

Development Fund for Iraq

Management Letter - Ministries
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
Ministry of Defense		
Contract to Renovation Um Kasser Navy Base	New	High
Appraised Costs	New	Medium
Appointments	New	Medium
Contracts	Old	Medium
Contracting procedures	Old	High
Low Rates of Completion	Old	High
Sports Arena for the Army Club	Old	High
Bank Reconciliation: Rafidain Bank – Head Office	Old	High
Bank Reconciliation: Rafidain Bank – Ministry’s Branch	Old	High
Bank Reconciliation: Trade Bank of Iraq (TBI)	Old	High
Recording of FMS Contracts	Old	High
Ministry of Planning		
Daily Journal	Old	Medium

Summery of Management Letters

	Status	Risk
Ministry of Education		
Follow Up with the Ministry of Education General Directorate	Old	High
Ministry of Youth and Sport		
Contracts Administered by US Agencies	Old	High
Storage Facilities	Old	Medium
Contract Payments	Old	High
Ministry of Electricity		
Decline in the Percentage of Completion	New	Medium
TAVANIR Contract	Old	High
Contract to Supply a Modern Station (400) KV	Old	Medium
Approval of Settlement of Old Debt	Old	High
Ministry of Health		
Obsolete Inventory	New	High
Discrepancies between the cost of disposed medicine and their documented cost per the accounting records	New	High

Summery of Management Letters

	Status	Risk
No Comprehensive Physical Verification of Assets	New	Medium
Trial Balances	Old	Medium
Inventory Management	Old	High
War Losses	Old	High
Reconciliation of the Transactions with Related Companies	Old	Medium
Contract Supporting Documents	Old	Medium
Ministry of Migration and Displaced		
Bank Reconciliations	Old	High
Ministry of Higher Education and Scientific Research		
Salaries	Old	Medium
Archiving System	Old	Medium
Recording U.S. Agencies Contracts	Old	High
Ministry of Justice		
Contract to supply cleaning materials for the Iraqi reform division	New	Medium

Summery of Management Letters

	Status	Risk
Existence of Intermediary between the Ministry and the Contractor	New	High
Salaries	New	High
Explosion Losses	New	High
Contract to Supply Clothes	Old	High
Legal Claims Outside Iraq	Old	Medium
Iraqi Reform Department	Old	Medium
FMS Contracts	Old	Medium
Ministry of Labour and Social Affaires		
Salaries	Old	Medium
Contract for the Completion Works of a Complex for the Orphans and Elderly.	Old	High
Consolidated Financial Statements	Old	Medium
Ministry of Foreign Affairs		
Contracts and its Supporting Documents	New	Medium
Delay in Contracting Process	New	Medium

Summery of Management Letters

	Status	Risk
Employment	New	Medium
Fixed Asset Register	Old	Medium
Consolidated Trial Balance	Old	Low
Missing Weapons	Old	Medium
Fixed Assets	Old	Medium
Contracts Identification Numbers	Old	Low
Ministry of Industry and Minerals		
U.S Agencies Contracts	Old	High
Ministry of Municipalities and Public Works		
Checks Overdue Over than Six Months	Old	Medium
Activity of Directorates Related to Ministry	Old	High
Ministry of Interior		
Contracting Procedures	New	High
Unauthorized Employment	New	High

Summery of Management Letters

	Status	Risk
Organizational Restructuring	Old	Medium
Weapons Inventory	Old	Medium
Foreign Military Sales	Old	High
Recording U.S. Agencies Contracts	Old	High
Budget Allocation	Old	Low
Ministry of Transportation		
Tendering and contracting procedures	New	Medium
Contractor audited financial statements.	New	Medium
Consolidated Register	Old	Medium
Loans and Advances Account	Old	Medium
Increase in Project Costs	Old	Medium
Decline in Percentage of Completion	Old	Medium
Adhering to the Allocations	Old	Medium
Letters of Credit	Old	High
Receivable Balances	Old	Medium

Summery of Management Letters

	Status	Risk
Ministry of Culture		
Transfer of previous dissolved Ministry of Media employee to the Ministry of Culture	New	High
Fixed Assets Register	Old	Medium
Operating Budget	Old	Medium
Checks Overdue Over than Six Months	Old	Medium
Ministry of Human Rights		
Tendering Committee opening documents	New	Medium
Ministry of Oil		
Burning Condensed Petroleum Products	Old	High
Wasted Quantities	Old	High
Injection of Oil	Old	High
Approval of Accounts by the Ministry of Finance	Old	Medium

Summery of Management Letters

	Status	Risk
Stolen Vehicles	Old	High
Contracts Division	Old	Medium
Completeness of Crude Oil and Oil Products Sales	Old	High
Operational Loading System at the Loading Points	Old	High
Ministry of Oil – Oil Marketing Company		
Absence of the System Generated Loading Report	New	High
No Third Party Inspector Authentication	New	High
Allocating Crude Oil Quantities to Foreign Oil Companies	New	Medium
TBI Account	Old	High
Debtors	Old	High
Accounting System	Old	Medium
Demurrage	Old	High
Change of Destination	Old	High
Al Ahli Bank of Jordan	Old	High
Outstanding Items in Bank Reconciliations	Old	High
Reconciliation of Crude Oil Sales	Old	Medium
Operating and Trade Accounts	Old	Medium

Summery of Management Letters

	Status	Risk
Sales of Oil Products	Old	High
Sequential Numbering for Standard Forms and Vouchers	Old	Low
Reconciliations with Syrian Government	Old	High
Quantities of Oil Products Received	Old	Medium
Measuring Metering System for Imported Petroleum Products	Old	High
Monthly Reconciliation With Suppliers of Petroleum Products	Old	Medium
Control Over Invoices and Certificates of Imports	Old	Low
Ministry of Telecommunications		
Vehicle purchase	Old	High
Approved of Accounts by the Ministry of Finance	Old	Medium
Bank Reconciliations	Old	High
Contracts Files	Old	Medium
Fees for Protection and Rent of Towers Locations	Old	High
Fixed Assets	Old	Medium
Trade Bank of Iraq	Old	High
Robberies in year 2006	Old	Medium

Summery of Management Letters

	Status	Risk
Receivables and Payables Balances	Old	Medium
Capital of the Company	Old	Medium
Ministry of Water Recourses		
Letters of Credit	Old	High
Appraised Cost	Old	Medium
Ministry of Housing and Construction		
Overdue Checks	Old	Medium
Outstanding Balances	Old	Medium
Ministry of Finance		
Black list inquiry from the Ministry of Planning	New	Medium
Tender opening committee	New	Medium
Accounting Records and Supporting Documents	Old	Medium

Summery of Management Letters

	Status	Risk
Ministry of Environment		
Tendering Committees' Duration Period	New	Medium
Contractors Financial Statement Analysis	New	Low
Project Budget Assessment.	New	Medium
Stock Count`	Old	High
Coordination between Ministry's Departments	Old	Medium
Contracts' Supporting Documents	Old	Medium
Checks Overdue Over than Six Months	Old	Medium
Ministry of Trade		
Credit facilities granted from the Trade Bank of Iraq	New	High
Imported items without approved budget	New	Medium
Contractor audited financial statements and Articles of association	New	Medium
Trial Balances	Old	Medium
Maintenance of Assets	Old	Medium

Summery of Management Letters

	Status	Risk
Consolidated Financial Statements	Old	Medium
Accounts Receivable that Have been Aging for More than 3 years	Old	Medium
Doubtful Debts	Old	Medium
Overdue Checks	Old	Medium
Tracking Budget Allocations for the Ministry	Old	Low
Withholding Suspended Materials	Old	Medium
Inventory Status Including the Supply, Deficit, and Surplus Levels	Old	High

Ministry of Defense

New and Prior Year Unresolved MLPs

Ministry of Defense

1. Contract to Renovation Um Kasser Navy Base

Observation:


Through our review for this contract which is related complementary works for contract No. 6/TB/2006, we noted that it was awarded to the Blue Ocean Company for an amount of IQD 12,591465,155 through the awarding to the second proposal by the analysis committee approach due to cancellation of the contract with the first contractor (Tawfeeq Jum'a Al-Abadi for General Constructions Company), noting that more than 3 years have passed since the analysis committee provided its recommendation and the percentage of completion is still 4% and the contacting period has been fully consumed.

Recommendation:

We recommend compliance with contracts execution instructions, and follow up the non accomplished contracts; also we recommend re-announcing the tender since it has been more than 3 years since the analysis of the first tender.

Status: New

Risk Status

High	
Medium	
Low	

Ministry of Defense

2. Appraised Costs

Observation:

Through our review of the appraised costs, we noted that there are significant differences between the appraised cost prepared by the Engineering Department and the assigned amount, for example: the contract to renovate the Ration Main Depot sheds in Al-Taji area for an amount of IQD 3,726,907,000 since its appraised cost was IQD 6,407,425,375, exceeding 170% of the contract value.

Recommendation:

We recommend that a thorough and detailed study of the preparation of the appraised costs.

Status: New

Risk Status

High	
Medium	●
Low	

Ministry of Defense

3. Appointments

Observation:


Through our review of the Payroll Department, we noted employment of permanent and contractual employees during the year 2010, which contradict of the budget instructions of the Federal Republic of Iraq for the year 2009, and the Council of Ministers Resolution 442.

Recommendation:

We recommend complying with the budget instructions of the Federal Public to Iraq for the year 2009, and Council of Ministers resolution (442).

Status: New

Risk Status

High	
Medium	
Low	

Ministry of Defense

4. Contracts

Observation:

We noted during our review of the below contracts the following:

T/2/2005: Four armored vehicles that were received did not have the form 102 (receipt voucher) filled. Receipt is only evidenced by the signature of the General Secretary of the Ministry of Defense. Two remaining vehicles have not been received as of the date of our visit on 17 June 2010 although the entire appropriated funds were spent.

T/8/2005: This contract signed in the amount of US Dollars 9,962,000 for the furnishing of 18,000 wooden rifles and 12,000 metal rifles did not meet specifications according to letter # 26/1920 of 5/3/2006. 5,600 rifles were received on 22/1/2006 and the same number of rifles were received on 28/6 2006.

T/26/2004: This contract signed on the 24/11/2004 in the amount of US Dollars 38,281,500 with an execution period of 6 months. To date of our visit the company has not supplied the ministry with 29 armored transport vehicles costing US Dollars 333,000 per vehicle. Letters from the directorate of arms and supplies A/8/K/3/6584 dated 5/10/2009 state that the cost of supplies not furnished and penalties amount to US Dollars 15,777,540. The appropriations of this contract have been spent entirely and no performance bond was provided.

T/22/2004: The terms related to manufacturing and period of execution of the contract in the amount of US Dollars 34,500,000, were amended by the deputy general secretary of the ministry. This is out of his authority. The arms provided were made in China while the contract stipulated that the arms should be made in Russia, ex-soviet countries or Eastern European Countries. The receipt voucher did not have enough information to identify the arms received,

T/8/2004: This contract has not been executed fully yet and article 7 of the contract was not met. Article 7 states that supplies have to be inspected before being shipped to Iraq,

Ministry of Defense

4. Contracts - Continued

Observation - Continued:

T/4/2004: This contract has not been executed fully yet and article 7 of the contract was not met. Article 7 states that supplies have to be inspected before being shipped to Iraq,

T/6/2004: This contract has not been executed fully yet and article 7 of the contract was not met. Article 7 states that supplies have to be inspected before being shipped to Iraq,

Recommendation:

We recommend that the instructions for implementation of government be followed and that any pending contracts be resolved.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid during the year 2010. And the Ministry formed a committee to take legal actions and file lawsuits against the contracted companies for violation of contractual obligations regarding the non executed and partially executed contracts by the recommendation of the Minister of Defense under the Secretariat-General letter No. 8009 dated 5 March 2009.

