

Minutes of COFE's third meeting
Held on 29.10.2007

The meeting was presided over by Dr. Abdul Basit Turki Saeed, president of BSA and head of COFE and attended by a Committee member and the two experts. After approving the agenda the meeting went on to consider the following matters:

1. The work of the DFI auditor

In the presence of the auditor's representative (E&Y) the Committee reviewed the Fund's cash flow statement for the period 1st Jan. 2007 to 30th June 2007 and also discussed the contents of the auditor's interim report on the cash flow for the same period.

The Committee had a number of reservations about the interim report which were discussed with the auditor.

The auditor showed readiness to review the report in the light of the committee reservation and make the needed clarifications to avoid misleading impressions. The committee agreed on the following measures:

- 1.1. Press on the ministry of Finance and the Central Bank of Iraq regarding the urgent necessity to main a separate account for the DFI with the CBI to enable follow up of movements on the DFI (cash in flows and out flows). Such movement must be recorded promptly and authenticated by supporting documents there by facilitating audit of the special account at any time.
- 1.2. SOMO must deposit revenues of oil sales and value of barter sales of oil products into the general state treasury being revenues accruing to the stated treasury. Then the Ministry of Finance will allocate to SOMO funds which it had planned to obtain through barter sales.

Further it was agreed to hold a follow up side meeting after the IAMB meetings to agree on any further measures which IAMB may decide upon.

2. As the following institutions did not respond to the Committee's request to provide it with monthly information and data related to DFI it was decided to ask them to appoint liaison officers to activate follow up procedures.
 - A. Central Bank of Iraq
 - B. Ministry of Finance
 - C. Ministry of Oil
 - D. Trade Bank of Iraq

It was further decided to send them reminder about the necessity of

Providing monthly information and data which the Committee had asked for. Such information and data are needed for the Committee to identify deficiencies and take the appropriate remedial actions.

3. Ask the Ministry of Finance to provide the Committee with a copy of the planned budget for the year 2008 to see the estimated oil revenues for that year and how it has been arrived at. Also to be acquainted with the instructions to be issued for the budget execution and to ensure that the instructions contained the required internal controls.
4. The Committee discussed in details the DFI auditors observations regarding the ineffectiveness of the DFI accounting system applied in both the MoF and CBI. It was decided that meeting would be held with the concerned personnel in both institutions to address the observations raised in the audit reports.

5. The next IAMB meetings

The committee reviewed the report it has prepared on COFE's current activities and its plan of work for the coming year which is to be presented to IAMB and its meeting on 1-2 NOV. 2007 in paris.

The report also contained measures to ensure smooth transition from IAMB to COFE after the end of IAMB mandate at the end of 2007. The committee approved the report after making some amendments.

The committee also reviewed the report of BSA on its follow up on points raised in the auditor reports and committee endorsed its contents.

Both the above reports will be circulated to IAMB members in English and will also be posted on COFE's website after they have been discussed and the IAMB meetings.

6. Immunity of DFI funds

The Committee took note of the correspondence on this subject between, the Ministry of Foreign Affairs, Secretariat of the Council of Ministers and CBI. The Committee was also briefed by the president of BSA and the head of Committee about his telephone contacts to ensure that appropriate measures are taken in time to extend the immunity by Security Council resolution before it expires on 31.12.2007.

7. Control over and metering of oil

As asked for by the Committee, the DFI auditor submitted a detailed report supported by schedules showing the crude oil produced and its usages during the year 2006 and the first half of 2007. These schedules were based on information obtained from oil producing and refining companies as well as from the Ministry of Oil. The information derived

from the different sources showed discrepancies and the audit report showed differences in reconciling the figures totaled over 20 million barrels of oil in 2006 and about 2 million barrels during the first half of 2007. The Ministry of Oil did not present reasons or justifications for these differences.

The Committee decided to contact the Ministry of Oil to give reasons for the differences and why the Ministry of Oil was unable to do so if it could not provide reasons.

The Committee also decided to follow up with the Ministry of Oil the measures taken to implement the comprehensive metering system (based on a study prepared by specialists and approved by the Ministry) through meeting with the concerned persons in the Ministry.

8. The final IAMB report

The Committee reviewed the draft final report of IAMB which is to be issued after end of IAMB mandate on 31.12.2007. The Committee agreed on a number of amendments to the report and will contain them in a memo in English to be circulated to IAMB members at the next meeting in Paris on 1-2. Nov.2007.

9. Next COFE meeting

It was decided to hold the next meeting on 9-10.Dec.2007.

Head of COFE

Member

Expert

Expert