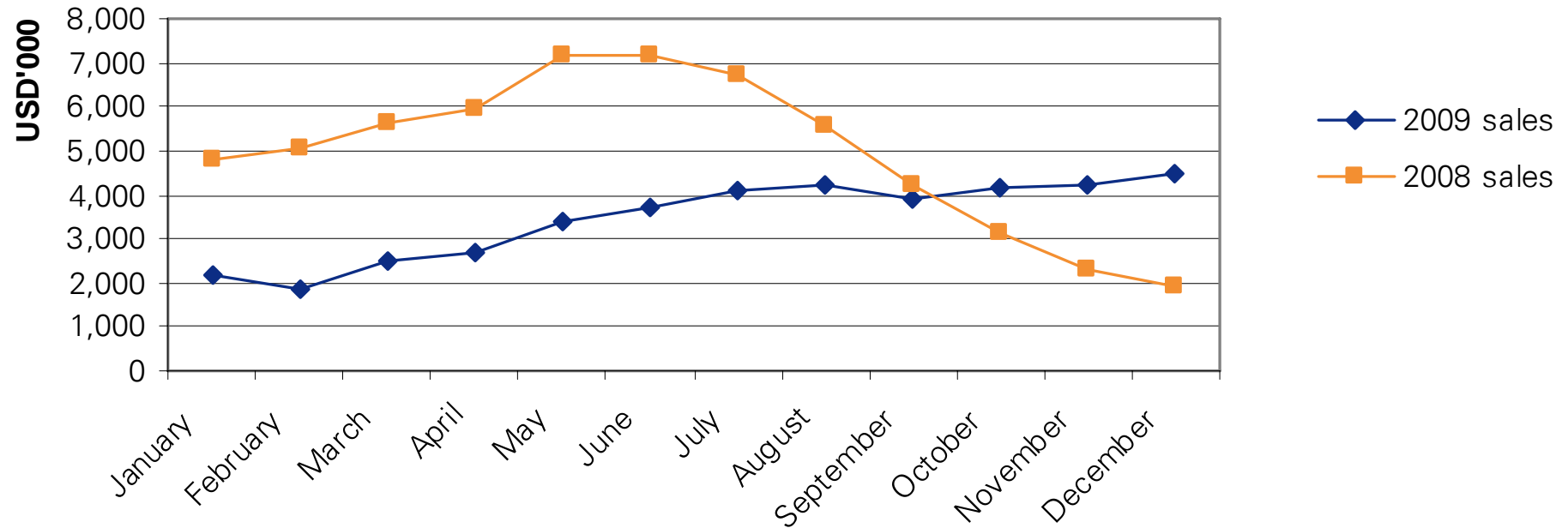
Source: State Oil Marketing Organization (SOMO)

Variance analysis in USD '000	
Price variance	(19,829,962)
Volume variance	1,621,003
<b>Total Variance</b>	<b>(18,208,959)</b>

Source: KPMG Analysis

- Export sales have dropped by U.S. Dollars 18 billion. This decrease is mainly due to the decrease in oil prices which was slightly offset by overall increase in exports.
- The decrease in export sales as a result of oil prices is U.S. Dollars 19.8 billion.
- The increase in export sales as a result of export quantities is U.S. Dollars 1.6 billion.

## Sales trend



Source: State Oil Marketing Organization (SOMO)