Status: Old

Risk Status

High	
Medium	●
Low	

Ministry of Defense

5. Contracting procedures

Observation:

We noted that 13 contracts signed with one Company have had their appropriations spent in full while the contract terms have not been fulfilled. Examples of these contracts are:

Contract #	Year	Duration
T/M/3/2005	2005	5 months
T/39/2004	2004	18 months
T/M/2/2005	2005	3 years

Recommendation:


We recommend that the ministry deals with credit worthy contractors that have the financial, technical and legal qualifications that allow them to perform the work at hand.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid during the year 2010. And the General Legal Counsel department started to take legal actions and file lawsuits and follow up continuously in order to resolve the issue of these contracts.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Defense

6. Low Rates of Completion

Observation:

We noted through our sample of contracts that most of them have low rates of completion. For example:

Name of contract	Date of Completion	Rate of Completion
Building of Oil Pipes Protection Company	21/1/2008	23%
Supply Warehouse Karakosh	22/3/2010	20%
Supply Warehouse Al Diwaniyeh	19/3/2010	33%

Recommendation:


We recommend that government instructions be followed and that any pending contracts be resolved.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid during the year 2010.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Defense

7. Sports Arena for the Army Club

Observation:

We noted that the contract for the construction of a sports arena for the Iraqi Army Club for the amount of IQD 661,772,135 has discrepancies between the plans and quantity of work submitted by the ministry and what has been contracted for. The contractor performed work at times as per the ministry's figures and at times performed work as per the contract's figures. A court case has been filed by the contracting company since the ministry is not paying the dues. Work has been halted and as of the date of our visit the issue had not been resolved.

Recommendation:


We recommend that the plans and quantities of work be clear and well documented in order to prevent potential disputes.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Defense

8. Bank Reconciliation: Rafidain Bank – Head Office

Observation:

We noted, when reviewing the reconciliation of the above mentioned account for the month of December 2008, the following:

1. The reconciliation included checks recorded in the Ministry's records but did not appear in the bank statement. These checks amount to IQD 1,076,097,424 for 2006; IQD 16,637,168,432 for 2007; hence a total of IQD 17,713,265,856 these checks have to be reversed as they are no longer valid for presentation.
2. The reconciliation included amounts that appeared in the bank statement but the ministry has no knowledge of the details. Amounts related to 2005 are IQD 10,279,250 in total. Amounts related to 2006 are IQD 1,783,000. Amounts related to 2007 are IQD 892,122,350. Amounts related to 2008 are IQD 36,815,530. In total IQD 941,000,130.
3. The reconciliation included amounts that the ministry has recorded under collections but these amounts do not appear in the bank statement. Amounts related to 2006 are IQD 7,830,000. Amounts related to 2007 are IQD 456,019,150. Amounts related to 2008 are IQD 89,397,200. In total IQD 553,246,350.
4. The reconciliation included amounts recorded without supporting documentation totaling IQD 18,625,637,039.
5. We noted that the list mentioned in point 1 contains an error in addition amounting to IQD 9,000,000.

Ministry of Defense

8. Bank Reconciliation: Rafidain Bank – Head Office - Continued

Recommendation:

We recommend that the ministry performs the following:


1. Reverses all checks mentioned in point (1) above as these checks are more than (6) months old and are no longer valid.
2. Obtains supporting documentation for the amounts mentioned in points (2) and (4) above.
3. Follows up on amounts mentioned in point 3 above with the bank to obtain all the supporting documentation.
4. Has the internal audit department review all reconciliations.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid during the year 2010. And that the ministry is working to implement the mentioned recommendations.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Defense

9. Bank Reconciliation: Rafidain Bank – Ministry’s Branch

Observation:

We noted, when reviewing the reconciliation of the above mentioned account for the month of December 2008, the following:

1. The reconciliation included amounts that appeared in the bank statement but the ministry has no knowledge of the details. Amounts related to 2006 are IQD 470,174,127. Amounts related to 2007 are IQD 1,391,551,931. Amounts related to 2008 are IQD 7,722,912,844. In total IQD 9,584,638,902.
2. The reconciliation included amounts recorded in the Ministry’s records but did not appear in the bank statement. Amounts related to 2006 are IQD 403,241,447. Amounts related to 2007 are IQD 214,958,258. Amounts related to 2008 are IQD 411,982,096. In total IQD 1,033,960,601. In addition to an amount of IQD 3,778,800 related to 2009.
3. The reconciliation included amounts recorded without supporting documentation totaling IQD 16,884,155.
4. We noted that the list mentioned in point 1 contains an error in addition amounting to IQD 62,450 and the list mentioned in point 2 contain an error in addition amounting to IQD 4.

Recommendation:

We recommend that the ministry performs the following:


1. Obtains supporting documentation for the amounts mentioned in points 2.
2. Follows up on amounts mentioned in points (1) and (3) above with the bank to obtain all the supporting documentation.
3. To check that the reconciliations do not include amounts related to different periods. Refer to point 2.
4. Has the internal audit department review all reconciliations.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid during the year 2010. And that the ministry is working to implement the mentioned recommendations.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Defense

10. Bank Reconciliation: Trade Bank of Iraq (TBI)

Observation:

We noted that the ministry has not performed reconciliation for the above mentioned bank account since 2005. We were informed that a committee was formed to deal with this issue. As of April 2009 this committee has not taken any action. Consequently the ministry has not recorded any entry related to this bank account despite the large economic transactions that are occurring through this account.

Recommendation:


We recommend that the ministry takes appropriate action to resolve this issue as the current financial records of the ministry do not reflect the true status of the ministry.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid during the year 2010. And that the ministry is working to implement the mentioned recommendation.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Defense

11. Recording of FMS Contracts

Observation:

We noted that the ministry has not recorded transactions related to FMS contracts since it joined the FMS program based on a decision # 842 dated 11 October 2006 by the economic committee of the Council of Ministries. There are currently 100 contracts in the amount of approximately USD 4 Billion. The ministry does not record the transactions since it does not have the required supporting documentation. In addition, we noted that the involved personnel have not received adequate training in the dynamics of the FMS program. For example the ministry did not use document # 340-103 (discrepancy report) until 15 February 2009.

Recommendation:

We recommend that the ministry performs the following:

1. Restructures the accounting department involved in the FMS program and provide it with adequate training so that it may record all the related transaction in the ministry's records.
2. Ensures that the military attaché at the Iraqi embassy in Washington D.C. follows-up on the program.
3. Forms a mobile "Inspection and Acceptance" committee to inspect all equipment being received at the three main drop points and to provide the accounting department with the supporting documentation when applicable.
4. Develops and improves the inspection process to include all different aspects such as labs for testing fuel (related to contract # IQ-D-GAM)
5. Provides the related accounting department with all the necessary documents to record these transactions in the ministry's records so that they reflect the true status of the ministry.
6. Ensures that the contract files held by the accounting department contain all the related supporting documentation such as: the list of requirements; Letters of request (LOR); Letters of Acceptance (LOA); DD465 (Invoice); DD250 (Conformity Report); DD1348 (Letter of Receipt); 340-103 (discrepancy report).
7. Requests that the individuals from the MNSTC-I that are responsible for the FMS program remain for a period of no less than 2 years or have the MNSTC-I ensure that the handover between individuals be complete to insure a smooth transition.

Ministry of Defense

11. Recording of FMS Contracts - Continued

Recommendation: - Continued


8. Requests that the training provided to the Iraqi staff involved in the FMS program be “In-house” and continuous as opposed to training in Jordan and the U.S.A.
9. Takes adequate action to record all received shipments since the inception of the FMS program by forming a committee to gather all the necessary evidence by obtaining contracts, fixed asset counts, DD 1348, 102 (Iraqi letter of receipt), inspection reports, etc.
10. Widens the scope of review for the FMS program by allowing the Inspector General’s office, the Legal counsel, the budgeting department, the internal audit department and the technical departments to inspect and approve all documentation starting from the “specification definition” phase.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid during the year 2010 for the old contracts. However, for 2010 contracts, the Ministry has all the supporting documents and it follows up on them.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Planning

New and Prior Year Unresolved MLPs

Ministry of Planning

1.Daily Journal

Observation:

Through our review of the daily journal, we noted that the payment voucher dates do not agree with the sequence of the documents in the journal.

Recommendation:


We recommend that the payment voucher dates agree with the sequence of the payment vouchers.

Follow up:

Through our visit to the Ministry, we noted that the Ministry had received this observation note on October 2010, where they are in the process of resolving this issue, noting some progress in this matter.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Education

New and Prior Year Unresolved MLPs

Ministry of Education

1. Follow Up with the Ministry of Education General Directorate

Observation:

During our visit, we noted that the Ministry does not have any statements of accounts or information related to the amounts transferred from Ministry of Finance directly to the Ministry's general directorates due to these Directorates are financial independency.

The independency of Directorates is aimed to facilitate the funding process; however, it does not eliminate the Ministry's essential role in controlling the related directorates' expenditures.

Recommendation:


We recommend that monthly statements from the Ministry's general directorates should be obtained. Additionally, monthly reconciliations between the amounts transferred from the Ministry of Finance directly to these Directorates should be performed.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid during the year 2010.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Youth and Sport

New and Prior Year Unresolved MLPs

Ministry of Youth and Sport

1. Contracts Administered by US Agencies

Observation:

We noted that the Ministry does not maintain records of 146 contracts administered by the U.S. agencies during 2003 and 2004.

Recommendation:


We recommend that the Ministry coordinates with the Ministry of Finance and US. Agencies to obtain all records and documents.

Follow up:

Through our visit to the Ministry, we noted that this observation is still valid, and On 11 December 2006, the U.S. Agencies submitted the contracts files and other supporting documents of the former CPA and the U.S. Agencies to the BSA. According to the BSA letter dated 25 February 2007, the BSA informed the U.S. Agencies that they found financial and legislative violations, which lead the BSA to review all the submitted documents and the Iraqi entities retained their right to request compensation for any financial damage to the Iraqi budget due to any financial or administrative actions taken by the U.S. Agencies during the execution of the contracts.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Youth and Sport

2. Storage Facilities

Observation:

We noted that the Ministry has no adequate storage facilities. The Ministry is storing its fixed assets and supplies in open air at Al Zawraa Park.

Recommendation:


We recommend that the Ministry takes steps to provide adequate storage facilities that will ensure the safeguarding of assets.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Youth and Sport

3. Contract Payments

Observation:

We noted that the letters in respect of Contract no. YS/10/6 on 1/11/2001 signed between the Board of Youth and Sports of Iraq and ITI of Jordan (Intl Trade and Inv) in the amount EUR 10,055,865 +10% for the constructions of 3 sport halls. This contract was put on shelf for two years until the first payment was made on 18/12/2003. Up until 11/5/2005 the amount of EUR 9,848,225 was paid, which represents 89% of the total contract value. According to the resident engineer's office reports the percentage of completion is about 35%. ITI has stopped work on the contract and the Ministry of Youth has filed a lawsuit against the company.

Recommendation:


We recommend that follow up procedures being performed over the contract and the lawsuit until collection of excess payments or completion of work associated with the contract.

Follow up:

The case was transferred to the court until a verdict is issued.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Electricity

New and Prior Year Unresolved MLPs

Ministry of Electricity

1. Decline in the Percentage of Completion

Observation:


We noted a delay in the technical completion in respect of contract No. 36/NT/2008 signed between the Directorate General of Electrical Transmission Projects and Damask Metals Co. Trade & Industry for an amount of USD 8,556,736 for the supplying 132 KV overhead transmission lines since the end of the contractual period is 18 September 2010 and the percentage of technical completion is about 69% up to the date of our visit in January 2011.

