

Development Fund for Iraq

Management Letter -
Governorates

31 December 2010

New and Prior Year Unresolved MLPs



International Advisory and Monitoring Board
Committee of Financial Experts
Government of Iraq
Baghdad – Iraq

22 June 2011

Dear Sirs,

We are pleased to submit to you our Management Letter containing our observations and recommendations concerning the internal control structure and other matters resulting from our audit of Development Fund for Iraq for the year ended 31 December 2010. Our audit uncovered certain conditions that, although not considered by us to be material weaknesses in relation to the Association's financial position, are matters for which corrective action should be considered.

In planning and performing our audit we considered internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control, therefore, we are not required to search specifically for fraud and therefore cannot be relied upon to disclose all such matters. Accordingly our audit may not have identified all weaknesses within your systems. The observations and recommendations as listed in the accompanying table of contents therefore may not be a comprehensive record of all weaknesses that may exist.

This report is intended solely for the information and use of the IAMB, COFE and the Government of Iraq and is not intended to be and should not be used by anyone other than these specified parties. Because others may seek to use it for different purposes, this report should not be quoted, referred to or shown to any other parties (except the addressee's professional advisers acting in that capacity provided that they accept that we assume no responsibility or liability whatsoever to them in respect of the contents) unless so required by court order or a regulatory authority, without our prior consent in writing. We assume no responsibility whatsoever in respect of or arising out of or in connection with the contents of this presentation to parties other than the Addressees. If others choose to rely in any way on the contents of this presentation they do so entirely at their own risk.

We would be pleased to discuss these recommendations with you further and to assist you in implementing them.

Yours sincerely,

PricewaterhouseCoopers "Jordan"

PricewaterhouseCoopers "Jordan" Jabal Amman-3rd Circle, 14 Hazza' Al Majali St., P.O. Box 5175 Amman 11183 Jordan
T: +962 (6)500 1300, F:+962 (6) 461 0880, www.pwc.com/me

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Summery of Management Letters

Status Risk

Governorate Of Karbala'a

Contractor audited financial statements	New	Medium
Reconciling the payroll sheets and trail balance	New	High
Registration certificate of contracted parties	New	Medium
Black list inquiry	New	Medium

Governorate Of Al-Qadsiyah

Blacklist inquiry	New	Medium
Organizational Structure And Job Description	Old	Medium
Controlling Attendance	Old	Low
Automation Of The Accounting System	Old	Medium
Advances	Old	Medium
Purchasing Cars	Old	High
Project Relating To Sewerage	Old	High

Summery of Management Letters

Status Risk

Governorate Of Al-Basra

Black list inquiry	New	Medium
Contractor audited financial statements	New	Medium
Claims	Old	Medium
Projects On Hold	Old	Medium
Advances On Work Completed	Old	High

Governorate Of Babel

Salaries	Old	Medium
Fixed Assets	Old	High
Cleaning Project	Old	High
Repetition Of Advertisement	Old	Medium
Organizational Structure	Old	Medium

Summery of Management Letters

Status Risk

Governorate Of Al-Najaf

Unrecorded outstanding items appeared in the Bank records	New	High
Checks Outstanding More Than Six Months	New	Medium
Contractor audited financial statements	New	Medium
Registration certificate of contracted parties	New	Medium
Black list inquiry	New	Medium
Contracts award cancelation procedures	New	Medium

Governorate Of Kirkuk

Contractor audited financial statements	New	Medium
Black list inquiry	New	Medium
Discrepancies between amounts received Banks and employees salries disbursements	New	High

Governorate Of Karbala'a

New and Prior Year Unresolved MLPs

Governorate Of Karbala'a

1. Contractor audited financial statements

Observation:

Through our review of the contracts, we noted the Governorate did not obtain a current audited financial statements for their contracted parties, as an example of this :

Contract Number	Contractor Name	Contract Description
15	Al-Naba'a Al Handasi and Salah Al-Amal	Providing plastic pumps for karbalaa water department
38	Al-Kisar Al-Amiryah Contracting Company	Building of high schools in Al-Rafedean area

The absent of such documents might result in contracting with insolvent, bankrupt, or unfavorable contractor, even if previous contracts existed with the supplier, thus the economical recession or external factors may adversely affect the contractor financial position and results in its inability to perform under the contract.

