



# **BOTSWANA ACCOUNTANCY OVERSIGHT AUTHORITY (BAOA)**

## **AUDIT PRACTICE REVIEW COMMITTEE TERMS OF REFERENCE**

## **BOTSWANA ACCOUNTANCY OVERSIGHT AUTHORITY AUDIT PRACTICE REVIEW COMMITTEE (APRC) TERMS OF REFERENCE**

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## AUDIT PRACTICE REVIEW COMMITTEE (APRC) TERMS OF REFERENCE

### 1. INTRODUCTION

Section 16(1) of the Financial Reporting Act, 2010 (the Act) 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. Pursuant to this provision, the Board has established the APRC with the following Terms of Reference.

### 2. PURPOSE

The purpose of the APRC as covered by the Financial Reporting Act, 2010, its Regulations and Rules is to:

- a) uphold the highest standards of professionalism in the audit profession by ensuring compliance with International Financial Reporting Standards (IFRSs), International Standards on Auditing (ISAs), International Standards on Quality Control (ISQC) 1, Code of Ethics for Professional Accountants, relevant pronouncements, and local legislation. This entails, amongst others, the adoption of a stringent audit certification process for Certified Auditors as well as robust audit independence programs;
- b) review local standards of auditing in the country with a view to aligning them to international best practice, and to make recommendations to the Authority Board on any possible changes to the Authority regulatory regime requiring parliamentary approval;
- c) promote the reliability and credibility of financial statements and enhance the reputation of auditors in the eyes of stakeholders, the public and the business community at large; and
- d) assist in the adherence to the highest standards of performing audit and related services by auditors.

### 3. COMPOSITION

- 3.1 Pursuant to Section 16(3) of the Act, the APRC shall consist of three Board members appointed by the Board, and other persons with requisite specialised skills, not being members of the Board.
- 3.2 The Authority shall provide an induction programme for the APRC members, which should cover the role of the APRC, including its terms of reference and expected time commitment by members; and an overview of the Authority's business model and strategy, identifying the main business and financial dynamics and risks.
- 3.3 Training shall also be provided to members of the APRC on an ongoing and timely basis and should include an understanding of the principles of, and developments in, auditing, financial reporting, code of ethics for professional accountants and related company law; as may be considered appropriate.
- 3.4 The Board shall from time to time review the composition of the APRC, taking into consideration the need for an adequate combination of skills and knowledge necessary to undertake the responsibilities of the APRC effectively.

#### **4. STRUCTURE AND OPERATIONS**

##### **4.1 The Chairperson and Vice Chairperson:**

The Chairperson and Vice Chairperson shall be appointed by the Board.

##### **4.2 Meetings**

The APRC must meet as often as the circumstances require, but in any case a minimum of three (3) times a year; and at such time and place as the APRC Chairperson may determine, or as the Board may direct. Specifically, the APRC shall meet:

- a) once a year to review the conduct and direction of the reviews, based on information provided on practice review results. This process may include review of audit practice review cycles, practice review strategy relating to contentious issues such as auditor rotation and auditor independence; and

- b) at least twice a year to review audit review reports issued by the Technical Department. The results of audit quality reviews of Certified Auditors shall be sent to BICA in accordance with the Memorandum of Understanding signed by BAOA and BICA.

#### 4.3 Minutes

The Chairperson of the APRC shall cause a record to be kept of all meetings by the Director-Technical or his/her nominee, who shall be the Secretary of the APRC. An entry in a book containing the minutes of the APRC, signed by the APRC Chairperson, shall be prima facie evidence of resolutions taken by the APRC.

#### 4.4 Quorum

A simple majority of the voting members of the APRC constitutes a quorum for a meeting of the APRC.

#### 4.5 Conflicts of Interest

Whenever a matter arises which might cause a conflict of interest to any APRC member, the potential conflict must be disclosed and that member must recuse himself or herself from the discussion of that matter and leave the meeting while the matter is discussed. Such disclosure shall be recorded in the minutes of the meeting at which it is made.

#### 4.6 Voting Rights

APRC members who are not Board members may take part in proceedings of the APRC but shall not have the right to vote.

