



Development Fund for Iraq Management Letter – Kurdistan Regional Government

31 December 2009

Disclaimer

Messrs.
International Advisory and Monitoring Board
Committee of Financial Experts
Development Fund for Iraq
Baghdad – Republic of Iraq

Dear Sirs,

We have audited the financial statements of the DFI, which comprise of the statements of cash receipts and payments and the statements of proceeds of oil export sales of the DFI for the year ended 31 December 2009 and a summary of significant accounting policies and other explanatory notes. In planning and performing our audit of the financial statements of the Fund in accordance with international standards on auditing, we considered the internal control of the spending ministries as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the spending ministries internal controls. Accordingly, we do not express an opinion on the effectiveness of the spending ministries' internal control. Throughout our audit we have noted some observations and recommendations that we are reporting to you for your kind attention and follow up.

This work is not primarily directed towards the discovery of weakness or the detection of fraud or other irregularities (other than those which would influence us in forming our opinion) and should not therefore be relied upon to show that no other weaknesses exist.

Our report is 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, in giving our report, 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 except where expressly agreed by our consent in writing.

We would like to take this opportunity to thank the management and staff of Iraqi Government entities for the assistance and co-operation during the course of our audit.

Yours faithfully,

30 October 2010

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Kurdistan Regional Government (KRG) Common Observations

Common Observation

1. Fixed Asset Register

Observation	We noted that the fixed asset register held by the Ministry does not contain identifying numbers that enables the ministry to follow up on each item in the register and to identify accountability. In addition identifying numbers facilitate the existence of fixed assets.
Recommendation	We recommend that the Ministry identifies each asset by number. We also recommend conducting a regular fixed asset count.
Risk Level	Medium
Status	Old
Follow up	Through our visit to the Ministry, we noted that the above mentioned observation was still valid.

2. Contract Department

Observation	During our visit to Erbil, we noted that the ministries do not have contracts department. The contracting procedures are distributed on more than one department, this is not in compliance with the provisions of governmental contract procedures.
Recommendation	We recommend establishing a special department for contracts administration and follow up.
Risk Level	High
Status	Old
Follow up	Through our visit to the Ministry, we noted that the above mentioned observation was still valid.

Common Observation
3. Organization Chart

Observation	The Ministries do not have an Organization Chart or Job Description.
Recommendation	We recommend that the Ministry to develops a formally approved organization structure and job descriptions for all levels. The organization structure and job descriptions should include the following as a minimum: <ul style="list-style-type: none">- Hierarchy of the Ministry.- Executive responsibility, immediate assistants and approval authorities.- Operational responsibilities of employees, and specific duties to be performed.- Required administrative responsibilities related to the job performance.- Any other duties that the minister deems necessary to be performed at any given circumstance.- Type of reports that must be issued and the timetable for preparing and issuing these reports.
Risk Level	High
Status	Old
Follow up	Through our visit to the Ministry, we noted that the above mentioned observation was still valid.

4. Contract Supporting Documents

Observation	During our visit to Kurdistan Region\Erbil, we noted that the ministries do not keep copies of files of contracts for its related directorates, as the files on contracts are only kept at the related directorates.
Recommendation	We recommend that all documents related to each contract shall be centrally filed, to facilitate review and for better control procedures.
Risk Level	Medium
Status	Old
Follow up	Through our visit to the Ministry, we noted that the above mentioned observation was still valid.

5. Accounting and Management Information Systems

Observation	During our review of Kurdistan Region /Erbil, we noted that the implemented accounting system takes the form of manual recording and reporting process. However, the ministries size and activities have expanded significantly over last few years. The current accounting systems, including management information system as well as internal control procedures, are no longer suitable for the current size, structure of the ministries, and do not adequately meet the requirements of the ministries.
Recommendation	<p>We recommend all ministries in Kurdistan Region to undertake a review of the accounting processes and systems of internal control, both at the Accounting Department and the Administrative Departments, with a view to improve efficiency of operations and effectiveness of controls. This should include, as a minimum:</p> <ul style="list-style-type: none"> · Review of the Accounting Department’s documentation and back up filing procedures. · Review of the operating departments’ systems of internal control. · Establishment of a mechanism for follow up of budget preparation and compliance with such budget.
Risk Level	Medium
Status	Old
Follow up	Through our visit to the Ministry, we noted that the above mentioned observation was still valid.

6. Operating Budget

Observation	We noted that the operating budget of Kurdistan region\ Erbil amounted to IQD 2.17 trillion, which represents 67% of the total budget granted to Kurdistan Region, which is considered very high.
Recommendation	We recommend that a comprehensive study of Erbil requirements of capital and operational expenditures shall be conducted based on continuous development and rehabilitation needs.
Risk Level	Medium
Status	Old
Follow up	Through our visit to the Ministry, we noted that the above mentioned observation was still valid.

7. Reconciliation for Suppliers' and Contractors' Accounts

Observation	During our review we noted that Ministries in Kurdistan Region do not perform reconciliation for suppliers and contractors accounts. Reconciliations for suppliers and contractors accounts are essential to avoid the risk of unrecorded liabilities or double recording of invoices and accordingly double payment of those invoices.
Recommendation	We recommend the finance department at all Ministries to obtain confirmations or statements of account from suppliers to perform reconciliations for suppliers and contractors accounts on a monthly basis. Such reconciliations shall be documented and confirmed with suppliers and contractors to confirm due balances.
Risk Level	Low
Status	Old
Follow up	Through our visit to the Ministry, we noted that the above mentioned observation was still valid.

8. Work Schedule Control

Observation	During our visit to the Ministry, we noted that the only control on hours worked by employees is done by having employees sign on the entry register as they enter on a daily basis. There is no automated system to monitor hours worked by employees. This leads to weakness in control and in monitoring the hours worked by employees.
Recommendation	We recommend that an automated system be installed to accurately record the hours worked by employees on a daily basis.
Risk Level	Low
Status	Old
Follow up	Through our visit to the Ministry, we noted that the above mentioned observation was still valid.

9. Cash Payment of Salaries

Observation	During our review of the Directorates payroll process, we noted that most Directorates pay salaries in cash. Cash payment of salaries directly or through the salaries disbursements committee increase the risk of loss while processing salaries disbursements.
Recommendation	We recommend the Directorates to pay salaries through bank transfers to each employee's personal bank account, in order to avoid risks associated with the cash payment process.
Risk Level	High
Status	Old
Follow up	Through our follow up, we noted that the above mentioned observation was still valid during the year 2009.

10. Contract Standard Form

Observation	We noted that the operating budget of Kurdistan region\ Erbil amounted to IQD 2.17 trillion, which represents 67% of the total budget granted to Kurdistan Region, which is considered very high.
Recommendation	We recommend that a comprehensive study of Erbil requirements of capital and operational expenditures shall be conducted based on continuous development and rehabilitation needs.
Risk Level	Low
Status	Old
Follow up	Through our follow up, we noted that the above mentioned observation was still valid during the year 2009.

11. Control and Administrative Procedures

Observation	<p>During our visit of Kurdistan Region/ Sulaimaniyah, we noted that there is no comprehensive control and administrative procedures manual over operations. For each Ministry management instructions on such procedures are documented in the form of various internal memorandums.</p> <p>In the absence of a consolidated procedures manual, the risk exists that:</p> <ul style="list-style-type: none"> · Operational procedures and controls over segregation of duties, authorizations and approvals, recording, safeguarding and reconciliation are not being effectively recognized by employees. · Accounting policies and accounting procedures are not properly followed. · Compliance with regulatory rules is not being effectively communicated to employees
Recommendation	<p>We recommend the Ministries in Kurdistan Region to prepare and maintain written standard internal controls policies and procedures covering all the ministries financial and operating activities. In addition, detailed monitoring procedures should be carried out by management to ensure effective and consistent implementation of the control and administrative procedures manual.</p>
Risk Level	<p>Medium</p>
Status	<p>Old</p>
Follow up	<p>Through our follow up, we noted that the above mentioned observation was still valid during the year 2009.</p>

12. Expenses Paid Through Checks

Observation	During our review of the Sulaimaniyah Ministries' payment process, we noted that copies of the issued checks are not maintained by the accounting department, nor a copy of the receiving payee identity document (ID) attached. Obtaining a copy of the check, copy of the payee ID and having the signature of the receiving payee on the copy of the check serves as the most powerful evidence of receiving the check and accordingly avoiding possible risks of fraud, errors and litigations.
Recommendation	We recommend the accounting department at each ministry to obtain a copy of the check for each payment transaction processed through check s, a copy of the payee ID, and the signature of the receiver on the check copy. These documents should be filed and documented using a special code, or by means of a filing system within the accounting department, which ensures rapid recovery of the required data when required. We also recommend stamping all check s by "first beneficiary only" for better control procedures.
Risk Level	High
Status	Old
Follow up	Through our follow up, we noted that the above mentioned observation was still valid during the year 2009.

13. Pre-Printed Payment Vouchers

Observation	During our visit of Kurdistan/ Sulaimaniyah Directorates, we noted that payment vouchers are not serially pre-numbered. The used form is photocopied and then manually prepared by the accountant for each payment transaction. Payment vouchers should be pre-numbered, pre-printed and in multiple copies. The copy of payment voucher should be attached to the journal voucher and the second copy to be kept in the book of payment vouchers.
Recommendation	We recommend that the Finance Department use pre-numbered, pre-printed and a multiple copy payment voucher to properly control the disbursement process, and ensure completeness of recording of all disbursements and minimize the risk of intentional and unintentional errors.
Risk Level	Low
Status	Old
Follow up	Through our follow up, we noted that the above mentioned observation was still valid during the year 2009.

Observations raised for the year ended 31 December 2009 Ministry of Finance

1. Bank Overdrawn Account

Observation	During our visit to the Ministry of Finance, we noted that the Ministry's bank account was overdrawn by an amount of IQD 268,363,516,105 as at 31 December 2009.
Recommendation	We recommend monitoring the Ministry's bank accounts on a daily basis and to avoid spending unappropriated funds, in order to improve control procedures and to preserve public funds.
Risk Level	Medium
Status	New

2. Documentary Credits

Observation	During our review of documentary credits opened during 2009, we noted the following: 13 letters of credit were opened during the year; 9 documentary credits were for amounts exceeding two million dollars with a local bank (Kurdistan International), but according to the budget instructions, letters of credit are supposed to be opened with the Trade Bank of Iraq.
Recommendation	We recommend following the budget instructions.
Risk Level	High
Status	New

3. Contract to Build a Modern Hospital in the Barazan Area

Observation	During our review of the above mentioned contract, we noted the following: <ol style="list-style-type: none">1. Payments in the amount of USD 4,990,000 were made prior to the contract date and were made via payment vouchers.2. The preparer, accountant, and auditor did not sign on any of the above mentioned payment vouchers.3. The supplier was 85 days late in submitting the performance bond.
Recommendation	We recommend complying with instructions on government contracts and that the accountant and auditor review, sign and stamp the payment vouchers.
Risk Level	High
Status	New

4. Allocations

Observation	Through our comparison of allocations declared by the central government with the regional allocations, we noted differences between the following allocations:		
	Description	Allocations 2009 (Baghdad)	Allocations 2009 (Kurdistan Region)
	Employee benefits	3.390.587	3.665.169
	Production, services and maintenance	1.174.023	1.127.132
	Subsidies	286.160	73.112
	Grants	266.295	154.275
	Social benefits	195.617	125.332
	Other expenses	504.536	587.501
	Non financial assets	162.616	247.213
Recommendation	We recommend complying with central government instructions.		
Risk Level	High		
Status	New		

5. Contract to Build a Media Center

Observation	<p>We selected a sample of contracts assigned to the Directorate of Public Finance, we noted with respect to a contract for the establishment of a media center in the amount of USD 15.225 million, signed by the Ministry of Housing and Construction and dated 24/10/2004 the following:</p> <ol style="list-style-type: none">1.Amounts were disbursed on behalf of the Ministry of Housing and Construction in the amount of USD 3,166,990 million and on behalf of the Ministry of Finance amounting to USD 9,251,204 to the executing company.2.Work was halted on the project for more than a year for various reasons; mainly due to the contractors lack of competence. Moreover, the Ministry is paying the contractor without monitoring and comparing the level of completion with the amount spent.
Recommendation	<p>We recommend that the Ministry limits the payment process to one department, we also recommend that financial obligations are not paid without the monitoring the level of completion. Additional control procedures over the disbursement process should be implemented to preserve public funds.</p>
Risk Level	High
Status	New

