International Advisory and Monitoring Board of the Development Fund for Iraq

Press Release
January 18, 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 Geneva on January 6 and 7, 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.

“The IAMB’s mandate was due to expire on December 31, 2010, but UN Security Council Resolution 1956 dated December 15, 2010 extended the IAMB mandate for a final time through June 2011. The UN Security Council continued to recognize the significant role of the IAMB in helping the Government of Iraq to ensure that Iraq’s resources are being used transparently and accountably for the benefit of the people of Iraq.

“UNSCR 1905 had recognized the need to transition to successor arrangements for the DFI and requested the UN Secretary General and the Government of Iraq through the head of the Committee of Financial Experts to report quarterly on progress. The third briefing to the UN Security Council took place on November 10, 2010 and the related report has been posted on the IAMB website (www.iamb.info) and the COFE website (www.cofe-iq.net). The Iraqi representatives briefed the IAMB on the progress in achieving the action plan to implement successor arrangements. The IAMB was also briefed on the reporting to the UN Security Council by the UN Secretary General, who presented his third quarterly report to the UN Security Council on November 10, 2010. The UN Secretary General’s report has been posted on the IAMB website. The IAMB noted that UNSCR 1956 had requested the Government of Iraq to provide a written report to the UN Security Council on progress towards transition to a post-DFI mechanism by May 1, 2011.

“The IAMB was briefed by PricewaterhouseCoopers (PwC) on progress on the 2010 audit of the DFI. A summary is available on the IAMB website (www.iamb.info). With the extension of the IAMB mandate, the finalization of the 2010 audit of the DFI will now take place under the oversight of the IAMB. Audit work is progressing on schedule and visits to spending ministries have commenced. PwC expects to complete audit fieldwork by end-March and will brief the IAMB at its next meeting on the results of their work, including draft reports. The IAMB requested PwC, in coordination with the Government of Iraq, to expeditiously finalize the audit reports soon thereafter.
“COFE briefed the IAMB on the status of the installation of oil metering. Additional meters have been installed between July and November 2010, but at a slower rate than earlier and with delays from the original ministry of oil plan. COFE will provide the IAMB with further information on the status of implementation, including more details on meters over oil exports that have been the main focus in recent months. The IAMB notes with concern that the implementation of the plan is falling 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. At the request of the IAMB, PwC will follow-up on the implementation of their earlier recommendations and provide a briefing at the next IAMB meeting, including an updated assessment of the installation of oil meters and whether meters are being utilized as intended.

“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 meet monthly, and, in conjunction with the Board of Supreme Audit, performs much of the detailed follow-up and investigation of recommendations contained in the IAMB commissioned independent audit reports. 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. The COFE report on the status of the 2009 external audit recommendations has been submitted to the Council of Ministers and, upon approval, will be published on the COFE website. The IAMB again encouraged COFE to follow-up with the ministry of finance to recommence provision of monthly summaries of DFI inflows and outflows.

“The IAMB was briefed by COFE on successor arrangements for the DFI and the COFE work plan for 2011. COFE plans to continue to work with the IAMB to expedite the finalization of the 2010 audit before the expiration of the IAMB mandate. COFE will oversee the DFI successor arrangements to ensure all requirements are met by June 30, 2011. A major focus of the COFE work will be the oversight of oil metering to ensure the timely installation in line with the ministry of oil plan. COFE will also continue to follow up on the further development of administrative and financial systems. COFE will commence the process for the selection and appointment of a reputable and international external audit firm for the 2011 DFI audit. The IAMB will be approving the selection of the external auditors for the 2011 DFI audit and the IAMB’s successor body would oversee the completion of this audit.

“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 previously 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 took note of a letter from the DoD to COFE, dated December 28, 2010. A copy of the letter has been posted on the COFE website. The IAMB noted that COFE would write to the DoD to seek further clarification on the DoD
review of spending associated with the DFI. The IAMB expressed regret that a DoD representative was not able to attend the IAMB meeting and resolved to extend a further invitation for the DoD to send a representative to the next IAMB meeting in order to clarify the DoD’s response to SIGIR’s report.

“The IAMB further discussed arrangements for a final report on the operations of the IAMB since its establishment in 2003. The next meeting of the IAMB, together with COFE, is scheduled for late April 2011. The final meeting of the IAMB is scheduled for late June 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.”