

## IMPROVING THE PERFORMANCE OF THE AUDIT COMMITTEE 2014 EDITION

DCSL Corporate Services Limited at the 2<sup>nd</sup> edition of its Audit Committee Seminar with the theme “**Improving the Performance of the Audit Committee**”© once again availed Audit Committee members of Public and Private companies a unique opportunity to collectively review the challenges they experience in the performance of their duties and responsibilities within the corporate governance framework from a practical perspective.

The Seminar which was held on Thursday the 28<sup>th</sup> of August, 2014, at the Intercontinental Lagos Hotel was well-attended by Audit Committee members as well as Internal Auditors from a wide spectrum of companies operating in various sectors of the Nigerian economy, including construction, oil and gas, banking, insurance and ICT amongst others.

The sessions were largely interactive and examined the Role of the Audit Committee in Preventing Corporate Governance failure, Understanding Key Financial Ratios, Sustainability Reporting in Financial Statements, Ethical Conduct & Whistleblowing amongst others.

The sessions were facilitated by subject-matter specialists, with Mr. Olufemi Falola, Executive Director – Internal Audit, Etisalat Nigeria, facilitating the first session. His presentation was on “The Role of Internal Audit in Corporate Governance”. Mr. Falola explained that as much as it was important for the Company Secretary and the Board to play a major role in corporate governance, a broader interpretation of corporate governance should be applied which should include the role of the Internal Auditor.



He stated some of the specific functions of internal audit in corporate governance to include:

- Assisting the Board with its self-assessment,
- Assessing the Audit Committee’s effectiveness and compliance with regulations,
- Ensuring best practice in internal control and risk management
- Assisting the Board in its general oversight function.

Mr. Falola reiterated the need for Audit Committee members to be financially literate and to undergo continuous training.

Mr. Kayode Omoregie, a Senior Lecturer in Finance at the Lagos Business School took the sessions on “Understanding Key Financial Ratios” and “Sustainability Reporting in Financial Statements”. He explained the use and importance of financial ratios in relation to financial statements. According to Mr. Omoregie, these ratios provide a better understanding of a company’s operations and how effectively a company has achieved its objectives relative to specific periods and industry peers and allows users to establish performance trends.

Some key performance indicators discussed include sustainable growth, profit, cash flow, going concern, the efficient use of a company’s assets and the maximization of shareholder value. He listed the financial statements from which these ratios are derived as the Balance Sheet, Income Statement and Cash Flow statement. He emphasized the point that financial ratios should not be



reckoned in isolation but within the context of the company's business and previous performance.

With respect to sustainability reporting, Mr. Omoregie took participants through the reasons why sustainability reporting has come into global relevance with stakeholder demanding greater disclosures by companies. To be useful, report should be true and fair (as the reports maybe audited to ensure accuracy), consistent, measurable and provide comparative indices.

Mr. Edward Okolo, Acting Director Financial Standards and Corporate Governance at the Securities and Exchange Commission (SEC) dealt with "The Role of the Audit Committee in Preventing Corporate Governance Failure". His presentation generated heated debate when he suggested that **all** members of the Audit Committee should have above average financial knowledge to enable them understand the complexities of Financial Statements, and to contribute effectively at meetings.

He stated that the Audit Committee is the engine of the company and should be able to effectively engage and question management's activities. He noted that many corporate failures would have been averted if Audit Committees performed their responsibilities as enshrined in the Companies and Allied Matters Act. He encouraged continuous education and reiterated the efforts of the Securities and Exchange Commission in this regard.

The role of the Audit Committee in ensuring Ethical Conduct and Whistle Blowing was the final session and it was facilitated by Mrs. Bisi Adeyemi, Managing Director of DCSL Corporate Services Limited. Using a case study, the session discussed the ethical dilemma faced by employees where the "tone at the top" is not very clear ethical issues.

Mrs. Adeyemi identified three major pillars in developing and sustaining good corporate ethical culture as - a set of core ethical values infused throughout the organization in its policies, processes and practices; a formal Ethics program, including a Code of Conduct & Ethics, ethics training, a Whistle Blowing Policy and an Ethics Officer; as well as the continuous presence of ethical leadership.

She discussed the role of the Audit Committee's in sustaining a corporate ethical culture and how to ensure protection for the whistleblower. Participants agreed that

Regulators needed to do more in the area of enforcing the protection of the Whistleblower to prevent reprisals. It was also agreed that to be effective and engender employee confidence, the Whistleblowing mechanism should be outsourced.



To be more effective, Audit Committee members were advised to always ask the right questions of Management, seek expert advice when necessary, stay up-to-date with industry trends, not to regard their role as merely ceremonial and maintain personal integrity.

The Seminar is an annual event designed to provide continuous learning to Audit Committee members as key players in the corporate governance framework.

#### Who We Are

DCSL Corporate Services Limited (DCSL) provides corporate, company secretarial, immigration, training and governance services to corporate bodies, individuals, government agencies and business organizations. We operate from our Head Office in Lagos, with operational branches in Abuja and Port-Harcourt.

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