



2016

ANNUAL REPORT

BOTSWANA ACCOUNTANCY OVERSIGHT AUTHORITY

Investor Protection • Proactive Monitoring • Standards and Ethics



Plot 145, Block B, Fifth Floor, Lake View Office Park
Gaborone International Finance Park
Gaborone, Botswana

Tel: +267 391 9735 Fax: +267 391 9737
Website: www.baoa.org.bw



VISION

Enhanced International Confidence in Financial Reporting, Audit and Corporate Governance through Exceptional Technical Skills and Expertise.

MISSION

To Protect Public Interest in Botswana through Oversight and Regulation by Developing, Promoting and Implementing Credible Financial Reporting.

CORE VALUES

Principled

We act in an ethical, just and honest manner at all times.

Agility

We provide service delivery with agility, innovation and technological approach.

Knowledge and Learning

We maintain leadership in knowledge and understanding so as to advance quality and ethical standards in all aspects of reporting, audit and corporate governance.

Independence

We promote the autonomy of the authority and freedom of interference in the activities of the organisation.

Legislative Mandate	2
General Information	3
List of Abbreviations/Acronyms	4
Chairperson's Statement	5 - 6
Chief Executive Officer's Statement	7 - 8
Board of Directors	9 - 13
Report on Corporate Governance	14 - 24
The Appeals Committee	25
Committees of the Board	26 - 57
Executive Staff	58 - 59
Management Team	60
Technical Department Report	61 - 62
Finance and Administration Department Report	63 - 64
Financial Statements	65 - 88

Contents

LEGISLATIVE MANDATE

- ❖ The Botswana Accountancy Oversight Authority was established by the Financial Reporting Act, 2010.
- ❖ An independent oversight body of the accounting and auditing profession in Botswana.
- ❖ To regulate the reporting of financial matters of public interest entities and the corporate sector.
- ❖ Promote the standard, quality and credibility of providing financial and non- financial information by entities.
- ❖ Regulate and promote the highest standards of auditors.
- ❖ Issue, adopt, establish, monitor, and enforce financial reporting, accounting and auditing standards.
- ❖ Promote high standards of corporate governance and compliance with professional ethics.
- ❖ Protect public interest.
- ❖ Monitoring of Professional Accountancy Organisations.

GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE	Botswana
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	The principal objective of the Authority is to provide oversight to the accounting and auditing profession and promote the standard, quality and credibility of providing financial and non-financial information by entities. Its functions include standard setting, financial/non-financial reporting, audit practice reviews, enforcement of compliance and oversight over the education and training of professional accountants in Botswana.
DIRECTORS	Michael Lesolle - Chairperson Thapelo Tsheole - Vice-Chairperson Daniel N. Loeto Emma A. Peloetletse Keneilwe R. Morris Lynette Armstrong Mendel N. Nlanda Oaitse M. Ramasedi Racious M. Moatshe
BUSINESS ADDRESS	Plot 145, Block B, Fifth Floor Lake View Office Park Gaborone International Finance Park
POSTAL ADDRESS	Private Bag 0056 Gaborone
AUDITOR	Deloitte & Touche Certified Auditors
BANKER	First National Bank of Botswana

LIST OF ABBREVIATIONS/ACRONYMS

AAT	-	Association of Accounting Technicians
ACCA	-	Association of Chartered Certified Accountants
BAOA	-	Botswana Accountancy Oversight Authority
BICA	-	Botswana Institute of Chartered Accountants
BSE	-	Botswana Stock Exchange
CIMA	-	Chartered Institute of Management Accountants
CPD	-	Continuos Professional Development
E&TC	-	Education and Training Committee
EC	-	Enforcement Committee
FATC	-	Finance, Audit and Tender Committee
FRA	-	Financial Reporting Act, 2010
FRMC	-	Financial Reporting Monitoring Committee
HRC	-	Human Resource Committee
IASB	-	International Accounting Standards Board
ICAEW	-	Institute of Chartered Accountants in England and Wales
ICT	-	Information Communications Technology
ISQC	-	International Standard on Quality Control
IFIAR	-	International Forum of Independent Audit Regulators
IFRS	-	International Financial Reporting Standards
IPSAS	-	International Public Sector Accounting Standards
ISAs ¹	-	International Standards on Auditing
MFED	-	Ministry of Finance and Economic Development
MoU	-	Memorandum of Understanding
PEEPA	-	Public Enterprises Evaluation and Privatisation Agency
PIE	-	Public Interest Entity
REMS	-	Risk Enterprise Management System
SAICA	-	South African Institute of Chartered Accountants
SSC	-	Standards Setting Committee

CHAIRPERSON'S STATEMENT



Michael Lesolle
Chairperson

It is my pleasure to present my maiden statement as the Chairperson of the Board of the Botswana Accountancy Oversight Authority (the Authority). I am greatly indebted to my predecessor, the immediate past Chairperson, Mr. Tabake Kobedi, who was one of the very first board of BAOA. It was through his personal attributes and visionary leadership that during the early days of uncertainty, he provided direction for the new statutory body which is now a force in its area of competence. The Authority has now become an institution in good standing, evidenced by local and international commendation over its achievements. In this regard, I inherit a well-managed and focused Authority which has a bright future ahead of it, a solid foundation and a robust strategic direction.

In its basic form, the context of oversight for the Authority is to protect public interest and promote the credibility of financial reporting. The underpinning therefore pivots around the 'quality of the audit' which in many ways prescribes the Authority's reason for being. As a consequence, the independent audit inspections undertaken by the Authority provide a context in which such inspections ultimately become the reason for enhanced level of audit quality. Simply put, all manner of resultant governance factors and integrity in the financial reporting environment builds the public's

confidence in financial statements, thereby contributing to the more efficient operation of capital markets and greater investor protection.

Directors of the Authority are all too aware that annual findings point to audit quality deficiencies in audits of public interest entities (PIEs), which continue to occur with 'uncomfortable' frequency. It is for this reason that the Authority will focus relentlessly on measures required towards improving the quality of audits within the system.

However, as a comprehensive regulator, the statutory role of the Authority goes well beyond just oversight over auditors. It also covers financial statements monitoring of Public Interest Entities (PIEs), ensuring best practice of corporate governance in PIEs. One of its other key performance areas include monitoring Professional Accountancy Organisations (PAOs) such as the Botswana Institute of Chartered Accountants (BICA). The Authority's function is therefore broad-based because the definition of a PIE covers listed companies, financial institutions, non-bank financial institutions, parastatals and all significant entities that fall within stipulated thresholds.

I am happy to report that in its relatively early stages of development, and despite the complexity of the challenges it has to contend with, the Authority has distinguished itself among its peers as the best of breed. In view of the intensity of its growth pathway, the Authority has adopted a phased implementation approach of its major strategic objectives, which I believe we are managing quite well.

The implementation of the strategic objectives of the Authority requires, in some instances, major changes to the legislative framework such as the amendment of the Act itself rather than just changes to the Regulations and the Rules. For this reason, we have submitted our proposed amendments of the Act to the MFED. Without these changes, implementing our mandate as per the Act would not be possible.

The substance of the Authority's statutory gravitas is engraved in its independence. The relationship between the Authority and BICA is one of an arm's length strategic partnership, notwithstanding BAOA's oversight over BICA. It is in the spirit of this relationship that both parties signed a Memorandum of Understanding (MoU), which provided a basis for the rationalised rollout of both our mandates.

It also avoids unnecessary duplication of work. The MoU is expected to continue until the Financial Reporting Act 2010 and Accountants Act are revised. The MoU was extended in 2016 for a further period of two years or until the Acts are revised whichever comes first.

The external environment in which there is an ever increasing threat of corruption, fraud and white collar crime, many PIEs find themselves compromised under

CHAIRPERSON'S STATEMENT (CONTINUED)

significant financial stress. The economic pressures in the marketplace have compounded the problem, putting in doubt, the 'going concern' standing of several PIEs thus raising disquiet among members of the public and other stakeholders. Under these circumstances, we found ourselves exposed as regulators, to the question of our accountability to the public as regards their concerns.

I am confident that the Regulator's reliance on the Audit Committees of PIEs is now an imperative which must be pursued. The Authority will draw on the cooperation and collaboration with CEO's, Board Chairpersons and Audit Committee Chairpersons to extract the intended audit quality outcomes.

We have the responsibility as regulators, to lead in the formulation of solutions, jointly with other regulators in order to avoid the escalation of the problem. A coalition with other regulators including BICA, Bank of Botswana, Non-Bank Financial Institutions Regulatory Authority (NBFIRA), Botswana Stock Exchange (BSE) should emerge with the single view of an integrated approach towards problem solving. All regulators including BAOA are therefore part of the ecosystem whose primary objective is to enhance the public's confidence in the environment created to protect them.

Other anti-corruption agencies such as the Financial Intelligence Agency (FIA), the Directorate of Corruption and Economic Crime (DCEC), the Police and even the Judiciary should contribute towards the dialogue to ensure that preventative measures are found. In addition, such measures will also ensure that perpetrators are identified and punitive action against them executed expeditiously in order to create a deterrent environment.

I am proud as Chairperson, to preside over the Authority registering notable achievements during the year 2016. Although they are covered in detail elsewhere in the Annual Report, some deserve special mention here. The Financial Reporting (Public Interest Entities) Regulations were finalised and submitted to Parliament. It was a key milestone which enabled the Authority to commence the registration of PIEs on 1st October, 2016. Equally important was the roll-out of the Strategic Plan 2016 – 2020.

In addition, statutory and other committees, including the Appeals Committee were established.

The core mandate of the Authority is executed partly through Audit Practice Reviews. During the period, comprehensive reviews undertaken identified auditors who needed to improve their performance and overall standard of audit practices. It is through such reviews that practitioners are put under scrutiny in order to meet the minimum set standards and in the process, protect public interest.

Generally, the highest number of findings was recorded in the areas of Engagement, Performance, Independence, Ethical Requirements, Human Resources, and Monitoring. Since BAOA commenced its reviews, four auditors have been deregistered, three of them for attaining unsatisfactory results. One of the auditors reviewed was deregistered for disciplinary issues relating to unethical behaviour.

It is significant to point out that the Government of Botswana has registered its concerns regarding the rather high level of unsatisfactory results on the performance of those of the certified auditors who were subject to the reviews. Government has also called on responsible regulator to intervene. We have deliberated on the matter with BICA, primarily with the view to take appropriate action expeditiously.

GRATITUDE

I would like to extend my gratitude to the MFED for their support particularly with regard to funding BAOA operations. Members of the BAOA Board, who are corporate leaders in their own right, have discharged their duties professionally, and have shown loyalty and commitment to the Authority. To them I wish to express my gratitude. The Secretariat consists of competent men and women, who under the leadership of the highly accomplished and experienced CEO, have in their respective areas of expertise, discharged their responsibilities with diligence. I therefore acknowledge their invaluable input in the achievement of the aforementioned milestones.



Michael Lesolle
Board Chairperson

CHIEF EXECUTIVE OFFICER'S STATEMENT



Duncan Dankie Majinda
 Chief Executive Officer

In 2016, at the national level, the closure of several mining companies dominated the news headlines and consequently impacted negatively on the unemployment statistics; several Parastatals found themselves under significant financial stress because of declining economic activity; drought continued to overwhelm the region thus worsening the region's food security concerns; and more pressure was put on Government to re-engineer utility corporations to meet water and electricity requirements of the Nation. All these events also put pressure on regulators like BAOA to reconsider their mandates and refocus on what role they could play in the recovery endeavours of the economy. Our core mandate of audit quality reviews, financial reporting monitoring and corporate governance, if performed effectively could make a significant contribution to this process. We are only one of a few oversight bodies in the world that look at all these aspects through its comprehensive regulation model. BAOA could make this contribution through ensuring the quality of its auditors is beyond reproach, ensuring best international practice and principles in corporate governance are adopted and that entities under financial stress are identified as early as possible and through root cause analysis, the problems are addressed.

The year 2016 was the first year of our Strategic Plan 2016 – 2020 and a number of fundamental strategic objectives were implemented. The Financial Reporting (Public Interest Entities) Regulations 2016 were finalised and laid before Parliament on 31st March, 2016, thus paving the way for the registration of Public Interest Entities (PIEs). As reported in detail later in this report, many entities have now registered. Awareness campaigns were intensified to communicate our value proposition to our stakeholders; the Board adopted King III as its corporate governance framework and it is expected that all PIEs should adopt corporate governance principles that meet the minimum requirements of King III without necessarily adopting the Code itself; facilitative strategies and policies such as the IT and Communications Policies were approved by the Board and are now being implemented; and improvement of human capital capacity was done through, amongst other things, engaging new staff members including three professional accountants and adopting appropriate HR Policies.

Revision of the Act

During the implementation of the Financial Reporting Act, 2010 (the Act), several significant operational bottlenecks were identified which necessitated the amendment of the Act. Due to the close links between the Act and the Accountants Act, 2010, it was also necessary to amend the Accountants Act. Our proposed amendments are with the Ministry of Finance and Economic Development (MFED) for processing. One of the major amendments is the creation of a new Independent Accountancy Oversight Appeals Committee, reporting directly to the MFED. It was hoped that this would enhance the independence of those dealing with issues of sanctions and disciplinary processes within the accountancy profession.

CHIEF EXECUTIVE OFFICER'S STATEMENT (CONTINUED)

New Standards issued and Adopted

In addition to International Standards and Codes adopted in prior years, the Authority approved guidelines for the application of the International Financial Reporting Standard for Small and Medium Sized Entities (IFRS for SMEs). The standard requires jurisdictions to set their own threshold for what constitutes an SME. The thresholds were determined in line with the guidelines for the Standard and the Financial Reporting (Public Interest Entities) Regulations 2016. The guidelines were disseminated to all professional accountants through their Professional Accountancy Organisations (PAOs) and are also available on the BAOA website. The Authority is also due to review the GAAP in Botswana for entities not required to comply with IFRS and this should complete the Financial Reporting Frameworks applicable in Botswana.

Audit Practice Reviews

The Authority undertakes practice reviews for all certified auditors and their firms in Botswana although the review of certified auditors of non-PIE entities is done on behalf of BICA in accordance with the Memorandum of Understanding signed by BAOA and BICA.

In 2016 twelve (12) certified auditors were reviewed and the performances of eight (8) certified auditors were satisfactory while four (4) certified auditors attained unsatisfactory results. All four certified auditors who attained unsatisfactory results were certified auditors of Non-Public Interest Entities. Of the four unsatisfactory results, two are scheduled for a re-review in the next 12 to 18 months while the remaining two were deregistered for consistent poor performance. The detailed information of the performance of certified auditors together with comparative statistics is covered under Committees Section in this report.

The Authority continues to benchmark its performance standards with those of the Global body of audit regulators, International Forum of Independent Audit Regulators (IFIAR) and its flagship members.

Human Resources

After a rocky start of losing three (3) professional accountants following intensive training by the World Bank and at a significant cost, the ship has since stabilised and in 2016 the Authority did not lose any of its staff. The Authority believes that its programs of staff training and development, appropriate employee communication and pursuing employment practices that are designed to attract, retain, and develop employees are beginning to bear fruit.

Financial Performance and Funding

The Authority is not a commercial Parastatal and its motive is not to make profit. However, the Board resolved that the Authority should continue to make recoveries from the services it renders to supplement the subvention that it receives from Government. From no recovery in 2013, the Authority has experienced a gradual increase over the past three years from two percent (2%) in 2014 to fourteen percent (14%) in 2016 as a proportion of the total revenue. The Authority expects to see more recoveries as it continues to register new PIEs for 2016, the Authority registered a small surplus of P437 600 compared to P1 409 700 the previous year.

The reason for the larger surplus in 2015 was because of the delay in finalisation of the Regulations which consequently stalled the implementation process.

Education and Training

The Authority's emphasis here is to look at the broader national education and training requirements in the accountancy profession. In 2016 the Board approved a National Accounting Education and Training Master Plan laying down the framework for training for the entire accountancy supply chain. This means that every curriculum, training and education in the accountancy profession should satisfy benchmarks set by this Committee. For this reason all the key stakeholders are represented in this Committee. Two Sub - Committees were also established to augment the Committee and these are the Publicity and Awareness; and the Standards and Qualifications Committees.

GRATITUDE

I would like to express my appreciation for the support that we received throughout the year from our parent Ministry; the Board and its Committees were also always there to give us the required strategic direction. My thanks also go to our valued stakeholders, not forgetting the staff of the Authority who worked hard to ensure that it achieves its objectives.



.....
Duncan Dankie Majinda

Chief Executive Officer

BOARD OF DIRECTORS



Michael Lesolle
 Chairperson

A Chartered Accountant by profession, Mr Lesolle has for the past fifteen years or so, and until fairly recently, been the Executive Director of Botswana Accountancy College (BAC), a role he has discharged also as a member of the institution's board of directors. A Fellow member of the Association of Chartered Certified Accountants (ACCA), he has extensive experience in various aspects of business particularly in the financial services sector and the accountancy profession. The past twenty five years of his professional career were spent in the organizational leadership role at the apex. It entailed several facets of leadership, including that of organizational transformation, strategy formulation, human capital development, risk management as well as managing change.

At its inception, Michael was one of the founding non-executive directors of Botswana Accountancy Oversight Authority (BAOA). His recent appointment as the Chairperson of the Oversight Authority will draw significantly on his exposure to the accountancy profession. He is also non-Executive director of a number of organizations including VPB, a private Equity Firm which he chairs, and an independent member of the BDC Finance & Audit Committee. His other key directorships in the past included his membership of the University of Botswana Council, and Non-Executive Director of Botswana Railways.

Michael was previously the Managing Director of Botswana Savings Bank and before that a senior Chartered Accountant with Deloitte – a firm of Chartered Accountants here in Botswana and in the United Kingdom.

He has contributed extensively in the accountancy profession both locally and internationally. at the Botswana Institute of Accountants (BIA), (now Botswana Institute of Chartered Accountants) where for many years he was Member of Council, and ultimately as President of the Institute. Michael served as a member of various committees of the Institute's Council, including as a member and Chairman of the Education & Training Committee, SME and Public Sector Committees. His Chairmanship of the Disciplinary Committee had the highest content of the regulatory and institutional oversight, all of which will add value towards his contribution as Chairperson of the Authority.

He was part of the team that was instrumental in the establishment of the new Botswana Institute of Chartered Accountants' professional qualification. Mike was an active member of the Botswana Institute of Bankers, and later the Institute President. He has previously undertaken a significant amount of Public Sector Consultancy work.

He spends a good deal of his time mentoring undergraduates and the Youth in interpersonal skills, life skills, ethical conduct, strategy development, leadership and into believing in themselves as they cultivate the spirit of entrepreneurship.

Mr Lesolle is also a Member of the Botswana Institute of Chartered Accountants.

BOARD OF DIRECTORS (CONTINUED)



Thapelo Tsheole

Vice-Chairperson

Mr Tsheole is a seasoned Financial Markets expert with a cumulative experience of 15 years having worked for Bank of Botswana and Botswana Stock Exchange.

Mr Tsheole holds a Bachelor of Social Sciences (Single Major Economics) from the University of Botswana and a Master of Commerce (MComm) in Financial Markets from Rhodes University (RSA). Further, he holds a Masters in Business Administration (MBA) from the Graduate School of Business, University of Cape Town (RSA). He has also completed several financial markets programmes as well as a Leadership Development Programme at the University of Stellenbosch Business School (RSA).

Mr Tsheole has extensive financial markets experience in Capital Markets, Forex, Structured Products and the Financial Market Regulation. He was appointed CEO of the Botswana Stock Exchange (BSE) in January 2016 following a short stint as Deputy CEO at BSE since February 2014. His career at BSE began in February 2007 when he was appointed Product Development Manager.

Mr Tsheole is a firm believer in the development of the financial market in Botswana and Africa, as well as their importance to economic growth and stability. It is against this backdrop that he has led initiatives to increase activity in the financial market in Botswana.

Mr Tsheole is currently a member of the African Securities Exchanges Association (ASEA) Executive Committee, and sits on the following Boards; Botswana Accountancy Oversight Authority, Medicines Regulatory Authority of Botswana, ACHAP Botswana and ACHAP International.



