



NOTICE TO THE STAKEHOLDERS



SUMMARY OF KEY PROVISIONS OF THE NEW FINANCIAL REPORTING (AMENDMENT) ACT, 2020 (the Act), READ IN CONJUNCTION WITH THE NEW FINANCIAL REPORTING REGULATIONS, 2021 (the Regulations).

INTRODUCTION

The Financial Reporting (Amendment) Act, 2020 was passed by Parliament in 2020 and received Presidential assent in October 2020. In accordance with the Statutory Instrument No 111 of 2021, the commencement of the Act was set at 1st April 2022, the date on which the Regulations take effect.

By way of background, the Act establishes the Botswana Accountancy Oversight Authority as the independent oversight body of the accounting and auditing profession; to regulate the reporting of financial matters of public interest entities and the corporate sector; and for matters incidental thereto.

This publication summarises the provisions of the new Act and Regulations. Stakeholders are advised to familiarise themselves with the amendments, which can be accessed [Legal Documents/BAOA – Botswana Accountancy Oversight Authority](https://www.baooa.org.bw/legal-documents/baoa-botswana-accountancy-oversight-authority).

The major changes in the new Act and Regulations include:

1. The Act provides that all non-PIE auditors who were regulated by the Botswana Institute of Chartered Accountants (BICA) should be transferred to BAOA, so that all auditors in Botswana are under one roof under the jurisdiction of BAOA (Section 24).
2. The Act widens the definition of Public Interest Entities by introducing the concept of a "Public Body" to include any board, tribunal, commission, council, committee, or other body, corporate or unincorporated established under any enactment and includes any company in which Government has equity shares (Section 2).
3. The Act provides guidance on acts and omissions that constitute professional misconduct by providing a list of examples under Section 38.
4. The Act provides further changes to operational and administrative issues including changing the Authority's year end to run from 1st April to 31st March to align it to that of Government, the primary source of funding for the Authority (Section 62).
5. The Act establishes an Independent Accounting Oversight Appeals Committee to deal with appeals against decisions of the BAOA Board or its Committees to enhance fairness, transparency and independence (Section 40).
6. Regulation 19 provides for the establishment, monitoring and enforcement of Botswana's own Code of Corporate Governance for use by public interest entities.
7. Regulation 21 provides for significantly enhanced penalties and sanctions for violation of the Act, its Regulations, and the Rules. The fines range from P20 000 to P500 000 for officers, Board members, certified auditors, audit firms and public interest entities.

Heavy penalties are also levied on public interest entities and their officers for failure to produce audited financial statements within prescribed deadlines. Further details are given under the Section for sanctions.

In addition to these fines, the Authority may, with regards to protecting public interest disclose to the public such violations made by a certified auditor, audit firm, PIE, Board member, employee of a PIE or a professional accountancy body. Such disclosure may include the identities of the offenders.
8. Regulation 3 provides for revised thresholds for significant PIEs in accordance with Section 22 (d) of the Act. The detailed thresholds are shown under the Section for PIE thresholds.
9. Regulation 6 addresses the concerns in the past of public interest entities operating without being registered with the Authority. The provision requires that before commencement of the audit of a PIE, a certified auditor of PIE should request for evidence of registration of such a PIE with the Authority. If the entity fails to provide such evidence, the certified auditor should put the audit in abeyance until the requirement is satisfied.
10. Regulation 9 provides for the appointment of certified auditors and introduces a new requirement for Mandatory Audit Firm Rotation covering the audit firm, the certified auditor, and the engagement quality control reviewer. The Regulation also provides guidance on re-tendering.

11. PUBLIC INTEREST ENTITY (PIE) AND PIE THRESHOLDS

A Public Interest Entity is defined as:

- a) An entity listed on the Botswana Stock Exchange
- b) An entity supervised by the Bank of Botswana
- c) An entity supervised by the Non – Bank Financial Institutions Regulatory Authority
- d) An entity to which any two of the following thresholds are met:

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| i) | Annual revenue: | P200 million |
| ii) | Number of employees: | 150 |
| iii) | Total assets: | P150 million; or |
| iv) | Total liabilities: | P50 million |
- e) Any partly or wholly funded public body.

12. SANCTIONS FOR VIOLATION OF THE ACT

- a) In the event the Authority decides to impose a fine for contravention of the provisions of the Act, Regulations or Rules of the Authority by a certified auditor, an audit firm, PIE or board member or an employee of a PIE, the fine shall:

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| i) | not exceed P500 000 in case of a PIE |
| ii) | not exceed P500 000 in case of an audit firm |
| iii) | not exceed P100 000 in case of a certified auditor |
| v) | not exceed P20 000 in case of a board member or officer of a PIE |

b) A PIE or its officer who fails to produce its audited financial statements within the prescribed period shall be liable to a fine not exceeding P100 000 in the case of a PIE and a fine not exceeding P20 000 in the case of an officer for each month the offence continues to occur, up to a maximum of P500 000.