

# EY UK 2022 Transparency Report

October 2022



## Context

### EY's purpose: Building a better working world

EY is committed to doing its part in *Building a better working world*.

The audits delivered by EY people help build trust and confidence in business and the capital markets. EY auditors serve the public interest by delivering high-quality, analytics-driven audits with independence, integrity, objectivity and professional scepticism. In so doing, the EY organisation helps protect and promote sustainable and long-term value for stakeholders.

In the United Kingdom (UK), Ernst & Young LLP (Company number: OC300001) is a limited liability partnership, wholly owned by its members, incorporated in England & Wales and is a member firm of Ernst & Young Global Limited (EYG), a UK company limited by guarantee. In this report, we refer to ourselves as 'EY UK', 'we', 'us' or 'our'. 'EY' refers collectively to the global organisation of the member firms of EYG.

Unless otherwise stated, this report relates to EY UK's principal activities for the reporting period from 3 July 2021 to 1 July 2022, referred to throughout the report as FY22.

### Transparency

This report serves as an important mechanism for us to communicate with investors, audit committee chairs, regulators and other stakeholders, and our aim is to be fair, balanced and understandable.

Article 13 of the EU Audit Regulation (537/2014) came into force on 17 June 2016 and requires the publication of an annual transparency report by audit firms that carry out statutory audits of Public Interest Entities (PIEs). The EU Audit Regulation was incorporated into UK domestic law by Section 3 of the European Union (Withdrawal) Act 2018, a mapping to the requirements of which is provided in Appendix 5.

### Local audit

We are also required to comply with the Local Auditors (Transparency) Regulations 2020, as in the current year we signed audit reports on the annual accounts of 'major local audits', as defined in the Local Audit (Professional Qualifications and Major Local Audit) Regulations 2014. A mapping to the requirements of the Local Auditors (Transparency) Regulations 2020 is provided in Appendix 6.

### Audit Firm Governance Code

First published in January 2010, and later revised in 2016, the Audit Firm Governance Code (AFGC or 'the Code') applicable to FY22 sets a benchmark for good governance and applies to firms auditing 20 or more listed companies.

We are committed to the AFGC, and in accordance with its 'Governance reporting principle E2', the EY UK Board (the Board) confirms that EY UK has complied with the provisions of the Code or has otherwise provided a considered explanation. Appendix 4 provides a list of the Code's principles and provisions with a reference next to each requirement to show where we explain in this report how EY UK met each requirement.

Firms are asked to consider whether they might also wish to comply with some of the principles and provisions in the UK Corporate Governance Code (UKCGC). While we have not expressly implemented any of its provisions not separately encompassed within the AFGC, we continue to keep this under review.

The AFGC requires firms to report against any Key Performance Indicators (KPIs) for governance in place. We report on how we achieved our governance KPIs in Appendix 3 of this report.

Throughout this report, where we refer to the results of surveys, these surveys were sent to the full relevant population and the quoted results refer to the views of those people who responded.



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## Leadership messages

### Foreword from the EY UK Chair



#### Hywel Ball

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#### Introduction

Welcome to our EY UK 2022 Transparency Report.

UK companies are facing a convergence of challenges, from climate change and the aftermath of the pandemic, to the war in Ukraine, economic uncertainty, capital markets volatility and shifting consumer habits.

These factors – both long- and short-term in nature – have affected all businesses and individuals, changing the relationship between business and society. A wider range of stakeholders, including customers, employees, suppliers, governments and civil society, are scrutinising corporate behaviour, alert to any gap between what companies claim and what they are actually doing. That increases the expectations of auditors, specifically on their work around going concern and resilience, and more generally on the overall assurance of company reporting.

The public now expects business to help society address the biggest issues facing humanity, including climate change and inequality, while the demand for assurance on metrics continues to widen beyond financial performance.

Yet alongside the challenges, this changing social contract also gives rise to significant opportunities. In navigating through the disruptions of the pandemic, British business has clearly demonstrated its undoubted strengths, in areas ranging from rapid vaccine innovation to financial support for employees. In particular, COVID-19 has shown that when government and business work together towards shared goals, they can achieve things previously thought impossible – while also generating accelerated outcomes, deeper trust and lower costs for society. It's a valuable lesson we should all bear in mind for the future.

#### Rising to the challenges

During the past year, we've taken speedy and decisive action as we – and our stakeholders – navigate a changing world. Regarding the war in Ukraine, the complex task of separating the Russian EY member firms from the EY network has been completed within just a few months of the introduction of sanctions following the invasion. And we continue to work with the Financial Reporting Council (FRC) and the UK Government to ensure we are complying with sanctions here in the UK.

In recognition of the high standards to which we hold ourselves – including how we conduct ourselves as individuals – we have revisited our processes for reviewing conduct issues and complaints. In order to strengthen the independent oversight of our decision-making, we have introduced the Sanctions Review Committee, which has an independent Chair and provides feedback in relation to the outcomes of partner disciplinary processes. EY UK's Public Interest Board also provides independent oversight of EY UK's policies and processes more generally.

As well as meeting evolving legal and conduct requirements, we have also continued to be guided by EY's deeply-held global purpose, *Building a better working world*. Alongside the withdrawal from Russia, the global EY organisation has put measures in place to support colleagues in Ukraine, and those needing to come to the UK from both Ukraine and Russia. And we at EY UK have put our people's wellbeing front and centre in our responses to COVID-19. We kept our business and recruitment going through the pandemic without drawing on any of the Government support offered to businesses during that period, and we've focussed on learning what works for us and our people in terms of working and training models.

At the same time, we have maintained our focus on driving improvements in audit quality and trust, both within EY UK and across society, by continuing to make significant investments in audit quality in the UK and globally. And we have become the first of the Big Four in the UK to secure an Environmental, Social and Governance (ESG)-linked revolving credit facility, helping us deliver on our commitments around carbon reduction, diversity and social mobility. If you would like to know more about our progress against these commitments, please take a look at our second annual [Impact Report](#).

## Strengthening the foundations of trust

As our [Impact Report](#) underlines, success for EY UK is not just about financial performance, but demonstrably delivering long term value for all our stakeholders. Our Transparency Report plays an important role in achieving this goal, by providing in-depth information to our stakeholders, particularly investors and Audit Committee Chairs (ACCs), enabling them to gain an informed view of how we are meeting our obligations as auditors.

If we fulfil these obligations well, we help to generate confidence in the capital markets – in turn enabling businesses to transact, investors to invest, jobs and prosperity to be created, and economies to grow and develop. To reinforce our ability to catalyse these benefits, we have continued to progress towards the voluntary operational separation that regulators are so keen to see come about.

In this context, we welcome the Government's long-awaited response published in May 2022 on strengthening the UK's audit, corporate reporting and corporate governance systems. While consultations will continue, many of the measures in the response represent steps in the right direction – not least the strengthened and expanded powers of the proposed Audit, Reporting and Governance Authority (ARGA).

We remain eager to see whether the Government's measures achieve the right balance of responsibility and accountability in the corporate ecosystem. We remain concerned that the scaled-back plans, in areas such as non-financial reporting assurance, and the pace of change will mean both that this balance is not achieved and the opportunity to reform our business ecosystem is missed.

We are also analysing the new AFGC that will be applicable for FY24, and assessing how to address the new requirements.

As society's needs and expectations evolve, reform is vital if the audit is to keep pace, and we will continue to play our full part in that process, including through honest and frank engagement with consultations. Also, as well as implementing operational separation, we have continued to enhance our governance, as you can read in the message from our Non-Executives (NEs), David Thorburn and Tonia Lovell.

I would like to take the opportunity at this point to thank David and Tonia, as well as their fellow NE Mridul Hegde, for their continued excellent oversight of EY UK and its governance. Along with Philip Tew, they have also diligently overseen our audit practice via our independently chaired Audit Board (UKAB). And our special thanks go this year to Sir Peter Westmacott, who is stepping down as an EY UK NE.

As a member of our UK Independent Non-Executive Oversight Committee (now the EY UK Public Interest Board) since April 2017, Sir Peter has played an important role in oversight of the management and supervision of the whole of EY UK during his time with EY. Sir Peter has brought us the benefits of his wisdom and insight, working with the EY UK Board as it has tackled some of the most significant regulatory changes ever to face our industry, as well as the challenges of COVID-19 and the war in Ukraine. I would like to thank Sir Peter for his contribution and to wish him well in the future.

## Adapting to the widening scope of assurance

As stakeholders increasingly come to expect businesses to have a positive impact on society, one effect is to extend the scope of the assurance required over a company, the performance metrics being assured – and the risks to be considered when writing an audit opinion.

In the past, it tended to be mainly a company's investors that were interested in its performance. But today a much wider set of stakeholders are looking for assurance and confidence that a company's actions are as they claim. For example, we're seeing employees increasingly look to work for purposeful businesses, while consumers voice a growing desire to spend their money with 'ethical' organisations that make a positive difference to society.

As a result of such shifts, the expectations placed on auditors are also changing. Quite rightly, the profession has faced scrutiny around audit quality. Also quite rightly, regulators have set a high bar on audit quality, as reflected by this year's FRC audit inspection results, in response to which – as Andrew Walton explains later – we have acted

both to address the issues identified by the FRC and tackle emerging challenges. And the expectations of audit continue to rise, including through the effects of the Government's audit and corporate governance changes, which are set to increase the number of Public Interest Entities and potentially bring in mandatory sharing of audits.

As these changes and more take effect, the competition for talent and skills across the market is likely to increase, potentially creating resourcing challenges for many firms. But make no mistake: whatever happens in the marketplace, we at EY UK cannot and will not compromise on quality to stretch our resources more thinly. This commitment is reflected by the number of audits for which we have decided not to tender in the past year.

## Attracting and developing the talent we'll need

The rising regulatory scrutiny and increased pressure on auditors reflect the fact that the role we play has never been more important. A complex world with so much dynamic change needs to be underpinned by the confidence that audits provide. The demand for accountability has also increased as the role companies play in society has become better understood.

While I do worry about the impact of adverse news headlines on the attractiveness of the profession to today's young talent, I am hugely encouraged and motivated by the questions our graduate and school leaver intake ask of me. They are very clear about the important role we have to play in building trust in business, the capital markets and wider society. When I speak to them, they invariably challenge me about what we are doing to combat climate change, drive greater diversity across EY UK and make a positive difference. Our purpose, *Building a better working world*, resonates strongly with them at a personal level.

I believe that focusing on the crucial role that audit plays, and showing why and how it makes a difference, will be key to attracting and retaining the best talent in the future. So that is what we will continue to do.

## Our proposed structural change

Talk of the future leads me to the structural change that EY is proposing at a global level, separating into two distinct, multidisciplinary and financially resilient organisations: one focussed on consulting, tax services, strategy and transactions; and the other becoming a simplified, more agile global network of member firms focussed on providing assurance services. You can read EY's latest global statement on this [here](#).

In my role I spend a lot of time speaking to regulators, politicians and other stakeholders. Over the past few years, we have been asked three key questions repeatedly. First, how to run a business whose primary focus is to deliver audit quality with a culture that supports that focus. Second, how to address the perception that our business's goal is to sell other services aside from audit. Third, how to improve choice in a market affected by independence restrictions.

