# **Key Role of Audit Committee of The Board**

# Written by **Jonathan Prince Cann**, Managing Partner, JPCann Associates Limited, Contact: +233 501 335 817 or email: j.cann@jpcannassociates.com

One of the key pillars in Corporate Governance structure of any organisation is the role and responsibilities of the Audit Committee of the Board.

The importance of this committee has been strengthened over the years in the history of corporate governance especially in the wake of several financial crisis and the collapse of corporate giants such as Enron, WorldCom, BCCI, UT Bank, Capital Bank, Cooperative Bank, Bank for Housing and Construction (BHC), to mention just a few.

The subsequent passage of plethora of laws, regulations and directives as well as Committee Reports such as the Sarbanes-Oxley Act, 2002, the King I, II & III Report and the European Union Directive 2006/43/EC, among many other Corporate Governance Directives aimed at regulating and directing the activities of the Board Governance systems in most countries including Ghana has redefine the roles, responsibilities, powers, authority and functions of the Audit Committee of the Board.

The Corporate Governance Directives 2018 published by Bank of Ghana, for example, is a laudable step to improve and strengthen the corporate governance structures and operations in the banking space in Ghana.

Apart from the composition, qualification, tenure and conduct of the Board members, the most critical component of any Corporate Governance arrangement is arguably the roles and responsibilities of the Audit Committee of the Board (invariably the ARIC as in the public sector).

Most often an ineffective Board can be attributed to an ineffective Audit Committee of the Board. The relationship between the Audit Committee and other parties is crucial in maintaining a strong Board performance. There is no gainsaying in the fact that the full Board relies on the Audit Committee’s reports in managing, directing and controlling the organisation especially in the areas of risk management, financial reporting, audit and assurance decisions.

The Audit Committee of the Board can only be useful and serve its purpose when the Audit Committee is independent, professionally objective, exercises due diligence and integrity, properly composed, properly resourced, understand the business model and industry dynamics of the organisation.

Audit Committee’s terms of reference via its Audit Committee Charter must be clear and empower the Board Audit Committee and the Internal Audit Functions to have unfettered access to all the systems and process within the organisation.

The Audit Committee’s role can be summed up based on the European Union Directive 2006/43/EC, which states:

 ***“the audit committee shall (a) Monitor the financial reporting process; (b) Monitor the effectiveness of the company's internal control, internal audit, and risk management systems; (c) Monitor the statutory audit of the annual and consolidated accounts; (d) Review and monitor the independence of the statutory auditor or audit firm, and in particular the provision of additional services to the audited entity”.***

In other words, the Audit Committee’s role and responsibilities can be summarised in these seven points stated below:

1. Championing the overall corporate governance processes and systems within the organisation;
2. Safeguarding and Strengthening Independence and professionalism of the Internal Audit Function;
3. Ensuring Risk Management Systems and Framework is matured and constantly being evaluated and monitored;
4. Enforcing and assuring the effectiveness of Internal Control environment and internal control systems;
5. Strengthening the functions and activities of the External Audit activities and other service provisions;
6. Ensuring regulatory compliance with relevant laws and directives pertaining to the organisations operations;
7. Strengthening the Accounting and Financial Reporting systems.

Anything short of these roles and responsibilities will jeopardize the quality, integrity and professionalism of the entire Board supervision role over the entity and the effectiveness of the corporate governance process in any organisation.

Does your Board Audit Committee meet these criteria?

***Jonathan Prince Cann is the founder and Managing Partner of JPCann Associates Limited, a consultancy, training and capacity building firm headquartered in Accra, Ghana and with offices in various other countries. Jonathan is a Governance, Risk Management and Compliance (GRC) Evangelist and provide services to build the capacities of organisations.***