Recommendation:

We recommend prior to contracting with the contractor's to obtain current audited financial statement and analyze those statements in order to evaluate and asses the contractor ability to perform under the contract

Status: New

Risk Status

High	
Medium	●
Low	

Governorate Of Karbala'a

2. Reconciling the payroll sheets and trail balance

Observation:


During our review of the payroll sheets, we noted discrepancies between the payroll sheets and the gross payroll posted to the trail balance. In addition the designated department within the governorate did not perform monthly reconciliation to identify those discrepancies.

Recommendation:

We recommend the governorate to perform monthly reconciliation between the payroll sheets and the trail balance and reconcile identified discrepancies resulted from the reconciliation. In addition to involve the internal audit department to perform review over it.

Status: New

Risk Status

High	
Medium	
Low	

2. Reconciling the payroll sheets and trail balance

Governorate Of Karbala'a

3. Registration certificate of contracted parties

Observation:

Through our review of the contracts, we noted the Governorate did not obtain an establishment certificate for their contracted parties, as an example of this :

Contract Number	Contractor Name	Contract Description
62	Al-Etihad Engineering Company	Establishing telecommunication network in Al-Abasia Zone
38	Al-Kisar Al-Amiryah Contracting Company	Building of high schools in Al-Rafedean area

The absent of such documents might result in contracting with fake or non existence contractors.

Recommendation:

We recommend prior to contracting with the contracting party to obtain establishment contract in order to assure its existence and ensure its ability to perform under the contract.

Status: New

Risk Status

High	
Medium	●
Low	

Governorate Of Karbala'a

4. Black list inquiry

Observation:

Through our review of the contracts, we noted the Governorate did not inquire regarding the exclusion, of the participated companies in the tender, in the black list and as an example of this :

Contract Number	Contractor Name	Contract Description
62	Al-Etihad Engineering Company	Establishing telecommunication network in Al-Abasia Zone
38	Al-Kisar Al-Amiryah Contracting Company	Building of high schools in Al-Rafedean area

The absent of such documents might result in contracting with insolvent, bankrupt, or unfavorable contractor, even if previous contracts existed with the supplier.

Recommendation:

We recommend to perform prior to contracting the inquiry of contracting party exclusion from the black list in order to assure that they are not listed in the black list and ensure the contractor reputation and ability to perform under the contract.

Status: New

Risk Status

High	
Medium	●
Low	

Governorate Of Al-Qadsiyah

New and Prior Year Unresolved MLPs

Governorate Of Al-Qadsiyah

1. Blacklist inquiry

Observation:

Through our review of the contracts, we noted the Governorate did not inquire regarding the exclusion, of the participated companies in the tender, in the black list and as an example of this :

Contract Number	Contractor Name	Contract Description
4	Diar Al saad Co.	Equip the governorate with leathers.
8	Al azdahir Al Handsea Co.	Cleaning the area in Dewaneyeh city.

The absent of such documents might result in contracting with insolvent, bankrupt, or unfavorable contractor, even if previous contracts existed with the supplier

Recommendation:

We recommend to perform prior to contracting the inquiry of contracting party exclusion from the black list in order to assure that they are not listed in the black list and ensure the contractor reputation and ability to perform under the contract.

Status: New

Risk Status

High	
Medium	●
Low	

Governorate Of Al-Qadsiyah

2. Organizational Structure And Job Description

Observation:

We noted the lack of a formal organizational structure and job description illustrating levels of responsibility and accountability

Recommendation:

We recommend the governorate to develop and prepare a formal organizational structure and job description for all levels of the governorate that should include at least the following:

- the hierarchy of the governorate.
- execution responsibilities, the direct reports and the related authorizations.
- operational responsibilities for staff and specific duties to be implemented. –
- administrative responsibilities related to performance.
- any other duties to be executed under any circumstance as defined by the governor.
- types of reports to be issued and the timeframe for preparing and issuing these reports.