6. Design Contract for Master Plan - Shoresh

Observation	<p>With regard to the above contract, we noted that the Council of Ministers signed the contract on 21/07/2009 with a Lebanese company for an amount of USD 2,590,592.</p> <p>A down payment representing 20% of the contract amount was made in compliance with the terms of the contract. However, the contract was cancelled due to the fact that the Governorate had engaged a different contractor for the same project.</p>
Recommendation	<p>We recommend coordination between the ministries in order to preserve public funds.</p>
Risk Level	<p>High</p>
Status	<p>New</p>

7. Daily Register for the Investment Budget

Observation	Through our review of a sample of payment vouchers of the investment budget at the Directorate, we noted that the payment vouchers lack stamps and signatures from the preparer and Internal Audit Department.
Recommendation	We recommend that the accountant and auditor review, stamp, and sign payment vouchers for better control procedures.
Risk Level	Medium
Status	New

8. Allocations

Observation	We noted that funds have been allocated to certain Ministries or Directorates for construction projects that do not fall within the geographical boundaries of Kurdistan. Most of these projects are not listed within the investment plans of the Kurdistan Regional Government.
Recommendation	We recommend implementing the budget instructions.
Risk Level	Medium
Status	New

9. Procurement Committees

Observation	Based on our review of the procurement committee procedures, we noted that the members of the procurement committee are not being periodically rotated as required by the budget instructions issued by the Ministry of Finance, which requires rotating the committee members every six months.
Recommendation	We recommend complying with the budget instructions issued by the Ministry of Finance which require rotating the Committee members every six months for better control procedures and adherence to the budget instructions.
Risk Level	Medium
Status	New

10. Investment Budget

Observation	Through our review of the contract to build a conference room in Soran amounting to IQD 5,506,879,200, we noted that the contract is not included in the investment budget of the Ministry of Finance. The expenditures for the project in 2009 amounted to USD 2,938,108.
Recommendation	We recommend implementing the budget instructions issued by the Ministry of Finance.
Risk Level	Medium
Status	New

11. Qualifications of the Workforce in the Directorate

Observation	During our review of the staff's qualifications at the Directorate, we noted that 4 staff members within the Directorate carry a degree that is not suitable for the job title (Executive Manager).
Recommendation	We recommend considering and adopting job descriptions that specify qualifications required; the job descriptions must be followed when staffing to ensure that the Directorate is maintaining a well balanced workforce.
Risk Level	Medium
Status	New

12. Projects

Observation	Through our audit of the projects executed by the Engineering Department of the Directorate of Finance in Sulaymaniyah we noted that the amounts allocated to projects are less than the amounts awarded, 9 projects were awarded for IQD 14,786,502,160 while the allocated funds are IQD 13,225,020,911.
Recommendation	We recommend complying with the budget instructions for 2009.
Risk Level	Medium
Status	New

13. Performance Bonds

Observation	Through our review of performance bonds we noted that some contractors did not renew the warranties on projects such as the construction project to build a retirement home and another project to build the regional central bank.
Recommendation	We recommend that the Directorate obliges the contractors to renew the bond prior to expiry to avoid wrong-doing during execution and in order to protect public funds.
Risk Level	Medium
Status	New

14. Bank Reconciliations

Observation	During our visit, we noted that the accountant prepares the bank reconciliations, but neither the head of finance nor the internal audit approve them.
Recommendation	We recommend approving the bank reconciliations by the Head of Finance and the internal audit.
Risk Level	High
Status	Old
Follow up	Through our visit to the Ministry, we noted that the above mentioned observation was still valid during the year 2009.

15. Work Schedule Control

Observation	During our visit to the Ministry, we noted that the only control on hours worked by employees is done by having employees sign on the entry register as they enter on a daily basis. There is no automated system to monitor hours worked by employees. This leads to weakness in control and in monitoring the hours worked by employees.
Recommendation	We recommend that an automated system be installed to accurately record the hours worked by employees on a daily basis.
Risk Level	Low
Status	Old
Follow up	Through our visit to the Ministry, we noted that the above mentioned observation was still valid during the year 2009.

16. Contracts Numbering

Observation	We noted that all contracts have no verification numbers.
Recommendation	We recommend the need to develop a system for indexing contracts to all contracts are arranged in series in order to avoid a repetition of the contracts and Tschila for the follow-up and review in order to further control measures and control
Risk Level	Low
Status	Old
Follow up	Through our visit to the Ministry, we noted that the above mentioned observation was still valid during the year 2009.

17. Accounts Approval

Observation	The Ministry of Finance in Baghdad did not approve the consolidated accounts.
Recommendation	We recommend that the Ministry of Finance approve the consolidated accounts.
Risk Level	Medium
Status	Old
Follow up	Through our visit to the Ministry, we noted that the above mentioned observation was still valid during the year 2009.

18. Budget Deviation Analysis

Observation	We noted that the Ministries of Finance in Kurdistan Region/ Erbil does not prepare regular analysis reports for variances between actual and budgeted expenses. Also, we noted that a periodic reconciliation between the received funds and the underlying fund statement of account obtained from Ministry of Finance/ Erbil is not prepared.
Recommendation	We recommend all ministries to prepare monthly budget analysis reports to properly control and manage received fund and budget resources. Major variances should be properly justified, documented and approved by key personnel. We further recommend all ministries to prepare periodic reconciliations between the received funds and the Ministry of Finance statements of account.
Risk Level	Medium
Status	Old
Follow up	Through our visit to the Ministry, we noted that the above mentioned observation was still valid during the year 2009.

19. Contracts Numbering

Observation	We noted that all contracts have no verification numbers.
Recommendation	We recommend the need to develop a system for indexing contracts to all contracts are arranged in series in order to avoid a repetition of the contracts and Tschila for the follow-up and review in order to further control measures and control
Risk Level	Low
Status	Old
Follow up	Our follow up showed that the observation is still valid.

20. Centralized Contract Files

Observation	Through our visit to the presidency of the University of Sulaimaniyah we noted that there is no central file to file the contracts entered into by the university, the contract files and documentation are distributed between the Directorate and the Directorate of Engineering Services.
Recommendation	We recommend the need to retain all documents relating to contracts or copies within a single file in order to facilitate follow-up action and more control and oversight procedures.
Risk Level	Medium
Status	Old
Follow up	Our follow up showed that the observation is still valid.

21. Physical Count Committee

Observation	During the review process of the physical count, we noted that the Director of the Department and the inventory custodian are members of the Committee of the physical count committee, This may lead to a lack of independence in the performance
Recommendation	We recommend that the physical count committee be formed from members independent of the management of stock.
Risk Level	Medium
Status	Old
Follow up	Our follow up showed that the observation is still valid.

22. Performance Bonds

Observation	During our visit, and from the sample selected, we noted that the performance bond taken was less than 5% of the contract amount.
Recommendation	We recommend that complying with the provisions of the governmental contract procedures for 2008.
Risk Level	High
Status	Old
Follow up	Our follow up showed that the observation is still valid.

23. Letter of Credits for Contracts

Observation	During our visit, we noted that the directorate does not ensure from the issuing bank about the validity of the LC's issued to suppliers and contractors.
Recommendation	We recommend ensuring that the LC's issued are valid.
Risk Level	Medium
Status	Old
Follow up	Our follow up showed that the observation is still valid.

24. Budget Variance Analysis

Observation	During our visit, we noted that the Ministry of Finance\Sulaimaniyah does not prepare regular analysis reports for variances between actual and budgeted expenses. Also, we noted that the related directorates do not prepare periodic reconciliations between the received funds and the underlying fund statement of account obtained from Ministry of Finance\Sulaimaniyah.
Recommendation	We recommend all ministries and directorates in the region to prepare monthly budget analysis reports to properly control and manage received fund and budget resources. Major variances should be properly justified, documented and approved by key personnel. We further recommend all ministries and directorates to prepare periodic reconciliations between the received funds and the Ministry of Finance\Sulaimaniyah statements of account for better control procedures.
Risk Level	Medium
Status	Old
Follow up	Through our follow up, we noted that the above mentioned observation was still valid during the year 2009.

25. Formal Reconciliation with Ministry of Finance - Sulaimaniyah

Observation	During our review we noted that the Ministry of Finance\ Sulaimaniyah does not prepare formal reconciliations with Erbil Ministry of Finance. Currently, reconciliations take the form of listing total funds received from Erbil Ministry of Finance on an excel sheet files without reconciling the recorded amounts with the records of ministry of finance in Kurdistan. Absence of such reconciliations may result in misstatements and mismatching of funds received due to time differences in transferring and receiving funds between the ministries of finance in Erbil and Sulaimaniyah. In the absence of monthly reconciliations for funds received from Erbil Ministry of Finance, errors may not be detected and corrected on a timely basis.
Recommendation	We recommend that the Ministry of Finance prepares monthly reconciliations for funds received between: <ul style="list-style-type: none"> · The Ministry of Finance and the receiving Ministries and directorates in Sulaimaniyah. · Both Ministries of Finance in Sulaimaniyah and Erbil. These reconciliations should be independently reviewed and examined by senior levels in the Ministry for additional control procedures.
Risk Level	Medium
Status	Old
Follow up	Through our follow up, we noted that the above mentioned observation was still valid during the year 2009.

26. Bank Overdrawn Account

Observation	Through our visit to the Ministry of Finance / Sulaimaniyah, we noted that the Ministries' bank account was overdrawn for some months from 2007.
Recommendation	We recommend that any excess over budget should be approved by the Minister and the reasons for excess should be properly documented and explained. In addition, budget allocations should be transferred evenly through out the year and specially for financing the operating expenses in order to ensure the continuous implementation of the budget by the ministry within the limits and rules.
Risk Level	Medium
Status	Old
Follow up	Through our follow up, we noted that the above mentioned observation was still valid during the year 2009. Al- Rafidain Bank / Salam Branch number 18,539 was overdrawn by an amount of IQD 543,240,045,502.

Observations raised for the year ended 31 December 2009 Ministry of Housing and Construction

1. Budget Overruns

Observation	During our visit to the Roads Directorate we noted that the Ministry spent an amount of IQD 3,691,102,000 on staff salaries, while the amount allocated and approved by the Ministry of Finance is IQD 3,300,000,000. The excess amount spent was not approved by the Ministry of Finance.
Recommendation	We recommend that budget overruns are disallowed. In case it is necessary to exceed the budget, approval from the concerned authorities is required.
Risk Level	High
Status	New

2. Ministry of Housing Contract

Observation	We noted that there were irregularities regarding the contract to renovate the Ministry building : 1.An amount of IQD 216,706,000 of the operating budget has been disbursed in January 2010. 2.The case related to Fatah Al Rawd located in the Governorate was closed in the absence of a representative from the Ministry. 3.Lack of approval by the members of the opening committee on the opening minutes. 4.Finance stamp duty submitted by the supplier is less than 2 per thousand.
Recommendation	We recommend complying with the instructions of government contracts.
Risk Level	High
Status	New

3. Road Construction Contract

Observation	During our review at the General Directorate of Roads, of the contract to build the Korean road amounting to USD 178,000,000, we noted that expenses were paid without the approval of the Ministry of Finance.
Recommendation	We recommend complying with the instructions of the Ministry of Finance.
Risk Level	High
Status	New

4. Suspended Projects

Observation	We noted that the maintenance and tiling contract for the Roshdor road was halted due to problems in the execution process. No decision concerning the contract was taken by the date of our visit in February 2010 although the contract was signed in 2005.
Recommendation	We recommend that the Ministry takes necessary action to solve the executorial issues.
Risk Level	High
Status	New

5. Investment Budget

Observation	We noted that as of the date of our visit to the Directorate on 21/02/2010, 81 projects classified as "capital" have been financed from the operating budget of the Directorate.
Recommendation	We recommend implementing the budget instructions for 2009.
Risk Level	Medium
Status	New

6. Project to Build the Tasluja-Ducan Road

Observation	Through our review of the above mentioned contract, and with respect to the part of the project executed by the Company HGG amounting to USD 26,200,000, we noted statements for additional work that are not related to the above mentioned project. Some of these statements include the construction of a road from the lower area of Ducan to the upper area of Ducan and the construction of a road to a water project in Berjurban.
Recommendation	We recommend complying with the instructions for government contracts.
Risk Level	Medium
Status	New

7. Decline in Percentage of Completion

Observation	<p>We noted that 2 out of 3 projects awarded to one Company were the highest bids. These projects have high levels of deviation from achievement due to several reasons; which include weak capabilities as the contractor. The deviations were noted on the following projects:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #4F81BD; color: white;"> <th style="text-align: left;">Project Number</th> <th style="text-align: left;">Percentage of Variance from achievement</th> </tr> </thead> <tbody> <tr> <td>2448</td> <td>70%</td> </tr> <tr> <td>2449</td> <td>35%</td> </tr> </tbody> </table>		Project Number	Percentage of Variance from achievement	2448	70%	2449	35%
Project Number	Percentage of Variance from achievement							
2448	70%							
2449	35%							
Recommendation	<p>We recommend contracting companies that are financially, technically and legally capable of completing the project.</p>							
Risk Level	<p>Medium</p>							
Status	<p>New</p>							

