

To,

The IAMB

Sub. Report from COFE

Dear Sirs,

Below are COFE's activities during May and June 2010, as COFE held (7) meetings, and as follows:

1. The sixth regular meeting for 2010, held on May 13, 2010 during which the following subjects were discussed:
 - a. The IAMB letter regarding the assessment report on progress in implementing the Ministry of Oil's comprehensive oil metering plan as at June 30, 2010, and to include the following:
 - (i) provide observations on the implementation and calibration of oil meters to date, including a summary of the rate of achievement of the Ministry of Oil's comprehensive oil metering plan by sector,
 - (ii) assess whether the installed meters are in operation and being used,
 - (iii) physically test a representative sample of installed meters to assess whether they are fully operational as expected and in line with their design specifications,
 - (iv) document the procedures followed to implement metering at oil export terminals, including the reconciliation processes,
 - (v) review the implementation of those procedures, particularly the reconciliation processes,
 - (vi) The further steps required to fully implement the Ministry of Oil's plan on schedule through end 2011.
 - b. The negotiations with PWC to in charge it with DFI audit for 2010 regarding the payments and the field presence of the working team in Iraq. A recommendation was made for the acceptance of PWC's contract for DFI

2010, and the company was requested to send the letters of engagement for the audit and review.

- c. The items of the last IAMB meeting held in Paris on April 28 -29, 2010.
 - d. Follow up the items included in the first quarterly report of the Government of Iraq to the UN Security Council.
 - e. The status of addressing the remarks of the international auditors on DFI audit for 2007 and 2008, and determined the actions to be taken in regard with the valid remarks.
 - f. The last action taken by the committee formed within the Ministry of Planning related the war damages and obtaining the last status of the UN Oil for Food program.
2. COFE meeting on May 16, 2010 to discuss the items COFE expected to be included in the second quarterly report of the Government of Iraq in the light of the results of its follow up to the first quarterly report , and expedite providing COFE with the necessary information included in the follow up by the following parties:
- The Ministry of Oil relating to the implementation of the metering and calibration system.
 - The Central Bank of Iraq relating to the approval of the FRBNY in order to continue keeping the accounts with it.
 - The Ministry of Finance relating to the debts, frozen assets and the financial instructions.
 - Other items included in the report.
3. The meeting held with the representatives of the Ministry of Oil and SOMO on May 18, 2010 and was attended by the BSA follow up team and the Heads of BSA audit teams in these entities. All valid remarks from the audit reports of 2007 and 2008 were discussed, some of them were already addressed and COFE was provided with the proper documentation, as for the remaining remarks COFE requested fast actions to be taken. A minute of the meeting was prepared.

4. The meeting held with the representatives of the Ministry of Finance on May 18, 2010, attended by the BSA follow up team and the Heads of BSA audit teams in the Ministry of Finance, the valid remarks from E&Y report from 2007 were discussed, some of the remarks were addressed as the Ministry representatives stated and the rest of them will be addressed as soon as possible. A minute of the meeting was prepared.
5. The meeting held with the representative of the Ministry of Oil on May 30, 2010 relating to provide COFE with the status of the implementing the metering system during April and May 2010, COFE was provided with the status on May 31, 2010 through a letter from the Ministry.
6. The seventh regular meeting of COFE held on June 6, 2010 during which the following subjects were considered:
 - a. The items of the second quarterly report of the Government of Iraq pursuant to paragraph 5 of UNSCR 1905 after completing the data and information.
 - b. The minutes of the ministerial committee formed to implement UNSCR 1905
 - c. Follow up the plan and timetable for transition from DFI to successor arrangements and the sufficiency of the action taken in this regard within the timelines.
 - d. The minute of meeting of the committee formed to study war damages held on March 23, 2010. COFE sent a letter to the General Secretariat of the Council of Ministers on June 6, 2010 informing it that the subject needs sufficient seriousness to be finalized and to expedite its clearance.
 - e. The status of the ministries and state entities regarding the laws and structural charts.
 - f. The result of settling the L/Cs related to UN Oil for Food program and the report prepared by the in charged committee.
 - g. Addressing of the suspended remarks of E&Y and KPMG's reports on DFI audit for 2007 and 2008. COFE confirmed that the remarks that no action has been taken to address should be identified in order to be addressed.
 - h. Follow up the completion of the final financial statements of the state which is expected to be discussed by audit board during July, 2010 in case BSA working team obtained the necessary data to finalize it.

7. The meeting held on June 10, 2010 to discuss the following issues:
Continue the discuss related to the items to be included in the second quarterly report of the Government of Iraq (as a draft) after completing the information requested by COFE related to the following subjects:
 - a. Follow up the completion of the laws and structural charts
 - b. A summery of the remarks from DFI audit reports and continue coordination with BSA audit teams to address them.
 - c. Some items of PWC contract for DFI audit for 2010.