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Issue	Consequence	Steps needed to resolve issues
<p>DFI receipts are predominantly from the export sales of petroleum. The IAMB recommended the installation of a comprehensive oil metering system in Iraq and in accordance with standard oil industry practices, While the Iraqi Government supports oil metering, progress has been slow. In the absence of an overall comprehensive system of controls over petroleum extraction, we were not able to reconcile extracted petroleum to SOMO's records of quantities received and quantities consumed internally, however we have reconciled the petroleum quantities received by SOMO to petroleum export sales.</p>	<p>In the absence of a comprehensive metering system, completeness of petroleum extracted can not be assured.</p>	<p>Fuller and faster implementation of the metering system.</p> <p>According to the Ministry of Oil the overall metering system installation progress stands at 44.6% as at 31 December 2009.</p>
<p>In accordance with the provisions of UNSCR 1483, all frozen assets in foreign countries and their economic resources shall be transferred to the DFI. Our inquiries revealed that the DFI does not maintain complete records of all frozen assets which it is entitled to receive.</p>	<p>Completeness of proceeds from frozen assets in foreign countries in the financial statement cannot be assured.</p>	<p>The Ministry of Finance should compile a complete record of all frozen assets which it is entitled to receive. Once we receive such a record, appropriate procedures will be conducted to ensure its completeness.</p>

Issue	Consequence	Steps needed to resolve issues
<p>Cash receipts amounting to U.S. Dollars 1,312,005 thousands relating to License fee of mobile telecommunication were incorrectly recorded in the DFI.</p>	<p>Cash and cash equivalents as at 31 December 2008 and cash receipts for the year ended 31 December 2008 are overstated by the same amount.</p>	<p>This qualification is only included because of the comparatives. It will not be relevant in 2010.</p>
<p>Cash received from export sales of petroleum products during the year ended 31 December 2009 amounting to U.S. Dollars 250,960 thousand has been deposited in bank accounts controlled by the State Oil Marketing Company (SOMO). According to UNSCR 1483 (2003), 95% of the proceeds of export sales of petroleum and petroleum products should be deposited in the DFI account.</p> <p>Based on COFE's recommendation the Minister of Oil issued memo # 1691 dated 26 March 2009 which states that all export of fuel oil be stopped effective 1 April 2009 except for exports related to the joint agreement between the Iraqi Ministry of Electricity, SOMO and the Turkish Company KARTET and exports related to the Iraqi Oil Tanker Company.</p>	<p>Cash receipts for the year ended 31 December 2009 are understated by U.S. Dollars 238,412 thousand and the cash and cash equivalents as at 31 December 2009 are understated by U.S. Dollars 3,214,282 thousand.</p>	<p>These receipts should be accounted for through the DFI.</p>

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- In the following slides we present a summary of our follow-up on points brought forward from previous years.
- Certain internal control points have been completely cleared and these are denoted by the symbol “R”.
- When no similar instances of contract-related points were encountered in our sample, the symbol “R” is also used.
- Internal control points which have not been completely resolved or have not been addressed are denoted by the symbol “U”.
- New points arising in connection with both previously and newly audited governmental bodies will be included in our full management letter, as these have not been discussed by management as at the date of this presentation.

# Summary of observations

## Audit findings

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Government Body	Observations valid as at 1 January 2009		
	Risk	Description	Follow-up
Ministry of Finance	H	Ending Cash and Cash Equivalents and Treasury Bills Balances	U
	H	Federal Funds Investment	R
	H	Policies and procedures manual	U
	H	Authorization of Disbursements from the DFI Account	U
	M	Budget Preparation	U
	H	Accounting Systems	U
	H	DFI Accounting Records	U
	H	Entity Level Controls	U
	H	Reporting and Financial Statements Preparation	U
	H	Long Outstanding Cash Margins at JP Morgan Chase Bank	U
	H	Cash Margin at Corresponding Banks	U
	M	Letters of Credit Issued for Self-Financing Entities	U
	H	DFI Disbursements for the Iraqi Ministries	U
	M	Reconciliation Between the MOF and Other Ministries	U
	M	Reconciliation of the MOF's Current Account at the CBI	U
	H	CBI Transfers to the MOF's Current IQD Account	U
	H	Payments from DFI Sub-Account Managed By U.S. Agencies	R
	H	United Nations' Compensation Fund	U
	H	Collection of Amounts Restricted Abroad	U
	H	Password Security Not Implemented	U
	H	Segregation Of Duties	U
	H	Program Documentation Procedures	U
	H	User Program Change Request Procedures	U
	H	Access to Source Code	U
	H	Computer Security	U
	M	Operating System Update	U

### Key

**R** - Deficiency in internal control has been rectified or no similar instances have been noted in this year's sample.

**U** - Unresolved or not completely resolved.

**Ministry of Finance:** We note that the two observations resolved in 2009 are related to the absence of the underlying cause.