Follow up:

During our follow up, we noted that this observation is still valid

Status: Old

Risk Status

High	
Medium	●
Low	

Governorate Of Al-Qadsiyah

3. Controlling Attendance

Observation:

We noted that the control of the attendance is done through employee signature on attendance sheets upon showing up in the morning however there is no monitoring of attendance at the end of the day. The absence of a control system over attendance (time stamps) may lead to deficiencies in controlling attendance

Recommendation:

We recommend the use of a finger scan in order to control the attendance of the employees.

Follow up:

During our follow up, we noted that this observation is still valid.

Status: Old

Risk Status

High	
Medium	
Low	●

Governorate Of Al-Qadsiyah

4. Automation Of The Accounting System

Observation:

We noted that the process of posting the accounting entries, the booking in the daily journal and the posting to the general ledger along with the extraction of the trial balance and financial reports are carried out manually.

Recommendation:


We recommend the governorate to use an automated accounting information system for all accounting transactions in order to prevent any error that can result from the operations being carried out manually and in order to speed up the extraction of financial information and the possibility of maintaining a database including all accounting transactions.

Follow up:

During our follow up, we noted that this observation is still valid.

Status: Old

Risk Status

High	
Medium	
Low	

Governorate Of Al-Qadsiyah

5. Advances

Observation:

As a result of our review of the advances balance, we noted that some balance has been outstanding since year 2003 and are not reconciled to the date of our visit on 20 May 2010.

Recommendation:


We recommend to reconcile the advances balance and post the required journal entries in this respect.

Follow up:

During our follow up, we noted that this observation is still valid.

Status: Old

Risk Status

High	
Medium	
Low	

Governorate Of Al-Qadsiyah

6. Purchasing Cars

Observation:

As a result of our review of the contract relating to purchasing cars amounting to IQD 579 million, we noted the following:

- This project is not included within the regional development projects. The expenditures relating to this project were charged to administrative expenses for the account of projects' development.
- The governorate did not approach government bodies for the purpose of equipping the vehicles.
- Some equipped vehicles do not meet the specifications mentioned in the bid; for instance some cars have different chassis number than the one on the identification papers

Recommendation:

We recommend to follow the mechanism used for any purchase and to follow the instructions relating to the implementation of the annual budget issued by the ministry of finance and to match the items received to the terms of the contract.

Follow up:

During our follow up, we noted that this observation is still valid.

Status: Old

Risk Status

High	●
Medium	
Low	

Governorate Of Al-Qadsiyah

7. Project Relating To Sewerage

Observation:

As a result of our review relating to the contract mentioned above referred to Turkish Company for Contract for a total amount of IQD 5,130,000,000 dated 23 September 2007 and with a timeframe for execution of 180 days, we noted the following:

- Turkish Company is not registered with the Iraqi government.
- The specifications of the work executed do not match with the specifications mentioned in the contract and with the bill of quantities for some areas.
- Project is still in progress.
- Even though the case of falsification of the Company relating to the basis of classification of contractors was proven and that the company is not registered or classified with the Ministry of Planning and Development as per the memo dated 19/5/2008, the governorate has only excluded the company from working on the above mentioned project without taking legal action against.

Recommendation:


We recommend to abide by the instructions relating to the implementation of government contracts of year 2008. We also recommend adherence to the instructions relating to the budget implementation which provide holding accountable the departments responsible for the implementation of projects incases where there is a decline in the rates of implementation, and to take legal action against the companies that presented forged documents within the contract.

Follow up:

During our follow up, we noted that this observation is still valid.