Taken together with other drivers – including the need to continue to invest in audit quality, in technology and in new assurance services – answering these questions means considering proactively whether there may be a more appropriate alternative business model for EY and our stakeholders. Our partners are now reviewing the proposals ahead of a voting process. But let me be clear that audit quality sits at the heart of our deliberations. Should separation proceed we would be creating a simplified, more agile global network with all the specialist skills and capabilities required to deliver world-class audits to the most complex organisations around the globe, with EY professionals delivering on the ever broadening scope of audit in areas such as fraud, cyber and sustainability. The network would also provide other services aligned to the Chief Financial Officer (CFO) agenda including tax, forensics, valuations, risk and sustainability.

In addition to applying our deep expertise to help advance all aspects of our clients' needs, a separation of EY would also enhance society's trust in business through the provision of greater choice, higher quality and better solutions to certain regulatory policy issues around conflicts. It would also be great for all our people, reducing complexity, driving further growth and increasing investment focussed on them. EY is well positioned to lead the profession in proposing and driving change, and we are proud to be contemplating these bold steps. However, we are still at an early stage in the process. Nothing will change for now, and our priority is to continue providing exceptional service to the organisations we work with. Our overarching goal is to present a clear and strategic global solution to the questions raised by our broader stakeholders.

We hope that you find our Transparency Report a useful document, and one which provides a greater understanding of EY UK. We are keen to receive any feedback and to respond to any questions which you may have about EY UK. Please contact me on: [hball@uk.ey.com](mailto:hball@uk.ey.com).



## Leadership messages

### Foreword from the EY UK Non-Executives



**Tonia Lovell**

Independent and Audit Non-Executive,  
Chair of the EY UK Public Interest Board



**David Thorburn**

Independent and Audit Non-Executive,  
Chair of the EY UK Audit Board

#### Introduction

This has been a year of both challenge and progress for EY UK, against the backdrop of geopolitical and economic uncertainty, the gradual recovery from the pandemic, and the ongoing implementation of the FRC's operational separation principles. As EY UK continues to navigate these issues and more, NEs have an important role to play by bringing an independent voice to the table.

By way of context, EY UK NEs are either Independent Non-Executives (INEs), who have a EY UK-wide remit and are members of the Public Interest Board (PIB); or Audit Non-Executives (ANEs), who are focussed on the EY UK audit practice and are members of the UK Audit Board (UKAB). Three of the EY UK INEs – David, Tonia and Mridul Hegde – are also ANEs and are therefore members of both the PIB and the UKAB. Philip Tew is a 'doubly independent' ANE and so is a member of the UKAB only. All the ANEs are members of the UKAB Remuneration Sub-Committee (ABRemCo) which is chaired by Philip.

The role of INE stems from the FRC's AFGC, while the ANE role was introduced as a result of the FRC's operational separation principles. In each case, the role of an EY UK NE differs materially from that of a Non-Executive Director (NED) of a corporate entity. As the reader will appreciate, this distinction is important. As NEs, we have full access to EY UK management, and both David and Tonia (as the Chairs of the UKAB and PIB respectively) attend the EY UK Board. We bring constructive challenge to the EY UK's leadership and oversee policies and procedures across the entirety of EY UK, but we do not participate in EY UK's decision-making process. The requirements of us under the AFGC are explained below.

Both INE and ANE are important roles that demand focus and commitment. Here we'd like to echo Hywel in thanking

our fellow INE Mridul Hegde and ANE Philip Tew, both of whom came on board at the start of this year, for their great contribution from day one; and in thanking and wishing all the best to Sir Peter Westmacott, who is stepping down as an INE after five years of outstanding contribution in the role.

#### Looking back

##### Governance

As the pressures from the pandemic have receded over the past year, the momentum behind the implementation of changes to EY UK's governance framework has increased and EY UK has progressed with its implementation of the principles of operational separation. The new framework is now operational and embedding into the business.

Most notably, the Independent Non-Executive Oversight Committee (IOC) has been replaced by the PIB, and governance has been further strengthened through the establishment of the UKAB. The two boards work closely together and, unlike the IOC which had only NE members, both of these boards have EY UK partners as executive members (see Appendix 3: Governance and leadership for more details on the membership of the boards). This structure enables the NEs to engage directly with senior leaders in the business, bring challenge more effectively and escalate issues to the EY UK Board if needed.

The PIB, chaired by Tonia, is working to enhance EY UK's performance in meeting the principles laid down in the AFGC, which sets a benchmark for good governance and applies to firms auditing 20 or more listed companies. In particular, the PIB provides independent oversight of EY UK's financial resilience, governance and leadership, values and culture, and risk management and resilience.



The UKAB, chaired by David, oversees EY UK's focus on delivering the highest levels of audit quality and reinforcing a culture of professional scepticism and challenge. Additionally, the ABRemCo established by the UKAB oversees how audit quality is factored into partner remuneration.

### **Internal and external engagement**

This year our engagement activities included engaging with representatives of Regional Partner Forum (RPF) to understand the views of partners. We also attended some meetings of EY Voice – a forum of elected employee representatives from across EY UK – and we hosted a meeting with EY Voice without management present, dedicated to the airing of unfiltered observations on EY UK's culture. We also participated in a number of Culture of Quality roadshows, as discussed below.

Additionally, between us we have continued to hold monthly meetings with the Head of Regulatory and Public Policy and quarterly meetings with the Chair, as well as regular one-to-one meetings with the UK Head of Audit; Managing Partner, Risk Management, UK; Managing Partner, UK Financial Services Organisation (FSO); Head of Internal Audit; and UK Country Professional Practice Director and UK Audit Compliance Principal. We also regularly attend partner calls and all people calls.

In order to have a good understanding of EY UK's various businesses, we receive regular presentations from service line leaders, often along with their quality leads. This allows us to consider the service line's performance, specific risks and how these risks are managed, quality of advice, and any actual or potential reputational matters. This year Strategy and Transactions (SaT) and Consulting presented to the PIB.

During the past year, the NEs have also engaged with the FRC to demonstrate how they have added value to EY UK; to discuss the FRC's public report; and to discuss changes in EY UK's governance structures and revisions to the AFGC. Since the end of the year under review, our external engagement has also included participating in the EY UK Stakeholder Engagement Event in July 2022.

### **The UK Audit Board and audit quality**

During the year, the four ANEs on the UKAB took an active role in discussing the Audit Quality Strategy (AQS) with the executives. An important aspect this year was overseeing the activities undertaken to embed EY UK's audit quality culture.

As mentioned earlier, we also attended a number of Culture of Quality roadshows in various offices across the country,

enabling us to engage directly with staff and get first-hand insights from across the audit practice. A common topic of the discussions at these events was resourcing and capacity within the audit practice, a topic covered by Hywel in his message. This is an area that we monitor very closely at the UKAB, with a view to ensuring that EY UK's resources do not become too stretched to sustain high audit quality.

Throughout the year we have continued to receive detailed reporting on staffing levels, including forward-looking metrics. We also oversaw the actions proposed by management to address shortages, and shared our observations on this work with both the PIB and the EY UK Board. Additionally, we dealt with matters relating to more specific audit areas – for example this year we focussed on the audit implications of climate change and the new accounting standard relating to insurance.

We were also involved in reviewing audit partner remuneration and incentive structures, including via ANEs' participation on the ABRemCo. The main focus of this committee is monitoring whether policies related to audit partner pay give 'primary weight' to a partner's contribution to audit quality. Philip attended a number of meetings during which the quality ratings of partners were determined.

EY UK works continually to monitor and improve audit quality by reference to a variety of internal and external measures, as Andrew Walton details later in his message. There has been good progress against a number of independent measures of audit quality such as the work of the Quality Assurance Department of the Institute of Chartered Accountants in England and Wales (ICAEW QAD). However, this year's FRC audit inspection results were disappointing and have necessitated a refresh of the AQS which management have developed with oversight and challenge from the ANEs.

As part of this process, we have had oversight of the root cause analysis (RCA) of instances of poor audit quality, and are confident that management has identified the root causes of the issues highlighted by the FRC. Steps to address these findings have been incorporated into EY UK's current AQS – with the priorities being greater standardisation, more effective coaching and a reduction in work intensity. These enhancements are aimed at addressing areas where issues have arisen in the past, as well as new challenges that have emerged more recently or that may emerge in the future. The UKAB will closely monitor progress with these actions in the coming year.



### **The Public Interest Board and EY UK resilience**

During the year, the INEs have continued to focus on helping EY UK secure its reputation more broadly – including in its non-audit businesses – and reducing the risk of its failure.

When we look at resilience, we consider both financial and operational aspects. This work has included oversight and challenge in relation to the evolution of EY UK's risk profile and changes to principal risks and network risks reported by the global EY organisation. Specifically this year, we spent time looking at EY UK's compliance programme and its business resilience/continuity and crisis management plans.

The pandemic was of course a live stress-test of resilience for EY UK. However, on an annual basis we ask management to model scenarios and perform stress testing, in a similar way to a Public Limited Company's (PLC's) viability statement, and we review internal controls and the work of the Internal Audit function. This year our reviews included progress against compliance with International Standard on Quality Management (UK) 1 (ISQM 1) and the controls around financing, acquisitions and capital in the business.

Further areas of focus for the INEs during the year have included monitoring the processes related to the ethics Code of Conduct and the staff whistleblowing hotline; receiving reports on cases from the hotline and partner disciplinary matters; and reviewing the actions taken by EY UK in response to these cases. As in previous years, we have also maintained close scrutiny and consideration of reputational matters that arose during the course of the year. A major area of reputational oversight this year related to EY UK's response to the war in the Ukraine.

### **Interaction with the EY UK Board and the Global EY organisation**

As noted earlier, we – both David and Tonia – attend the EY UK Board meetings. For most of the year, until he stepped down at the end of his second and final term in May 2022, David was also a global INE.

### **Looking forward**

It is clear that EY UK has a complex year ahead. As NEs, we will have to remain flexible and adapt our areas of focus as relevant. Our activities will include assessing the impact of the plans for structural separation on the operational and financial resilience of the audit practice and on audit quality. We will also have oversight of operational separation and progress towards implementation of ISQM1 and the new AFGC.

This message seeks to offer insight into the key areas of focus of the NEs this year but should not be regarded as an exhaustive list. We would be delighted to receive questions and feedback on any elements of it. Please feel free to contact any one of us at: [eynonexecutives@uk.ey.com](mailto:eynonexecutives@uk.ey.com)



## Leadership messages

### Foreword from the EY UK Head of Audit



#### Andrew Walton

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#### Introduction

Looking back on my second year as EY UK Head of Audit, I want to start by thanking our people for their dedication and commitment to delivering high-quality audits in a fast-changing environment – one made all the more challenging by the effects of the war in Ukraine, the move to hybrid working and talent-related capacity constraints in our industry caused by reduced immigration following Brexit.

While addressing these challenges during the year, we have remained fully committed to delivering on our audit strategy and helping to restore trust and confidence in UK audit. Our commitment to serving the public interest and taking personal pride in audit is a core element of our audit strategy, which is built from ground up to deliver consistently high audit quality, build lifelong skills and experiences for our people, and achieve purposeful growth that allows us to meet the needs of stakeholders. These are objectives that are fully aligned with our purpose of *Building a better working world*.

