

Development Fund for Iraq

Management Letter - Kurdistan
Regional Government

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,

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Summery of Management Letters

	Status	Risk
Common Observations	Old	Medium
Fixed Asset Register	Old	High
Organization Chart	Old	Medium
Operating Budget		
Ministry of Finance		
Establishing purchasing committees for contracts requiring tendering process	New	Medium
The absence of the contractor's audited financial statements, company's establishment contract, and black list enquiry.	New	Medium
Daily Register for the Investment Budget	Old	Medium
Ministry of Housing and Construction		
Payroll Cash Payment	Old	Medium
Ministry of Municipalities		
Awarding tenders process	New	High
Bank Reconciliations	Old	High
Checks Outstanding More Than Six Months	Old	Medium
Tender Opening Committees	Old	High

Summery of Management Letters

	Status	Risk
Ministry of Electricity		
Directorate Accounts	Old	Medium
Stock Count	Old	High
Payable	Old	Medium
The Amounts Mentioned in the Budget	Old	Medium
Fixed Asset Register	Old	Medium
Centralized Contract Files	Old	Medium
Payroll Cash Payment	Old	Medium
Ministry of Higher Education		
Segregation of Duties	Old	Medium
Suspended Projects	Old	High
Tender Procedures	Old	High

Summery of Management Letters

	Status	Risk
Ministry of Agriculture and Water Resources		
Tenders Opening and Analyzing Committees	Old	High
Payroll	Old	Medium
Salaries Collection	Old	Medium
Erbil Governorate		
Governorate Employees	Old	Medium
Reconciliation of Fixed Assets	Old	Medium
Procurement Committees	Old	Medium
Allocations	Old	High
Ministry of Labor and Social Affairs		
Bank Reconciliation for the Investment Plan	Old	High
Ministry of Youth and Culture		
Disbursement of Salaries	Old	Medium
Bank Reconciliations	Old	Medium

Summery of Management Letters

	Status	Risk
Ministry of Trade and Industry		
Contract to Supply Marble and Granite	Old	High
Ministry of Justice		
Salaries	Old	Medium
The Directorates	Old	Medium
Ministry of Health		
Payroll	Old	Medium
Contract to Complete the Construction of the Birmam Hospital	Old	High
Ministry of Endowment and Religious Affairs		
Disbursement of Salaries	Old	Medium
Ministry of Defense (Al Peshmerga)		
Ministry of Defense Funding	Old	High

Summery of Management Letters

	Status	Risk
Ministry of Natural Resources		
Disbursement of Salaries	Old	Medium
Dahuk Governorate		
Bank Reconciliations	Old	High
Assets Register	Old	High
Governorate Employees	Old	Medium
Sulaimaniyah Governorate		
The absence of the contractor's audited financial statements and company's establishment contract.	New	Medium
Advances Accounts	Old	Medium

Kurdistan Regional Government (KRG)

Common Observations

Common Observations

1. Fixed Asset Register

Observation:

We noted that the fixed asset register held by the Ministry does not contain identifying numbers that enables the ministry to follow up on each item in the register and to identify accountability. In addition identifying numbers facilitate ensuring the existence of fixed assets.

Follow up:


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

Recommendation:

We recommend that the Ministry identifies each asset by number. We also recommend conducting a regular fixed asset count.

Status: Old

Risk Status

High	
Medium	
Low	

Common Observations

2. Organization Chart

Observation:

The Ministries do not have an Organization Chart or Job Description.

Recommendation:

We recommend that the Ministry to develops a formally approved organization structure and job descriptions for all levels. The organization structure and job descriptions should include the following as a minimum:


- Hierarchy of the Ministry.
- Executive responsibility, immediate assistants and approval authorities.
- Operational responsibilities of employees, and specific duties to be performed.
- Required administrative responsibilities related to the job performance.
- Any other duties that the minister deems necessary to be performed at any given circumstance.
- Type of reports that must be issued and the timetable 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	

Common Observations

3. Operating Budget

Observation:

We noted that the operating budget of Kurdistan region\ Erbil amounted to IQD 17.2 trillion, which represents 67% of the total budget granted to Kurdistan Region, which is considered very high.

