



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

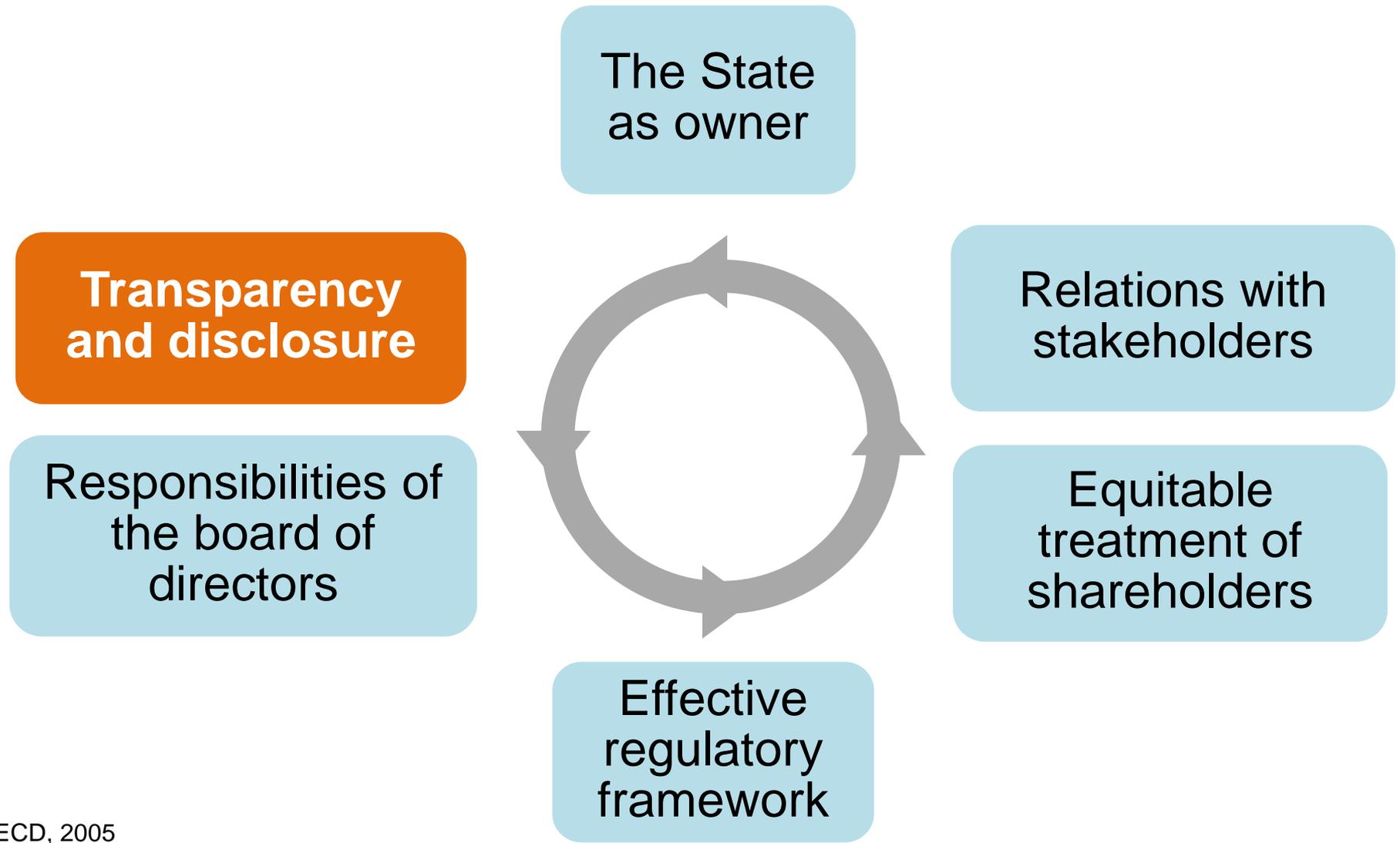
# Independent Audits

- 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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