In terms of demonstrating our desire to serve the public interest, we are mindful of our responsibility to hold companies to the highest standards of corporate governance and control. Therefore, when companies fall short of these standards we encourage them to address shortcomings and produce higher-quality financial reporting. Only after we have exhausted all avenues to work with boards do we take the decision to resign from an audit. Examples might include cases where a company does not improve its attitude towards effective controls and governance, displays inappropriate behaviour towards our teams, and/or the commercial arrangements are inappropriate for the level of effort or risk involved.

While there may be some industry sectors that are more challenging to audit than others, I would stress that we have not withdrawn from any major sectors, although we

do consider sectoral exposure. We look at the attitudes to corporate governance and controls within the organisations in a sector when considering whether to accept or continue an audit.

In the past year we have taken many steps to help us deliver on our strategy. I will now elaborate further on our various actions in FY22.

#### Realising our commitment to high audit quality

Turning first to EY UK's Audit Quality Strategy (AQS), this is multi-year plan which aligns to the EY Global Sustainable Audit Quality programme. As I reported last year, we made good progress on implementing our AQS in FY21 despite the challenges created by the pandemic, which meant most of our audits were conducted fully or predominantly remotely.

When we set our AQS for FY21, we were aware of – and took fully into account – the audit risks arising from the COVID-19 pandemic. We therefore prioritised goodwill impairment, going concern, and expected credit losses. While we continue to have work to do to address the findings over impairment, it is pleasing to see that the other areas did not give rise to any significant findings in this year's Audit Quality Review Team (AQRT) inspection cycle by the FRC. In fact, they were assessed as being areas of good practice.

That said, we are disappointed that the overall results of this year's FRC inspections of our audits are out of line with our improved performance in previous years. The latest FRC inspection cycle shows that 65% of the EY UK audits selected by the FRC for review were rated as good or needing limited improvements. However, we are encouraged that the FRC has not identified any systemic issues behind our results this year, and that our average result over the past five years is more consistent with the other Big Four firms.

As the FRC's samples are small and weighted towards higher-risk audits, its report also recognises that other measures should be considered when evaluating overall audit firm quality. These include the review by the ICAEW QAD, whose inspection cycle found that 100% of EY UK audits reviewed were in the category of good/generally acceptable. Meanwhile, our FY22 cycle of internal audit reviews found that 87% of the 132 audits we inspected required no or only minor improvements.

That said, we know we need to achieve greater consistency to deliver high audit quality across our portfolio. With this in mind, we are continuing to respond to the FRC's feedback as we enhance our AQS to ensure we deliver consistently high-quality audits.

In this context, our AQS for FY23 has three main pillars. The first is resourcing, with the primary aim of reducing work intensity for our teams – an issue that I'll talk more about later in this message. The other two pillars are coaching, and increased standardisation and simplification, both of which will bring natural benefits in terms of reducing work intensity. You can read more about our AQS in our 2022 [Audit Quality Report](#).

Of the FRC's 28 ongoing audit investigations, four relate to audits which EY UK completed. We await the outcome relating to Thomas Cook Group plc (audits covering two financial years), NMC Health plc and London Capital & Finance plc. Any learnings will be incorporated in all our audits going forward. Of the 10 investigations that have not been announced, none relate to EY UK. More generally, we embrace the FRC's approach to audit firm supervision, and will keep working with the FRC and other stakeholders to ensure our audits deliver on their public interest role of building trust and confidence in business and capital markets.

Throughout the second half of FY22, we have continued our close engagement with the FRC Supervisory team and worked to address the points highlighted in the feedback they shared with us in November 2021. The FRC identified a number of areas of good practice, and recognised how our Audit Quality Plan (AQP) and RCA approaches play a significant role in continuous improvement. While there were no areas identified as requiring immediate attention, the FRC recommended that to improve audit quality EY UK should focus on three priorities: 'governance and leadership', where it said the recent changes to our governance framework are a positive step, but further clarity is needed on the lines of accountability and the respective roles of the various governance committees; 'culture and audit culture', where we

should continue to expand our existing focus on quality-led values and behaviours; and resourcing, where our actions should include responding to rising attrition and 'hot spots' requiring additional resource.

Also in the area of audit quality, we have – as Hywel noted in his message earlier – broadly welcomed the Business, Energy and Industrial Strategy (BEIS) proposals on strengthening the UK's audit, corporate reporting and corporate governance systems. However, while we regard many of the proposed measures as positive, we believe that the introduction of mandatory Managed Shared Audits (MSAs) risks hindering, rather than improving, audit quality. It remains to be seen how the proposals will work in practice.

## **Harnessing operational separation to further raise audit quality**

We are very well progressed in our voluntary implementation of the FRC's operational separation principles ahead of the September 2024 deadline for full implementation.

There are two main aspects to the implementation of operational separation. The first involves setting up the appropriate governance arrangements, which was covered earlier by our NEs David Thorburn and Tonia Lovell in their message. The other is changing certain aspects of the way we operate and how we interact with the non-audit parts of EY UK.

In approaching operational separation, we have deliberately defined a very narrow scope for our audit practice, ensuring all our audit staff are focussed on providing high-quality audits. We are also making sure that our people within audit are recognised first and foremost for their contributions to audit quality. In our 2022 audit quality survey, 62% of our people agreed with the statement "I believe that EY recognises and rewards audit quality" – an increase of 2% from the previous survey.

We are fully aware that there's further to go to improve this metric, and are taking steps in this direction to ensure our people understand the link between their variable pay and audit quality.

Furthermore, to ensure the audit practice is not restricted in its access to specialist resources, we have put in place oversight committees to monitor specialist resourcing, training and communication. And we have been providing financial information to the FRC in anticipation of public reporting of our audit profit and loss account for the year ended 30 June 2024.

While we are well progressed with operational separation, we believe EY's proposed separation into two distinct organisations (as outlined by Hywel) would enhance audit quality still further. This is because an assurance-focussed partnership with audit central to its existence would bring three main benefits in terms of audit quality. First, in the process of separation, it would be given all the skills, capabilities and technological support it will need to deliver world-class audits to the most complex organisations around the world. Second, it would have financial strength, with a stronger balance sheet and a simpler global operation model, resulting in more targeted audit quality-focussed investment. Third, it would be well-placed to embed a strong culture underpinned by our purpose of serving the public interest.

The listed audit market is about to embark on the second 10-year cycle of mandatory audit tenders. The market has changed over the past ten years, as long-term consulting contracts offer limited choice. Our proposed separation will help to create greater choice in the market, which is now more critical than ever, and important to us in delivering on our public interest responsibilities.

## **Embedding our culture of quality and challenge**

A major focus this year was deepening and embedding our audit quality culture, the key aspects of which are set out in Appendix 3: Audit quality and culture. In FY22 we changed the way we recognise the delivery of good or bad audit quality in our partner remuneration practices, and defined the ideal culture that is supportive of serving the public interest. The various factors we use in assessing a partner's quality grading and overall rating are described in more detail in Appendix 3: Governance and leadership.

In a further initiative aimed at embedding our audit culture, we held a series of Culture of Quality roadshows this year at our offices across the country, enabling us to engage with our staff at all levels and hear their views and ideas at first hand. We also continued to measure the way our culture is perceived by our people, through an audit quality culture assessment that was first run in 2021 and has been conducted again this year. This exercise enables our people to provide individual feedback on the values and behaviours that they experience within our audit practice, and those they consider to be fundamental to our audit quality culture of the future.

The annual assessment provides many valuable insights and enables us to make year-on-year comparisons. The overall

cultural health index of 86% showed an 8% improvement over the previous year.

Our people also told us they share our vision for the audit quality culture of the future, and that our culture is evolving with an increased focus on professional scepticism, teamwork and collaboration.

However, while we believe we're moving in the right direction, we know we have more to do to embed our desired culture of challenge, and to build more junior employees' understanding of what delivering high-quality audits in the public interest means in practice. We've reviewed the training we provide to our people on the behaviours that underpin high audit quality and a culture of scepticism and challenge. In our audit quality survey, 96% of staff and partners agreed they're able to apply professional scepticism when performing their audits.

We are continuing to track Audit Quality Indicators (AQIs) internally, and the FRC is consulting on a requirement to publish these externally. We are engaging actively with the FRC on how this process will work.

## **Enhancing the profession's attractiveness – to help build great teams**

As I noted in these pages last year, the ability to deliver high audit quality is underpinned by securing, training, and retaining the best talent. Above all, we know that high-quality audits require sufficiently resourced teams who have the capacity and capability to think clearly and critically. Across the audit industry, resourcing continues to be an issue – and EY UK has not been immune to this challenge, which has been exacerbated by extra workload imposed on auditors due to COVID-19 and impacts of the war in Ukraine.

This has resulted in our teams operating at an intensity above the level we would like. In response, we have taken several steps to address this issue directly in our own audit practice, including actively recruiting more auditors across the UK and implementing measures to retain our existing talent. These actions have included recruiting ahead of attrition and improving our onboarding activities.

Also, in the past year we have declined the opportunity to participate in over 250 of the audit tenders and other requests potentially open to us – in many cases because we felt resource constraints might pose a risk to high quality. As well as helping us to manage and reduce the work intensity of our teams, this selective approach also helps us to achieve purposeful growth and be a more attractive employer.



However, we know we still have more to do in reducing work intensity. Going forward, our planned steps to do this include bolstering our levels of resource; empowering our people to work in the most effective way, regardless of location; reducing the administrative burden on our teams through enhanced project management support; and improving deployment by rebalancing teams and aligning appropriate skills and experience more closely with engagement risk.

While we've learned the lessons from the pandemic about what works best for our people in relation to aspects like training and flexible working, the reopening of the job market after a period of unusually low attrition has seen levels of movement within the profession's workforce pick up significantly. How long this lasts will depend upon the depth and length of any recession that might spring from the current period of high inflation.

Faced with the industry-wide challenges around talent, there are several levers we can pull to help make the profession more attractive. One is maintaining our focus on expanding the diversity of the audit workforce and teams, as reflected by our diversity targets and progress towards them showcased in our second annual **Impact Report**. Another is highlighting the pivotal role of auditors in building trust, fostering economic growth and creating jobs – a positive contribution that, as Hywel highlighted in his message, resonates strongly with our staff.

I also believe that our plan for structural change can help to further improve the appeal of a career in audit. We are taking a lead in the profession by creating a business that:

- ▶ Is predominantly focussed on maximising the positive impact of audit and assurance.
- ▶ Addresses the broadening scope of audit, where our people can develop specialisms in areas such as climate, internal controls, fraud and cyber.
- ▶ And can dedicate proportionally more investment into audit quality.

At a time when audit firms' resources are under severe strain, this clarity of purpose and commitment to quality will help attract talent to the profession.

## Embracing the future – from technology innovation to climate change

While professional scepticism and challenge of management will always be at the heart of any high-quality audit, digital tools and processes that can scan entire data sets and pinpoint risks or errors fast and accurately will be a key enabler of the audit of the future. That's why we are focussed on enabling a data-driven digital audit, a journey on which we have made further strong progress in the past year.

For example, in June 2022 the global EY organisation announced investments of more than US\$1b in a next-generation assurance technology platform. The investments will support the integration of existing EY Assurance technologies into one seamless platform and facilitate transformation in three major areas: data access and advanced analytics; artificial intelligence; and the user experience. These enhanced capabilities will help prepare EY member firms for the complex needs of expanding assurance services and assist businesses in building greater trust across the capital markets.

A further factor shaping the future of audit is the mounting pressure from investors for businesses to reduce their climate impacts. Our goals in this space include helping to meet the need for a harmonised global framework to measure climate impact, and encouraging companies to provide more transparent reporting of the assumptions that underpin their climate promises.