# Summary of observations

## Audit findings

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Government Body	Observations valid as at 1 January 2009		
	Risk	Description	Follow-up
Central Bank of Iraq	M	Errors in the Fund's Electronic Register	R
	H	Delegation & Authority Manual	U
	L	Reporting the Recovered and Refunded Amounts	U
	H	DFI Records at the Central Bank	U
	H	Data Encryption and Confidentiality	R
	L	Interest Calculation for Repurchase and Treasury Bills Investment	U
	H	Classification of DFI's Cash Receipts and Cash Payments	U
	L	Interest Paid On Cash Margins	U
	L	Payments From The DFI Sub-Account	U
State oil marketing organization	H	Immunity	U
	H	Completeness of Petroleum and Petroleum Products Sales	U
	H	Petroleum Products Sales	U
	M	Barter Transactions	U

### Key

**R** - Deficiency in internal control has been rectified or no similar instances have been noted in this year's sample.

**U** - Unresolved or not completely resolved.

**Central Bank of Iraq:** We note that the observation related to the errors found in the "Excel Database" has been resolved due to the additional review conducted by the Investment Directorate at the CBI while entering details in the "Excel Database".

As for the observation related to the use of emails in some payment transactions; we noted that the CBI's transactions are now conducted via SWIFT.

# Summary of observations

## Newly visited government bodies

DRAFT FOR DISCUSSION PURPOSES ONLY

In 2009, our scope of work was expanded to include 5 governorates of our choice and the remaining ministries and governorates in the Kurdistan Regional Government (KRG).

We selected the following governorates based on our assessment of the security situation in those governorates:

- Babel
- Salah Ad Din
- Al Basrah
- Waset
- Qadisiyah

To date we have completed our field work in 3 governorates and the entire KRG.

The observations raised have not been discussed with the BSA working team to date.

The observations raised are related to compliance with the Budget Law, Budget Execution Instructions and Government Contract Instructions.

In addition, the observations highlight internal control weaknesses in areas of Payroll & Personnel, Financial Reporting & Record Keeping and Safeguarding of Assets.



# Summary of observations

## Previously visited ministries

DRAFT FOR DISCUSSION PURPOSES ONLY

Government Body	Observations valid as at 1 January 2009		
	Risk	Description	Follow-up
Ministry of Communication	H	Contract specific-Penalties (no similar cases found for 2009).	R
	H	Contract specific-Proxy company bidding (no similar cases found for 2009).	R
	M	Bank reconciliation related issue resolved.	R
	M	Organization chart and job descriptions	U
	M	Approval of accounts	U
	M	Automation of accounting system	U
	M	Fixed asset register	U
	M	Time keeping	U
	L	Opening journal entry	U
	H	Bank reconciliation related issue	U
	M	Automation of accounting system (company related)	U
	M	Archiving of contracts	U
	H	Rent of telecommunication towers	U
	H	Contract specific-Direct Invitation type (contradiction to procedures)	U
	M	Discrepancies between CBI and Company for OFF related contracts	U
	M	Gifts and grants not recorded	U
	M	Obsolete fixed assets not identified in records	U
	H	Bank reconciliation related issue (company related)	U
	M	2003 war damages	U
	M	Theft of fixed assets related to 2006	U
	M	Aging A/R and A/P balances	U
	M	Accumulated losses exceed capital	U
M	L/C initial guarantee	U	
L	Fixed asset register is not maintained	U	

