



BOTSWANA ACCOUNTANCY OVERSIGHT AUTHORITY (BAOA)

FINANCIAL REPORTING MONITORING COMMITTEE TERMS OF REFERENCE

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FINANCIAL REPORTING MONITORING COMMITTEE (FRMC) 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 FRMC with the following Terms of Reference.

2. PUROSE

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.

3. COMPOSITION

- 3.1 Pursuant to Section 16(3) of the Act, the FRMC 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 FRMC members, which should cover the role of the FRMC, 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 FRMC on an ongoing and timely basis and should include an understanding of the principles of, and developments in, 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 FRMC, taking into consideration the need for an adequate combination of skills and knowledge necessary to undertake the responsibilities of the FRMC 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 FRMC 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 FRMC Chairperson may determine, or as the Board may direct. Specifically, the FRMC shall meet:

- a) once a year to review the conduct and direction of the monitoring, based on information provided from financial statements monitoring results. This process may include review of financial statements monitoring cycles and financial statements monitoring strategy; and
- b) at least twice a year to review reports from the Technical Department. The results of the financial statements monitoring of

PIEs shall be notified to the PIE and, where necessary, to the Enforcement Committee for disciplinary action.

4.3 Minutes

The Chairperson of the FRMC 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 FRMC. An entry in a book containing the minutes of the FRMC, signed by the FRMC Chairperson, shall be prima facie evidence of resolutions taken by the FRMC.

4.4 Quorum

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

4.5 Conflicts of Interest

Whenever a matter arises which might cause a conflict of interest to any FRMC 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

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

4.7 Decisions

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

4.8 Resources

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

4.8.2 The FRMC shall have access to the services of the Authority's secretariat on all FRMC matters including: assisting the Chairperson in planning the FRMC'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 FRMC receives information and papers at least seven calendar days before a meeting of the FRMC to enable full and proper consideration to be given to the issues; except that in the case of an emergency meeting of the FRMC, the information and papers may be sent to the FRMC members less than seven calendar days before the meeting.

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

5. RESPONSIBILITIES AND AUTHORITY

The responsibilities of the FRMC shall be to participate in:

- a) financial statements monitoring policy decisions, including:
 - i) determining the nature of the assignments that are subject to financial statements monitoring;
 - ii) determining the re-review criteria for each review cycle, including a risk-based approach to selection of PIEs to be reviewed, and entities in respect of which complaints have been received;
 - iii) communicating the overall results of the reviews to the relevant authorities and to the Enforcement Committee, where appropriate; and where considered necessary, the PIE itself, the Minister responsible for the PIE and the Regulator of the PIE; and
 - iv) liaising with other Regulators and authorities to foster consistent application of accounting requirements, and to improve financial information and reporting requirements.

- b) the detailed monitoring 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;
- iv) providing guidance as required with regard to problems and difficulties encountered during the monitoring process;
- v) ensuring that corrective action is taken by those charged with governance; and
- vi) promotion of the highest standards of corporate governance, covering the following, amongst others:
 - Internal audit function;
 - Audit Committee Charter;
 - Board Charter;
 - Shareholder Compact;
 - Board performance and effectiveness;
 - Going concern considerations; and
 - Letters of weakness

6. TERM OF OFFICE

The term of office for FRMC 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 FRMC; or terminate the membership of a FRMC 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 FRMC member effectively.

8. REMUNERATION

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

9. CONFIDENTIALITY

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

10. COMMITTEE REPORTS

- 10.1 The FRMC shall present to the Board for approval, reports to Ministers responsible for the PIEs reviewed either as part of the Authority's standard programmes, or on request by the Minister responsible.
- 10.2 The FRMC shall report to the Board on how it has discharged its responsibilities, including any other issues on which the Board has requested the FRMC's opinion.
- 10.3 The FRMC shall review its terms of reference and its own effectiveness and recommend any necessary changes to the Board every two years. This shall take into consideration a comparison of the FRMC budgeted annual coverage of reviews against actual performance; and the results of public surveys conducted by the Authority to gauge the public's perceptions of the Authority's services. The Board shall also review the FRMC's effectiveness every two years.

ADOPTED BY THE BOTSWANA ACCOUNTANCY OVERSIGHT AUTHORITY BOARD

ON _____ AND WILL BE DUE FOR REVIEW

ON _____

CHAIRPERSON, FRMC

GLOSSARY OF TERMS

BAOA	BOTSWANA ACCOUNTANCY OVERSIGHT AUTHORITY
FSMC	FINANCIAL STATEMENTS MONITORING COMMITTEE
PIE	PUBLIC INTEREST ENTITY
THE ACT	FINANCIAL REPORTING ACT, 2010
THE AUTHORITY	BOTSWANA ACCOUNTANCY OVERSIGHT AUTHORITY