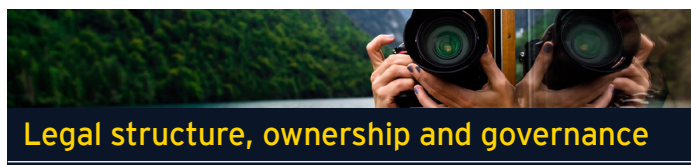
To support both of these objectives, our dedicated Climate Change Steering Committee (CCSC) is continuing to oversee the implementation of a new framework and guidance to help our audit teams assess and respond to material climate change risk factors. This effort is accompanied by mandatory training to raise awareness. As demand for assurance over ESG disclosures continues to grow, the EY Sustainability Assurance Methodology (EY SAM) is providing the basis for a globally consistent approach to ESG assurance engagements.

In this message I've looked to provide you with some insight into how we have developed our audit practice this year, and our future strategy for further enhancing audit quality into the future. I would welcome any questions or feedback you may have, so please feel free to contact me at: [awalton@uk.ey.com](mailto:awalton@uk.ey.com).



## About us

## About us



Information on the governance of EY UK, including details on board and committee membership structure, among other things, is included in [Appendix 3: Governance and leadership](#).

EYG member firms are grouped into three geographic Areas: Americas; Asia-Pacific; and Europe, Middle East, India and Africa (EMEIA). The Areas comprise multiple Regions. Regions are groupings of member firms (and in the case of the US member firm within that member firm) along geographical lines with the exception of the FSO Regions, which comprise the financial services activities of the relevant member firms within an Area.

EY UK is part of the EMEIA Area, which comprises EYG member firms in 94 countries. Within the EMEIA Area, there are eight Regions. EY UK is part of the UK and Ireland (UK&I) Region, with the exception of its financial services practice, which is part of the EMEIA FSO, which is treated as a separate region. The UK FSO leader sits on the EMEIA FSO leadership team.

Ernst & Young (EMEIA) Limited (EMEIA Limited), an English company limited by guarantee, is the principal coordinating

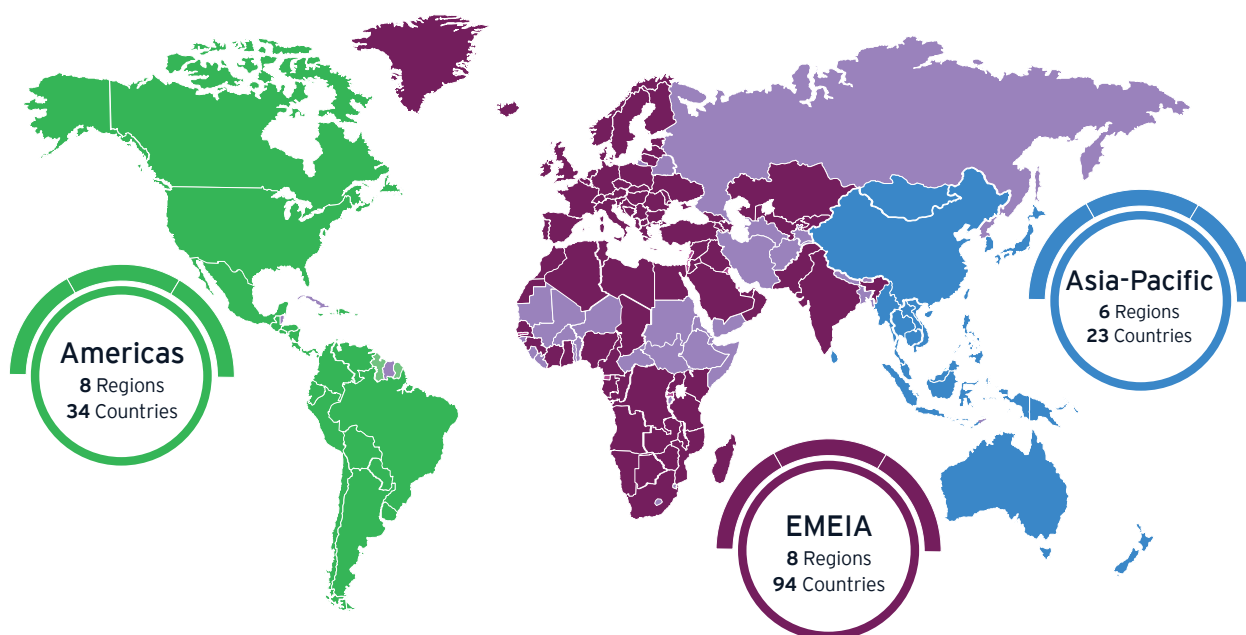
entity for the EYG member firms in the EMEIA Area. EMEIA Limited facilitates the coordination of these firms and cooperation between them, but it does not control them. EMEIA Limited is a member firm of EYG, has no financial operations and does not provide any professional services.

Each Region elects a RPF, whose representatives advise and act as a sounding board to Regional leadership. The partner elected as Presiding Partner of the RPF also serves as the Region's representative on the [Global Governance Council \(GGC\)](#).

A holding entity, Ernst & Young Europe LLP (EY Europe), has been formed in conjunction with EMEIA Limited. EY Europe is an English limited liability partnership, owned by partners of the EY firms in the UK and the European Economic Area (EEA). It is an audit firm registered with the ICAEW, but it does not carry out audits or provide any professional services. EY Europe is a member firm of EYG. EY Europe acquired voting control of EY UK as of November 2008.

The Europe Operating Executive (EOE) of EY Europe has authority and accountability for strategy execution and management. The EOE comprises: the Europe Managing Partner; the Deputy Europe Managing Partner, the leaders for Accounts, Talent and Risk Management; the service line leaders for Assurance, Tax, Consulting, and Strategy and Transactions; and all the European Regional Managing Partners.

### EY Areas, Regions and Countries\*



\*Figures reflect the completion of the separation of the Russian and Belarus EY member firms from the EY global organisation



### Europe Governance Sub-committee

EY Europe has the Europe Governance Sub-committee, which includes one representative from each Region in Europe. It serves in an advisory role to the EOE on policies, strategies, and other matters, and its approval is required for a number of significant matters, such as the appointment of the Europe Managing Partner, approval of financial reports of EY Europe, and material transactions.



### Global Governance Council (GGC)

The GGC is a key governance body of EYG. It comprises one or more representatives from each Region, other at-large representatives from any member firm and INEs. The Regional representatives, who otherwise do not hold senior management roles, are elected by their RPFs for a three-year term, with the ability to be reappointed for one additional three-year term. The GGC advises EYG on policies, strategies, and the public interest aspects of its decision-making. The GGC challenges and approves, in some instances upon the recommendation of the Global Executive (GE), certain matters that could affect EY.



### Network arrangements

EY is a global leader in assurance, tax, strategy and transactions, and consulting services. Worldwide, over 350,000 people in member firms in more than 150 countries share a commitment to *Building a better working world*, united by shared values and an unwavering commitment to quality, integrity and professional scepticism. In today's global market, the integrated EY approach is particularly important in the delivery of high-quality multinational audits, which can span nearly every country in the world.

This integrated approach enables EY member firms to develop and draw upon the range and depth of experience required to perform such diverse and complex audits.

EYG coordinates the various activities of the member firms and promotes cooperation among them. EYG does not provide services, but its objectives include the promotion of exceptional high-quality client service by member firms worldwide. Each member firm is a separate legal entity. Each member firm's obligations and responsibilities, as a member of EYG, are governed by the regulations of EYG and various other agreements.

The structure and principal bodies of the global organisation, described below, reflect the principle that EY, as a global organisation, has a common shared strategy.

At the same time, the network operates on a Regional level within the Areas. This operating model allows for greater focus on stakeholders in the Regions, permitting member firms to build stronger relationships with clients and others in each country, and be more responsive to local needs.



### Independent Non-Executives (INEs)

Up to six global INEs are appointed from outside EY. The global INEs are senior leaders from both the public and private sectors and reflect diverse geographic and professional backgrounds. They bring to the global organisation, and the GGC, the significant benefit of their varied perspectives and depth of knowledge. The global INEs also form a majority of the Public Interest Sub-Committee (PIC) of the GGC. The role of the PIC includes public interest aspects of decision-making and dialogue with stakeholders, issues raised under whistleblowing policies and procedures, and engagement in quality and risk management discussions. The global INEs are nominated by a dedicated committee, approved by the GE and ratified by the GGC. They serve for a maximum of two terms.

David Thorburn was a global INE, before stepping down in May 2022, when his second term came to an end.





## Global Executive (GE)

The GE brings together EY leadership functions, services and geographies. It is chaired by the Chairman and CEO of EYG, and includes its Global Managing Partners of Client Service and Business Enablement; the Area Managing Partners; the global functional leadership for Talent; the leaders of the global service lines – Assurance, Consulting, Strategy and Transactions, and Tax; and one EYG member firm partner on rotation.

The GE also includes the Global Vice Chair (GVC) of Markets, the GVC of Transformation, the Chief Client Technology Officer, the Chair of the Global Accounts Committee, the Chair of the Emerging Markets Committee, as well as a representative from the Emerging Markets practices.

The GE and the GGC approve nominations for the Chairman and CEO of EYG and ratify appointments of the Global Managing Partners. The GE also approves appointments of GVC. The GGC ratifies the appointments of any GVC who serves as a member of the GE.

The GE's responsibilities include the promotion of global objectives and the development, approval and, where relevant, implementation of:

- Global strategies and plans
- Common standards, methodologies and policies to be promoted within member firms
- People initiatives, including criteria and processes for admission, evaluation, development, and reward and retirement of partners
- Quality improvement and protection programmes
- Proposals regarding regulatory matters and public policy
- Policies and guidance relating to member firms' service of international clients, business development, and markets and branding
- EY development funds and investment priorities
- EYG's annual financial reports and budgets
- GGC recommendations on certain matters

The GE also has the power to mediate and adjudicate disputes between member firms.



## GE committees

Established by the GE, and bringing together representatives from across the organisation, the GE committees are responsible for making recommendations to the GE. In addition to the Global Audit Committee, examples of other committees include Assurance, Consulting, Tax, Strategy and Transactions, Global Markets and Investments, Global Accounts, Emerging Markets, Talent and Risk Management.



## Global Practice Group

The Global Practice Group brings together the members of the GE, GE committees, Regional leaders and sector leaders. It seeks to promote a common understanding of EY strategic objectives and helps drive consistency of execution across the organisation.



## EYG member firms

Under the regulations of EYG, member firms commit themselves to pursue EY objectives, such as the provision of high-quality services worldwide. To that end, the member firms undertake the implementation of global strategies and plans, and work to maintain the prescribed scope of service capability. They are required to comply with common standards, methodologies and policies, including those regarding audit methodology, quality and risk management, independence, knowledge sharing, talent and technology.

Above all, EYG member firms commit to conducting their professional practices in accordance with applicable professional and ethical standards, and all applicable requirements of law. This commitment to integrity and doing the right thing is underpinned by the EY [Global Code of Conduct \(GCoC\)](#) and EY values.

Besides adopting the regulations of EYG, member firms enter into several other agreements covering aspects of their membership in the EY organisation, such as the right and obligation to use the EY name and share knowledge among member firms.