### Key

**R** - Deficiency in internal control has been rectified or no similar instances have been noted in this year's sample.

**U** - Unresolved or not completely resolved.

# Summary of observations

## Previously visited ministries (cont'd)

DRAFT FOR DISCUSSION PURPOSES ONLY

Government Body	Observations valid as at 1 January 2009		
	Risk	Description	Follow-up
<b>Ministry of Housing &amp; Construction</b>	H	Segregation of duties in the payroll preparation process.	R
	H	Grants received that were not recorded.	R
	H	Contract specific-Non Compliance (no similar cases found for 2009).	R
	M	Contract dept at ministry but commissions does not prepare bids	U
	M	Organization chart and job descriptions	U
	M	Fixed asset count (weapons) does not agree to books	U
	M	Fixed asset count (vehicles) does not agree to books	U
	M	Legal action not taken with regards to stolen vehicles	U
	M	Daily journal; review and approvals not evident	U
	M	Aging A/R and A/P balances	U
<b>Ministry of Youth &amp; Sports</b>	M	Fixed asset register issue has been resolved.	R
	M	Contracts signed through the US. Embassy (no records maintained)	U
	M	Storage capabilities are insufficient.	U
	M	Contract specific	U
	M	Incomplete accounting records	U
	L	Archiving of contracts	U
<b>Ministry of Transportation</b>	H	Contract specific	U
	M	2003 war damages	U
	M	Aging A/R and A/P balances	U
	M	Fixed asset count not performed	U
	M	Organization chart and job descriptions	U
	M	Time keeping	U
	M	Archiving of contracts and maintaining of documents	U
	M	L/C initial guarantee	U

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# Summary of observations

## Previously visited ministries (cont'd)

DRAFT FOR DISCUSSION PURPOSES ONLY

Government Body	Observations valid as at 1 January 2009		
	Risk	Description	Follow-up
<b>Ministry of Labor &amp; Social Affairs</b>	M	Contract safekeeping.	R
	M	Organization chart and job descriptions	U
	M	Consolidation of FS	U
	M	Fixed asset committee (no segregation of duties)	U
	M	2003 war damages	U
	M	Automation of accounting system	U
	<b>Ministry of Agriculture</b>	M	Overdue checks.
M		Payroll computed in violation of MoF's instructions	U
M		2003 war damages	U
M		Automation of accounting system	U
M		Organization chart and job descriptions	U
H		Bank reconciliation related issue	U
H		Contract specific	U
M		L/C initial guarantee	U
<b>Ministry of Higher Education</b>	H	Bank reconciliation related issue resolved.	R
	M	Overdue checks.	R
	M	State of records issue	R
	M	Exceeding appropriations.	R
	M	Automation of accounting system	U
	M	Consolidation of FS	U
	M	Archiving of contracts and maintaining of documents	U
	H	Contract specific US related	U
	H	Inter-company reconciliations	U

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# Summary of observations

## Previously visited ministries (cont'd)

DRAFT FOR DISCUSSION PURPOSES ONLY

Government Body	Observations valid as at 1 January 2009		
	Risk	Description	Follow-up
<b>Ministry of Industry and Minerals</b>	H	Payroll committee issue.	R
	L	Reconciliation between payroll schedule and TB	U
	M	2003 war damages	U
	L	Maintenance expense related to vehicles does not agree	U
	L	Fixed asset issue	U
	H	US agencies related contracts	U
	M	L/C initial guarantee	U
	<b>Ministry of Planning</b>	H	Tender opening committee and analyzing committee are being replaced as per law.
M		Cleaning contract issue of renewal has been resolved.	R
M		Contract specific-renewal of contract.	R
M		Review committee was established.	R
M		Organization chart and job descriptions	U
<b>Ministry of Water Resources</b>	M	Archiving system .	R
	M	Contract specific-receipt of goods was not recorded.	R
	M	Contract numbering system .	R
	M	Organization chart and job descriptions	U
	M	2003 war damages	U
	M	Fixed asset count committee	U
	M	Automation of accounting system	U
	H	US agencies related contracts	U

