

AUDIT COMMITTEES AND CHIEF FINANCE OFFICERS-BUSINESS AND ACCOUNTING CONSIDERATIONS-COVID-19.

Those Charged With Governance (TCWG) are the person(s) and /or organization(s) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. The tone set by the Board to respond to the effects of COVID -19 and plans towards recovery will be critical to set the roadmap for executive management.

A lot has changed since COVID-19 was declared a world pandemic by the World Health Organization (WHO) in January 2020. TCWG have a significant role to play during and after COVID-19. As BAOA, we have drafted some suggestions on areas of emphasis for TCWG during and after COVID-19. Some of the areas that would need to be considered include but are not limited to the following:

1. Stakeholder Management

Identify key stakeholders such as Botswana Stock Exchange (BSE), Company Intellectual Property Authority (CIPA), Non-Bank Financial Institutions Regulatory Authority (NBFIRA), Bank of Botswana (BoB) and BURS and manage their various expectations (possibility of late reporting to avoid suspension from listing and /or penalties, Regulatory capital constraints), Shareholders (drop in earnings and loss of investments value). A communication strategy on the best way to communicate with each stakeholder will need to be developed.

2. Going Concern Responsibility

The Board has the ultimate responsibility over going concern of the entity.

- a. **Frequent business updates.** The Board is urged to have more frequent meetings (including teleconference meetings during lockdown) to get updates about the performance of various business units with a view to assessing the going concern status of each business unit and suggesting action plans to address going concern issues.
- b. **Revised budgets.** Both capital and operating expenditure budgets may need to be revisited and re-prioritised
- c. **Cash flow projections.** Formal cash flow and other business continuity related projections may need to be prepared to support the going concern assessment

- d. **Business impact assessment.** A formal business impact assessment should be presented to the Board to ensure that TCWG have a full appreciation of the effects and can make informed decisions
- e. **Supply chain management assessment.** This is critical as survival of most businesses depend on a smooth supply chain function. Prolonged disruptions can affect going concern even of well capitalised businesses. Since this is a global problem, supply chain alternatives may not be easy to come by.

3. **Funding Constraints**

Companies are urged to renegotiate repayment terms with their financiers to avoid breaching loan covenants. For example, some banks internationally are giving their clients 6 months moratoriums on loan repayments in view of COVID -19 challenges to businesses and individuals.

4. **Impairments Of Assets**

Significant impairments of financial instruments and other non-current assets such as goodwill, intangible assets and inventories need to be thoroughly reviewed and challenged by the Board. For Financial Institutions, the expected loss models and the various loss provisions and the future outlook will need closer scrutiny. Loss of value of security over financial assets will increase impairments. The Board is urged to take an early inventory of financial assets that are more susceptible to COVID-19 and do an evaluation of the impact.

5. **Post Balance Sheet Events**

Significant and robust disclosures are expected especially loss of values for such assets marketable securities post year end. The board has to be aware of the clear distinction of which events are adjusting and non-adjusting events according to IAS 10.

6. **Audit Process Management**

COVID-19 and the associated national lockdowns have resulted in some audits being postponed or slowing down. The result is that Auditors will be under a lot of pressure when the situation stabilises. The Board needs to have discussions with Auditors on how the assignments will be carried out.

7. **Restructuring**

The Board will have to consider restructuring possibilities and the funding model of such things as staff retrenchments.

8. **Emerging Risks and Life After Covid-19**

The Board needs to stand ready to revise their strategic plans to manage the after effects of COVID -19. Emerging risks need to be identified and risk registers updated together with responses to the risks.

9. Staff Welfare

Undoubtedly, some of staff members will be negatively affected through, for example, loss of family members and loss of income through retrenchments. Counselling arrangements and other similar support initiatives may be necessary.

10. Opportunities In Adversity

Consider new opportunities that could come from the after effects of COVID -19 and how the business can exploit these.

11. Internal Control Environment (Internal Audit and IT Control environment)

The lockdown and its effects may potentially have weakened the internal control environment. Operating with skeletal staff could expose some businesses to undesirable effects of the breakdown of the internal control environment such as fraud. This is worsened by the absence or limited function of the internal audit function to provide the assurance the Board needs.

12. Government And Labour Laws

The Board needs to be adequately updated on any government pronouncements and related laws as some of the pronouncements have far reaching consequences on the business. Care should be taken to make sure that all decisions taken are within the confines of the law including labour laws. The COVID-19 situation is evolving daily and Governments are forced to make impromptu pronouncements to deal with the crisis.

The Authority would like to emphasise that the ultimate responsibility of running the company and preparation of financial statements lies with Those Charged with Governance. It is therefore their responsibility to ensure that the Corporate Governance and Financial Reporting requirements are still met under the circumstances.

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