8. Committees

Observation	<p>We noted with respect to the committees formed at the directorate during the year 2009 the following:</p> <ul style="list-style-type: none">•More than one member of the Tender Opening and Analyzing Committees remained on the committee for the whole year.•All the members of the Bid Analysis and Bid Statements Auditing Committee and Offers Awarding Committee are from the engineering cadre without any members from the Finance and Legal Departments.•Involvement of warehouse employees in the physical count committees could lead to lack of independence.•Members of the Offers Tenders Opening Committee for projects SUL/GEN/R.H/160,210,186 are different from the members as per administration’s order issued on 8/1/2009 for the first half of 2009.
Recommendation	<p>We recommend implementing the instructions of government contracts with respect to committees, their duties and compliance with instructions of the Ministry of Finance.</p>
Risk Level	<p>Medium</p>
Status	<p>New</p>

9. Staff

Observation	Through our review of the Directorate’s employees, we noted a lack of compliance from the Directorate in approved employees during 2009. We noted that the number of permanent employees registered at the Directorate was 2879, while the number of actual employees working was 2931.
Recommendation	We recommend complying with the Ministry of Finance instructions in order to preserve public funds.
Risk Level	Medium
Status	New

10. Suspended Projects

Observation	We noted suspended projects with low percentages of completion although a number of years have passed since the required date of completion. These projects include projects awarded to companies or executed by cadres of the Directorate such as project no. 1036 and project no. 1042.
Recommendation	We recommend that the Directorate gives the projects priority in the execution phase in order to preserve public funds.
Risk Level	Medium
Status	New

11. Payroll

Observation	During our visit to the ministry, we noted that the delivery salaries committee member were not changed regularly where we noted the existence of one member in this committee throughout 2008.
Recommendation	We recommend changing the delivery salaries committee regularly as a control procedures.
Risk Level	Medium
Status	Old
Follow up	Through our visit to the Ministry, we noted that the above mentioned observation was still valid during the year 2009.

12. Physical Count Committee

Observation	During the review process of the physical count, we noted that the Director of the Department and the inventory custodian are members of the Committee of the physical count committee, This may lead to a lack of independence in the performance.
Recommendation	We recommend that the physical count committee be formed from members independent of the management of stock
Risk Level	Medium
Status	Old
Follow up	Through our visit to the Ministry, we noted that the above mentioned observation was still valid during the year 2009.

13. Performance Bond

Observation	During our visit to the Ministry of Housing in Erbil, we noted that the PB submitted by the contractors for some contracts were less than 5% for example the Construction Laboratory in Dhuk province and the construction contract of Construction Laboratory in Erbil.
Recommendation	We recommend complying with the governmental contract procedures for 2008 in terms abiding by the 5% as PB.
Risk Level	High
Status	Old
Follow up	Through our visit to the Ministry, we noted that the above mentioned observation was still valid during the year 2009.

14. Contracting Procedures

Observation	During our visit to the Ministry we noted the same contracts were granted by direct tendering and not through competitive bidding process, for example the Construction Laboratory contract of Dhuke amounting to 1,905,887,300 IQD and Construction Laboratory contract of Erbil amounting to 2,028,725,440 IQD.
Recommendation	We recommend complying with the instructions of the Higher Committee for contracts and obtaining competitive bids for all contracts through a formal bidding process.
Risk Level	High
Status	Old
Follow up	Through our visit to the Ministry, we noted that the above mentioned observation was still valid during the year 2009.

15. Accounting Records

Observation	During our visit to the Ministry and reviewing a sample of accounting records we noted that the payroll and allowances record is not stamped nor signed by the preparer or the internal audit department.
Recommendation	We recommend approving the payroll and advances record by the head of finance department and the internal audit as a control procedure.
Risk Level	High
Status	Old
Follow up	Through our visit to the Ministry, we noted that the above mentioned observation was still valid during the year 2009.

16. Payroll Cash Payment

Observation	During our review of the process of payment of salaries in the Ministry we noted that the ministry pays the salaries in cash. The cash payment of salaries directly increasing the risk of loss of cash in the process of distribution.
Recommendation	We recommend the Ministry to pay staff salaries by bank transfer to personal account for each employee in order to avoid risks associated with the cash payments of salaries.
Risk Level	Medium
Status	Old
Follow up	Through our visit to the Ministry, we noted that the above mentioned observation was still valid during the year 2009.

17. Work Schedule Control

Observation	During our visit to the Ministry, we noted that the only control on hours worked by employees is done by having employees sign on the entry register as they enter on a daily basis. There is no automated system to monitor hours worked by employees. This leads to weakness in control and in monitoring the hours worked by employees.
Recommendation	We recommend that an automated system be installed to accurately record the hours worked by employees on a daily basis.
Risk Level	Low
Status	Old
Follow up	Through our visit to the Ministry, we noted that the above mentioned observation was still valid during the year 2009.

18. Contract's Identification Numbers

Observation	We noted that all contracts of the ministry are not given identification numbers.
Recommendation	We recommend the ministry to develop a proper contracts indexing system that serially arranges all contracts to avoid duplication, and to facilitate follow-up and review processes for better control procedures and better safeguarding of public assets.
Risk Level	Low
Status	Old
Follow up	Through our visit to the Ministry, we noted that the above mentioned observation was still valid during the year 2009.

19. Contract Standard Form

Observation	During our review of the Ministry's construction contracts, we noted no standard contract form issued for procurement. The Ministry prepared a contract form which does not include all legal terms and conditions included in the unified contract form used by other governmental entities. For example: contract to provide the Ministry with Axial Scales amounted to IQD 136,080,000. The absence of standard and authorized contract's form result in errors and irregularities in the terms used, conditions, and the rights of both the ministry and the contractor.
Recommendation	We recommend using the unified procurement standard form for better control procedures and preserve the ministry's and contractor's rights.
Risk Level	Low
Status	Old
Follow up	Through the follow-up observation showed us that the note is still there in the department of roads and bridges that are formed from the Ministry of Construction and Housing is not only for decades, but the processing of contracts for consulting and maintenance as well.

20. Salaries Receipts

Observation	We noted that some employees delegate other colleagues to collect their salaries on their behalf, without any authorization or supporting documents available at the Ministry to ensure that the representatives are authorized to collect payments on behalf. We also noted in certain instances where the employees did not sign on the payroll sheet as an evidence of receipt.
Recommendation	We recommend recipient to be formally authorized to receive the salary on behalf of the employee. We also recommend obtaining the signature of employee on the payroll sheet after receiving the cash, and we also recommend that the Ministry implements payment of salaries through direct bank transfer to the employees' accounts for better control procedures over payments.
Risk Level	Medium
Status	Old
Follow up	Through the sample selected from the payroll, we noted that the observation is still valid.

21. Assets Register

Observation	We noted that the directorate does not maintain a register of the fixed assets of the ministry. The absence of such a register and its constant update of additions and disposals creates difficulties in following up on the movement of fixed assets.
Recommendation	We recommend the directorate to maintain a fixed asset register that includes a tag number, purchase date, description, cost, depreciation and book value. We also recommend the performance of fixed assets counts and the reconciliation of the results to the ledger on a periodic basis to prevent the miss use of assets.
Risk Level	High
Status	Old
Follow up	Through our follow up, we noted that the above mentioned observation was still valid during the year 2009.

22. Asset Count

Observation	We noted that the stock and fixed assets committees include personnel that have custody of the stock and assets.
Recommendation	We recommend that stock and fixed assets committee include independent members of custody of stock or assets.
Risk Level	Medium
Status	Old
Follow up	Through our follow up, we noted that the above mentioned observation was still valid during the year 2009.

23. Computer System

Observation	During our visit to the directorate we noted that the payroll system is not protected by a password.
Recommendation	We recommend the use of passwords to access the payroll system to prevent unauthorized personnel to access the system.
Risk Level	Low
Status	Old
Follow up	Through our follow up, we noted that the above mentioned observation was still valid during the year 2009.

24. Announcement of Tenders

Observation	During our visit to the directorate, we noted that the contract of repairing and paving the street Zalh – Naw – Horin length 1809 km amounting 5,190,039,000 Iraqi dinar was published in only one local newspaper in contrast to previous instructions which states that such publications must be published in three newspapers.
Recommendation	We recommend that the directorate publishes the public tenders in at least three local newspapers as required in the contracts’ instructions for further control measures and control over the contracting process.
Risk Level	High
Status	Old
Follow up	Through our follow up, we noted that the above mentioned observation was still valid during the year 2009.

25. Contracts Identification Numbers

Observation	During our visit, we noted that all contracts of the ministry are not given identification numbers.
Recommendation	We recommend the ministry to develop a proper contracts indexing system that serially arranges all contracts to avoid duplication, and to facilitate follow-up and review processes for better control procedures and better safeguarding of public assets.
Risk Level	Low
Status	Old
Follow up	Through our follow up, we noted that the above mentioned observation was still valid during the year 2009.

26. Tender Procedures

Observation	We noted that in some cases no public tender procedures were used for contracting with construction contractors. Instead, direct awarding was used to execute contract with contractors.
Recommendation	We recommend the ministry to obtain public tenders instead of direct awarding to increase the chance of obtaining more competitive bids with high quality construction specifications for additional accuracy and control procedures.
Risk Level	High
Status	Old
Follow up	Through our follow up, we noted that the above mentioned observation was still valid during the year 2009.

Observations raised for the year ended 31 December 2009 Ministry of Municipalities

1. Re-Announcing Tender Request

Observation	During our review, we noted that the Ministry has re-announced some bids after opening the bids for different reasons. This would uncover the prices submitted by the bidders to the committees' members and therefore the confidentiality of tenders presented would be breached.
Recommendation	We recommend obliging the bidders to provide two offers and as follows: <ul style="list-style-type: none">•Technical offer: This offer should include the technical specifications of the contract subject matter, the date of delivery, and other technical matters.•Financial offer: This offer should include price schedules, payment dates and method of payment. The financial offer should not be opened unless the technical offer is accepted. We also recommend maintaining accuracy when announcing tenders and ensuring that the announcement includes all required specifications and conditions related to the contract for better control over the procurement process.
Risk Level	High
Status	New

2. Centralized Contract Files

Observation	During our visit to the Ministry we noted that there is no central file to maintain the files related to the contracts awarded or signed by the Ministry. The contract files and documentation are distributed between the legal department and the accounting departments.
Recommendation	We recommend that all documents relating to contracts or copies be kept within a single file in order to facilitate follow-up and provide more control and hence improve the oversight procedures.
Risk Level	Medium
Status	New

3. Tenders

Observation	During our review of the tender announcement periods we noted that the announcement period for certain contracts is less than what is stipulated in the instructions for government contracts, which are as follows: <ol style="list-style-type: none">1. Supply contracts: 15-60 days.2. Contracting contracts: 21-60 days.
Recommendation	We recommend that the Ministry announces tenders in compliance with the instructions, for government contracts in order to improve control procedures on the contracting process.
Risk Level	Medium
Status	New

4. Bank Reconciliations

Observation	No bank reconciliations were prepared for the year 2009 as of February 2010.
Recommendation	We recommend preparing bank reconciliations regularly and following up on reconciling items, we also recommend that these reconciliations be reviewed by an independent employee in the accounting division.
Risk Level	High
Status	New

5. Overdue Checks

Observation	Overdue checks were noted in the bank reconciliation reports with maturities exceeding 6 months.
Recommendation	We recommend the follow up on all reconciling items. As for checks with maturities exceeding 6 month we recommend that these be reversed and that the accounting records be amended accordingly.
Risk Level	Medium
Status	New

6. Inventory Count

Observation	We noted that the warehouse department does not reconcile the actual inventory count with the records.
Recommendation	We recommend the necessity of reconciling the actual inventory counts with the records for better control procedures.
Risk Level	Medium
Status	New

7. Bank Reconciliations

Observation	No bank reconciliations were prepared for the year 2009 as of February 2010.
Recommendation	We recommend that bank reconciliations should be done periodically, and that any reconciling items should be followed and reviewed by an independent accountant from the accounting department.
Risk Level	High
Status	New

8. Tenders

Observation	During our review of the tender announcement periods we noted that the announcement period for certain contracts is less than what is stipulated in the government contracts, which are as follows: 1. Supply contracts: 15-60 days. 2. Contracting contracts: 21-60 days.
Recommendation	We recommend that the Ministry announces the bids in compliance with the predetermined contracting instructions, in order to enhance control procedures on the contracting operation.
Risk Level	Medium
Status	New