Status: Old

Risk Status

High	
Medium	
Low	

Governorate Of Al-Basra

New and Prior Year Unresolved MLPs

Governorate Of Al-Basra

1. Black list inquiry

Observation:

Through our review of the contracts, we noted the Governorate did not inquire regarding the exclusion, of the participated companies in the tender, in the black list and as an example of this :

Contract Number	Contractor Name	Contract Description
101	Ervia Franch Co	Building of FAO electricity station.
61	C G Holding Co.	Supplying high voltage equipment

The absent of such documents might result in contracting with insolvent, bankrupt, or unfavorable contractor, even if previous contracts existed with the supplier.

Recommendation:

We recommend the implementation of the instructions before signing the contract

Status: New

Risk Status

High	
Medium	●
Low	

Governorate Of Al-Basra

2. Contractor audited financial statements

Observation:

Through our review of the contracts, we noted the Governorate did not obtain a current audited financial statements for their contracted parties, as an example of this:

Contract Number	Contractor Name	Contract Description
101	Ervia Franch Co.	Building of FAO electricity station.
61	C G Holding Co.	Supplying high voltage equipment.

The absent of such documents might result in contracting with insolvent, bankrupt, or unfavorable contractor, even if previous contracts existed with the supplier, thus the economical recession or external factors may adversely affect the contractor financial position and results in its inability to perform under the contract.

Recommendation:

We recommend prior to contracting with the contractor’s to obtain current audited financial statement and analyze those statements in order to evaluate and asses the contractor ability to perform under the contract.

Status: New

Risk Status

High	
Medium	●
Low	

Governorate Of Al-Basra

3. Claims

Observation:

- We noted a number of complaints filed by the governorate against companies for providing false documents or fraudulent statements and also the presence of claims relating to certain projects of the governorate with violations for example, (a fraudulent letter of guarantee sent by Fayed El-Amin Company, clearance form sent by Al-Inwan Company and the deficiencies noted in the main pumping station), despite all of that the amounts have been paid to the companies.
- As a result of our review over the property and assets of the governorate, we noted that some cars are missing and are used outside the governorate. The history of these missing cars relates to the years prior to year 2009, this issue was not sorted until the date of our visit to the governorate.

Recommendation:

We recommend the follow-up on those claims in terms of forgery transactions and to approach the concerned authorities for the purpose of clearing the issue of the missing cars.

Follow up:

During our follow up, we noted that this observation is still valid.

Status: Old

Risk Status

High	
Medium	●
Low	

Governorate Of Al-Basra

4. Projects On Hold

Observation:

We noted that some projects for regional development and for speeding up reconstruction and rehabilitation relating to years 2006 – 2007 - 2008 have not yet been completed to the date of our visit on 29/03/2010 despite the end of their contractual periods

Recommendation:

We recommend speeding up the implementation of projects according to the periods stipulated in the contract and abide by the instructions relating to the implementation of government contracts.

Follow up:

During our follow up, we noted that this observation is still valid.

Status: Old

Risk Status

High	
Medium	●
Low	

Governorate Of Al-Basra

5. Advances On Work Completed

Observation:

As a result of our review to a sample of disbursement vouchers, we noted the disbursement of two advances on the same day or the following day contrary to the instructions relating to the implementation of contracts for example, (disbursements relating to the contract for supply of reserve materials for the warehouses of the governorate for a total amount of 7,085,936,000 Iraqi Dinars in favor of the supplier through two disbursement vouchers issued on the same day on 31/12/2008 amounting to 5,279,400,000 Iraqi Dinars and 1,806,536,000 Iraqi Dinars/ contract for installing and arranging a water pipeline network in the street 14 Tammouz where the governorate made two disbursements for the contractor 30 and 31/12/2008.

Recommendation:

We recommend adherence to the instructions relating to the awarding of government contracts which stipulate that the payment of advances shall be made based on the completion of work and for periods not less than one month and to adhere to the implementation of the terms of the contract.

