

International Advisory and Monitoring Board of the Development Fund for Iraq

Press Release

May 9, 2011

Statement by the International Advisory and Monitoring Board of the Development Fund for Iraq

The International Advisory and Monitoring Board (IAMB) of the Development Fund for Iraq (DFI) met in Paris on April 27 and 28, 2011 and issued the following statement:

“The IAMB met to continue its oversight role over the use of resources of the DFI, which is the principal repository for Iraq's oil-export receipts, and oversee audits of the DFI in line with its mandate under UN Security Council Resolutions.

“UN Security Council Resolution 1956 dated December 15, 2010 extended the IAMB mandate for a final time through June 2011. The IAMB was briefed by COFE on successor arrangements for the DFI. The IAMB noted that the Government of Iraq had submitted a written report for approval to the Iraqi Council of Ministers on progress towards transition to a post-DFI mechanism. Such a report to the UN Security Council was requested under UNSCR 1956 by May 1, 2011. The Government of Iraq has issued a press release announcing that the Iraqi Council of Ministers has decided to ratify the report, which should be issued to the UN Security Council shortly.

“At the request of the IAMB, PricewaterhouseCoopers (PwC) briefed the IAMB on the follow-up on the implementation of the earlier PwC recommendations on oil metering, including an updated assessment of the installation of oil meters and whether meters are being utilized as intended. A PwC report on oil metering will be made available on the IAMB website once completed in the coming weeks. The Committee of Financial Experts (COFE) also briefed the IAMB on the status of the installation of oil metering. Additional meters have been installed between June and December 2010, but at a slower rate than earlier and with delays from the original ministry of oil plan. As of December 31, 2010, only 39 percent of the planned meters have been installed and calibrated in line with the original ministry of oil plan. The IAMB notes with concern that the implementation of the plan continues to fall further behind schedule and encourages the Government of Iraq to make every effort to implement the metering plan on schedule and address the further steps recommended by PwC.

“The IAMB was briefed by COFE on progress in implementing the COFE work plan for 2011. COFE continues to work with the IAMB to expedite the finalization of the 2010 audit before the expiration of the IAMB mandate. COFE is overseeing the DFI successor arrangements to ensure all requirements are met by June 30, 2011. A major focus of the

COFE work is the oversight of oil metering to ensure the timely installation in line with the ministry of oil plan. COFE is also continuing to follow up on the further development of administrative and financial systems. The IAMB was briefed by COFE on further actions taken to enhance the transparency and accountability of the DFI, taking into account the earlier external audit findings. COFE continues to report to the IAMB every two months on progress on a range of matters and these reports are posted on the IAMB website. COFE also continues to work on following up the implementation of earlier external audit recommendations, including in coordination with the Board of Supreme Audit in the Kurdistan region. The IAMB welcomed the provision of the 2010 monthly summaries of DFI inflows and outflows by the ministry of finance to COFE. Once reviewed by COFE, these summaries will be posted on its website.

“Staff from the Special Inspector General for Iraq Reconstruction (SIGIR) briefed the IAMB on the follow-up of recent reports of relevance to the DFI. As noted on several occasions by the IAMB, the July 2010 SIGIR audit report on the US Department of Defense’s (DoD) accounting for DFI funds concluded that weaknesses in DoD financial and management controls left it unable to properly account for \$8.7 billion of the \$9.1 billion in DFI funds it received for reconstruction activities in Iraq. The IAMB noted that COFE had written to the DoD to seek further clarification on the DoD review of spending associated with the DFI. The IAMB took note of a further letter from the DoD to COFE, dated April 21, 2011. A copy of the letter has been posted on the COFE website. The IAMB again expressed regret that a DoD representative did not attend the IAMB meeting after extending a further invitation for the DoD to send a representative to this IAMB meeting in order to clarify the DoD’s response to SIGIR’s report. The DoD had informed COFE that SIGIR had been invited to conduct an independent validation which had not been completed before the IAMB meeting. The DoD has undertaken to meet with COFE to share the results of the review upon completion. The IAMB noted that COFE will write to the DoD in response to the April letter. Representatives of the IAMB stand ready to meet with the DoD, at their convenience, prior to the end-June expiration of the IAMB mandate.

“The IAMB considered the preliminary results of the 2010 audit of the DFI. The audit continues to highlight issues of concern regarding weaknesses in controls over oil extraction and in the spending ministries. The summary of the preliminary results of the PwC audit are available on the IAMB website. Detailed reports will be posted on the website once finalized. In conjunction with the Government of Iraq, PwC has undertaken to expeditiously complete the reports by mid-June 2011.

“The representatives of the Government of Iraq and COFE briefed the IAMB on the evaluation process undertaken to select an external audit firm to conduct the 2011 audit of the resources and disbursements of the DFI and the successor account. The IAMB had earlier reviewed and approved the scope of work and the request for proposal for the 2011 audit.

The IAMB requested additional analytical work on the proposals made by the external audit firms. Going forward, COFE will oversee the completion of the 2011 audit.

“The IAMB further discussed arrangements for a final report on the operations of the IAMB since its establishment in 2003. The final meeting of the IAMB is scheduled for June 30, 2011, at which time the final report will be issued and a press briefing will be held. COFE will continue to meet separately in the interim.”