Member firms are subject to reviews to evaluate their adherence to EYG requirements and policies governing issues such as independence, quality and risk management, audit methodology and Human Resources (HR). Member firms unable to meet quality commitments and other EYG membership requirements may be subject to termination from the EY organisation.

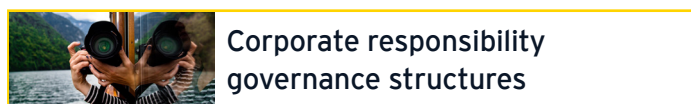


At EY, we believe sustainability is everyone's business. EY, as an organisation, is effecting change at scale by building alliances, forging collaborations and rallying everyone and every part of the business to take part. EY continues to focus on creating, protecting and measuring long-term value across all four dimensions of the NextWave strategy – people value, client value, societal value and financial value. It is by integrating all of these dimensions that EY fulfils its purpose of *Building a better working world*.

From advising governments on how to build more sustainable and inclusive economies, to encouraging businesses to focus and report on their creation of long-term value for all stakeholders, EY services already play a vital role in this. However, more can and must be done as all stakeholders define their roles in this journey.

As a proud participant in the United Nations Global Compact (UNGC) since 2009, EY is committed to integrating the UNGC Ten Principles and the UN Sustainable Development Goals (SDGs) into EY strategy, culture and operations.

Among other things, this commitment is reflected in:



Corporate responsibility across EY is coordinated by the EY Corporate Responsibility Governance Council (CRGC). This body includes members of the EY GE, and provides senior leadership representation from across EY services lines, functions and geographic areas.



## The EY social impact ambition

The global corporate responsibility programme, [EY Ripples](#), brings together the global EY network with a goal of positively impacting one billion lives by 2030. To date, EY Ripples initiatives have cumulatively benefited more than 76 million people, aided by:

- ▶ A rigorous focus on three areas (supporting the next generation workforce, working with impact entrepreneurs, and accelerating environmental sustainability) where the distinctive skills, knowledge and experience of EY people can make the biggest difference.
- ▶ A collaboration with other like-minded organisations to build ecosystems that are capable of creating change at scale. Examples include, the TRANSFORM initiative with Unilever and the UK Foreign, Commonwealth and Development Office, which aims to change the lives of 150 million people across sub-Saharan Africa and South Asia by 2030, by tackling inequality.
- ▶ Further collaboration to create lasting positive social impact through activities such as the creation of a text-based learning programme for underserved students. EY recently received the 2022 SAP Pinnacle Award for Social Impact, for this work.



## Commitment to human rights

The GE recently signed a statement reaffirming its commitment to upholding and protecting human rights. The commitment focuses on the rights of all EY people, the impact of client engagements, stakeholders in EY supply chains, and active inclusiveness. Over the past year, EY has focussed on strong governance and reporting around this commitment.



## The EY carbon ambition

EY achieved carbon negative status in 2021 and aims to become net zero in 2025. EY endeavours to achieve this by significantly reducing absolute carbon emissions, and then removing or offsetting more than the remaining amount every year. To reach net zero by FY25, EY member firms plan to reduce absolute emissions by 40% across Scopes 1, 2 and 3 (versus a FY19 baseline), consistent with a 1.5°C science-based target approved by the Science Based Targets initiative (SBTi). Specific actions include:

- ▶ Reducing business travel emissions, with a target to achieve a 35% reduction by FY25 against the FY19 baseline.
- ▶ Reducing overall office electricity usage, and procuring 100% renewable energy for remaining needs, earning RE100 membership by FY25.
- ▶ Structuring electricity Power Purchase Agreements (PPAs) to introduce more renewable electricity than EY consumes into national grids.
- ▶ Using nature-based solutions and carbon-reduction technologies to remove from the atmosphere or offset more carbon than emitted, every year.
- ▶ Providing EY teams with tools to calculate, then work to reduce the amount of carbon emitted in carrying out client work.
- ▶ Requiring 75% of EY suppliers, by spend, to set science-based targets by no later than FY25.
- ▶ Investing in EY services and solutions that help clients create value from decarbonising their businesses, and provide solutions to other sustainability challenges and opportunities.

In the UK we have also published our [Impact Report](#) which describes the wider impact on our people, society and clients in FY22, as well as our ambitions going forward.

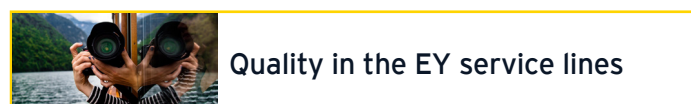


## Commitment to Sustainable Audit Quality



## Commitment to Sustainable Audit Quality

Quality is our top priority. In this section we highlight the infrastructure supporting quality globally. EY UK-specifics and how we apply our global processes and policies locally are expanded on in [Appendix 3: Audit quality and culture](#). We also present as a separate document from this Transparency Report our [Audit Quality Report](#) for a more comprehensive view of audit quality in the UK.



NextWave is the EY global strategy and ambition to deliver long-term value to clients, people and society. It has put EY in a strong position to adapt and innovate, while the EY purpose of *Building a better working world* continues to inspire EY people not only to exceptional delivery for clients and companies we audit, but also to use EY knowledge, skills and experiences to support the communities in which we live and work. The insights and high-quality services EY member firms deliver help enhance trust in business and the capital markets in support of sustainable, long-term value creation.

For EY Assurance services, the NextWave strategy is informed by a recognition that markets are being reshaped profoundly by data and technology disruptions, climate change, demographics shifts and globalisation, creating urgency for EY to respond to increasing demand for trust and confidence.

In response, EY continues to harness the inherent strengths of its member firms' greatest asset in delivering quality and building trust – EY people. By enhancing their skills and experiences, while also transforming the way EY teams work to put data and technology at the centre of the assurance services they provide, they better deliver on the EY purpose of serving the public interest.

Through a data-first approach, enabled by analytics and digital tools, EY teams continue to deliver high-quality

audits with independence, integrity, objectivity and professional scepticism. EY member firms provide their audit professionals with additional training and enablement to help assess and respond to fraud risks. The data-first approach and enhanced training elevates EY teams' experiences, so they can spend more time addressing risks and exercising professional judgement.

EY member firms remain future-focussed as they transform, including ever more sophisticated data analytics, efficiently delivering greater insight and assurance in support of the high-quality audits that are valued by the companies that EY member firms audit and the capital markets.

By applying cutting-edge technologies, our EY Assurance services people contribute meaningfully to the overall EY purpose of *Building a better working world*.

EYG member firms and their service lines are accountable for delivering high-quality engagements. EY member firms' service lines manage the overall process for quality reviews of completed engagements and input for the quality of in-process engagements, which helps achieve compliance with professional standards and EY policies.

The GVC of Assurance coordinates member firms' compliance with EY policies and procedures for services provided by EY Assurance services.



The EY Global Audit Quality Committee (GAQC) is an important element of the culture of continuous improvement. It comprises senior leaders from across the EY organisation with extensive, diverse and highly relevant experience. The GAQC advises EY Assurance leadership on the many aspects of the organisation's business, operations, culture, talent strategy, governance and risk management that affect audit quality.

The committee develops innovative ideas and approaches to delivering high-quality audits and is a forum for sharing best practices of EY member firms. The committee also helps develop AQIs and other forms of quality monitoring that feed into the continuous improvement cycle.



## Quality Enablement Leaders

The EY Quality Enablement Leaders (QEL) network is a group of senior Assurance leaders around the world who drive improvements in audit quality by providing support to engagement teams.

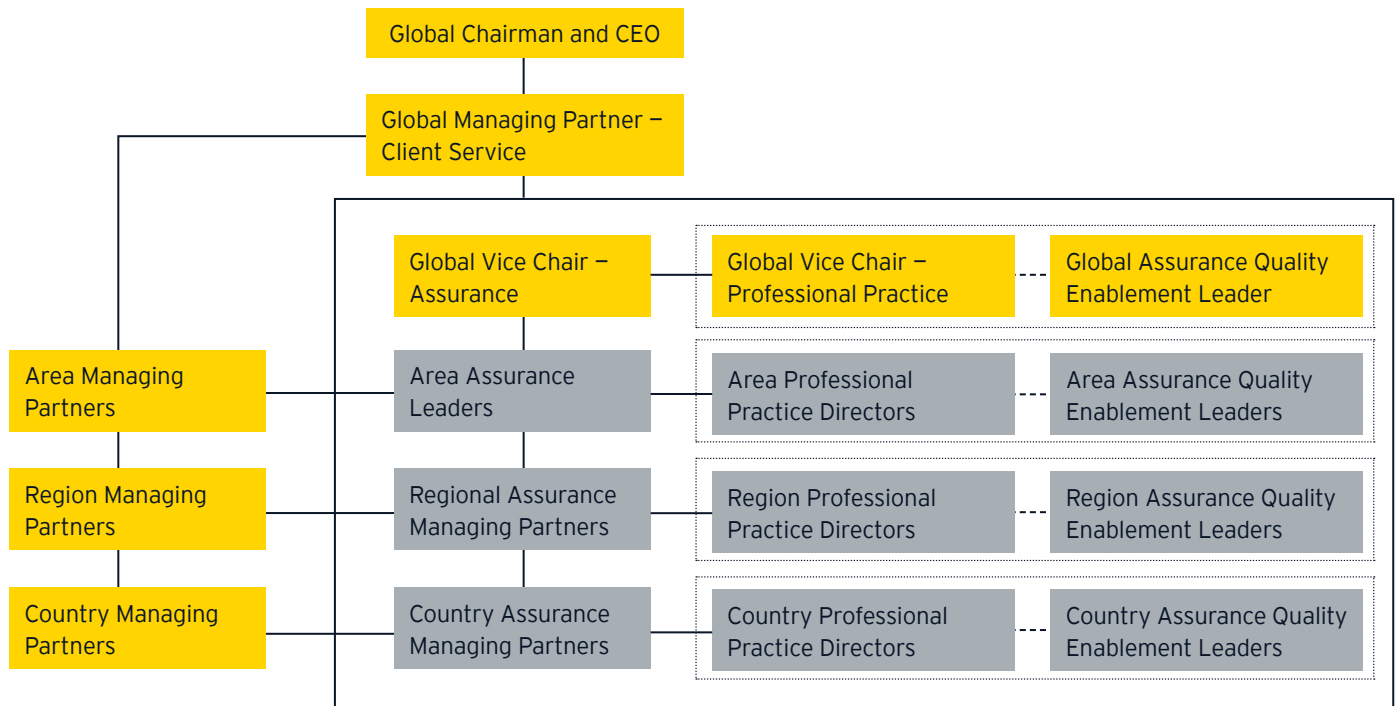
Their responsibilities include: coaching teams on the adoption of audit standards and methodology; monitoring in-process engagements; advising teams on remediating the root causes of significant audit deficiencies; driving practice and project management; supporting portfolio risk analyses;

and implementing processes related to the EY system of quality management, including global AQIs.

Using EY Canvas and the related Milestones functionality (see '[Sustainable Audit Quality](#)' (SAQ)), as well as ever more sophisticated artificial intelligence (AI) tools, the QELs are able to build a picture of audit quality performance in real time. This, in turn, allows for positive and timely intervention, such as deploying additional resources (including subject-matter specialists), to support audit teams and the companies they audit.

In the UK the QEL leads our SAQ programme, which is overseen by the AQE. The SAQ and activities of the AQE are discussed further in [Appendix 3: Audit quality and culture](#).

