

To,
The International Advisory and Monitoring Board

Sub/ COFE Report

Dear Sirs,

Below COFE's activity for the last two months:

I. COFE held the following meeting during that period:

1. The ninth meeting in 2009 on 05.11.2009
2. The tenth meeting in 2009 on 31.12.2009

COFE, also, held a number of sub - meetings, as follows:

- On 08.12.2009 COFE held a meeting with the heads of BSA audit teams in all government entities and the BSA follow up team, the action taken related to the below subjects were discussed during this meeting:
 - A.** The position of the ministries that did not reply to the observations mentioned in E&Y and KPMG's reports for 2007 and 2008.
 - B.** The position of the ministries and other entities that replied to some observations, yet did not took necessary actions towards the other ones, as COFE directed the heads of the audit teams to reiterate the necessity of settling these observations as soon as possible, and provide the follow up team with the latest updates in this regard.
- COFE sub - meeting on 29.12.2009. The following subjects were discussed during this meeting:
 - A.** Discussion of UNSCR. 1905 (2009) and the actions taken by COFE as follows:
 - Sent a letter to the General Secretariat of the Cabinet on para. 4 of the above mentioned resolution related to putting in place a post - DFI mechanism.
 - Sent a letter to the Ministry of Finance related to the expected loan with the World Bank and the Stand By Arrangements with the IMF.
 - Sent a letter to the General Secretariat of the Cabinet in relation with the necessary actions to be taken by the concerned authorities of the Government of Iraq to fulfill the UNSCR paragraphs.
 - Sent a letter to the General Secretariat of the Cabinet to request the ministries and entities not related to ministries to prepare their organizational charts, job description and data base automation, suggesting that those to be presented to the cabinet for its or the Prime Minister's approval within one month of the date. Those will

be considered provisional until the laws or laws' amendments will be passed.

B. KPMG's timely report on DFI audit as of 30.06.2009, specifically the qualifications that still valid, as follows:

- The metering system.
- The Iraqi frozen assets.
- Fuel oil sales.

C. Request for proposal from the international firms for DFI audit 2010 to encourage the competition and transparency.

- A meeting with BSA's follow up team on 10.01.2010 in relation with the settlement of audit observations, as COFE requested the team to reiterate on BSA heads of BSA's audit teams in the ministries to ask them to provide COFE, through them, with the status of the organizational charts, job description and data base automation.

II. COFE asks KPMG's representatives to provide it with the progress of work as of 24.01.2010 in order to inform the IAMB with it during the coming meeting.