Recommendation:

We recommend complying with the contract terms and the budget instructions that state the accountability of the project managers in the event of a delay in the completion.

Status: New

Risk Status

High	
Medium	
Low	

Ministry of Electricity

2. TAVANIR Contract

Observation:

Through our review to TAVANIR contract amounting to USD 34,956,982 we noted the following:

- 1.The absence of a precise scale from the Iraqi side to measure the electrical power entering Iraq (scales used give readings higher than the Iranian readings).
- 2.The delay in linking the scales for Khankeen station as linked for the Sarbeel Zhab station.
- 3.There is a breach by the Iranian side in adhering to the contract terms such as supplying the Iraqi side with MW200 instead of MW300 as mentioned in the contract.
- 4.The Iranian side disconnected the line without prior notice for the purpose of forcing the Iraqi side to reduce energy from MW 200 to MW150.
- 5.The absence of any objection from the Iraqi side of the work carried out by the Iranian side, which led to a breach of the terms of the contract.
- 6.There is a difference between the amount in the book numbered 23435 on 27/7/2009 and the amount included in the tables; the errors were detected by the Trade Bank of Iraq after receiving it from the Ministry of Electricity.

Recommendation:


We recommend that proper quantity and fiscal reconciliation should be performed periodically between the contractual parties. Such reconciliation should be officially documented through minutes of meeting that are approved by the parties.

Follow up:

During our visit to the Ministry, we noted that the Iranian side has been contacted on the meters and no reply has been received to the date of our visit on January 2011.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Electricity

3. Contract to Supply a Modern Station (400) KV

Observation:

The General Directorate for the Transfer of Energy (Upper Euphrates) has executed the contract without having the allocated funds.

Recommendation:


We recommend adhering to the instructions of government contracts.

Follow up:

Through our review, we noted that the mentioned observation is still valid. Since there is no allocated funds for the mention contract.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Electricity

4. Approval of Settlement of Old Debt

Observation:

We noted that the Ministry paid a total amount of U.S. \$ 34,000,000 for an old outstanding contract, without having an approved budget and without prior approval from the Ministry of Finance. This payment is related to a contract to supply electrical appliances by a Jordanian company which was signed on 21 May 2001 for U.S. \$ 100 million. Based on the contract terms, the first payment was due after two years on 21 May 2003. We noted that, based on the Ministry records, the Jordanian company supplied materials amounting to U.S. \$ 77,418,321 up until 15 September 2004 and requested the settlement of its billings.

Recommendation:


We recommend that this issue needs further investigation by the Government of Iraq, as the above contract was signed in 2001 and during this period all contracts should be made in accordance with the United Nations' Memorandum of Understanding (MOU) signed on 20 May 1996 between the Secretariat of the United Nations and the Government of Iraq on the implementation of Security Council Resolution. We further recommend the Ministry of Electricity to comply with its budget allocations for each year and to seek the Ministry of Finance approval for any exceptions.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Health

New and Prior Year Unresolved MLPs

Ministry of Health

1. Obsolete Inventory

Observation:

During our visit to the Ministry, we noted that there are failed and expired medicines in the inventory amount of IQD 31,804,287,304 that are obsolete and needs to be disposed.


Recommendation:

We recommend that:

1. The company puts in place a realistic appreciation plan for the required needs, and that for the sensitivity of the above matter, and to make a decision whether to damage these medicines or to return it back to the vendors.
2. Develop an inventory management system depends on the first in first out method, and to use a storage effective system to monitor the medicines expiry dates. And we recommend a periodic physical inventory count to making sure that there are no expired medicines exist.

Status: New

Risk Status

High	
Medium	
Low	

Ministry of Health

2. Discrepancies between the cost of disposed medicine and their documented cost per the accounting records

Observation:


During our visit to Al-Adil warehouse we noted discrepancies between the cost of disposed medicine as per the disposing committee minutes and the cost recorded in the accounting records, whereby we noted a difference of IQD 5,421 billion that relates to the disposal of 201,000 ampule from the medicine “Betamethasone 4mg/ml “. The disposal committee indicated the disposal of 201,000 ampule with a price per unit of IQD 271, opposing to the accounting records that indicated the disposal of 201,000 ampule with a price per unit of IQD 27,241 per ampule, which had resulted in this variance.

Recommendation:

We recommend the necessity of recording the disposed and expired items as per their contractual costs and reviewing all the disposed quantities and values in the accounting records for better controls and to preserve the public funds.

Status: New

Risk Status

High	
Medium	
Low	

Ministry of Health - State Company for Marketing Drugs and Medical Appliances

3. Approval of Settlement of Old Debts

Observation:

During our visit to the Ministry we noted cases where no settlement has been made for long outstanding debts. Examples of such cases include:


- Debts due from health departments has been outstanding for more than five years amount to IQD 10,090,557,889, for example: Ninawa health department and Al-Anbar health department.
- Debts due from other departments has been outstanding for more than five years amount to IQD 1,638,539,874, for example: Ministry of Defence and Ebn Sina hospital

Recommendation:

We recommend that the Ministry should follow up on collection of these debts.

Status: New

Risk Status

High	
Medium	
Low	

Ministry of Health

4. No Comprehensive Physical Verification of Assets

Observation:

During our review of property, plant and equipment, we noted that a full physical count has not been carried out for several years.

Recommendation:

We recommend that a full physical count of property, plant and equipment is carried out periodically to safeguard the assets and ensure the accuracy of the reported figures of fixed assets. This procedure will also enable management to assess whether there are items reported in the fixed asset register which do not physically exist.

Status: New

Risk Status

High	
Medium	●
Low	

Ministry of Health - State Company for Marketing Drugs and Medical Appliances

5. Trial Balances

Observation:

Through our review of the trial balances related to the Ministry and the Company, we noted the following:

1. They were not completed on the specified date.
2. They were not audited by the Internal Audit Department.

Recommendation:


We recommend the closing of Trial Balances periodically and on time. We also recommend that the internal Audit Department audits the Trial Balances after being completed.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Health - State Company for Marketing Drugs and Medical Appliances

6. Inventory Management

Observation:

During our visit to the Ministry, we noted the following:

1. Unrealistic supply forecasting. Hence the public warehouses (public clinics) are required to set their inventory levels 18 months before the required date.
2. The concerned committee does not incorporate in their quantity ordering process the inventory that has been previously ordered and that is being shipped.
3. With the receipt of medication the management of the public warehouses find it difficult to disburse the quantities due to the fact that they are close to the expiry date.
4. The Ministry obliges the public warehouses to receive the excess quantities which are usually close to the expiry date.
5. The received quantities are distributed to the warehouses at the divisions without taking into consideration the expiry date.
6. The public warehouses have raised concerns regarding the manufacturers of the medications.
7. We noted that large quantities of medication are expired that are being disposed.

Medicine	No. of Pills	Pack Size	Units	Unit Price IOD	Total IOD
Aldomet Tab.	7,602,330	30	253,411	1,730	438,401,030
Becotide Inh.	91,960	2	91,960	3,311	304,479,560
Mestion Tab.	298,950	50	5,979	5,950	35,575,050
					778,455,640

Ministry of Health - State Company for Marketing Drugs and Medical Appliances

6. Inventory Management - Continued

Recommendation:

We recommend that:


- 1.The company puts in place a committee to follow up on the expiry of medication and follows on inventory management system.
- 2.The company sets new policies in forecasting expected quantities to avoid disposing of expired goods.
3. The company upgrades the role of the public warehouses.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid during the year 2010.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Health - State Company for Marketing Drugs and Medical Appliances

7. War Losses

Observation:

The Ministry did not estimate the losses resulted from the 2003 war to derecognize the lost assets from its records.

Recommendation:


We recommend the losses resulting from the 2003 war be estimated and derecognized from the Ministry's records after obtaining the appropriate approvals.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid during the year 2010.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Health - KIMADIA – State Company for Marketing Drugs and Medical Appliances

8. Reconciliation of the Transactions with Related Companies

Observation:

We noted that the Ministry did not perform monthly reconciliations with the records of the related companies to reconcile Letters of Credit and import contracts balances. The main purpose of the reconciliations is to ensure that all recorded amounts in the companies' accounting records have been recorded by the Ministry.

Recommendation:


We recommend preparing regular reconciliations with the related companies records, to ensure proper matching of all transactions between the Ministry and related companies' records, and to identify and clear differences permanently. Reconciliations should be reviewed and approved by the appropriate levels at both the Ministry and the related companies to maintain additional accuracy and control procedures.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Health

9. Contract Supporting Documents

Observation:

We noted that the contracts are not properly filed; the contracts' related supporting documents are distributed over the Ministry departments which make it difficult to obtain and follow up some of the contracts and its related supporting documents.

Recommendation:


We noted that the contracts are not properly filed; the contracts' related supporting documents are distributed over the Ministry departments which make it difficult to obtain and follow up some of the contracts and its related supporting documents.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Migration and Displaced

New and Prior Year Unresolved MLPs

Ministry of Migration and Displaced

1. Bank Reconciliations

Observation:

We noted that the bank reconciliation for account No. 11200 does not contain enough information regarding the reconciling items that appeared within the reconciliation.

Recommendation:


We recommend that employees should be given adequate training in accounting tasks. In addition, we recommend that all reconciliations be reviewed for completeness and accuracy.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Higher Education and Scientific Research

New and Prior Year Unresolved MLPs

Ministry of Higher Education and Scientific Research

1. Salaries

Observation:

We noted that some employees delegated other employees to collect their salaries on their behalf without any authorization or supporting documents found at the Ministry to ensure that representatives are authorized to collect payments on behalf of other employees.

Follow up:


Through our visit to the Ministry, we noted that the mentioned observation is still valid.

Recommendation:

We recommend that the recipients are officially authorized to receive a salary on behalf of another employee for better internal control procedures.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Higher Education and Scientific Research

2. Archiving System

Observation:

We noted that the archiving system in the accounting and audit departments needs more care and especially with regard to contracts documentation.

Recommendation:


We recommend the development of the archiving system and ensure continuous maintenance of this system.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Higher Education and Scientific Research

3. Recording U.S. Agencies Contracts

Observation:

We noted that a contract amounted to U.S. \$ 99,980 of the contracts managed by the U.S. Agencies on behalf of the Ministry without notifying the Ministry with any details related to the contract. However, the contract is recorded in the DFI as part of the Ministry's expenditures.

Follow up:


Through our visit to the Ministry, we noted that the mentioned observation is still valid.

Recommendation:

We recommend to maintain a continuous coordination between the Ministry and the U.S. Agencies through determining a mechanism for exchanging information and documents related to the contracts managed by the U.S. Agencies in order to be updated in the Ministry's accounting records for better control procedures.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Justice

New and Prior Year Unresolved MLPs

Ministry of Justice

1. Contract to supply cleaning materials for the Iraqi reform division

Observation:


On 21 July 2010 the department of Legal Affairs requested to resign the contract No. 54 for supplying cleaning materials to the Iraqi Maintenance Division amounting of IQD 881,000,000 from the Ministry of Industry and Mineral / State Company for botanical oils Industries and that for the poor materials provided by the company, until the date of our visit on February 2011 the contract is not rescind and no further action was taken.

Recommendation:

We recommend that proper follow up procedures should be performed. Proper decisions should be taken by the Ministry in order to either enforce or cancel the contract. Previous breaches should be reported and ratified and the Ministry should take measures to reserve its legal rights under the contract.

