

A follow up report

Further to KPMG follow up report, on DFI audit report for 2008 posted on COFE website (www.cofe-iq.net), below are the follow up results, and some of the ministries answers that came after posting the above-mentioned report:

2. Statement of cash receipts and payments - MoF

A. Cash receipts

- I. Pursuant to MoF- Directorate of accounting- Cash management's letter no. 50 on 08.11.2009 the Ministry replied that the difference of (\$ 3073) thousand of oil export sales was corrected in accordance with CBI data mentioned in the statement of August 2009 and no register notice was provided to BSA audit team to date.
- IV. The Ministry mentioned that the amount of (\$ 1312005) thousand that was wrongly deposited in DFI in February was transferred to its current account with CBI pursuant to its letter no. 11507 on 26.07.2009 and no transfer notice was provided to BSA audit team to date, taking in to consideration that the amount appears in DFI statement of payments to CBI on 28.07.2009.

B. Cash payments

- I. The Ministry replied that the difference of (\$ 24455) thousand was registered in the Ministry's record – department of cash accounts according to notice no. 23575 on 31.03.2008 and no register notice was provided to BSA audit team to date.
- II. As for the L/Cs opened in the favor of Iraqi ministries, the Ministry replied that the amounts received from the companies are deposited in MoF account with the CBI and the accounting department can identify the amounts received, as well as the amounts paid to the companies. Our follow up proved the correctness of the answer, but there is no reconciliation done neither between the amounts received from the companies and those deposited in CBI nor between those amounts and the amounts drawn from DFI account.

D.UN Compensation Fund

The Ministry replied that identifying the amounts of UN compensation Fund is the responsibility of UN compensation Fund and it has no information related to them. BSA audit team confirmed what was mentioned in KPMG's report.

3. KPMG's ML for 2008

A. Special observations

III. Ministry of Oil – SOMO

3. Penalties

SOMO paid delay penalties of \$ 24 million due to the weakness of pumping, storage and loading capacities. SOMO replied in its letter no. 384 on 16.11.2009 that the Ministry started taking the necessary actions to increase the storage capacity to become 13150000 barrels by the end of 2011, and the work is going on to build 16 tanks, 58000 square meters capacity each, in Al Fao oil store and it is expected to be finished in 2010.

5. Al- Ahli Bank of Jordan

The amounts deposited in Al Ahli Bank of Jordan were not transferred to DFI account, in spite of the company's request to CBJ, taking in to consideration that the amount stated in SOMO's letter no. 1653 on 27.04.2009 is \$ 4771541, while in its letter no. 4412 on 05.11.2009 it stated that the amount is \$4881524, both figures are different from what KPMG mentioned in its report.

VI. Ministry of Youth and Sport

3. Contract payments

The Ministry replied pursuant to its memo no. 416 on 26.10.2009 that the Ministry has no documents related to the subject. BSA audit team confirmed the Ministry's answer.

5. Fixed assets record

The Ministry replied that most of the car's chassis numbers were registered in the record and it works to register the rest of them. BSA audit team support the Ministry's reply.

XI. Ministry of Planning and development Cooperation

1. Contracts' extension

Through its letter, no. 812 on 10.11.2009 the Ministry replied that it has made a new acquisition announcement for the ministry's building cleaning and the contract was awarded to the ideal company. BSA audit team confirmed the Ministry's answer.

2. Contracts' extension and the committees of standards verification

The Ministry replied in its above – mentioned letter that it has made a new acquisition announcement for the ministry's staff transport and it was awarded to the same office but with less price. BSA audit team confirmed the correctness of the Ministry's reply.

3. The Organizational Chart

The Ministry replied in its above – mentioned letter that it has completed its job description, as for organizational chart it is linked to the Ministry's law that was approved but not published in the official gazette, and the chart will be prepared once the law is published. BSA audit team confirmed the Ministry's answer.

XIII. Ministry of Interior

1. Salaries of Ministry's staff in the Governorates

The Ministry replied according to a memo from the director of audit/ Governorates salaries on 16.03.2009 that the salaries of its staff in the Governorates are audited by the Governorates' treasury, which is prepayment audit, while in the Ministry's Headquarters salaries are audited after payment. BSA audit team confirmed the Ministry's answer.