Recommendation:


We recommend following up on this matter and completing opening journal entries at the beginning of each year.

Follow up:

During our follow up, we noted that this observation is still valid, since the total budgetary allocation to Kurdistan Region amounted to IQD 10.4 trillion out of which an amount of IQD 7 trillion was allocated as an operating budget representing a 67% of the total budgetary allocation to Kurdistan Region.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Finance

Observations raised for the year ended 31
December 2010

Ministry of Finance

1. Establishing purchasing committees for contracts requiring tendering process

Observation:

During our review of sample of contracts, we noted that the Ministry has formed a purchasing committees for some contracts instead of applying public tendering process. Since the Iraqi contracting law has indicated the requirement of forming these committees only for contracts to provide the Government entities with the supplies and services for an amount not in excess of IQD 50 million and in case of any excess over this limit the tendering procedures indicated in the law must be applied. The following is an example of such violations:

Contract Subject	Contract Amount
Establishing road between Zako and Ibrahim Khalil	IQD 2,183,587,000
Building roof tops for the customs zone	IQD 275,050,000


Recommendation:

We recommend the Ministry to comply with the Iraqi contracting laws and regulations for better control procedures over contracting.

Follow up:

Status: New

Risk Status

High	
Medium	
Low	

Ministry of Finance

2. The absence of the contractor's audited financial statements, company's establishment contract, and black list enquiry.

Observation:

Through our review of the tendering documents, we noted that the Ministry did not obtain a current audited financial statements and company's establishment contract nor performed black list enquiry for their contracted parties; example of such contracts are as follows:

Contracting party	Contract description	Contract amount	Missing documents
Newpail Company	Construction of Sursang Bank building	IQD 522,908,000	Audited financial statements, company establishment contract, black list enquiry
Bas Company for Construction	Constructing retirees club	IQD 1,842,261	Audited financial statements, company establishment contract, black list enquiry

The absence 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 his inability to perform under the contract.

Recommendation:

We recommend to obtain prior to contracting the contractor's current audited financial statement, company establishment contract, and perform a black list enquiry in order to evaluate and asses the contractor ability to perform under the contract. .

Follow up:

Status: New

Risk Status

High	
Medium	●
Low	

Ministry of Finance

3. Daily Register for the Investment Budget

Observation:

Through our review of a sample of payment vouchers of the investment budget at the Directorate, we noted that the payment vouchers lack stamps and signatures from the preparer and Internal Audit Department.

Follow up:


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

Recommendation:

We recommend that the accountant and auditor review, stamp, and sign payment vouchers for better control procedures.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Housing and Construction

Observations raised for the year ended 31 December 2010

Ministry of Housing and Construction

1. Payroll Cash Payment

Observation:

During our review of the process of payment of salaries in the Ministry we noted that the ministry pays the salaries in cash. The cash payment of salaries directly increasing the risk of loss of cash in the process of distribution.

Recommendation:


We recommend the Ministry to pay staff salaries by bank transfer to personal account for each employee in order to avoid risks associated with the cash payments of salaries.

Follow up:

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

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Municipalities

Observations raised for the year ended 31
December 2010

Ministry of Municipalities

1. Awarding tenders process

Observation:


Through our review for the contract awarded for the benefit of Ekinciler Company, which related to the construction of the road between Erbil and Mousil and Karkouk, Although the tender was awarded for Ekinciler Company when other three companies, whom had participated in the tender, financial proposals are less than the awarded party. In addition the analysis committee did not provide any reasons regarding not awarding the lowest bidder.

Recommendation:

We recommend the full documentation of reasons behind not awarding contracts for reasons other than the least price for better control procedures and for preserve the public funds.

Status: New

Risk Status

High	
Medium	
Low	

Ministry of Municipalities

2. Bank Reconciliations

Observation:

No bank reconciliations were prepared for the year 2009 as of February 2010.

Recommendation:


We recommend preparing bank reconciliations regularly and following up on reconciling items, we also recommend that these reconciliations be reviewed by an independent employee in the accounting division.

Follow up:

Through our review we have noted that this note still valid .

