



The Board Audit Committee Seminar

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Audit committee essentials

Oversight over financial reporting



The Role of the audit committee

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The audit committee, management, and the independent auditor all have distinct roles in financial reporting.

Management is responsible for preparing the financial statements, establishing and maintaining adequate internal control over financial reporting (ICFR), and evaluating the effectiveness of ICFR.

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The independent auditor is responsible for expressing an opinion on the fairness with which the financial statements present, in all material respects, the financial position, the results of operations, and cash flows in conformity with IFRS/GAAP, and, when applicable, evaluating the effectiveness of ICFR.

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To oversee ICFR successfully, the audit committee should be familiar with the processes and controls management has put in place and understand whether those processes and controls are designed and operating effectively. The audit committee should work with management, the internal auditors, and the independent auditor to gain the knowledge needed to provide appropriate oversight of this area. Likewise, the audit committee is responsible for overseeing the entire financial reporting process. To do so effectively, it should be familiar with the processes and controls that management has established and determine whether they were designed effectively.

Oversight over financial reporting - questions to consider

Review of financial information

- Has the audit committee discussed the financial statements in detail with management and the independent auditors?
- Have all key disclosures been made (financial and non financial)?
- Is the messaging consistent across all the reports issued
- Have all the legal and regulatory requirements for reporting been met?
- What are the industry practices for reporting and have these been adhere to?

Other considerations

- How can pressures to meet expectations in the short term influence the quality of the company's reported financial results and management behavior?
- What are the company's long term value drivers?

Audit quality and other risks

Interaction with independent auditors

- Meet with the independent auditor to review and discuss the company's annual audited financial statements
- Periodically, meet separately with the independent auditor
- Obtain a formal written communication from the independent auditor regarding independence and other matters annually
- Oversight over auditor independence

Other risks

- Which board committees are responsible for various aspects of risks?
- Does management provide the board with sufficient information to over see risk governance?
- How are current and emerging risks monitored?
- What is the role of technology in the company and its risk management programme?
- Is cyber risk receiving the right level of attention?

Other essentials

Company culture and its dynamics

- Tone at the top
- Management integrity and attitude to compliance
- Information provided by management
- Competence and experience of key management
- Company relations with regulators where applicable

Industry knowledge

- State of the industry
- Key issues affecting the industry
- Industry associations and regulators
- Industry practices
- Competitor information and benchmarking

Questions and comments



Thank You