Racious M. Moatshe

Member

Dr Racious Moilamashi Moatshe is the Chief Executive Officer of Business Botswana. Prior to joining Business Botswana, he served for a year as the Head of Business Management and Entrepreneurship at Botswana University of Science and Technology (BIUST) of which he was also the Founding Lecturer.

Dr. Moatshe had served as a Market Research and Study Advisor at the University of Derby from 2011 to 2013.

Prior to that, he served as Head of Medium Business, Standard Chartered Bank of Botswana. Before joining Standard Chartered Bank he was National Head of Premier and Prestige Banking, Barclays Bank of Botswana. In addition, he has also worked for Citizen Entrepreneurship Development Agency (CEDA) as Senior Branch Manager. Dr. Moatshe began his professional career as Branch Manager, Botswana Building Society working as Investment Officer.

His eighteen (18) years post qualification experience bore other attributes including experience in performance monitoring and people management as well as experience in Strategy formulation and change management. Moreover he has experience in management and building strategic relationships.

He holds a Doctor of Philosophy (UK), Masters Degree in Strategic Management (UK), Bachelor of Accountancy (UB), Intermediate Qualification in Banking Studies (B.I.O.B) (UB) as well as a Diploma in Accounting and Business Studies (UB).

BOARD OF DIRECTORS (CONTINUED)



Daniel N. Loeto

Member

Mr. Daniel N. Loeto is Chief Accountant and Head of Finance Department, Bank of Botswana. He is responsible for accounting, strategic planning and risk management. He holds a Bachelor of Science (Mathematics and Physics) Degree; Post Graduate Diploma in Education and a Master of Business Administration Degree, all from the University of Botswana. He obtained the ACCA qualification in December, 1997 and was admitted as a Fellow of the Association of the Chartered Certified Accountants in February 2005; and has been a Fellow of the Botswana Institute of Bankers since December 1998 after passing the Associate Diploma examinations in March 1993.

Mr. Loeto is a member of the International Monetary Fund (IMF)'s three member External Audit Committee charged with the responsibility of the IMF's external audit oversight for the period 1 November, 2013 to 31 October, 2016; and served on the Board of Botswana Unified Revenue Service (BURS) from the organisation's inception (June 2004) as the Bank's representative to 30 June, 2013. Mr. Loeto has also served as a member of the Botswana Institute of Bankers Council, and the Thornhill Primary School Council, and as an Employee Trustee of the Bank of Botswana Defined Contribution Pension Fund.

In terms of training, Mr. Loeto attended the Executive Development Programme of the University of Cape Town's Graduate School of Business in July-August, 2005, and has also attended several seminars, workshops and other short-term training courses at the Bank of England, Duetschbundes Bank and the European Central Bank, mainly related to accounting and central banking. Before joining the Bank in August 1991, Mr. Loeto taught Mathematics to Advance Level for about 5 years, and has also been a part time lecturer at the Botswana Institute of Bankers for several years.



Lynette Armstrong

Member

Ms. Lynette Armstrong is the Chief Financial Officer of Debswana Diamond Company. As Debswana's CFO, Lynette is responsible for the overall financial management of Debswana's Operations, including financial planning and reporting, balance sheet management, audit, tax, treasury and governance. As the Company's principle interface with the Board Audit Committee, Lynette is charged with ensuring that Debswana's financial disclosures and regulatory compliance are timely, transparent and efficient.

Lynette has extensive financial experience in mining companies in Botswana. Previously, Lynette was Financial Controller of Debswana responsible for managing budgets, planning and financial reporting. Lynette's financial career took off in 2001, where she was appointed Chief Mine Accountant for BCL Mine. She later joined De Beers Prospecting Botswana as Business Manager. In 2006 she joined Debswana as Finance Manager for Orapa, Lethakane and Damtshaa mines. 2009-2013, Lynette joined base metals and worked for Tati Nickel Mining Company and BCL Mine as Head of Finance.

Lynette is a Chartered Certified Accountant (ACCA), and has completed the Accelerated Development Programme at the London Business School, as well as an Executive Personal Development Coaching Programme. Lynette serves on the Board of Trustees for Debswana Pension Fund, the Board of BoFiNet, and the Board of Morupule Coal Mine. She is married with two children.

BOARD OF DIRECTORS (CONTINUED)



Keneilwe R. Morris

Member

Mr. Keneilwe R. Morris is a career tax official who brings over 31 years experience in the customs and tax administration field. He rose through the ranks and has occupied various management and leadership positions in Government and the Botswana Unified Revenue Service. These include Director of Customs and Excise, Commissioner of Customs and Excise, and Commissioner General, BURS, a position he has occupied since December, 2010.

Mr. Morris is a member of various local, regional and international committees dealing with tax and customs policy formulation and administration matters. These include the membership to the Taxation Review Committee, the African Tax Administration Forum Governing Council, and the World Customs Organisation Policy Commission. Some of his personal achievements include coordinating and leading the team which established the Botswana Unified Revenue Service in 2004.

Mr. Morris has attended several technical, management and strategic leadership training programmes locally and abroad.



Mendel N. Nlanda

Member

Mr. Mendel N. Nlanda is currently the Deputy Vice Chancellor, Finance and Administration at the University of Botswana [UB]. He is a Fellow Member of both the Botswana Institute of Chartered Accountants (BICA) and Association of Chartered Certified Accountants (ACCA). He studied at Emile Wolf College in London and qualified as a Chartered Certified Accountant in 1996. He also holds a Bachelor of Commerce degree from the University of Botswana obtained in 1985. He successfully completed a course on Strategic Financial Management in Higher Education offered by UNESCO/ International Institute for Educational Planning (IIEP), Paris, France.

Mr. Nlanda is an insightful and highly experienced Accountant and Administrator. He spent a year on sabbatical at the University of Pennsylvania, USA (1 July, 2008 – 30 June, 2009) to gain hands on experience on the international scene and at a world class university. Apart from Finance Directorship at UB, Mr. Nlanda is also the Principal Officer of the UB Pension Fund, the third largest pension fund by value in the country, the treasurer of the UB Foundation and Deputy Chairman of the UB Tender Committee.

BOARD OF DIRECTORS (CONTINUED)



Emma A. Peloetletse

Member

Mrs. Emma A. Peloetletse is the Accountant General of the Republic of Botswana, a position she was appointed to in 2009. She is a Bachelor of Commerce graduate from the University of Botswana, and holds a post-graduate diploma in Public Finance from the National Institute of Financial Management in India. Mrs. Peloetletse has a sound background and experience in strategic management and public sector governance issues acquired from more than two decades of service in the Government of Botswana at various levels; from being a trainee accountant and rising through the ranks to the position of the country's Accountant General.

Mrs. Peloetletse has participated in several high level regional and international conferences representing the Government of Botswana, and has served on several boards. She is currently a member of the Botswana Public Officers Pension Fund (BPOPF) Board, and the Botswana Accountancy College (BAC) Board. She is the reigning Chairperson of the East and Southern African Association of Accountants General (ESAAG) Executive Committee, a position she has held from February 2013 to date.



Oaitse M. Ramasedi

Member

Mr. Oaitse M. Ramasedi is currently the Chief Executive Officer of the Non-Bank Financial Institutions Authority (NBFIRA). Prior to that, he was the Chief Executive Officer of the National Development Bank (NDB), and prior to that, he served in various senior management capacities in both accounting/finance and internal auditing functions in government, parastatal and private sector, respectively.

Mr Ramasedi is a Chartered Global Management Accountant (CGMA) as well as being a Fellow Member of the Chartered Institute of Management Accountants (FCMA); Botswana Institute of Chartered Accountant (FCA); and the Insurance Institute of South Africa (FIISA); respectively. He is also an Associate Member of the Botswana Institute of Bankers (ABIB).

Aside of the above, Mr Ramasedi successfully completed the Advanced Programme in Risk Management with the College for Business Management, University of South Africa (CBM UNISA).

Mr Ramasedi has served in a number of organisations as a Board Member. He is currently in the Executive Committee of the International Organisation of Pensions Supervisors (IOPS), the Board of the Botswana Accountancy Oversight Authority (BAOA), and that of the Botswana Retired Nurses Society (BORNUS).

Mr Ramasedi previously Chaired the SADC Committee on Insurance Securities and Non-bank Authorities (SADC CISNA), Botswana Institute of Bankers, SADC Development Fund Resource Centre (SADC dfrc), Botswana Housing Corporation Finance and Audit Committee (BHC FAC), amongst others.

REPORT ON CORPORATE GOVERNANCE

Establishment of BAOA

Botswana Accountancy Oversight Authority (BAOA) was established by the Financial Reporting Act, 2010 (the Act), as a Parastatal Organisation under the Ministry of Finance and Economic Development, to oversee the accounting and auditing services in Botswana; and to promote the standard, quality and credibility of financial and non-financial information by public interest entities.

BAOA therefore recognises the need to enhance international confidence in financial reporting, audit and corporate governance, through exceptional technical skills and expertise; and to protect public interest in Botswana.

Shareholding

The Government of the Republic of Botswana (the Government) is the sole shareholder of BAOA. The Government and BAOA have completed and signed a Shareholder Compact which is a performance agreement between the Government through the Ministry of Finance and Economic Development (Shareholder) and BAOA that defines the shareholder's expectations from BAOA based on its mandate as set out in the Act and also defines the Shareholder's obligations.

During the year under review BAOA fulfilled performance objectives as stipulated in the Shareholder Compact and the Government also fulfilled its obligations towards BAOA as per the agreement.

Governing Structure

The Board is the custodian of corporate governance and therefore it provides effective leadership to BAOA based on an ethical foundation, in accordance with King III Code of Corporate Governance Principles. The Board and its Committees are governed by the Board Charter which sets out the responsibilities of the Board, Finance, Audit and Tender Committee (FATC) Charter, Board, Committees Terms of Reference, the Act, Code of Ethics, Rules and Regulations and other applicable legislation.

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

The Board of Directors

King III Code on Corporate Governance Principles stipulates that the Board should be appointed through a formal process. The Board of Directors were appointed through a formal and transparent process in accordance with Section 7 of the Act. The Board is the designated accountancy oversight authority; therefore, it oversees and guides BAOA's strategic direction in accordance with the Financial Reporting Act, 2010 and in compliance with King III Code. The Board comprises of a balance of skills, with relevant expertise ranging from the business sector experience to company strategy; chartered accountants to finance and compliance; experts and academia. The appointed Members comprise of six ex-officio Members, two experts and one academic who are all independent of the auditing profession. The balanced skills, experience and collective leadership provided by the Board equips the Management team with profound insights and essential foundation. The table below shows the respective appointments of Board Members:

Name	Position	Date of Appointment	Term
Mr. Michael Lesolle	Chairperson	1 st October 2015	3 years
Mr. Michael Lesolle	Member(expert)	1 st October 2015 (re-appointment)	4 years (last term)
Mr. Thapelo Tsheole	Vice-Chairperson	25 th August 2016	2 years
Mr. Thapelo Tsheole	Member (ex-officio)	1 st January 2016	Term of office
Ms. Lynette Armstrong	Member (expert)	1 st October 2015	4 years
Mr. Daniel N. Loeto	Member (ex-officio)	1 st November 2011	Term of office
Dr. Racious M. Moatshe	Member (ex-officio)	3 rd May 2016	Term of office
Mr. Keneilwe R. Morris	Member (ex-officio)	1 st November 2011	Term of office
Mr. Mendel N. Nlanda	Member (academic)	1 st October 2015	4 years (last term)
Ms. Emma A. Peloetletse	Member (ex-officio)	1 st November 2011	Term of office
Mr. Oaitse M. Ramasedi	Member (ex-officio)	1 st November 2011	Term of office

The ex-officio Board Members comprise Heads of the following:

- Accountant General's Office
- Bank of Botswana
- Business Botswana
- Botswana Stock Exchange
- Botswana Unified Revenue Service
- Non-Bank Financial Institutions Regulatory Authority

During the year under review the Board operated with its full complement.

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

Appointment of Board Chairperson and Vice-Chairperson

The Chairperson of the Board is appointed by the Minister of Finance and Economic Development in terms of Section 7(4) of the Act, from among members of the Board and shall hold office in terms of Section 9(3) for three (3) years, unless he or she ceases to be a member of the Board; and is eligible for re-appointment for one further term. During the year under review Mr. Michael Lesolle was appointed the Chairperson of the Board after the former Chairperson Mr Tabake Kobedi's tenure of office lapsed at the end 2015, and decided not to renew it for a further term.

The Vice-Chairperson is elected by Board members at the first meeting of the Board and holds office for two (2) years, unless he or she ceases to be a member of the Board; and is eligible for re-election. During the year under review members appointed Mr Thapelo Tsheole to be the Vice-Chairperson for BAOA Board after the former Vice-Chairperson Ms Maria Machailo-Ellis's resignation at the end of 2015.

Ex-officio members of the Board serve as members of the Board by virtue of the offices they hold while, experts and academics appointed as members serve for a period not exceeding four years and shall be eligible for re-appointment.

Tenure of Office, Appointments & Re-appointments of the Authority's Board Members

In accordance with Section 9 (2) of the Financial Reporting Act, 2010, an expert and academic appointed under Section 7 (1) (g) or (h) as a member, shall hold office for a term of four (4) years and shall be eligible for re-appointment for one further term. During

the year under review the tenure of office for one (1) expert Board member, Mr Michael Lesolle and one (1) academic member, Mr Mendel Ngoni Nlanda expired and were re-appointed by the Minister of Finance and Economic Development for a further period of four (4) years, with no possibility for re-appointment, in accordance with the Law.

Responsibilities of the Board

The responsibilities of the Board are set out in the Board Charter, and they include amongst others the following:

- formulating, reviewing and monitoring implementation of the Authority's Strategic Plan;
- approval of the Authority's business plan and budget;
- identification and management of the Authority's risks;
- ensuring compliance with legal and ethical standards by the Authority;
- strategic direction of the Authority and ensuring compliance with good corporate governance; and
- setting of ethical values which the Authority should adhere to.

Board members have a fiduciary duty to discharge their responsibilities collectively and individually; and may delegate to any of its Committees, any of its functions as it considers necessary, in accordance with Section 16 of the Act. Each Committee operates within the sphere of its Terms of Reference/Charter approved by the Board.

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

Quorum

In accordance with Section 15 (4) of the Act, the quorum at every Board meeting shall be five (5) Members, of which at least three (3) shall be ex-officio Members and one is an expert Member. Dates of quarterly meetings are scheduled annually in advance and any additional meetings are called as and when the need arises. The Authority keeps an attendance Register for Board meetings.

Declaration of Interest

Board members are required in terms of the Act, Board Charter and King III Code on Corporate Governance Principles to disclose to the Board, perceived or possible conflicts of interest, annually and during quarterly meetings. In the case of potential conflict of interest arising from matters on the agenda a Member discloses the potential conflict prior to the meeting so that the agenda is formulated accordingly to accommodate that Member. During the meeting, Members review the potential conflict and make a determination by a simple majority of Members present on whether the conflict of interest is one which necessitates recusal or not. During the year under review the Board approved an Annual Declaration of Interest Policy; and thereafter made full disclosures for the year.

BOARD COMMITTEES

Board Committees are established by the Board as it deems appropriate, for the purposes of performing its functions. The Board may delegate to any Committee, any of its functions as it considers necessary. This is in accordance with Section 16 of the Act. The Board has established five (5) Statutory and two (2) Non-Statutory Committees.

Statutory and Non-Statutory

The Board has established the following Statutory Committees, which have been duly constituted as required by Section 16 (2) of the Act:

- a) Standards Setting Committee (**SSC**);
- b) Financial Reporting Monitoring Committee (**FRMC**);
- c) Audit Practice Review Committee (**APRC**);
- d) Enforcement Committee (**EC**); and
- e) Education and Training Committee (**E&TC**).

Non-Statutory Committees established to strengthen corporate governance within the Authority are as follows:

- a) Finance, Audit and Tender Committee (**FATC**); and
- b) Human Resource Committee (**HRC**).

Each Committee operates within the ambit of its defined Terms of Reference/Charter approved by the Board.

Management of the Authority

In accordance with Chapter 2.17 of the King III Code of Corporate Governance Principles, the Board has delegated the day-to-day management of the Authority and certain decision making to the Chief Executive Officer (CEO) who is assisted by an Executive Management team. This ensures effective and timely decision making. Decisions beyond the CEO's threshold are considered and approved by the Board. During the year under review the Board approved an Authorisation/Delegation Matrix which identified matters which could be delegated to Management and those which should be retained by the Board.

Strategic Plan

The Board is responsible for the approval of the Authority's strategy, its performance and governance of the Authority's risks. At the end of 2015 the Board approved the Authority's 2016 – 2020 Strategic Plan, which is aligned to the purpose and mandate of the Authority and which had identified six (6) key strategic priorities being: the launching of Financial Reporting Monitoring; Corporate Governance Reviews and Oversight of Professional Accountancy Bodies; enhancement of stakeholder awareness; improvement of stakeholder and Customer Value Proposition (CVP); leveraging strategic partnership; and improving human capital capacity.

During the year under review the Authority started to roll out these strategic initiatives. Awareness campaigns were intensified, skilled employees were attracted, CVP was improved through service, quality and speed of execution of services; and Financial Reporting Monitoring Reviews and Corporate Governance Reviews manuals were developed and approved by the Board. Due to capacity constraints, the Financial Reporting and Corporate Governance reviews were not launched; and will be launched simultaneously during 2017 since the Technical Department has been capacitated with some more skilled Reviewers towards the end of the year under review.

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

The Board monitors the implementation of the Strategic Plan 2016 - 2020 through Management who reports the Strategy implementation progress to the Board during its quarterly meetings.

Risk Management

BAOA Management undertook an Enterprise Risk Management Workshop during the year under review and identified the Authority's internal risks, how the risks are going to be monitored and mitigated; and developed a risk register. The Register will be presented to the Board for approval during the second quarter of 2017. The Board has delegated the responsibility for the strategic risk management to the Finance, Audit and Tender Committee (FATC) which analyses the Authority's risks and reports back to the Board on the various risks identified and the risk management policies and procedures in place.

Internal Audit

The Authority does not have an internal audit function because initially the Authority had few transactions which did not warrant an internal audit function. However, the Authority is growing fast and will need to establish an internal audit function to conduct regular reviews of internal controls, risk management and governance processes and report to the Board.

External Audit

The Authority prepares for each financial year, a financial report consisting of the Balance Sheet and other Financial Statements in accordance with Section 66 of the Act. The external auditors conduct the Authority's audit in accordance with International Standards on Auditing and their audit plan. The external auditors provide an independent assessment of the Authority's internal financial controls put in place by the Board of Directors and form an opinion on the annual financial statements of the Authority. The audited financials are reviewed by the FATC and presented to the Board for approval.

Other Operational Activities of the Authority Financial Reporting Act, 2010

After its establishment in 2013, the Authority entered into a Memorandum of Understanding (MoU) with the Botswana Institute of Chartered Accountants (BICA) in order for the MoU to compliment the Act in the operationalisation of BAOA. BAOA and BICA have been working together through this MoU to implement the Financial Reporting Act, 2010 and the Accountants Act, 2010 (the Acts).

The MoU stipulates that it will be terminated upon commencement of the revised Acts. In accordance with clause 5 of the MoU, BICA is to register Certified Auditors and Firms of Certified Auditors and BAOA is to conduct audit practice reviews of Certified Auditors and Firms of Certified Auditors until revision of the Acts, to transfer the responsibility for all Certified Auditors from BICA to BAOA.

During 2015 the Board of the Authority approved the proposed amendments of the Financial Reporting Act, 2010 for recommendation to the Minister of Finance and Economic Development. The proposed amendments have been submitted to the Minister of Finance and Economic Development for consideration; and presentation to Cabinet for consideration and approval before submission to the Attorney General's Chambers. The MoU between BICA and BAOA expired during the year under review and the two (2) parties extended it for a further period of two (2) years under the same terms and conditions, or until the amendments are approved.

Establishment of an Independent Accounting Oversight Appeals Committee

During the year under review, following the restructuring of the Ministry of Finance and Economic Development (MFED), a new statutory body called the Botswana Accountancy Oversight Appeals Committee was established under the MFED. In order to implement the restructuring, the Office of the Accountant General, in consultation with BAOA facilitated the changes into the proposed revision of the Act.

