



2nd Meeting of the Eurasian Corporate Governance Roundtable

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Transparency and Disclosure

SURVEY – Mongolia

by

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**State Property Committee,
Government of Mongolia**

hosted by

**The National Securities Commission of Georgia
The Georgian Stock Exchange**

International Regional Federation of Accountants and Auditors Eurasia

Questionnaire



The Government of Japan

The Global Corporate Governance Forum

A-What is the role of your institutions regarding financial and non-financial disclosure? No role

1. **What is the role of your institution in establishing disclosure standards (specify)? No role**
2. **What is the role of your institution in enforcing disclosure rules/ regulations (specify)? What sanctions can it impose? Our organisation is forcing disclosure/regulations in state owned and partly state owned companies. The top management could be changed if it is required. Also our organisation should deliver financial information to the public.**
3. **What are your institution's other roles and responsibilities (i.e. licensing, training, etc.)? Special training**

B- Country background information

1. Number of Joint Stock Companies:

1.1 Number of Open Joint Stock Companies (publicly listed / traded companies): **470**

1.2 Number of Closed Joint Stock Companies (non publicly listed / traded limited companies): about **7000**

C- Does the corporate governance framework ensure that timely and accurate disclosure is made on all material matters regarding the corporation?

1. Is the company required to prepare annual (or more frequent) audited financial statements showing the financial performance and the financial situation of the company? Yes

Is this required by the company law, securities law, stock exchange regulation or other related laws?
By the company law and accounting law

Is this applied in practice? Yes

What are the enforcement procedures? Are there any sanctions (specify)? Penalty

2. Is consolidated financial reporting required for corporate groups? On what basis? Yes, according to company law

Is this required by the company law, securities law, stock exchange regulation or other related laws?
Company law

Is this applied in practice? Not always

What are the enforcement procedures? Are there any sanctions (specify)? No sanctions

3. Is the company required to include in annual reports :

3.1 Company objectives and strategy? Yes

Is this required by the company law, securities law, stock exchange regulation or other related laws?
Company law

Is this applied in practice? Yes

What are the enforcement procedures? Are there any sanctions (specify)? No sanctions

3.2 Major share ownership and voting rights? Yes

Is this required by the company law, securities law, stock exchange regulation or other related laws?
Company law

Is this applied in practice? No

What are the enforcement procedures? Are there any sanctions (specify)? No sanctions

3.3 Related party transactions (management's direct or indirect interest in any material transaction to which the company or any of its subsidiaries was or is to be a party)? Yes

Is this required by the company law, securities law, stock exchange regulation or other related laws?
Yes

Is this applied in practice? Not always

What are the enforcement procedures? Are there any sanctions (specify)? No sanctions

3.4 The identity and the professional background of board members and key executives, and their individual or collective remuneration? Yes

Is this required by the company law, securities law, stock exchange regulation or other related laws?
Company law

Is this applied in practice? Yes

What are the enforcement procedures? Are there any sanctions (specify)? No sanctions

3.5 Directors' and key executives' ownership interest in company shares? Yes

Is this required by the company law or by the stock exchange regulation? Company law

Is this applied in practice? No

What are the enforcement procedures? Are there any sanctions (specify)? No sanctions

3.6 Material foreseeable risk factors (trends or uncertainties that are expected to have or have had a material impact on the company)? No

Is this required by the company law, securities law, stock exchange regulation or other related laws?
No

Is this applied in practice? No

What are the enforcement procedures? Are there any sanctions (specify)? No sanctions

3.7 Material issues regarding employees and other stakeholders (management-employee relations, business ethics, environment, or other public policy concerns)? No

Is this required by the company law, securities law, stock exchange regulation or other related laws?
No

Is this applied in practice? No

What are the enforcement procedures? Are there any sanctions (specify)? No sanctions

3.8 The governance / organisational structure of the company (i.e. key positions in the company)? Yes

Is this required by the company law, securities law, stock exchange regulation or other related laws?
Company law

Is this applied in practice? Yes

What are the enforcement procedures? Are there any sanctions (specify)? No sanctions

2.9 An analysis of the company's operational results? Yes

Is this required by the company law, securities law, stock exchange regulation or other related laws?
Company law

Is this applied in practice? Yes

What are the enforcement procedures? Are there any sanctions (specify)? No sanctions

4. Is the company required to disclose extraordinary developments affecting the company (i.e. mergers/acquisitions, resignation of key executives, filing for bankruptcy, etc.) No

5. What accounting standards are used?

5.1 Are companies required to prepare accounts in accordance with local or recognised International Accounting Standards (specify)? International Accounting Standards

Is this required by the company law, securities law, stock exchange regulation or other related laws?
Company law and accounting law

Is this applied in practice? Yes

What are the enforcement procedures? Are there any sanctions (specify)? No sanctions

