

# International Advisory and Monitoring Board

## **Minutes of the meeting held at the United Nations Office at Geneva (UNOG), in Geneva, Switzerland on 06-07 January, 2011.**

The following members of the IAMB were present:

Arab Fund for Economic and Social Development: Dr. Khalifa Ali Dau, Senior Financial Advisor

International Monetary Fund: Mr. Chris Hemus, Assistant Director, Finance Department

United Nations: Mr. Jun Yamazaki, Assistant Secretary-General, Controller Government of Iraq: Mr. Adel Al Hasson, Representative to IAMB and expert in COFE

Also in attendance were the following:

### **International Monetary Fund:**

Ms. Mary Hoare, Officer, IMF Finance Department

### **United Nations:**

Mr. Genc Osmani, Programme Management Officer

### **World Bank:**

Ms. Caroline Harper, Lead Operations Officer

### **Government of Iraq:**

Mr. Ezzuldin Mohammed Al Bahrani, Alternate Member

### **Committee of Financial Experts (COFE):**

Dr. Abdul Basit Turkey Saed, President, the Board of Supreme Audit (BSA) and head of COFE

Mr. Aras Mohammed Saeed

Ms. Ghaida'a Al- Qadi

Ms. Layla Mohsin Al Asadi

Mr. Naeem Touma Khudhair

Mrs. Lamy'a Sheet Iskandar

Mr. Khalid Al Ameri

### **Invitee from the United States Department of State:**

Mr. Joshua Volz

### **Invitees from the United States Office of the Special Inspector General for Iraq Reconstruction (SIGIR):**

Ms. Ginger Cruz

Mr. L Michael Welsh

Mr. Mohamed Elzein

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1. The meeting was chaired by the host, Mr. Jun Yamazaki.
2. The agenda for the meeting was unanimously adopted.
3. The United Nations Representative briefed the IAMB on the third briefing to the UN Security Council by the UN Secretary General and by the Government of Iraq pursuant to UNSCR 1905 (2009). The quarterly reports were submitted on time to the UN Security Council and the briefings were held on November 10, 2010. Both reports are posted on the IAMB website ([www.iamb.info](http://www.iamb.info)) and the COFE website ([www.cofe-iq.net](http://www.cofe-iq.net)).
4. The IAMB noted that the UN Security Council Resolution UNSCR 1956 (2010) extended the IAMB mandate for a final time through June 2011 and that the UN Security Council requested the Government of Iraq to provide a written report to the UN Security Council on progress towards transition to a post-DFI mechanism by May 1, 2011

## **External Audit of the DFI**

5. The external audit firm for 2010, PricewaterhouseCoopers (PwC) , briefed the IAMB on progress on the 2010 audit of the DFI. With the extension of the IAMB mandate, the finalization of the 2010 audit of the DFI will now take place under the oversight of the IAMB. Audit work is progressing on schedule and visits to spending ministries have commenced. A summary of the briefing is available on the IAMB website ([www.iamb.info](http://www.iamb.info)).
6. PwC expects to complete audit fieldwork by end-March and will brief the IAMB at its next meeting on the results of their work, including draft reports. The IAMB requested PwC, in coordination with the Government of Iraq, to expeditiously finalize the audit reports soon thereafter.
7. PwC informed the IAMB that they met with the Ministry of Oil Technical Department/Metering Division to discuss PwC's earlier assessment report issued on the Comprehensive Oil Metering Plan and that the Ministry of Oil agreed with the steps that PwC identified in order to fully implement the Ministry of Oil's schedule through the end of 2011.
8. The IAMB encouraged the Government of Iraq to make every effort to implement the metering plan on schedule and address the further steps recommended by PwC.
9. At the request of the IAMB, PwC will follow-up on the implementation of their earlier recommendations and provide a briefing at the next IAMB meeting, including an updated assessment of the installation of oil meters and whether meters are being utilized as intended.
10. As a follow up on the issue that was discussed at the last IAMB meeting relating to the external auditors note in the financial statements stating that net proceeds from some

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export sales of petroleum products and natural gas are not being deposited in the Oil Proceeds Receipts Account (OPRA) and consequently to the DFI as required by UNSCR 1483 (2003), on 5 November 2010 the UN Controller send a letter to PwC seeking clarification on this long outstanding issue. A copy of the letter is posted on the IAMB website.

