



# Getting the Right Information: Audit Committee

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## ■ Introduction

For audit committees to be truly effective, it is imperative to have both timely access to, and an understanding of, all the relevant information they need to carry out their responsibilities.

Timely, accurate and relevant info

Concise and focused reports

Role of the chair

Emerging risks

Informal meetings and site visits

## Audit committee oversight essentials

Despite being vigorously independent, diligent and knowledgeable, audit committee members will never be fully effective unless they have both access to, and an understanding of, all information relevant to their role.

It is paramount for the audit committee to consider what it should expect to see from management when it should see it and how it might best be communicated.

The audit committee should insist on receiving high-quality information sufficiently in advance so that there can be thorough consideration of the issues prior to, and informed debate and challenge at formal meetings.

High-quality information is that which is appropriate for making decisions on the issue at hand – it should be accurate, clear, comprehensive, up-to-date and timely; contain a summary of the contents of any paper; and inform the director of what is expected of him or her on that issue.

Ultimately, the chair is responsible for ensuring that audit committee members receive accurate, timely and clear

information. As such, they must have open and candid conversations with management regarding the specific types of information the audit committee members require to perform their duties, with the understanding that this information needs constant refinement. Directors and management also need to be mindful that too much information can be as bad as too little information.

Apart from receiving reports and papers from management and others, the audit committee should also keep in touch with all the audit committee's stakeholders. In many companies, the audit committee regularly engages in informal meetings with the board chair, CEO and CFO and auditors to stay up to date at all fronts. Site visits are another important means of receiving the information needed for the committee to be able to effectively probe and challenge management. paramount.

# Key questions for audit committees to consider:



## Financial and Operational Performance

- Does the information obtained provide a clear view of underlying performance of all parts of the business?
- Is the committee receiving clear financial analysis that matches the current operating model of the business, highlights one-off events/distortions versus recurring business, adapts to developing issues and is consistent with the company's external financial information?
- Are the key operational challenges being recognized and addressed? Is all information received relevant, forward looking and focused?
- Do the financial reports received reflect management's best views on past and future performance?
- Does the information provide clear enough picture of performance and operations to challenge management effectively?
- Do you have a clear understanding of all significant current and expected operational matters and their anticipated financial consequences?



## Governance

- Is the committee consulted on, and have access to, information relating to financial and business reporting, risk management, internal controls and audit relationships?
- Are fraud, ethics and whistle-blowing policies being assessed and does the committee see the outputs of these assessments to include governance and tone; risk assessment detection and investigation; training and awareness; monitoring and oversight?
- Does the company's IT structure match business needs?
- Are the business critical risks being managed effectively and is the information provided to the committee relevant and understandable?
- Are the finance, internal audit, and internal control functions led by qualified and experienced individuals? Is there a robust succession plan in place for these critical roles?
- Are there effective measures in place to maintain the independence of the external auditor?
- Are the finance, internal audit, internal control and risk management (where the audit committee also provides oversight to risk management) functions led by qualified and experienced individuals? Is there a robust succession plan in place for these critical roles?
- Is the committee closely monitoring the tone at the top and culture throughout the organisation?
- Is the committee ensuring that the company's regulatory compliance and monitoring programmes are up-to-date?
- Is the committee ensuring that the ESG data utilized in producing the sustainability and impact assessment reports are accurate, complete and auditable?
- Are there any material matters that has come to the attention of the internal audit function that have not been included in the audit reports?
- Have all whistles blown within the quarter been reported to the committee or only the investigated ones?



## Financial Management

- Does the committee receive the information it needs on future funding needs, committed funding arrangements and projected debt covenance compliance?
- Does the Committee receive comprehensive information, both financial and non-financial from management to assist you in reviewing the quality of the financial report?
- Is the Committee provided with the summary of results of the company by management with explanations given for significant variances noted for the reporting period?
- Is the committee made aware of downside risk and relevant contingency plans for any significant non-recurring transactions?
- What information is provided on how profits are converted into cash? Is cash generation given sufficient priority?
- Does the committee have sufficient insight on how significant financial risks are being managed? Are you satisfied with the internal controls in place and the information received over such significant risks?
- Can management demonstrate the right balance between risks and commitments and delivery against targets?
- Does the committee have effective insight into contractual commitments?
- How do you know that tax obligations are being effectively managed and do you have the opportunity to challenge around this?
- Is the committee satisfied that internal and external auditors are addressing issues that are relevant? Is the committee satisfied with their audit scope, resourcing and independence?
- Does the committee receive consistent and reliable information from the company's finance teams?
- Does the committee ensure that investors receive a fair view of the information they need – going beyond key accounting judgments and including disclosures and management commentary?
- Does the audit committee receive relevant and understandable information on the company's IT systems and their relevance and/or vulnerabilities in terms of financial reporting?

## Conclusion

As guardians of integrity, audit committees are essential for shaping the future of businesses, ensuring resilience and responsibility in a constantly evolving environment. It is paramount for audit committees to access the right information to effectively fulfill their oversight responsibilities.

**“If you don't have regular and accurate financial statements, you're driving your business 100 miles an hour down a one-way street the wrong way, at night, in the fog, without lights.”**

**- Jim Blasingame**

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The KPMG Board Governance Centre (BGC) is a dedicated forum that provides Board members with insights and resources to keep abreast of current and emerging governance issues.

The KPMG BGC offer thought leadership and timely resources including periodic seminars and round tables to host the exchange of views and support Board members (including Board sub-committee members) in clarifying and enhancing their governance practices amid rapidly evolving corporate governance landscape in Nigeria.

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