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# Summary of observations

## Previously visited ministries (cont'd)

DRAFT FOR DISCUSSION PURPOSES ONLY

Government Body	Observations valid as at 1 January 2009		
	Risk	Description	Follow-up
Ministry of Health	H	Opening journal entries.	R
	M	Fees related to L/Cs.	R
	M	Returned checks.	R
	H	Inventory management	U
	H	Custody of assets	U
	H	Damaged assets as a result of the war	U
	M	Human resources not suitable for managerial positions	U
	M	Automation of accounting system	U
	M	Consolidation of FS	U
	H	Inter-company reconciliations	U
	L	Fixed asset register	U
	M	Archiving of contracts and maintaining of documents	U
	H	Delays in purchasing and contracting	U
	M	L/C initial guarantee	U

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# Summary of observations

## Previously visited ministries (cont'd)

DRAFT FOR DISCUSSION PURPOSES ONLY

Government Body	Observations valid as at 1 January 2009		
	Risk	Description	Follow-up
Ministry of Trade	H	Issue of TOC and TAC resolved.	R
	H	IA procedures do not cover import activities	U
	H	Payroll register not complete	U
	M	Consolidation of FS	U
	M	Automation of accounting system	U
	H	Aging A/R and A/P balances	U
	H	Bank reconciliation issue	U
	H	Check register	U
	M	Doubtful debts	U
	M	2003 war damages	U
	M	Overdue checks.	U
	M	Over drafted accounts	U
	H	Distribution of food items	U
	M	L/C initial guarantee	U
	L	Follow up on L/C's	U

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# Summary of observations

## Previously visited ministries (cont'd)

DRAFT FOR DISCUSSION PURPOSES ONLY

Government Body	Observations valid as at 1 January 2009		
	Risk	Description	Follow-up
Ministry of Electricity	H	Contract related	R
	H	Contract related	R
	H	Contract related	R
	H	Contract related	R
	H	Contract related	R
	M	Automation of accounting system	R
	M	Fixed asset register	U
	L	Time keeping	U
	H	Settlement of debt without approval	U
	H	Contract specific-Chemical material	U
	H	Contract specific-Gas station	U
	M	Settlement of LC's	U
	M	L/C initial guarantee	U
	Ministry of Culture	H	Segregation of duties and manual preparation of payroll.
M		Exceeding appropriations.	R
L		Employee records completed.	R
M		2003 war damages	U
M		Automation of accounting system	U
M		Organization chart and job descriptions	U
M		Errors in operating budget	U
M		Overdue checks.	U
M		Archiving of contracts and maintaining of documents	U
Ministry of Education	H	Bank reconciliations monthly vs. quarterly.	R
	M	Organization chart and job descriptions	U
	H	No follow up of directorates	U

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# Summary of observations

## Previously visited ministries (cont'd)

DRAFT FOR DISCUSSION PURPOSES ONLY

Government Body	Observations valid as at 1 January 2009		
	Risk	Description	Follow-up
<b>Ministry of Human Rights</b>	M	Time-keeping resolved.	R
	L	Asset Identification Number.	R
	M	Organization chart and job descriptions	U
	M	Overdue checks.	U
	M	Automation of accounting system	U
	<b>Ministry of Immigration and Displaced</b>	H	Theft of cars-action taken
H		Bank reconciliation related issue resolved.	R
H		Fixed asset register issue has been resolved.	R
H		No internal code	U
M		Non-compliance with approved cadre	U
M		Automation of accounting system	U
<b>Ministry of Technology</b>	H	Issue of TOC and TAC resolved.	R
	H	Contract specific-no invitation to tender (no similar case noted)	R
	M	Overdue checks.	R
	M	L/G follow-up	R
	M	Initial guarantees were not stated	R
	M	Law of Incorporation of Ministry	U