Financial Reporting Regulations, 2016

During the year under review the Minister of Finance and Economic Development laid before Parliament the Financial Reporting (Public Interest Entities) Regulations, 2016 (the Regulations), which have been drafted in accordance with Section 71 of the Act, prescribing operational things under the Act which are to be prescribed or which are necessary or convenient to be prescribed for the better carrying out of the objects and purposes of the Act, or to give force and effect to its provisions. The effective implementation date of the Regulations was the 1st October 2016.

By the 31st December 2016, eighteen (18) entities listed on the Botswana Stock Exchange (Section 22 (a), ten (10) entities supervised by Bank of Botswana (Section 22 (b)), forty six (46) entities supervised by the Non-Bank Financial Institutions Regulatory Authority (Section 22 (c), twenty nine (29) entities determined by the Minister (Section 22 (d) and thirty two (32) entities required to file financial statements and reports with a Government Department or authority (Section 56) had registered with the Authority.

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

Managing Stakeholder Relationships

King III Code of Corporate Governance Principles stipulates that the Board should appreciate that stakeholders' perceptions affect the company's reputation. During the year under review the Board approved a Communication Policy which has identified BAOA's stakeholders, their needs and grouped them with a view to draw a stakeholder management plan; and strengthen awareness about BAOA's existence and its role; and its relationship with stakeholders. The management plan was driven by BAOA's Management.

The Authority started Stakeholders' awareness campaigns in 2013 and the consultations gained momentum in 2016 after the approval and laying before Parliament of the Regulations on the 31st March, 2016.

Stakeholder Meetings/Presentations

The CEO and Executive Directors attended the following stakeholder meetings during the year under review:

Local

- Presentation to Members of Ntlo ya Dikgosi on the role of BAOA;
- Presentations to Ministries and their respective Parastatals on the role of BAOA;
- Presentations to PIEs listed on the Botswana Stock Exchange;
- Presentations to PIEs supervised by Bank of Botswana;
- Presentations to PIEs supervised by the Non-Bank Financial Institutions Regulatory Authority ;
- Presentations to PIEs determined by the Minister in terms of Section 22 (d) of the Act;
- BAOA/BICA joint working committee consultative meeting on the proposed draft amendments of the Financial Reporting Act, 2010 and the Accountants Act, 2010;
- Panel discussion with Professor Mervyn King and PricewaterhouseCoopers;
- Pre-mutual evaluation workshop for Botswana by the World Bank to conduct the National Risk Assessment on Anti-Money Laundering (AML) and Combating of Terrorism (CFT);
- Public Service day commemoration;
- Hosted Accounting and Auditing Board of Ethiopia; and
- The BAOA Awareness Campaign covering Francistown, Sowa Town, Palapye and Mahalapye, Lobatse and Gaborone.

International

During the year under review the CEO and Executive Directors attended the following international conferences:

- The 23rd Eastern and Southern Association of Accountant General (ESAAG) Annual International Conference which was held in Nairobi, Kenya.
- International Forum of Independent Audit Regulators (IFIAR) meeting in London.

Participation in Local/International Forums

The Executive Team continues to make significant progress in achieving representation on international forums. BAOA is represented by the CEO on the International Forum of Independent Audit Regulators.

Memoranda of Understanding (MoU)

So far, Memoranda of Understanding have been entered into with:

- Botswana Institute of Chartered Accountants (BICA);
- Bank of Botswana (BoB);
- Non-Bank Financial Institutions Regulatory Authority (NBFIRA); and
- Botswana Stock Exchange (BSE).

BAOA is currently negotiating four (4) more MoUs with other Regulators, which will be finalised during the year 2017.

Renewal of Registration of Certified Auditors and Audit Firms of Public Interest Entity (PIE)

In accordance with Section 27 of the Financial Reporting Act, 2010, a person or firm who or which wishes to renew registration shall, not later than three (3) months before the expiration of registration, make written application to the Authority. During the year under review the Authority has received and approved nine (9) renewals of registration of Audit Firms of PIEs and twenty eight (28) renewal of registration of Certified Auditors of PIEs.

COMPLIANCE WITH KING III

King III was developed as a result of changing trends in international corporate governance and is a leading guidance on best practice. As with King I and King II, the King Committee endeavoured to be at the fore front of governance internationally. Although King III is not mandatory for Botswana, the Authority has assessed its governance structure against the principles of this code and is proud to be compliant in substantially all areas.

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

King III Chapter	King III Principle	2016	2015	Comment
	Chapter 1-Ethical Leadership and Corporate Citizenship			
1.1	The Board should provide effective leadership based on ethical foundation.	✓	✓	The Board is governed by a Board Charter which has established the Botswana Accountancy Oversight Authority's overall corporate governance framework. The framework has put in place best practice guidelines that are conducive to effective leadership.
1.2	The Board should ensure that the Authority is and is seen to be a responsible corporate citizen.	P	✓	While the Board embraces the concept of Corporate Social Responsibility, limitations of financial resources was a constraint in the period under-review. However more needs to done even under the circumstances. This is therefore partly achieved.
1.3	The Board should ensure that the Authority's ethics are managed effectively.	✓	✓	There are two sets of Code of Ethics that the Authority manages, namely Code of Ethics for accountants and BAOA Code of Ethics. As a regulator, Ethics are very important as disregarding them could impair the Authority's credibility.
	Chapter 2- Boards and Directors			
2.1	The Board should act as the focal point for and custodian of corporate governance.	✓	✓	The Board is committed to and fully applies good principles of corporate governance. The Board has a Charter in place setting out its responsibilities. The Board's sub-committees are also governed by Charters and Terms of Reference. The Board and its sub-committees meet regularly and the Board charter through the overall corporate governance framework ensures that this area is well managed.
2.2	The Board should appreciate that strategy, risk, performance and sustainability are inseparable.	✓	✓	The Board participated in the formulation and approval of the Strategic Plan 2016-2020 and monitors its implementation through the CEO who reports implementation progress at each Board meeting. One of the strategic objectives of the Authority is to come up with an enterprise risk management policy that identifies and manages the risks of the Authority.
2.3	The Board should provide effective leadership based on an ethical foundation.	✓	✓	The Board provides effective leadership through its Board and other Charters. The two sets of Ethics referred to in reference 1.3 above ensure that a conducive ethical culture is cultivated. The codes of ethics guide the Authority to conduct business ethically.

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

King III Chapter	King III Principle	2016	2015	Comment
2.4	The Board should ensure that the Authority is and is seen to be a responsible citizen.	P	✓	While the Board embraces the concept of Corporate Social Responsibility, limitations of financial resources was a constraint in the period under-review. This area was therefore partly achieved.
2.5	The Board should ensure that the Authority's ethics are managed effectively.	✓	✓	There are two sets of Code of Ethics that the Authority manages, namely Code of Ethics for accountants and BAOA Code of Ethics. Risk is currently the responsibility of the Finance Audit and Tender Committed. This is just an interim arrangement as consideration is still to be made as to whether, at this infancy stage of the Authority, a dedicated risk committee was necessary.
2.6	The Board should ensure that the Authority has an effective and independent audit committee.	✓	✓	The Finance, Audit and Tender Committee (FATC) comprises of 3 Independent Non-Executive Directors. The FATC meets at least four times in a year and reports to the Board during its quarterly meetings.
2.7	The Board should be responsible for the governance of risk.	✓	✓	The FATC which reports directly to the Board monitors and manages the Authority's risks. A policy and process of risk management has been developed.
2.8	The Board should be responsible for information technology (IT) governance.	✓	✓	The IT Governance Strategy and Policies are in place and have been approved by the Board and is managed by FATC.
2.9	The Board should ensure that the Authority complies with applicable laws and considers adherence to non-binding rules, codes and standards.	✓	✓	The Board ensures compliance with the Financial Reporting Act, Companies Act, and the Constitution of the Country, Regulations, Rules, Codes and Standards. The Board Secretary ensures that the Board complies with applicable laws.
2.10	The Board should ensure that there is an effective risk-based internal audit.	x	x	Currently the Authority does not have an internal audit function because initially the number of financial and non-financial transactions did not warrant an internal audit function. However, there is now a need to establish an internal audit function for the Authority.
2.11	The Board should appreciate that stakeholders' perceptions affect the Authority's reputation.	✓	✓	The Board manages stakeholders in accordance with the Authority's Communication Strategy and Policies which was approved during the year. A communications staff member has since been employed to drive the project.
2.12	The Board should ensure the integrity of the Authority's system of Integrated Report.	x	x	Integrated reporting is one of the strategic initiatives in the new Strategic Plan 2016 – 2020 and it is scheduled for later implementation during the Strategy period.
2.13	The Board should report on the effectiveness of the Authority's internal controls.	✓	✓	In the absence of the internal audit function, the FATC ensures that internal controls and risks are managed effectively, and reports directly to the Board on a quarterly basis.

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

King III Chapter	King III Principle	2016	2015	Comment
2.14	The Board and its Directors should act in the best interests of the Authority.	✓	✓	Upon appointment, every Director is given the Authority's Board Charter specifying their duties in accordance with the Companies Act, Committees Terms of Reference, the Act, Regulations, Codes and Annual Report. Real and perceived conflicts of interest are declared annually and during Board meetings.
2.16	The Board should elect a chairman of the Board who is an independent non-executive director. The CEO should not also fulfil the role of chairman of the Board.	✓	✓	The Chairperson of the Board is appointed by the Minister of Finance and Economic Development (Minister, MFED) in accordance with the Act and he is an independent non-executive.
2.17	The Board should appoint the chief executive officer and establish a framework for the delegation of authority.	✓	✓	The CEO for BAOA is appointed by the Minister in accordance with Section 20 of the Act, on recommendation by the Board. An Authorisation/Delegation framework was approved by the Board and is in place to clearly draw a line between the responsibilities of the Board and those of the CEO.
2.18	The Board should comprise a balance of power, with majority of non-executive directors. The majority of non-executive directors should be independent.	✓	✓	The Authority's Board of Directors is wholly non-executive and independent of the Authority.
2.19	Directors should be appointed through a formal process.	x	x	Formal process not in place because six ex-officio directors are specified by Section 7 of the Act and only three (3) can be subjected to a formal process.
2.20	The induction of and ongoing training and development of Directors should be conducted through a formal processes.	✓	✓	Induction and training of Directors is done through a formal process on an ongoing basis.
2.21	The Board should be assisted by a competent, suitably qualified and experienced Board Secretary.	✓	✓	The Board Secretary is appointed by the Board in accordance with Section 161 of the Companies Act. The Board Secretary is a lawyer and has the requisite experience for the job as required by Section 162 of the Companies Act.
2.22	The evaluation of the Board, its Committees and the individual Directors should be performed every year.	✓	✓	Evaluation of the performance of the Board and its Committees is performed on a regular basis. The last one was performed in 2015.
2.23	The Board should delegate certain functions to well-structured committees but without abducting its own responsibilities.	✓	✓	All Board Committees' Chairpersons and Vice-Chairpersons are Members of the Board and Board Committees operate within their set Terms of Reference. The responsibilities of the committees is delegated through Terms of Reference approved by the Board.

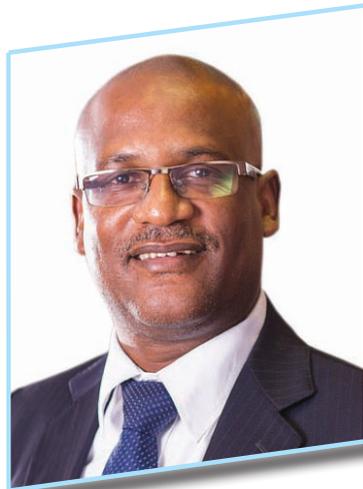
REPORT ON CORPORATE GOVERNANCE (CONTINUED)

King III Chapter	King III Principle	2016	2015	Comment
2.25	Organisations should remunerate directors and executives fairly and responsibly.	x	x	<p>Directors' allowances are paid in accordance with the recommendations made by the Ministry of Finance and Economic Development of April 2012. Compared to the private sector, the allowances are very low.</p> <p>The Executives' remuneration is determined by the Board in compliance with the Government Revised National Policy on Incomes, Employment, Prices and Profits of 2005.</p>

KEY:

Full Compliance	✓
Partial Compliance	P
Not done	x

THE APPEALS COMMITTEE



Sipho Ziga
Chairperson



Setshedi Bothole-Mmopi
Member



Tendani H. Wotho
Member



Ramolelwane Makubate
Member



Arnold Madikwe
Member

The Appeals Committee

The Appeals Committee is a Statutory Committee appointed by the Minister of Finance and Economic Development (MFED) in accordance with Section 40(1) of the Financial Reporting Act, 2010 to hear and determine appeals made from the decisions of the Authority's Board, the Authority or any of its Committees.

During the year under review the Minister of Finance and Economic Development appointed to the Authority's Appeals Committee, Mr Sipho Ziga, Ms Setshedi Bothole-Mmopi, and Mr Ramolelwane Makubate for periods of four (4) years each, ending on 30th September 2020; and Mrs Tendani Holonga Wotho and Mr Arnold Madikwe for periods of three (3) years each, ending on 30th September 2019.

In accordance with BAOA Rules, the Chairperson of the Authority's Appeals Committee must be an experienced Attorney/Advocate or a retired judge. The Minister of

Finance and Economic Development appointed Mr Sipho Ziga, an experienced practising Attorney and partner at Armstrongs Attorneys, the Chairperson of the Authority's Appeals Committee for a period of three (3) years ending on the 30th September 2019, with the possibility of re-appointment.

The Appeals Committee is independent of the Authority's Board, but in accordance with Section 40 (2) of the Act, the Committee determines its own procedure, in consultation with the Authority for the hearing of appeals made in terms of subsection (1). Upon realising that this arrangement might create a perception that the Committee is not independent of the Authority, the MFED decided that there must be establishment of an Independent Accountancy Oversight Appeals Committee which will have its own independent Secretariat, and which will be reporting directly to the MFED. The establishment of an Independent Appeals Committee is discussed in detail under the Corporate Governance Report.

COMMITTEES OF THE BOARD

AUDIT PRACTICE REVIEW COMMITTEE (APRC)



Mendel N. Nlanda
Chairperson



Daniel N. Loeto
Vice - Chairperson



Oaitse M. Ramasedi
Member

I have the pleasure of presenting the report of the Audit Practice Review Committee for the period ending 31st December 2016.

COMMITTEE RESPONSIBILITIES

The purpose of the Audit Practice Review Committee is, amongst other things, to uphold the highest standards of professionalism in the audit profession by ensuring compliance with International Standard on Quality Control (ISQC) 1, applicable Assurance Standards, the Code of Ethics for Professional Accountants, International Financial Reporting Standards (IFRSs) and other relevant financial reporting frameworks, relevant pronouncements, and local legislation applicable in the conduct of assurance and related services. This entails, amongst others, the adoption of a stringent audit certification process for audit firms and their certified auditors as well as robust audit independence programs.

COMMITTEE COMPOSITION

The Committee currently consists of the following three (3) Board members:
 Mr. Mendel N. Nlanda (Chairperson);
 Mr. Daniel N. Loeto (Vice-Chairperson); and
 Mr. Oaitse M. Ramasedi (Member).

COMMITTEE MEETINGS

The APRC met three times during the year, as per the attendance register below:

No.	Committee Member	Date of appointment	Meeting Attendance			Total
			11 Mar. 2016	09 Aug. 2016	01 Dec. 2016	
1	Mr. Mendel N. Nlanda	July 2014	A	✓	✓	2/3
2	Mr. Daniel N. Loeto	Dec 2014	✓	✓	✓	3/3
3	Mr. Oaitse M. Ramasedi	July 2014	✓	✓	A	2/3

Key:

✓- Present

A - Apologies

COMMITTEES OF THE BOARD (CONTINUED)

AUDIT PRACTICE REVIEW COMMITTEE (APRC) (CONTINUED)

COMMITTEE ACTIVITIES

a) **Renewal of Registration of Audit Firms and Certified Auditors of Public Interest Entities**

Pursuant to Section 27 of the Financial Reporting Act, 2010, the APCR received and recommended to the Board for approval applications for renewal of registration from eight (8) certified audit firms and twenty-four (24) certified auditors who continued to meet the requirements as Certified Audit Firms of Public Interest Entities and Certified Auditors of Public Interest Entities, respectively.

b) **Accreditation of Professional Accountancy Organizations (PAOs)**

In accordance with Section 50 of the Financial Reporting Act, 2010, the Authority shall accredit the Institute and the Branches of the accountancy profession. During the year, the APCR received and recommended to the Board for approval applications from Botswana Institute of Chartered Accountants (BICA); The Association of Chartered Certified Accountants (ACCA) and The Chartered Institute of Management Accountants (CIMA).

c) **Audit Practice Reviews**

Introduction

One of the major mandates of the Authority is to undertake audit practice reviews of audit firms and their attest partners or practitioners.

Audit practice reviews consist of a firm (quality control) review and a review of selected assurance engagements carried out by each firm's attest (assurance) engagement partners (interchangeably referred to as practitioners).

A firm review consists of an examination of the six (6) elements of a firm's system of Quality Control Policies and Procedures, namely: Leadership Responsibilities; Independence & Ethical Requirements; Client Risk Assessment, Acceptance & Continuance; Human Resources; Engagement Performance; and Monitoring. The aim of the examination is to ensure that the system conforms in all material respects to the standard requirements of the International Standard on Quality Control 1 (ISQC 1).

An engagement review aims to obtain reasonable assurance that audit engagement partners in a certified audit firm comply with the applicable Assurance Standards; International Financial Reporting Standards; Code of Ethics; and applicable laws and regulations, and that reports issued by the firm or engagement partners are appropriate in the circumstances.

In terms of its audit practice review mandate, the Authority is responsible for Firms and Certified Auditors of Public Interest Entities. However, the Authority has entered into a Memorandum of Understanding with Botswana Institute of Chartered Accountants (BICA), whereby the Authority will undertake audit practice reviews of audit firms and Certified Auditors of Non-Public Interest Entities until such a time that the legislation is changed to give the Authority the responsibility to undertake inspections of all audit firms and certified auditors in Botswana.

The Authority has adopted a three-year inspection cycle, which requires that all audit firms and their practitioners be reviewed within the three-year cycle period. In 2016, the Authority entered its second year of the first three-year audit practice review cycle.

At the commencement of the first audit inspection cycle, 1st January, 2015, there were twenty eight (28) certified audit firms on the register of certified audit firms. Based on the three-year audit inspection cycle, the Authority reviewed a total of sixteen (16) certified audit firms and their certified auditors between 1st January, 2015 and 31st December, 2016; eight (8) each in 2015 and 2016, respectively. The remaining twelve (12) certified audit firms and their certified auditors are scheduled to be reviewed in 2017.

Following on from the 2015 audit practice review results which were discussed in the report for 2015, this report discusses the results of the reviews for the year 2016; and for the cycle to date (2015 to 2016) in summary.

COMMITTEES OF THE BOARD (CONTINUED)

AUDIT PRACTICE REVIEW COMMITTEE (APRC) (CONTINUED)

Process of Approval of Audit Practice Review Reports

After carrying out an audit practice review, the Technical Department prepares and submits audit practice review reports to the Audit Practice Review Committee (APRC), a subcommittee of the Authority's Board, for their consideration.

Final results of audit practice reviews are determined in terms of predetermined criteria applicable to the audit practice review cycle. The APRC's final decision would be one of the following:

- Satisfactory, meaning the next audit practice review will be carried out in the next cycle;
- Unsatisfactory, meaning some matters still require attention before a satisfactory result can be achieved and a follow-up audit practice review will be scheduled; or
- Referral to the Enforcement Committee, which could then attract possible sanctions by the Committee.

Audit practice review reports for Audit Firms and Certified Auditors of Public Interest Entities will be examined by the APRC, who will then recommend a course of action to the Authority's Board.

In respect of Audit Firms and Certified Auditors of Non-Public Interest Entities, the APRC will examine audit practice review reports prepared by the Technical Department and recommend a course of action to BICA, through the Authority's Board. BICA will then make the final decision and inform their members accordingly (under the current arrangement).

With regard to Audit Firms and Certified Auditors of Public Interest Entities, the Authority has adopted a developmental policy whereby an audit firm or audit practitioner will be deregistered if their performance in an audit practice review is unsatisfactory:

- three times in a row, with no prospect of making minimal improvements to attain the required performance standards in the short-term; or
- at first or second review; where it is determined that the performance is so bad that continued practice of the firm or practitioner could

seriously harm public interest or the interests of those who rely on the reports of the firm or practitioner.