Status: New

Risk Status

High	
Medium	
Low	

Ministry of Justice

2. Existence of Intermediary between the Ministry and the Contractor

Observation:


During our review of a sample of contracts, we noted that the contract No.10 to supply fire vehicles and ambulance for the Iraqi Reform Division from the Automotive Industrial Company amounting to IQD 8,818,000,000 and contract No.11 to supply chassis and vehicles for the Iraqi Reform Division from Ministry of Industry and Mineral / Al-Sumood Company for Steel Industrial amounting to IQD 41,792,578,366 were awarded through monopoly contracts without Minister of Justice's approval, and the Ministry of Industrial and Minerals acted as an intermediary between the Ministry of Justice and the contractor, taking into consideration that purchasing from the Ministry of Industry and Minerals is recommended only for the products produced by the ministry according to article (39) from the budget instructions of the Federal Republic of Iraq for the year 2010.

Recommendation:

We recommend that the monopoly contracts to be directly with the suppliers without the intervention of intermediaries. We also recommend that appropriate approvals should be obtained regarding to the monopoly contracts.

Status: New

Risk Status

High	
Medium	
Low	

Ministry of Justice

3. Salaries

Observation:

Through our review of salaries, we noted the following:


- 1- Some employees has delegated the collection of their salaries to other employees on their behalf without providing written authorization or supporting documents to the Ministry to ensure that representatives are authorized to collect payments on behalf of these employees.
- 2- Payroll sheet were prepared manually.
- 3- Salaries are paid in cash.

Recommendation:

We recommend that the recipients are officially authorized to receive a salary on behalf of another employee for better internal control procedures. We also recommend an advanced automated system to be installed for payment of salaries directly through bank transfer to the employee's personal account for better control procedures and to facilitate salaries payment procedures.

Status: New

Risk Status

High	
Medium	
Low	

Ministry of Justice

4. Explosion Losses

Observation:


During 2009, the Ministry has been exploded and its building were in fire, to the date of our visit, losses resulted from the damages were not quantified nor reported.

Recommendation:

We recommend that proper full count of the Ministry's property and equipment should be performed, and assets lost should be properly reported and derecognized from the Ministry's assets register for better control procedures over assets.

Status: New

Risk Status

High	
Medium	
Low	

Ministry of Justice

5. Contract to Supply Clothes

Observation:

Through our review of the contracts to supply uniforms for the guards to the Iraqi Reform Department, we noted a contract with an amount of IQD 1,406,000,000 and a contract amounting to IQD 800,000,000 that lack a centralized procurement plan specifying the actual requirements to avoid a fragment of the auction and rather obtaining competitive bids.

Recommendation:


We recommend complying with budget instructions in order to preserve public funds.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid during the year 2010.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Justice

6. Legal Claims Outside Iraq

Observation:

During our visit to the Ministry we noted that the legal department receives via email, compensation requests from lawyers outside Iraq for expenses relating to claims outside Iraq. The funds spent on these claims during 2008 was estimated at around IQD 567,357,575. The finance department does not maintain sufficient information regarding these claims.

Recommendation:


We recommend that the Ministry obtains a list of all the claims and names of all lawyers outside Iraq from relevant parties and provide the finance department with copies.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Justice

7. Iraqi Reform Department

Observation:

The Reform Department in the Ministry which is responsible for all Iraqi prisons does not coordinate with its related divisions in the districts in matters relating to inventory counts of warehouses and assets.

Recommendation:


We recommend coordination between the Iraqi maintenance division and its related divisions in the districts with respect to the stock count procedures of warehouses and assets.

Follow up:

Through our visit to the Ministry, we noted that the observation is still valid.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Justice

8. FMS Contracts

Observation:

We noted that during the year 2007, an amount of sixty four billion Iraqi Dinars was transferred without the Acknowledgment or authorization of the Ministry of Justice to the special account. (FMS: Foreign Military Sales) relating to the Federal Reserve Bank in the foreign military contracts department in New York. The Ministry does not have any information about the reason for this transfer and the Ministry did not record the amount disbursed from the account during the year as part of its expense. We were informed that the Ministry had received only 300 thousand liters of gas for a price of 750 Iraqi Dinars per liter for a total of 225,000,000 Iraqi Dinars from 21 October 2007 till 22 November 2007.

Recommendation:

We strongly recommend coordination between the Ministry of Justice, the Ministry of Finance and the related U.S. Agencies in order to keep the Ministry informed of all expenses incurred and relates to U.S. Agencies.

Follow up:

During our visit, we noted that all expenditures and contracts from FMS during 2010 were executed with acknowledgment of the Ministry and in line with authority matrix and procedures applicable. The observation has been properly auctioned, however, we recommend follow up on obtaining supporting documents of the previous expenditures.

Status: Old

Risk Status

High	
Medium	●
Low	

Ministry of Labour and Social Affaires

New and Prior Year Unresolved MLPs

Ministry of Labour and Social Affaires

1. Salaries

Observation:

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

1. The members of the salaries disbursement committees at the Ministry headquarters are not periodically rotated.
2. Some employees requested other employees to collect their salaries without proper authorization or supporting documents available at the Ministry.

Recommendation:

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

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid.

Status: Old

Risk Status

High	
Medium	●
Low	

Ministry of Labour and Social Affaires

2. Contract for the Completion Works of a Complex for the Orphans and Elderly.

Observation:

While reviewing the above mentioned contract for the amount of IQD (1,054,230,000), we noted a significant decline in the percentage of completion, such that the date of completion is 4 April 2010 and as at the date of our visit in March 2010 only 3% of the work was completed.

Recommendation:


We recommend abiding by the contract terms and complying with the budget execution instructions which state that the project administrators are responsible for the execution of projects when there is a decline in the percentage of completion.

Follow up:

Through our visit to the ministry, we have noted that the percentage of completion regarding to mentioned contract is 70%, and the contractor was given 60 more days to complete the whole project.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Labour and Social Affaires

3. Consolidated Financial Statements

Observation:

We noted that the Ministry does not compile consolidated financial statements to include all related directorates and the Ministry.

Recommendation:


We recommend that the Ministry compiles consolidated financial statements as it will give a more complete view of the Ministry's financial status.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of foreign Affairs

New and Prior Year Unresolved MLPs

Ministry of foreign Affairs

1. Contracts and its Supporting Documents

Observation:


During our visit to the Ministry, we noted that contracts' supporting documents are not properly organized which makes it difficult to retrieve, we noted also the lack of a centralized file for each contract to maintain a copy of all its related documents. Rather, documents are filed across the related departments.

Recommendation:

We recommend developing a proper filing system to keep each contract together with its related supporting documents separately, and to properly organize these contracts in order to facilitate the retrieval and review processes through a special department handling contracts and contracting.

Status: New

Risk Status

High	
Medium	
Low	

Ministry of foreign Affairs

2. Delay in Contracting Process

Observation:


We noted delay in the contracting procedure with regard to the rehabilitation of the Iraqi Embassy in Athena contract amounts to EUR 956,269, where as the awarding date was on 22 October 2009 but the contract signed on 9 June 2010.

Recommendation:

We recommend conducting a study of the current contracting process, in order to properly follow up the contracts in progress and identify reasons for delay in signing contracts and ensure timely execution of the Ministry's contracts.

Status: New

Risk Status

High	
Medium	
Low	

Ministry of foreign Affairs

3. Employment

Observation:


Through our review of the Payroll Department, we noted employment of permanent and contractual employees during the year 2010, which contradicts of the budget instructions of the Federal Republic of Iraq for the year 2009, and the Council of Ministers Resolution 442.

Recommendation:

We recommend complying with the budget instructions of the Federal Public to Iraq for the year 2009, and Council of Ministers resolution (442).

Status: New

Risk Status

High	
Medium	
Low	

Ministry of foreign Affairs

6. Fixed Asset Register

Observation:

We noted during our review of the fixed asset register for 2008 the following:

1. The Administrative and Finance department posted the entries for the purchase of fixed assets of 2008 during our review in May 2009.
2. The page of the register related to arms also included ammunition, hence there is no segregation.
3. The quantities recorded in the arms section of the fixed asset register did not agree to the purchases of 2008 both in quantity and description.
4. The fixed asset register does not include sufficient details to identify the asset. For example for vehicles the register did not include chassis numbers or engine numbers.

Recommendation:

We recommend that the ministry performs the following:

1. Posts the entries for previous years and agrees the books to the register.
2. Segregate the register between items.
3. Have the internal audit department approve the register before using it.
4. Complete the register with all necessary information to easily identify the asset.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid.

Status: Old

Risk Status

High	
Medium	●
Low	

Ministry of foreign Affairs

7. Consolidated Trial Balance

Observation:

We noted that the consolidated trial balance of 2008 and previous years are not approved by the Ministry of Finance.

Recommendation:


We recommend that the ministry follows all instructions related to book keeping and accounting.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid during the year 2010.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of foreign Affairs

8. Missing Weapons

Observation:

We noted while reviewing the list of weapons purchased during 2008 that there are weapon missing, for example: Kalashnikov Rifles with ID # 26004251-0370-0606. No legal action has been taken.

Recommendation:


We recommend that the Ministry takes legal action and directs the responsible departments to follow-up on this issue.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of foreign Affairs

9. Fixed Assets

Observation:

We noted while observing the 31 December 2008 physical asset count the following:

1. There is no computerized Fixed Assets module for the Head Quarters of the Ministry.
2. Fixed assets are not tagged.

Recommendation:

We recommend that the Ministry performs the following:

1. Designs and implements a Fixed Assets module which will facilitate the tracking and counting of the Fixed Assets.
2. Input the last fixed asset count performed in the system implemented.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid.

Status: Old

Risk Status

High	
Medium	●
Low	

Ministry of foreign Affairs

10. Contracts Identification Numbers

Observation:

During our visit, we noted that all contracts of the ministry are not given identification numbers.

Recommendation:


We recommend that a proper contracts indexing system to serially arrange all contracts shall be implemented to avoid duplication, and to facilitate follow-up and review processes for better control procedures and safeguarding public assets.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Industry and Minerals

New and Prior Year Unresolved MLPs

Ministry of Industry and Minerals

1. U.S Agencies Contracts

Observation:

We noted a contract amounted to U.S. \$ 15,735,200 of the contracts managed by the U.S. Agencies on behalf of the Ministry, U.S. Agencies did not inform the Ministry of its details; accordingly the Ministry did not record it knowing that this contract is recorded in the funding accounts as Ministry expenses.

Recommendation:


We recommend coordination is maintained between the Ministry and the U.S. Agencies and procedures are jointly developed to exchange the information and documents related to the projects managed by the U.S. Agencies in order to update the Ministry's accounting records.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid during the year 2010.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Municipalities and Public Works

New and Prior Year Unresolved MLPs

Ministry of Municipalities and Public Works

1. General Directorate for Sewage – Checks Overdue Over than Six Months

Observation:

During our review of the directorate Bank reconciliations, we noted some overdue checks with maturities exceeding six months.

Recommendation:

We recommend to follow up on all overdue checks, and those with maturities exceeding six months we recommend that these checks to be revoked and accounting records adjust accordingly, since such checks are considered revoked by law.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid during the year 2010.

Status: Old

Risk Status

High	
Medium	●
Low	

Ministry of Municipalities and Public Works

2. Activity of Directorates Related to Ministry

Observation:

We noted the absence of a copy of the approved annual budgets by Ministry of Finance that is related to the ministry's entities and directorates at the Ministry's Headquarter. Moreover we noted the absence of copies of expenses, and revenues statements, contract register, and letters of credit registers. Total contracts and letters of credit issued by the Ministry amounted to U.S. \$ 339,772,676 during 2007. This makes it difficult to the Ministry's Headquarter to monitor the performance and lower control over related entities and directorates, therefore leads to difficulty in assessing the level of utilization at the Ministry level.

