



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

## **FINANCE, AUDIT AND TENDER COMMITTEE CHARTER**

## **BOTSWANA ACCOUNTANCY OVERSIGHT AUTHORITY FINANCE, AUDIT AND TENDER COMMITTEE (FATC) CHARTER**

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## FINANCE, AUDIT AND TENDER COMMITTEE CHARTER

### 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 Finance, Audit and Tender Committee (FATC) with a Finance, Audit and Tender Committee Charter containing the following Terms of Reference.

### 2. PURPOSE

2.1 The purpose of the FATC is to:

a) Finance and Audit

2.2.1 assist in the oversight of :

- (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, which calls for the conduct of a Performance Audit of the Authority's operations by an independent auditor at intervals not exceeding three years.

2.2.2 evaluate 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;

2.2.3 make recommendations to the Board for the appointment of the Independent Auditor and to approve the remuneration and terms of engagement of the Independent Auditor;

2.2.4 to develop and implement policy on the engagement of the Independent Auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the Independent Audit firm; and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken;

2.2.5 report to the Board on how it has discharged its responsibilities;

*b) Procurement and Asset Disposals*

2.2.6 oversee the Authority's procurement and asset disposal operations and procedures, and their compliance with the provisions of the Public Procurement and Asset Disposal Board (PPADB) Act.

*c) Information Technology Governance*

2.2.7 assist in the oversight of :

- (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 system of the Authority.

2.2.8 regularly monitor and evaluate the economy, efficiency and effectiveness of the Authority' investment in Information Technology in relation to the Authority's long term strategy.

### **3. COMPOSITION(MEMBERSHIP AND EXPERIENCE)**

3.1 Members of the FATC shall consist of three Non- Executive, independent Board members appointed from amongst Board members; and other Non -Board members with specialized skills as may be considered appropriate by the Board.

3.2 At least one of the Non-Executive independent Board members of the FATC shall possess recent and relevant financial experience, and a professional

qualification from one of the professional accountancy bodies; while the others should also possess experience of corporate financial matters and some financial literacy.

- 3.3 The Authority shall provide an induction programme for the FATC members, which should cover the role of the FATC, 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.
- 3.4 Training shall also be provided to members of the FATC on an ongoing and timely basis and should include an understanding of the principles of, and developments in, financial reporting and related company law and procurements; as may be considered appropriate.
- 3.5 The Board shall from time to time review the composition of the FATC, taking into consideration the need for an adequate combination of skills and knowledge necessary to undertake the responsibilities of the FATC 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**

- 4.2.1 The FATC shall 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 FATC Chairperson may determine, or as the Board may direct;
- 4.2.2 The Independent Auditors and the Head of Quality Assurance Unit shall have unrestricted access to the Chairperson or any member of the FATC in relation to any matters falling under the responsibility of the FATC;
- 4.2.3 The FATC may request the attendance of any other person as considered necessary.
- 4.2.4 The FATC shall meet with the Independent Auditor independently without the presence of Management at least once per year to discuss matters, problems or difficulties encountered by the auditors in the course of carrying out their responsibilities.

#### 4.3 Minutes

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

#### 4.4 Quorum

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

#### 4.5 Conflicts of Interest

Whenever a matter arises which might cause a conflict of interest to any FATC member, the potential conflict must be disclosed and that member must recuse himself or herself from discussion of the 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

FATC Members who are not Board Members may take part in proceedings of the FATC 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 FATC is the decision of the FATC.

#### 4.8 Resources

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

4.8.2 The FATC shall have access to the services of the Authority's secretariat on all FATC matters including: assisting the Chairperson in planning the FATC's work, drawing up meeting agendas, maintenance of minutes, drafting of material about its activities for the Annual Report, collection and distribution of information and provision of any necessary practical support.

4.8.3 The secretariat shall ensure that the FATC receives information and papers at least seven calendar days before a meeting of the FATC to enable full and proper consideration to be given to the issues; except that in the case of an emergency meeting of the FATC, the information and papers may be

sent to the FATC members less than seven calendar days before the meeting.

- 4.8.4 The Authority shall make funds available to the FACT to enable it to take independent legal, accounting, procurement or other advice when the FATC reasonably believes it necessary to do so.