In respect of Audit Firms and Certified Auditors of Non-Public Interest Entities, BICA has adopted a three strike rule which requires that an audit firm or audit practitioner be deregistered if their performance in an audit practice review is unsatisfactory three times in a row.

Audit Practice Reviews Undertaken in 2016

Overview of Audit Practice Reviews

Of the total of eight (8) certified audit firms and their certified auditors reviewed during 2016, two (2) were certified audit firms of Public Interest Entities (PIEs), and six (6) were certified audit firms of Non-Public Interest Entities.

As in 2015, the Authority participated in the International Forum of Independent Audit Regulators (IFIAR) 2016 Survey of Inspection Findings in which member countries were required, among others, to classify findings into audit practice review/inspection themes provided by the IFIAR. All findings arising from both the firm and engagement reviews were classified into the IFIAR Inspection Themes, which are equivalent to the six elements of the ISQC 1 system of internal controls.

Detailed analysis of Firm Review and Engagement Review findings are provided in the following table.

Firm Reviews

All the key elements of each firm's system of Quality Control Policies and Procedures were reviewed on a sample basis, and were then compared to the standard requirements of the International Standard on Quality Control 1 (ISQC 1).

All deviations from the requirements of ISQC 1 were noted as "findings" and were allocated to their respective ISQC 1 element.

Provided in Table A below are the findings for 2016, 2015 and cycle to date; allocated to each ISQC 1 element (IFIAR Theme), and split between audit firms of Public Interest Entities and Audit Firms of Non-Public Interest Entities:

COMMITTEES OF THE BOARD (CONTINUED) AUDIT PRACTICE REVIEW COMMITTEE (APRC) (CONTINUED)

Table A: Firm Review Findings allocated to the ISQC 1 System of Quality Control (IFAR "Inspection Themes")

SYSTEM OF QUALITY CONTROL/IFAR Inspection Theme	2016				2015				CYCLE/TODAY								
	FINDINGS RELATING TO CERTIFIED AUDIT FIRMS OF PUBLIC INTEREST ENTITIES		FINDINGS RELATING TO ALL CERTIFIED AUDIT FIRMS		FINDINGS RELATING TO CERTIFIED AUDIT FIRMS OF PUBLIC INTEREST ENTITIES		FINDINGS RELATING TO ALL CERTIFIED AUDIT FIRMS		FINDINGS RELATING TO CERTIFIED AUDIT FIRMS OF NON - PUBLIC INTEREST ENTITIES		FINDINGS RELATING TO ALL CERTIFIED AUDIT FIRMS						
	Total findings	as a % of total findings for all firms	Total findings	as a % of total findings for all firms	Total findings	as a % of total findings for all firms	Total findings	as a % of total findings for all firms	Total findings	as a % of total findings for all firms	Total findings	as a % of total findings for all firms					
Leadership Responsibilities for Quality within the Firm (i.e., Tone at the Top)	3	7	2	5	5	12	0	0	2	7	2	7	3	4	6	7	10
Independence and Ethical Requirements	3	7	5	12	8	19	0	0	5	17	5	17	3	4	10	13	18
Client Risk Assessment, Acceptance and Continuance	0	0	1	2	1	2	0	0	1	3	1	3	0	-	2	2	3
Human Resources	3	7	8	19	11	26	2	7	5	17	7	24	5	7	13	18	25
Engagement Performance	1	2	8	19	9	21	3	10	8	26	11	36	4	6	16	20	27
Monitoring	1	2	7	18	8	20	0	0	4	13	4	13	1	1	11	12	17
Total Findings	11	25	31	75	42	100	5	17	25	83	30	100	16	22	56	72	100
Number of Audit Firms	2		6	8	8		3		5		8		5		11		16
Average Findings Per Audit Firm	6		5	5	5		2		5		4		3		5		5

COMMITTEES OF THE BOARD (CONTINUED)

AUDIT PRACTICE REVIEW COMMITTEE (APRC) (CONTINUED)

In 2016, the eight (8) firms reviewed recorded average findings per audit firm of five (5), compared to an average of four (4) findings per audit firm recorded by eight (8) audit firms. However, this cycle to date, the sixteen (16) audit firms recorded average findings per firm of five (5).

The average number of findings for two certified audit firms of public interest entities reviewed in 2016 was six (6), compared to two (2) for the three (3) audit firms reviewed in 2015. Evidently, the systems of internal controls for the audit firms of public interest reviewed in 2015 were stronger than those for the firms reviewed in 2016. Over the audit practice review cycle to date, the average number of findings for the five (5) audit firms reviewed was three (3).

With regard to audit firms of Non-Public Interest Entities, the performance of the six (6) audit firms reviewed in 2016, and the five (5) audit firms reviewed in 2015 were comparable, as they recorded the same average number of findings of five (5); this being the same number of average findings as recorded for the eleven (11) firms reviewed in this cycle to date.

The findings as summarised at Table A above, split by System of Quality Control IFIAR Inspection Themes are further analysed below, by each theme's contribution to the total findings:

In 2016, findings in the Human Resources theme made the largest contribution to the total findings (26%), compared to 24% in 2015; and 25% cycle to date. Audit Firms of Non-Public Interest Entities accounted for 19% of the findings, while audit firms of Public Interest Entities accounted for the remainder of 7%.

The Engagement Performance theme accounted for the second highest contribution to total findings in 2016 (21%); this being significantly lower than the contribution to findings of 36% recorded by audit firms reviewed in 2015; and 27% contribution made by all audit firms reviewed during this cycle to date. Audit Firms of Non-Public Interest Entities contributed 19% of the findings compared to 17% in 2015; and 22% for all firms reviewed this cycle to date. Audit Firms of Public Interest Entities contributed the balance of 2%.

In 2016, the Monitoring theme contributed 20% of the findings for the year, compared to the 13% contribution made by firms reviewed in 2015; and 17% for all firms reviewed this cycle to date. Of the theme's 20% contribution to the findings for 2016, Audit Firms of Non-Public Interest Entities accounted for 18%, while Audit Firms of Public Interest Entities contributed the balance of 2%.

The Independence & Ethical Requirement element contributed 19% to the findings in 2016, compared to 17% in 2015, and 18% this cycle to date. Of the findings in this theme for 2016, 12% were attributed to Audit Firms of Non - Public Interest Entities; and the balance of 7% to Audit Firms of Public Interest Entities.

Engagement Reviews

During 2016, a total of twenty-four (24) engagement reviews under the responsibility of twelve (12) practitioners across 8 audit firms were carried out, compared to a total of twenty-four (24) engagement reviews under the responsibility of fourteen (14) practitioners across 8 audit firms during 2015. Therefore, this cycle to date, a total of forty eight (48) engagements under the responsibility of twenty six (26) practitioners across sixteen (16) audit firms have been undertaken.

The results of the review of practitioners and the total number of findings, split between Certified Auditors of Public Interest Entities and Certified Auditors of Non-Public Interest Entities, including comparatives for the reviews undertaken in 2015 and for the cycle to date are provided in the Table B below:

COMMITTEES OF THE BOARD (CONTINUED)

AUDIT PRACTICE REVIEW COMMITTEE (APRC) (CONTINUED)

Table B: Summary of Engagement Review Results for Certified Auditors of Public Interest Entities and Certified Auditors of Non-Public Interest Entities

DESCRIPTION	2016			2015			CYCLE TODATE		
	AUDITORS OF PUBLIC INTEREST ENTITIES	AUDITORS OF NON - PUBLIC INTEREST ENTITIES	TOTAL	AUDITORS OF PUBLIC INTEREST ENTITIES	AUDITORS OF NON - PUBLIC INTEREST ENTITIES	TOTAL	AUDITORS OF PUBLIC INTEREST ENTITIES	AUDITORS OF NON - PUBLIC INTEREST ENTITIES	TOTAL
NUMBER OF FIRMS	2	6	8	3	5	8	5	11	16
Total Number of Partners	7	8	15	13	5	18	20	13	33
Total Number of Attest Partners Reviewed	6	6	12	9	5	14	15	11	26
Total Number of Attest Clients	468	85	553	476	85	561	944	170	1114
Total Number of Attest (Assurance) Engagements Reviewed	12	12	24	16	8	24	28	20	48
Total Number of Findings	32	198	230	46	79	125	78	277	355
Findings per Attest Partner (average)	5	33	19	5	16	9	5	25	14
Attest Partner Rating:									
1. Satisfactory	5	0	5	9	2	11	14	2	16
2. Satisfactory, with deficiencies	1	2	3	0	0	0	1	2	3
3. Unsatisfactory	0	4	4	0	3	3	0	7	7
Total Attest Partners	6	6	12	9	5	14	15	11	26

COMMITTEES OF THE BOARD (CONTINUED)

AUDIT PRACTICE REVIEW COMMITTEE (APRC) (CONTINUED)

As will be noted from Table B above, the performances of all six (6) Certified Auditors of Public Interest Entities and two (2) Certified Auditors of Non-Public Interest Entities reviewed in 2016 were "Satisfactory" while the performances of four (4) Certified Auditors of Non-Public Interest Entities were "Unsatisfactory".

In 2015, the performances of all nine (9) Certified Auditors of Public Interest Entities and two (2) Certified Auditors of Non-Public Interest Entities were "Satisfactory" while that of three (3) Certified Auditors of Non-Public Interest Entities were "Unsatisfactory". This cycle to date, all fifteen (15) Certified Auditors of Public Interest Entities and four (4) Certified Auditors of Non-Public Interest Entities reviewed were "Satisfactory" while seven (7) Certified Auditors of Non-Public Interest Entities were "Unsatisfactory".

Engagement Review Results: Analysis by Audit Area (IFIAR Inspection Theme Findings)

All deviations from the requirements of: applicable Assurance Standards; International Financial Reporting Standards; Code of Ethics; and applicable laws and regulations were noted as "findings".

Each engagement finding was allocated to one of the seventeen (17) Audit Inspection Themes (audit areas) provided by the IFIAR for the 2016 Survey (fifteen Inspection themes for 2015 and nineteen this cycle to date). These were in turn split between Certified Auditors of Public Interest Entities and Certified Auditors of Non-Public Interest Entities. The results are provided in Table C below:

COMMITTEES OF THE BOARD (CONTINUED)

AUDIT PRACTICE REVIEW COMMITTEE (APRC) (CONTINUED)

Table C: Engagement Review Findings split by IFIAR Inspection Them

IFIAR INSPECTION THEMES	2016				2015				CYCLE TO DATE					
	FINDINGS RELATING TO CERTIFIED AUDITORS OF PUBLIC INTEREST ENTITIES		FINDINGS RELATING TO TOTAL AUDIT ENGAGEMENTS		FINDINGS RELATING TO CERTIFIED AUDITORS OF PUBLIC INTEREST ENTITIES		FINDINGS RELATING TO TOTAL AUDIT ENGAGEMENTS		FINDINGS RELATING TO CERTIFIED AUDITORS OF NON-PUBLIC INTEREST ENTITIES		FINDINGS RELATING TO TOTAL AUDIT ENGAGEMENTS			
	Total Findings as a % of Engagements	Total Findings	Total Findings as a % of Engagements	Total Findings	Total Findings as a % of Engagements	Total Findings	Total Findings as a % of Engagements	Total Findings	Total Findings as a % of Engagements	Total Findings	Total Findings as a % of Engagements	Total Findings		
Group Audits	0	0	1	0	0	1	0	0	1	1	0	1	2	1
Internal Control Testing	0	0	1	0	N/A				0	0	1	0	1	0
Adequacy of Financial Statement Presentation and Disclosures	7	3	27	12	18	14	19	15	37	25	46	13	71	20
Use of Experts/Specialists	0	0	0	0	N/A				0	0	0	0	0	0
Substantive Analytical Procedures	1	0	6	3	0	0	1	1	1	1	0	2	8	2
Audit Committee Communication	0	0	0	0	2	2	0	0	2	2	0	0	2	1
Fraud Procedures	1	0	9	4	2	2	5	4	7	3	14	4	17	5
Risk Assessment	1	0	12	5	0	0	1	1	1	1	0	4	14	4
Audit Report	0	0	7	3	N/A				0	0	7	2	7	2
Accounting Estimates, including Fair Value Measurement	1	0	5	2	0	0	5	4	5	1	10	3	11	3
Revenue Recognition	0	0	0	0	0	0	3	2	3	0	3	1	3	1
Inventory Procedures	0	0	2	1	1	1	1	1	2	1	3	1	4	1
Related Party Transactions	0	0	4	2	5	4	1	1	6	5	5	1	10	2
Engagement Quality Control Reviewers ("EQCR")	0	0	0	0	3	2	0	0	3	3	0	0	3	1
Going Concern	0	0	4	2	4	3	2	2	6	4	6	2	10	3
Adequacy of Review and Supervision	19	8	108	47	7	6	20	16	27	26	128	36	154	43
Audit Sampling	2	1	12	5	N/A				2	1	12	3	14	4
Audit of Allowance for Loan Losses and Loan Impairments	N/A				0	0	2	2	2	0	2	1	2	1
Other Areas/Topics	N/A				3	2	19	15	22	3	19	5	22	6
TOTAL FINDINGS	32	14	198	86	46	37	79	63	125	78	277	78	355	100

Note on "N/A": During 2016, new themes were introduced, while others previously used in 2015 were either renamed or combined with others.

COMMITTEES OF THE BOARD (CONTINUED)

AUDIT PRACTICE REVIEW COMMITTEE (APRC) (CONTINUED)

198 (86%) of the 230 total findings for 2016 were for Certified Auditors of Non-Public Interest Entities, while the remaining 32 (14%) were for Certified Auditors of Public Interest Entities. In 2015, 79 (63 %) of the 125 total findings were for Certified Auditors of Non-Public Interest Entities while 46 (37 %) were for Certified Auditors of Public Interest Entities. This cycle to date, of the 355 findings, 277 (78 %) relate to Certified Auditors of Non-Public Interest Entities while 78 (22 %) are for Certified Auditors of Public Interest Entities.

Most of the findings in the 2016 reviews were in the theme of "Adequacy of Review and Supervision" (55%), split between Certified Auditors of Non-Public Interest Entities (47%) and Certified Auditors of Public Interest Entities (8%). This was followed by the "Adequacy of Financial Statement Presentation and Disclosures" theme with (15%) of the findings, split between Certified Auditors of Non-Public Interest Entities (12%) and Certified Auditors of Public Interest Entities (3%).

In 2015, however, the majority of the findings were in the theme of "Adequacy of Financial Statement Presentation and Disclosures" (29%), split between Certified Auditors of Public Interest Entities (14%) and Certified Auditors of Non-Public Interest Entities (15%). This was followed by the "Adequacy of Review and Supervision" theme with 22 % of the findings, split between Certified Auditors of Public Interest Entities (6%) and Certified Auditors of Non-Public Interest Entities (16%).

This cycle to date, most of the findings related to the theme of 'Adequacy of Review and Supervision' (43%), split between Certified Auditors of Non-Public Interest Entities (36%) and Certified Auditors of Public Interest Entities (7%). This was followed by the 'Adequacy of Financial Statement Presentation and Disclosures' theme (20%), split between Certified Auditors of Non-Public Interest Entities (13%) and Certified Auditors of Public Interest Entities (7%).

The highest percentage contributions to the engagement review findings were made by the following IFIAR Inspection themes:

- a) Adequacy of Review and Supervision theme: 55% in 2016; 22% in 2015; and 43% cycle to date; and
- b) Adequacy of Financial Statement Presentation and Disclosures theme: 15% in 2016; 30% in 2015; and 20% cycle to date.

Summary of Audit Practice Review Findings and Decisions

The Engagement Performance element of an audit firm's system of quality control tends to have the most significant impact on the overall performance in a firm review. Therefore, all audit practices with engagement practitioners whose performance was "Unsatisfactory" in engagement review also attained an "Unsatisfactory" rating in the Engagement Performance element of the firm review; and consequently, attained an "Unsatisfactory" rating in the overall audit practice review.

Of the eight (8) reviews undertaken during 2016, four (4) attained a "Satisfactory" rating, two (2) attained an "Unsatisfactory" rating with a recommendation for a re-review within 18 to 24 months. The remaining two (2) attained unsatisfactory results for the third time in a row and, therefore, their practitioners' certificates were revoked in line with the BICA three strikes rule. In 2015, however, two (2) practitioners and their firms, whose performance in the audit practice reviews was "Unsatisfactory" were pencilled in for a re-review. However, one (1) of them was subsequently deregistered for disciplinary reasons before a re-review could be carried out. The third practitioner and his firm, whose performances were "Unsatisfactory" was subsequently deregistered. This cycle to date, four (4) practitioners of non-public interest entities and their firms, who attained marginally unsatisfactory results were required to be re-reviewed. Also, this cycle to date, four practitioners of non-public interest entities have been deregistered; three of them for attaining unsatisfactory results three times in a row, as per BICA three strike rule; and one for disciplinary reasons.

The Authority, however, wishes to emphasize that the primary objective of audit practice reviews is to raise the standard of audit and protect public interest. For that reason, the Authority's audit practice review reports are proactive and forward looking, contain detailed recommendations and guidance to enable audit practices to improve their performance and overall standard of audit, where such need has been identified. Deregistration of an audit practitioner or firm is a last resort and will only be considered if an audit firm/practitioner fails three reviews consecutively, and it is determined that there is little prospect of an audit firm/practitioner improving in the short-term, in order to meet the minimum performance standards; or if the performance of a firm or practitioner, even if at first or second review, is considered so bad that continued practice would put public interest or those for whom the audit reports are intended, at significant risk.

COMMITTEES OF THE BOARD (CONTINUED)

AUDIT PRACTICE REVIEW COMMITTEE (APRC) (CONTINUED)

Conclusion

Based on the results of the audit practice reviews undertaken by the Authority in 2016, it is evident that audit firms need to improve their systems of quality controls, particularly the Human Resources, Engagement Performance, Monitoring and Independence & Ethical elements (interchangeably referred to in this case as IFIAR themes). The IFIAR 2016 Preliminary Survey of Inspection Findings Report revealed that as in the Botswana jurisdiction, the Engagement Performance, Independence & Ethical Requirements, Human Resources, and Monitoring theme recorded the highest number of findings, respectively in that order. It is evident that audit firms in Botswana, and world-wide, need to improve their quality control systems in these areas.

The Authority will continue to benchmark its performance standards with those of the IFIAR and its flagship members, in order to ensure that it maintains the highest standards of audit inspections.

GRATITUDE

I wish to thank my fellow committee members for their valuable contributions and the Board for their guidance. Special thanks also go to the Chief Executive Officer and his Technical Department team for carrying out the reviews and other secretarial work that made our work manageable.



.....
Mendel N. Nlanda

Chairperson

COMMITTEES OF THE BOARD (CONTINUED)

ENFORCEMENT COMMITTEE (EC)



Racious M. Moatshe
Chairperson



Daniel N. Loeto
Vice-Chairperson



Keneilwe R. Morris
Member

It gives me great pleasure to present below, my report as Chairperson of the Enforcement Committee (EC), for the year ended 31st December, 2016.

RESPONSIBILITIES

The Enforcement Committee (EC) is responsible for the sanctioning of individuals and entities that do not meet the expected standards as contained in the reports from the Audit Practice Review and the Financial Reporting Monitoring Committees. The Committee is also responsible for handling, as delegated to it by the Board, all breaches or suspected breaches constituting professional misconduct or other violations of the Act by Professional Accountants but which are not directly related to audit practice reviews and financial reporting monitoring.

COMMITTEE COMPOSITION

During 2016, the Committee consisted of the following three (3) Board members:

Dr. Racious M. Moatshe (Chairperson);

Mr. Daniel N. Loeto (Vice-Chairperson); and

Mr. Keneilwe R. Morris (Member).