Status: Old

Risk Status

High	
Medium	
Low	

Municipalities Directorate – Sulaymaniah Municipality

3. Checks Outstanding More Than Six Months

Observation:

Outstanding 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:

Through our review we have noted that this note still valid .

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Municipalities

4. Tender Opening Committees

Observation:

We noted that the members of the Tender Opening and Evaluating Committees are not being changed for 2007 and 2008. In addition, we noted that there are common members between the bid opening committee and the other analysis committees.

Recommendation:


We recommend that the Ministry complies with the budget instructions issued by the MOF which require segregation of duties and rotating the committee members every six months for better control procedures and adherence to budget instructions.

Follow up:

Through our review we have noted that this note still valid .

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Electricity

Observations raised for the year ended 31
December 2010

Electricity Directorate – Sulaymaniah

1. Directorate Accounts

Observation:

Through our review of the Directorate accounts and its branches, we noted that the accounts held at the Directorate and its branches are not uniform and that consolidated accounts are not prepared.

Follow up:


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

Recommendation:

We recommend consolidating units stand alone financial statements for better contract procedures and to facilitate decision making process.

Status: Old

Risk Status

High	
Medium	
Low	

Electricity Directorate – Sulaymaniah

2. Stock Count

Observation:

Through our review of the stock count results of 2009, we noted discrepancies between the records and the actual count in the amount of IQD 1,977,804,229.

Recommendation:


We recommend that the Directorate follows up on the discrepancies between the actual count and the records for better internal control.

Follow up:

During our review, we noted that a law suit has been filed against the store keeper.

Status: Old

Risk Status

High	
Medium	
Low	

Electricity Directorate – Sulaymaniah

3. Payable

Observation:

Through our review of payable account (2661), we noted that balances date back 5 years with no follow up.

Follow up:


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

Recommendation:

We recommend that the Directorate follows up on the payable accounts that have not been settled.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Electricity

4. The Amounts Mentioned in the Budget

Observation:

Through our review of a sample of contracts, we noted that the ministry has contracted with suppliers before obtaining the required financing for the projects. We found some contracts signed but work have not commenced yet due to lack of financing, Example:

Contract No.	Contract name	Amount (IQD)	Date signed
KRG-MOE/TS-04/2008	creation of lines and expansion of station ALRA	39,915,159,264	20 Aug 08
KRG-MOE/EDT-10/2008	project for creation of lines to Erbil Station	11,015,385,600	30 Dec 08

Recommendation:


We recommend not signing a contract should not be ascertained by the presence of the necessary allocations and the availability of adequate funding.

Follow up:

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

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Electricity

5. Fixed Asset Register

Observation:

We noted that the fixed asset register held by the Ministry does not contain identifying numbers that enables the ministry to follow up on each item in the register and to identify accountability. In addition identifying numbers facilitate the existence of fixed assets.

Recommendation:

We recommend that the Ministry identifies each asset by number. We also recommend conducting a register fixed asset count.

Follow up:

During our Review we have noted that this note still valid .

Status: Old

Risk Status

High	
Medium	●
Low	

Ministry of Electricity

6. Centralized Contract Files

Observation:

Through our visit to the presidency of the University of Sulaimaniyah we noted that there is no central file to file the contracts entered into by the university ,the contract files and documentation are distributed between the Directorate and the Directorate of Engineering Services.

Recommendation:

We recommend the need to retain all documents relating to contracts or copies within a single file in order to facilitate follow-up action and more control and oversight procedures.

Follow up:

During our Review we have noted that this note still valid .

Status: Old

Risk Status

High	
Medium	●
Low	

Ministry of Electricity

7. Payroll Cash Payment

Observation:

During our review of the process of payment of salaries in the Ministry we noted that the ministry pays the salaries cash. The cash payment of salaries directly increasing the risk of loss of cash in the process of distribution.

Recommendation:


We recommend the Ministry to pay staff salaries by bank transfer to personal account for each employee in order to avoid risks associated with the cash payments of salaries.

Follow up:

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

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Higher Education

Observations raised for the year ended 31 December 2010

Ministry of Higher Education

1. Segregation of Duties

Observation:

During our visit to the Ministry of Higher Education, we noted that one accountant books the journal entries, posts them to the ledger and prepares the bank reconciliations.

