

# International Advisory and Monitoring Board

Minutes of the meeting held at the Offices of the Arab Fund for Economic and Social Development, Kuwait City, Kuwait on 12 and 13 May 2008.

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. Bert E. Keuppens, Director of Internal  
Audit

Government of Iraq: Adviser, Ministry of Finance

United Nations: Mr. Warren Sach, Assistant Secretary-General and  
Controller

World Bank: Mr. Fayezul Choudhury, Vice-President and Controller

Also in attendance were the following:

International Monetary Fund:

Mr. Chris Hemus, Alternate Member

Ms. Mary Hoare, Officer, IMF Finance Department

United Nations:

Mr. Moses Bamuwamye, Financial Management Officer

World Bank:

Ms. Caroline Harper, Lead Operations Officer

Government of Iraq:

Alternate Member, Chartered Accountant/Auditor

Committee of Financial Experts (COFE)

Members of COFE and representatives of the Board of Supreme  
Audit (BSA)

Invitee from the United States Department of State

Mr. Matthew Amitrano

1. The meeting was chaired by the host, Dr. Dau.

# International Advisory and Monitoring Board

2. The agenda for the meeting was unanimously adopted in the executive session..

## **2007 External Audit of the DFI**

3. The IAMB received a presentation on the draft audit report of the Development Fund for Iraq (DFI) by Ernst & Young. This presentation, which covered the audit period 1 January – 31 December 2007 is posted on the IAMB website ([www.iamb.info](http://www.iamb.info)).
4. While highlighting the improvements in various areas especially the access to spending ministries, the report also again highlighted the previously identified weaknesses in internal controls. These weaknesses include: incomplete record keeping at the Ministry of Finance, lack of a comprehensive metering system, sale of oil and oil products outside of the DFI, incomplete contract information associated with the US Agencies' contracts, and bartering resulted in five qualifications of the audit opinion.

## **Status of Implementation of Previous Audit Observations**

5. With respect to oil metering, the IAMB was informed of the steps being taken to address the matter. The IAMB continues to view this matter as urgent especially in light of the auditors report that showed unreconciled differences related to production, export sales and internal consumption.
6. The IAMB was also briefed on the status of implementation of the previously identified recommendations (less than 15% implementation rate with respect to the spending ministries). The IAMB was concerned at the slow rate of implementation of the prior recommendation and urged the BSA—with the help of COFE—to set up a concrete plan of action to ensure implementation of the recommendations.

## **Status of the 2008 Audit of the DFI**

7. The IAMB was provided an update on the status of the procurement for the 2008 audit of the DFI. In light of the time constraint and given the satisfactory work performed by the

# International Advisory and Monitoring Board

current auditors, the Representative for Iraq sought the IAMB approval for the Government of Iraq to negotiate with the current auditor, Ernst & Young, for a third term.

8. The IAMB unanimously approved the recommendation to negotiate with the current auditors to conduct the audit of the DFI for the period 1 January – 31 December 2008.

## **Briefing by the COFE**

9. As a follow up to the January 8, 2008 briefing provided to the IAMB, the COFE provided an update on its role with respect to the DFI activities.
10. The Representative of the UN provided a clarification on some of the issues that had been raised in the COFE minutes.

## **Bartering**

11. The IAMB noted that some barter deals of crude oil were recorded in 2007 as in previous years. As no revenues are generated from such barter or other in kind deals and the notional value of such transactions are not recorded against the DFI, they could be construed as a violation of UN Security Council Resolution 1483 (2003) requirement that all Iraqi oil export sales be deposited into the DFI and the UN Compensation Fund. The IAMB reiterated its concerns that barter transactions have not been accounted for in the DFI as required by UNSCR 1483. It was also noted that barter and in-kind transactions can distort the fiscal and budgetary processes of Government. The IAMB was informed that the barter arrangement that had been going on with a neighbouring country had ceased as of 31 December 2007.

## **United Nations Compensation Commission (UNCC)**

12. The IAMB took note of the legal opinion regarding the mandate of the IAMB vis-à-vis the UN Compensation Fund. It was reiterated that the IAMB did not have a mandate to oversee the activities

# International Advisory and Monitoring Board

of UNCC or to determine the appropriateness of the percentage of oil proceeds that goes to the UN Compensation Fund.

13. The UN Representative discussed with the IAMB a letter he had received from the UNCC regarding the continuation of the payment from the Oil Proceeds Receipts Account to the UN Compensation Fund. On this matter also, the IAMB was unanimous that it was not the appropriate body to address this matter. With respect to the participation of UNCC in future IAMB meetings, it was agreed that given other means for UNCC to obtain updated information with respect to the work of the IAMB, there was no need for the IAMB to invite a representative from UNCC to its meetings, albeit in an observer capacity. It was also agreed that the Representative of the UN Secretary-General would write back to the UNCC accordingly.

## Other Matters

14. The next meeting of the IAMB has been tentatively scheduled for 26-27 August 2008 and the final one slated for December at a date to be determined.
15. The IAMB expressed its appreciation for the substantial contribution that Mr. Keuppens had made to the IAMB since its inception, since Mr. Keuppens will soon be leaving the IMF, and hence the IAMB, to take up a new assignment.

## Press Release

16. 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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