### Assurance governance\*



\* Illustrative to show global alignment; actual reporting lines may vary based on legal, regulatory and structural considerations. In the UK we also have a UK Head of Audit role, Andrew Walton, who reports into the Country Managing Partner for his UK Head of Audit role and is overseen by the relevant Regional Assurance Leader.



## Professional Practice

The GVC of Professional Practice, referred to as the Global Professional Practice Director (PPD), is overseen by the GVC of Assurance and works to establish global audit quality control policies and procedures. Each of the Area PPDs as well as the Global Delivery Service PPD is overseen by the Global PPD and the related Area Assurance Leader. This helps provide greater assurance to the objectivity of audit quality and consultation processes.

The Global PPD also leads and oversees the Global Professional Practice group. This is a global network of technical subject-matter specialists in accounting and auditing standards who are consulted on accounting, auditing and financial reporting matters; and perform various practice monitoring and risk management activities.

The Global PPD oversees the development of the EY Global Audit Methodology (EY GAM) and related audit policies and technologies so that they are consistent with relevant professional standards and regulatory requirements. The Global Professional Practice group also oversees the development of the guidance, training and monitoring programmes, and processes used by member firm professionals to execute audits consistently and effectively. The Global, Area, Regional and Country PPDs, together with other professionals who work with them in each member firm, are knowledgeable about EY people, audited entities and processes. They are readily accessible for consultation with audit engagement teams.

Additional resources often augment the Global Professional Practice group, including networks of professionals focussed on:

- ▶ Internal-control reporting and related aspects of the EY audit methodology
- ▶ Accounting, auditing and risk issues for specific topics, industries and sectors
- ▶ Event-specific issues involving areas of civil and political unrest; pandemics; or sovereign debt and related accounting, auditing, reporting and disclosure implications
- ▶ General engagement matters and how to work effectively with audit committees



## Risk Management

Risk Management (RM) coordinates organisation-wide activities designed to help EY people meet global and local compliance responsibilities and support client-facing teams in delivering quality and exceptional client service. Responsibility for high-quality service and ownership of the risks associated with quality is placed with the member firms and their service lines.

Among other things, the Global RM Leader helps monitor the identification and mitigation of these risks, as well as other risks across the organisation as part of the broader enterprise risk management (ERM) framework. The ERM priorities are communicated to member firms.

The Global RM Leader is responsible for establishing globally consistent risk management execution priorities and coordinating risk management across EY.

Member firm professionals are appointed to lead risk management initiatives (supported by other staff and professionals), including coordinating with the service lines on such matters.

As the world emerges from the effects of the COVID-19 pandemic, Global RM has actively sought input from EY member firms on lessons learned from both crisis management and business continuity standpoints. This after-action review process has generated significant changes to EY planning around its crisis response and management of crises at the member firm and global levels. The fundamental change is a higher degree of proactiveness especially in identifying emerging risks before they cause significant impact, and the prioritisation of risks by each member firm. This allows EY's Global Security team and Region Security Manager network to work directly with its member firm crisis management teams in preparing for the most likely threats by incorporating training and advanced stages of readiness into its crisis management networks.

Additionally, Global RM has placed more focus on business resiliency in business continuity planning efforts in EY. A key component of this approach is the recognition that many crises do not just 'happen;' there are usually indicators of escalating factors as a crisis unfolds. This approach allows EY member firms to begin addressing mitigation of risks while continuing to carry on 'business-as-usual' at the very early stages of a potential business impact situation. The creation of 'escalation matrixes' around several ongoing and high

chance geo-political events has allowed EY member firm and Region RM crisis management teams to respond more rapidly and more effectively as events escalate. Additionally, these escalation matrixes and subsequent action item checklists go beyond traditional workforce life and safety issues by delving into factors that could impact a member firm's ability to effectively conduct business, e.g., disruption to banking systems or sustained cyber attacks against internet systems.

These changes are allowing EY member firms to navigate significant crises more effectively via a prepared holistic approach.



### Global Confidentiality Policy

Protecting confidential information is ingrained in the everyday activities of EYG member firms. Respect for intellectual capital and all other sensitive and restricted information is required by the EY GCoC, which provides a clear set of principles to guide the behaviours expected of all those who work with EY. The Global Confidentiality Policy further details this approach to protect information and reflect ever-changing restrictions on the use of data. This policy provides added clarity for those who work with EY member firms and forms the fundamental broader guidance that includes key policies on conflicts of interest, personal data privacy and records retention. Other guidance includes:

- Social media guidance
- Information-handling requirements

In addition, the global policy on reporting fraud, illegal acts and other noncompliance with laws and regulations, and the EY GCoC requires EY professionals to speak up on observing behaviour that is believed to be a violation of a law or regulation, the applicable standard or the EY GCoC. This includes unauthorised or improper disclosure of confidential information.



### Global personal data protection policy

The global policy on personal data protection supports and builds upon provisions within the EY GCoC, regarding respecting and protecting personal information, in accordance with applicable law, regulatory frameworks and professional standards. The principles within this global policy are based on the EU General Data Protection Regulation (GDPR) and other local regulations across the globe.



### Cybersecurity

Managing the risk of major and complex cyberattacks is a part of conducting business for all organisations. While no systems are immune from the threat of cyberattacks, EY UK is vigilant in the steps it takes to secure and protect client data.

The EY approach to cybersecurity is proactive and includes the implementation of technologies and processes necessary to manage and minimise cybersecurity risks globally. EY information security and data privacy programmes, consistent with industry practices and applicable legal requirements, are designed to protect against unauthorised access to systems and data. There is a dedicated team of cybersecurity specialists, who constantly monitor and defend EY systems.

Beyond technical and process controls, all EY people are required to annually affirm in writing their understanding of the principles contained in the EY GCoC and their commitment to abide by them. There are also required security awareness learning activities. Various policies outline the due care that must be taken with technology and data, including, but not limited to, the Global Information Security Policy, and a global policy on the acceptable use of technology. EY cybersecurity policies and processes recognise the importance of timely communication.

EY people receive regular and periodic communications, reminding them of their responsibilities outlined in these policies and of general security awareness practice.

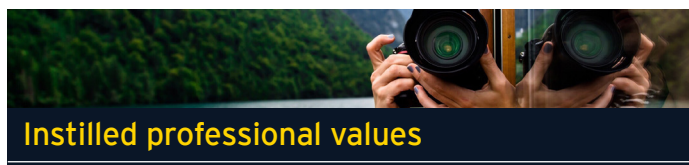


### Components of our audit quality control programme

In the following sections, we describe the principal components of the audit quality control programme, which EY UK follows:

- Instilled professional values
- Internal quality control system
- Client acceptance and continuance
- Performance of audits
- Review and consultation
- Rotation and long association
- Audit quality reviews
- External quality assurance reviews
- Root cause analysis
- Compliance with legal requirements





## Sustainable Audit Quality

Quality is the foundation of our work and is central to EY member firms' responsibility to provide confidence to the capital markets. This is reflected in the EY culture, as encompassed in the SAQ programme, which continues to be the highest priority for EY member firms' Assurance practices.

SAQ establishes a strong governance structure that enables each member firm to provide high-quality audits. It is implemented locally, and coordinated and overseen globally. The word 'sustainable' in SAQ is used to demonstrate that this is not a one-off, short-term initiative, but an ongoing process of improvement.

SAQ also supports the implementation of the International Standards on Quality Management, namely ISQM 1 and ISQM 2:

- ▶ SAQ drives consistency and uniformity through various monitoring and remediation activities such as the Global Milestones Programme and Global RCA process.
- ▶ SAQ sets out clear objectives and priorities for the assurance leadership team to reinforce a consistent focus – examples of this include the Accountability Framework, Global Audit Quality Indicators and Action Plan response plans.

There are six SAQ pillars: tone at the top; exceptional talent; simplification and innovation; audit technology and digital; enablement and quality support; and accountability. These pillars underpin the delivery of high-quality audits in the public interest.

Significant progress has been made through SAQ. EY member firms' internal and external inspection findings, globally, are improving, and there is greater consistency in execution. The trend in results also reflects the involvement of the QEL network and a focus on culture and behaviours.

EY has deployed leading technological tools that enhance the quality and value of EY audits, including the EY Canvas online

audit platform, EY Helix analytics platform and EY Atlas research platform.

EY Canvas facilitates the use of the 'Milestones' project management functionality, which helps audit teams stay on pace with their audit execution, and drives executive involvement. The EY Canvas Client Portal, which is a component of EY Canvas, provides a secure and user-friendly platform for transmitting data between engagement teams and the companies being audited, while effectively monitoring how the pace of an audit is set. The Milestones functionality allows EY member firms to identify delayed engagements, and through the QEL network around the globe, understand the reasons for the delays and take positive intervention to help the teams back on pace.

Additionally, EY Helix and the entire suite of data analytic tools represent key ways to address the risk of material fraud in audit execution. Increasing the required use of these tools provides a more robust response to audit risks associated with companies facing economic challenges. A broader adoption of these data analytic tools is set to occur this year.

EY Atlas is a cloud-based platform for accessing and searching for accounting and auditing content, including external standards, EY interpretations and thought leadership.

Current SAQ initiatives are focussed on understanding, managing and mitigating risk. From an audit engagement perspective, there is a focus on supporting EY teams in understanding the business of the companies audited. By leveraging data and technology and executing enhanced engagement risk assessment, EY is continuing to drive quality audit execution. From an audit portfolio management perspective, EY is focussed on enhancing the QEL network with the necessary tools to monitor in-process engagements, identify teams that are off pace and provide positive intervention.

Audit quality is something that every team member must understand and be committed to implementing locally. SAQ is essential to all the EY goals and ambitions, and each country, Regional and Area leader has a role in achieving these goals.

The SAQ infrastructure demonstrates that audit quality is the single most important factor in our decision-making and the key measure on which our professional reputation stands.



## Tone at the top

EY UK's leadership is responsible for setting the right tone at the top and demonstrating EY's commitment to *Building a better working world* through behaviour and actions. While the tone at the top is vital, EY people also understand that quality and professional responsibility start with them and that within their teams and communities, they are leaders too. EY shared values, which inspire EY people and guide them to do the right thing, and the EY commitment to quality are embedded in who we are and in everything we do.

The EY approach to business ethics and integrity is contained in the EY GCoC and other policies and is embedded in the EY culture of consultation, training programmes and internal communications. Senior leadership regularly reinforce the importance of performing quality work, complying with professional standards, adhering to EY policies and leading by example. In addition, EY member firms assess the quality of professional services provided as a key metric in evaluating and rewarding EY professionals.

The EY culture strongly supports collaboration and places special emphasis on the importance of consultation in dealing with complex or subjective accounting, auditing, reporting, regulatory and independence matters. We believe it is important to determine that engagement teams and the entities they audit correctly follow consultation advice, and we emphasise this when necessary.

**The consistent stance of EY UK has been that no company we work with is more important than our professional reputation – both the reputation of EY UK and the reputation of each of our professionals.**



## Global Code of Conduct (GCoC)

We promote a culture of integrity among our professionals. The EY GCoC provides a clear set of principles that guide our actions and our business conduct and are to be followed by all EY personnel. The EY GCoC is divided into five categories:

1. Working with one another
2. Working with clients and others
3. Acting with professional integrity
4. Maintaining our objectivity and independence
5. Protecting data, information and intellectual capital

Through our procedures to support compliance with the EY GCoC and through frequent communications, we strive to create an environment that encourages all personnel to act responsibly, including reporting misconduct without fear of retaliation.