## **5. RESPONSIBILITIES AND AUTHORITY**

### **5.1 Financial Statements and Disclosure Matters**

- 5.1.1 Review and discuss with Management quarterly management accounts providing financial information that can assist 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.
- 5.1.2 Review and discuss with Management, annual budgets, ensuring that the budgets are aligned with annual work plans, business plan and the strategy, for presentation to the Board for approval.
- 5.1.3 Ensure that the annual request for Government subvention is prepared timely and is adequately justified.
- 5.1.4 Ensure that appropriate policies and procedures are in place and are kept up-to-date. These may include:
- a) The budget policy;
  - b) Procurement and asset disposal procedures; and
  - c) Financial procedures; amongst others.
- 5.1.5 Review and discuss with Management and the Independent Auditor the Authority's annual audited financial statements, including disclosures made in Management's Discussion and Analysis included in the Annual Report ;
- 5.1.6 Discuss with Management and the Independent Auditor significant financial reporting issues and judgments made in connection with the preparation of the Authority's financial statements, including any significant changes in the Authority's selection or application of accounting principles, any major issues as to the adequacy of the Authority's internal controls and any special steps adopted in light of material control deficiencies.
- 5.1.7 Discuss with Management and the Authority 's Independent Auditor:

- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Authority's ability to record, process, summarise and report financial data; and
- b) any fraud, whether or not material, that involves Management or other employees who have a significant role in the Authority's internal controls.

## 5.2 Oversight of Authority Relationship with the Independent Auditor

- 5.2.1 Review and evaluate the qualifications, performance and independence of the lead partner of the Independent Auditor Team.
- 5.2.2 Obtain and review a report from the Independent Auditor at least annually regarding:
  - a) the Independent Auditor's internal quality-control procedures;
  - b) any material issues raised by the most recent internal quality-control review or peer review of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm;
  - c) any steps taken to deal with any such issues;
  - d) all relationships between the Independent Auditor and the Authority.
- 5.2.3 Evaluate the qualifications, performance and independence of the Independent Auditor, including considering whether the Independent Auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence, and taking into account the opinions of Management.
- 5.2.4 Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit.
- 5.2.5 Set and review the Authority's policy for the employment of former employees of the Authority's Independent Audit Firm, taking into account the Ethical Standards for Auditors, and include a provision that no former employees of the Independent Audit Firm may undertake an executive financial reporting oversight role, or undertake audit practice reviews of the Independent Audit Firm, at the Authority within two years of leaving the Independent Audit Firm. The FATC should monitor application of the policy, including the number of former employees of the Independent Audit Firm currently employed in executive positions/audit practice review positions in the Authority, and consider whether in the light of this there has been any impairment, or appearance of impairment, of the Independent

Auditor's/Authority's independence and objectivity in respect of the independent audit/audit practice review.

5.2.6 Meet with the Independent Auditor prior to the audit to discuss the planning and staffing of the audit.

### 5.3 Compliance Oversight

5.3.1 Obtain reports from Management, and the Independent Auditor that the Authority is in conformity with applicable legal requirements.

5.3.2 Discuss with Management and the Independent Auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Authority's financial statements or accounting policies.

5.3.3 Discuss with the Authority's chief legal officer legal matters that may have a material impact on the financial statements or the Authority's compliance policies.

### 5.4 Oversight of Quality Assurance

a) Review the objectives of the Quality Assurance Unit.

b) Review and approve the annual work schedule of the Quality Assurance Unit.

c) Review any significant matters reported by the Quality Assurance Unit.

d) Review any significant complaints or allegations made against the Authority that the work of the Authority fails to comply with professional standards, applicable laws and regulations, or with the Authority's quality control system; in line with Section 5.7 of the FATC Charter.

### 5.5 Procurement and Asset Disposals

5.5.1 The FATC is responsible for oversight of the Authority procurement and asset disposal operations and procedures, and will award contracts of values beyond the authority of the Internal Tender Committee, but up to a threshold limit as determined by the Authority Board from time to time. Tenders of values beyond the threshold of the FATC shall be referred to the Board for decision, with appropriate recommendations. The detailed responsibilities of the FATC in this regard are to:

a) approve procurement of supplies, equipment, works and services following the guidelines of the Tender Policies and Procedures, and within prescribed financial thresholds;