COMMITTEES OF THE BOARD (CONTINUED)

ENFORCEMENT COMMITTEE (EC) (CONTINUED)

COMMITTEE ACTIVITIES

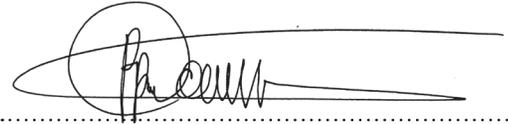
The committee represented by Mr Daniel N. Loeto met with Management to discuss the formation of a new statutory body called the Botswana Accountancy Oversight Appeals Committee (BAOAC) which had been proposed under the Ministry of Finance and Economic Development (MFED). The BAOAC had been formed in the interest of promoting the independence of the Appeals Committee, and would therefore be totally independent of the Authority. In view of the formation of the BAOAC, a new Part XI will be introduced in the Financial Reporting Act called "Establishment of the Independent Accountancy Appeals Committee", which will give details of the mandate of the BAOAC. The Secretariat of the BAOAC will also be independent of BAOA.

The work of the Committee is very much dependent on appeals from cases of breaches of the Act, Rules and

Regulations of the Authority, that are referred to it, as necessary. However, no case requiring the attention or action of the Committee has as yet been referred to the Committee.

GRATITUDE

I wish to thank my fellow Committee members for their valuable contributions, the Board for its guidance and the Chief Executive Officer and his Management team for providing appropriate secretarial assistance that made the Committee's work manageable.



Dr. Raciou M. Moatshe
Chairperson

COMMITTEES OF THE BOARD (CONTINUED)

FINANCIAL REPORTING MONITORING COMMITTEE (FRMC)



Oaitse M. Ramasedi
Chairperson



Thapelo Tsheole
Vice-Chairperson



Lynette Armstrong
Member

I have the pleasure of presenting the report of the Financial Reporting Monitoring Committee (FRMC) for 2016.

RESPONSIBILITIES

The FRMC's main purpose is summarised in Section 56 of the Act; as to review the financial statements of Public Interest Entities (PIEs) or other entities required under any enactment to file its financial statements and reports with a Government Department or Authority, in order to determine whether they are in compliance with the law and applicable reporting requirements as stipulated in the Act and the Authority's Rules and Regulations; with the ultimate objective of protecting public interest. In fulfilment of the foregoing, the FRMC shall:

- a) review financial statements for compliance with financial reporting requirements of any relevant enactment; financial reporting standards issued by the Authority under Section 52 of the Act; Rules, Regulations or Codes made under the Act; and to identify cases where it appears that these requirements have not been complied with;
- b) review financial statements to assess the performance of PIEs, in particular those that are regarded to be under financial stress. Ratio analysis and other analytical procedures may be used to assess the liquidity, profitability, gearing and efficiency of the entities, amongst other assessment tools; and
- c) promote the highest standards of corporate governance and compliance with professional ethics.

COMMITTEES OF THE BOARD (CONTINUED)

FINANCIAL REPORTING MONITORING COMMITTEE (FRMC) (CONTINUED)

COMMITTEE COMPOSITION

The Committee consisted of the following three (3) Board members:
 Mr. Oaitse M. Ramasedi (Chairperson);
 Mr. Thapelo Tsheole (Vice-Chairperson); and
 Ms. Lynette Armstrong (Member).

COMMITTEE MEETINGS

The FRMC met only once during 2016 for reasons explained under "Committee Activities". The attendance register is presented below:

No.	Committee Member	Date of Appointment	MEETING ATTENDANCE	
			09 Aug. 2016	Total
1.	Mr. Oaitse M. Ramasedi	Dec. 2014	✓	1/1
2.	Mr. Thapelo Tsheole	Oct. 2015	✓	1/1
3.	Ms. Lynette Armstrong	Oct. 2015	A/N	0/1

Key:

✓- Present

A- Apologies

A/N- Appointed but not yet notified by the Ministry

COMMITTEE ACTIVITIES

As reported in the 2015 Annual Report, the Financial Reporting Regulations (Regulations) which trigger the activities of the Committee had not been approved as of the end of 2015. Consequently, the Technical Department was not in a position to undertake FRMC reviews and, therefore, the FRMC could not carry out its oversight role in that regard. The Regulations were finalised and laid before Parliament on 31st March, 2016 and the effective date agreed at 1st October, 2016. This was notified to the relevant stakeholders through direct emails and a publication thereof in the media including the private media.

Following the finalisation of the Regulations, in addition to notification through the media, a BAOA team led by the CEO undertook a public education campaign which resulted in a total of one hundred and thirty-five (135) Public Interest Entities (PIEs) being registered with the Authority by the end of 2016.

COMMITTEES OF THE BOARD (CONTINUED)

FINANCIAL REPORTING MONITORING COMMITTEE (FRMC) (CONTINUED)

During the year, the FRMC, through the Board, approved King III as the most suitable Corporate Governance Model for Botswana. A Corporate Governance procedures manual based on King III was also approved, and is intended to provide guidance regarding:

- i) the corporate governance standards and codes that Public Interest Entities (PIEs) regulated by the Authority are expected to use; and
- ii) review programs which the Authority is expected to use in order to ensure conformance to the recommended corporate governance standards and codes by Public Interest Entities.

With all the FRM procedures manuals in place, the Technical Department is expected to commence financial reporting monitoring reviews in the first quarter of 2017.

THE PLAN FOR THE REVIEW

As with Audit Practice Reviews, it is expected that a three year review cycle for Financial Reporting Monitoring will be adopted. This means that all PIEs registered with the Authority should be reviewed within three years.

Based on the number of PIEs that will have been registered by the date of commencement of the reviews, it will then be estimated how many should be reviewed on an annual basis in order for all the PIEs registered to be reviewed within the proposed review cycle of three years. Should the number of PIEs required to be reviewed not be considered feasible, based on the practical experience and capacity of the Authority, consideration may have to be given to changing the review cycle from the proposed three year cycle to that considered feasible.

The Plan should, as much as possible, include reviews from all the five categories of PIEs stated below:

- Entities regulated by Non-Bank Financial Institutions Regulatory Authority;
- Entities listed on the Botswana Stock Exchange;
- Financial Institutions regulated by Bank of Botswana;
- Parastatals and State Owned Enterprises; and
- Significant Entities as per Section 22(d) of the Act.

A risk based approach will be adopted to assist in the selection of the actual PIEs to be reviewed.

COMMITTEES OF THE BOARD (CONTINUED)

FINANCIAL REPORTING MONITORING COMMITTEE (FRMC) (CONTINUED)

GRATITUDE

I wish to thank my fellow Committee members for their valuable contributions and the Board for their guidance; and the Chief Executive Officer and his Management Team for providing appropriate secretarial support that made our work manageable.



.....
Oaitse M. Ramasedi
Chairperson

COMMITTEES OF THE BOARD (CONTINUED)

STANDARDS SETTING COMMITTEE (SSE)



Lynette Armstrong
Chairperson



Mendel N. Nlanda
Vice-Chairperson



Thapelo Tsheole
Member



Pyoka Mfuni
Member



Kebafentse H. Ketshajwang
Member



Cecilia Ramatlaping
Member

NOT IN PICTURE

- | | |
|----------------------|--------|
| Peter E. Kesitilwe | Member |
| Othusitse Lebuletswe | Member |
| Serty Leburu | Member |
| Kenneth Mabote | Member |



Banoti Butale
Member

COMMITTEES OF THE BOARD (CONTINUED)

STANDARDS SETTING COMMITTEE (SSE) (CONTINUED)

Specialist Knowledge Member

I have the pleasure of presenting my first report of the Standards Setting Committee, for 2016, having assumed Chairmanship of the Committee in 2016.

RESPONSIBILITIES

The purpose of the Standards Setting Committee as set out at Sections 52 and 53 of the Act is to adopt, issue and keep up-to-date financial reporting standards and auditing standards; and issue appropriate interpretations, rules and guidelines for the purposes of implementing financial reporting standards and auditing standards issued by the Committee.

COMMITTEE COMPOSITION

The Committee currently consists of thirteen (13) members as follows:

Ms. Lynette Armstrong (Chairperson);

Mr. Mendel N. Nlanda, Board Member (Vice-Chairperson);

Mr. Thapelo Tsheole (Board Member);

AAT (one member);

ACCA (one member);

Accountant General's Office (one member);

Auditor General's Office (one member);

BICA (one member);

CIMA (one member);

Institute of Internal Auditors (one member);

Specialist Knowledge (one member); and

Tertiary Institutions (2 Members).

COMMITTEES OF THE BOARD (CONTINUED)

STANDARDS SETTING COMMITTEE (SSE) (CONTINUED)

COMMITTEE MEETINGS

The SSC met only once during the year, as per the attendance register below.

No.	Committee Member	Date of Appointment	MEETING ATTENDANCE	
			06 Dec. 2016	Total
1.	Ms. Lynette Armstrong	Oct.2015	✓	1/1
2.	Mr. Mendel N. Nlanda	Jun. 2013	A	0/1
3.	Mr. Thapelo Tsheole	Jan. 2016	A	0/1
4.	Institute of Internal Auditors- Mr Banoti Butale	Jun. 2013	✓	1/1
5.	Tertiary Institutions (2 Members) Mr Peter E. Kesitlwe	Dec. 2014	A	0/1
6.	Auditor General's Office- Ms Kebafentse H. Ketshajwang	Jun. 2013	✓	1/1
7.	Accountant General's Office- Mr. Othusitse Lebuletswe	Jun. 2013	✓	1/1
8.	ACCA- Ms Serty Leburu	Jun. 2013	A	0/1
9.	CIMA- Mr. Kenneth Mabote	Jun. 2013	A	0/1
10.	AAT- Mr Pyoka Mfuni	Jun. 2013	✓	1/1
11.	BICA- Ms. Cecilia Ramatlapeng	Jun. 2013	A	0/1
12.	Specialist Knowledge	Jun. 2013	A	0/1

Key:

✓- Present

A- Apologies

COMMITTEE ACTIVITIES

At its meeting 6th December, 2016, the Committee met and recommended for consideration and approval by the Board, the guidelines for application of the International Financial Reporting Standards for Small and Medium Sized Entities (IFRS for SMEs).

The Board approved the guidelines at its meeting of 8th December, 2016,

The 2015 IFRS for SMEs takes effect for annual reporting periods beginning on or after 1st January, 2017, and is intended for use by entities that do not have public accountability; and publish general purpose financial statements.

COMMITTEES OF THE BOARD (CONTINUED)

STANDARDS SETTING COMMITTEE (SSE) (CONTINUED)

PLAN FOR 2017

The Committee agreed on the following plan of action for 2017:

- a) Consider the following topics for detailed discussions:
 - i) GAAP in Botswana for entities not required to comply with IFRSs developed by the Botswana Institute of Chartered Accountants (BICA). A joint committee between BAOA and BICA will be formed to undertake the project;
 - ii) Professionalisation of the Auditor General, in respect of which the Auditor General would be requested to make a presentation ;
 - iii) The role of Internal Audit: The Institute of Internal Auditors will be requested to make a presentation to members; and
 - iv) A standing agenda item of new standards for the Committee meetings when applicable.
- b) Adopt a score card, which will form a basis for the evaluation of the Committee's performance. In that regard, all presentations/discussions made at the Committee meetings will be rated and the Secretariat will present the results at the following meeting; and
- c) Review the Committee's Terms of Reference to take into account the suggested topics at a) and b) above.

GRATITUDE

I wish to thank my fellow Committee members for their valuable contributions and the Board for their guidance; and the Chief Executive Officer and his Management Team for providing appropriate secretarial support that made our work manageable. I also thank the Chairperson of the Board, Mr. Michael Lesolle, for his contribution in his capacity as Chairperson of the Committee prior to his appointment as Chairperson of the Board, and my appointment as Chairperson of the Committee.



Lynette Armstrong
Chairperson

COMMITTEES OF THE BOARD (CONTINUED)

EDUCATION AND TRAINING COMMITTEE (E&TC)



Emma A. Peloetletse
Chairperson



Racious M. Moatshe
Vice-Chairperson



Mendel N. Nlanda
Member



Aubrey Chewe
Member



Nametso Laletsang
Member



Phetolo Malau-Modiega
Member

NOT IN PICTURE

Veronica Ofaletse - Member



Davis Tele
Member



Lebogang Mpinang
Member

COMMITTEES OF THE BOARD (CONTINUED)

EDUCATION AND TRAINING COMMITTEE (E&TC) (CONTINUED)

The Education and Training Committee (ETC) is one of the five statutory Committees of the Board established in accordance with Section 16(1) of the Financial Reporting Act, 2010 (the Act).

MANDATE

The main role of the Committee is to:

- a) Look at the broader national training requirements of the accountancy and auditing profession in Botswana that meet the skills needs in the economy. The mandate covers the entire supply chain starting at pre-school, primary and secondary school, through tertiary (including Universities), and professional levels; in collaboration with the Human Resource Development Council (HRDC) and other relevant stakeholders;
- b) Create a National Accounting Education and Training Master Plan that has to be adhered to by stakeholders including professional accountancy organisations and tuition providers across the country using international standards as the benchmark. It is paramount that the mandate of the Committee is reconciled to the mandate of the Human Resource Development Council to ensure congruence of the agendas of these two-important national human resource development based endeavours; and
- c) Monitor compliance with International Standards and Codes, issued by International Federation of Accountants (IFAC) and International Accounting Standard Board (IASB).
- (ii) Create awareness at the grassroots level to develop accounting awareness in children at a very early age. In this regard, Botswana Institute of Chartered Accountants (BICA) with the assistance of BAOA is to undertake this project since BICA has previously worked on a similar project, "The making of an Accountant". In view of the many changes in the accounting profession which include the establishment of the BICA qualification, the Authority is desiring to produce another video on "The making of an Accountant 2";
- (iii) Monitor syllabus of tertiary institutions that undertake accounting studies to ensure that compliance with standards, ethics and Continuous Professional Development (CPD) requirements are met. This is done mainly to ensure that the tertiary institutions teach and produce accounting graduates fit for the purpose and relevant to the work place, since it was recognised that curriculum development was a critical component in the development of high quality graduates;
- (iv) Monitor compliance with standards through its review processes. The Authority is the standards setter in the country for both accounting and auditing standards; and
- (v) Sensitisation of the accounting and auditing profession through various communication media. The implementation of the Master Plan will be done through sub-committees and projects. The Master Plan shall be part of the Authority's Rules and therefore enforceable to the members.

ACTIVITIES DURING THE YEAR

a) National Accounting Education and Training Master Plan (NAETMP)

A National Accounting Education and Training Master Plan was developed and approved by the Authority during 2016.

The purposes of the National Accounting Education and Training Master Plan are to:

- (i) Lay the education and training framework that should be followed by stakeholders at all levels within the profession covering, Basic, Primary, Secondary School, Tertiary, Professional level, and work with Government through Human Resources Development Council (HRDC) and Botswana Qualifications Authority (BQA) concerning areas such as funding, skills balance and the National Credit and Qualifications Framework;

b) Formation of Sub Committees and Projects

In order to facilitate the work of the Committee, Sub Committees and projects were established. These include the Publicity and Awareness; and Standards and Qualifications Sub-Committees. The Terms of Reference for these Sub-Committees have been prepared.

c) Review of Terms of Reference of the Main Committee

The Terms of Reference were reviewed and the main review item was composition of the Committee. A representative of the Auditor General was included into the Education and Training Committee, in order to provide feedback and contribute in the area of education and training in public-sector auditing.

COMMITTEES OF THE BOARD (CONTINUED)

EDUCATION AND TRAINING COMMITTEE (E&TC) (CONTINUED)

ATTENDANCE REGISTER

No.	Committee Member	Date of Appointment	MEETING DATE		Total
			7 July 2016	12 Oct 2016	
1.	Ms. Emma A. Peloetletse	July 2014	✓	A	1/2
2.	Dr. Racious M. Moatshe	Aug. 2016	N/A	✓	1/2
3.	Mr. Michael Lesolle	July 2014	✓	N	1/2
4.	Mr. Aubrey Chewe	Dec. 2015	✓	✓	2/2
5.	Ms. Nametso Laletsang	Dec. 2015	✓	✓	2/2
6.	Dr. Phetolo Malau-Modiega	Dec. 2015	✓	✓	2/2
7.	Ms. Lebogang Mpinang	Dec. 2015	N/A	✓	1/2
8.	Mr. Mendel N. Nlanda	Dec. 2014	✓	A	1/2
9.	Ms. Veronica Ofaletse	Dec. 2015	A	✓	1/2
10.	Mr. Davis Tele	Dec. 2015	A	✓	1/2

Key:

✓-	Present	A-	Apologies
N-	No longer a member	N/A-	Appointed after the meeting

GRATITUDE

I wish to express my sincere appreciation and gratitude to the members of the Education and Training Committee and the Secretariat for their contributions in the achievement of the mandate of the Committee.



Emma A. Peloetletse
Chairperson

COMMITTEES OF THE BOARD (CONTINUED)

HUMAN RESOURCE COMMITTEE (HRC)



Keneilwe R. Morris
Chairperson



Thapelo Tsheole
Vice-Chairperson



Raciou M. Moatshe
Member

HUMAN RESOURCE COMMITTEE

The Human Resource Committee (HRC), although not a statutory committee as per the Financial Reporting Act, 2010 (the Act), was established through Section 16(1) of the Act, which stipulates that the Board of the Botswana Accountancy Oversight Authority (the Authority) may, for the purposes of performing its functions, establish such committees as it considers appropriate; and may delegate, to any such committee, any of its functions as it considers necessary.

MANDATE

The mandate of the Committee is to assist the Board in the oversight of the Human Resources function of the Authority, including the following:

- a) review and ensure effective implementation of, and compliance with, the Authority's Human Resources philosophies, policies, succession plans, compensation and benefit plans, and programs in accordance with the Authority's corporate strategy;
- b) come up with Human Resources goals and objectives; and evaluate the performance of Senior Executive Officers against these goals and objectives;
- c) advise on the compensation to be awarded to employees; and
- d) provide guidance to the Board on the implementation of the Human Resources Strategy.

ACTIVITIES DURING THE YEAR

a) Performance Management System (PMS)

The Authority is working on an initiative to develop and implement an automated Performance Management System in order to effectively manage performance. This is an innovative way of ensuring that there is a consistent and efficient system for performance management.

The introduction of the automated Performance Management System requires that the Authority changes its payroll system from Sage Premier to Sage People HR systems. The upgrade to People HR System is inevitable as the system solves pertinent issues that are inherent in the Premier HR System architecture, such as, access to historical data, interfacing, electronic data exchange and reporting capabilities across periods and financial years as well as ease of backup and restoration.

Training for key employees who are expected to work on the PMS will commence in the first quarter of 2017 and the trained staff are to cascade the knowledge gained to other employees. The process for the Performance Management System is expected to be completed in June 2017.

b) Employment Policy and Employee Involvement

Employees are the Authority's main resource as they are integral to the success of the organisation. Therefore, the Authority pursues employment practices that are designed to attract, retain and develop this resource to ensure that it has motivated and satisfied employees.

COMMITTEES OF THE BOARD (CONTINUED)

HUMAN RESOURCE COMMITTEE (HRC) (CONTINUED)

Where necessary and possible, the Authority benchmark's against organisational best practice in order to develop appropriate policies and procedures for its employees. The Authority has therefore established suitable policies and guidelines in 2016, such as the bereavement policy; mobile phone policy; promotion, recruitment and selection policy and procedures; and training and development policy and procedures.

c) Communication Policy

A Communication Strategy for 2016 – 2020 was developed to introduce the Authority to the people after identifying communication challenges facing the Authority and to take advantage of current and future strengths and opportunities for positioning the Authority in the right perspectives for all stakeholders. During 2016 a Communication Policy was developed to implement the Communication Strategy.

The Communication Policy therefore provides guidelines for effective and efficient communication to the Authority's various target audiences so that all could be well empowered and informed about Authority's activities, can contribute, share ideas and are guided in the manner in which communication should be handled and managed.

The Authority has employed staff to drive the Communication Strategy through the Communication Policy by establishing a Public Relations position in 2016.

d) Employee Communication

The development of the Communication Policy has put in place a framework for effective employee communication. Employee communication is an important tool for empowering employees and ensuring that they are well informed, so as to increase their morale and enthusiasm. Employee briefings and engagements sessions are held regularly on new initiatives to enhance their understanding of the new initiatives. Executive, management, general staff and departmental meetings are also held periodically, which give employees the opportunity to engage fully on issues of strategy execution and on operational matters.

e) Internship

The Authority collaborated with the Botswana Institute of Chartered Accountants (BICA) to train students studying for the BICA qualification. The Authority has so far enrolled two students, following the withdrawal of one other student.