## Whistleblowing

The EY Ethics Hotline provides EY people, clients and others outside of the organisation with a means to confidentially report activity that may involve unethical or improper behaviour, and that may be in violation of professional standards or otherwise inconsistent with the EY shared values or GCoC. Globally, the hotline is operated by an external organisation that provides confidential and, if desired, anonymous hotline reporting.

When a report comes into the EY Ethics Hotline, either by phone or internet, it receives prompt attention. Depending on the content of the report, appropriate individuals from RM, Talent, Legal or other functions are involved in addressing the report. The same procedures are followed for matters that are reported outside of the EY Ethics Hotline.



## Diversity, equity and inclusiveness

EY has a long-standing commitment to diversity, equity and inclusiveness (DE&I). This commitment to building high-performing, diverse, equitable and inclusive teams is especially important in audit, where diverse perspectives drive professional scepticism and critical thinking. Greater diversity, equity and inclusive environments drive better decision-making, stimulate innovation and increase organisational agility. Teaming and leading inclusively help others experience psychological safety and trust, which leads to a feeling of belonging.

EY has been on a DE&I journey for many years, and while substantial progress has been made, under the global NextWave strategy and ambition, EY has committed to increasing DE&I progress throughout the organisation. The GE has made a visible commitment to EY people and to the market to accelerate DE&I at EY through signing the Global Executive DE&I Statement. Not only does this reinforce that DE&I is a key business lever, but it also ensures that EY member firms hold themselves accountable for progress, starting with the tone at the top.

EY also recently launched the Global Assurance DE&I baseline expectations model in the audit practice to accelerate progress. This includes a set of globally applicable baseline expectations for DE&I across all Assurance talent processes, and consists of ideas and initiatives for what can be done to advance DE&I within these processes.

There has been a particular focus on promoting gender diversity over recent years. 33% of new audit partners globally, promoted from the beginning of FY23, were women and a strong pipeline of female leadership has been built, supported by 52.5% of all audit hires by member firms across the globe in the 2021 calendar year being female (42.7% for EY UK). In a change from the previous year, from 2 July, the term 'Partner' in EY UK is being extended to include some of our most senior people who are employees and not members of Ernst & Young LLP.<sup>1</sup> 40% of new audit Partners promoted on 2 July 2022 in EY UK were female and 14% were ethnic minority.

Inclusive organisations maximise the power of all differences. Employees need to feel they are working for an organisation that not only values them as individuals, but also sees

differences as strengths and values their contributions. Fostering this sense of belonging is critical to helping the EY organisation attract the most talented individuals, and helping EY professionals stay motivated and engaged.

In the March 2022 employee listening survey, 78% of auditors said the EY organisation provides a work environment where they feel free to be themselves (80% for EY UK), an increase of 2% when compared to the March 2021 survey (a decrease of 1% for EY UK).

Leaders across EY make DE&I a priority and it is a key metric across all the organisation's talent management programmes. To enable greater accountability across the EY organisation, the Global DE&I Tracker helps track progress with consistent diversity and inclusiveness metrics and reporting across the organisation globally. EY also created the Global Social Equity Task Force (GSET) to develop cohesive action plans, specifically addressing inequity and discrimination, including racism. As a global organisation, EY has an opportunity to address the impact of inequities and injustice, and push for progress within EY and beyond. EY commits to advancing social equity and inclusive growth and standing against injustice, bias, discrimination and racism. Social equity means that we aim for each person at EY UK to have access to the resources and opportunities they need, given different starting points and different needs. It also means removing barriers to opportunities and inclusive experiences, that may lead to unequal outcomes. EY believes businesses have direct influence to address these gaps and build a better working world, through teaming, leadership and culture on teams and the assignment and value of work, and how performance evaluation, advancement and appointment decisions are made.

### Our values: who we are

①

People who demonstrate integrity, respect, teaming and inclusiveness

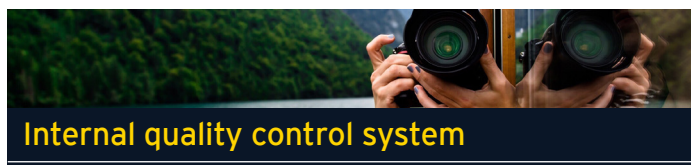
②

People with energy, enthusiasm and the courage to lead

③

People who build relationships based on doing the right thing

<sup>1</sup>A list of members' names is available for inspection at 1 More London Place, London, SE1 2AF, the firm's principal place of business and its registered office and at Companies House [<https://www.gov.uk/get-information-about-a-company>] under the registration number OC300001. References to the term 'partner' elsewhere in this report for EY UK in FY22 relate only to members of Ernst & Young LLP.



## Effectiveness of the quality control system



## Structure

EY UK's reputation for providing high-quality professional audit services independently, objectively and ethically is fundamental to our success as independent auditors. We continue to invest in initiatives to promote enhanced objectivity, independence and professional scepticism. These are fundamental attributes of a high-quality audit.

At EY UK, our role as auditors is to provide independent assurance on the fair presentation of the financial statements of the companies audited. We bring together qualified teams to provide audit services, drawing on our broad experience across industry sectors and services. We continually strive to improve quality and risk management processes, so that the quality of our service is at a consistently high level.

In today's environment, characterised by continuing globalisation, rapid movement of capital and the impact of technological changes, the quality of our audit services has never been more important. As part of NextWave, there is a continued and strong investment in the development and maintenance of the EY audit methodology, tools and other resources needed to support high-quality audits.

While the market and stakeholders continue to demand high-quality audits, they also demand an increasingly effective and efficient delivery of audit services. In addition to the investments mentioned, EY continues to seek ways to improve the effectiveness and efficiency of its audit methodology and processes, while improving audit quality.

EY works to understand where member firms' audit quality may not be up to their own expectations and those of stakeholders, including independent audit regulators. This includes seeking to learn from external and internal inspection activities, and to identify the root causes of adverse quality occurrences to enable a continual improvement of audit quality.

EY has designed and implemented a comprehensive set of global audit quality control policies and practices. These policies and practices meet the requirements of the International Standards on Quality Control issued by the International Auditing and Assurance Standards Board (IAASB). EY UK has adopted these global policies and procedures and has supplemented them as necessary to comply with local laws and professional guidelines, and to address specific business needs.

We also execute the EY Audit Quality Review (AQR) programme to evaluate whether our system of audit quality control has operated effectively to provide reasonable assurance that EY UK and our people comply with applicable professional standards, internal policies and regulatory requirements.

The results of the AQR programme and external inspections are evaluated and communicated within EY UK to provide the basis for continual improvement in audit quality, consistent with the highest standards in the profession.

The Global Executive has responsibility for the coordination of quality improvement implementation. As such, it reviews the results of the internal AQR programme and external audit firm regulatory reviews, as well as any key actions designed to address areas for improvement.

The recent results of such monitoring, together with feedback from independent audit regulators, provide EY UK with a basis to conclude that our internal control systems are designed appropriately and are operating effectively. We provide additional detail of this monitoring in [Appendix 3: Audit quality and culture](#).





## Implementation of ISQM 1

In September 2020, the IAASB approved a quality management standard that includes significant changes to the way professional accountancy firms manage quality, and the FRC issued a UK version of the standard in July 2021. The International Standard on Quality Management (UK) 1 (ISQM 1) will replace the current International Standard on Quality Control 1 (ISQC 1) and requires a more proactive and risk-based approach to managing quality at the firm level.

ISQM 1 requires firms to design, implement, monitor and evaluate the overall system of quality management (SQM), including annually concluding on the effectiveness of the SQM.

The standard includes more robust requirements for the governance, leadership and culture of professional accountancy firms, and introduces a risk assessment process to quality management in order to focus the firm's attention on mitigating risks that may have impact on engagement quality. It also requires more extensive monitoring of the SQM to identify deficiencies that require corrective actions and to provide the basis for evaluating the overall effectiveness of the SQM.

The standard outlines an integrated and iterative approach to the SQM based on the nature and circumstances of the firm and the engagements it performs. It also takes into consideration the changes in the practice and the different operating models of the firms (e.g., use of technology, network, and multidisciplinary firms).

The EY approach is to implement an SQM that is consistently applied across the entire network of member firms to promote engagement quality and operating effectiveness. This is especially important in a global economy where many audits are transnational and involve the use of other EY member firms.

EY has developed consistent frameworks and enablement for implementing the SQM within EY UK. For example, EY has established an approach to the required risk assessment process that includes input and feedback from across EY services lines, functions and geographic areas to develop global baseline minimums, including quality objectives (based on ISQM 1 requirements), and quality risks and responses (including key controls) assumed to be applicable to EYG member firms.

EYG member firms have the responsibility to evaluate the global baseline minimums (e.g., quality risks, policies,

technologies and key controls), and determine if the global baselines need to be supplemented or adapted by the member firm to be appropriate for use (e.g., additional quality risks, if the policy needs to be amended to comply with local laws and regulations and additional key controls).

Utilising this approach for ISQM 1 implementation, EY is building on responses already in place in the current ISQC 1 framework to establish the SQM under ISQM 1.

In addition, frameworks for performing monitoring and remediation activities (such as identifying and evaluating deficiencies, performing RCA and developing remediation plans) have been developed as well as a framework for performing the annual evaluation process. These frameworks are supported by IT applications to drive consistency in the implementation of SQM throughout the EYG member firms.

We believe that implementing ISQM 1 will be useful to improving quality at the firm and engagement level because an effective SQM is foundational to achieving consistent engagement quality. In addition, it builds upon strong EY processes and controls to take quality to the next level; and is the next phase in the journey of continuous improvement, which started with the EY SAQ programme.

EY member firms are ultimately responsible for the design, execution and operation of their SQM, including the annual evaluation conclusion.

The standard requires firms to implement an SQM by 15 December 2022. EY UK continues to work to implement the new standard alongside the EY SQM transformation programme. Our first attestation will be as at 30 June 2023. Key steps have included:

- ▶ Carrying out a risk assessment process to understand the risks facing EY UK in meeting its quality objectives
- ▶ Reviewing global baseline quality objectives and quality risks to identify whether additional quality objectives and/or quality risks are needed
- ▶ Reviewing and understanding global resources (i.e., global policies and technologies) and their implementation or use by the country in its SQM
- ▶ Reviewing and customising global baseline key controls
- ▶ Identifying and documenting EY UK key controls
- ▶ Performing walkthroughs and sample testing
- ▶ Identifying enhancements to the existing quality control system to achieve compliance with the new standard
- ▶ Setting up governance and reporting structures to provide oversight of the SQM



## Audit Quality Indicators

Audit quality is not defined in professional standards, and stakeholders may have different views on how it should be measured. While no single reportable metric or set of metrics can be viewed as a sole indicator of audit quality, a set of metrics can be used to give an indication of audit quality.

Assurance leadership monitors the execution of the EY strategy and vision by local geographies through a combination of metrics or AQIs. These include: external and internal inspection results; Milestones performance; people surveys; and retention rates.