- b) ensure that alternative sources of supply of goods and services are considered;
- c) ensure competition among contractors by using the most efficient and competitive methods of procurement or disposal, to obtain the best value for money;
- d) ensure fair and equitable treatment of all contractors in the interest of efficiency and the maintenance of a level playing field for all participants;
- e) ensure integrity, fairness of, and public confidence in, the Authority procurement and disposal processes;
- f) ensure that the Authority procurement processes fully comply with the provisions of the PPADB Act and best procurement practices;
- g) advise the Authority Management on all aspects of procurement and disposal management;
- h) oversee the development and/or amendment of standard documents necessary in the tendering process, such as standardized bidding packages and public asset disposal contracts which the FATC shall recommend for adoption by the Authority Board;
- i) oversee the development and/or amendment, as and when necessary, of the Authority standard operation procedures and recommend such to the Board for adoption; and
- j) adjudicate on bid recommendations submitted to the FATC by the Internal Tender Committee.

5.5.2 The FATC shall have authority to:

- a) call for, adjudicate and accept formal tenders for the Authority's requirements of supplies and services;
- b) approve suppliers of goods and services;
- c) authorize and award formal tenders for values above the threshold for the Internal Tender Committee, but below the threshold set by the Board for the FATC;
- d) authorize disposal of the Authority's property falling within the FATC's approved limits;
- e) recommend to the Board any decisions for award of tenders or asset disposal, when the value of such is above the FATC's financial threshold;

- f) authorize variations and waiver of tenders of values above the threshold of the Internal Tender Committee;
- g) authorize extension, assignment, subcontracting, subletting and other variations to original contracts;
- h) approve or authorize the escalation on any contract where the escalation value exceeds 10% of the original contract sum;
- i) seek expert advice on any matter of interest to the FATC;
- j) compile a data bank on all the companies that the FATC might need;

## 5.6 Information Technology Governance

- 5.6.1 ensure the alignment of the Authority's Information Technology systems to its long term strategy;
- 5.6.2 delegate to the Authority Management the responsibility for implementing the Information Technology Governance framework;
- 5.6.3 ensure that Management protects confidential information of the Authority, including personal information of internal stakeholders, maintained on the Information Technology system;
- 5.6.4 regularly monitor and evaluate whether or not Information Technology investment adds value, and the traceability and source of products such as software are duly authorized, the technology used is appropriate and resilient enough to adapt to the long term strategy of the Authority;
- 5.6.5 ensure that an appropriate information security management system has been developed, and adequately covers confidentiality, integrity and availability of information;

## 5.7 Complaints

- 5.7.1 Establish procedures for:
  - a) the receipt, retention, and treatment of complaints received by the Authority regarding accounting, internal accounting controls, auditing, procurement, audit practice reviews, financial statements monitoring reviews, and Information Technology matters, amongst others; and
  - b) the confidential, anonymous submission by employees of the Authority of concerns regarding questionable accounting, auditing,

procurement, audit practice reviews, financial statements monitoring reviews, and Information Technology matters, amongst others.

#### 5.8 Other responsibilities

The FATC may carry out other duties and responsibilities as delegated to the FATC by the Board from time to time.

#### 5.9 Limitations of the FATC's Role

While the FATC has the responsibilities and powers set forth in this Charter, it is not the duty of the FATC to:

- a) to prepare complete and accurate financial statements and disclosures in accordance with financial reporting standards and applicable rules and regulations; but rather to consider significant accounting policies, any changes to them, any significant estimates and judgments; and review the clarity and completeness of disclosures in the financial statements, taking into account the Independent Auditor's view;
- b) undertake procurement/asset disposal transactions;
- c) design and implement information systems; nor
- d) undertake audit practice or financial statements monitoring review tasks.

### **6. TERM OF OFFICE**

The term of office for FATC members shall be an initial period of three years with the option to renew for one further term of three years.

### **7. TERMINATION OF MEMBERSHIP**

The Board may at any time dissolve or reconstitute the FATC; or terminate the membership of a FATC 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 a FATC member effectively.

### **8. REMUNERATION**

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

## 9. CONFIDENTIALITY

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

## 10. COMMITTEE REPORTS

10.1 The FATC shall report to the Board on how it has discharged its responsibilities, including:

- a) the significant issues that it considered in relation to the financial statements and how these issues were addressed;
- b) its assessment of the effectiveness of the Independent Audit process and its recommendation on the appointment or reappointment of the Independent Auditor; and
- c) any other issues on which the Board has requested the FATC's opinion.

10.2 The FATC 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 FATC's effectiveness every two years.

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

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

ON \_\_\_\_\_

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**CHAIRPERSON, FATC**