Recommendation:


We recommend that duties be segregated whereby one accountant prepares the reconciliation and another performs the accounting entries for better control procedures over the disbursement process.

Follow up:

Through our review we have noted that this note still valid .

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Higher Education

2. Suspended Projects

Observation:

We noted that the contract for constructing 200 conference rooms was suspended as a result of problems in the execution process; as of our visit in February 2010 no decision was taken regarding this contract, although that the contract was signed in 29 December 2007.

Recommendation:


We recommend that necessary decisions and procedures are taken to solve the execution problems.

Follow up:

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

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Higher Education – Sulaymaniyah University

3. Tender Procedures

Observation:

We noted that in some cases no public tender procedures were used for contracting with construction contractors. Instead, direct awarding was used to execute contract with contractors.

Follow up:


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

Recommendation:

We recommend the ministry to obtain public tenders instead of direct awarding to increase the chance of obtaining more competitive bids with high quality construction specifications for additional accuracy and control procedures.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Agriculture and Water Resources

Observations Raised for the year ended 31
December 2010

Ministry of Agriculture and Water Resources

1. Tenders Opening and Analyzing Committees

Observation:

We noted that the members of the Tender Opening and Analyzing Committees are not being periodically rotated as required by the budget instructions issued by the Ministry of Finance; members are required to be rotated every six months. Some of the members have been on the committees during 2008, 2009 and 2010.

Recommendation:


We recommend complying with the budget instructions issued by the Ministry of Finance which require rotating the Committee members every six months for better control procedures and adherence to budget instructions.

Follow up:

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

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Agriculture and Water Resources

2. Payroll

Observation:

We noted that the payroll is prepared manually. This process is time-consuming and may lead to human errors.

Follow up:


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

Recommendation:

We recommend that the payroll system be automated and that all employees' information be stored in a centralized database. This will organize and facilitate the extraction of payroll sheets while increasing accuracy.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Agriculture and Water Resources

3. Salaries Collection

Observation:

We noted the following:

- Members of the salaries' disbursement committees at the Ministry's headquarters are not periodically rotated.

-Some employees delegate other employees to collect their salaries on their behalf without any authorization or supporting

Documents available at the Ministry to ensure that the representatives are authorized to collect payments on behalf of other employees.

Recommendation:


We recommend that the Ministry rotates the members of the salaries' disbursement committees and that the recipient is officially authorized to receive the salary on behalf of another employee for better internal control procedures.

Follow up:

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

Status: Old

Risk Status

High	
Medium	
Low	

Erbil Governorate

Observations Raised for the year ended 31
December 2010

Erbil Governorate

1. Governorate Employees

Observation:

Through our review of the Governorate's employee register, which was approved by the Ministry of Finance for 2009, we noted that the number of permanent employees approved was 69, while the actual number working during the year was 88 employees.

Follow up:


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

Recommendation:

We recommend complying with the Ministry of Finance's instructions in order to preserve public funds.

Status: Old

Risk Status

High	
Medium	
Low	

Erbil Governorate

2. Reconciliation of Fixed Assets

Observation:

We noted that the reconciliation between the actual count and fixed asset register was not performed.

Recommendation:


We recommend following up on the differences between actual records of assets and the assets count as a method for internal control over the reconciliation of fixed assets.

Follow up:

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

Status: Old

Risk Status

High	
Medium	
Low	

Erbil Governorate

3. Procurement Committees

Observation:

We noted that the members of the Procurement Committee are not rotated periodically as per budget instructions issued by the Ministry of Finance, which states that the members of the Committee should be rotated every six months.

Recommendation:


We recommend complying with the budget instructions issued by the Ministry of Finance which require rotating the Committee members every six months for better control procedures and adherence to budget instructions.

Follow up:

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

Status: Old

Risk Status

High	
Medium	
Low	

Erbil Governorate

4. Allocations

Observation:

The funds allocated to the Erbil Governorate for the regional development projects for 2009, amounted to IQD 117 billion of which IQD 63 billion was actually funded by the Ministry of Finance till 31/1/2010 against contractual obligations approved by the Governorate. Projects directly executed on behalf of the Governorate reached more than IQD 162 billion.

