



**SUMMARY OF AUDIT PRACTICE REVIEWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

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Foreword from Board Chairperson

Botswana Accountancy Oversight Authority (BAOA) is responsible 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; and education and training of professional accountants in Botswana.

On behalf of the Audit Practice review Committee and the Board of the Authority, I have the pleasure of presenting the second Audit Practice Review Committee summarised report on audit practice reviews covering the year ending December 31, 2016 as well as the audit practice review cycle to date (1 January 2015 to 31 December 2016) of the three year audit practice review cycle adopted by the Authority.

The Authority believes that this report will serve as a valuable tool for audit firms of all sizes in developing, enhancing, and evolving their audit practices and contributing to their own processes of continuous improvement; and thereby further demonstrating their ongoing commitment to enhancing audit quality.

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Board Chairperson

March 2017

SUMMARISED AUDIT PRACTICE REVIEW REPORT

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 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), which requires that the Authority undertakes 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, 1 January 2015, there were twenty eight 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 1 January 2015 and 31 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 in detail hereunder the results of the reviews for the year 2016; and for the cycle to date (2015 to 2016) in summary.

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.

With regard to Audit Firms and Certified Auditors of Public Interest Entities, the Authority has adopted a developmental policy which requires that 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.

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

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:

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

SYSTEM OF QUALITY CONTROL IFIAR Inspection Theme	2016						2015						CYCLE T O D A T E						
	FINDINGS RELATING TO CERTIFIED AUDIT FIRMS OF PUBLIC INTEREST ENTITIES		FINDINGS RELATING TO CERTIFIED AUDIT FIRMS OF NON - PUBLIC INTEREST ENTITIES		FINDINGS RELATING TO ALL CERTIFIED AUDIT FIRMS		FINDINGS RELATING TO CERTIFIED AUDIT FIRMS OF PUBLIC INTEREST ENTITIES		FINDINGS RELATING TO CERTIFIED AUDIT FIRMS OF NON - PUBLIC INTEREST ENTITIES		FINDINGS RELATING TO ALL CERTIFIED AUDIT FIRMS		FINDINGS RELATING TO CERTIFIED AUDIT FIRMS OF PUBLIC INTEREST ENTITIES		FINDINGS RELATING TO CERTIFIED AUDIT FIRMS OF NON - PUBLIC INTEREST ENTITIES		FINDINGS RELATING TO ALL CERTIFIED AUDIT FIRMS		
	Total findings	Total findings as a % of total findings for all firms	Total findings	Total findings as a % of total findings for all firms	Total findings	Total findings as a % of total findings for all firms	Total findings	Total findings as a % of total findings for all firms	Total findings	Total findings as a % of total findings for all firms	Total findings	Total findings as a % of total findings for all firms	Total findings	Total findings as a % of total findings for all firms	Total findings	Total findings as a % of total findings for all firms	Total findings	Total findings as a % of total findings for all firms	Total findings
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	4	6	7	10	
Independence and Ethical Requirements	3	7	5	12	8	19	0	0	5	17	5	17	3	4	10	14	13	18	
Client Risk Assessment, Acceptance and Continuance	0	0	1	2	1	2	0	0	1	3	1	3	0	-	2	3	2	3	
Human Resources	3	7	8	19	11	26	2	7	5	17	7	24	5	7	13	18	18	25	
Engagement Performance	1	2	8	19	9	21	3	10	8	26	11	36	4	6	16	22	20	27	
Monitoring	1	2	7	18	8	20	0	0	4	13	4	13	1	1	11	15	12	17	
Total Findings	11	25	31	75	42	100	5	17	25	83	30	100	16	22	56	78	72	100	
Number of Audit Firms	2		6		8		3		5		8		5		11		16		
Average Findings Per Audit Firm	6		5		5		2		5		4		3		5		5		

In 2016, the eight 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 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 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:

- a) Human Resources Theme Contribution to Total findings : 26% in 2016; 24% in 2015; and 25% cycle to date

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%.

Some of the deficiencies noted included the following:

- i) Firms were unable to provide recorded evidence that staff had undergone adequate Continuous Professional Development (CPD) training to enable them to undertake their work effectively.
- ii) There was no evidence of performance evaluation of audit staff members; as part of the internal quality monitoring of audit output, and also to determine if staff required any special development in order to ensure that engagements were carried out in accordance with professional standards and applicable legal and regulatory requirements.
- iii) Some firms did not have documented policies and procedures on the criteria used for determining admission of new partners to partnership.
- iv) Staff's understanding of the firms' human resources policies and procedures was found to be inadequate.

b) Engagement Performance Theme's contribution to total findings: 21% in 2016; 36% in 2015; and 27% cycle to date

In 2016, findings in the Engagement Performance theme accounted for the second highest contribution to total findings (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%.

