



THE BOARD AUDIT COMMITTEE SEMINAR

20th – 24th September, 2021

Double Tree Hotel– Stone Town



AUDIT COMMITTEE REPORTING & PROTOCOLS

Essentials of a good audit report



Accurate

Free from errors & distortions and faithful to the underlying facts

objective

Fair & impartial. Should be a balanced assessment of all relevant facts and circumstances

Clear

Easily understood and logical

Concise

Should be to the point, avoid redundancy and repetitiveness

Constructive

Helpful to the auditee and can lead to improvements

Complete

Includes all significant and relevant information

Timely

Opportune and expedient depending on the significance of the issue

Key Aspects of the



BACKGROUND

Purpose;
Authority;
Composition;
Meetings;
Responsibilities:

SCOPE

Financial reporting;
Working with the external auditor
The internal audit activity
Risk management and internal control;
Compliance with law & regulations.
ethical requirements, internal policies and industry standards;

REPORTING

Management and reporting of fraud;
Reporting responsibilities;
Evaluating performance;
Review of the audit committee charter; and
Other responsibilities as deemed important.

Applicable legislation & regulations



- Where necessary indicate the laws
 - The constitution
 - PFM Act
 - Regulations
 - Audit committee charter
 - Internal audit department charter
 - Articles of Association
 - Governance documents



Audit committee members and attendance



- Name of the member
- Date of appointment of the members
- Qualifications of the member
- Number of meetings scheduled
- Number of meetings attended

Name	Date of appointment	Qualification	Number of meetings scheduled	Number of meetings attended
Dr. A (Chair)	1 Jan 2019	B. Com, PhD Philosophy	7	7
Mr. B	1 July 2019	B. Com, CPA(K)	7	5
Mr. C	1 Jan 2019	LLB, Phd. Commerce	7	6
Mrs. D	1 Jan 2019	B.Com, CPA (K)	7	7

Risk Management & internal control



- Report on the policies and practices and monitor the effectiveness relating to the organization's risk management and internal control system.
- Report on briefings on regulatory developments.
- Report on management's SOX assessment.
- Report significant matters arising from completed internal audits with the Chief Internal Auditor, management and the external auditors.

Risk Management & internal control



- Report on management's response to significant audit findings, recommendations and notable control weaknesses, including potential improvements and agreed actions.
- Report on significant legal matters with the organization's Legal Director.
- Report on the company's information risk management.
- Report of the company's tax function, key tax risks and the company's approach to the evolving area of tax transparency

Financial reporting



- Report on accounting policies and practices including compliance with accounting and reporting.
- Report on appropriateness of key judgements and the interpretation and application of accounting policy
- Consider integrity of the periodic accounts and the end year Financial statements
- Report on assertions of going concern and long term viability

Financial reporting



- Report on the companies with respect to earnings releases, financial performance, and significant financial reporting matters
- Report on internal controls for financial reporting
- Advise the board on whether the annual report is fair balanced and understandable
- Advise whether the financial reports are have all disclosures needed by shareholders to assess the company position and performance, business model and strategy

Compliance and governance



- Report on the receipt, retention, investigation and follow up action of complaints received
- Report from the chief ethics and compliance officer the implementation and effectiveness of the compliance program and function
- Report on compliance with applicable external legal and regulatory requirements
- Report an evaluation of the Auditing committee performance and effectiveness

Compliance and governance



- Report and update the Audit committee's term of reference
- Report on the CFO's significant business investment transactions for potential conflicts or related party transactions
- Report on the CFO's performance

Internal Audit



- Report on the quality, efficiency and effectiveness of the internal audit function
- Report on the competence, qualification, expertise, compensation and budget of the internal audit team
- Approve and report the internal audit functions remit, character and audit plan
- Report on the performance of the chief internal auditor

External Audit



- Approve and report on the engagement letter for the external auditors
- Approve and report on the remuneration for audit and non audit services, including the pre approval of permissible non audit services
- Consider and report on the annual external audit plan
- Report on the execution and results of the external audit

External Audit



- Report on the qualification , expertise resources and independence of the external auditor
- Review and report on the company’s representation letter prior to signing by management
- Report on the performance, objectivity and effectiveness of the external auditor, the audit process and the quality of the audit.
- Recommend the appointment / reappointment of the external auditors

Compliance and governance



- Ethics and compliance
- Whistleblowing investigations
- Regulatory developments
- Audit committee annual evaluation
- Processes followed to establish which key legislation the entity is required to comply with
- whether controls are in place to ensure compliance with laws and regulations;
- processes followed when noncompliance with laws and regulation have been identified
- whether any noncompliance has been identified by management, internal or external auditors and actions taken to rectify these matters

Integrated reporting



- Integrated reporting is not yet mandatory in many organizations.
- The BAC has to look at the sustainability reporting of the organization
- as entities mature and integrated performance reporting and financial reporting into economic, human resource and other reporting, the audit committee will need to assess the level of reporting and consider its reporting obligations related to the Integrated Reports
- report to stakeholders a complete picture of an entity's financial and non-financial profiles in such a way that the report is holistic and reliable.
- Reporting should be integrated across all areas of performance, reflecting the choices made in the strategic decisions
- Review reporting in the triple context of economic, social and environmental issues

Audit reporting challenges



- Reporting issues that don't matter to the board and top executives
- Failing to communicate what matters when it matters
- Audit results are not timely
- Factually incorrect reports
- Size of the report and maintaining balance

Audit reporting challenges



- Implications or risk not being brought out clearly
- Focus only on negative aspects or mistakes
- Projecting process owners as villains or blowing up things out of proportion
- Lack of practical recommendations
- The reader cannot connect with the report

Challenges of BAC reporting



- Balance between transparency & confidentiality
- Fraud scenarios
- Late adjustments
- Related parties
- Exceptions
- Whistleblowing events

Aggravating factors



- Lack of strong ethical culture from top-down
- Lack of strong, independent and supportive audit committee
- The culture that embraces risk and not controls
- Weak relationship between Chief Internal Audit and Audit Committee Chairperson or Chief Internal Auditor and Key Executives
- Chief Internal Auditor who lacks objectivity, integrity, courage, or sound judgment
- Internal audit function in an organization that lacks competence

Typical audit committee agenda



- Call to order Review and approval of minutes from prior meeting
- Audit committee report by internal auditors
- Audit committee report by external auditors
- Other matters (Legal, Hot Line, Compliance, etc.)
- Committee meeting in Executive Session
- Formal presentation of quarterly or annual reports to shareholders by CEO and CFO and approval thereof
- Date and time of next meeting Adjournment

Audit Committee membership



- It should have at least 3 members (SME 2) and probably 6 as a maximum
- The committee members should be independent
- The term should be about 3-4 years renewable once
- One of the members should have significant financial reporting experience
- Some exposure and experience in good governance and corporate finance
- The company secretary can act as the secretary to the committee



The End