Recommendation:


We recommend not entering into contracts that exceed the allocations assigned to the Governorates to avoid legal problems.

Follow up:

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

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Labor and Social Affairs

Observations Rose for the year ended 31 December 2010

Ministry of Labor and Social Affairs

1. Bank Reconciliation for the Investment Plan

Observation:

Bank reconciliation for the investment plan has not been prepared.

Recommendation:


We recommend preparing bank reconciliations regularly and following up on reconciling items. We also recommend that these reconciliations be reviewed by an independent employee in the accounting division.

Follow up:

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

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Youth and Culture

Observations Raised for the year ended 31 December 2010

Ministry of Youth and Culture

1. Disbursement of Salaries

Observation:

We noted that some employees delegated other employees to collect their salaries on their behalf without any authorization or supporting documents available at the Ministry.

Recommendation:


We recommend that the recipients are formally authorized to receive the salary on behalf of another employee. We also recommend obtaining the signature of employee on the payroll sheet after receiving the cash, and we also recommend that the Ministry implements payment of salaries through direct bank transfer to the employees' accounts for better control procedures over payments.

Follow up:

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

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Youth and Culture

2. Bank Reconciliations

Observation:

We noted that the last reconciliation performed was for the month of August 2009

Recommendation:


We recommend preparing bank reconciliations on a periodic basis for better control procedures.

Follow up:

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

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Trade and Industry

Observations Raised for the year ended 31 December 2010

Ministry of Trade and Industry

1. Contract to Supply Marble and Granite

Observation:

We noted that the contract to supply a granite processing plant signed in March 2005 was awarded to an Italian Company in the amount of Euros 9,622,765, was as at the date of our visit in February 2010, still had not been executed. We also noted that 10% of the contract amount was paid to the company although the company had not presented a bank guarantee and a performance bond.

Recommendation:


We recommend complying with the instructions of government contracts.

Follow up:

Through our review we have noted that this note is related to sulimanyah directorate.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Justice

Observations Raised for the year ended 31 December 2010

Ministry of Justice

1. Salaries

Observation:

During our review of the salary disbursement process, we noted the following:

- The members of the salaries' disbursement committees at the Ministry headquarters are not periodically rotated.
- Some employees delegated other employees to collect their salaries on their behalf without any authorization or supporting documents available at the Ministry.
- The payroll sheets are prepared manually. This process is laborious and time-consuming and may lead to human errors.

Recommendation:

We recommend that the Ministry rotates the members of the salaries' disbursement committees and that the recipients are officially authorized to receive the salary on behalf of another employee for better internal control procedures. We also recommend automating the payroll system and completing the employees' database with all relevant information. This will organize and facilitate the extraction of payroll sheets and will increase accuracy.

Follow up:

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

Status: Old

Risk Status

High	
Medium	●
Low	

Ministry of Justice

2. The Directorates

Observation:

We noted that a Ministry representative was not present at the tender opening and analysis.

Recommendation:

We recommend complying with the instructions of governmental contracts.

Follow up:

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

Status: Old

Risk Status

High	
Medium	●
Low	

Ministry of Health

Observations Raised for the year ended 31
December 2010

Ministry of Health

1. Payroll

Observation:

The payroll sheets are prepared manually. This process is laborious and time-consuming and may lead to human errors.

Recommendation:

We recommend automating the payroll system and completing the employees' database with all relevant information. This will organize and facilitate the extraction of payroll sheets and will increase accuracy.

Follow up:

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

Status: Old

Risk Status

High	
Medium	●
Low	

Ministry of Health

2. Contract to Complete the Construction of the Birmam Hospital

Observation:

We noted that the contract was signed in 2005 with “Dar Al Attoba” company for an amount of USD 7 million. The Ministry paid the whole amount to the company before the contracts’ execution, and the contractor failed to perform the work. The company was subsequently awarded another contract for the same project in the amount of USD 11 million.

Follow up:


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

Recommendation:

We recommend complying with the instructions of governmental contracts in order to avoid additional expenses and preserve public funds.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Endowment and Religious Affairs

Observations Raised for the year ended 31
December 2010

Ministry of Endowment and Religious Affairs

1. Disbursement of Salaries

Observation:

We noted that some employees delegated other employees to collect their salaries on their behalf without any authorization or supporting documents available at the Ministry.

