AUDIT

Development Fund for Iraq

IAMB Meeting 22-23 July 2009

Vienna, Austria
Contents

- Notice to the reader
- Scope of work and deliverables
- Progress since last IAMB meeting
- Barter transactions follow-up
- Q & A
Notice to the reader

This Presentation summarizes our findings as a result of our audit of the Statement of Cash Receipts and Payments for the year ended 31 December 2008 of the Development Fund for Iraq (“DFI”).

We have been engaged to perform an audit of the Financial Statements in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statement is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Government of Iraq’s preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the DFI’s internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the Government of Iraq, as well as evaluating the overall presentation of the financial statement.

The Financial Statements have been prepared in accordance with the International Public sector Accounting Standard “Financial Reporting Under the Cash Basis of Accounting”. The Financial Statement and the financial information contained in this Presentation may not be suitable for another purpose.

The Financial Statements and this Presentation are intended solely for the information and use of the Government of Iraq, the International Advisory and Monitoring Board of the Development Fund for Iraq and the Committee of Financial Experts and should not be used for any other purpose. We do not accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come.
Contents

- Notice to the reader
- Scope of work and deliverables
- Progress since last IAMB meeting
- Barter transactions follow-up
- Q & A
Scope of work and deliverables

**Interim Review**
Review of DFI Interim Statement of Cash Receipts and Payments for the six months ended 30 June 2008

- Review report on DFI Interim Statement of Cash Receipts and Payments
- Results of review procedures and key findings
- Presentation to the COFE and IAMB

**Due by:**
October 2008

**Final Audit**
Audit of DFI Statement of Cash Receipts and Payments for the year ended 31 December 2008

- Draft audit report on DFI Statement of Cash Receipts and Payments
- Draft results of audit procedures, key findings and recommendations
- Presentation to the COFE and IAMB

**Due by:**
April 2009

- Final audit report on DFI Statement of Cash Receipts and Payments
- Final results of audit procedures, key findings and recommendations
- Presentation to the COFE and IAMB

**Due by:**
July 2009
Progress since last IAMB meeting

Visits to ministries & U.S. agencies

<table>
<thead>
<tr>
<th>Ministries</th>
<th>Visited</th>
<th>Ministries</th>
<th>Visited</th>
<th>Not visited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil</td>
<td>✓</td>
<td>Interior</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>SOMO</td>
<td>✓</td>
<td>Education</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Finance</td>
<td>✓</td>
<td>Planning</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Central Bank of Iraq</td>
<td>✓</td>
<td>Human Right</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Higher Education and Scientific Research</td>
<td>✓</td>
<td>Housing and Construction</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Trade</td>
<td>✓</td>
<td>Communication</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Water Resources</td>
<td>✓</td>
<td>Transportation</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Sports and Youth</td>
<td>✓</td>
<td>Technology</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Labor and Social affairs</td>
<td>✓</td>
<td>Ministry of Public Work</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>✓</td>
<td>Industry and Minerals</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Migration and Displaced</td>
<td>✓</td>
<td>Defense</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Environment</td>
<td>✓</td>
<td>U.S. Agencies International Zone</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Culture</td>
<td>✓</td>
<td>Ministries in Sulaimaniyah</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Electricity</td>
<td>✓</td>
<td>Ministries in Erbil</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>✓</td>
<td>Foreign Affairs</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Justice</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Since our last meeting in Amman we have completed visits to all ministries in Baghdad, Sulaimaniyah and Erbil. As for the U.S. Agencies we were not able to visit them, although scheduling several meetings. We did receive an email from Kevin Bartol of the JCC-I that included a document in which they responded to the previous auditor’s observations.
Contents

- Notice to the reader
- Scope of work and deliverables
- Progress since last IAMB meeting
- Barter transactions follow-up
- Q & A
Barter transactions follow-up

We obtained the auditor’s work papers for the year ended 31 December 2003 and 2004 and the for the six months ended 30 June 2005.
We did not receive the work papers for the six months ended 31 December 2005 and for the year ended 31 December 2006 and 2007.
We then compared these documents to SOMO’s records and noted the following:

Amounts are in US$

<table>
<thead>
<tr>
<th>Year</th>
<th>Crude oil with the Syrian government</th>
<th>Fuel oil with the Syrian government</th>
<th>Fuel oil with Private companies</th>
<th>Total</th>
<th>Balance as per auditors' report</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>17,276,719</td>
<td>-</td>
<td>101,717,244</td>
<td>118,993,963</td>
<td>120,907,000</td>
<td>(1,913,037)</td>
</tr>
<tr>
<td>2004</td>
<td>129,337,981</td>
<td>46,355,229</td>
<td>165,496,543</td>
<td>341,189,753</td>
<td>340,302,000</td>
<td>887,753</td>
</tr>
<tr>
<td>2005</td>
<td>132,141,703</td>
<td>32,798,338</td>
<td>38,933,084</td>
<td>203,873,125</td>
<td>178,461,000</td>
<td>25,412,125</td>
</tr>
<tr>
<td>2006</td>
<td>168,230,355</td>
<td>7,332,794</td>
<td>42,649,623</td>
<td>218,212,772</td>
<td>175,537,000</td>
<td>42,675,772</td>
</tr>
<tr>
<td>2007</td>
<td>182,003,700</td>
<td>35,387,756</td>
<td>17,963</td>
<td>217,409,419</td>
<td>217,391,456</td>
<td>17,963</td>
</tr>
<tr>
<td>Total</td>
<td>628,990,458</td>
<td>121,874,117</td>
<td>348,814,457</td>
<td>1,099,679,032</td>
<td>1,032,598,456</td>
<td>67,080,576</td>
</tr>
</tbody>
</table>

We were not able to obtain explanation for the understatement of barter transactions in the financial statements. One reason could be the failure to account for barter transactions with private companies as can be seen in 2005 and 2006.

SOMO has now agreed the barter figures and the financial statements have been amended to reflect the corrected figure for barter transaction of US$ 1,099,679 K.
Contents

- Notice to the reader
- Scope of work and deliverables
- Progress since last IAMB meeting
- Barter transactions follow-up
- Q & A
Q & A

Presented by:

Edgard Joujou, Senior Partner
Rabih Shalabi, Director
Mustapha Dana, Manager
Diab Nasr, Manager