

Translation

**Republic of Iraq  
General Secretariat  
of the council of Ministers  
Legal department**

No. 2127  
Date: Oct.22, 2006

Urgent

To,  
Ministry of Foreign Affairs  
Cabinet of the Minister

**Subject/ Committee of Financial Experts**

As the work of International Advisory and Monetary Board (IAMB), whose mandate is to oversee Iraq's oil revenues and the Development Fund of Iraq (DFI), will cease on Dec. 31, 2006 as per Security Council Resolution no. 1637 for 2005, the Council of Ministers at its normal twenty third meeting held on Oct. 19,2006 has agreed the formation of a committee of Financial experts to take over the tasks previously performed by (IAMB).

Please inform the Chairman of IAMB (Mr. Jean- Pierre Halbwachs), about the content of the foregoing, and we shall provide you later about details of the structure of the stated Committee in conformity with the existing constitutional and financial legislations through our representative on IAMB who will also inform other IAMB members about the subject matter.

With respect

Ali Muhsin Ismail  
Acting secretary General  
Of The Council of Ministers  
22.10.2006

- c.c: - Board of Supreme Audit/Office of the president of the Board/ for information and needed action with respect  
- Ministries affairs department/ for information with respect

## Translation

Republic of Iraq  
Ministry of Finance  
Minister Bureau

No.: 157

Date: 2.10.2006

To: Bureau of his excellency the Prime Minister

Subject: Covering Letter

With reference to the letter of the Chairman of the International Advisory and Monitoring Board (IAMB), Mr. J.P. Halbwachs dated 2<sup>nd</sup> June 2006 addressed to his excellency the Prime Minister and attached thereto the proposal to form a committee of financial experts to be assigned the tasks of (IAMB) after the cessation of its mandate on 31<sup>st</sup> December 2006 in accordance with UNSC resolution No. 1637.

The IAMB proposal to form a committee of financial experts (CFE) contained comprehensive details regarding the committee's formation and its works procedures to ensure proper continuity of the role performed by IAMB.

Due to the importance of the aims to be achieved by forming CFE and in particular the provision of credibility and transparency to the financial statements of oil revenues and its input on international opinion as well as inside Iraq, the Ministry of Finance supported the proposal. The Central Bank of Iraq had already voiced its support when the subject was raised by the International Monetary Fund.

In order to inform IAMB of Iraq Government endorsement of the proposal prior to the next IAMB meeting scheduled to be held on 30-31<sup>st</sup> October 2006, we enclose herewith a suggested text of a decision by the Council of Ministers. The text contains all the elements of IAMB proposal with one important change. The chairmanship of CFE is to be assigned to the president of the Board of Supreme Audit in addition to his duties. This change achieves harmony with the Iraq Constitution and with the Board of Supreme Audit Law and the change was done in consultation with the President of the Board of Supreme Audit and Iraq's representative on IAMB.

For presentation to the Council of Ministers for an appropriate decision. With respect.

Engineer  
Bakir Jabir al Zubaidi  
Minister of Finance

## Translation

### Suggested Text for a Council of Minister's Decision

To ensure effective control over oil revenues, their receipt and spending in a transparent and equitable manner through the state budget and to ensure proper audit procedures and internal controls with regard to oil revenues, the council of Ministers at its meeting held on ..... 2006 has decided the following:

- One: An independent committee is hereby formed to be called "Committee of Financial Experts" headed by the President of the Board of Supreme Audit – in addition to his post – and composed of two other independent members who possess high financial expertise and professional competencies in accounting and auditing to enable them to fulfil their responsibilities with due care. They are appointed by the Council of Ministers on the basis of nominations made jointly by the Minister of Finance and the President of the Board of Supreme Audit.
- Two: To further ensure that the Committee carries out its duties in a proper manner, the Chairman of the Committee is authorised to name two financial experts to join in the works of the Committee. The two financial experts must have the same qualifications as the Committee members in terms of independence, financial expertise and professional competencies. The financial experts do not have voting rights in the committee's deliberations.
- Three: To ensure a high degree of objectivity, the committee members and the financial experts must be separate from and independent of the management of supervisory bodies.
- Four: The term of the Committee members is three years renewable once only.
- Five: The committee meets periodically as per works requirements, but the period between any two meetings must not exceed two months at the most.
- Six: The Committee is responsible directly to the Council of Ministers and to whom the Committee's reports are submitted. The Committee may submit special reports to other parties as it deems appropriate for its functioning including financial reports and reports on measures to be taken to address matters raised in audit reports.
- Seven: Authorities and Responsibilities:

The Committee authorities and responsibilities include the following:

1. Approval of the appointment of the independent external auditor(s) for the petroleum revenue account.
2. Receipt and evaluation of the audit reports from the independent external auditor(s) for oil revenues received and the financing of the

ministries expenditure through the general budget. Also receipt of the Board of Supreme Audit's reports on the disbursements of oil revenues by the spending ministries. The Committee reports on its evaluation of the audit reports and its recommendations in respect thereof to the parties stated in "six" above.

3. Oversight of the financial accounting and reporting practices for the petroleum revenues.
4. Public display with complete transparency of the financial statements related to oil revenues and their disbursements and the reports of the independent external auditor(s) and those of the Board of Supreme Audit as soon as received and in appropriate times.
5. The Committee may when warranted initiate special audits related to its responsibilities and after consultation with the Minister of Finance.
6. Determine the terms of reference, objectives and scope of the audits which shall be conducted in accordance with international auditing standards.
7. Review of effectiveness of the system for monitoring compliance with laws and regulations and follow up of any instances of non compliance in relation to petroleum revenue account activities.

**Eight: Information and Procedures:**

1. The Committee shall have the right to review financial records and access to all personnel relevant to its responsibilities and authorities including external auditors, auditors of the Board of Supreme Audit and personnel of departments being audited. The Committee shall determine its own procedures to fulfil its responsibilities and undertake to protect the confidentiality of the information obtained during the course of its duties.
2. The Committee shall prepare a statement of financing requirements to cover the costs of its activities, salaries of members and financial experts, secretarial and other administrative costs. Also the financing shall cover professional fees of the appointed auditors including the special audits which the committee decides to undertake.

Financing as above shall be provided from the state general budget.

3. The Committee shall establish a secretariat to provide administrative support including preparation of minutes of meetings, filing and communications with members, financial experts and other parties connected with the Committee's business.

4. The Ministry of finance shall appoint an administrative co-ordinator to support and assist the committee in discharging its duties and as needed.
5. Decisions shall be taken by unanimity of members.

Nine: The Committee may review the contents of this decision from time to time and submit recommendations for amendments or additions as it deems appropriate to the Council of Ministers for consideration.