The Authority also participated in the Government Internship Program, and has so far enrolled two graduates in the human resources and information technology fields to assist in providing them with practical experience and preparing them for the job market. The Authority is still expecting one other graduate in the Finance field.

f) Staffing

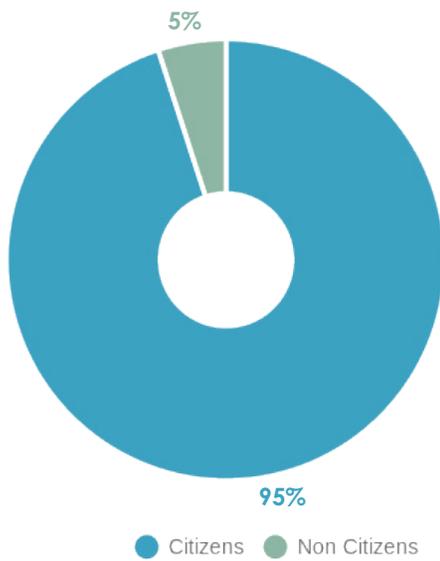
The Authority closed the year with a staff complement of twenty (20) employees out of an approved establishment of twenty-two (22) employees. The recruitment processes for the vacancies were also completed and posts to be filled in 2017.

Ninety five percent (95%) of staff are citizens and five percent (5%) are non-citizens. Thirty five percent (35%) are male and sixty five percent (65%) are female.

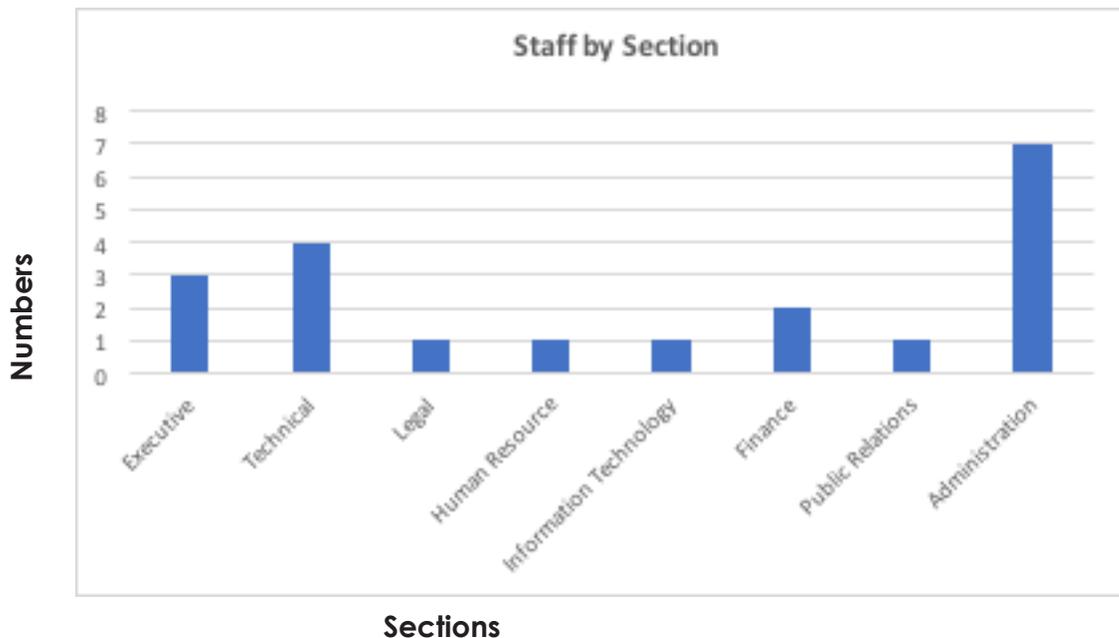
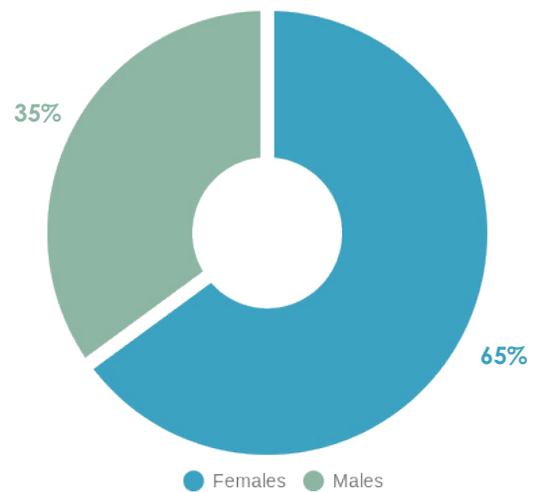
COMMITTEES OF THE BOARD (CONTINUED)

HUMAN RESOURCE COMMITTEE (HRC) (CONTINUED)

Staff by Gender



Staff by Citizenship

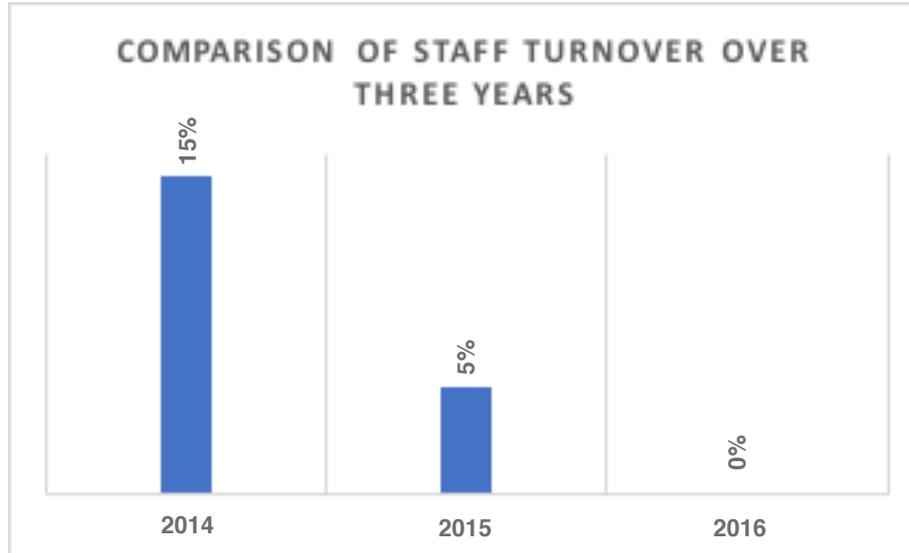


g) Staff Turnover

The Authority has maintained acceptable levels of staff turnover in the past two years. The staff turnover in 2016 was zero compared to five percent (5%) in 2015. Resignations were significantly reduced due to the human resource policies and procedures that were developed and implemented. Feedback on employment experiences is also solicited through exit interviews from staff terminating their employment with the Authority, in order to address issues that lead to resignations.

COMMITTEES OF THE BOARD (CONTINUED)

HUMAN RESOURCE COMMITTEE (HRC) (CONTINUED)



h) Staff Training and Development

The Authority is committed to developing a strong learning culture, in which every employee can achieve their full potential, and which will increase job satisfaction and support career development. As such, the Authority is committed to providing excellent training and development opportunities for its staff, which meet the operational and strategic objectives of the organisation as well as individuals own learning aspirations and needs. As a result, the Authority developed a Training and Development Policy and Procedures in 2016, which will be followed by the development of a comprehensive needs based training plan or programme.

The Authority however continued to develop its small but strategic staff in order to close competency gaps for better performance. During the period under review, the Authority conducted workshops on Tax for the Executives, Managers and the Technical Department staff to equip them with the required skills on various tax issues.

The Authority also conducted a workshop on Enterprise Risk Management, as the Authority is committed to implementing and maintaining a process for monitoring and evaluating risks that threaten its achievement of goals. The Enterprise Risk Management is to be embedded as a management culture in the daily activities of the Authority for improving efficiency and effectiveness of operations that support strategic objectives.

COMMITTEES OF THE BOARD (CONTINUED)

HUMAN RESOURCE COMMITTEE (HRC) (CONTINUED)

ATTENDANCE REGISTER

No.	Committee Member	Date of Appointment	MEETING DATE		
			24 Jun. 2016	30 Nov. 2016	Total
1.	Mr. Keneilwe R. Morris	Jun. 2013	✓	✓	2/2
2.	Dr. Racious M. Moatshe	Jun. 2016	✓	✓	2/2
3.	Mr. Thapelo Tsheole	Jun. 2016	A	A	0/2

Key:

✓- Present

A- Apologies

GRATITUDE

On behalf of the Human Resource Committee, I would like to express my sincere gratitude to the BAOA Board and Committees, BAOA Management and Staff for the support and guidance that they rendered to the Committee in 2016.



Mr. Keneilwe R. Morris

Chairperson

COMMITTEES OF THE BOARD (CONTINUED)

FINANCE, AUDIT AND TENDER COMMITTEE (FATC)



Daniel N. Loeto
Chairperson



Oaitse M. Ramasedi
Vice-Chairperson



Emma A. Peloetletse
Chairperson

FINANCE, AUDIT AND TENDER COMMITTEE

The Finance, Audit and Tender Committee (the Committee), is pleased to present its report for the financial year ended 31st December, 2016. The Committee operates within defined terms of reference as set out in its Charter and the Authority delegated to it by the Board.

The Committee is not one of the statutory committees as per Section 16 (2) of the Financial Reporting Act, 2010 (the Act), but it is established through Section 16(1) of the Act, which stipulates that the Board of the Botswana Accountancy Oversight Authority (the Authority) may, for the purposes of performing its functions, establish such committees as it considers appropriate; and may delegate, to any such committee, any of its functions as it considers necessary.

Purpose and Responsibilities of the Committee

In carrying out its duties and responsibilities delegated by the Board, the Committee promotes the highest standard of Corporate Governance as recommended in King III. During the year under review the Committee provided oversight on the following:

- (i) the integrity of the Authority's financial statements and any formal reports relating to the Authority's financial performance, reviewing significant financial reporting judgments contained therein, the appropriateness, relevance and reliability of operational and financial reporting;
- (ii) compliance with the legal and regulatory requirements;

- (iii) Independent Auditors' qualifications, independence and objectivity and the effectiveness of the audit process; and
- (iv) the Authority's system of quality control, intended to ensure that systems are relevant, adequate and operating effectively to enable the Authority to meet its objectives and thereby support the requirements of Section 68 of the Act.

The Committee also evaluated the adequacy and effectiveness of the Authority's accounting practices, information systems, budgeting and budgetary control systems, and auditing processes used by the Authority in the daily management of its business.

On financial statements and disclosure matters the Committee reviewed and discussed with Management Quarterly Management Accounts providing financial information that assists the Board in decision making, prior to their presentation to the Board; ensuring that the Management Accounts provide comparisons against budgets and/or prior years, and explanations for significant variances.

Other activities for the year:

a) NATIONAL POLICY ON APPOINTMENT OF EXTERNAL AUDITORS

The Authority is working on a project to develop a National Policy on the appointment of External Auditors. This initiative was prompted by several requests for guidance from stakeholders on the appointment of independent auditors, in particular, on issues relating to the terms of appointment and rotation of audit firms, audit partners and senior audit personnel. Consultations with the relevant stakeholders are ongoing and a final National Audit Policy is expected by the end of the second quarter of 2017.

COMMITTEES OF THE BOARD (CONTINUED)

FINANCE, AUDIT AND TENDER COMMITTEE (FATC) (CONTINUED)

b) RISK ENTERPRISE MANAGEMENT

The Strategic Plan of the Authority for 2016-2020 requires the Authority to develop and implement Risk Enterprise Management Systems (REMS). The Board resolved that in the interim, the responsibility for risk management in the Authority will remain with the FATC until it is found necessary to come up with a dedicated Risk Management Committee. Detailed work on the REMS started in the last quarter of 2016 and will be completed during the first half of 2017. The Authority conducted a workshop on Enterprise Risk Management as the Authority is committed to implementing and maintaining a process for evaluating and monitoring risks that threaten its achievement of goals. The Enterprise Risk Management is to be embedded as a management culture in the daily activities of the Authority for improving efficiency and effectiveness of operations that support strategic objectives.

c) INFORMATION TECHNOLOGY (IT) GOVERNANCE

The Committee provided oversight on the following:

- i) the alignment of the Authority's information systems to its long-term strategy; and
- ii) the Authority's implementation of the Information Technology Governance framework and to ensure that there is adequate security to prevent unauthorised use of, access to, disclosure of, disruption or elimination of, and changes to the information systems of the Authority.

During the year under review, the IT Milestones included the development of the IT Policies that implement the IT Strategy which was developed and approved in 2015. These policies have, in turn been approved and cascaded to all members of staff.

The year 2016 marked the first year of implementation of the BAOA 2016-2020 Strategy which leverages Information Technology through IT Strategy in all major objectives identified in the strategy. For the year 2016, IT interventions have been leveraged in the improvement of communication through collaboration tools, in the improvement of operational excellence through an ongoing project of automating performance management and other human resource related activities, as well as in the tooling of Enterprise Risk Management.

The IT function has continued to maintain Service Level Agreements with third party service providers for critical services.

The IT function has utilised the assistance under the Government Internship Programme as a way of

participating in the provision of on the job training to new IT professionals. This arrangement has benefited the Authority by increasing the number of personnel who are available for first line user support.

The Authority, being a custodian of information held in confidence, takes keen interest in matters of information security, hence IT security has remained our top priority. No security breaches or incidents were experienced during the year under review.

d) TENDER

The Committee oversees the Authority's procurement and asset disposal operations and procedures, and their compliance with the provisions of the Public Procurement and Asset Disposal Act. However, there was little tender activity during 2016 in this area except for the tendering for new office accommodation as the current accommodation is not suitable.

e) FINANCIAL PERFORMANCE

i) Revenue base

Section 60 of the Financial Reporting Act, 2010 (the Act) states that the revenues of the Authority shall consist of:

- a) Such monies as may be appropriated by the National Assembly;
- b) Fees that the Authority may charge for services it may render to Public Interest Entities and their auditors;
- c) Money paid in respect of fines imposed by the Authority under the Act;
- d) Grants and donations that the Authority may receive;
- e) Income that the Authority may receive from investments, rentals, sale of land and buildings; and
- f) Such other sources as may be approved by the Government.

The Authority has so far received revenues from sources (a) and (b) above. The main source of income of the Authority for 2016, at more than eight six percent (86%), being the Government subvention. However, as can be seen from the diagrams below, revenue received from the rendering of services has been increasing over the past couple of years.

Funding and Independence

The Authority continues to be a recipient of Government Subvention and anticipates this to continue into the foreseeable future. Empirical evidence has shown that

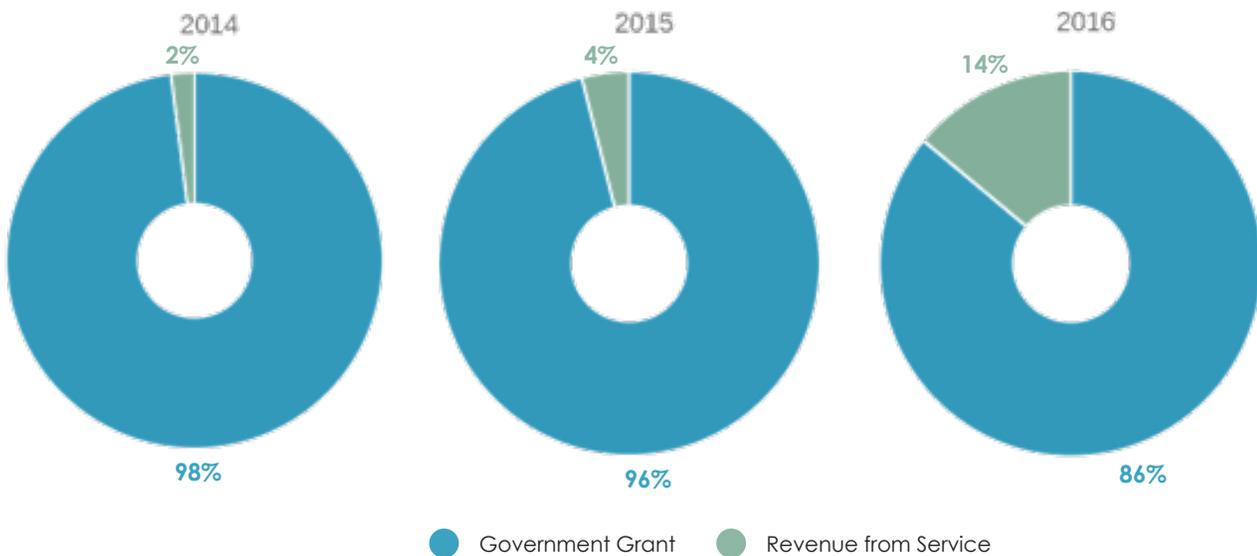
COMMITTEES OF THE BOARD (CONTINUED)

FINANCE, AUDIT AND TENDER COMMITTEE (FATC) (CONTINUED)

continued Government support is desirable as it goes a long way towards achieving the desired regulatory independence of the regulator from the entities that it oversees. However, over dependence on Government has its own challenges as Government has other competing national priorities. The approval of the Financial Reporting Regulations in 2016 has opened

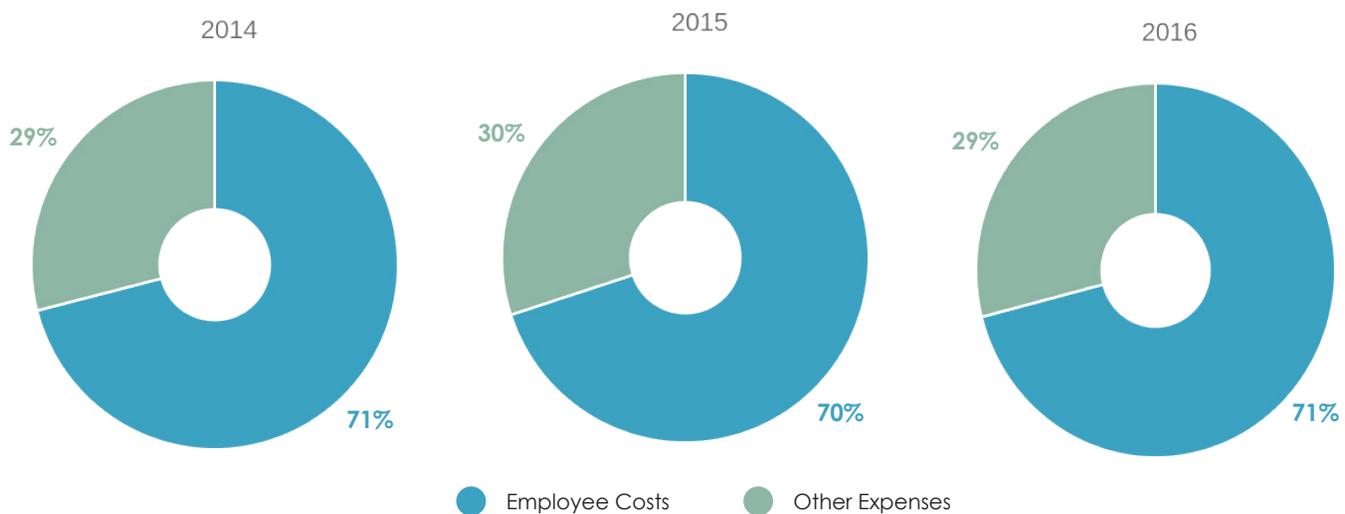
another source of revenue for the Authority through the registration of public interest entities.

The diverse base of public interest entities as defined by Sections 22 and 56 of the Financial Reporting Act, 2010 ensures that the Authority's continued independence from the entities it oversees is maintained.



ii) Expenditure

As a knowledge based organisation, the Botswana Accountancy Oversight Authority has invested heavily in its human capital as shown by a high proportion of its employee expenditure averaging about 70% of its total cost over the past couple of years as shown below in the graphs below:



Employee costs comprise salaries, and employee related costs such as training, group life and workman's compensation insurances. In 2016 employee costs increased by 24% (2015 – 1.5%) due to employment of additional staff to match the expansion of the Authority's mandate. Other expenses relate to operational expenses like rent and utilities.

