



The World Bank Centre for Financial Reporting Reform



Enhancing Transparency and Accountability

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SOE Transparency and Accountability

- Basic principles
- Transparency
- Controls and audits
- Role of the State
- Managing the change process

The views expressed in this presentation do not necessarily reflect those of the Executive Directors of the World Bank or the governments they represent.

Basic Principles

- The State as shareholder
- The corporate form preferred
- Managerial autonomy / financial accountability
- SOEs' multiple accountabilities – vis-à-vis
 - The State
 - Other shareholders (if applicable)
 - Other stakeholders
- Country systems



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Transparency

Transparency: Financial Reporting

- The financial statements
 - Annual and intra-period
 - Disclosures
- Standards
 - Qualitative characteristics
 - Premium on international standards
- Management report
- Publication

Transparency: Other Forms of Reporting

At SOE level

- Non-financial reporting: company objectives, public service obligations, ownership and corporate governance structure, risk exposure and management, etc.
- Reports by those charged with governance
- Integrated reporting

At the State level

- Aggregate reporting
- Government financial reporting



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Controls and Audits

The Internal Control Environment

Shareholder(s) / Ownership Entity

Board of Directors

- Sets strategic direction for the enterprise
- Oversees the activities of management and enterprise financial performance

Audit Committee

- Oversees appropriateness of internal control, risk management and accounting policies
- Monitors their effective application

SOE operational structure

Management Board

(led by CEO and his deputies)

- Ensures the accuracy and integrity of enterprise's financial statements
- Promotes compliance with policies set by the board of directors

Finance Department

(led by CFO and Controller)

- Proposes internal control, risk management and accounting policies and implements them
- Prepares financial statements and other periodic reporting

Internal Audit Dept.

- Monitors internal control systems and their application, assesses risk exposures and investigates specific issues

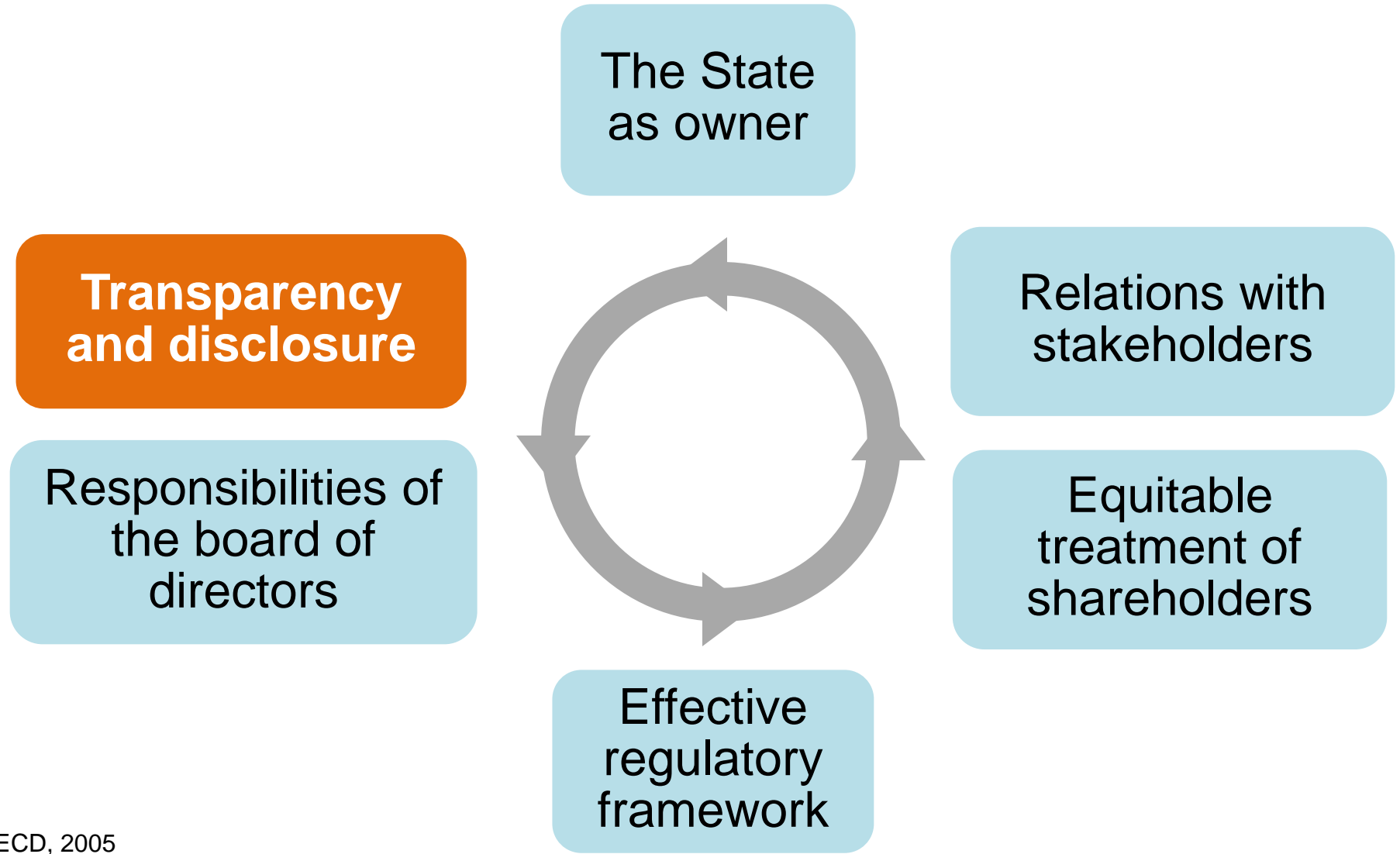
Independent Audits

- Process to appoint and dismiss the independent auditors
 - Transparent and rigorous
 - Emphasis on competencies and independence
 - Stability
- Auditor reporting
 - Opinion on the annual financial statements
 - Review of the half-year financial statements
 - Management letter
 - Communication with audit committee and State ownership entity
- Role of the Supreme Audit Institution

Role of the State as Shareholder vis-à-vis SOEs

- Set guidelines on internal controls, accounting policies, audit policies, etc.
- Provide guidance / support the SOEs
- Appoint the auditors and the directors
- Enforce transparency – make appropriate use of the reporting
- Engage with all actors who are acting on the State's behalf en ensure SOE accountability

Managing the Change Process



OECD, 2005

Managing the Change Process

- SOE governance needs to be addressed at three levels
 1. Country's institutional framework
 2. SOE level
 3. State level
- Holistic and inclusive approach
- Fostering a culture of transparency and control
- Building on existing systems

A Balancing Act

Managerial/
corporate
autonomy

Financial/
strategic
accountability





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Thank you

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