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# Summary of observations

## Previously visited ministries (cont'd)

DRAFT FOR DISCUSSION PURPOSES ONLY

Government Body	Observations valid as at 1 January 2009		
	Risk	Description	Follow-up
Ministry of Environment	H	Contract specific-Performance bond issue (no similar cases noted).	R
	M	Payroll issue.	R
	M	Recurring "invitation to tender" after opening tenders.	R
	L	Employee records	U
	M	Lack of cooperation between departments	U
	M	Organization chart and job descriptions	U
	H	Policies and procedures manual non-existent	U
	M	Fixed asset register	U
	L	Time keeping	U
	M	Archiving of contracts and maintaining of documents	U
	H	Contract Specific	U
	M	Overdue checks.	U

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# Summary of observations

## Previously visited ministries (cont'd)

DRAFT FOR DISCUSSION PURPOSES ONLY

Government Body	Observations valid as at 1 January 2009		
	Risk	Description	Follow-up
Ministry of Oil	H	Burning Condensed Petroleum Products	U
	H	Missing Barrels	U
	H	Injection of Oil	U
	H	General Strategic Budget for the Iraqi Government for the year 2008	U
	H	Method of Measurement of Quantities Exported	U
	H	Reconciliations Department	U
	M	Middle Refineries – Initial Guarantees	R
	M	Excavation Company – Tenders Opening Committee	U
	M	Excavation Company – Performance Bond	U
	M	Oil Projects Company – Initial Guarantee	R
	M	Ministry Headquarters– Approval of Accounts by the Ministry of Finance	U
	H	Ministry Headquarters - Stolen Vehicles	U
	M	Ministry Headquarters – Legal Contracts Division	U
	H	Increasing the Contract Amount	R
	H	Completeness of Petroleum and Petroleum Products Extracted	U
	H	Differences between the MoO and the South Oil Company records	R
	M	Contracts' Supporting Documents	U
	H	Operational Loading System at Loading Points	U
	M	Long Outstanding Cash Margins	U

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# Summary of observations

## Previously visited ministries (cont'd)

DRAFT FOR DISCUSSION PURPOSES ONLY

Government Body	Observations valid as at 1 January 2009		
	Risk	Description	Follow-up
State oil marketing organization	H	Trial Balance	R
	M	Accounting System	U
	H	Fines	U
	H	Change of Destination	U
	H	Al Ahli Bank of Jordan	U
	H	Outstanding Items in Bank Reconciliations	U
	M	Amounts due from the Ministry of Electricity	R
	M	Reconciliation of Crude Oil Sales	U
	M	Operating and Trade Accounts	U
	M	Commissions	R
	H	Sales of Oil Products	U
	M	Management Reporting	U
	M	Shipment Destinations	U
	M	Certificate of Discharge at Destination Port	U
	L	Sequential Numbering for Standard Forms and Vouchers	U
	L	Opening of Export Crude Oil Sales LCs	U
	H	Reconciliations with Syrian Government	U
	M	Quantities of Oil Products Received	U
	M	Monitoring Fees of Oil Products Quantities	U
	H	Internal Control Procedures over Oil Imports	U
	H	Measuring Metering System for Imported Petroleum Products	U
	M	Monthly Reconciliation with Suppliers of Petroleum Products	U
	H	Pending Reconciliation Items	U
L	Control over Invoices and Certificates of Imports	U	
L	Exchange Rate	U	

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# Summary of observations

## Previously visited ministries (cont'd)

DRAFT FOR DISCUSSION PURPOSES ONLY

Government Body	Observations valid as at 1 January 2009		
	Risk	Description	Follow-up
KRG-Ministry of Finance	M	Checks overdue over than six months	R
	H	Bank Reconciliations	U
	L	Work Schedule Control	U
	L	Contracts Numbering	U
	H	Performance Bond	R
	M	Accounts approval	U
	M	Budget Deviation Analysis	U
	L	Contracts Numbering	U
	M	Centralized Contract Files	U
	M	Physical Count Committee	U
	H	Performance Bonds	U
	M	Letter of Credits for Contracts	U
	M	Budget Variance Analysis	U
	M	Formal Reconciliation with Ministry of Finance	U
	M	Bank Overdrawn Account	U
KRG-Ministry of Higher Education	M	Salaries	R
	L	Performance Bond	U
	M	Centralized Contract Files	U
	L	Payroll System	R
	M	Physical Count Committee	U
	M	Accounting Records	R
	M	Tenders Opening and Analyzing Committees	U
	L	Contracts Identification Numbers	U
	M	Performance Bond	U
	H	Tender Procedures	U