COMMITTEES OF THE BOARD (CONTINUED)

FINANCE, AUDIT AND TENDER COMMITTEE (FATC) (CONTINUED)

iii) Surplus

The Authority reflected a lower surplus of P437,600 for the year ended 31 December, 2016 as compared to P1, 409,700 in 2015. The higher surplus in 2015 was a result of delays in the issuance of Financial Reporting Regulations which meant some activities like awareness campaigns for registration of public interest entities could not be undertaken although budgeted for.

GENERAL

In the execution of its functions, the Authority continues to adopt accounting policies and practices that comply with both local legislation and International Financial Reporting Standards in the recognition, measurement and disclosure of revenue, fixed assets and other financial assets and liabilities.

COMMITTEE MEETINGS

The FATC met three times during 2016. The attendance register is presented below:

No.	Committee Member	Date of Appointment	MEETING DATE			Total
			18 Mar. 2016	20 Jul 2016	1 Dec. 2016	
1.	Mr. Daniel N. Loeto	Jun. 2013	✓	✓	✓	3/3
2.	Ms. Emma A. Peloetletse	Jun. 2013	A	✓	✓	2/3
3.	Mr. Oaitse M. Ramasedi	Jun. 2013	✓	✓	✓	3/3

Key:

✓- Present

A- Apologies

GRATITUDE

I wish to thank my fellow Committee members for their valuable contributions and the Board for its guidance; the Chief Executive Officer, his Management team and staff of the Authority for providing appropriate professional advice and secretarial support that made our work manageable.



.....
Daniel N. Loeto
Chairperson

EXECUTIVE STAFF



Duncan Majinda
Chief Executive Officer

Duncan Majinda is the current CEO of Botswana Accountancy Oversight Authority (BAOA). His accountancy career started when he qualified as an Accounting Technician in 1984. Using his AAT to launch his career, he completed ACCA in 1990 and went on to do his MBA (Finance) at the University of Manchester in England. His past employers are Ministry of Local Government and Lands, Department of Local Government Audit, Anglo American Corporation, Deloitte and Touche, Bank of Botswana and the Botswana Institute of Chartered Accountants (BICA). He went through the ranks from Accounts Clerk to Accounts Supervisor, to Finance Manager before he joined BICA and BAOA as CEO.

Duncan has served in several past and current Directorships including Botswana Accountancy College; Botswana Stock Exchange (Treasurer); Mascom; Botswana Institute of Accountants; Stockholm International School in Sweden (Audit Committee Chairman); Botswana Internal Audit (Founding President); Companies and Intellectual Property Authority (CIPA) (Audit Committee Chairman); Grand De Luxe Investment and Consulting Company; and Tlotlo Hotel and Conference Center (Chairman).

EXECUTIVE STAFF (CONTINUED)



Limited Q. Nkani
Director of Finance & Administration

Limited Quite Nkani is the Director of Finance and Administration. He started work with the Ministry of Local Government and Lands in the Department of Local Government Audit and proceeded to work for Coopers and Lybrand, now PricewaterhouseCoopers and then joined the Botswana Insurance Holdings Group where he became Acting Managing Director of Botswana Life in 2002 to 2003. He proceeded to work for Metropolitan Botswana as Managing Director in 2006 and in 2008 joined the National Food Technology Research Centre as the Director of Corporate Services.

He is a Certified Chartered Accountant, having qualified in 1985 as an ACCA and admitted to membership in 1989. He holds a Master of Business Administration (MBA) from the University of Botswana. He has attended a number of short courses; in Insurance, Business Development, Management Leadership, Financial Management, Budgeting and Quality Assurance; in Botswana, South Africa, Germany and the United States of America.



Joe Mutwale
Director Technical

Joe Mutwale is the Director, Technical. He is a holder of a Bachelor of Administration Degree (University of Zambia), Fellow of the Botswana Institute of Chartered Accountants, Fellow of the Association of Chartered Certified Accountants (ACCA), Fellow of the Zambia Institute of Chartered Accountants; with more than twenty nine (9) years of post-qualification experience mainly in central bank internal auditing and finance, mining, and the auditing profession.

Between 2011 and 2013 he served as Group Internal Auditor of the Sefalana Group of companies. Prior to that he served in various capacities in the Bank of Botswana for eleven and half (11^{1/2}) years, including as Chief Internal Auditor for a period of six (6) years, and as Deputy Director of Finance (Chief Accountant) for more than three (3) years.

He has extensive practical auditing experience, including provision of specialised professional services to recipients of funds from international funding organisations such as the African Development Bank and the World Bank; gained while working for Deloitte Zambia for a total of seven years, where he rose from Audit Senior to Senior Audit Manager. He also served as Senior Audit Manager with KPMG Botswana for two (2) years.

MANAGEMENT TEAM



(FRONT ROW) Left to Right: Merapelo Mokgosi, Patrick A. Jansen
(STANDING) Left to Right: Lame Obotseng, Boitumelo V. Raditladi, Ephifania Nkanga
(NOT IN PICTURE): Lesego Pheto

TECHNICAL DEPARTMENT REPORT

MANDATE OF THE TECHNICAL DEPARTMENT

The Technical Department is responsible, on behalf of the Authority, for provision of oversight to accounting and auditing services and promotion of the standard, quality and credibility of providing financial and non-financial information by entities, including Public Interest Entities (PIEs), through standard setting, financial reporting monitoring, audit practice reviews, corporate governance reviews, enforcement of compliance and oversight over Professional Accounting Organisations.

The functions of the Authority in respect of the above are performed by qualified professional staff employed on a full time basis by the Authority. As at the end of 2016, the Technical Department had six (6) full time professional staff and two (2) trainee graduates compared to only four (4) as at the end of 2015. Two (2) additional professional staff were recruited in 2016 in order accommodate the increase in the level of services rendered expected from 2017 onwards. It is expected that another professional member of staff will be added to the Department's staff compliment in 2017.

The work undertaken by the Department in 2016 in fulfilling the above mandate is provided in the following paragraphs.

WORK UNDERTAKEN THROUGH SUBCOMMITTEES OF THE BOARD

In assisting in the fulfilment of the Authority's mandate, the Department undertakes the required review work, presents reports to the Board subcommittees with appropriate recommendations for the subcommittees' consideration. The Board subcommittees then review the Department's reports and in turn make recommendations to the Board, for their final decisions.

Item Number	Work done	Committee Report in which work done was reported
1.	Audit Practice Reviews	Summary included in Audit Practice Review Committee Chairperson's Report
2.	Registration and renewal of registration of Audit Firms and Certified Auditors of Public Interest Entities; and Professional Accountancy Organisations	Audit Practice Review Committee Chairperson's Report
3.	Disciplinary matters	Enforcement Committee Chairperson's Report
4.	Financial Reporting Monitoring	Financial Reporting Monitoring Committee Chairperson's Report
5.	Standards Setting	Standards Setting Committee Chairperson's Report

PROVISION OF SECRETARIAL SERVICES TO BOARD SUBCOMMITTEES

During the year, the Technical Department provided secretarial services to the Standards Setting Committee, Audit Practice Review Committee, Financial Reporting Monitoring Committee; and the Enforcement Committee.

PARTICIPATION IN IFIAR PROJECTS

The Authority continued to be a member of the International Forum of Independent Audit Regulators (IFIAR), the global body of Audit Regulators. As in 2016, the Authority through the Technical Department continued to participate in the Forum's activities. The Department spearheaded the Authority's participation in the 2016 IFIAR Survey of Inspections Findings. The results of the survey are expected sometime in 2017 and they will be disseminated to audit firms with a view to highlighting common areas of interest and challenge to audit firms and their practitioners, for them to address.

TECHNICAL DEPARTMENT REPORT (CONTINUED)

TECHNICAL STAFF



(FRONT ROW) Left to Right: Chanana Stimela, Ephifania Nkanga, Lame Obotseng
(STANDING) Left to Right: Keotshepile Monepe, Tsholofelo Kereeditse, Patience Habana
(NOT IN PICTURE): Lesego Pheto

FINANCE AND ADMINISTRATION DEPARTMENT REPORT

The Finance and Administration Department provides support services to the whole organisation. In Particular, it deals with matters relating to finance and auditing, procurement, administration, legal, information technology and human resource management.

The detailed activities of the Department are well covered in the respective reports of Finance and Audit and Tender Committee; Education and Training Committee; and Human Resources Committee which are part of this Annual Report.

The Department participated and ran two other successful projects during the year respectively:

- a) Botswana 50th Independence Celebrations (BOT50); and
- b) Public Interest Entities Awareness campaign.



BAOA participated in 50th Independence Celebration on 30th September 2016



BAOA Team at the 50 Days to 50th Independence Celebrations at the University of Botswana stadium on the 11th August 2016



BAOA employee explaining mandate to the public



Awareness campaign Team at Botswana Railways



Awareness campaign Team at Tati Nickel Mine



Awareness campaign Team at Mupane Gold Mine

FINANCE AND ADMINISTRATION DEPARTMENT Report (CONTINUED)

FINANCE AND ADMINISTRATION DEPARTMENT STAFF

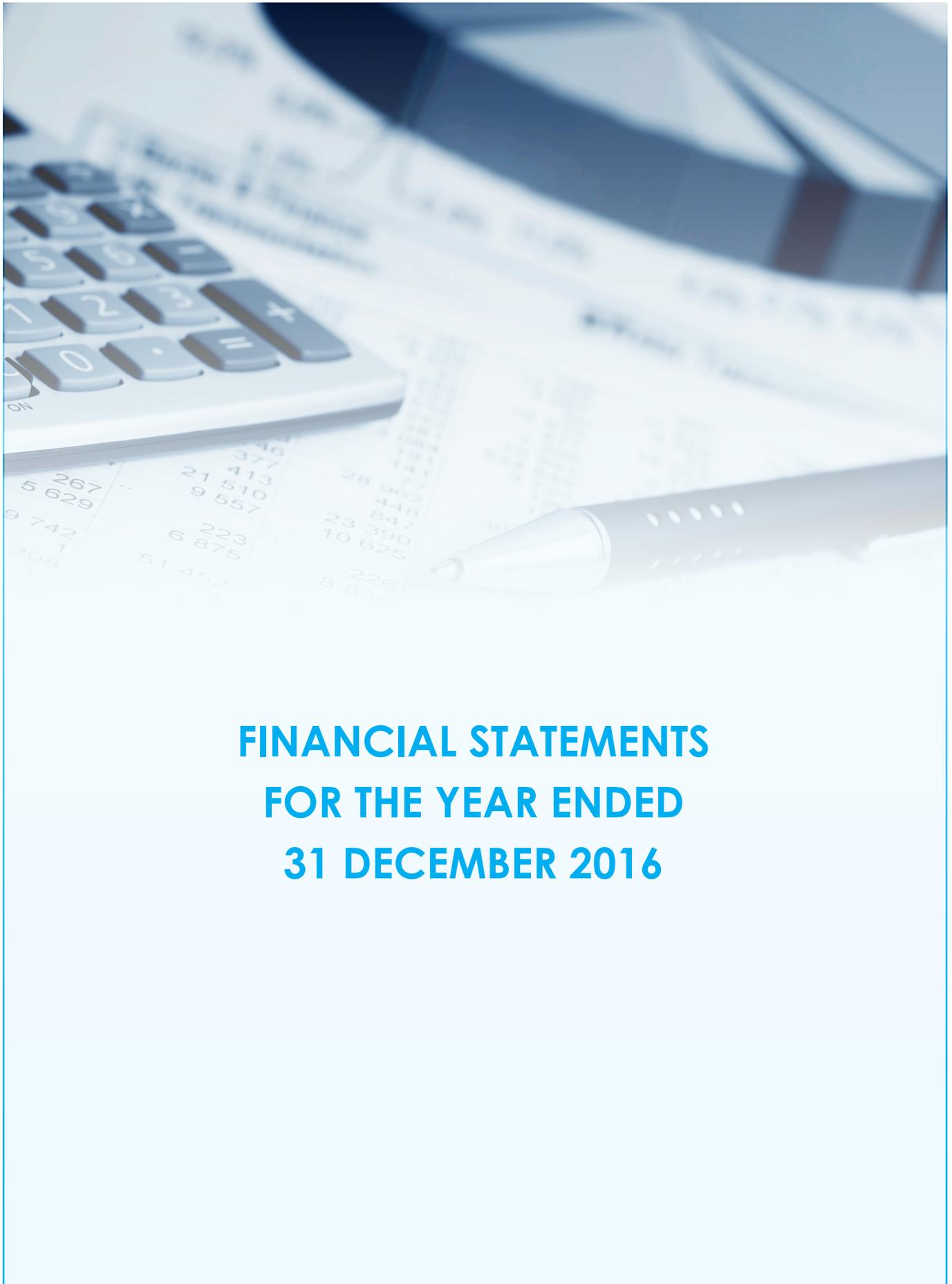


(SITTING) Left to Right:

(SECOND ROW) Left to Right:

(BACK ROW) Left to Right:

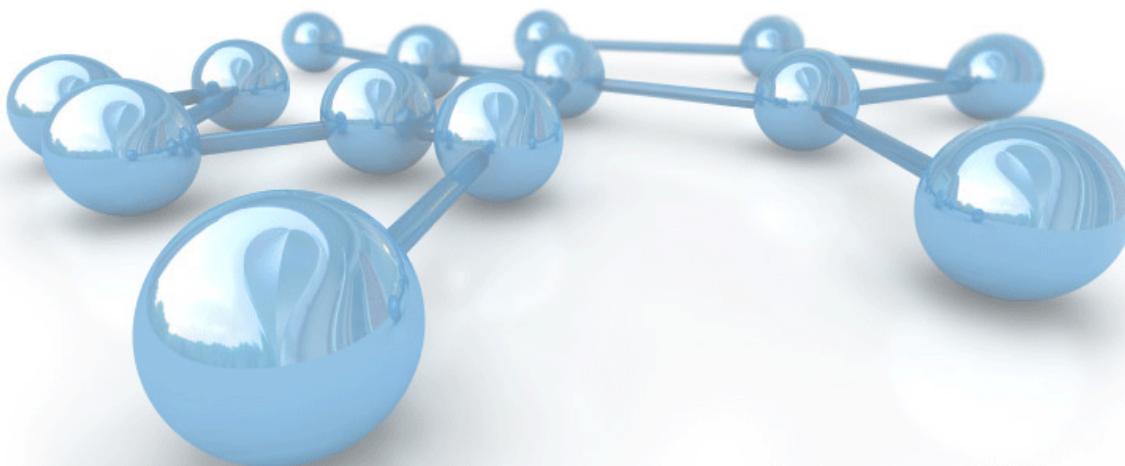
Olebeletse Mokone, Margret Montebatsi, Boitumelo V. Raditladi
Merapelo Mokgosi, Yvonne Mmottlanyane, Ditebogo E. Tsheko
Keitumetse Kgasudi, Kutlwano Letsholo, Ndulamo Ntopo
Thapelo Otukile, Daniel Keleketu, Kelebogile Kereng, Thulaganyo Molemi,
Patrick A. Jansen, Itumeleng Selebalakhai, Blessed Seretse



FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL STATEMENTS For the year ended 31 December 2016

Directors Statement of Responsibility and Approval of Financial Statements	67
Independent Auditor's Report	68 - 69
Statement of Financial Position	70
Statement of Comprehensive Income	71
Statement of Changes in Reserves	72
Statement of Cash Flows	73
Accounting Policies	74 - 81
Notes to the Financial Statements	82 - 88



DIRECTORS STATEMENT OF RESPONSIBILITY AND APPROVAL OF FINANCIAL STATEMENTS

The Directors are required to maintain proper books of accounts and records of accounts and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of Botswana Accountancy Oversight Authority ("the Authority") as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the Financial Reporting Act, 2010 and International Financial Reporting Standards. The independent auditors are responsible for reviewing and reporting on the Authority's financial statements and their report is presented on page 68 and 69.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Directors and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Directors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout by the Directors and all employees are

required to maintain highest ethical standards in ensuring that the Authority's business is conducted in a manner that, in all reasonable circumstances, is above reproach. The focus of risk management in the Authority is on identifying, assessing, managing and monitoring all known forms of risk across the Authority. While operating risk cannot be fully eliminated, the Directors endeavour to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by Management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Directors have reviewed the Authority's cash flow forecast for the year to 31st December, 2017 and, in the light of this review and the current financial position, are satisfied that the Authority has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on Pages 70 to 88, which have been prepared on the going concern basis, were approved by the Directors on 30th March, 2017 and were signed on its behalf by:

Director

Date



 30 March 2017

Director

30 March 2017





PO Box 778
 Gaborone
 Botswana

Deloitte & Touche
 Assurance & Advisory Services
 Chartered Accountants
 Deloitte House
 Plot 64518
 Fairgrounds
 Gaborone
 Botswana

Tel: +(267) 395 1611
 Fax: +(267) 397 3137
 www.deloitte.com

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OF BOTSWANA ACCOUNTANCY OVERSIGHT AUTHORITY

Opinion

We have audited the financial statements of Botswana Accountancy Oversight Authority ("BAOA"), which comprise the statement of financial position as at 31st December, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31st December, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the requirements of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B), together with other ethical requirements that are relevant to our audit of the financial statements in Botswana, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Directors are responsible for the other information. The other information comprises the Annual Report, Directors' Responsibility Statement and Approval of the Financial Statements. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our



INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF OF BOTSWANA ACCOUNTANCY OVERSIGHT AUTHORITY

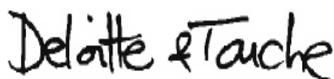
opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required

to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority's to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Deloitte & Touche
 Certified Auditors
 Practicing Member: C V Ramatlapeng (20020075)

Gaborone
 30 March 2017

STATEMENT OF FINANCIAL POSITION as at 31 December 2016

Figures in Pula	Note(s)	2016	2015
ASSETS			
Non-current assets			
Plant, equipment and leasehold improvements	3	<u>1,646,300</u>	<u>2,295,500</u>
Current assets			
Accounts receivable	4	1,559,600	527,000
Cash and cash equivalents	5	<u>7,345,500</u>	<u>5,630,500</u>
		8,905,100	6,157,500
Total assets		<u>10,551,400</u>	<u>8,453,000</u>
RESERVES AND LIABILITIES			
RESERVES			
Retained earnings		<u>5,088,300</u>	<u>4,650,700</u>
LIABILITIES			
Non-Current Liabilities			
Deferred lease liability		<u>171,200</u>	<u>248,600</u>
Current liabilities			
Accounts payable	6	<u>5,291,900</u>	<u>3,553,700</u>
Total reserves and liabilities		<u>10,551,400</u>	<u>8,453,000</u>

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

Figures in Pula	Note(s)	2016	2015
Income			
Government subvention received for recurrent expenditure		12,883,400	13,198,800
Revenue earned from services	9	2,356,500	522,200
Other income	10	<u>7,100</u>	<u>800</u>
		15,247,000	13,721,800
Operating expenses	11	<u>(15,004,400)</u>	<u>(12,393,500)</u>
Operating surplus before interest		242,600	1,328,300
Interest income	13	<u>195,000</u>	<u>81,400</u>
Surplus for the year		<u>437,600</u>	<u>1,409,700</u>
Total comprehensive income for the year		<u>437,600</u>	<u>1,409,700</u>

STATEMENT OF CHANGES IN RESERVES

For the year ended 31 December 2016

Figures in Pula	Retained Earnings	Total Reserves
Balance at 01 January 2015	3,241,000	3,241,000
Total comprehensive income for the year	<u>1,409,700</u>	<u>1,409,700</u>
Balance at 31 December 2015	4,650,700	4,650,700
Total comprehensive income for the year	<u>437,600</u>	<u>437,600</u>
Balance at 31 December 2016	<u>5,088,300</u>	<u>5,088,300</u>

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

Figures in Pula	Note(s)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash flows from operating activities	12	1,772,100	3,360,100
Interest income	13	<u>195,000</u>	<u>81,400</u>
Net cash generated from operating activities		<u>1,967,100</u>	<u>3,441,500</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment	3	<u>(252,100)</u>	<u>(341,400)</u>
Net cash used in investing activities		<u>(252,100)</u>	<u>(341,400)</u>
Changes in cash and cash equivalents		1,715,000	3,100,100
Cash and cash equivalents at the beginning of the year		<u>5,630,500</u>	<u>2,530,400</u>
Cash and cash equivalents at the end of the year	5	<u>7,345,500</u>	<u>5,630,500</u>

ACCOUNTING POLICIES

1. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with International Financial Reporting Standards and the Financial Reporting Act, 2010. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in Botswana Pula, the functional and reporting currency of the Authority.

