



AUDIT

Development Fund for Iraq

IAMB Meeting 22-23 July 2009

Vienna, Austria

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

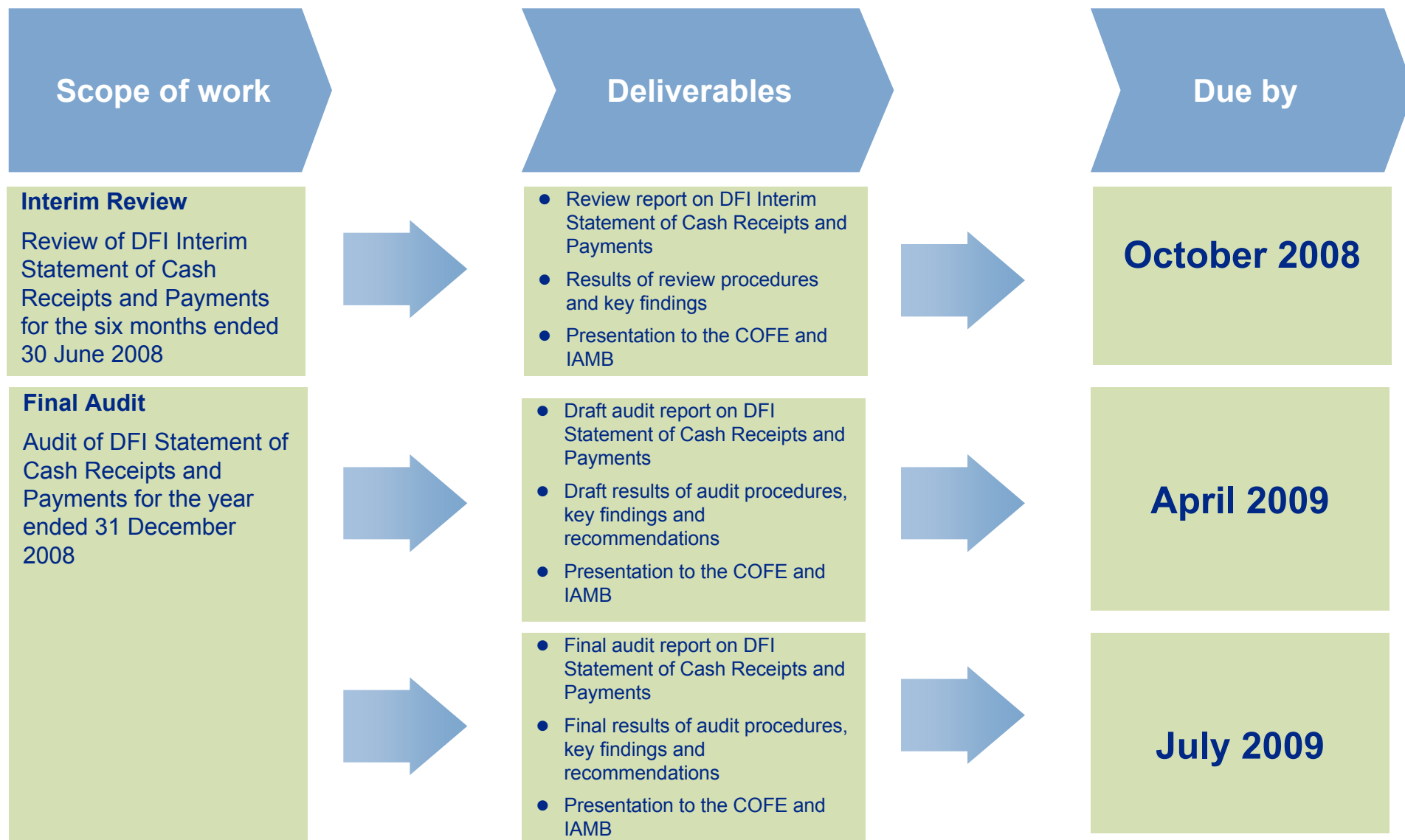
The Financial Statements have been prepared in accordance with the International Public sector Accounting Standard “Financial Reporting Under the Cash Basis of Accounting”. The Financial Statement and the financial information contained in this Presentation may not be suitable for another purpose.

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.

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Scope of work and deliverables

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Progress since last IAMB meeting

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Visits to ministries & U.S. agencies				
Ministries	Visited	Ministries	Visited	Not visited
Oil	✓	Interior	✓	
SOMO	✓	Education	✓	
Finance	✓	Planning	✓	
Central Bank of Iraq	✓	Hum an Right	✓	
Higher Education and Scientific Research	✓	Housing and Construction	✓	
Trade	✓	Com m unication	✓	
Water Resources	✓	Transportation	✓	
Sports and Youth	✓	Technology	✓	
Labor and Social affairs	✓	Ministry of Public Work	✓	
Agriculture	✓	Industry and Minerals	✓	
Migration and Displaced	✓	Defense	✓	
Environem ent	✓	U.S. Agencies International Zone		✓
Culture	✓	Ministries in Sulaim aniyah	✓	
Electricity	✓	Ministries in Erbil	✓	
Health	✓	Foreign Affairs	✓	
Justice	✓			

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.

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Barter transactions follow-up

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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\$

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

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.

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