#### 4.7 Decisions

The decision of a simple majority of the voting members present at a duly constituted meeting of the APRC is the decision of the APRC.

#### 4.8 Resources

- 4.8.1 The APRC shall be provided with sufficient resources to undertake its duties.

- 4.8.2 The APRC shall have access to the services of the Authority's secretariat on all APRC matters including: assisting the Chairperson in planning the APRC's work, drawing up meeting agendas, maintenance of minutes, and collection and distribution of information and provision of any necessary practical support.
- 4.8.3 The secretariat shall ensure that the APRC receives information and papers at least seven calendar days before a meeting of the APRC to enable full and proper consideration to be given to the issues; except that in the case of an emergency meeting of the APRC, the information and papers may be sent to the APRC members less than seven calendar days before the meeting.
- 4.8.4 The Board shall make funds available to the APRC to enable it to take independent legal, accounting, auditing or other advice when the APRC reasonably believes it necessary to do so.

## 5. RESPONSIBILITIES AND AUTHORITY

The responsibilities of the APRC shall be to participate in the Audit Practice Review:

- a) policy decisions, including:
- i) determining the nature of the attest work to be subjected to practice review;
  - ii) determining the re-review criteria for each review cycle; and
  - iii) communicating the overall results of the reviews to BICA and to the Enforcement Committee, where appropriate.
- b) process, including:
- i) monitoring the progress of the review cycle;
  - ii) considering whether the review reports and recommendations are consistent, and are of an appropriate quality;
  - iii) determining the outcome of the review findings; and

- iv) providing guidance as required on any challenges encountered by Reviewers during reviews.

## **6. TERM OF OFFICE**

The tenure of membership of the APRC shall be three years, renewable for a further one term of three years.

## **7. TERMINATION OF MEMBERSHIP**

The Board may at any time dissolve or reconstitute the APRC; or terminate the membership of an APRC member if, in the opinion of the Board, the performance of the member is unsatisfactory or the member is unable, due to illness or any other reason, to perform the functions of an APRC member effectively.

## **8. REMUNERATION**

The Board will determine on an annual basis the fee to be paid to APRC members.

## **9. CONFIDENTIALITY**

All members of the APRC shall sign a confidentiality undertaking not to disclose any of the proceedings of the APRC, including outcomes of the APRC's work, to any third parties.

## **10. COMMITTEE REPORTS**

- 10.1 The APRC shall report to the Board on how it has discharged its responsibilities, including any other issues on which the Board has requested the APRC's opinion.
- 10.2 The APRC shall review its terms of reference and its own effectiveness and recommend any necessary changes to the Board every two years. The Board shall also review the APRC's effectiveness every two years.

**ADOPTED BY THE BOTSWANA ACCOUNTANCY OVERSIGHT AUTHORITY  
BOARD**

**ON \_\_\_\_\_ AND WILL BE DUE FOR REVIEW**

**ON \_\_\_\_\_**

\_\_\_\_\_  
**CHAIRPERSON, APRC**



## **11. GLOSSARY OF TERMS**

<b>APRC</b>	<b>AUDIT PRACTICE REVIEW COMMITTEE</b>
<b>BAOA</b>	<b>BOTSWANA ACCOUNTANCY OVERSIGHT AUTHORITY</b>
<b>BICA</b>	<b>BOTSWANA INSTITUTE OF CHARTERED ACCOUNTANTS</b>
<b>IFRSs</b>	<b>INTERNATIONAL FINANCIAL REPORTING STANDARDS</b>
<b>ISAs</b>	<b>INTERNATIONAL STANDARDS ON AUDITING</b>
<b>ISQC 1</b>	<b>INTERNATIONAL STANDARDS ON QUALITY CONTROL, 1</b>
<b>PIE</b>	<b>PUBLIC INTEREST ENTITY</b>
<b>THE ACT</b>	<b>FINANCIAL REPORTING ACT, 2010</b>
<b>THE AUTHORITY</b>	<b>BOTSWANA ACCOUNTANCY OVERSIGHT AUTHORITY</b>