Recommendation:


We recommend that the ministry shall monitor the activities of its related entities and directorates, in order to enhance control and ability to compare the annual budget with actual expenditure. This assists in determining the required budget and to monitor the performance of the related entities and directorates during the year.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid during the year 2010.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Interior

New and Prior Year Unresolved MLPs

Ministry of Interior

1. Contracting Procedures

Observation:


During our review of the Ministry of Interior contracts, we noted that foreign (external) contracts are obtained through "Sole Tender Contracting Method", which is formally approved as per the Council of Ministers' Governmental Contracts Executions Memo article four section five, but this type of tenders is only authorized for products or service of monopolistic nature. Some of the tested contracts are of no monopolistic nature such as "Thales" contract to supply National Identification Document (ID), where as discussed with the Ministry's staff, we agreed that this contract is of non monopolistic nature.

Recommendation:

We recommend complying with the Council of Ministers' Governmental Contracts Executions Memo, especially in adhering to the terms and conditions for each type of contracting methods.for better control procedures over contracting processes .

Status: New

Risk Status

High	
Medium	
Low	

Ministry of Interior

2. Unauthorized Employment

Observation:


During our review of the Ministry of Interior records, we noted that the Ministry headquarter had frequently employed a number of contractual employees without obtaining proper authorization from the Ministry of Finance, for example the Ministry of Interior headquarter had increased its total contractual employees by 893 employees during the month of July, and 858 employees during the month of October.

Recommendation:

We recommend adhering to the Ministry of Finance Budget execution Instructions related to contracting with employees and making such that proper authorization has been obtained in advance from the ministry of finance prior to contracting for better control procedures over budget execution

Status: New

Risk Status

High	
Medium	
Low	

Ministry of Interior

3. Organizational Restructuring

Observation:

We noted that the Ministry's law and internal regulations and procedures are outdated. The Ministry developed new jobs and canceled others that were present without proper approval and without preparation of a job description for each new job.

Recommendation:


We recommend that the Ministry obtains the required approval from the parties concerned for restructuring and prepares a job description for every new job, for better control procedures

Follow up:

Through our visit to the Ministry, we noted that the observation is still valid during the year 2010.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Interior

4. Weapons Inventory

Observation:

The Coalition Forces provided the Directorate of Baghdad police with 6951 “Glock pistols”, which were not entered into the inventory and there is no information about their location to date.

Recommendation:


We recommend that the Ministry includes these pistols in the weapons inventory and gives them identification numbers and upon withdrawing them, they should be recorded in a private record including the name and signature of the person receiving the weapon.

Follow up:

Through our visit to the Ministry, we noted that the mentioned observation is still valid during the year 2010, as we were not provided with the registration and delivering records for these pistols.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Interior

5. Foreign Military Sales

Observation:

We noted that the Ministry has transferred an amount of U.S. \$ 169 million during 2007 to the Foreign Military Sales- FMS account in FRBNY. We were not provided with any information related to the disbursements made out of this account due to the fact that such information is not available at the Ministry. The Ministry did not record the disbursed amounts during the year as part of its capital expenditure.

Recommendation:


We recommend that the Ministry shall record all disbursements related to capital expenditure in its records, in addition to preparation of monthly reconciliation for the Foreign Military Sales account for better control procedures.

Follow up:

Through our visit to the Ministry, we noted that the observation is still valid during the year 2010.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Interior

6. Recording U.S. Agencies Contracts

Observation:

During our visits to the Ministry of Interior, we noted that several contracts are managed by the U.S. Agencies without full coordination between the U. S. Agencies and the Ministry. As a result, the Ministry does not have any information related to such contracts and the contracts costs are not yet being recorded in the Ministry's accounting records.

Recommendation:


We recommend coordination shall be maintained between the Ministry and the U.S. Agencies and procedures are jointly developed to exchange the information and documents related to the contracts managed by the U.S. Agencies in order to update the Ministry's accounting records on a timely basis.

Follow up:

Through our visit to the Ministry, we noted that the observation is still valid during the year 2010.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Interior

7. Budget Allocation

Observation:

During our visit, we noted that the Ministry's budget has been prepared based on lump sum amounts for each type of revenues and expenses during the year 2007. The Ministry did not allocate any budgeted amount over the 12 months period as required by the budget guidance.

Recommendation:


We recommend that the Ministry allocate the approved budget over 12 months to enhance the controls over the budget. A monthly variance analysis between actual expenses and budget should be performed and any major differences should be investigated and followed up.

Follow up:

Through our visit to the Ministry, we noted that the observation is still valid during the year 2010.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Transportation

New and Prior Year Unresolved MLPs

Ministry of Transportation

1. Tendering and contracting procedures – Public Institution for Civil Aviation

Observation:


During our review of the tender documents related to the development of the planes parking yard contract, number 73/2010, that was awarded to the General Company for Executing Transportation Projects through direct offering without the announcement of general tender. The direct contracting without the invitation to various contractors does not apply to this contract, since the monopolistic rules does not apply to the nature of the service required and therefore direct contracting with this company, although it is a governmental entity violates the contracting laws.

Recommendation:

We recommend the abidance of the Iraqi contracting laws and rules in all matters for such tendering

Status: New

Risk Status

High	
Medium	
Low	

Ministry of Transportation

2. Contractor audited financial statements.

Observation:

Through our review of the contracts, we noted that neither the Public Institution for Civil Aviation nor The General Company for Railways obtains a current audited financial statements for their contracted parties and as an example for this :

Company Name	Contractor Name	Contract Description
-Public Institution for Civil Aviation	AFM Swiss	lighting Baghdad international airport
-The General Company for Railways	Vossloh Cogifer	Preparation of 550 rail

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 to obtain prior to contracting the contractor's current audited financial statement in order to evaluate and asses the contractor ability to perform under the contract.

Status: New

Risk Status

High	
Medium	●
Low	

Ministry of Transportation

3. Consolidated Register

Observation:

We noted that the Ministry of Finance has not approved the consolidated register at the Finance and Administration Directorate in the Ministry of Transportation/ the Accounting Department for 2009.

Recommendation:


We recommend approving the consolidated register by the Ministry of Finance.

Follow up:

This note is still valid during the year 2010.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Transportation

4.Loans and Advances Account

Observation:

During our review of the Finance Department, we noted that some old balances in the loans and advances accounts are still not settled.

Recommendation:


We recommend settling the advances accounts, and to be reviewed periodically.

Follow up:

This note is still valid during the year 2010.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Transportation

5. Increase in Project Costs

Observation:

During our review we noted that the cost of some of the investment plan projects had been doubled that of the budgeted cost. Examples of such projects are the Sabouniyah Rabihiya railway project and the Baghdad railway project.

Recommendation:


We recommend that the overall costs of the projects be valued and based on realistic plans and studies.

Follow up:

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

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Transportation

6. Decline in Percentage of Completion

Observation:

We noted that the percentage of technical completion for a number of contracts is relatively low although the contracting period is over.

Recommendation:


We recommend complying with the terms of the contract and adhering to the budget instructions, that state that the responsible project administrations should be accounted for any decline in the percentage of completion

Follow up:

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

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Transportation

7. The General Company for Railways – Adhering to the Allocations

Observation:

We noted that the company had cancelled and revoked some contracts that were signed with suppliers or contractors due to the lack of allocated funds such as contract numbers 107 and 174. This procedure subjects the Company to commitments and obligations in the supplier's favor, and violates the federal budget and governmental contract instructions that require the allocation of required funds to the contracting party.

Recommendation:


We recommend that no contracts be signed before securing funding and complying with budget execution instructions and governmental contracts execution instructions.

Follow up:

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

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Transportation

8. The General Company for Railways – Letters of Credit

Observation:

During our review of the letters of credit that were opened during 2009, we noted that the procedures for opening the letters of credit for supply contracts, were late relative to the dates of signing the contracts, and relative to the specified period for opening the letter of credit in the contracts, such as contract numbers 198 and 202.

Recommendation:


We recommend that the letters of credit are opened in a timely manner to avoid additional costs 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	

Ministry of Transportation

9. The General Company for Railings – Receivable Balances

Observation:

During our visit to the "General Company for Railings", we noted that several receivable balances from prior years relating to government institutions have not been followed up and resolved.

Recommendation:


We recommend the follow up on these accounts to determine whether the amounts are collectable. If the amounts are determined to be not collectable, we recommend they be written off.

Follow up:

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

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Culture

New and Prior Year Unresolved MLPs

Ministry of Culture

1. Transfer of previous dissolved Ministry of Media employee to the Ministry of Culture

Observation:


On 11 August 2005 the General Secretariat Directorate of Ministries has directed the immediate transfer of the previous dissolved Ministry of Media to the Ministry of Culture on its memorandum number 8984. This transfer took effect during April 2010, whereby 1,300 employees were assigned simultaneously on the same month. Delays in implementing such direction and in the absent of detailed study, that provides direct plan on proper utilization of such high number of employees, might result in legal claims on the Ministry's burden.

Recommendation:

We recommend the abidance of the General Secretariat Directorate of Ministries direction in addition to implement proper plan to utilize all these employees.

Status: New

Risk Status

High	
Medium	
Low	

Ministry of Culture

2. Fixed Assets Register

Observation:

Through our review of the Vehicles Fixed Assets Register, we noticed the following:

- 1- The register does not include all of the Ministry's vehicles, it only include vehicles purchased during the year 2008 and after.
- 2 - Donated vehicles are not priced before entering into the register.
- 3- The register includes vehicles that are not valid for use, and should be written off from the register, and others are missing or still owned by former officials that have not been returned.

Recommendation:

- 1- We recommend defining the Ministry's vehicles and entering it to a regular register that includes all information.
- 2- We recommend pricing the donated vehicles before entering it to the registers
- 3- We also recommend write off of vehicles unfit for use and taking legal actions for missing vehicles and restoring vehicles that are owned by former officials.

Follow up:

The note is valid during the year 2010 except for the legal action, whereby we noted that the Ministry has taken a legal action regarding the missing vehicles.

Status: Old

Risk Status

High	
Medium	●
Low	

Ministry of Culture

3. Operating Budget

Observation:

During reviewing of the daily journal register of the operating budget we noted a number of manual corrections without evidence of approval of the head of accounting and internal audit.

Recommendation:

We recommend obtaining the approval and signature of the head of accounting and the internal auditor on all corrections, on the operating budget.

Follow up:

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

Status: Old

Risk Status

High	
Medium	●
Low	

Ministry of Culture

4. Checks Overdue Over than Six Months

Observation:

Overdue 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 canceled and accounting records amended accordingly.

Follow up:

Valid only for one check dated 16 March 2010 for an amount of IQD 1,188,000.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Human Rights

New and Prior Year Unresolved MLPs

Ministry of Human Rights

1. Tendering Committee opening documents

Observation:


During our review to the contract number 4/2008, we noted that the tender opening committee minutes of meeting were not attached to the contract file.

Recommendation:

We recommend the adherence with the Governmental Contracting Laws and Regulation, and to ensure all contract related documents are attached within the contract file.

Status: New

Risk Status

High	
Medium	
Low	

Ministry of Oil

New and Prior Year Unresolved MLPs

Ministry of Oil

1. Burning Condensed Petroleum Products

Observation:

During our visit to the Ministry, we noted that the North Oil Company burns quantities of petroleum condensates products from the Ajil fields due to the lack of outlets. The burnt quantity during 2008 amounted to 1,391,230 barrels.

Recommendation:


We recommend that the Ministry finds outlets for the condensed petroleum products instead of burning them in order to preserve public funds.

Follow up:

Through our visit to the Ministry, we noted that the Observation is still valid.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Oil

2. Wasted Quantities

Observation:

During our visit to the Ministry, we noted that there are 698,083 wasted barrels during the year 2008 from North Oil Company due to terrorist activities.