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# Summary of observations

## Previously visited ministries (cont'd)

DRAFT FOR DISCUSSION PURPOSES ONLY

Government Body	Observations valid as at 1 January 2009		
	Risk	Description	Follow-up
KRG-Ministry of Electricity	m	The amounts mentioned in the budget	U
	m	Fixed Asset Register	U
	m	Contract Department	U
	m	Payroll Cash Payment	U
	l	Work Schedule Control	U
	h	Contracts Awarding Authority	R
	l	Contract for the installation of central power stations	U
	h	Contractual Agreement	R
	m	Disbursement of Salaries	R
	m	Physical count committee	R
	h	Excess over the budget	R
	h	Performance bonds	R
	m	Extension Period	R
	h	Delay in delivering performance bonds	R
	h	Contracts Awarding Authority	R
	m	Tender Opening Committees and Analyzing Committees	R
	m	Performance Bond	R
	h	Awarding contracts to local companies	U
	h	Compliance with Authorization limits	R

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# Summary of observations

## Previously visited ministries (cont'd)

DRAFT FOR DISCUSSION PURPOSES ONLY

Government Body	Observations valid as at 1 January 2009		
	Risk	Description	Follow-up
KRG-Ministry of Housing & Reconstruction	m	Payroll	U
	m	Physical count committee	U
	m	Contracts	R
	m	Performance Bond (PB)	U
	h	Contracting Procedures	U
	h	Accounting Records	U
	h	Tender Opening Committees	R
	m	Payroll Cash Payment	U
	l	. Work Schedule Control	U
	l	Contract's identification numbers	U
	l	Contract Standard Form	U
	m	Salaries Receipts	U
	h	Documentation for Administration Approvals	R

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# Summary of observations

## Previously visited ministries (cont'd)

DRAFT FOR DISCUSSION PURPOSES ONLY

Government Body	Observations valid as at 1 January 2009		
	Risk	Description	Follow-up
KRG-Ministry of Municipalities	l	Protection of Payroll System	R
	h	Performance Bond	R
	m	Contract Indexing	U
	m	Physical count committee	U
	h	Tender Opening Committees	U
	m	Financial and Accounting Register	U
	m	Payroll Cash Payment	U
	l	Soran Water Project Contract	U
	h	Performance Bond	U
	h	Disbursements of Salaries	R
	h	Tenders Opening and Analyzing Committees	U
	l	Payroll System	U
	h	Contractual Agreement	R
	h	Performance Bond	R
	l	Contracts Identification Numbers	U
	h	Tender Announcements	R
	l	Sub-Ledger Accounts	R
	h	Bank Reconciliations	R
	m	Tender Announcements	R

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- Notice to the reader
- Scope of work and deliverables
- Government bodies completed and not visited yet
- Draft Financial Statements
- Production quantities
- Export quantities
- Average price per barrel
- Export sales
- Key issues
- Summary of observations
- Outstanding data
- Next steps
- Q & A



- Confirmations of the Ministry of Finance's accounts held at the Central Bank of Iraq.
- Approval and authorization of interim financial statements for the six months ended 30 June 2009.

- Notice to the reader
- Scope of work and deliverables
- Government bodies completed and not visited yet
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- Continue visits to the government bodies
- Obtain the approval of Minister of Finance on the Interim Financial Statements, and issue our review report
- Obtain the approval of Minister of Finance on the Financial Statements, and issue our audit report
- Obtain responses on draft Management Letter (M/L) points
- Discuss these responses and issue the final M/L for MoF, CBI, MoO, SOMO and remaining spending government bodies

- Notice to the reader
- Scope of work and deliverables
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Presented by:

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