Common findings in this theme included the following:

- i) firms being unable to provide a list of archived files and assurance that client documentation had been archived and securely stored for future reference.
- ii) Procedures for ensuring that audit engagement files are backed up within 60 days of signing an audit report were not operating effectively as evidenced by firms being unable to provide us with the latest backup list. In other firms, there were no systematic or documented procedure in place to verify/support that backups of electronic documentation, in particular engagement files, had been successfully done.
- iii) There were no documented procedures in the firm's Quality Control Manual guiding the firm on the destruction of old audit files.
- iv) Some firms do not have documented policies in place for dealing with subpoenaed files, including procedures to ensure that no changes are permitted to be made to them after they have been subpoenaed.

c) Monitoring Theme's contribution to total findings: 20% in 2016; 13% in 2015; and 17% cycle to date

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%.

Common findings in 2016 included the following:

- i) Five of the six audit firms of Non-Public Interest Entities reviewed had not carried out reviews of the firm's system of quality control, or cold reviews of audit files on a cyclical basis as required by ISQC 1.

- ii) Those audit firms that had carried out internal monitoring reviews had not documented evidence that the recommendations arising from the reviews had been implemented.

- d) Independence & Ethical Requirements Theme's contribution to total findings: 19% in 2016; 17% in 2015; and 18% cycle to date:

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.

Common findings in this theme included the following:

- i) Firms that prepare and audit financial statements for their clients did not document how they manage the independence threat that arises from preparing and auditing the same financial statements;
- ii) annual ethics and independence declarations had not been completed by all professional staff; and
- iii) there were no documented policies and procedures in the firm's Quality Control Manual guiding the firm on how to identify and evaluate incidences of money laundering.

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:

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, 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

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 that 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:

IFIAR INSPECTION THEMES	2016						2015						CYCLE TODATE					
	FINDINGS RELATING TO CERTIFIED AUDITORS OF PUBLIC INTEREST ETITIES		FINDINGS RELATING TO CERTIFIED AUDITORS OF NON-PUBLIC INTEREST ETITIES		FINDINGS RELATING TO TOTAL AUDIT ENGAGEMENTS		FINDINGS RELATING TO CERTIFIED AUDITORS OF PUBLIC INTEREST ETITIES		FINDINGS RELATING TO CERTIFIED AUDITORS OF NON-PUBLIC INTEREST ETITIES		FINDINGS RELATING TO TOTAL AUDIT ENGAGEMENTS		FINDINGS RELATING TO CERTIFIED AUDITORS OF PUBLIC INTEREST ETITIES		FINDINGS RELATING TO CERTIFIED AUDITORS OF NON-PUBLIC INTEREST ETITIES		FINDINGS RELATING TO TOTAL AUDIT ENGAGEMENTS	
	Total Findings	Total Findings as a % of findings for all Engagements	Total Findings	Total Findings as a % of findings for all Engagements	Total Findings	Total Findings as a % of findings for all Engagements	Total Findings	Total Findings as a % of findings for all Engagements	Total Findings	Total Findings as a % of findings for all Engagements	Total Findings	Total Findings as a % of findings for all Engagements	Total Findings	Total Findings as a % of findings for all Engagements	Total Findings	Total Findings as a % of findings for all Engagements	Total Findings	Total Findings as a % of findings for all Engagements
Group Audits	0	0	1	0	1	0	1	1	0	0	1	1	1	0	1	0	2	1
Internal Control Testing	0	0	1	0	1	0	N/A						0	0	1	0	1	0
Adequacy of Financial Statement Presentation and Disclosures	7	3	27	12	34	15	18	14	19	15	37	29	25	7	46	13	71	20
Use of Experts/Specialists	0	0	0	0	0	0	N/A						0	0	0	0	0	0
Substantive Analytical Procedures	1	0	6	3	7	3	0	0	1	1	1	1	1	0	7	2	8	2
Audit Committee Communication	0	0	0	0	0	0	2	2	0	0	2	2	2	1	0	0	2	1
Fraud Procedures	1	0	9	4	10	4	2	2	5	4	7	6	3	1	14	4	17	5
Risk Assessment	1	0	12	5	13	6	0	0	1	1	1	1	1	0	13	4	14	4
Audit Report	0	0	7	3	7	3	N/A						0	0	7	2	7	2
Accounting Estimates, including Fair Value Measurement	1	0	5	2	6	3	0	0	5	4	5	4	1	0	10	3	11	3
Revenue Recognition	0	0	0	0	0	0	0	0	3	2	3	2	0	0	3	1	3	1
Inventory Procedures	0	0	2	1	2	1	1	1	1	1	2	2	1	0	3	1	4	1
Related Party Transactions	0	0	4	2	4	2	5	4	1	1	6	5	5	2	5	1	10	2
Engagement Quality Control Reviewers ("EQCR")	0	0	0	0	0	0	3	2	0	0	3	2	3	1	0	0	3	1
Going Concern	0	0	4	2	4	2	4	3	2	2	6	5	4	1	6	2	10	3
Adequacy of Review and Supervision	19	8	108	47	127	55	7	6	20	16	27	22	26	7	128	36	154	43
Audit Sampling	2	1	12	5	14	6	N/A						2	1	12	3	14	4
Audit of Allowance for Loan Losses and Loan Impairments	N/A						0	0	2	2	2	2	0	0	2	1	2	1
Other Areas/Topics	N/A						3	2	19	15	22	17	3	1	19	5	22	6
TOTAL FINDINGS	32	14	198	86	230	100	46	37	79	63	125	100	78	22	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.

