



Audit Executive Team Function Terms of Reference



3 Feb 2023

Background

Audit Partnership

KPMG the Irish Firm has an Audit Partnership (223937) which is registered with Chartered Accountants Ireland (CAI). The Audit Partnership (AP) is under the control of the Managing Partner (MP) and all of the partners that are registered auditors with the CAI.

Statutory Audit Activity

All statutory audit activity and any other activities, which are otherwise considered to be audit activities, regulated under law, are carried out solely by Registered Auditors through the AP and all such matters are, at all times, under the sole control and direction of the members of the AP.

Management and Decisions

The MP manages the affairs of the AP in accordance with the Audit Plan and Strategy and relevant regulations, and appoints a Head of Audit (HOA) and a number of audit partners to assist the MP in managing the AP. The MP delegates the management of the Audit Practice to the HOA. The HOA, together with those audit partners appointed by the MP, form the Audit Executive Team (AET).

Head of Audit

The HOA:

- holds executive accountability and responsibility for the audit function and is responsible for the effective management and control of the audit function.
- develops an Audit Function Strategy in support of the Firm Strategy which drives trust and growth with a financial plan aligned with the Firm's audit quality requirements
- leads the AET and is a member of the Firm's Executive Leadership Team (ELT).
- demonstrates a strong tone and culture supporting audit quality through communication, engagement support and commitment to maintaining objectivity, professional skepticism, ethics and integrity.

Audit Executive Team (AET)

The AET, which is chaired by the HOA, is the leadership team for the audit function.

1 - Purpose of this Document

1.1 - This document sets out the Terms of Reference for the AET which were approved by the MP on 21 February 2023 and shall become immediately effective as they reflect the current operating model.

2 - Role of the AET

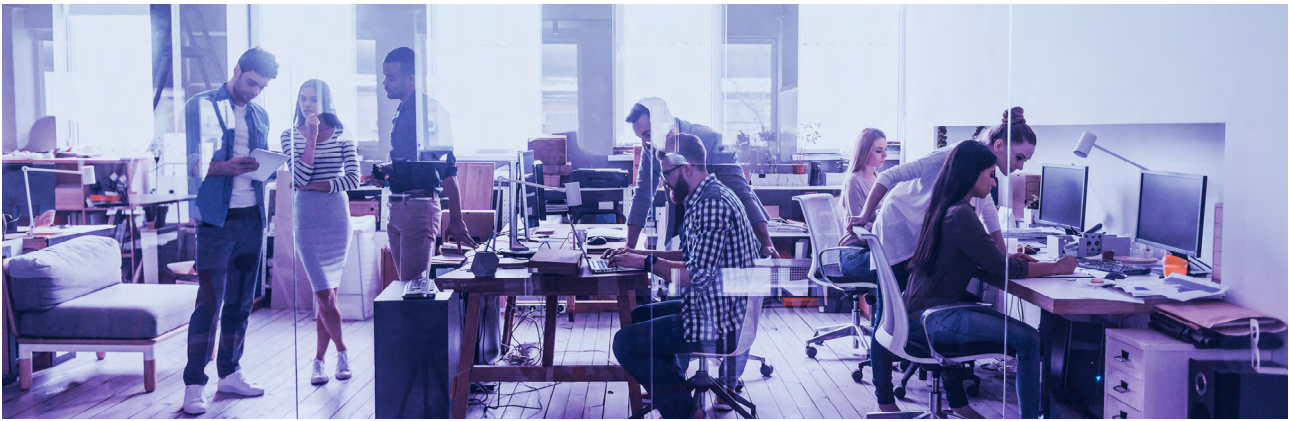
2.1 - The overarching role of the AET is to manage the KPMG Ireland audit function and to oversee those activities of the audit function which relate to improving and maintaining the consistency and quality of audits provided by KPMG Ireland

2.2 - Audit Quality is fundamental to maintaining public trust and is the key measure on which our professional reputation stands. KPMG has defined Audit Quality as the outcome when...

audits are executed consistently in line with the requirements and intent of applicable professional standards within a strong system of quality controls; and all of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity."

2.3 - Taking this into account, the role of the AET is to:

- Provide input, and make recommendations, to the HOA on priorities relating to the audit function and, for certain items, it makes recommendations to the Firm or the Policy Committee e.g., partner promotions, audit plan etc.
- Determine the principal projects and initiatives relevant to audit which should be undertaken by KPMG Ireland and monitor their effectiveness in achieving the audit plan.
- Determine audit developments and trends, both locally and globally, and use them to inform the audit function agenda.
- Determine the local implementation of KPMG International policies relating to audit and consider the application of best practices from other KPMG member firms for use by KPMG Ireland.



