

## Summary of the Follow up clearing the observation from external auditors' reports for the years 2007, 2008 and 2009

1. The follow up of clearing 2007, 2008 audit observations:
  - a. The below table shows the last results reached by BSA follow up team under the supervision of COFE:

The year	The number of observations	Cleared observations		Under clearance observations		Still valid	
		Count	Percentage	Count	Percentage	Count	Percentage
2007	69	45	65%	16	23%	8	12%
2008	219	134	61%	73	33%	12	6%

- b. The remarks were on the Ministry of Finance, (6 observations), the Ministry of Municipalities and Public Work (4 observations), and 3 observations on the Ministry of Health and Communications each, while there were 2 observations on the Ministry of Oil, and one observation on the Ministry of Foreign Affairs and Transportation each, while the nature of most of these observations is an organizational ones, except the following observations:
      - The Ministry of Finance has no information neither on the balance of the compensation fund and as of Dec. 31, 2006 the due balance to be paid after this date nor the estimated date for the last payment. (2007).
      - The financial department in SOMO does not request confirmation from the suppliers of oil products and does not make reconciliation of the statements from the suppliers and their basic accounting records on monthly bases. (2007).
      - The general company of international information network within the Ministry of Communications does not make bank account reconciliations with the TBI due to the lack of the account statement from the above – mentioned bank. (2008).
2. As for 2009 the number of the observations in the report, except Kurdistan region, was 216 out of which 98 high risk, 110 medium risk and 8 low risk, and 171 were repeated observations from 2007 and 2008, the remaining are new observations. These observations were on 23 ministries and 5 governorates. There will be a detailed report provided to the IAMB members during this month, below is a summary of the most important ones we found that it is proper to inform the IAMB in this meeting about the follow up actions toward them.
3. There were 221 remarks on Kudistan region out of which 72 high risks, 122 medium risks and 27 low risks.

4. The number of the repeated remarks in the report were 171, while our follow up shows that the remaining remarks were 85 out of which 73 under clearance and 12 still valid.
5. Our follow up results for the remarks from DFI audit report fro 2009 showed the following:

a. The Financial Statements of Cash receipts and payments:

I. The Ministry of Finance does not keep accounting records for DFI and all related actions are done without accounting entries which show the DFI movement at the Ministry of Finance, as all they have is a statistical record where the cash flow is recorded as it is received from the CBI. BSA informed the General Secretariat of the Council of Ministers through its letter on Dec.13, 2010 that both Ministry of Finance and the CBI have to address the differences.

II. The L/Cs of the Ministry of Oil:

Our follow up of the L/Cs opened in the favor of the Ministry of Oil showed a difference between the figures mentioned in KPMG report \$ 4060 million, and the difference stated by BSA audit team is \$1752 million.

III. The frozen assets

Our follow up with accounting directorate from MoF showed that it has no records of the frozen assets, as the directorate records only the received amounts of those assets as revenue to DFI account. The letter dated Oct.18, 2010 received from the department of Iraqi Fund for Foreign Development stated that it has data and information on the Iraqi frozen assets abroad.

**6. Remarks related to the Ministries**

a. SOMO

I. The total export sales of Naphtha during 2009 were 1132530 tons in amount of \$ 602432.44 that was not deposited in the DFI account, while SOMO explained by its letter dated Dec.05, 2010 that the Naphtha was sold through a public acquisition and was sold at site in Samawa and Najaf the buyer was an Iraqi party and our audit team still audit the correctness of SOMO's claim.

II. SOMO has uncollected amounts from foreign companies I value of \$ 360577268 related to crud oil and \$ 8321629 related to oil products. These amounts represents part of barter transaction prior to 2003.

b. Ministry of Sport and Youth

The Ministry awarded some contracts through direct invitation although these contracts were not specialized in contrary to the state contracts

execution instructions e.a the contract of gates for a high school in Basrah sport city and the contract of maintenance for the ground of Olympic stadium in Samawah. Our audit team confirmed the observation and its follow up showed that this was done by approval of the Minister at the request of the engineering directorate

c. Ministry of Interior

Due to delay in opening the L/C of the contract related to purchasing robots type (1- HD) the value of the contract was raised and the contract's provisions were amended. Our audit team confirmed the observation and the contract is under ongoing follow up because the differences of description and a conflict between the Ministry and the vendor.

d. Ministry of Municipalities and Public Works

The Contract of swages centre of Al Hidia in Kerbala'a was raised during 2009 by 106% of its value due to the delay of handing over the site to the contractor, as well as the general directorate of municipalities cancelled the contract for building a car parking for ID 4436 million, through mutual consent paying a settlement of ID650 million to the contractor because the soil of the site is not good for the contract, but the directorate signed another contract on the same site to build a commercial complex for ID7567 million. BSA audit team was requested to follow up the matter and inform the inspector general to take the necessary action.

e. Ministry of Defense

Some very high risk irregularities took place in contracting process and receiving the goods, the auditor gave as example the contracts (T2/2005, T26/2004, T22/2004), taking in to consideration that the people responsible of these irregularities were prosecuted and sentences were issued against some of them.

**7. Remarks on Governorates**

a. Al Basrah Governorate

The differences in the description related to the contract of supply in the Governorate such as contracts ( 3/27, water/2006) were low pumping water pumps were delivered instead of submersible pumps, and supplies of medical equipment were some were out of order, BSA audit team still following up the matters.

b. Al Qadisiya Governorate

The governorate signed contract for cars' supply for ID 579 million although the project was not included in regions' development project,

while the cost of the project was recorded on the administrative costs of regions' development project, and the governorate did not requested proposals from state entities such as the general company for cars' trade to deliver the cars as well as some of the delivered cars were not meeting the descriptions, the same observation was mentioned on Salahuddin governorate which bought armored cars directly without bidding for ID 575 million and did not meeting the descriptions.

**8. Kurdistan Region**

Answers from Kurdistan region related to DFI audit report for 2007, 2008 and 2009 were received in coordination with the region's BSA under COFE's supervision; these answers included the following cases:

- a. The ministries addressed the financial, legal, or organizational observations that were confirmed by them clearing a big part of them and promised to clear the remaining observations.
- b. A number of observations were not confirmed by the ministries and did not agree with the audit firms either because the observations were not clear for these administrations and did not include details or they did not agree with the firm's point of view concerning these observations.
- c. A number of ministries justified the administrative or technical reasons behind some observations stated in the audit reports after confirming them promising that they will address such cases in the future.