9. Stock Count Committees

Observation	During the review process of the physical count, we noted that the Director of the Department and the inventory custodian are members of the Committee of the physical count committee. This may lead to a lack of independence in the count.
Recommendation	We recommend that the physical count committee be formed of members independent of stock management.
Risk Level	Medium
Status	New

10. Procurement Committee

Observation	Through our review of the procurement committee procedures, we noted that members of the procurement committee are not rotated periodically as per budget instructions issued by the Ministry of Finance, which states that members of committees should be rotated every six months.
Recommendation	We recommend implementing the budget instructions issued by the Ministry of Finance, which states that members of committees should be rotated every six months.
Risk Level	Medium
Status	New

11. Employees

Observation	During our review of the Ministry’s employees for the year 2009, we noted that the payroll was not approved by the Ministry of Finance.
Recommendation	We recommend complying with the instructions of Ministry of Finance.
Risk Level	Medium
Status	New

12. Accounting Records

Observation	During our review of the daily journals we noted the following: 1.The journal has not been signed - off by the accountant and the internal audit department. 2.Correction pen is being used in journal entries records.
Recommendation	We recommend that the daily journals be reviewed and signed by the accountant and the internal auditor. We also recommend not to use a correction pen in the journal entries record, corrections should take place using reversal entries and not by correcting the original entry.
Risk Level	Medium
Status	New

13. Re-Announcing Tender Request

Observation	During our review, we noted that the Ministry has re-announced some tenders after opening the bids for various reasons. This would uncover the prices submitted by the bidders to the committees' members and therefore the confidentiality of tenders presented would be breached.
Recommendation	We recommend obliging the bidders to provide two offers and as follows: <ul style="list-style-type: none">•Technical offer: This offer should include the technical specifications of the contract subject matter, the date of delivery, and other technical matters.•Financial offer: This offer should include price schedule, payment dates and method of payment. The financial offer should not be opened unless the technical offer is accepted. We also recommend accuracy when announcing tenders and ensuring that the announcement includes all required specifications and conditions related to the contract for better control over the procurement process.
Risk Level	High
Status	New

14. Contract Indexing

Observation	We noted that all directorate contracts are not given identification numbers. They are only given export and import numbers.
Recommendation	We recommend establishing a suitable indexing system for contracts where contracts can be placed in order, avoiding any recurrence of contracts to facilitate the follow up and review and to add control procedures.
Risk Level	Low
Status	Old
Follow up	Through our visit to the Ministry, we noted that the above mentioned observation was still valid during the year 2009.

15. Physical Count Committee

Observation	During the review process of the physical count, we noted that the Director of the Department and the inventory custodian are members of the Committee of the physical count committee, This may lead to a lack of independence in the performance.
Recommendation	We recommend that the physical count committee be formed from members independent of the management of stock.
Risk Level	Medium
Status	Old
Follow up	Through our visit to the Ministry, we noted that the above mentioned observation was still valid during the year 2009.

16. Tender Opening Committees

Observation	We noted that the members of the Tender Opening and Evaluating Committees are not being changed for 2007 and 2008. In addition, we noted that there are common members between the bid opening committee and the other analysis committees.
Recommendation	We recommend that the Ministry complies with the budget instructions issued by the MOF which require segregation of duties and rotating the committee members every six months for better control procedures and adherence to budget instructions.
Risk Level	High
Status	Old
Follow up	Through our visit to the Ministry, we noted that the above mentioned observation was still valid during the year 2009.

17. Financial and Accounting Register

Observation	Through our review to a sample of the ministry financial and accounting register, we noted that the plan register for June 2008 was not stamped or signed by the preparer and the internal audit.
Recommendation	We recommend reviewing the monthly plan register and stamping it by the preparer and the internal audit.
Risk Level	Medium
Status	Old
Follow up	Through our visit to the Ministry, we noted that the above mentioned observation was still valid during the year 2009.

18. Payroll Cash Payment

Observation	During our review of the process of payment of salaries in the Ministry we noted that the ministry pays the salaries in cash. The cash payment of salaries directly increasing the risk of loss of cash in the process of distribution.
Recommendation	We recommend the Ministry to pay staff salaries by bank transfer to personal account for each employee in order to avoid risks associated with the cash payments of salaries.
Risk Level	Medium
Status	Old
Follow up	Through our visit to the Ministry, we noted that the above mentioned observation was still valid during the year 2009.

19. Soran Water Project Contract

Observation	During our review of the Soran Water Project contract for an amount of U.S. \$19,138,825 we noted it was awarded through direct invitation, and not by following the tendering procedures. This contradicts the instructions issued by the Supreme Contracting Committee, which requires the awarding contracts through public tender and not by direct invitation.
Recommendation	We recommend proper compliance with instructions issued by the Supreme Contracting Committee and obtaining public tenders for all contracts for better control procedures and adherence to the instructions of the Supreme Contracting Committee.
Risk Level	Low
Status	Old
Follow up	Through our follow up, we noted that the above mentioned observation was still valid during the year 2009 along with the Al- Hizam El- Akhdar Project for the city of Erbil.

20. Performance Bond

Observation	Through our visit to the presidency of municipality of Sulaimaniyah, and through our review of the basic construction contract appendix of the city of Sulaimaniyah and the introduction on GIS system amounting to 4,400,000 U.S. Dollars under Master Plan program, we noted that the performance bond presented by the contractor represents a real estate with no estimation of value.
Recommendation	We recommend complying with the provisions of governmental contracts procedures.
Risk Level	High
Status	Old
Follow up	Through our follow up, we noted that the above mentioned observation was still valid during the year 2009.

21. Tenders Opening and Analyzing Committees

Observation	During our visit to the Municipality of Sulaimaniyah, we noted that during the first half of 2008 there was only one committee that opens the bids and processes of the study and analysis of the offers. The absence of segregation between functions of each committee may have an impact on the contractual process.
Recommendation	We recommend the implementation of the budget instructions issued by the Ministry of Finance, which requires the segregation of the functions of the opening and analyzing committee. In addition to the change of their members every six months for more control procedures and in line with the budget instructions.
Risk Level	High
Status	Old
Follow up	Through our follow up, we noted that the above mentioned observation was still valid during the year 2009.

22. Payroll System

Observation	During our visit to the directorate we noted that the payroll system is not protected by a password.
Recommendation	We recommend the use of passwords to access the payroll system to prevent unauthorized personnel from accessing the system.
Risk Level	Low
Status	Old
Follow up	Through our follow up, we noted that the above mentioned observation was still valid during the year 2009.

23. Contracts Identification Numbers

Observation	We noted that all contracts of the ministry are not given identification numbers.
Recommendation	We recommend the ministry to develop a proper contracts indexing system that serially arranges all contracts to avoid duplication, and to facilitate follow-up and review processes for better control procedures and better safeguarding of public assets.
Risk Level	Low
Status	Old
Follow up	Through our follow up, we noted that the above mentioned observation was still valid during the year 2009.

Observations raised for the year ended 31 December 2009 Ministry of Electricity

1. Payroll

Observation	<p>During our review of the payroll disbursement process, we noted the following:</p> <ul style="list-style-type: none">•The members of the payroll disbursement committees at the Ministry’s headquarters are not periodically rotated.•Some employees delegated other employees to collect their salaries on their behalf without any authorization or supporting documentation found at the Ministry to ensure that the representatives are authorized to collect payments on behalf of other employees.
Recommendation	<p>We recommend that the Ministry rotates the members of the payroll disbursement committees and recommend that the recipients are authorized to receive the salaries on behalf of other employees for better internal control procedures.</p>
Risk Level	<p>Medium</p>
Status	<p>New</p>

2. Procurement Committee and Physical Count Committee

Observation	During our visit to the Ministry of Electricity, we noted that the members of the Procurement Committee are not rotated periodically as per budget instructions issued by the Ministry of Finance. The instructions state that members of the Committee should be rotated every six months. We also noted that the Director of the department and the inventory custodian are members of the Physical Count Committee. This may lead to a lack of independence in the performance.
Recommendation	We recommend complying with the budget instructions issued by the Ministry of Finance, which requires the segregation of duties in the opening and analysis of offers, rotation of committee members every six months, and the physical count committee should be formed of members independent of the management of stock.
Risk Level	Medium
Status	New

3. Payment Vouchers

Observation	Through our review of a sample of payment vouchers we noted that some vouchers related to the investment budget for 2009 is not prenumbered.
Recommendation	We recommend that the finance department use payments vouchers that are prenumbered on a sequential basis.
Risk Level	Medium
Status	New

4. Suspended Projects

Observation	During our visit to the Ministry of Electricity, we noted that the contract KRG-MOE/COM-01-2008 for an amount of IQD 4,574,399,603 is suspended due to problems in the execution process. No decision has been taken regarding this contract as of February 2010.
Recommendation	We recommend that the Ministry takes the necessary decisions regarding this contract in order to resolve the execution problems.
Risk Level	Medium
Status	New

5. Directorate Employees

Observation	Through our review of the Directorate employee register, which was approved by the Ministry of Finance for 2009, we noted that the number of permanent employees approved were 6,699, while the actual number of employees working during the year were 7,404 employees.
Recommendation	We recommend complying with the Ministry of Finance’s instructions in order to preserve public funds.
Risk Level	Medium
Status	New

6. Directorate Accounts

Observation	Through our review of the Directorate accounts and its branches, we noted that the accounts held at the Directorate and its branches are not uniform and that consolidated accounts are not prepared.
Recommendation	We recommend following a uniform chart of accounts at the Directorate and its branches for more transparency.
Risk Level	Medium
Status	New

7. Stock Count

Observation	Through our review of the stock count results of 2009, we noted discrepancies between the records and the actual count in the amount of IQD 1,416,916,048.
Recommendation	We recommend that the Directorate follows up on the discrepancies between the actual count and the records for better internal control.
Risk Level	High
Status	New

8. Payable

Observation	Through our review of payable account (2661), we noted that balances date back 5 years with no follow up.
Recommendation	We recommend that the Directorate follows up on the payable accounts that have not been settled.
Risk Level	Medium
Status	New

9. Operating Budget

Observation

Through our review of the operating budget at 2009, we noted that the estimated budget is not prepared as there are variances between what was allocated and what was spent:

Title	Allocations 2009	Expenditures 2009
Good, Revenues and Maintenance	2,163,000,000	545,000,000
Social Benefits	6,000,000	2,000,000
Other expenses	55,000,000	37,000,000
Non financial assets	600,000,000	125,000,000

Recommendation

We recommend that the Directorate prepares budget estimates accurately in order to achieve effective control.

Risk Level

High

Status

New

10. Performance Bond

Observation	Through our review of a sample of performance bonds, we noted that some of the contractors have not renewed the warranty on contracts such as the road construction contract Vedar 10 and the rehabilitation contract Vedar 2.
Recommendation	We recommend that the Directorate requests from the contractors the renewal of the warranty when its validity expires to ensure that the contractor does not fail to fully execute in order to preserve public funds.
Risk Level	Medium
Status	New

11. Stamp Duty

Observation	Through our visit to the headquarters of the Electricity Directorate, we noted that the stamp duty provided by the suppliers is less than 2 per thousand.
Recommendation	We recommend complying with the instructions relating to the awarding of government contracts for 2009, which include committing to the 2 per thousand of stamp duty.
Risk Level	High
Status	New

12. Contract for Supplying Materials

Observation	<p>Through our review of the above mentioned contract, we noted the following:</p> <ul style="list-style-type: none">•The contract amount was IQD 4,665,302,400 and the amount was spent from the operational plan account.•The performance bond submitted by the contractor is less than 5% of the contract amount.•Failure to renew the performance bond for this contract leaving it without a guarantee.•The second party has not supplied the sufficient materials required as per the tender up to the date of our last visit in March 2010.•A difference relating to the amount spent between the Electricity General Directorate of Sulaymaniah and the Energy Transfer Directorate.
Recommendation	<p>We recommend complying with the instructions of government contracts for 2009.</p>
Risk Level	<p>High</p>
Status	<p>New</p>

13. Extension Period

Observation	<p>Through our review of a sample of regional development projects, we noted that there are projects where the extended periods granted to the companies exceeded the period as per contract without any justification. This case was apparent in the following projects:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #4F81BD; color: white;"> <th>Project no.</th> <th>Working period (in days)</th> <th>Extended warranty period</th> </tr> </thead> <tbody> <tr> <td>T 503</td> <td>690</td> <td>825</td> </tr> <tr> <td>T 513</td> <td>690</td> <td>825</td> </tr> <tr> <td>DS 208</td> <td>215</td> <td>368</td> </tr> </tbody> </table>	Project no.	Working period (in days)	Extended warranty period	T 503	690	825	T 513	690	825	DS 208	215	368
Project no.	Working period (in days)	Extended warranty period											
T 503	690	825											
T 513	690	825											
DS 208	215	368											
Recommendation	We recommend adhering to the agreed upon period as per contract in order to guarantee completion of the project.												
Risk Level	Medium												
Status	New												