- Design the KPMG Ireland system of quality management relevant to Audit
- Quality as set out in International Standard on Quality Management 1.
- All other matters as delegated to the AET by the MP or the Policy Committee

3 - Composition of AET and meetings

3.1 - Members of the AET shall be appointed by the MP, following consultation with the audit partners. The AET shall comprise members each of whom must be Registered Auditors. Membership should consist of the MP, HOA, Head of Audit Quality & Department of Professional Practice, business unit leaders from the three largest business units and a second partner for Financial Services Audit and a representative from the Market Executive Team and Operations Executive Team. The HOA will act as the MP delegate. A quorum for meetings is four members. The HOA will count as two members. Business Unit Leaders shall serve on the AET for a maximum of six years, except in exceptional circumstance, which would require approval by the Policy Committee.

3.2 - Meetings of the AET should take place generally monthly or as deemed necessary by the HOA.

3.3 - The HOA shall be responsible for ensuring that a record of the proceedings at each meeting is kept in the form of minutes of the meetings.

3.4 - The HOA will provide status reports about the AET activities to the MP, ELT, and the Policy Committee

3.5 - The AET may set up committees to assist them and should agree a written terms of reference with each committee

4 - Key priorities of the AET

The key priorities of the AET include:

4.1 - Builds constructive working relationships across the Firm and between business units

4.2 - Demonstrates and communicates a tone from the top which prioritises the responsibility that all colleagues have for engagement quality in the performance of engagements or activities within the system of quality management

4.3 - Sets and communicates engagement quality expectations and accountability for audit professionals

4.4 - Ensures that the audit function, as a whole, has the capacity to manage the audit client portfolio and maintain audit quality, including the required capacity from crossdivisional! group specialists, as appropriate

4.5 - Refuses to take on or continue work in the audit function that does not fit with the Firm's capabilities or risk management criteria

4.6 - Ensures that adequate professional development and human resource processes are in place for the audit function that support audit quality objectives in accordance with the professional standards and the system of quality management. This will include:

- Provision of investments and processes to build the capability of the audit workforce to meet the requirements of regulation and the skills needed for the future including roll out of KPMG Clara
- Effective processes to assign audit heads and professionals with sufficient capacity and ability to perform engagements in line with the Firm's quality objectives and commitments
- Detailed workforce planning in line with the audit client portfolio
- Taking action to support the wellbeing of professionals and ensuring audit is an attractive career option

- Recognising high quality audit work
- The establishment of policies or procedures for the performance management of individual(s) assigned operational responsibility for the system of quality management
- Response of audit function to hybrid working

4.7 - Champion Global People Survey (GPS) and/or wider people focused actions and initiatives which drive cultural improvement across the audit function

4.8 - Determine a sufficient talent pipeline of diverse, inclusive, proficient, and capable audit lead partners (succession planning)

4.9 - Determine that the audit function is able to hire, develop and retain a diverse group of personnel, including engagement leads, who have the competence and capabilities to:

- Consistently perform quality engagements, including knowledge or experience regarding professional standards and applicable law or regulation relevant to the engagements the firm performs; or
- Perform activities or carry out responsibilities in relation to the operation of the system of quality management

5 - Monitoring and Quality Initiatives

5.1 - Determine that the audit function has quality control policies and procedures, and requirements to perform work that complies with professional standards and applicable legal and regulatory requirements, and issue audit reports that are appropriate in the circumstances. Determine that the audit function appropriately addresses new or emerging matters arising from internal and external inspections and monitoring programmes.

5.2 - Determine that the audit function has established policies and procedures for dealing with complaints and allegations about the commitment to quality of the Firm or its personnel, including clearly defining channels within the Firm that enable reporting by personnel or external parties to appropriate individual(s) without fear of reprisal and enabling the investigation and resolution of the complaints and allegations. Determine that the audit function appropriately addresses new or emerging matters arising from complaints and advertent and inadvertent breaches of policies.

6 - Growth Accountabilities

6.1 - Lead the development of the audit function portfolio and assess portfolio giving consideration to brand-defining local and regional clients to ensure a balanced portfolio between audit and non-audit.

6.2 - Adapt the audit function strategy in response to changing client demands and external trends

6.3 - Drive revenue growth plans for both existing and new clients

6.4 - Determine that the Audit Function has appropriate oversight for commercial and contractual aspects of all audit engagements (e.g., fee proposals, budget, fee collection) and ensures these are managed effectively to achieve expected levels of quality and profitability

6.5 - Lead the Audit Function growth strategy, in support of the Collective Strategy

6.6 - Oversee a pricing and gross margin strategy

6.7 - Oversee identification of key clients to target and pursue, and put forward suitable resources for the account.

6.8 - Oversee Business Development activities by connecting strategy to client requirements

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