Follow up:


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

Recommendation:

We recommend that the recipient be formally authorized to receive the salary on behalf of other employees. We also recommend obtaining the signature of the employee on the payroll sheet after receiving the cash, and that the Ministry implements payment through direct bank transfer to the employees' accounts for better control procedures over payments.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Defense (Al Peshmerga)

Observations Raised for the year ended 31 December 2010

Ministry of Defense (Al Peshmerga)

1. Ministry of Defense Funding

Observation:

During our visit to the Ministry, we noted that the Ministry's funding was from funds allocated to the region in the form of advances amounting to IQD 293,140,716,250 for the year 2009.

Follow up:


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

Recommendation:

We recommend complying with instructions of the federal budget of 2009.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Natural Resources

Observations Raised for the year ended 31 December 2010

Ministry of Natural Resources

1. Disbursement of Salaries

Observation:

We noted that some employees delegated other employees to collect their salaries on their behalf without any authorization or supporting documents.

Recommendation:


We recommend that the recipient be formally authorized to receive the salary on behalf of other employees. We also recommend obtaining the signature of employee on the payroll sheet after receiving the cash, and we also recommend that the Ministry implements payment of salaries through direct bank transfer to the employees' accounts for better control procedures over payments.

Follow up:

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

Status: Old

Risk Status

High	
Medium	
Low	

Dahuk Governorate

Observations Raised for the year ended 31
December 2010

Dahuk Governorate

1. Bank Reconciliations

Observation:

We noted that bank reconciliations for account numbers 27725 and 277774 were not performed.

Recommendation:


We recommend preparing bank reconciliations regularly and following up on reconciling items, and that these reconciliations be reviewed by an independent employee in the accounting division.

Follow up:

Through our review we have noted that account number (27725) has been closed and the ministry is working on reconciling account number (27774).

Status: Old

Risk Status

High	
Medium	
Low	

Dahuk Governorate

2. Assets Register

Observation:

We noted that the Directorate does not maintain a register of the Ministry's fixed assets. The absence of such a register and the failure to regularly update additions and disposals of fixed assets creates difficulties in following up on the movement of fixed assets.

Follow up:


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

Recommendation:

We recommend that the Directorate maintains a fixed asset register that includes a tag number, purchase date, description, cost, depreciation and book value. We also recommend the performance of fixed assets counts and reconciling the results to the ledger on a periodic basis to prevent the miss use of assets.

Status: Old

Risk Status

High	
Medium	
Low	

Dahuk Governorate

3. Governorate Employees

Observation:

We noted that the number of permanent employees approved was 30, while the actual number of employees working during the year was 49 with respect to the second, fourth and fifth job degrees.

Follow up:


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

Recommendation:

We recommend complying with the Ministry of Finance instructions in order to preserve public funds.

Status: Old

Risk Status

High	
Medium	
Low	

Sulaimaniyah Governorate

Observations Raised for the year ended 31
December 2010

Sulaimaniyah Governorate

1. The absence of the contractor's audited financial statements and company's establishment contract.

Observation:

Through our review of the tendering documents, we noted that the Ministry did not obtain a current audited financial statements and contractor's establishment contract, examples of such contracts are as follows:

Contracting party	Contract description	Missing documents
Sarser Company	Constructing road and sidewalks between Berbakh and Khajwan	Audited financial statements and company establishment contract
Hama Khareb Companye	Constructing women shelter in Sulimaniyah	Audited financial statements and company establishment contract

Recommendation:

We recommend obtaining Contractor's current audited financial statement and company establishment contract in order to evaluate and asses the contractor ability to perform under the contract prior to contracting for better control procedures over contracting.

Follow up:

Status: New

Risk Status

High	
Medium	●
Low	

Sulaimaniyah Governorate

2. Advances Accounts

Observation:

We noted that an advance was made to an employee named Fouad Saleh Rida in the amount of IQD 50 million although he had quit his job.

Recommendation:


We recommend following up on the issue and retrieving the funds in order to preserve public funds.

Follow up:

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

Status: Old

Risk Status

High	
Medium	
Low	

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