Recommendation:


We recommend that the Ministry increase its security procedures to preserve public funds.

Follow up:

Through our visit to the Ministry, we noted that the mentioned Observation is still valid during the year 2010. During 2010 , the wasted quantities of 620,300 barrel .

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Oil

3. Injection of Oil

Observation:

During our visit to the Ministry, we noted that the North Oil Company injected back 605,392 barrels of crude oil into the oil wells during 2008 causing damage to the oil wells.

Recommendation:


We recommend preventing the injection of oil back into the oil fields to prevent damage to oil fields.

Follow up:

Through our visit to the Ministry, we noted that the Observation is still valid during the year 2010.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Oil

4. Ministry Headquarter – Approval of Accounts by the Ministry of Finance

Observation:

The Ministry of Finance has not approved the consolidated register that includes a summary of accounts for the financial year 2008.

Recommendation:


We recommend that the Ministry obtains the approval on the consolidated register from the Ministry of Finance.

Follow up:

Through our visit to the Ministry, we noted that the Observation is still valid during the year 2010.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Oil

5. Ministry Headquarter – Stolen Vehicles

Observation:

During our visit to the Ministry, we noted that before 2008, a known party had stolen vehicles from the Ministry's headquarters. Although the person involved is known, these vehicles have not been recuperated yet. The General Secretary of the Council of Ministers requested the recuperation of the stolen vehicles.

Recommendation:


We recommend that the Ministry follows up on this issue and recuperates the stolen vehicles.

Follow up:

Through our visit to the Ministry, we noted that the Observation is still valid during the year 2010.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Oil

6. Ministry Headquarter – Contracts Division

Observation:

During our visit to the contracts division at the Ministry, we noted the following:

1. The division does not have a list of tenders and contracts for 2008 or of contracts signed before 2008 and are still valid.
2. The division does not use a system to index and number contracts.
3. The division does not maintain a centralized file that includes all contract supporting documents.

Recommendation:

We recommend that the Ministry prepares a list of all tenders and contracts, indexes and numbers contracts, and maintains a centralized file for all contracts.

Follow up:

Through our visit to the Ministry, we noted that the Observation is still valid during the year 2010.

Status: Old

Risk Status

High	
Medium	●
Low	

Ministry of Oil

7. Completeness of Crude Oil and Oil Products Sales

Observation:

The IAMB recommended in March 2004 the expeditious installation of a comprehensive oil metering system in Iraq and in accordance with standard oil industry practices. Oil metering is a key factor to achieve financial transparency and accountability over oil resources in Iraq. While the Iraqi government supports oil metering, a letter has been addressed by the Oil Minister informing the head of COFE on 4/2/2008 that a comprehensive oil metering system will be installed by 31/12/2009. During our Follow up, we were informed that the percentage of completion of installation is around 33% till 31/12/2008. The estimated time to complete installation of oil meters will be in year 2011 based on a letter addressed from the metering and measuring division on 16/3/2009.

Recommendation:


We recommend installation of comprehensive metering systems for all oil industry related entities and expeditious installation and calibration processes for entities already received the metering systems.

Follow up:

Through our visit to the Ministry, we noted that the mentioned Observation is still valid during the year 2010, where we were informed by the Metering Division that the percentage of completion for the metering plan is approximately to 39% at the end of year 2010.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Oil

8. Operational Loading System at the Loading Points

Observation:

We noted that the Ministry of Oil had applied the Ullage metering method at the loading points, where during January 2007 the export sales process had been shut down for several days in order to install metering systems in accordance with the international standards (Measurement by Unit Barrel). These systems were formally submitted to the Ministry in July 2007 uncalibrated. The Ministry had contracted in December 2007 with an American company in order to calibrate these meters. In the absence of a comprehensive control system over oil, differences will occur between oil quantities extracted, produced, exported and locally consumed.

Recommendation:


We recommend installing a comprehensive system to measure the oil quantities in all of the oil facilities, and to accelerate installing and calibrating processes in the plants where these systems were received.

Follow up:

During our field visits , we have noted progress in installing and calibrating metering instruments in Basrah and Khour Al-Umayah terminals , however as the volume of all quantities extracted and pumped to export terminals cannot be reliably verified, The recommendation is still valid .

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Oil – Oil Marketing Company

New and Prior Year Unresolved MLPs

Ministry of Oil – Oil Marketing Company

1. Absence of the System Generated Loading Report

Observation:


We noted that SOMO was not provided with any system generated loading reports for loaded crude oil quantities at Basrah oil terminal, where these reports can be generated by the metering automated system at the oil terminal .

Recommendation:

We recommend that the reading of automated metering system used in the loading terminal should be obtained and compared the bills of lading and other export documents for better control procedures over oil export

Status: New

Risk Status

High	
Medium	
Low	

Ministry of Oil – Oil Marketing Company

2. No Third Party Inspector Authentication

Observation:


We noted that the third party inspector (SGS) did not sign any shipment document at Basrah Oil Terminals, where shipment documents are signed only by SOMO, South Oil Company and the Tanker master. SOMO had sent a letter addressed to the Iraqi South Oil Company with reference number 15519 dated September 27, 2010 emphasizing on signing the shipments documents by a third party inspector.

Recommendation:

We recommend agreeing with the present third party inspector to sign shipment document for more reliability and accuracy of the loaded crude oil quantities.

Status: New

Risk Status

High	
Medium	
Low	

Ministry of Oil – Oil Marketing Company

3. Allocating Crude Oil Quantities to Foreign Oil Companies

Observation:


We noted that crude oil quantities are allocated to selected foreign oil companies based on analyses, market studies and SOMO's previous experience with the purchasers, though we found no documented criteria for such allocation.

Recommendation:

We recommend preparing detailed documented and comprehensive crude oil quantities allocation criteria for a transparent and reliable methodology of allocating crude oil quantities available for export.

Status: New

Risk Status

High	
Medium	
Low	

Ministry of Oil – Oil Marketing Company

4. TBI Account

Observation:

During our review of the Oil Marketing Company bank accounts, we noted existence of an account at TBI, which SOMO does not have any information about, and for which TBI does not provide a detailed balance for the reconciliation purposes.

Recommendation:


We recommend asking the bank to provide the Company with a monthly detailed statement of account, for the purpose of preparing monthly Bank reconciliations.

Follow up:

Through our visit to the Company, we noted that the mentioned observation is still valid for the 2010, where we did not obtain the account statement or advice that shows the transfer of the USD 20,000,000 to SOMO's current account number 300-1151 at the Trade Bank of Iraq.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Oil – Oil Marketing Company

5. Debtors

Observation:

During our audit, we noted that there are uncollected debts due from foreign companies in exchange for Crude Oil amounting to USD 360,577,268.22 and oil products for USD 8,321,629 sold in 1990 and 1998.

Recommendation:


We recommend the follow up and deposit of there amounts in the account of the Development Fund for Iraq.

Follow up:

Through our visit to the Company, we noted that the observation is still valid for the year 2010.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Oil – Oil Marketing Company

6. Accounting System

Observation:

During our visit to the company, we noted that the company uses Microsoft Access Software, which is not suitable given the size of the company's operations. This system could result in delays in the company's operations.

Recommendation:

We recommend installing comprehensive accounting software as a complete solution for the quick processing and extraction of financial information.

Follow up:

Through our visit to the Company, we noted that the mentioned observation is still valid for the year 2010.

Status: Old

Risk Status

High	
Medium	●
Low	

Ministry of Oil – Oil Marketing Company

7. Demurrage

Observation:

During our visit to the company, we noted that fines incurred by the company due to delays in loading the carriers amounted to USD 24,470,389 during the year 2008.

Recommendation:


We recommend complying with time schedules set for loading in order to avoid fines and preserve public funds.

Follow up:

Through our visit to the Company, we noted that the mentioned observation is still valid for the 2010, where the total fines (demurrage) were amounted to USD 31,672,237 and USD 2,772,677 in 2010 and 2009 respectively

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Oil – Oil Marketing Company

8. Change of Destination

Observation:

During our review of crude oil contracts, we noted that the company “Shell” changed the destination of one of its shipments from North America to the Far East resulting in additional dues of USD 26,287,818 which SOMO had demanded.

Recommendation:


We recommend taking the appropriate steps against Shell company in order to collect the additional amounts due.

Follow up:

Through our visit to the Company, we noted that the observation is still valid for the year 2010.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Oil – Oil Marketing Company

9. Al Ahli Bank of Jordan

Observation:

We noted that the following outstanding balances due to the company from Al Ahli Bank of Jordan:

- USD 7,868,578
- Euro 922,704
- CHF 6,935
- GBP 1,389

SOMO has sent a letter to the bank to confirm these balances at 9 February 2009. On 1 march 2009, the above mentioned bank sent a letter to SOMO stating that there are no balances relating to SOMO and that any inquiries regarding this issue should be with the Central Bank of Jordan.

Recommendation:


We recommend following up on this issue with the Central Bank of Jordan in order to ensure collection of these amounts and to deposit them in the DFI account.

Follow up:

Through our visit to the Company, we noted that the observation is still valid.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Oil – Oil Marketing Company

10. Outstanding Items in Bank Reconciliations

Observation:

During our review of reconciliations between SOMO and the Trade Bank of Iraq (account number 1151 and 1084), we noted that there are old outstanding items with substantial balances from the year 2007.

Recommendation:


We recommend that the company follows up on the old outstanding items in order to reconcile the book balances with the Trade Bank of Iraq.

Follow up:

Through our visit to the Company, we noted that the is still valid.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Oil – Oil Marketing Company

11. Reconciliation of Crude Oil Sales

Observation:

During our visit to the company, we noted that the company performs monthly reconciliations of oil sales with the Central Bank of Iraq and not with the Ministry of Finance.

Recommendation:


We recommend performing monthly reconciliations with the Ministry of Finance.

Follow up:

Through our visit to the Company, we noted that the observation is still valid.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Oil – Oil Marketing Company

12. Operating and Trade Accounts

Observation:

During our visit to the company, we noted that the company prepares two types of accounts: trade accounts, and operations accounts, and does not combine these accounts in presenting the financial position.

Recommendation:


We recommend combining the trade and operations accounts in order to present a comprehensive financial position. However and for satisfying different users of the accounts, the company should be able to issue both consolidated and stand alone accounts

Follow up:

Through our visit to the Company, we noted that the observation is still valid.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Oil – Oil Marketing Company

13. Sales of Oil Products

Observation:

During our visit to SOMO, we noted that the accounting division does not prepare reconciliations between sales of oil products on an accrual basis, and receipts from sales of oil products on a cash basis. The difference between the cash and accrual basis amounted to USD 205,630,000 for the year ended 31 December 2008.

Recommendation:


We recommend preparing reconciliations between the accrual basis and cash basis sales. We also recommend opening a separate bank account for sales of oil products to facilitate the reconciliation process.

Follow up:

Through our visit to the Company, we noted that the observation is still valid

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Oil – Oil Marketing Company

14. Sequential Numbering for Standard Forms and Vouchers

Observation:

We noted that most of the standard forms and vouchers used by SOMO for export sales transactions do not have a pre-numbered serial number. The following forms are example of forms without a pre-numbered serial number:

- Loading cards.
- Bills of lading.
- Certificate of quantity and quality.
- Ullage reports.
- Export cargo manifest.

Recommendation:


We recommend that all forms used by SOMO should be pre-numbered in order to improve the control over export sales and to keep proper audit trail.