14. Project Initiation

Observation	Through our review of a sample of contracts, we noted projects that did not commence on the dates as stated in the contracts, such as contract number TS021 and TS06.
Recommendation	We recommend complying with the terms of the contract especially the date of initiation to guarantee execution on time.
Risk Level	Medium
Status	New

15. Projects

Observation	Through our review of a sample of contracts we noted that certain investment projects, were financed from the operating budget. These project amounted to IQD 5,236,099,446.
Recommendation	We recommend complying with the budget instructions.
Risk Level	Medium
Status	New

16. Accounting Records

Observation	Through our review of a sample of financial and accounting records, we noted that the records, such as the daily record of the current budget and the daily record of the budget plan, lack stamps and signatures of the preparer, the chief accountant, and the Internal Audit Department.
Recommendation	We recommend that the accounting records be approved by the head of the Finance Department and the Internal Audit Department for better internal control procedures.
Risk Level	Medium
Status	New

17. Bank Accounts

Observation	The Ministry has two bank accounts, the Trade Bank of Iraq and the Rafidain Bank. One reconciliation is performed for both banks.
Recommendation	We recommend that a separate reconciliation be prepared for each bank account.
Risk Level	High
Status	New

18. The Amounts Mentioned in the Budget

Observation	<p>Through our review of a sample of contracts, we noted that the ministry has contracted with suppliers before obtaining the required financing for the projects. We found some contracts signed but work have not commenced yet due to lack of financing, Example:</p> <table border="1"> <thead> <tr> <th><u>Contract No.</u></th> <th><u>Contract name</u></th> <th><u>Amount IQD</u></th> <th><u>Date signed</u></th> </tr> </thead> <tbody> <tr> <td>KRG-MOE/TS-04/2008</td> <td>creation of lines and expansion of station ALRA</td> <td>39,915,159,264</td> <td>20 Aug 08</td> </tr> <tr> <td>KRG-MOE/EDT-10/2008</td> <td>project for creation of lines to Erbil Station</td> <td>11,015,385,600</td> <td>30 Dec 08</td> </tr> </tbody> </table>	<u>Contract No.</u>	<u>Contract name</u>	<u>Amount IQD</u>	<u>Date signed</u>	KRG-MOE/TS-04/2008	creation of lines and expansion of station ALRA	39,915,159,264	20 Aug 08	KRG-MOE/EDT-10/2008	project for creation of lines to Erbil Station	11,015,385,600	30 Dec 08
<u>Contract No.</u>	<u>Contract name</u>	<u>Amount IQD</u>	<u>Date signed</u>										
KRG-MOE/TS-04/2008	creation of lines and expansion of station ALRA	39,915,159,264	20 Aug 08										
KRG-MOE/EDT-10/2008	project for creation of lines to Erbil Station	11,015,385,600	30 Dec 08										
Recommendation	We recommend not signing a contract should not be ascertained by the presence of the necessary allocations and the availability of adequate funding.												
Risk Level	Medium												
Status	Old												
Follow up	Our follow up showed that the above mentioned observation is still valid such as the contract number KRG – MOE/ EDT – 0/2008 dated 06/08/2009.												

19. Fixed Asset Register

Observation	We noted that the fixed asset register held by the Ministry does not contain identifying numbers that enables the ministry to follow up on each item in the register and to identify accountability. In addition identifying numbers facilitate the existence of fixed assets.
Recommendation	We recommend that the Ministry identifies each asset by number. We also recommend conducting a register fixed asset count.
Risk Level	Medium
Status	Old
Follow up	Through our follow up, we noted that the above mentioned observation is still valid, and that the Ministry took the initial steps to resolve the issue in the year 2010.

20. Centralized Contract Files

Observation	Through our visit to the presidency of the University of Sulaimaniyah we noted that there is no central file to file the contracts entered into by the university, the contract files and documentation are distributed between the Directorate and the Directorate of Engineering Services.
Recommendation	We recommend the need to retain all documents relating to contracts or copies within a single file in order to facilitate follow-up action and more control and oversight procedures.
Risk Level	Medium
Status	Old
Follow up	Through our visit to the Ministry, we noted that the above mentioned observation is still valid.

21. Payroll Cash Payment

Observation	During our review of the process of payment of salaries in the Ministry we noted that the ministry pays the salaries cash. The cash payment of salaries directly increasing the risk of loss of cash in the process of distribution.
Recommendation	We recommend the Ministry to pay staff salaries by bank transfer to personal account for each employee in order to avoid risks associated with the cash payments of salaries
Risk Level	Medium
Status	Old
Follow up	Through our visit to the Ministry, we noted that the above mentioned observation is still valid.

22. Work Schedule Control

Observation	During our visit to the Ministry, we noted that the only control on hours worked by employees is done by having employees sign on the entry register as they enter on a daily basis. There is no automated system to monitor hours worked by employees. This leads to weakness in control and in monitoring the hours worked by employees.
Recommendation	We recommend that an automated system be installed to accurately record the hours worked by employees on a daily basis.
Risk Level	Low
Status	Old
Follow up	Through our visit to the Ministry, we noted that the above mentioned observation is still valid.

23. Contract for the Installation of Central Power Stations

Observation	We noted during our review of contract No. 4 related to the installation of Central Power Stations for an amount of U.S.\$52,430,989 was awarded through direct invitation, and not by following the tendering procedures. This contradicts the instructions issued by the Supreme Contracting Committee, which requires awarding contracts through public tender and not by direct invitation.
Recommendation	We recommend proper compliance with instructions issued by the Supreme Contracting Committee and obtaining public tenders for all contracts for better control procedures and adherence to the instructions of the Supreme Contracting Committee.
Risk Level	Low
Status	Old
Follow up	Our follow up showed that the observation is still valid the contract number KRG – MOE/ T– 07/ 2008.

24. Physical Count Committee

Observation	During the review process of the physical count, we noted that the Director of the Department and the inventory custodian are members of the Committee of the physical count committee, This may lead to a lack of independence in the performance.
Recommendation	We recommend that the physical count committee be formed from members independent of the management of stock.
Risk Level	Medium
Status	Old
Follow up	Through our follow up, we noted that the above mentioned observation is still valid during the year 2009.

Electricity Directorate - Sulaymaniah

25. Awarding Contracts to Local Companies

Observation	During our visit to the Directorates, we noted that a number of import contracts were awarded to unspecialized local companies, which processed the outdoor construction of the General Directorate of Electricity.
Recommendation	We recommend that contracts resources shall be evaluated prior to contracting. We also recommend contracting with the direct suppliers directly rather than through intermediaries for better control procedures.
Risk Level	High
Status	Old
Follow up	Through our follow up, we noted that the above mentioned observation is still valid during the year 2009.

Observations raised for the year ended 31 December 2009 Ministry of Higher Education

1. Segregation of Duties

Observation	During our visit to the Ministry of Higher Education, we noted that one accountant enters the journal entries, posts them to the ledger and prepares the bank reconciliations.
Recommendation	We recommend that duties be segregated whereby one accountant prepares the reconciliation and another performs the accounting entries for better control procedures over the disbursement process.
Risk Level	Medium
Status	New

2. Fiscal Stamp Duty

Observation	During our visit to the Ministry of Higher Education we noted that the fiscal stamp duty paid by the contractors is less than 2 per thousand.
Recommendation	We recommend compliance with the government contract instructions for the year 2009, where the 2% fiscal stamp fee is applied.
Risk Level	High
Status	New

3. Tender Opening and Analysis Committees

Observation	During our visit to the Ministry of Higher Education we noted that the minutes of the committee meetings are not signed by all members.
Recommendation	We recommend that all members sign the minutes of the committee meetings.
Risk Level	Medium
Status	New

4. Performance Bond

Observation	During our visit to the Ministry of Higher Education we noted that the performance bond submitted by some of the contactors is less than 5%.
Recommendation	We recommend complying with the instructions of government contracts for the year 2009; which requires the 5% to be submitted as a performance bond.
Risk Level	High
Status	New

5. Contracts Identification Numbers

Observation	We noted that Directorate contracts are not given identification numbers.
Recommendation	We recommend establishing a suitable indexing system for contracts where contracts can be placed in order, avoiding any recurrence of contracts to facilitate the follow up and review for better control procedures in order to preserve public funds.
Risk Level	Low
Status	New

6. Ministry's Cadre

Observation	During our review of the Ministry's cadre which was approved by the Ministry of Finance for the year 2009, we noted that the number of employees approved is 209, while the actual number of employees for the year was 421.
Recommendation	We recommend complying with the instructions of the Ministry of Finance in order to preserve public funds.
Risk Level	High
Status	New

7. Suspended Projects

Observation	We noted that the contract for constructing 200 conference rooms was suspended as a result of problems in the execution process; as of our visit in February 2010 no decision was taken regarding this contract, although that the contract was signed in 29/12/2007.
Recommendation	We recommend that necessary decisions and procedures are taken to solve the execution problems.
Risk Level	High
Status	New

8. University's Cadre

Observation	During our review of the University's Cadre, which was approved by the Ministry of Finance for the year 2009, we noted that the number of employees approved is 3442 employees, while the actual number of employees for the year was 4037.
Recommendation	We recommend complying with the instructions of the Ministry of Finance in order to preserve public funds.
Risk Level	High
Status	New

9. Physical Count

Observation	During our review of the reconciliation of the physical count to the books, we noted discrepancies between the records of inventory and the inventory count.
Recommendation	We recommend following up the discrepancies between actual records of inventory and the inventory count for better internal control.
Risk Level	Medium
Status	New

10. Contracts

Observation	During our review of the university contracts we noted that 5 projects were executed on the operational budget instead of the investment plan projects for a cost of IQD 530,746,000.
Recommendation	We recommend complying with the budget instructions for the year 2009.
Risk Level	Medium
Status	New

11. Performance Bond

Observation	During our visit to the University of Sulaimaniyah and the review of a construction contract to build the Medical Hall in the University of Sulaimaniyah, amounting to 18,999,853 U.S. dollars. We noticed that the contract was signed in U.S. dollars and the currency of the letter of guarantee has been calculated in Iraqi dinar and the exchange rate of the dollar, according to central bank bulletin that day was not attached.
Recommendation	We recommend appending to the exchange rate at the conversion date as a further control measures and supervision.
Risk Level	Low
Status	Old
Follow up	Our follow up showed that the observation is still valid during the year 2009.

12. Centralized Contract Files

Observation	Through our visit to the presidency of the University of Sulaimaniyah we noted that there is no central file to file the contracts entered into by the university, the contract files and documentation are distributed between the Directorate and the Directorate of Engineering Services.
Recommendation	We recommend retaining all documents relating to contracts or copies within a single file in order to facilitate follow-up action and more control and oversight procedures.
Risk Level	Medium
Status	Old
Follow up	Our follow up showed that the observation is still valid during the year 2009.

13. Physical Count Committee

Observation	During the review process of the physical count, we noted that the Director of the Department and the inventory custodian are members of the Committee of the physical count committee, This may lead to a lack of independence in the performance.
Recommendation	We recommend that the physical count committee be formed from members independent of the management of stock.
Risk Level	Medium
Status	Old
Follow up	Our follow up showed that the observation is still valid.

14. Tenders Opening and Analyzing Committees

Observation	During our visit to Sulaimaniyah University, we noted that the members of the Tender Opening and Analyzing Committees are not being periodically rotated as required by the budget instructions issued by the Ministry of Finance, which requires rotating the committee members every six months.
Recommendation	We recommend complying with the budget instructions issued by the MOF which require rotating the Committee members every six months for better control procedures and adherence to budget instructions.
Risk Level	Medium
Status	Old
Follow up	Through our follow up of the above mentioned observation, we noted that the members of Opening Committee were rotated during the year 2009, while the Analyzing Committee members remained.

15. Contracts Identification Numbers

Observation	We noted that all contracts of the ministry are not given identification numbers.
Recommendation	We recommend the ministry to develop a proper contracts indexing system that serially arranges all contracts to avoid duplication, and to facilitate follow-up and review processes for better control procedures and better safeguarding of public assets.
Risk Level	Low
Status	Old
Follow up	Through our follow up, we noted that the above mentioned observation is still valid during the year 2009.