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 percentage contributions of each IFIAR Inspection theme to the total findings are analysed below:

- a) Adequacy of Review and Supervision Theme's contributions: 55% in 2016; 22% in 2015; and 43% cycle to date:

Common findings noted under this theme included:

- i) minutes of planning meetings involving the engagement partner and key members of the audit team not documented;
- ii) insufficient or no documented evidence on the understanding of the entity and its environment, relevant control activities, their design and implementation in respect of significant risks identified;
- iii) non documentation of preliminary and closing analytical procedures to detect inconsistent trends at planning stage, that might have led to

- misstatements of financial statements; and at the end of the audit, to obtain comfort that the financial statements were consistent with the auditor's understanding of the entity;
- iv) inadequate or no documented audit procedures and/or evidence of work carried out on laws & regulations, litigation & claims, material inventory, trade receivables, revenue, cost of sales, operating expenses, accounting estimates, and bank balances;
 - v) differences between accounting records and the financial statements in the areas of trade receivables, trade payables, motor vehicle depreciation, loans receivables, revenue, payroll and the consolidation workings not adequately verified;
 - vi) non documentation of evidence that confirmations of intercompany balances, bank balances, long term liabilities had been requested and/or received;
 - vii) differences between bank confirmations and the bank/loan accounts not adequately audited and concluded upon;
 - viii) lease payments not accounted for on a straight-line basis as required by IAS17;
 - ix) non documentation of audit sampling plan in the detailed testing working papers of how the samples used to test the transactions and balances had been determined and how the specific items used for testing had been selected;
 - x) schedule of uncorrected misstatements reflecting uncorrected misstatements above the Clearly Trivial Threshold, which had been brought forward from previous years and those that had arisen during the year not prepared;
 - xi) non documentation of procedures designed to obtain sufficient appropriate audit evidence that all events up to the date of the auditor's report, or as near as practicable thereto, that might have required adjustment of, or disclosure in, the financial statements had been identified;
 - xii) neither the preparer nor the reviewer signing-off on the work papers as evidence that the audit work had been completed adequately, and review thereof made timely;
 - xiii) some of the audit documentation only being filed upon our enquiries during the review.

b) Adequacy of Financial Statement Presentation and Disclosures: 15% in 2016; 30% in 2015; and 20% cycle to date:

Common findings in this theme included the following:

- i) Disclosures in the financial statements not in agreement with the accounting records;
- ii) balances in the financial statements incorrectly classified;
- iii) movements in the statement of cash flows not incorrectly calculated;
- iv) tax expenses not separately disclosed in the financial statements as required by IFRS for SMEs, Section 29.39;
- v) directors' costs not disclosed separately in the financial statements as 'Related Party Transactions', as required by IAS 24;
- vi) disclosures for leases not made in accordance with the requirements of IAS 17,;
- vii) incorrect or no disclosure at all of overdraft facilities, bank securities and guarantees confirmed by banks, in the notes to the financial statements; and
- viii) lists of IFRS disclosures in the financial statements on 'Standards, amendments and interpretations effective / not yet effective "not up 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 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 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 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.

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.