Follow up:

During our follow up, we noted that this observation is still valid

Status: Old

Risk Status

High	●
Medium	
Low	

Governorate Of Babel

New and Prior Year Unresolved MLPs

Governorate Of Babel

1. Salaries

Observation:

1. During our review of the process of salary disbursements, we noted that some staff ask other employees to collect their salaries on their behalf, without authorization or any supporting document for the governorate to ensure that those employees are authorized to collect payments on behalf of others.
2. During our review of the personnel files, we noted the lack of supporting documents required for employment such as graduation certificate, resume' and approval for recruitment.
3. We noted that the payroll of the governorate are prepared manually. This process is inefficient and time consuming. In addition, the manual processing of salaries increases the risk of human errors.

Recommendation:

1. We recommend that the recipient the authorized formally to receive the salary on behalf of another employee. We also recommend that the employee signs on the pay slip after receiving the salary in cash. We also recommend that the governorate considers paying salaries through direct bank transfers to the employees' bank accounts to better monitor and control disbursement operations.
2. We recommend to develop an appropriate archiving system for personnel files of the governorate to ensure the availability of documentation for each staff member in order to meet the needs of all the departments of the governorate.
3. We recommend that the Ministry uses an accounting information system for all accounting transactions in order to avoid errors that could result from the operations carried out manually and to increase efficiency in the extraction of financial information and the possibility of developing a database for all accounting transactions.

Follow up:

During our follow up, we noted that this observation is still valid.

Status: Old

Risk Status

High	
Medium	●
Low	

Governorate Of Babel

2. Fixed Assets

Observation:

During our review of the warehouses of the governorate of Babel, we noted the following:

- 1. The site used by the governorate as a warehouse is not a suitable one to store its assets.
- 2. The warehouses include material that are not the property of the governorate.
- 3. We noted unused material that can be used in the projects of the governorate.
- 4. The warehouse contains sensitive electronic devices that require special storage conditions. It is to be noted that the warehouses used are not valid for the storage of such materials, because of the cracks in the ceilings and humidity. This might lead to the damage of these materials.
- 5. The absence of an electronic system to ensure control of the stored assets and fixed assets of the governorate.
- 6. The fixed assets register does not include identification numbers of the fixed assets. The identification number for each asset helps maintain track of each item in the fixed asset register and offers the possibility of accountability for fixed assets, in addition, it facilitates the process of verifying the actual existence of these fixed assets..

Recommendation:


We recommend erecting warehouses for storing materials according to type and expiry date of each item and not to leave excess materials unused and to adopt an electronic system that will ensure control over all assets. We also recommend allocation of an identification numbers to each of fixed assets item, which should be included in the fixed asset register. In addition, a periodic independent fixed asset physical count should be conducted to ensure the existence of fixed assets.

Follow up:

During our follow up, we noted that this observation is still valid.

Status: Old

Risk Status

High	
Medium	
Low	

Governorate Of Babel

3. Cleaning Project

Observation:

As a result of the process of review and audit, we noted the inclusion of cleaning projects that are within the operating expenses as part of the investment plan where the total amount of cleaning projects for the governorate amounted to 8,692,180,000 Iraqi Dinars for the year 2009. Most of these clean-up projects were carried out through direct implementation and the role of the governorate in these projects is limited to disbursements and controlling reports received from the municipality responsible for the project without the involvement of the committees and the continuous follow-up on the project.

Recommendation:


We recommend compliance with the budget issued by the Ministry of Finance, which prohibits the use of funds allocated to certain projects for financing operational expectations without approval to enhance controls and to better monitor the implementation of the budget process

Follow up:

During our follow up, we noted that this observation is still valid.

Status: Old

Risk Status

High	
Medium	
Low	

Governorate Of Babel

4. Repetition Of Advertisement

Observation:

We noted during our review that the governorate re-announces some offers after being unsealed for several reasons. Thus, the price presented by the offerors become known to committee members and therefore confidentiality relating to offers will be lacking.

Recommendation:

We recommend require bidder to submit two offers, as follows:

- Technical offer: This includes the technical specifications of the contract, the date of delivery and other technical matters.
- Financial offer: This includes the schedule of prices, the repayment schedule and the method of payment. This part should only be presented upon the approval of the technical offer mentioned above. We also recommend the need to ensure accuracy for any advertisement and to ensure that it includes all the specifications and conditions of the contract, so as to further enhance control procedures and to monitor the procurement process.