16. Performance Bond

Observation	During our visit to Sulaimaniyah University, we noted that the university contracted with a Turkish company and local company for designing and constructing a new university campus for an amount of U.S. \$ 258,946,526. The contract terms did not include the performance bond of 5% of contract value clause, while the terms provided the payment of one million dollars annually and considering the amount as performance bond, however this term was only utilized during the first contractual year.
Recommendation	We recommend that application of contracts' terms should be followed up in addition to periodic evaluation of the contractor's compliance with the contractual terms. We also recommend compliance with Supreme Contracting Committee for better control procedures and safeguarding of university's rights.
Risk Level	Medium
Status	Old
Follow up	Through our follow up, we noted that the above mentioned observation is still valid during the year 2009.

17. Tender Procedures

Observation	We noted that in some cases no public tender procedures were used for contracting with construction contractors. Instead, direct awarding was used to execute contract with contractors.
Recommendation	We recommend the ministry to obtain public tenders instead of direct awarding to increase the chance of obtaining more competitive bids with high quality construction specifications for additional accuracy and control procedures.
Risk Level	High
Status	Old
Follow up	Through our follow up, we noted that the above mentioned observation is still valid during the year 2009.

Observations Raised for the year ended 31 December 2009

Ministry of Agriculture and Water Resources

1. Centralized Contract Files

Observation	We noted that there is no central archive to file the contracts entered into by the Ministry; the contract files and documentation are distributed between the legal department and the accounting department.
Recommendation	We recommend that all documents related to contracts be kept within a single file in order to facilitate follow-up and to improve control and oversight procedures.
Risk Level	Medium
Status	New

2. Announcement of Tenders

Observation	Through our review of contract announcements, we noted that the announcement period for some contracts is less than the period stated in the contract instructions such as the following: <ol style="list-style-type: none">1.Period contracts 15- 60 days.2.Contracting contracts 21- 60 days.
Recommendation	We recommend that the Ministry announces the tenders as per contract instructions for better control procedures on the contracting process.
Risk Level	Low
Status	New

3. Performance Bond

Observation	During our visit to the Ministry and from the sample selected, we noted that the performance bonds submitted were less than 5% of the contract amount.
Recommendation	We recommend complying with the governmental contract procedures for 2009.
Risk Level	High
Status	New

4. Contract to Supply 132 Mobile Detergents

Observation	Through our review of the contract to supply 132 mobile detergents, we noted the following: <ol style="list-style-type: none">1. A delay in the receipt of materials by the Ministry, although the supplier informed the Ministry of the date of receipt to be 4/6/2009 while the Ministry received and inspected the goods on 24/1/2010.2. The Receipt and Inspection Committee inspected the above mentioned materials and found a discrepancy between the goods received and the goods specified in the contract. In addition, an extension of the letter of guarantee was not obtained.
Recommendation	We recommend that the Ministry complies with the terms of the contract.
Risk Level	High
Status	New

5. Penalties

Observation	We noted that some of the contracts were subject to penalties due to delays. These penalties were approved by the Minister but were subsequently cancelled after a certain period without any justification.
Recommendation	We recommend complying with the terms of the contract.
Risk Level	High
Status	New

6. Jombark Irrigation Project Contract

Observation	Through our review of the above mentioned contract, we noted the following: <ol style="list-style-type: none">1. Large time gap between the date of opening/ the bid, and the date/ analysis/ the bid; the bid was opened on 24/11/2008 and was analyzed on 28/09/2009.2. A performance bond was not submitted by the contractor.3. Percentage of completion of the project is low; only 15% of the project was complete at the end of the contracted period in February 2010.
Recommendation	We recommend that the Ministry complies with the contract terms and the instructions on government contracts for 2009.
Risk Level	High
Status	New

7. Tenders Opening and Analyzing Committees

Observation	We noted that the members of the Tender Opening and Analyzing Committees are not being periodically rotated as required by the budget instructions issued by the Ministry of Finance; members are required to be rotated every six months. Some of the members have been on the committees during 2008, 2009 and 2010.
Recommendation	We recommend complying with the budget instructions issued by the Ministry of Finance which require rotating the Committee members every six months for better control procedures and adherence to budget instructions.
Risk Level	High
Status	New

8. Payroll

Observation	We noted that the payroll is prepared manually. This process is time-consuming and may lead to human errors.
Recommendation	We recommend that the payroll system be automated and that all employees' information be stored in a centralized database. This will organize and facilitate the extraction of payroll sheets while increasing accuracy.
Risk Level	Medium
Status	New

9. Salaries Collection

Observation	We noted the following: <ul style="list-style-type: none">- Members of the salaries' disbursement committees at the Ministry's headquarters are not periodically rotated.- Some employees delegate other employees to collect their salaries on their behalf without any authorization or supporting documents available at the Ministry to ensure that the representatives are authorized to collect payments on behalf of other employees.
Recommendation	We recommend that the Ministry rotates the members of the salaries disbursement committees and that the recipient is officially authorized to receive the salary on behalf of an other employee for better internal control procedures.
Risk Level	Medium
Status	New

10. Assets

Observation	We noted that some assets belonging to the Ministry are still held by individuals no longer working at the Ministry.
Recommendation	We recommend the HR department retrieves all company assets that are held by employee that is leaving the Ministry.
Risk Level	Medium
Status	New

Observations Raised for the year ended 31 December 2009 Erbil Governorate

1. Governorate Employees

Observation	Through our review of the Governorate’s employee register, which was approved by the Ministry of Finance for 2009, we noted that the number of permanent employees approved was 69, while the actual number working during the year was 88 employees.
Recommendation	We recommend complying with the Ministry of Finance’s instructions in order to preserve public funds.
Risk Level	Medium
Status	New

2. Reconciliation of Fixed Assets

Observation	We noted that the reconciliation between the actual count and fixed asset register was not performed.
Recommendation	We recommend following up on the differences between actual records of assets and the assets count as a method for internal control over the reconciliation of fixed assets.
Risk Level	Medium
Status	New

3. Salaries

Observation	<p>We noted the following:</p> <ol style="list-style-type: none">1. Salaries are paid before they are reviewed and approved by the Internal Audit department.2. The automated system being used is not protected with a password.3. The Governorate pays the salaries in cash.4. Lack of segregation of duties; the employee who prepares and organizes the salaries to be paid also disburses salaries.5. Some employees delegate other employees to collect their salaries on their behalf without any authorization or supporting documents evidencing that representatives are authorized to collect payments on behalf of other employees.
Recommendation	<p>We recommend the following:</p> <ol style="list-style-type: none">1. Auditing the vouchers before payment.2. Encrypting the automated system with a password to guarantee denial of access from unauthorized personnel.3. Paying salaries via direct bank transfer.4. The person responsible for preparing the salaries must be independent of the person paying the salaries.5. The recipient is officially authorized to receive a salary on behalf of another employee for better internal control procedures.
Risk Level	High
Status	New

4. Overdrawing the Bank Account

Observation	We noted that the bank accounts for the Governorates were overdrawn. For example, account numbers 154 and 85 were both overdrawn with an amount of IQD 838,673,750 and IQD 2,186,426,650 respectively.
Recommendation	We recommend that any excess over budget should be approved by the Minister and the reasons for budget overrun should be properly documented and explained. In addition, budget allocations should be transferred evenly throughout the year and specially for financing the operating expenses in order to ensure the continuous implementation of the budget instructions by the Province.
Risk Level	Medium
Status	New

5. Regional Development Projects

Observation	We noted that amounts were spent from the Regional Development account on items not related to the projects such as the purchase of furniture and bonus payments made to individuals not involved with the project.
Recommendation	We recommend spending money from the regional project development account on projects only related to the regional development projects. Moreover, we recommend implementing the budget instructions.
Risk Level	Medium
Status	New

6. Regional Development Projects

Observation	We noted that excess cash related to certain completed projects deposited in the Governorate’s bank account were spent on other projects, which is not in compliance with the Ministry of Finance’s instructions unless an approval is obtained.
Recommendation	We recommend complying with the Ministry of Finance’s budget instructions.
Risk Level	High
Status	New

7. Announcement of Tenders

Observation	We noted that the announcement period of certain contracts is less than that determined in the contract that is as follows: 1. Supply contracts: 15- 60 days. 2. Contracting contracts: 60- 21days.
Recommendation	We recommend that the Ministry announces the bids in compliance with the predetermined contracting instructions, in order to enhance control procedures on the contracting operation.
Risk Level	Medium
Status	New

8. Procurement Committees

Observation	We noted that the members of the Procurement Committee are not rotated periodically as per budget instructions issued by the Ministry of Finance, which states that the members of the Committee should be rotated every six months.
Recommendation	We recommend complying with the budget instructions issued by the Ministry of Finance which require rotating the Committee members every six months for better control procedures and adherence to budget instructions.
Risk Level	Medium
Status	New

9. Stock Count Committees

Observation	We noted that the Director of the Inventory Department and the inventory custodian are members of the physical count committee; this may lead to lack of independence in the performance.
Recommendation	We recommend that the physical count committee be formed from members independent of the management of stock.
Risk Level	Medium
Status	New

10. Regional Development Projects

Observation	The Governorate contracted some projects that are not part of the Governorate’s development projects plan for 2009 without Ministry of Finance approval and the required allocated funds. Moreover, there were no justifications as to why the projects were contracted without a competitive bid.
Recommendation	We recommend complying with the budget instructions.
Risk Level	High
Status	New

11. Allocations

Observation	The funds allocated to the Erbil Governorate for the regional development projects for 2009, amounted to IQD 117 billion of which IQD 63 billion was actually funded by the Ministry of Finance till 31/1/2010 against contractual obligations approved by the Governorate. Projects directly executed on behalf of the Governorate reached more than IQD 162 billion.
Recommendation	We recommend not entering into contracts that exceed the allocations assigned to the Governorates to avoid legal problems.
Risk Level	High
Status	New

Observations Raised for the year ended 31 December 2009

Ministry of Labor and Social Affairs

1. Payroll

Observation	We noted that the payroll is prepared manually. This process is laborious and time-consuming and may lead to human errors.
Recommendation	We recommend automating the payroll system and completing the employees' database with all relevant information. This will organize and facilitate the extraction of payroll sheets and will increase accuracy.
Risk Level	Medium
Status	New

2. Centralized Ministry Contract Files

Observation	We noted that the supporting documents for contracts at the Ministry are not maintained in an organized manner; the contract files and documentation are distributed between the Investment Plan Department, Execution Department and the Planning Department. This leads to difficulties in following up on some contracts and obtaining related supporting documents.
Recommendation	We recommend maintaining sufficient supporting documents related to contracts or copies within a centralized contract file in order to facilitate the review process and set better control procedures.
Risk Level	Medium
Status	New

3. Performance Bond

Observation	We noted that the performance bond submitted by the contractors for some contracts is less than 5% of the contract amount. For example, the contract to build a facility for vocational training in Soran.
Recommendation	We recommend complying with the instructions of government contracts; which requires the 5% of the contract value to be submitted as a performance bond.
Risk Level	High
Status	New

4. Numbering the Contracts

Observation	We noted that contracts of the Ministry are not given identification numbers.
Recommendation	We recommend that the Ministry develops a proper contract indexing system that sequentially arranges all contracts to avoid duplication, and facilitate the follow-up and review processes for better control procedures and better safeguarding of public assets.
Risk Level	Low
Status	New

5. Bank Reconciliation for the Investment Plan

Observation	A bank reconciliation for the investment plan has not been prepared.
Recommendation	We recommend preparing bank reconciliations regularly and following up on reconciling items. We also recommend that these reconciliations be reviewed by an independent employee in the accounting division.
Risk Level	High
Status	New

Observations Raised for the year ended 31 December 2009

Ministry of Youth and Culture

1. Stamp Duty

Observation	We noted that the stamp duty provided by the suppliers is less than 2 per thousand. For example, the contract for the construction of a youth center in Erbil, Haris and Mirka.
Recommendation	We recommend complying with the instructions of government contracts for 2009, which include committing to the 2 per thousand stamp duty.
Risk Level	High
Status	New

2. Disbursement of Salaries

Observation	We noted that some employees delegated other employees to collect their salaries on their behalf without any authorization or supporting documents available at the Ministry.
Recommendation	We recommend that the recipients are formally authorized to receive the salary on behalf of another employee. We also recommend obtaining the signature of employee on the payroll sheet after receiving the cash, and we also recommend that the Ministry implements payment of salaries through direct bank transfer to the employees' accounts for better control procedures over payments.
Risk Level	Medium
Status	New

3. Bank Reconciliations

Observation	We noted that the last reconciliation performed was for the month of August 2009.
Recommendation	We recommend preparing bank reconciliations on a periodic basic for better control procedures.
Risk Level	Medium
Status	New