3. Non compliance with contracts' implementation instructions

The Ministry replied through its letter no. 4615 on 14.11.2009 that the observation is correct, taking in to consideration that the supplier is English Company not Mexican and the committees of inspection and receipt accepted the goods and were used to maintain and repair the telephone exchange. BSA audit team confirmed the Ministry's reply.

6. Non compliance with contracts' procedures

The Ministry replied that all the mentioned contracts were signed after obtaining approval of the central contracting committee of Council of Ministers, bearing in mind that ATSC-UK is the only manufacturing company (exclusively) for ADE-651 device and governmental contracts' implementation instructions no.1 of 2008 met the soul source contracting procedures. BSA team confirmed the Ministry's answer.

XIV. Ministry of Health – State Company for Drugs Marketing

9. Lack of Unified budget

The administrative, financial and legal directorate of the Ministry sent a copy of the unified financial statements of 2008 attached to its letter no. 65283 on 16.11.2009. BSA examine of these statement showed the following:

- A. The unified budget of the Ministry (decentralized system) did not include the department of health in (Thi Qar, Salahulddin and Al Anbar) and no analytic statements were attached to it.
- B. The unified budget of self-financed departments was included but without analysis statements (The state company of Drugs marketing and popular medical clinics). Therefore these statements did not express completely the whole financial activity of the Ministry and can not be considered unified.

XVII. Ministry of Justice

4. Iraqi correction department

The Ministry replied pursuant to its memo on 09.12.2009 that Iraqi correction department has coordinated in relation with assets inventory, and inventory committees were formed in the governorates. BSA audit team confirmed the Ministry's answer mentioning that the correction department issued letter no. 19607 on 04.11.2009 addressed to its correction department in all the governorates to prepare inventories for their assets.

XX. Ministry of Human Rights

1. Organizational Chart and Job description

Through its memo no. 509 on 29.10.2009 the Ministry replied that the Ministry's law is not passed yet, but the Ministry currently has organizational chart and job description until the law passes. BSA audit team confirmed the Ministry's reply.

2. Working hour's control

The Ministry replied that it currently uses badges with confidential numbers and finger prints to control working hours. BSA Audit team support the Ministry's reply.

3. Over due checks with more than 6 months

In its above- mentioned memo the Ministry replied that it is keen to solve these checks issue and the observation was settled. BSA audit team agrees with the Ministry's answer.

4. Automation of accounting system

By its above- mentioned memo the Ministry replied that it is about to use an automated system in its registering entries and posting them to the records. BSA audit team confirmed KPMG's observation stating that the Ministry did not use an automated system in registering entries and posting them to records, and it uses computers just for data entry, while the system is still in progress.

5. Assets record

The Ministry replied that it, currently, registering cars' chassis number in the assets record. BSA audit team did not support the Ministry's reply.

XXII. Ministry of Science and Technology

4. Contract of staff training

The Ministry replied by its letter no. 407 on 03.05.2009 that the contract signed with Jordanian company Bait Al Qema Al Thaqafi was not through direct invitation, but it was the only offer received, in accordance with provision of article 4, para. 5 of governmental contracts implementation instructions, amended pursuant to letter no. 1/1/412 on 15.10.2008 issued by Ministry of Planning and development Cooperation. BSA audit team confirmed the Ministry's reply.

5. Contracts' department

The Ministry replied that the amount of guarantee is mentioned in tender documents. BSA audit team confirmed the Ministry's reply.

6. Law of Ministry's establishment

The Ministry confirmed what was mentioned in KPMG's report, stating that it works currently in accordance with CPA order no. 24 (2003) until its law, referred to State Consultative council, passes.

XXIV. Ministry of Housing and reconstruction

2. Contracts' files

The Ministry replied by its letter no. 97 on 09.12.2009 that contracts' department implement the Ministries policy related to acquisitions, awarding and contracting of all the Ministry's related directorates. The process of preparing and

announcing the acquisition is the responsibility of those directorates. The acquisition file will be sent to the related directorate. BSA audit team confirmed the Ministry's reply, as the contracts' department did not keep a complete file for each contract.

