

Minutes of Committee of Financial Experts meeting

The Committee of Financial Experts held its eighth meeting in 2009 on Thursday morning Oct.1, 2009 where it has considered the following matters:

- 1- Preparing a report to the International Advisory and Monitoring Board to include all the details discussed through meetings held by the committee during (August, September and October 2009) as well as sub meetings held by the committee with the following:
 - A- Representatives of ministry of Oil on Sept.3, 2009.
 - B- Representatives of the Oil Marketing Company (SOMO) on Sept.29, 2009.
 - C- Representatives of KPMG on Sept.29, 2009.
- 2- Discussing the observation mentioned in KPMG's report concerning Oil Marketing Company (SOMO) for 2008 and the results of their settlement that were discussed during the meeting held with representatives of Oil Marketing Company on Sept.29, 2009, and as the following:
 - A. It was decided to ask BSA audit teams in the company to inform the committee about the procedures taken by the company concerning the increase of storage capacities, pumping and loading of crude oil through the establishment of pipelines and tanks and purchase of floating platforms which are in the process of advertising or awarding.
 - B. As for the amount incurred on Shell due to change of destination of shipment, SOMO's representative indicated that "Shell" had not paid the amount and that the matter is under arbitration.
 - C. As for Jordanian National Bank confirmation of SOMO's balances in the bank, SOMO's representative clarified that there are correspondences between SOMO and the Central Bank of Jordan to deposit these amounts in DFI account, so the company's representative was required to provide COFE with the following:
 - First. Jordanian National Bank's confirmation of the balances according to currencies .
 - Second. Confirmation of Central Bank of Jordan that the above mentioned amounts have been deposited in DFI account
 - Third. Analytical statement of the difference between the amounts Mentioned in KPMG's report and SOMO's records in US dollars.
 - D. SOMO has been stressed conducting reconciliation of oil sales with the Ministry of Finance on monthly basis through documented reconciliation statements.
 - E. Concerning outstanding liabilities within current account reconciliations with Trade Bank of Iraq, SOMO's representative stated that 90% of outstanding liabilities were settled and the company keeps doing that. COFE was provided with the reconciliations as of Aug. 31, 2009.

- F. Concerning what is mentioned about not unifying the commercial and operating accounts by SOMO; SOMO's representative replied that the unification will be done after finalizing the unified accounting system for the commercial accounts through a committee established for this purpose and Board of Supreme Audit is one of its members.
 - G. It has been directed that SOMO should make reconciliation between oil products sales calculated on an accrual basis and the one calculated on cash basis.
 - H. Preparing a letter to the Minister of oil about the key observations, which have been discussed in the meetings that were attended by representatives of Ministry of Oil and SOMO, and the procedures that should be taken to settle these observations.
3. It was decided to held meetings with representatives of Ministry of Finance and Central Bank of Iraq (CBI) separately to discuss the observations of Ernst & Young's and KPMG's reports concerning DFI accounts and the following up's results for the year 2008 and the previous years. The meeting should be held on Oct. 22, 2009.
 - 4- Holding a workshop with chartered accountants and observers from the Ministry of Oil, Ministry of Industry, State Commission for Taxes, Office of Companies Registrar, Ministries of Oil and Ministry of Finance of Kurdistan region. The workshop will address the financial auditing on extraction industries. Mr. Adel Alhasson and Mr. Aras Mohamed Said have been assigned to prepare work paper concerning that, the date of holding the workshop shall be on 19/11/2009 in the headquarters of Board of Supreme Audit, the organizing party of the workshop is the Commission of Financial Experts with attending of representatives from office of auditing the industrial activity and companies, and office of technical affairs and studies in the Board of Supreme Audit.
 - 5- Viewing the items, which have been discussed during the meeting dated on 29/9/2009 with KPMG's representative. The items are as following:
 - A- The team has been provided with official letters to Ministry of Oil, Ministry of Finance and Central Bank of Iraq (CBI) to conduct auditing after signing the contract with the company for auditing the fund's accounts in 2009.
 - B- The provinces that the audit covers are as follows :-
Salahaldeen, Babil, AlQadysiah, Basra, Wasit, and Kurdistan region. In order to facilitate the team's mission, coordination will be made between the company and BSA's audit teams in the provinces and providing the team with official letters directed to the provinces' headquarters to assist them in accomplishment the mission.

- C- Assuring the necessity of KPMG's adherence of providing a report for the first six months in October 2009.
- D. The committee stressed on the audit team that the audit's results concerning the differences between the amounts that the audit reveals and the amounts according to the audited entity's records, should be in detailed analytical statements and informing the concerned entities of these differences.
- E. The committee stressed on KPMG's representative to enhance audit teams with qualified and experienced staff at the level of expert to conduct the audit.
6. The committee studied the letter issued by General Secretariat of the Council of Ministers no. 28165 on 14/9/2009 directed to all ministries which confirmed the necessity of preparing the organizational chart by the ministries, accomplishing job descriptions according to internal control requirements and the necessity of accelerating the issuance of ministries laws and to ask the Board of Supreme Audit to follow of strengthen the internal controls procedures of all ministries.

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