4.2 What are the major differences between the local and International Accounting Standards? There are no local standards

4.3 What are, in your opinion, the major deficiencies of the local accounting standards? No local standards

4.4 Is there a programme for implementing IAS (specify)? Yes, ADB's project is finishing

5. Are the annual accounts required to be audited? If so how frequently and by whom? Yes, yearly, by auditing companies

Is this required by the company law, securities law, stock exchange regulation or other related laws?
Company law, accounting law

Is this applied in practice? Yes

What are the enforcement procedures? Are there any sanctions (specify)? No sanctions

6. What is the role of the board of directors in ensuring that the company complies with financial and non-financial disclosure requirements? Controlling role

Is this required by the company law, securities law, stock exchange regulation or other related laws?
Company law

Is this applied in practice? Yes

What are the enforcement procedures? Are there any sanctions (specify)? No sanctions

7. What is the role of the management in ensuring that the company complies with financial and non-financial disclosure requirements? The management is responsible for it

Is this required by the company law, securities law, stock exchange regulation or other related laws?
Company law

Is this applied in practice? Yes

What are the enforcement procedures? Are there any sanctions (specify)? No sanctions

8. Are auditors required to be independent (e.g. no material relationships with the company including other fee-generating activities)?

If so, how is independence defined? Who appoints the auditor? The auditors should be independent. They shouldn't be in business relations with that company. They also couldn't have any other business except auditing. Also they should not be affiliated persons. The auditors are appointed by board of directors.

Is this required by the company law, securities law, stock exchange regulation or other related laws?
Company law

Is this applied in practice? Yes

What are the enforcement procedures? Are there any sanctions (specify)? No sanctions

9. Are auditors liable (i.e. responsible) for negligence or other wrongdoing (specify)? Yes

Is this required by the company law, securities law, stock exchange regulation or other related laws?
Auditing law

Is this applied in practice? Yes

What are the enforcement procedures? Are there any sanctions (specify)? Compensate all losses made by auditing company and should pay a penalty

Who has the right to seek redress (i.e. shareholders, managers, the state, or other stakeholders)?
Shareholders, managers, the state and other stakeholders

10. Does the legal framework require companies to disclose to a specific range of users (i.e. SRO's, shareholders, securities regulators, etc.)? Yes.

If so, does the legal framework distinguish what information must be disclosed to specific users and when this information must be disclosed? Yes.

Is this required by the company law, securities law, stock exchange regulation or other related laws?
Company law

Is this applied in practice? Yes

What are the enforcement procedures? Are there any sanctions (specify)? Penalty

11. Do all shareholders receive a copy of the annual report and accounts or are they able to obtain them upon request? Yes

Is this required by the company law, securities law, stock exchange regulation or other related laws?
Company law

Is this applied in practice? Yes

What are the enforcement procedures? Are there any sanctions (specify)? No sanctions

12. What are the channels of disclosure (i.e. dissemination through the press, over the internet, through the postal system)? Which are the most used? Press. Newspapers. Sometimes brochures.

Is this required by the company law, securities law, stock exchange regulation or other related laws?
Company law

Is this applied in practice? Yes

What are the enforcement procedures? Are there any sanctions (specify)? No sanctions

D- What are the training needs and existing training facilities for accountants and auditors?

1. Does the legal and regulatory framework specify the qualifications or recognition criteria that an accountant must satisfy in order to be certified as a public accountant? Yes

2. Does company law or other laws and regulations specify the qualifications or recognition criteria that an auditor must satisfy in order to be able to conduct a statutory audit? Yes

3. Are there sufficient training facilities for accountants and auditors (specify)? Not so much
4. Do local auditors have sufficient training and resources to conduct audits according to internationally used auditing standards? Not so much
5. Are they sufficiently familiar with International Accounting Standards? Not so much
6. If so, how do they gain such knowledge and experience? Through books. Also through projects fulfilled by international organisations.
7. Do companies have a dedicated accounting department? Yes. If so, does this department employ certified accountants? Yes. Who supervises the work of the accounting department? Financial manager.
8. Do internal accountants have sufficient training and resources to prepare annual accounts according to International Accounting Standards? Not sufficient
7. What is the total number of certified accountants? About 400. How many accountants are certified yearly? About 100.
8. How many certified accountants engage in auditing functions on a full-time basis? (i.e. what is the total number of licensed auditors?) about 200.

E- Can you describe one or several cases involving major violations of disclosure requirements? (i.e. denied access to information; accounting manipulation; non disclosure of required strategic information; etc.). What enforcement actions were taken in each case?

F- What are from your point of view the impediments and deterrents to full disclosure by companies? During past (communist) times the financial information was confidential and this trend is continuing despite laws.

G- Please add any relevant information that has not been covered by the above questionnaire.