XXVI. Ministry of Industry and Minerals

1. Reconciliation of trail balance and payroll

By its memo no. 910 on 28.10.2009 the Ministry replied that its Headquarters is centrally financed and applies the governmental accounting system and the salaries account which appears in the trial balance represents all the paid salaries registered in the accounting records and it is similar to the payrolls prepared quarterly, therefore the observation is not correct. BSA audit team confirmed the Ministry's reply.

2. Salaries committees

Pursuant to its above- mentioned letter, the Ministry did not support the observation, as it has formed committees to receive salaries, and those receive the allocated amount for each department then distribute it. These committees are reviewed in accordance with federal budget execution instructions. BSA audit team confirmed the Ministry's reply.

3. War damages

The Ministry replied in its same letter, that it had prepared complete lists of war damages that were referred to the committee formed according to the ministerial order no. 190 (2008). Those lists were approved for 20 companies in order to write them off the records, while the follow up is going on in relation with the rest of the companies. BSA audit team confirmed the Ministry's reply.

4. Cars' maintenance expenses

In the same letter, the Ministry replied that registering car's expenses in the financial records is done in the account of goods requirements and maintenance expenses as totals. Transport department keeps a special card for each car contains all amounts spent for the car. Financial department was directed to make reconciliation for all amounts spent on these cars and the amounts recognized in the car card. BSA audit team confirmed the Ministry's reply.

XXVII. Ministry of defense

(1) Reconciliation of Ministry's bank account with Rafidain Bank- Headquarters

1. The Ministry replied through its general secretariat – general directorate of budget and programs' letter no. 20133 on 18.11.2009, that it is not able to solve the outstanding checks rolled over 2006 and 2007 for they are withdrawn in conformity with the total of notices, while the bank refused to provide the Ministry with details of these notices.
2. As for the deposits that appeared in the bank statement and not in the records, the Ministry replied that the reason was not providing the Headquarters with

document by the directorates because the administrative officers did not prepare entries documents and the amounts were recovered. The directorate addressed letter no. 19794 on 16.11.2009 to CBI requesting a letter for the deposits that appear in the records and not in the bank statement.

4. For adding the amount ID 18625 million to the book balance that was done for the amount was withdrawn from the balance according to total notices with no details, taking in to consideration that it belongs to the outstanding checks of CBI, and because non awareness of its details it can not be written off the outstanding checks' lists attached with reconciliation statement. BSA audit team supported KPMG's observation in relation with the above – mentioned points, stating that the Ministry's reply is not accurate due to not taking the correct actions.

2. Reconciliation of Ministry's account with Rafidain bank – Ministry's branch

1. The Ministry replied, according to its above – mentioned letter, that these amounts represent deposits that appeared in the bank statement and not in the record because there are no documents for them. The bank was addressed on 27.05.2009 to provide details of these amounts but no reply received to date. As for the amounts withdrawn according to bank statement and not recognized in the records, the Ministry stated that it has addressed the bank through its letter no. 19793 on 16.11.2009 to provide it with details of the amount withdrawn. BSA audit team supported KPMG's observation.

3. Reconciliation of Ministry's account with Rafidain bank – Al Zouwya branch

The Ministry stated that it has requested the bank to refund the amount of the check no. 66178754 on 25.07.2006 by its letter no. 19527 on 11.11.2009, attaching the investigative council decision related to the loss of the check and the refund memo signed by committee of the salaries, for which the check was issued, bearing in mind that the amount is still held in the bank.

4. Reconciliation of Ministry's account with TBI

The Ministry replied, according to its above – mentioned letter, that it confirms KPMG observation and it formed a committee to reconcile the account. BSA audit team supports the Ministry's reply and the follow up is going on to obtain the results of reconciliation.

5. Foreign Military Sales (FMS) entries

The Ministry replied, through its above- mentioned letter, that for making accounting entries of payment letters related to the completed contracts, it needs the test and acceptance certificate document no. 102, issued by the beneficiary parties, it has requested such certificates and some were received, as for the accounting entries of the whole program, the Ministry agreed with the Minister councilor to make the program entries due to the delay of the financial statement of 2006 and 2007, and MoF did not finance the salaries and operational accounts. BSA audit team confirmed the Ministry's reply and the follow up is going on.