11. In its response letter dated 23 December 2010 to the UN Controller (a copy of the letter is posted on the IAMB website), PwC confirmed that the Oil Marketing Company (SOMO) provided additional information which helped clarify the issue on the cash export sales. During the IAMB meeting PwC confirmed that there were no cash export sales that were not being deposited into the Oil Proceeds Receipt Account as of 1 January 2010 and that the opinion modification on this issue will be removed from the interim review report to June 30, 2010 upon final issuance. In addition, the applicable disclosure in the footnotes to the financial statements will be updated accordingly.

## **Briefing by the Special Inspector General for Iraq Reconstruction (SIGIR)**

12. Staff from the Special Inspector General for Iraq Reconstruction (SIGIR) briefed the IAMB on the follow-up of recent reports of relevance to the DFI. As noted previously by the IAMB, the July 2010 SIGIR audit report on the US Department of Defense's (DoD) accounting for DFI funds concluded that weaknesses in DoD financial and management controls left it unable to properly account for \$8.7 billion of the \$9.1 billion in DFI funds it received for reconstruction activities in Iraq.
13. The IAMB took note of a letter from the DoD to COFE, dated December 28, 2010. A copy of the letter has been posted on the COFE website. The IAMB noted that COFE would write to the DoD to seek further clarification on the DoD review of spending associated with the DFI.
14. The IAMB expressed regret that a DoD representative was not able to attend the IAMB meeting and resolved to extend a further invitation for the DoD to send a representative to the next IAMB meeting in order to clarify the DoD's response to SIGIR's report.

## **Report of the Committee of Financial Experts (COFE)**

15. The IAMB was briefed by COFE on further actions taken to enhance the transparency and accountability of the DFI, taking into account the earlier external audit findings. The COFE briefing is posted on the IAMB and COFE websites.
16. COFE continues to meet monthly, and, in conjunction with the Board of Supreme Audit, performs much of the detailed follow-up and investigation of recommendations contained in the IAMB commissioned independent audit reports. COFE continues to report to the IAMB every two months on progress on a range of matters and these reports are posted on the IAMB website.
17. The COFE report on the status of the 2009 external audit recommendations has been submitted to the Council of Ministers and, upon approval, will be published on the

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COFE website. The IAMB again encouraged COFE to follow-up with the ministry of finance to recommence provision of monthly summaries of DFI inflows and outflows.

18. COFE briefed the IAMB on its activities and progress in achieving the action plan to implement successor arrangements during 2010.
19. The IAMB was briefed by COFE on successor arrangements for the DFI and the COFE work plan for 2011.
20. COFE will oversee the DFI successor arrangements to ensure all requirements are met by June 30, 2011. A major focus of the COFE work will be the oversight of oil metering to ensure the timely installation in line with the ministry of oil plan. COFE will also continue to follow up on the further development of administrative and financial systems.
21. COFE will commence the process for the selection and appointment of a reputable and international external audit firm for the 2011 DFI audit. The IAMB will be approving the selection process of the external auditors for the 2011 DFI audit, but the IAMB's successor body would oversee the completion of this audit.

## **Other Matters**

22. The IAMB discussed arrangements for a final report on the operations of the IAMB since its establishment in 2003. The next meeting of the IAMB, together with COFE, is scheduled for late April 2011. The final meeting of the IAMB is scheduled for late June 2011, at which time the final report will be issued and a press briefing will be held. COFE will continue to meet separately in the interim.

## **Press Release**

23. The members agreed to issue a press release highlighting the results of this meeting and to post the press release on the IAMB website.

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