

# International Advisory and Monitoring Board

**Minutes of the meeting held at the United Nations Office at Vienna (UNOV), in Vienna, Austria on July 22-23, 2009.**

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, Acting Representative and Assistant Director, Finance Department

Government of Iraq: Mr. Adel Al Hasson, Representative to IAMB and expert in COFE

United Nations: Mr. Jun Yamazaki, Assistant Secretary-General, Controller

Also in attendance were the following:

International Monetary Fund:

Ms. Mary Hoare, Officer, IMF Finance Department

United Nations:

Mr. Genc Osmani, Financial 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,

Ms. Ghaidaa Al- Qadi,

Mr. Naeem Tuama Khudhair Al-Ghrairawi

Board of Supreme Audit (BSA)

Mr. Mudhar Kurdi Said Al- Bayat

Invitees from the United States Department of State:

Mr. Joshua Volz

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1. The meeting was chaired by the host, Mr. Jun Yamazaki.
2. The agenda for the meeting was unanimously adopted in the Executive Session.
3. The IAMB noted that in 2008 the US Attorney's Office issued press releases relating to the court proceedings resulting from the Volcker inquiry into the Oil for Food Programme (OFFP) indicating fines imposed on various companies and individuals involved. The fines imposed as a result of the court proceedings were to be deposited into the DFI for which checks were issued payable to the DFI. The external auditors confirmed that amounts totaling approximately US\$ 50 Million, as a result of the court proceedings in the United States, were deposited in the DFI account during the 2008 financial year.

## **2008 External Audit of the DFI**

4. The IAMB received a presentation on the audit of the Development Fund for Iraq (DFI) by KPMG. This presentation, covering the audit period from 1 January– 31 December 2008 is available on the IAMB website ( [www.iamb.info](http://www.iamb.info)) and the Committee of Financial Experts (COFE) website ([www.cofe-iq.net](http://www.cofe-iq.net)).
5. Prior to the meeting, the external auditor, KPMG provided IAMB with the DFI Statements of Cash Receipts and Payments for the year ended 31 December 2008 as well as with the Management Letters for the DFI and the Spending Ministries. These detailed audit reports have been posted on the IAMB website. However, at the time of the meeting the audited financial statement of the Oil Proceeds Receipts Account (OPRA) was still pending; this audit is expected to be finalized in the coming weeks. Once finalized, the OPRA audited financial statement will be posted on the IAMB website ([www.iamb.info](http://www.iamb.info)).
6. The IAMB considered the results of the 2008 audit of the DFI. The audit continues to highlight key issues of concern regarding weaknesses in controls over oil extraction and use of the resources. Access to some ministries and regions had earlier been delayed, as reported at the last IAMB meeting, but this issue was resolved through the intervention of COFE and fieldwork is now complete.
7. The IAMB welcomed the finding by KPMG that no barter or in-kind transactions took place during 2008.
8. The audit opinion on the DFI financial statements continues to be heavily qualified and certain issues: completeness of export sales of petroleum products, completeness of proceeds from frozen assets, completeness and accuracy of outstanding contractual commitments entered into by the US Agencies, and the continued non-deposit in the DFI of cash sales of fuel oil by SOMO, have not been resolved.

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9. The IAMB will formally request COFE to ascertain the rationale behind excluding cash sales by SOMO from the DFI so that this issue can be resolved in 2009.

## **COFEs Activities and Transition**

10. The representative of the COFE reported on its activities to date, work program for the rest of the year and coordination of work with the IAMB to enable a smooth handover of oversight responsibility from the IAMB by the end of 2009.
11. The IAMB continues to take active steps to transition full responsibility for DFI oversight to the successor body, the Iraqi Committee of Financial Experts (COFE) by the end of 2009, as envisaged under UNSCR 1859. Recognizing the competence and capabilities of the COFE, aided by the Board of Supreme Audit (BSA), the IAMB wrote to the Iraqi Prime Minister in April 2009 and reiterated its belief that COFE is ready and capable to take over the tasks currently entrusted to the IAMB.
12. The IAMB called for the timely monthly publication of the DFI financial statements on the COFE website. The IAMB also called on COFE to develop an action plan and time-frame to resolve the seven audit qualifications from KPMG in their audit opinion. The IAMB requested COFE to report every other month to the IAMB on progress on these points; it is expected that such reports will be published on the IAMB and COFE websites.

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

13. The IAMB has now entrusted much of the detailed follow-up and resolution of audit findings to COFE. The representatives of the Government of Iraq, the COFE and the Iraqi Board of Supreme Audit (BSA) reported on actions taken to follow-up on outstanding audit recommendations.
14. The IAMB welcomed steps taken by COFE, in particular COFE's proactive engagement with the Council of Ministers, which has led to Council directives that all ministries form working committees to address organizational and information systems issues that were raised by the DFI audits.
15. The IAMB reiterated its earlier recommendation that the Government of Iraq intensify efforts to follow up on frozen Iraqi assets held abroad, including through considering the need for a separate entity to handle these efforts. The IAMB noted that COFE has approached the Iraqi Ministry of Finance on this matter.

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## **2009 DFI Audit**

16. In accordance with the IAMB Terms of Reference, the nomination and appointment by the Government of Iraq of the DFI external auditor is subject to approval by the IAMB.
17. COFE briefed the IAMB on the evaluation process to select an external audit firm to conduct the audit of the resources and disbursements of the DFI. The IAMB agreed that the 2009 audit should cover the period January 1, 2009 to December 31, 2009 with an interim audit for the period January 1, 2009 to June 30, 2009. The interim audit will be undertaken under the high-level oversight of the IAMB and the final audit is expected to be undertaken under the full oversight of COFE as the IAMB mandate is scheduled to have expired by that time. The IAMB approved the process and concurred with the recommendation of COFE to proceed with the audits.

## **Other Matters**

18. The president of the BSA reported on BSA's audit capacities and planned activities, as well as capacity building of BSA employees.
19. The IAMB discussed the sale of Oil in the Kurdish region and the auction of oil service contracts in Iraq. The IAMB also discussed the treatment of fuel oil sales, including the sale of heavy fuel oil, and whether these should be accounted for in the DFI. The IAMB agreed to write to COFE to seek clarifications on the treatment of fuel oil sales.
20. The UN Secretary-General's Representative briefed the IAMB on his April 16, 2009 briefing to the UN Security Council, in line with paragraph 3 of UNSCR 1859 (2008). The IAMB was also informed that the Secretary-General's written semi-annual report will be presented shortly to the UN Security Council.
21. The next meeting of the IAMB, together with COFE, is tentatively scheduled for December 2009.

## **Press Release**

22. 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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