

International Advisory and Monitoring Board

Minutes of the meeting held at the Intercontinental Hotel, Amman on 14-15 October, 2010.

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. Jayantilal M. Karia, Deputy Controller, United Nations, Alternate Member

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

World Bank: Mr. Fayezul Choudhury, Vice President, Corporate Finance and Risk Management

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

Mr. Mouaid Al Asaf

Mrs. Souhad Nafea

Mrs. Shadan Mohammed Saeed

Mrs. Shayma'a Al Roubaie

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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):

Mr. L Michael Welsh

Mr. Benjamin H Comfort

1. The meeting was chaired by the host, the Government of Iraq.
2. The agenda for the meeting was unanimously adopted.
3. The United Nations Representative briefed the IAMB on the second 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 in time to the UN Security Council and the briefings were held on July 12, 2010. Both reports were circulated earlier to the IAMB Board members and are posted on the IAMB website (www.iamb.info) and the COFE website (www.cofe-iq.net).
4. The third briefing to the UN Security Council is scheduled to be held in November, 2010.

External Audit of the DFI

5. The external audit firm for 2009, KPMG, briefed the IAMB on the final 2009 audit reports. The 2009 audit was finalized well behind schedule due to delays in fieldwork, including as a result of bombings affecting a number of ministries during 2010. The final reports and management letters are available on the IAMB website (www.iamb.info).
6. The IAMB reviewed a draft interim Statement of Cash Receipts and Payments for the DFI, and was briefed by the newly appointed external auditor for 2010, PricewaterhouseCoopers (PwC) on the results of the audit work for the period from 1 January 2010 to 30 June 2010.
7. The scope of work for the 2010 interim review had been expanded to include a review of the installation of oil metering by the Ministry of Oil. At the last meeting held on 28-29 April, 2010 in Paris, the IAMB had also requested that the result of this work be reported separately.
8. PwC briefed the IAMB on the status of the installation of oil metering and reported that as at 30 June, 2010 the number of installed meters corresponds to 75 percent planned by the Ministry of Oil for the same period. Beyond installation, not all of the installed meters have been calibrated. The report also notes that the installed meters are not all being utilized as intended.

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9. PwC identified further steps required to fully implement the Ministry of Oil's schedule through the end of 2011. In particular, PwC recommends the appointment of an independent technical party to verify the implementation plan as to its completeness, effectiveness, and efficiency when fully implemented based on the best practices of the petroleum industry.
10. The IAMB noted with concern that the implementation of the plan is already behind schedule and encouraged the Government of Iraq to make every effort to implement the metering plan on schedule and address the further steps recommended by PwC.
11. A summary of the results of the PwC interim review as well as the report on the oil metering are available on the IAMB website.
12. The IAMB noted with concern and raised the issue with COFE relating to the external auditors note in the financial statements stating that net proceeds from some 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).
13. COFE explained that there are no cash export sales and that all cash sales relate to the internal distribution; therefore proceeds from internal distribution are not subject to being deposited in OPRA. It was agreed that COFE will send a formal letter to the IAMB to clarify the issue.

Report of the Committee of Financial Experts (COFE)

14. The IAMB was briefed by COFE on 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.
15. COFE continues to report to the IAMB every two months on progress on a range of matters. These reports are posted on the IAMB website.
16. The IAMB noted that the ministry of finance has stopped issuing monthly summaries of DFI cash inflows and outflows and encouraged COFE to follow up with the Ministry of Finance to recommence the issuance of these summaries.
17. COFE briefed the IAMB on its activities and progress in achieving the action plan to implement successor arrangements during 2010. The IAMB welcomes progress in the implementation of the plan.

Report of the Special Inspector General for Iraq Reconstruction (SIGIR)

18. The representatives of the Office of the Special Inspector General for Iraq Reconstruction (SIGIR) briefed the IAMB on their recent report of relevance to the DFI. The July 2010 SIGIR audit report on the accounting by US Department of

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Defense (DoD) for DFI funds concluded that there were weaknesses in DoD financial and management controls over the funds DoD received for reconstruction activities in Iraq that left DoD unable to properly account for \$8.7 billion of the \$9.1 billion in DFI funds it received for reconstruction activities in Iraq. The DoD is uncertain about the amount of DFI funding made available to it or the amount of DFI funding its organizations may be holding. SIGIR concluded that the breakdown in controls left the funds vulnerable to inappropriate uses and undetected loss.

19. The IAMB welcomed DoD's recent letter to COFE stating that the DOD would share its findings with the IAMB and COFE once the DoD has completed its initial response to SIGIR's report, which is expected within two months. The IAMB will then consider if further action will be warranted with respect to SIGIR's report.
20. The IAMB noted that SIGIR's findings echoed those of the IAMB in 2004-2006 and concluded that there was an urgent need to expeditiously implement the recommendations of SIGIR, especially the return of unexpended DFI funds held by DoD agencies.

Other Matters

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

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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