Follow up:

Through our visit to the Company, we noted that the mentioned observation is still valid for the 2010.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Oil – Oil Marketing Company

15. Reconciliations with Syrian Government

Observation:

According to the barter agreement between SOMO and the Syrian Government which is renewed on January 20, 2007, the two parties should meet on a monthly basis to settle the outstanding amounts due to each other. However, no final reconciliation has been prepared for 2006 and 2007 transactions. Moreover, according to the agreement, when the due amount exceeds USD 10 million for more than three months, 75% cash payment of the due balance should be transferred to the other party. However, the due amount from the Syrian Government exceeded USD 10 million from the last year, but no cash transfer has been made to SOMO from the last year until the end of 2007. The due amount to Iraqi side was increased during the year of 2007 which amounted to USD 302 million.

Recommendation:


We recommend that SOMO Should closely follow up on collection of the amounts due using all possible channels

Follow up:

Through our visit to the Company, we noted that the mentioned observation is still valid for year 2010.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Oil – Oil Marketing Company

16. Quantities of Oil Products Received

Observation:

During 2007, the task of controlling and reporting the entrance and completeness of oil products imported was assigned to the technical department at the Ministry of Oil instead of Sabra and Khilani companies in accordance with minister of oil instructions. During our review, we noted that the Technical Department did not prepare technical reports to confirm the received quantities of petroleum products, whereas it approved the certificate of quantity issued by the Shipping Department at SOMO for the eastern boarder only.

Recommendation:


We recommend the need to issue reports from the technical department confirming all the amounts received from all export terminals and to provide SOMO with reports on a regular basis for better control procedure over import of oil products.

Follow up:

Through our visit to the Company, we noted that the mentioned observation is resolved.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Oil – Oil Marketing Company

17. Measuring Metering System for Imported Petroleum Products

Observation:

During our review, we noted that the quantities of the imported petroleum products delivered by suppliers to SOMO storage tanks have been determined by reference to a dipstick carried for each storage tank. SOMO's shipping division management are satisfied that the dipstick measurements of imported petroleum products correspond with that of the invoiced quantity.

Recommendation:


We recommend implementing accurate metering systems to be in line with the best practices and to ensure effectiveness of control over misappropriation of quantities of imported petroleum products. Upon receiving of each petroleum product shipment, the quantity received per bill of lading should be compared with the readings of SOMO metering system by independent authorized personnel. We also recommend that appropriate safeguarding policy of the metering devices should be implemented, such as installing the meters in a secure area, where only authorized personnel are granted the access.

Follow up:

Through our visit to the Company, we noted that the observation is still valid for the year 2010.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Oil – Oil Marketing Company

18. Monthly Reconciliation With Suppliers of Petroleum Products

Observation:

During our review, we noted that the Finance Department at SOMO neither obtain confirmations nor carry out reconciliations between suppliers of petroleum products statements and the underlying accounting records on a monthly basis. Consequently, accounting errors may not be identified on a timely basis such as missing or duplicate invoicing, goods being received by SOMO in one period but not accounted for until the next, etc.

Recommendation:


We recommend requesting confirmation or statements of account from all suppliers of imported petroleum products on a monthly basis. The suppliers' balances should then be reconciled to SOMO records with any differences being investigated and resolved on a time basis.

Follow up:

Through our visit to the Company, we noted that the observation is still valid for the year 2010.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Oil – Oil Marketing Company

19. Control Over Invoices and Certificates of Imports

Observation:

We noted that all manual documents such as credit notes, invoices, and the Shipping Department's certificates of import were manually numbered.

Recommendation:


We recommend that the Finance and the Shipping departments should use serially pre-numbered documents for invoices, certificates of imports and all other used forms.

Follow up:

Through our visit to the Company, we noted that the mentioned observation is still valid during the year 2010.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Telecommunications

New and Prior Year Unresolved MLPs

Ministry of Telecommunications

1. General Company for Telecommunications and Postage – vehicle purchase

Observation:

We noted that the Company during 2009 purchased vehicle for the Minister from its investment budget which violates the budget execution instructions (section 2, Article 12). These cars were not recorded by the Company and not included in the Ministry's assets register.

Follow up:


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

Recommendation:

We recommend compliance with the budget execution instructions and that to record the assets in the books properly of the General Company for posts and telecommunications.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Telecommunications

2. Approved of Accounts by the Ministry of Finance

Observation:

The ministry combined accounts register for the years 2007 and 2008 , were not yet approved by Ministry of Finance until 28 February 2009 .

Follow up:


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

Recommendation:

We recommend that the ministry combined accounts register to be approved by the Ministry of Finance on a timely basis for the years 2007 and 2008.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Telecommunications

3. General Company for Posts & Telecommunications – Bank Reconciliations

Observation:

During our visit on January 2009, we noted that bank reconciliations have not been prepared for the years 2007 and 2008.

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 Telecommunications

4. General Company for Posts & Telecommunications – Contracts Files

Observation:

During our visit to the Ministry, we noted that contracts' supporting documents are not properly organized which makes it difficult to retrieve these documents. The documents are distributed across the Departments,. This leads to difficulties in following up of some contracts and obtaining related supporting documents.

Recommendation:


We recommend developing a proper filing system to keep each contract together with its related supporting documents separately, and to properly organize these contracts in order to facilitate the retrieval and follow up process.

Follow up:

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

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Telecommunications

5. General Company for Posts & Telecommunications – Fees for Protection and Rent of Towers Locations

Observation:

During our visit to the Ministry, we noted that the fees for the protection of towers for mobile phone companies and the rent of their locations have not been claimed by the Ministry nor paid by mobile phone companies. The fees and rent amounted to USD 8.2 million till 30/10/2008.

Follow up:


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

Recommendation:

We recommend following up on this matter and collecting the fees and rent due.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Telecommunications

6. General Company for Web Information Services – Fixed Assets

Observation:

During our visit to the company, we noted the existence of obsolete fixed assets .

Recommendation:


We recommend writing of all obsolete fixed assets from Company's records.

Follow up:

This note is still valid during the year 2010.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Telecommunications

7. General Company for Web Information Services – Trade Bank of Iraq

Observation:

We noted that no reconciliations are prepared between the companies records and Trade Bank of Iraq (TBI) since the statements of accounts are not received from the bank .

Follow up:


This note is still valid during the year 2010. Since last reconciliation was prepared on March 2009.

Recommendation:

We recommend that TBI statements of accounts be obtained to prepare monthly bank reconciliations and to follow up on any outstanding balances.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Telecommunications

8. General Company for Web Information Services – 2006 Robberies

Observation:

During the year 2006, some of the company's assets were stolen. These stolen assets were not estimated and derecognized from the accounting records.

Follow up:


This note is still valid during the year 2010.

Recommendation:

We recommend a list of all stolen items be prepared and derecognized from the accounting records.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Telecommunications

9. General Company for Web Information Services – Receivables and Payables Balances

Observation:

Through our review of the trial balance we noted that there are old outstanding receivables and payables balances from previous years

Follow up:


This note is still valid during the year 2010.

Recommendation:

We recommend that the company follows up, and analyze these balances and settle them by either paying, collecting or writing them off from records.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Telecommunications

10. General Company for Web Information Services – Capital of the Company

Observation:

Through our review of the trial balance we noted that the accumulated losses have exceeded the company's capital.

Recommendation:


We recommend this matter be addressed in compliance with Public Companies Act.

Follow up:

This note is still valid during the year 2010. Since the Company's capital is IQD 1 billion, the Accumulated losses 338 billion, and current year losses IQD 1.6 billion

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Water Resources

New and Prior Year Unresolved MLPs

Ministry of Water Recourses

1. Letters of Credit

Observation:

During our review of the letters of credit at the Ministry and as of the date of our visit on 14/01/2010, we noted delays in the issuance of the letters of credit for contracts that were signed, such as

- 1) Contract to provide 20 medium size Bulldozers with Backup tools date of signing the contract 7 may 2009
- 2) Contract to supply backup tools for petroleum generators date of signing the contract 10 June 2009

Recommendation:


We recommend coordinating with the concerned authorities in order to avoid any delay in the opening of letters of credits, which could lead to an increase in prices or other commitments

Follow up:

The note is still valid during the year 2010.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Water Recourses

2. Appraised Cost

Observation:

During our review to the appraised cost prepared by the ministry we noted differences between the cost of appraisal prepared by the engineering department and the assigned amount , for the contracts , such as :

- 1) Diwaniyah shore conversion contract,
- 2) Contract to supply 15 lawn mowers ,
- 3) Contract to build Admin premises for Al-Falujah Damn

Recommendation:

We recommend that a thorough and a detailed study to be prepared for the appraised cost in order to preserve public funds .

Follow up:

Through our visit we noted that the mentioned contracts were granted for amount lower than the estimated budget.

Status: Old

Risk Status

High	
Medium	●
Low	

Ministry of Housing and Construction

New and Prior Year Unresolved MLPs

Ministry of Housing and Construction

1. Overdue Checks

Observation:

Outdated checks were found in the bank reconciliation reports with maturities exceeding 6 months.

Recommendation:

We recommend the follow up on all reconciliation items. As for checks with maturities exceeding 6 months, we recommend that they be cancelled and that the accounting records be adjusted accordingly in accordance with the budget instructions of the Federal Republic of Iraq for the year 2009.

Follow up:

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

Status: Old

Risk Status

High	
Medium	●
Low	

Ministry of Housing and Construction

2. Outstanding Balances

Observation:

Through our review of the financial records we noted an old outstanding balances since 2003 that has not been resolved to date.

Account description	Amount in IQD
Debtors for projects	1,546,259,574
Other debtors	136,000,000
Fiduciary accounts	1,522,167,915
Creditors	4,979,291,559

Recommendation:

We recommend reviewing and analyzing the above balance and make the necessary adjustments

Follow up:

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

Status: Old

Risk Status

High	
Medium	●
Low	

Ministry of Finance

New and Prior Year Unresolved MLPs

Ministry of Finance

1. Black list inquiry from the Ministry of Planning

Observation:


With regards to contract No. 4/3/2010 related to the transporting vehicles for the Ministry's employees, we noted that black list inquiry was not obtained from the Ministry of Planning in order to assure the creditability of the contractor. Granting projects to contractors without proper inquiry regarding their reputation and previous history may result in the contractors default in executing obligations. Which may lead the Ministry to bear losses and inability to meets its objectives.

Recommendation:

We recommend the conduction of full inquiry over the contractor's reputation and previous work is essential to ensure the contractor's ability to fulfill the contractual obligations.

Status: New

Risk Status

High	
Medium	
Low	

Ministry of Finance

2. Tender opening committee

Observation:


During our review for the contract number 4/2/2010 to reconstruct the Ministry's building, we noted that the opening tendering committee was formed on 28 June 2009 and its members remained in the committee until this contract tenders opening on 20 June 2010 and thus exceeding the authorized period as stated in the 2010 Budget Instructions. Extending.

Recommendation:

We recommend the adherence with the Governmental Budgeting Instructions and Contracting Laws and Regulations.

Status: New

Risk Status

High	
Medium	
Low	

Ministry of Finance

3. Accounting Records and Supporting Documents

Observation:

We noted the following:

1. The accounting division at the Ministry does not maintain a register for fixed assets.
2. The Ministry does not maintain a register for payments of car maintenance expenses despite the size of the amounts spent from this account and the number of cars this account includes.

Recommendation:

We recommend that all members sign on the minutes of the meeting and seal the meeting on the same day.


Follow up:

Below are the status for the points:

1. Previous years fixed assets registers were destroyed due to the 2009 explosion. The fixed asset register for 2010 is still not completed due to the data collection process, also the Ministry is in process of developing automated software for the fixed assets register.
2. The point is still valid

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Environment

New and Prior Year Unresolved MLPs

Ministry of Environment

1. Tendering Committees' Duration Period

Observation:


Based on our review we noted that the tendering committee members for the first half of year 2010 are the same as those for the second half of year 2009. Extending the duration of tendering commission members beyond the authorized period may cause the Ministry in violating the Governmental Contracting Regulations.

