



ACCOUNTING AND AUDITING PRACTICES & DEVELOPMENT EFFECTIVENESS

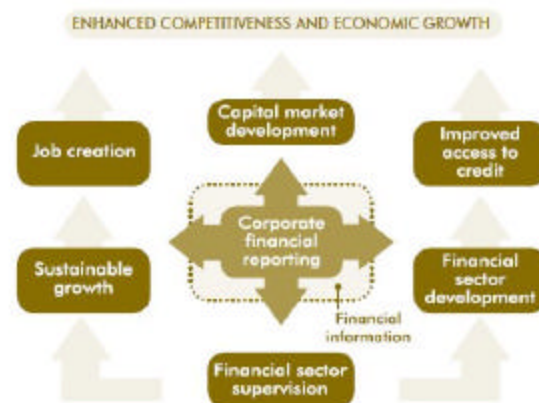
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Introduction: Financial Management (FM) is a key component in the development process, ensuring accountability and efficiency in the management of public resources and promoting private investment and growth. MNAFM's focus is on engaging with MNA countries' systems and working closely with counterparts and other partners to build in-country capacity as we work to ensure the financial integrity of our operations. A critical pillar of the regional FM strategy is to enhance our countries' capacity to comply with international accounting and auditing standards. MNAFM also plays a key role in cross-cutting issues of importance to the region, including governance and anti-corruption and the critical issue of FM harmonization.

Partnerships for Growth: The World Bank Group wants to help create an environment in which commercial business can thrive. Because conditions in one country can affect the financial environment of a region or even the world, the World Bank works to strengthen the international and national financial architecture.

Strong Financial Architecture: Corporate financial reporting is the end set of information in a given business produced from the books of accounts and submitted for auditing according to defined standards. Accounting involves recording transactions in books of account, analyzing the accounting information, and preparing reports for use by investors, creditors,

and employees, as well as by regulators and taxation authorities after an audit report is issued.



Investors and lenders need reliable financial information if they are to make sound decisions about financing. Thus good corporate financial reporting helps promote investment, develop markets, and improve access to credit. Along with strong accounting and audit practices, it is essential to a country's efforts to build confidence and improve the business climate and thus increase its competitiveness and economic growth.

International Standards and Bank Assistance: What constitutes good practice in accounting, auditing, and financial reporting? The International Accounting Standards Board (IASB) and the International Federation of Accountants (IFAC) maintain internationally recognized standards in these areas. In countries where financial management professionals use the IASB and IFAC standards, investors can rely on corporate financial reports in making decisions. The World Bank Group actively supports the IASB and IFAC, working

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to address countries' challenges in developing their professional accountancy bodies.

World Bank Group Support in Setting International Standards: The WBG Group has broad and detailed knowledge in accounting, financial management, and auditing. It uses this knowledge to help countries improve their national financial reporting and build the institutional capacity they need to put international standards into practice. It can provide analytic and advisory services as well as technical assistance, and it facilitates knowledge exchange and resource mobilization.

Analytic and Advisory Services: The World Bank and the International Monetary Fund sponsor the Report on the Observance of Standards and Codes (ROSC) program, which helps countries improve their compliance with international standards.

The Accounting and Auditing ROSC assesses the country's strengths and weaknesses in financial reporting, compares national accounting and auditing standards with international standards, examines compliance with national standards, and evaluates the strength of enforcement mechanisms. To address gaps, it includes policy recommendations in such areas as the following:

- Improving the corporate financial reporting framework
- Supporting bank/insurance supervision
- Supporting taxation authorities and securities and exchange commissions
- Ensuring the public availability of financial statements for public interest entities
- Supporting the audit profession
- Improving education and training for accounting and audit professionals

The World Bank has completed over 80 Accounting and Auditing ROSCs. These are at: www.worldbank.org/ifa/rosc_aa.html.

Sharing Knowledge: The World Bank Group sponsors and participates in regional activities to assist countries develop common solutions to shared challenges. Regional Conferences and

Workshops are held in all regions, many linking the issue of accounting to economic development. Distance Learning Courses are being developed and delivered to professionals all over the world. Similarly, capacity-development programs have been developed to strengthen accounting profession and promote knowledge sharing.

World Bank Group Assistance to Countries to Strengthen Corporate Financial Reporting: The World Bank Group has provided technical assistance and financial support to help many countries implement their Corporate Financial reporting national action plans. These include:

Accounting Profession and Ethics: Twinning and partnership arrangements between established and developed professional bodies have been established to facilitate compliance with IFAC standards in Bangladesh, Tanzania, and Uganda.

Statutory Frameworks: In MNA Egypt and Morocco have strengthened their statutory frameworks as have Croatia, Lithuania, Macedonia and Slovakia. Elsewhere Financial Reporting Acts were developed for Bangladesh, Botswana, Mauritius, and Nigeria.

Monitoring and Enforcement: An independent oversight body has been established in Egypt and similar work has taken place in Bangladesh, Botswana, Mauritius, Nigeria, Philippines, and Tanzania.

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The MNA Quick Notes are intended to summarize lessons learned from MNA and other Bank Knowledge and Learning activities. The Notes do not necessarily reflect the views of the World Bank, its board or its member countries.