Follow up:

During our follow up, we noted that this observation is still valid.

Status: Old

Risk Status

High	
Medium	●
Low	

Governorate Of Babel

5. Organizational Structure

Observation:

We noted the absence of a formal organizational chart and job description showing levels of authorities and responsibilities.

Recommendation:

We recommend that the governorate to develop and prepare a formal organizational chart and job description for all levels of the governorate that should include at least the following:

- The hierarchy of the governorate.
- Execution responsibilities, the direct reports and the related authorizations. - operational Responsibilities for staff and specific duties to be implemented. - administrative responsibilities related to performance.
- Any other duties to be executed under any circumstance as defined by the governor.
- Types of reports to be issued and the timeframe for preparing and issuing these reports.

Follow up:

Through our visit to the Governorate, we noted that the organizational structure of the governorate is still under preparation by the Commission through its letter No. (781) for the year 2010.

Status: Old

Risk Status

High	
Medium	●
Low	

Governorate Of Al-Najaf

New MLPs

Governorate Of Al-Najaf

1. Unrecorded outstanding items appeared in the Bank records

Observation:

During our review of Al-Rafidain Bank reconciliation for the month of December 2010, we noted that the Governorate did not record all the entries appearing in the Bank statement. The existence of such outstanding items appearing in the Bank statement and not appearing in the Governorates records, indicates that the Governorate did not identify and record all the deposits and withdrawals executed by the Bank which raises the risk of delay in recognizing the actual cash receipts and payments on timely basis.


Recommendation:

We recommend the Governorate to identify and record all the payments and receipts appearing in the Bank statement and to limit the Bank reconciliation for deposits and withdrawals appearing in the Governorate records and not appearing in the Bank due to time laps verification.

Follow up:

Status: New

Risk Status

High	
Medium	
Low	

Governorate Of Al-Najaf

2. Checks Outstanding More Than Six Months

Observation:

During our review of Bank reconciliation for Al-Rafidain Bank, we noted that some checks were found in the bank reconciliation reports with maturities exceeding 6 months.


Recommendation:

We recommend the follow up on all reconciling items. As for checks with maturities exceeding 6 month we recommend that these be reversed and that the accounting records be amended accordingly.

Follow up:

Status: New

Risk Status

High	
Medium	
Low	

Governorate Of Al-Najaf

3. Contractor audited financial statements

Observation:

Through our review of sample of contracts, we noted the Governorate did not obtain a current audited financial statements for their contracted parties, as an example of this :

Contract Amount	Contractor Name	Contract Description
7,507,720,000	Al-Sharqiya and Fihan Company	Preparation of sewage network and stations for the governorate

The absent of such documents might result in contracting with insolvent, bankrupt, or unfavorable contractor, even if previous contracts existed with the supplier, thus the economical recession or external factors may adversely affect the contractor financial position and results in its inability to perform under the contract.

Recommendation:

We recommend prior to contracting with the contractor's to obtain current audited financial statement and analyze those statements in order to evaluate and asses the contractor ability to perform under the contract

Status: New

Risk Status

High	
Medium	●
Low	

2. Reconciling the payroll sheets and trail balance

Governorate Of Al-Najaf

4. Registration certificate of contracted parties

Observation:

Through our review of sample of contracts, we noted the Governorate did not obtain an establishment certificate for their contracted parties, as an example of this :

Contract Number	Contractor Name	Contract Description
7,507,720,000	Al-Sharqiya and Fihan Company	Preparation of sewage network and stations for the governorate

The absent of such documents might result in contracting with fake or non existence contractors.

Recommendation:

We recommend prior to contracting with the contracting party to obtain establishment contract in order to assure its existence and ensure its ability to perform under the contract.