Observations Raised for the year ended 31 December 2009

Ministry of Trade and Industry

1. Ministry Employees

Observation	We noted that the approved number of employees is 30 employees, while the actual number of employees for the year was 45 with respect to the 1 st , 2 nd , 4 th and 7 th employment degree.
Recommendation	We recommend complying with the Ministry of Finance instructions in order to preserve public funds.
Risk Level	Medium
Status	New

2. Payment Vouchers

Observation	We noted that some of the vouchers lacked stamps and signatures by the accountant and internal audit department.
Recommendation	We recommend that the accountant and auditor review, stamp and sign the payment vouchers for better control procedures.
Risk Level	Medium
Status	New

3. Salaries

Observation	During our review of the salary disbursement process, we noted the following: <ul style="list-style-type: none">- Members of the salaries disbursement committees at the Ministry’s headquarters are not periodically rotated.- Some employees delegated other employees to collect their salaries on their behalf without any authorization or supporting documents available at the Ministry to ensure that the representatives are authorized to collect salaries on behalf of other employees.
Recommendation	We recommend that the Ministry rotates the members of the salaries’ disbursement committees and that the recipient is officially authorized to receive a salary on behalf of another employee for better internal control procedures.
Risk Level	Medium
Status	New

4. Contract to Supply Marble and Granite

Observation	We noted that the contract to supply a granite processing plant signed in March 2005, was awarded to an Italian Company in the amount of Euros 9,622,765, was as at the date of our visit in February 2010, still had not been executed. We also noted that 10% of the contract amount was paid to the company although the company had not presented a bank guarantee and a performance bond.
Recommendation	We recommend complying with the instructions of government contracts.
Risk Level	High
Status	New

Observations Raised for the year ended 31 December 2009

Ministry of Justice

1. Checks Overdue More Than Six Months

Observation	Overdue checks were found in the bank reconciliation reports with maturities exceeding 6 months.
Recommendation	We recommend following up on all reconciling items. As for checks with maturities exceeding 6 months, we recommend that they be cancelled and that the accounting records be adjusted accordingly.
Risk Level	Medium
Status	New

2. Salaries

Observation	<p>During our review of the salary disbursement process, we noted the following:</p> <ul style="list-style-type: none">- The members of the salaries' disbursement committees at the Ministry headquarters are not periodically rotated.- Some employees delegated other employees to collect their salaries on their behalf without any authorization or supporting documents available at the Ministry.- The payroll is prepared manually. This process is laborious and time-consuming and may lead to human errors.
Recommendation	<p>We recommend that the Ministry rotates the members of the salaries disbursement committees and that the recipients are officially authorized to receive the salary on behalf of another employee for better internal control procedures. We also recommend automating the payroll system and completing the employees' database with all relevant information. This will organize and facilitate the extraction of payroll sheets and will increase accuracy.</p>
Risk Level	Medium
Status	New

3. Physical Count Committees

Observation	We noted that the Director of the Inventory Department and the inventory custodian are members of the physical count committee. This may lead to a lack of independence in the performance.
Recommendation	We recommend that the physical count committee be formed of individuals independent of the stock management process.
Risk Level	Medium
Status	New

4. Payment Vouchers

Observation	We noted that some of the vouchers lacked stamps and signatures by the accountant and Internal Audit Department.
Recommendation	We recommend that the accountant and auditor review, stamp and sign the payment vouchers for better control procedures.
Risk Level	Medium
Status	New

5. The Directorates

Observation	We noted that a Ministry representative was not present at the tender opening and analysis.
Recommendation	We recommend complying with the instructions of governmental contracts.
Risk Level	Medium
Status	New

Observations Raised for the year ended 31 December 2009

Ministry of Education

1. Disbursement of Salaries

Observation	We noted that some employees delegated other employees to collect their salaries on their behalf without any authorization or supporting documents available at the Ministry.
Recommendation	We recommend that the recipients are formally authorized to receive the salary on behalf of another employee. We also recommend obtaining the signature of employee on the payroll sheet after receiving the cash, and we also recommend that the Ministry implements payment of salaries through direct bank transfer to the employees' accounts for better control procedures over payments.
Risk Level	Medium
Status	New

2. Performance Bond

Observation	We noted that the performance bond submitted by some contractors is less than 5% of the contract amount.
Recommendation	We recommend complying with the instructions of governmental contracts for the year 2009.
Risk Level	High
Status	New

Observations Raised for the year ended 31 December 2009 Ministry of Health

1. Bank Reconciliations

Observation	We noted that bank reconciliations for all 6 Ministry bank accounts were not prepared.
Recommendation	We recommend preparing bank reconciliations regularly and following up on reconciling items. We also recommend that these reconciliations be reviewed by an independent employee in the accounting division.
Risk Level	High
Status	New

2. Payroll

Observation	We noted that the payroll is prepared manually. This process is laborious and time-consuming and may lead to human errors.
Recommendation	We recommend automating the payroll system and completing the employees' database with all relevant information. This will organize and facilitate the extraction of payroll sheets and will increase accuracy.
Risk Level	Medium
Status	New

3. Procurement Committees

Observation	We noted that members of the procurement committee are not periodically rotated as required by the budget instructions issued by the Ministry of Finance; committee members should be rotated every six months.
Recommendation	We recommend implementing the budget instructions issued by the Ministry of Finance which state that the members of the committees should be rotated every six months.
Risk Level	Medium
Status	New

4. Contract Indexing

Observation	We noted that all Ministry contracts are not given identification numbers.
Recommendation	We recommend establishing a suitable indexing system for contracts where contracts can be placed in order, avoiding any recurrence of contracts to facilitate the follow up and review and to add control procedures.
Risk Level	Low
Status	New

5. Exceeding the Budget

Observation	We noted that the Ministry spent an amount of IQD 2,356,376,850 on staff salaries, while the amount allocated and approved by the Ministry of Finance was IQD 2,187,000,000. The excess amount spent was not approved by the Ministry of Finance.
Recommendation	We recommend adherence to the budget. In case it is necessary to exceed the budget, approval from the concerned authorities is required.
Risk Level	High
Status	New

6. Contracting Procedures

Observation	<p>We noted cases of non-compliance with contracting procedures. Contracts were awarded without obtaining competitive offers and without documenting proper justification.</p> <p>Examples of such contracts are the following:</p> <ul style="list-style-type: none">A contract to build a health center.A contract to supply body temperature gauges for travelers.A contract with the company Santil for the maintenance of medical equipment.A contract with the International Resources Company to supply laboratory equipment.
Recommendation	<p>We recommend that the Ministry complies with the purchasing procedures agreed upon in the annual budget issued by the Ministry of Finance.</p>
Risk Level	<p>High</p>
Status	<p>New</p>

7. Contract to Complete the Construction of the Birmam Hospital

Observation	We noted that the contract was signed in 2005 with "Dar Al Attoba" company for an amount of USD 7 million. The Ministry paid the whole amount to the company before the contracts' execution, and the contractor failed to perform the work. The company was subsequently awarded another contract for the same project in the amount of USD 11 million.
Recommendation	We recommend complying with the instructions of governmental contracts in order to avoid additional expenses and preserve public funds.
Risk Level	High
Status	New

Observations Raised for the year ended 31 December 2009 Ministry of Transportation

1. Physical Count Committee

Observation	We noted that the Director of the Department and the inventory custodian are members of the physical count committee. This may lead to lack of independence in the performance.
Recommendation	We recommend that the physical count committee be formed of members independent of the stock management process.
Risk Level	Medium
Status	New

2. Payment Vouchers

Observation	We noted that some of the vouchers lacked stamps and signatures from the accountant and internal audit department.
Recommendation	We recommend that the accountant and auditor review, stamp and sign the payment vouchers for better control procedures.
Risk Level	Medium
Status	New

3. Ministry Employees

Observation	We noted that the number of permanent employees approved by the Ministry of Finance was 16, while the actual number of employees working during the year was 24.
Recommendation	We recommend complying with the Ministry of Finance instructions in order to preserve public funds.
Risk Level	Medium
Status	New

4. Network Expansion Contract

Observation	We noted that some of the irregularities related to the contract signed with Dalia Sat Co. for the amount of USD 12,998,914 were as follows: <ol style="list-style-type: none">1.Performance bond submitted is less than 5% of the contract value.2.Fiscal stamp duty is less than 2 per thousand.3.The contract value was increased by USD 1,709,402 without obtaining the Ministry of Finance’s approval.4.The contract was awarded through direct invitation without obtaining competitive offers.
Recommendation	We recommend complying with the instructions for awarding governmental contracts.
Risk Level	High
Status	New

5. EI Contract

Observation	We noted that some of the irregularities related to the contract signed with Dalia Sat Co. valued at IQD 211,985,500 were as follows: 1.Performance bond submitted is less than 5% of the contract value. 2.Fiscal stamp duty is less than 2 per thousand. 3.The contract was awarded through direct invitation without obtaining competitive offers.
Recommendation	We recommend complying with the instructions of governmental contracts.
Risk Level	High
Status	New

Observations Raised for the year ended 31 December 2009 Ministry of Endowment and Religious Affairs

1. Disbursement of Salaries

Observation	We noted that some employees delegated other employees to collect their salaries on their behalf without any authorization or supporting documents available at the Ministry.
Recommendation	We recommend that the recipient be formally authorized to receive the salary on behalf of other employees. We also recommend obtaining the signature of the employee on the payroll sheet after receiving the cash, and that the Ministry implements payment through direct bank transfer to the employees' accounts for better control procedures over payments.
Risk Level	Medium
Status	New

2. Ministry Employees

Observation	We noted that the number of permanent employees approved amounted to 455, while the actual number of employees on the Ministry’s payroll during the year was 563.
Recommendation	We recommend complying with the Ministry of Finance’s instructions in order to preserve public funds.
Risk Level	Medium
Status	New

3. Qualifications of the Workforce

Observation	We noted that 15 participants hold degrees that do not fit the job description for the job title.
Recommendation	We recommend considering and adopting job descriptions which specify requisite qualifications when making appointments to ensure that the Ministry employs staff with appropriate qualifications.
Risk Level	Medium
Status	New

4. Contract Indexing

Observation	We noted that all Ministry contracts are not given identification numbers.
Recommendation	We recommend establishing a suitable indexing system for contracts where contracts can be placed in sequence, avoiding any recurrence of contracts to facilitate the follow up and review and to add control procedures.
Risk Level	Low
Status	New

5. Centralized Ministry Files

Observation	We noted that the supporting documents for contracts at the Ministry are not maintained in an organized manner. The contract files and documentation are distributed between the Investment Plan Department, Execution Department and the Planning Department. This leads to difficulties following up of some contracts and obtaining related supporting documents.
Recommendation	We recommend maintaining sufficient supporting documents related to contracts or copies within a centralized contract file in order to facilitate the review process and for better control procedures.
Risk Level	Medium
Status	New

Our Observations for the year ended 31 December 2009
Ministry of Defense (Al Peshmerga)

1. Ministry of Defense Funding

Observation	During our visit to the Ministry, we noted that the Ministry's funding was from funds allocated to the region in the form of advances amounting to IQD 293,140,716,250 for the year 2009.
Recommendation	We recommend complying with instructions of the federal budget of 2009.
Risk Level	High
Status	New

Observations for the year ended 31 December 2009

Ministry of Planning

1. Disbursement of Salaries

Observation	We noted that some employees delegated other employees to collect their salaries on their behalf without any authorization or supporting documents available at the Ministry to ensure that the representatives are authorized to collect salary payments on behalf of other employees.
Recommendation	We recommend that the recipient is formally authorized to receive the salary on behalf of another employee. We also recommend obtaining the signature of employee on the payroll sheet after receiving the cash, and we also recommend that the Ministry implements payment of salaries through direct bank transfer to the employees' accounts for better control procedures over payments.
Risk Level	Medium
Status	New

2. Contract to Build 3 Training Facilities

Observation	We noted that the Ministry paid IQD 178,520,000 to the contractor even though the performance bond was no longer valid.
Recommendation	We recommend complying with the instructions of government contracts for 2009.
Risk Level	Medium
Status	New

Observations for the year ended 31 December 2009

Ministry of Martyrs and Anfal Affairs

1. Contract to Build 2 Facilities in Barzan

Observation	We noted the following irregularities concerning the contract signed with the company Kulita for the amount of IQD 285,614,500: 1.Amount of performance bond was less than 5%. 2.Fiscal stamp fee is less than 2 per thousand. 3.The letter of guarantee is issued in the name of a person not representing the company.
Recommendation	We recommend complying with the instructions for government contracts for 2009.
Risk Level	High
Status	New