1.1 NATURE OF THE BUSINESS

The principal objective of the Authority is to provide oversight to the accounting and auditing profession and promote the standard, quality and credibility of providing financial and non-financial information by entities. Its functions include standard setting, financial reporting and audit practice reviews, enforcement of compliance and oversight over the education and training of professional accountants in Botswana. The Authority commenced operations in 2012.

1.2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATING UNCERTAINTY

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future may differ from these estimates which may be material to the financial statements. Significant judgements include:

Loans and receivables

The Authority assesses its loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Authority makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Estimation of impairment of non-financial assets

The Authority assesses its assets for impairment at the end of each reporting period. In determining whether an impairment loss should

1.2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATING UNCERTAINTY (CONTINUED)

be recorded in the statement of comprehensive income, the Authority makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from an asset.

Estimation of remaining useful lives and residual values of items of plant and equipment

The useful lives of assets are estimated based on the pattern of use, industry practice and technological advances on the market. These estimates are used in determining the depreciation charge for the year.

The estimation of residual values is affected by the market price of similar used items, technological advances, pattern of use and the industry practice. These estimates have an impact on the level of depreciation charged to the statement of comprehensive income and the carrying values of items of plant, equipment and leasehold improvements in the statement of financial position.

1.3 PLANT, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

The cost of an item of plant, equipment and leasehold improvements is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the Authority; and
- the cost of the item can be measured reliably.

Plant, equipment and leasehold improvements is initially measured at cost.

Cost includes costs incurred initially to acquire or construct an item of plant, equipment and leasehold improvements and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of plant, equipment and leasehold improvements, the carrying amount of the replaced part is derecognised.

ACCOUNTING POLICIES (CONTINUED)

1.3 PLANT, EQUIPMENT AND LEASEHOLD IMPROVEMENTS (CONTINUED)

Plant, equipment and leasehold improvements is carried at cost less accumulated depreciation and any impairment losses.

Plant, equipment and leasehold improvements are depreciated on the straight line basis over their expected useful lives to their estimated residual values.

The useful lives of items of plant, equipment and leasehold improvements have been assessed as follows:

Item	Average useful life
Motor vehicles	6 years
Computer equipment	4 years
Office equipment	4 years
Furniture and fittings	10 years
Leasehold improvements	5 years

The residual value and useful life of each category of asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in the statement of comprehensive income unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of plant, equipment and leasehold improvements is included in the statement of comprehensive income when the item is derecognised. The gain or loss arising from the derecognition of an item of plant, equipment and leasehold improvements is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 FINANCIAL INSTRUMENTS

Classification

The Authority classifies financial assets and financial liabilities into the following categories:

- Loans and receivables; and
- Financial liabilities measured at amortised cost.

1.4 FINANCIAL INSTRUMENTS (CONTINUED)

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Initial recognition and measurement

Financial instruments are recognised initially when the Authority becomes a party to the contractual provisions of the instruments.

The Authority classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value. Transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loan and Receivables

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Financial Liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expenses recognised on an effective yield basis.

Impairment of financial assets

At each reporting date the Authority assesses all financial assets to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the Authority, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments (more than 60 days overdue) are all considered indicators of impairment. The amount of the provision (allowance) is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within operating expenses.

ACCOUNTING POLICIES (CONTINUED)

1.4 FINANCIAL INSTRUMENTS (CONTINUED)

When a receivable is uncollectable, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the statement of comprehensive income.

Impairment losses are recognised in the statement of comprehensive income

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.5 TAXATION

The Botswana Accountancy Oversight Authority is an entity wholly owned by the Botswana Government. It is exempt from income tax under Part 1 paragraph (ii) of the Second Schedule of the Income Tax Act Cap 52:01.

1.6 LEASES

A lease is classified as a finance lease if it transfers substantially all risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.7 IMPAIRMENT OF ASSETS

The Authority assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Authority estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

The Authority assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss is limited to the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation is recognised immediately in the statement of comprehensive income.

1.8 EMPLOYEE BENEFITS

Short-term employee benefits

The cost of short-term employee benefits, i.e. those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care, are recognised in the period in which the service is rendered and are not discounted.

ACCOUNTING POLICIES (CONTINUED)

Post-employment benefits

Contract staff members of the Authority are entitled to gratuities on leaving the employment of the Authority or at the end of their contracts at the rates, and in accordance with the terms specified, in their contracts of employment.

An accrual is raised in respect of gratuity owed as the employee renders services to the Authority.

1.9 REVENUE RECOGNITION

Revenue earned from services

The Authority renders services to Certified Auditors, Certified Firms of Auditors, Professional Accounting Organisations and Public Interest Entities. Revenue earned from such services is measured at the fair value of the consideration received or receivable for the services rendered. The Authority recognises revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the Authority.

Interest revenue

Interest income is recognised in the statement of comprehensive income on an accrual basis, by reference to the principal outstanding and the effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount.

1.10 BORROWING COSTS

All borrowing costs are recognised as an expense in the period in which they are incurred.

1.11 RELATED PARTY TRANSACTIONS

The Authority maintains a very close relationship with the Government of Botswana. The Government of Botswana provides significant income to the Authority through capital grants and operational subventions.

1.12 GOVERNMENT GRANTS/CAPITAL GRANTS

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Government grants receivable as compensation for expenses or losses already incurred or for the purpose of giving the Authority immediate financial support with no further related costs are recognised as income in the period in which they become receivable. When the grant relates to capital expenditure, it is recognised as deferred income as a liability and it is released to income in equal amounts over the estimated useful lives of the related assets.

ACCOUNTING POLICIES (CONTINUED)

2 (a) ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

The accounting policies adopted are consistent with those of the previous financial year, except for the following new or revised Standards issued by the International Accounting Standards Board (IASB) and effective for annual reporting periods beginning on or after 1 January 2016.

New/Revised International Financial Reporting Standards

Standard/Interpretation	Details
IFRS 7 – Financial Instruments: Disclosures	<p>Applicability of the offsetting disclosures to condensed interim financial statements.</p> <p>The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in order to assess whether the disclosures are required.</p>
IFRS 14 – Regulatory Deferral Accounts	<p>IFRS 14 specifies the accounting for regulatory deferral account balances that arise from rate-regulated activities. The standard is available only to first-time adopters of IFRSs who recognised regulatory deferral account balances under their previous GAAP. IFRS 14 permits eligible first time adopters of IFRSs to continue their previous GAAP rate regulated accounting policies, with limited changes, and requires separate presentation of regulatory deferral account balances in the statement of financial position and statement of profit or loss and other comprehensive income. Disclosures are also required to identify the nature of, and risks associated with, the form of rate regulation that has given rise to the recognition of regulatory deferral account balances.</p> <p>IFRS 14 is effective for an entity's first annual IFRS financial statements for annual periods beginning on or after 1 January 2016.</p>

ACCOUNTING POLICIES (CONTINUED)

New/Revised International Financial Reporting Standards (Continued)	
IAS 1 – Presentation of Financial Statements	The Amendment clarifies guidance provided in IAS 1 on materiality and aggregation, the presentation of sub-totals, the structure of financial statements and the disclosure of accounting policies.
IAS 16 – Property, Plant and Equipment and IAS 38 Intangible Assets	<p>The amendments to the standard will be applied prospectively and comparatives will not be restated.</p> <p>In this amendment, the IASB has clarified that the use of revenue based methods to calculate the depreciation of assets is not appropriate as revenue generated by an activity that includes the use of an assets generally reflects factors other than the consumption of the economic benefits embodied in the asset. It has also been clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.</p>
IAS 19 – Employee Benefits	The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The application of these amendments has had no material effect on the Authority's financial statements.

ACCOUNTING POLICIES (CONTINUED)

2 (b) NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET EFFECTIVE

Standard/Interpretation	Title	Applicable for financial years beginning on/after
IFRS 9	Financial Instruments (2009 – 2010).	1 January 2018
IFRS 9 (amendment)	Financial Instruments – General hedge accounting	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IAS 7 (amendment)	Cash Flow Statements	1 January 2017

IFRS 9 – Financial Instruments (2009 & 2010)

- **Financial Liabilities**
- **Depreciation of financial instruments**
- **Financial assets**
- **General hedge accounting**

The standard forms part of the IASB's project to replace IAS 39. It will be applied retrospectively, subject to transitional provisions.

IFRS 9 addresses the clarification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The standard also includes guidance on financial liabilities and derecognition of financial liabilities and for derecognising financial instruments has been relocated from IAS 39 without change, except for financial liabilities that are designated at fair value through profit and loss.

IFRS 9 – Financial Instruments on general hedge accounting

The IASB has amended IFRS 9 to align hedge accounting more closely with the entity's risk management. The revised standard also establishes a more principle – based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.

ACCOUNTING POLICIES (CONTINUED)

New and Revised International Financial Reporting Standards in issue not yet effective (Continued)

Early adoption of the above requirements has specific transitional rules and need to be followed. Entities can elect to apply IFRS 9 for any of the following:

- Their own credit risk requirements for financial liabilities Classification and Measurement (C&M) requirements for financial assets.
- C&M requirements for financial assets and financial liabilities.
- The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting).

The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9.

IFRS 15 – Revenue from contracts with customers

This standard aims to be a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of goods and services transfer to a customer.

IFRS 16 – Leases

After ten years of joint drafting by the IASB and FASB they decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard.

IAS 7 – Cash Flow Statements (amendment)

This amendment introduces an additional disclosure that will enable users of financial statements to evaluate changes in the liabilities arising from financing activities. The amendment responds from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available.

The Authority will evaluate the effect of all new standards, amendments and interpretations that are in issue for adoption in the applicable periods.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 2016

3. PLANT, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Figures in pula	Motor Vehicles	Computer Equipment	Office Equipment	Furniture & Fittings	Leasehold Improvements	Total
2016						
Cost						
At 1 January 2016	539,200	1,291,800	332,300	1,284,300	729,000	4,176,600
Additions	-	<u>189,800</u>	<u>54,300</u>	<u>8,000</u>	-	<u>252,100</u>
At 31 December 2016	<u>539,200</u>	<u>1,481,600</u>	<u>386,600</u>	<u>1,292,300</u>	<u>729,000</u>	<u>4,428,700</u>
Depreciation						
At 1 January 2016	189,400	676,500	167,400	486,900	360,900	1,881,100
Charge for the year	89,900	355,000	87,000	116,300	206,800	855,000
Impairment	-	<u>29,100</u>	<u>17,200</u>	-	-	<u>46,300</u>
At 31 December 2016	<u>279,300</u>	<u>1,060,600</u>	<u>271,600</u>	<u>603,200</u>	<u>567,700</u>	<u>2,782,400</u>
Carrying value						
At 31 December 2016	<u>259,900</u>	<u>421,000</u>	<u>115,000</u>	<u>689,100</u>	<u>161,300</u>	<u>1,646,300</u>
2015						
Cost						
At 1 January 2015	308,000	1,198,200	315,700	1,284,300	729,000	3,835,200
Additions	<u>231,200</u>	<u>93,600</u>	<u>16,600</u>	-	-	<u>341,400</u>
At 31 December 2015	<u>539,200</u>	<u>1,291,800</u>	<u>332,300</u>	<u>1,284,300</u>	<u>729,000</u>	<u>4,176,600</u>
Depreciation						
At 1 January 2015	122,000	366,500	87,200	358,500	215,100	1,149,300
Charge for the year	<u>67,400</u>	<u>310,000</u>	<u>80,200</u>	<u>128,400</u>	<u>145,800</u>	<u>731,800</u>
At 31 December 2015	<u>189,400</u>	<u>676,500</u>	<u>167,400</u>	<u>486,900</u>	<u>360,900</u>	<u>1,881,100</u>
Carrying value						
At 31 December 2015	<u>349,800</u>	<u>615,300</u>	<u>164,900</u>	<u>797,400</u>	<u>368,100</u>	<u>2,295,500</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 (a) Changes in accounting estimates – useful lives and residual values

At the end of the year, the Authority reviewed the useful lives and residual values of its plant, equipment and leasehold improvements. There was no change to the useful lives and depreciation rates.

3 (b) Estimation of impairment of assets

During the year, the Authority reviewed its plant, equipment and leasehold improvements for impairment. As a result of this review, Computer and Office equipment were impaired by P29, 100 and P17, 200 respectively (2015 – Nil). This impairment loss has been recognised in the Statement of Comprehensive Income and the carrying values of Computer and Office equipment have been amended accordingly.

Figures in Pula	2016	2015
4. ACCOUNTS RECEIVABLE		
Deposits	65,900	65,900
Prepayments	88,700	14,900
Staff loans	1,134,600	400,400
Trade receivables	223,300	-
Other receivables	<u>47,100</u>	<u>45,800</u>
	<u>1,559,600</u>	<u>527,000</u>
5. CASH AND CASH EQUIVALENTS		
Petty cash	1,300	1,300
Current and call accounts	3,170,700	2,845,300
Gratuity account (Restricted funds)	<u>4,173,500</u>	<u>2,783,900</u>
	<u>7,345,500</u>	<u>5,630,500</u>
6. ACCOUNTS PAYABLE		
Employee costs accruals	4,835,600	3,122,200
Audit fee accrual	94,300	90,700
Deferred income (annual subscription fees paid in advance)	205,000	160,000
Other payables	157,000	98,900
Value Added Tax (VAT)	<u>-</u>	<u>81,900</u>
	<u>5,291,900</u>	<u>3,553,700</u>
Fair value of accounts payable	<u>5,291,900</u>	<u>3,553,700</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Figures in Pula	2016	2015
7. FINANCIAL ASSETS BY CATEGORY		
The accounting policies for financial instruments have been applied to the items below:		
Loans and receivables		
Accounts receivable	<u>1.470.900</u>	<u>512.100</u>
Bank balances	<u>7.345.500</u>	<u>5.630.500</u>
8. FINANCIAL LIABILITIES BY CATEGORY		
The accounting policies for financial instruments have been applied to the line item below:		
Financial Liabilities at Amortised cost		
Accounts payable	<u>251.300</u>	<u>189.600</u>
9. REVENUE EARNED FROM SERVICES		
Certified auditors for PIE	285,000	264,000
Audit firms for PIE	20,000	28,000
Parastatals	360,100	99,000
Professional accountancy bodies	7,900	10,700
BICA audit quality reviews	140,000	120,500
PIE Registered under Section 22 (a)	417,200	-
Banks Section 22(b)	81,500	-
PIE Regulated by NBFIRA section 22 (c))	375,000	-
PIE Registered under Section 22 (d)	<u>669,800</u>	<u>-</u>
	<u>2.356.500</u>	<u>522.200</u>
10. OTHER INCOME		
Promotional Items	4,100	-
Tendering receipts	<u>3,000</u>	<u>800</u>
	<u>7.100</u>	<u>800</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Figures in Pula	2016	2015
11. OPERATING SURPLUS BEFORE INTEREST		
Operating surplus before interest for the year is stated after accounting for the following:		
Audit fees	94,300	90,700
Depreciation on plant, equipment and leasehold improvements	855,000	731,800
Employee costs	10,475,400	8,532,200
Directors' fees	55,200	59,600
Rental charge	910,100	910,100
Other expenses	<u>2,614,400</u>	<u>2,069,100</u>
	<u>15,004,400</u>	<u>12,393,500</u>
12. NET CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year	437,600	1,409,700
Adjustments for:		
Depreciation on plant, equipment and leasehold improvements	855,000	731,800
Impairment	46,300	-
Interest income	(195,000)	(81,400)
Changes in working capital		
Accounts receivable	(1,032,600)	(107,000)
Accounts payable	1,738,200	1,399,200
Deferred lease liabilities	<u>(77,400)</u>	<u>7,800</u>
	<u>1,772,100</u>	<u>3,360,100</u>
13. INTEREST INCOME		
Bank	142,100	63,300
Staff loans	<u>52,900</u>	<u>18,100</u>
	<u>195,000</u>	<u>81,400</u>
14. OPERATING LEASES		
Cancellable operating lease rentals are payable as follows:		
Less than one year	1,081,300	987,600
Between one and five years	<u>-</u>	<u>1,081,300</u>
Total actual future cash flows payable to lessor	1,081,300	2,068,900
Straight lining already accrued in the Statement of Financial Position	<u>(171,200)</u>	<u>(248,600)</u>
Future expenses through Statement of Comprehensive Income	<u>910,100</u>	<u>1,820,300</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. OPERATING LEASE (CONTINUED)

Operating lease payments represent rentals payable by the Authority for certain buildings it rents for use as offices. Leases are negotiated for an average term of five (5) years. Lease payments are increased every year to reflect market rentals. No contingent rent is payable.

The operating lease in place can be terminated after the first three (3) years having lapsed by giving three (3) calendar months written notice of the intention to terminate without penalty.

15. RELATED PARTIES

All related party transactions are entered into at arm's length in the ordinary course of business. The transactions with key management personnel are staff benefits provided for under the General Conditions of Service of the Authority and their contracts of employment.

Figures in Pula	2016	2015
Related party transactions		
Grant received from related party		
Government of the Republic of Botswana		
Ministry of Finance and Economic Development	<u>12,883,400</u>	<u>13,198,800</u>
Transactions with key management personnel		
Executive Management remuneration	<u>3,529,900</u>	<u>3,184,500</u>
Executive Management loans	<u>469,500</u>	<u>215,100</u>
Directors' fees expense	<u>55,200</u>	<u>59,600</u>

16. FINANCIAL RISK MANAGEMENT

Liquidity risk

Liquidity risk is the risk that the Authority will be unable to meet its payments obligations when they fall due. The source of the Authority's cash resources is mainly from the Government annual subvention. Any expenditures and commitments are, therefore, restricted to the level of subvention received.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Continuous monitoring through cash flow forecasts and variance analysis is in place to ensure that expenditure does not exceed the Authority's cash resources.

Given below is the Authority's net liquidity gap derived from comparing current assets with current liabilities. The liquidity gap as at 31 December 2016 amounting to P3,613,200 (2015: P2,603,800) shows a positive liquidity position. The maximum liquidity exposure as at 31 December 2016 amounting to P5,291,900 (2015: P3,553,700) represents the total liabilities due within 12 months.

The amounts disclosed are the contractual undiscounted cash flows due within 12 months and are equal to their carrying balances as the impact of discounting is not significant.

Figures in Pula	2016	2015
Accounts receivable	1,559,600	527,000
Cash and Cash equivalents	<u>7,345,500</u>	<u>5,630,500</u>
Total liquid assets	<u>8,905,100</u>	<u>6,157,500</u>
LIABILITIES		
Accounts Payable	<u>5,291,900</u>	<u>3,553,700</u>
Net liquidity gap	<u>3,613,200</u>	<u>2,603,800</u>

Interest rate risk

The Authority invests practically all its surplus funds in interest-earning call accounts and bank deposit accounts in order to discharge its liabilities as they fall due. The average interest rate on the overnight bank deposits is 0.2% (2015: 0.5%). A 0.5% increase in interest rates would result in an increase in the surplus for the year of P15,900 (2015: P14,200), while a decrease in interest rates by a similar margin would result in an equal and opposite effect on the surplus for the year. 0.5% is considered the most likely movement in interest rates based on the past interest rate adjustments announced by Bank of Botswana.

The fixed deposit is at an average interest rate of 3.9% (2015: 5.5%) with a duration of 12 months.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Authority.

Credit risk relates mainly to cash deposits, cash equivalents and accounts receivable. The Authority only deposits cash with major banks with high quality credit standing. Therefore, credit risk is minimal.

The following table summarises the maximum exposures to credit risk without taking into account collateral held, in respect of which none is received on any of the financial assets.

<u>Figures in Pula</u>	<u>2016</u>	<u>2015</u>
Cash at bank	7,345,500	5,630,500
Accounts receivable	<u>1,470,900</u>	<u>512,100</u>
Total exposure to credit risk	<u>8.816.400</u>	<u>6.142.600</u>

17. EVENTS AFTER THE REPORTING DATE

No events have occurred between the statement of financial position date and the date of the approval of the financial statements, which would materially affect the financial statements.