Status: New

Risk Status

High	
Medium	●
Low	

Governorate Of Al-Najaf

5. Black list inquiry

Observation:

Through our review of sample of contracts, we noted the Governorate did not inquire regarding the exclusion, of the participated companies in the tender, in the black list and as an example of this :

Contract Number	Contractor Name	Contract Description
7,507,720,000	Al-Sharqiya and Fihan Company	Preparation of sewage network and stations for the governorate

The absent of such documents might result in contracting with insolvent, bankrupt, or unfavorable contractor, even if previous contracts existed with the supplier.

Recommendation:

We recommend to perform prior to contracting the inquiry of contracting party exclusion from the black list in order to assure that they are not listed in the black list and ensure the contractor reputation and ability to perform under the contract.

Status: New

Risk Status

High	
Medium	●
Low	

Governorate Of Al-Najaf

6. Contracts award cancelation procedures

Observation:

Through our review of contracts, we noted the Governorate canceled the first award for the contract related to the construction of The Commission of Integrity building which was awarded in the first place to Lamsat Al-Fan and Nahar Al-Khair Company. The award was canceled and subsequently granted to Golden Towers Company for an amount of IQD 1,816,608,000 and since the tender supporting documents indicated that the cancelation was based on The Committee of Objections and Appeals letter issued on 29 August 2010 with the absent of the letter itself or any supporting document indicating the reasons behind the first cancelation.


Recommendation:

We recommend the attachment and inclusion of all the supporting documents that confirm and justifies the tender award cancelation after awarding the most efficient and effective party in order to maintain the justice and transparency of the tender awarding procedures and for compliance with the Iraqi Contracting Law.

Follow up:

Status: New

Risk Status

High	
Medium	
Low	

Governorate Of Kirkuk

New MLPs

Governorate Of Kirkuk

1. Contractor audited financial statements

Observation:

Through our review of sample of contracts, we noted the Governorate did not obtain a current audited financial statements for their contracted parties, as an example of this :

Contract Amount	Contractor Name	Contract Description
IQD 988,243,357	Kirkuk Ta'aker Co.	Construction of sidewalks blockades and tiling the streets in Daqouq
IQD 2,228,788,400	Shirdorah Construction Company	Tiling and connecting governorate St. with the Business Chamber St.
IQD 1,473,570,250	Hirman Construction Company	Tiling and connecting Al-Wasiti hood

The absent of such documents might result in contracting with insolvent, bankrupt, or unfavorable contractor, even if previous contracts existed with the supplier, thus the economical recession or external factors may adversely affect the contractor financial position and results in its inability to perform under the contract.

Recommendation:

We recommend prior to contracting with the contractor's to obtain current audited financial statement and analyze those statements in order to evaluate and asses the contractor ability to perform under the contract

Status: New

Risk Status

High	
Medium	●
Low	

Governorate Of Kirkuk

2. Black list inquiry

Observation:

Through our review of sample of contracts, we noted the Governorate did not inquire regarding the exclusion, of the participated companies in the tender, in the black list and as an example of this :

Contract Number	Contractor Name	Contract Description
IQD 988,243,357	Kirkuk Ta'aker Co.	Construction of sidewalks blockades and tiling the streets in Daqouq
IQD 2,228,788,400	Shirdorah Construction Company	Tiling and connecting governorate St. with the Business Chamber St.
IQD 1,473,570,250	Hirman Construction Company	Tiling and connecting Al-Wasiti hood

Recommendation:

We recommend to perform prior to contracting the inquiry of contracting party exclusion from the black list in order to assure that they are not listed in the black list and ensure the contractor reputation and ability to perform under the contract.

Status: New

Risk Status

High	
Medium	●
Low	

Governorate Of Kirkuk

3. Discrepancies between amounts received Banks and employees salaries disbursements

Observation:


During our review over the salary process we noted some discrepancies between the amounts received by the salary receiving committee and the actual amounts distributed to employees, whereby the discrepancies occurred during the year 2010.

Recommendation:

We recommend the necessity for the receiving committee to confirm the amount of cash received before existing the Bank in addition of obtaining the Bank withdrawal slip in order to avoid such discrepancies in the future.

Status: New

Risk Status

High	
Medium	
Low	

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