2. Contract to Erect a Monument of a Memorial to the Martyrs of the Region

Observation	<p>Through our review of the above mentioned contract we noted the following:</p> <ol style="list-style-type: none">1.No contract number.2.The contractor’s address and account number were not stated in the contract.3.The failure to mention the site of delivery of the monument, whether in Erbil or in Iran (monument’s location of production) led to delays in delivery of the monument due to a dispute between the parties over the place of delivery.4.The contract does not state which party bears the expenses related to visiting the monument’s production site in Iran by the committee formed.5.Mr. Ali Mohammad Kader was appointed as an intermediary between the Ministry of Martyrs and Anfal Affairs, the first party, and Hadi Jamil Dayyaa Al Din, the second party, to follow up on pending issues between both parties without any authorization or proxy or anything to support this.6.The contract was signed with a person and not a company; we did not find anything that support’s this person's technical capabilities and membership to the Artists Union.7.The location of the monument’s erection was not specified, which reflects an absence of advanced planning and study.8.The Ministry of Finance did not approve the above mentioned project even though money from the operating budget was spent on the project.9.No letter of guarantee stating to deduct 5% from the contract.
Recommendation	<p>We recommend complying with the instructions of government contracts for 2009.</p>
Risk Level	<p>High</p>
Status	<p>New</p>

Observations for the year ended 31 December 2009

Ministry of Natural Resources

1. Disbursement of Salaries

Observation	We noted that some employees delegated other employees to collect their salaries on their behalf without any authorization or supporting documents.
Recommendation	We recommend that the recipient be formally authorized to receive the salary on behalf of other employees. We also recommend obtaining the signature of employee on the payroll sheet after receiving the cash, and we also recommend that the Ministry implements payment of salaries through direct bank transfer to the employees' accounts for better control procedures over payments.
Risk Level	Medium
Status	New

2. Reconciliation of Fixed Assets

Observation	We noted that a reconciliation between the actual count and fixed asset register is not being performed.
Recommendation	We recommend that the Ministry reconciles the actual fixed asset count to the fixed asset register in order to implement proper control over the fixed assets.
Risk Level	Medium
Status	New

Observations for the year ended 31 December 2009

Ministry of Interior

1. Bank Reconciliations

Observation	We noted that account numbers 2145 and 173 lack stamps and signatures from the accountant and Internal Audit Department.
Recommendation	We recommend that the accountant and auditor review, stamp, and sign the bank reconciliations for better control procedures.
Risk Level	Medium
Status	New

2. Salaries

Observation	<p>We noted the following:</p> <p>Lack of segregation of duties; the employee who prepares the payroll, also distributes the salaries.</p> <p>Some employees delegated other employees to collect their salaries on their behalf without any authorization or supporting documents available at the Ministry.</p> <p>The payroll is prepared manually. This process is laborious and time-consuming and may lead to human errors.</p>
Recommendation	<p>We recommend that the person responsible for preparing payroll must be independent of the person paying the salaries. We also recommend that the recipient be officially authorized to receive a salary on behalf of other employees for better internal control procedures. We recommend the automation of the payroll system and the completion of employees database with all relevant information. This will organize and facilitate the extraction of payroll sheets and will increase accuracy.</p>
Risk Level	Medium
Status	New

3. Allocations Register

Observation	We noted that the Ministry does not maintain a register that lists the amounts allocated and funded, and does not carry out the procedure of reconciling the amounts financed by the Ministry of Finance.
Recommendation	We recommend that the Ministry maintains a record of the amounts allocated and funded as evidence, and reconciling the amounts funded by the Ministry of Finance on a regular basis and agreeing the amounts to the records.
Risk Level	Medium
Status	New

4. Contract to Build the Police Academy

Observation	We noted the following irregularities regarding the contract signed with Tekris Co. in the amount of USD 5 million: <ol style="list-style-type: none">1.Lack of Ministry of Finance’s approval prior to assigning the project and signing the contract.2.The form of the contract signed with the company violates the government contract instructions.3.The company did not submit a performance bond.4.Payment vouchers lack stamps and signatures from the accountant and Internal Audit Department.5.The company did not adhere to the initiation date of work as stated in one of the terms of the contract.
Recommendation	We recommend complying with the instructions of government contracts for 2009.
Risk Level	High
Status	New

Observations for the year ended 31 December 2009 Dahuk Governorate

1. Bank Reconciliations

Observation	We noted that bank reconciliations for account numbers 27725 and 277774 were not performed.
Recommendation	We recommend preparing bank reconciliations regularly and following up on reconciling items, and that these reconciliations be reviewed by an independent employee in the accounting division.
Risk Level	High
Status	New

Dahuk Governorate
2. Assets Register

Observation	We noted that the Directorate does not maintain a register of the Ministry’s fixed assets. The absence of such a register and the failure to regularly update additions and disposals of fixed assets creates difficulties in following up on the movement of fixed assets.
Recommendation	We recommend that the Directorate maintains a fixed asset register that includes a tag number, purchase date, description, cost, depreciation and book value. We also recommend the performance of fixed assets counts and reconciling the results to the ledger on a periodic basis to prevent the miss use of assets.
Risk Level	High
Status	New

3. Disbursement of Salaries

Observation	We noted that some employees delegated other employees to collect their salaries on their behalf without any authorization or supporting documents available at the Ministry.
Recommendation	We recommend that the recipient be formally authorized to receive the salary on behalf of other employees. We also recommend obtaining the signature of employee on the payroll sheet after receiving the cash, and we also recommend that the Ministry implements payment of salaries through direct bank transfer to the employees' accounts for better control procedures over payments.
Risk Level	Medium
Status	New

4. Governorate Employees

Observation	We noted that the number of permanent employees approved was 30, while the actual number of employees working during the year was 49 with respect to the second, fourth and fifth job degrees.
Recommendation	We recommend complying with the Ministry of Finance instructions in order to preserve public funds.
Risk Level	Medium
Status	New

5. Qualifications of the Workforce

Observation	We noted that 3 associates within the Governorate hold elementary degrees that do not fit the title of the first job degree.
Recommendation	We recommend considering and adopting job descriptions which specify qualifications required when making appointments.
Risk Level	Medium
Status	New

6. Analyzing Committees

Observation	We noted that the contracts were awarded to companies that submitted higher bids.
Recommendation	We recommend adhering to government contract instructions in terms of analysis of tenders and the inclusion of results of the analysis in the contract file.
Risk Level	Medium
Status	New

7. Contract Form

Observation	We noted that some contracts did not include the date of the contract despite the fact that the date in the contract is a legal requirement of a contract.
Recommendation	We recommend complying with instructions of government contracts.
Risk Level	Medium
Status	New

8. Waste Treatment Plant Contract

Observation	We noted the following irregularities related to the contract signed with the engineering company Fosank: <ol style="list-style-type: none">1.Date of commencement of work is prior to the date of the contract.2.The contract is a direct award.3.The letter of guarantee was issued after signing the contract.4.There is a difference between the percentage of technical completion at 12% and the percentage of payment at 45%.
Recommendation	We recommend complying with instructions of government contracts.
Risk Level	High
Status	New

Observations for the year ended 31 December 2009 Sulaimaniyah Governorate

Sulaimaniyah Governorate
1. Physical Count Committee

Observation	We noted that the Director of the Inventory Department and the inventory custodian are members of the Committee of the physical count committee. This may lead to a lack of independence in the performance.
Recommendation	We recommend that the physical count committee be formed from members independent of the management of stock.
Risk Level	Medium
Status	New

2. Qualifications of the Workforce

Observation	We noted that 2 associates within the Governorate hold elementary degrees that do not fit the title of the first job degree.
Recommendation	We recommend considering and adopting job descriptions which specify qualifications required when making appointments.
Risk Level	Medium
Status	New

3. Advances Accounts

Observation	We noted that an advance was made to an employee named Fouad Saleh Rida in the amount of IQD 50 million although he had quit his job.
Recommendation	We recommend following up on the issue and retrieving the funds in order to preserve public funds.
Risk Level	High
Status	New

4. Trial Balance

Observation	We noted that the revenues' balance shown in the trial balance was not being reconciled to the records for the first three months of the year.
Recommendation	We recommend following up the differences and working on their resolution.
Risk Level	High
Status	New

5. Governorate Employees

Observation	We noted that the approved number of permanent employees was 465, while the actual number working during the year was 559 employees.
Recommendation	We recommend complying with the Ministry of Finance’s instructions in order to preserve public funds.
Risk Level	Medium
Status	New

Sulaimaniyah Governorate
6. Overdrawn Bank Account

Observation	We noted that the bank accounts for the Governorates were overdrawn. For example, account number 16721 was overdrawn in the amount of IQD 910,916,349.
Recommendation	We recommend that any excess over budget should be approved by the Minister and the reasons for the excess should be properly documented and explained. In addition, budget allocations should be transferred evenly through out the year for financing the operating expenses in order to ensure the continuous implementation of the budget by the Ministry within the limits and rules.
Risk Level	Medium
Status	New

Sulaimaniyah Governorate
7. Contract to Build a Park

Observation	We noted that the contract to build a park was signed on 25 September 2009, as of the date of our visit in February 2010, work had not commenced due to a conflict between the Governorate and the municipality regarding the allocation of land.
Recommendation	We recommend planning in advance before signing contracts.
Risk Level	Medium
Status	New

8. Performance Bond

Observation	We noted that some of the contractors have not renewed the performance bond on contracts such as the contract to build the Sulaymaniyah Museum.
Recommendation	We recommend that the Directorate requests from the contractors to renew the performance bond when it expires.
Risk Level	Medium
Status	New

9. Projects

Observation	We noted that expenses were paid without the Ministry of Finance’s approval, such as expenses related to the project to build a sports stadium and the project to tile Shorsh street.
Recommendation	We recommend complying with the Ministry of Finance’s instructions.
Risk Level	High
Status	New

10. Expenses

Observation	Through our review of expenses schedules for 2009 related to the investment plan project, we noted that amounts paid from these projects were not related to these projects.
Recommendation	We recommend adhering to the budget instructions.
Risk Level	Medium
Status	New

11. Payroll

<p>Observation</p>	<p>We noted the following:</p> <ul style="list-style-type: none"> •The members of the salaries disbursement committees at the Ministry headquarters are not periodically rotated. •Some employees delegated other employees to collect their salaries on their behalf without any authorization or supporting documents available at the Ministry. •The payroll is prepared manually. This process is laborious and time-consuming and may lead to human errors. •Lack of segregation of duties as the employee who prepares and organizes the salaries to be paid, also distributes the salaries.
<p>Recommendation</p>	<p>We recommend periodically rotating the members of the Salaries Disbursement Committees and recommend that the recipient is officially authorized to collect payments on other employees behalf. We recommend the automation of the payroll system and the completion of employees database with all relevant information. This will organize and facilitate the extraction of payroll sheets and will increase accuracy and that the person responsible for preparing the salaries must be independent of the person paying the salaries.</p>
<p>Risk Level</p>	<p>High</p>
<p>Status</p>	<p>New</p>

12. Regional Development Projects

Observation	We noted that the commencement dates on some of the projects reviewed precede the tender dates on the projects. For example, the tender date for project number 2008699 is 15 May 2009, while the commencement date is 11 April 2009, and the tender date for project number 0091807 is 24 November 2009 while the commencement date is 14 October 2009.
Recommendation	We recommend adhering to the contract procedures to ensure transparency.
Risk Level	Medium
Status	New

13. Financial and Accounting Records

Observation	Through our review of the budget’s daily register in the Governorate it appeared to us: 1.That the register lacks stamps and signatures from the accountant and Internal Audit Department. 2.The use of correction liquid.
Recommendation	We recommend that the accountant and internal auditor review, approve and stamp the daily register as we also recommend not using correction liquid. We also recommend using adjusting entries to correct any adjustments.
Risk Level	Medium
Status	New

14. Projects

Observation	Through our review of the projects executed by the Engineering Department of the Governorate we noted that the amounts allocated to the projects is less than the assigned amount. For example, IQD 130,602,533,135 is allocated to project 170, while the assigned amount is IQD 173,407,582,603.
Recommendation	We recommend adhering to the budget instructions for 2009.
Risk Level	High
Status	New

15. Regional Development Projects

Observation	During our review of a sample of the regional development projects, we noted that the projects of some contracts were extended, exceeding the period agreed upon in the contract. The extensions were granted without any justification. Such examples were noted on project number 2008754, where the working period was 30 days, while the extended period was 101 days. For example project number 2008754 has a work period of 30 days while the extended period is 101 days.
Recommendation	We recommend adhering to the specified period in the contract to ensure speed and efficiency in the implementation as planned.
Risk Level	Medium
Status	New