

To,

The IAMB

Sub. Report from COFE

Dear Sirs,

Below COFE's activities during January and February 2010.

COFE held the following meetings during the above – mentioned period:

1. Its first meeting was held on 29.01.2010, during this meeting COFE discussed the following subjects:
 - A. The follow –up of the plan of metering system installation related to the Ministry of Oil and its related companies, COFE requested the Ministry to provide it with a report of the system status that will be on March 01, 2010.
 - B. The follow – up and settlement of the observations stated in E&Y and KPMG's reports for 2007 and 2008, in relation with the following issues:
 - I. The Iraqi frozen assets, as COFE requested the General Secretariat of the Council of Ministers to provide it with copies of the reports submitted by the committees formed by GS of CoM to itemized those assets and follow them up.
 - II. Provide COFE with the database related to the Iraqi debts exist in the Ministry of Finance and the information available on the Compensation Fund, in addition to the accounting treatment of both, recommending that the directorate of Public Debts should be responsible of the issue.
 - III. Exposed the table submitted by BSA follow - up team related to all ministries and their related entities concerning the automation of

their database systems, preparation of the organizational charts, job description and their laws. It was found that some entities are ruled by valid laws and adopt the old organizational charts job description, while some others have their new laws passed, and some of them have submitted their new laws to the State Consultative Council or the Parliament, and some others formed committees for this issue, taking in to consideration that COFE is following up the issue continuously.

C. COFE considered KPMG's letter dated related to the progress of DFI audit for 2009, which was submitted upon COFE's request, it found the following:

24 Ministries are subject to audit

9 Ministries did not started audit yet

D. COFE discussed the DFI audit for 2010 and the related request for proposals and the approach of contacting companies, it decided to send direct invitation to the big four companies.

E. COFE discussed the mechanism of preparing of the report of the Government of Iraq to be presented by the Head of COFE to the UN Security Council by April 01, 2010 pursuant paragraph 5 of UNSCR 1905(2009).

2. COFE attended the joint meeting between BSA, CBI and MoF held in BSA Headquarters on February 21, 2010 to discuss the implementation of UNSCR 1905 requirements, especially paragraphs 4 and 5 of the UNSCR, which focused on preparing a post-DFI mechanism and a time-bound action plan by April 01, 2010 in order to ensure to transition to the successor arrangement to DFI and IAMB, the following topics were discussed:

- Post – DFI mechanism

- The draft of the report to be presented by GoI, the items within the report submitted by the Head of COFE were discussed during the meeting.
3. The second meeting of COFE was held on February 25, 2010. The following issues were discussed during the meeting:
- A. The observations from E&Y and KPMG's DFI audit reports for the years 2007, 2008 and the first half of 2009, during the discussion was decided to reiterate on the BSA audit teams in the ministries to follow – up the work of the committees formed to take actions in relation with the following matters in order to include them in the GoI report to be submitted to the UNSC:
- The completing of the laws of the executive ministries, the organizational charts and the job description.
 - The automation of the databases.
 - Gathering the unified accounting instructions in one guide.
 - The metering system of the Ministry of Oil.
 - Itemizing the frozen assets and follow their collection up by one entity.
- B. Considering the progress of DFI audit for 2009 submitted by KPMG on February 25, 2010 upon the request of COFE, it was found that:
26 Ministries are subject to audit
7 Ministries are not audited yet
- C. COFE considered the Minutes of Meeting of the joint meeting with the representatives of CBI, MoF and BSA in relation with the implementation of UNSCR 1905 requirements and the letters sent to General Secretariat of the Council of Ministers and Ministry of Oil.
- D. Follow – up the actions taken concerning a number of matters, among the letters sent to the General Secretariat of the Council of Ministers and Ministry of Finance to provide COFE with the following information:

- Gathering and completion of the financial instruction related to collecting and spending the public resources and the financial control on public fund.
- The plan of the MoF for settling the debts and the proposed time line for that.
- The updated database for the UN Compensation Fund and the approach of book keeping those in line with the valid rules of Government accounting in Iraq.
- The suspended amounts of the Ministry of Defense current accounts with Rafidain Bank.
- Book keeping of the Iraqi public debts and the accounting treatment of those.

E. Follow up the reply from the IMF and preparing letters of confirmation for the following matters:

- SOMO's funds in the Al Ahli Bank in Jordan.
- The accounting treatment of the loans from the World Bank and the International Monetary Fund.