Recommendation:

We recommend the adherence with the Governmental Contracting Laws and Regulations.

Status: New

Risk Status

High	
Medium	
Low	

Ministry of Environment

2. Contractors Financial Statement Analysis

Observation:


With regards to contract # 4005020018 related to the oil spill sensor and alarm equipments and after reviewing the tender winner “Al Ghalowa Company” financial statements we noted that no revenues were reported in the contractor financial statements for the periods 2008 and 2009. In addition to the absent of any financial analysis of the tender winner financial position and the ability for him to fulfill his contracting obligations. Granting projects to contractors without proper assessments and evaluation of their financial positions and strength may result in the contractors default over their obligations. Which may lead the Ministry to bear losses and inability to meets its objectives.

Recommendation:

We recommend the conduction of full analysis over the contractor financial positions and strengths to ensure the contractor ability to fulfill his contractual obligations.

Status: New

Risk Status

High	
Medium	
Low	

Ministry of Environment

3. Project Budget Assessment.

Observation:


With regards to contract # 4005020018 related to the oil spill sensor and alarm equipments we noted that preliminary assessed project budget balance included only the ending figure without attaching the project manager assessment study or the mechanism in which the figure was reached. Since the project budget is used in determining the acceptable proposals' fees scale, this may lead in implementing improper basis for determining relevant proposals that meets the Ministries goals and objectives

Recommendation:

We recommend the conduction of full assessment of the project budget basis to determine the most relevant and qualifying tenders .

Status: New

Risk Status

High	
Medium	
Low	

Ministry of Environment

4. Stock Count

Observation:

Through our review of the stock count performed, we noted that the Ministry has not reconciled the stock count to the books up till the day of our visit in 25 March 2010.

Follow up:


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

Recommendation:

We recommend preparing reconciliation between the assets count and records at year end.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Environment

5. Coordination between Ministry's Departments

Observation:

During our visit to the Ministry we noted insufficient coordination between the Contracts Department and Finance Department, where the Finance Department does not notify the Contracts Department regarding obtaining performance bonds; which causes the Contracts Department to proceed in contracting process without ensuring that the supplier adhered to contract terms and conditions.

Recommendation:


We recommend that the Ministry issues and implements a documented mechanism to coordinate between all departments and divisions in the Ministry, to ensure that the exchange of all information related to the contracting process and its relating reimbursements is properly communicated, for better control procedures over contract execution.

Follow up:

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

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Environment

6. Contracts' Supporting Documents

Observation:

During our review we noted the lack of a centralized comprehensive filing system for each contract letter of guarantee and bank guarantee are filed separately in other files ,that includes all letter and bank guarantees. Maintaining supporting documents in this way increases the contracts division's duties and complicates the follow-up and audit procedures related to the contracts.

Recommendation:


We recommend that all documents relating to each contract be centrally filed, to facilitate review and 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 Environment

7. Checks Overdue Over than Six Months

Observation:

Outdated checks were found in the bank reconciliation reports with maturities exceeding 6 months.

Recommendation:


We recommend the follow up on all reconciliation items. As for checks with maturities exceeding 6 months, we recommend that they be cancelled and that the accounting records be adjusted accordingly in accordance with the budget instructions of the Federal Republic of Iraq for the year 2009.

Follow up:

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

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Trade

New and Prior Year Unresolved MLPs

Ministry of Trade

1. Credit facilities granted from the Trade Bank of Iraq

Observation:

On 29 December 2009 the Ministry of Trade was granted an advance from the Trade Bank of Iraq with a total amount of USD 1,5 Billion to finance the operations of Grain Board Company, General Company for Trade of Food Supplies, and Grain Manufacturing Company. Loan installments will be paid from the Trade Ministry's budget through the Ministry of Finance.

Obtaining loans from local Banks to finance the governmental recurring operations is a clear indication for the lack of managing and budgeting the governmental resources, in addition to the high interest burden to be borne by the government.


Permitting Ministries and governmental bodies to directly obtain credit from Banks without the Ministry of Finance role to facilitate the funds in accordance with allocated budget will render the whole budgeting process to be ineffectual.

Recommendation:

We recommend the abidance of the final approved budget and when instances requires outside financial support we recommend the direct involvement of the Ministry of Finance to directly facilitate and obtain the required finance for Ministries and governmental bodies in accordance with their approved budgets and final amendments.

Status: New

Risk Status

High	
Medium	
Low	

Ministry of Trade - The General Company for Trade of Food Supplies

2. Imported items without approved budget

Observation:

In year 2010 the Company has contracted and imported lentil, beans, and adult milk without budgeting these products in 2010 budget.


Contracting on items not allocated on the budget will result in a deficit in the Company's budget. Such deficit may result in the Company inability to meet its current obligation and seeking for an outside finance.

Recommendation:

We recommend a detailed and thorough study when planning for the budget.

Status: New

Risk Status

High	
Medium	
Low	

Ministry of Trade - The General Company for Trade of Food Supplies and Grain Board Company

3. Contractor audited financial statements and Articles of association

Observation:

Through our review of the contracts, we noted that neither the General Company for Trade of Food Supplies nor the Grain Board Company obtains a current audited financial statements or articles of association for their contracted parties and as an example of this:

Company Name	Contractor Name	Contract Description	LC #	Unavailable documents
The General Company for Trade of Food Supplies	Mercury General Trading	Adult Milk 1500 ton	ILCUSC0859610	Contractor's audited financial statements Contractor's articles of association
Grain Board Company	Exim Grain Trade	Purchase of Wheat	ILCSGT0804410	Contractor's audited financial statements Contractor's articles of association

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 articles of association and the current audited financial statement in order to evaluate and asses the contractor ability to perform under the contract.

Status: New

Risk Status

High	
Medium	●
Low	

Ministry of Trade - The General Company for Trade of Food Supplies

4. Trial Balances

Observation:

Through our review of trial balances, we noted that the opening entries were not posted at the beginning of the fiscal year, and that the trial balances were not audited by the Internal Audit Department nor completed at the required date.

Follow up:


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

Recommendation:

We recommend posting the opening entry at the beginning of the fiscal year to give a clear picture of the sufficient financial data at the suitable time. We also recommend the completion of Trial Balances periodically and on time and that the Internal Audit Department audits the trial balances after being completed and stamped.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Trade - The General Company for Trade of Food Supplies

5. Maintenance of Assets

Observation:

We noted that the General Company for Trade of Food and Supplies did not prepare a timetable for maintenance work in order to conduct periodic and preventive maintenance for its movable and immovable asset, this is contrary to article (10), paragraph (c) of the instructions of the implementation of the Federal General Budget of Iraq for year 2009.

Recommendation:


We recommend preparing a time schedule for the maintenance work containing procedures for the periodic maintenance of fixed assets in order to preserve and guarantee its continuing and 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	

Ministry of Trade - The General Company for Trade of Food Supplies

6. Consolidated Financial Statements

Observation:

We noted that the company has 13 branches related to Baghdad and 3 related to KRG. The consolidation process is performed manually which gives rise to human errors and is very time consuming. In addition, statements of accounts and trial balances are sent monthly but not consolidated until year end.

Follow up:


Consolidation process is performed on monthly basis for year 2010, however the process is done manually.

Recommendation:

We recommend that the company implements an automated accounting system to facilitate the consolidation of accounts and the extraction of reports.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Trade - The General Company for Trade of Food Supplies

7. Accounts Receivable that Have been Aging for More than 3 years

Observation:

We noted that there are accounts receivable balances older than 3 years totaling in excess of 3 billion Iraqi Dinar. These accounts receivable are related to governmental agencies.

Follow up:


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

Recommendation:

We recommend that the company follows up on these receivables and if their collection is unlikely, we propose that the accounts receivable be written off.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Trade - Grain Board of Iraq

8. Doubtful Debts

Observation:

We noted that there are doubtful debts in the excess of 2.3 billion Iraqi Dinar that are related to 60 dissolved governmental bodies, having such balances does not reflect the real situation of the company.

Recommendation:


We recommend that these doubtful debts be written off.

Follow up:

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

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Trade - Grain Board of Iraq

9. Overdue Checks

Observation:

Outstanding checks were found in the bank reconciliation reports with maturities exceeding 6 months.

Recommendation:


We recommend following up on all reconciling items. As for checks with maturities exceeding 6 months, we recommend that they be cancelled and that the accounting records be adjusted accordingly.

Follow up:

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

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Trade - The General Company for Trade of Food Supplies

10. Tracking Budget Allocations for the Ministry

Observation:

The Ministry of Finance approves the budget allocation of the letters of credit for each Ministry and sends a copy of this approval to the respective ministries and to the CBI. Based on this approval, the ministries then open their letters of credit at Trade Bank of Iraq. During our visit, we noted that the Ministry issued requests for payments exceeding their allocated budget approved by the Ministry of Finance. This indicates that the Ministry does not maintain sufficient records of the budget amounts approved by the Ministry of Finance, nor the amounts paid by the Ministry and the remaining balance to be paid by the Ministry.

Recommendation:


The Ministry should create an authoritative budget monitoring system to monitor the budget amounts approved by the Ministry of Finance and the amounts paid and the remaining balance, in order to prevent or detect any payment requests that exceed the budget allocations. If exceptions are approved, any payments in excess of budget allocations should be formally documented as approved by the authorized authority or officer.

Follow up:

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

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Trade - The General Company for Trade of Food Supplies

11. Withholding Suspended Materials

Observation:

We noted that most of the warehouses related to the Company are retaining suspended materials that do not conform with stated specifications causing a delay in the waste process of the materials. This leads to utilizing large areas of warehouses and the Company incurring significant storage costs.

Follow up:


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

Recommendation:

We recommend destroying these materials in the event they fail laboratory tests, so that the Company does not incur additional storage costs and become exposed to legal issues as a result of storing the materials.

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Trade - The General Company for Trade of Food Supplies

12. Inventory Status Including the Supply, Deficit, and Surplus Levels

Observation:

Through our review of the status of inventories, the supply, deficit and surplus of these inventories which were prepared by the Planning and Review Division as of 31/12/2009, we noted a deficit in all materials supplied except 2 items; fats and infant's milk as follows:

	Gross Amount of Supplies Demanded	Deficit (tons)	Surplus (tons)
Sugar	345,462	338,409	0
Tea	55,741	38,442	0
Children's Milk	5,137	0	995
Adult's Milk	16,139	11,814	0
Fats	0	0	211,190
Powders	70,170	67,410	0
Soap	54,181	44,934	0
Legumes	46,871	32,531	0

Recommendation:

We recommend that the Company prepares a balanced strategic plan for the above mentioned items, based on actual requirements for these materials and the participation of all divisions, in collaboration with the personnel of the Imports Division.


Follow up:

The inventories supply, deficit, and surplus for year 2010 is as follows:

	Gross Amount of Supplies Demanded	Deficit (tons)	Surplus (tons)
Sugar	795,000	439,000	0
Children's Milk	10,811	5,311	0
Oil	94,215	35,215	0

Status: Old

Risk Status

High	
Medium	
Low	

Ministry of Technology

New and Prior Year Unresolved MLPs

Ministry of Technology

During our review to the Ministry, nothing has come to our attention regarding violations of the budget instructions of the Federal Republic of Iraq for the year 2009.

Ministry of Agriculture

New and Prior Year Unresolved MLPs

Ministry of Agriculture

During our review to the Ministry, nothing has come to our attention regarding violations of the budget instructions of the Federal Republic of Iraq for the year 2009.

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