

# **Enhancing Accounting, Auditing and Corporate Financial Reporting in Mongolia**

## **A ROUNDTABLE DISCUSSION ON THE ROSC ACCOUNTING AND AUDITING STUDY**

### **Opening Remarks**

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**5 June 2008, Ulaanbaatar**

Good Morning

- Minister Ulaan
- Vice Minister Battserreg
- Bayarsaikhan, Chairman of Financial Regulatory Commission
- Professor Dondog, President of the Institute of Certified Public Accountants of Mongolia,
- Representatives of the Bank of Mongolia, FRC and other government agencies
- Representatives of international donor partner communities
- Distinguished Guests, Ladies and Gentlemen

On behalf of the World Bank, I would like to welcome you all to today's workshop on Enhancing Accounting, Auditing and Corporate Financial Reporting in which the *Report on the Observance of Standards and Codes in Accounting and Auditing for Mongolia* will be presented and discussed. The A&A ROSC diagnostic exercise, which has been collaboratively undertaken with the Working Group established under Ministry of Finance, is part of our commitment to supporting the Government's key strategies of economic growth, including private sector development, and good governance in Mongolia.

By way of background, I would like to take a few moments to explain the meaning of the term "ROSC". It stands for **R**eport on **O**bservance of **S**tandards and **C**odes. Following the international financial crises of the late 1990s and its negative effects on developing economies, the international community embarked on a number of initiatives including the "Standards and Codes Initiative". The World Bank and IMF were asked by the international community to help member countries in implementing 12 internationally recognized standards and codes relevant to private and financial sector development, macro economic stability and good governance. The Bank focuses its work with member countries on the Accounting ROSC, the Auditing ROSC, the Governance ROSC and the Insolvency Regime/Creditor Rights ROSC.

The combined Accounting and Auditing ROSC assesses the strengths and weaknesses of the existing corporate financial reporting infrastructure, the comparability of national accounting and auditing standards with IFRS and ISA, the degree of effective compliance with national accounting and auditing standards, and the strength of enforcement

mechanisms. The ROSC Report sets out policy recommendations to address any gaps, and the recommendations usually include advice on:

- improving the corporate sector financial reporting framework
- supporting bank/insurance supervision
- supporting taxation authorities and securities and exchange commissions
- ensuring public availability of full sets of financial statements for public interest entities
- supporting the audit profession
- establishing a continuous and sustainable translation of international standards, and
- enhancing continuous professional development

With the help of the World Bank Group, countries translate these policy recommendations into concrete, time-bound action plans that they can effectively implement. As of March 2008, the World Bank Group had completed 80 Accounting and Auditing ROSCs, of which 60 are accessible on the World Bank ROSC website.

This *Accounting and Auditing ROSC* study was carried out through a participatory process with the Ministry of Finance, Mongolian Institute of Certified Public Accountants, Financial Regulatory Commission, Bank of Mongolia and various private sector entities working together to collect information, analyze findings and produce recommendations. Through this joint work, the final draft report has been prepared for discussion in today's workshop.

Ladies and Gentlemen

I cannot emphasize enough the importance of a stable, well regulated, transparent financial system to achieve sustainable economic growth. Weaknesses in domestic regimes for accounting and auditing undermine financial stability, financial intermediation and the investment climate, which in turn impedes economic growth and poverty alleviation. Strengthening such regimes has a positive development impact, and the Bank is an advocate and active partner for accountancy development and reform in its member countries.

One of the key determinants of growth is private investment. In Mongolia, with the need for increasing investments in the economy to sustain growth, it is important that appropriate steps be taken to further improve the investment climate. These steps include, amongst others, strengthening institutions that support financial transparency and good governance arrangements in the corporate sector. In our increasingly globalized economy, up-to-date accounting and auditing knowledge and skills are the basic institutional infrastructure for private enterprises as well as government agencies to foster good corporate governance and sound public management. The need for transparent information has been heightened, particularly in the context of managing risks involved. The availability of reliable and useful financial information helps maintain the confidence of investors, attracts more "long-term" capital contributing to capital market growth, increases economic activities and development, generates increased government revenues and ultimately help alleviate poverty. A key challenge for Mongolia is to continue the

development of transparent, sound accounting and auditing practices to properly manage and regulate the private sector including banks and financial institutions.

The ROSC study in Mongolia has sought to evaluate the current situation in accounting, auditing and reporting and accomplishments in reforms, to find the strengths that may be built upon, and to identify the areas where further improvements will be helpful for strengthening the accounting, auditing and corporate financial reporting regime. With significant input from stakeholders, the ROSC exercise has reviewed and makes recommendations for enhancements in the statutory framework and the key elements of the accounting, auditing and reporting infrastructure for overseeing policy development, setting standards, monitoring compliance in accounting, auditing and corporate reporting. As accountants and auditors play in ensuring compliance with standards, transparency and accountability, professional education and development arrangements and practices as well as Codes of Ethics for the profession also have been assessed in the ROSC exercise.

Ladies and Gentlemen:

Today's workshop is an important step in bringing together key players involved in accounting and auditing in Mongolia. The Bank is pleased to be able to use our knowledge and to draw on the extensive knowledge of colleagues who have experience from around the world, to help Mongolia undertake this diagnostic exercise and to collaborate on future development plans. It is our hope that this workshop will disseminate knowledge and help build consensus between agencies, stakeholders and donor partners for a practical action plan for accounting and auditing reform and development to support enhanced transparency and accountability in accounting, auditing and both public and private corporate reporting.

I am looking forward to a fruitful workshop. Thank you for your attention.