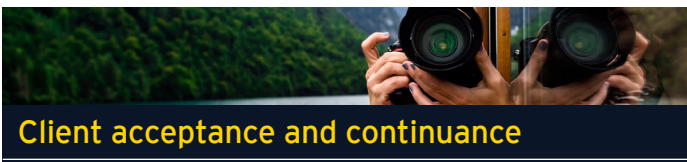
Elements monitored and measured through the AQI dashboard are consistent with the EY accountability framework and are subject to an annual review to ensure they remain relevant and responsive to quality initiatives.

The Global AQI dashboard helps to inform the leadership about whether particular actions are having the intended effect, to provide an early warning where intervention is warranted and to support the effectiveness of the overall EY SQM. We provide details of some AQIs in [Appendix 3: Audit quality and culture](#).

- ▶ Identify and decline clients or engagements that pose excessive risk
- ▶ Require consultation with designated professionals to identify additional risk management procedures for specific high-risk factors
- ▶ Comply with legal, regulatory and professional requirements

In addition, the EY global policy on conflicts of interest defines global standards for addressing categories of potential conflicts of interest and a process for identifying them. It also includes provisions for mitigating potential conflicts of interest as quickly and efficiently as possible, using appropriate safeguards. Such safeguards may include obtaining client consent to act for another party where a conflict of interest may exist, establishing separate engagement teams to act for two or more parties, implementing appropriate separations between engagement teams or declining an engagement to avoid an identified conflict.

The EY global policy on conflicts of interest and associated guidance considers the increasing complexity of engagements and client relationships, and the need for speed and accuracy in responding to clients. It also aligns with the latest International Ethics Standards Board for Accountants (IESBA) standards.



## Client acceptance and continuance



## Global policy on client and engagement acceptance

The EY global policy on client and engagement acceptance sets out principles for member firms to determine whether to accept a new client or a new engagement, or to continue with an existing client or engagement. These principles are fundamental to maintaining quality, managing risk, protecting EY people and meeting regulatory requirements. The objectives of the policy are to:

- ▶ Establish a rigorous process for evaluating risk and making decisions to accept or continue clients or engagements
- ▶ Meet applicable independence requirements
- ▶ Identify and deal appropriately with any conflicts of interest



## Putting policy into practice

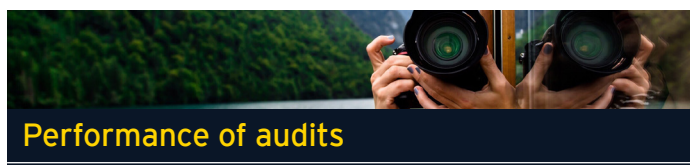
We use the EY Process for Acceptance of Clients and Engagements (PACE), an intranet-based system, for efficiently coordinating client and engagement acceptance and continuance activities in line with global, service line and member firm policies. PACE takes users through the acceptance and continuance requirements, and identifies the policies and references to professional standards needed to assess both business opportunities and associated risks.

As part of this process, we carefully consider the risk characteristics of a prospective client or engagement, and the results of due diligence procedures. Before taking on a new engagement or client, we determine whether we can commit sufficient resources to deliver quality service, especially in highly technical areas, and if the services the client wants are appropriate for us to provide. The approval process provides that new audit engagements may not be accepted without an approval by representatives from local, Regional and in certain cases Area PPD and Assurance Managing Partner (AMP) teams.

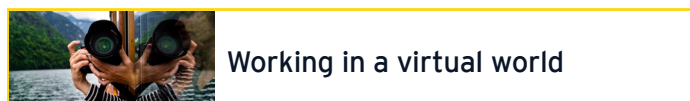
In the EY annual client and engagement continuance process, we review our service and ability to continue providing a quality service. The lead audit engagement partner of each audit, together with our Assurance leadership, annually reviews our relationship with the companies we audit to determine whether continuance is appropriate.

As a result of this review, certain audit engagements are identified as requiring additional oversight procedures during the audit (close monitoring), and our audits of some companies are discontinued. As with the client and engagement acceptance process, our local, Regional and Area PPD and AMP (depending on the risk factors) are involved in the continuance process and must agree for the continuance to occur.

The process for acceptance or continuance of clients and engagements includes consideration of the engagement team's assessment of risk factors across a broad range of categories such as industry, management's attitude, internal controls, audit complexity and related parties.



EY continuously invests in improving audit methodologies and tools, with the goal of consistently delivering high-quality audits. This investment reflects the EY commitment to building trust and confidence in the capital markets, and in economies the world over.



There are two types of consideration when delivering a high-quality audit in an increasingly virtual business environment. The first category includes how EY member firms work, how their people can work remotely in an effective way, and how that can impact their own risks. The second category covers how businesses continue to work in a virtual world, where transactions are carried out online, across borders, without the need for physical interaction.

EY UK understands the risks that a virtual world can bring for the way its people work; this incorporates concerns about mental health and wellbeing, and the need to establish an appropriate work/life balance for an individual. However, it is also understood that the businesses that EY UK works with

face similar issues. High turnover of staff can create risks, and evolving business practices can create new risks, in turn requiring an evolution in audit planning and practices.



## The EY Digital Audit

EY is on a mission to become the most trusted global Assurance services provider, furthering the public interest by proactively addressing stakeholders' needs for trust and confidence in the capital markets. This will be supported through digitally-empowered teams and services that deliver leading-edge insights and value.

EY has invested in the EY Digital Audit, which includes leading-edge technology, data capture processes, and a data-driven, end-to-end audit approach. The EY Digital Audit helps create higher audit quality through better focus on risks of material misstatement and higher-quality audit evidence to respond to those risks.

The EY Digital technology focuses on three core areas: Connecting, Automating and Analysing.

### 1. Connecting teams and companies

Connecting teams to one another and to the companies they audit creates a secure platform for a digital-first approach:

- EY Canvas
- EY Canvas Client Portal
- EY Canvas Mobile Application Suite
- EY Canvas Dashboard

### 2 Automating audit procedures and processes

By automating audit procedures and processes, EY teams reduce client burden and are able to focus on areas requiring judgement:

- Centralisation: data capture
- Standardisation: Global Delivery Services
- Automation: EY Smart Automation

### 3. Analysing data, including with emerging technology

EY teams analyse data with advanced and emerging technologies, and build audit evidence to support conclusions. Examples include:

- EY Helix data analyser library
- Artificial intelligence
- EY Blockchain Analyser
- Digital Global Audit Methodology

## Connecting

EY Canvas, the global EY audit platform, lies at the heart of the audit and enables the provision of a high-quality audit. EY Canvas is cloud-based and is built using state-of-the-art technology for web applications. This not only provides a secure, globally consistent platform for EY staff to work in, it also enables EY to respond quickly and effectively to changes in the accounting profession and regulatory environment.

Through the use of profile questions, audit engagements in EY Canvas are automatically configured with information relevant to an entity's type (e.g., listed, public interest entity) and industry. This helps to keep audit plans customised and up-to-date, and provides direct linkage to audit guidance, professional standards and documentation templates. The majority of forms that enable audit documentation are integrated into EY Canvas, leveraging the profile questions to deliver the relevant audit procedures and related documentation requirements. EY Canvas is built with a user interface that allows the team to visualise risks and their relationship to the planned response and work performed in key areas. It also enables a linkage for group audit teams to communicate relevant information and instructions to component auditors so that the group auditor can direct execution and monitor performance of the group audit.

EY Canvas includes the EY Canvas Client Portal to assist teams in communicating with company management and streamlining their client requests. Mobile applications are integrated with EY Canvas to help our people in their audit work – e.g., in monitoring the status of the audit, capturing audit evidence securely and performing inventory observations.

## Automating

Many organisations see automation, as an opportunity to enhance individual processes using technology. The EY Digital Audit leverages the global connectivity of EY Canvas to deploy automation globally. This strategy builds on the powerful automation already embedded within EY Canvas through the advanced coding that powers the platform.

EY Smart Automation is the library of solutions that automate certain audit procedures and processes. EY Smart Automation is deployed through an automation hub directly integrated within EY Canvas. This maximises adoption of

solutions, automating administrative and repetitive tasks, including those traditionally executed manually. This, in turn, helps EY member firms' audit teams to focus their time on areas requiring their professional judgement and insight.

## Analysing

EY member firms' audit teams are making data analysis integral to their audits. The use of data and analysis is not about additive procedures or visualisation. It is about taking large populations of entity data and applying globally consistent technology (EY Helix) and methodology (EY Digital GAM) to audit that data, replacing or supplementing more traditional audit procedures, such as sampling.

EY Helix is a library of data analysers, supported by specific audit programmes and enablement. These data analysers are transforming audits through the analysis of larger populations of audit-relevant data; identifying unusual patterns and trends in that data; and helping to direct audit effort.

Using the EY Helix library of data analysers, EY audit teams can enhance their audit risk assessment, helping to focus the audit on higher-risk transactions, and assisting EY audit teams in asking better questions about audit findings and evaluating the outcomes.

There is a continued investment in new analysers across a range of sectors and accounting areas to enhance the quality of audit procedures in these areas.



## Audit methodology

Driving the application of this innovative technology is EY Digital GAM. Designed based on extensive research with audit practitioners, this is the profession's first data-driven audit approach. All procedures, including risk assessment and substantive procedures, start with a data-first mindset, by analysing relevant financial and non-financial data and supplementing this with traditional audit techniques such as inquiries, observations and inspection.

EY Digital GAM is one of a number of audit approaches available to audit teams to meet the needs of the wide range of entity types audited, and sits under the umbrella of EY GAM.



EY GAM provides a global framework for delivering high-quality audit services through the consistent application of thought processes, judgements and procedures in all audit engagements, regardless of their size. EY GAM also requires compliance with relevant ethical requirements, including independence from the audited entity. Making risk assessments; reconsidering and modifying them as appropriate; and using these assessments to determine the nature, timing and extent of audit procedures are fundamental to EY GAM. The methodology also emphasises applying appropriate professional scepticism in the execution of audit procedures. EY GAM is based on International Standards on Auditing (ISAs) and is supplemented in EY UK to comply with the local UK auditing standards and regulatory or statutory requirements.

Using an online tool, EY Atlas, an EY auditor is presented with EY GAM, organised by topic, and designed to focus the audit strategy on the financial statement risks, and the design and execution of the appropriate audit response to those risks. EY GAM consists of two key components: requirements and guidance; and supporting forms and examples. The requirements and guidance reflect both auditing standards and EY policies. Examples in EY GAM supplement the requirements and guidance with leading practice illustrations.

EY GAM contains a number of audit approaches which are 'profiled' within EY Atlas to present the relevant requirements and guidance, depending on the nature of the entity being audited. For example, there are profiles for Digital GAM or Core (non-Digital) GAM, and further profiles to address listed entities and those considered non-complex entities.

EY continues to develop the methodology to meet changes and revisions in auditing standards and changes within entities' financial reporting processes, such as the adoption of emerging technologies. Other enhancements have been made to address revised standards; emerging auditing issues and matters; implementation experiences; and external and internal inspection results. Recently, EY GAM was updated for the requirements of ISA 315 (Revised 2019), Identifying and Assessing the Risks of Material Misstatement, and a suite of enablement to implement the new and revised requirements was issued.

In addition, current and emerging developments are monitored, and timely audit planning and execution communications are issued. These emphasise areas noted during inspections as well as other key topics of interest to local audit regulators and the International Forum of Independent Audit Regulators (IFIAR).

With respect to the conflict in Ukraine, and related sanctions on Russia, we have issued accounting and auditing considerations when auditing entities that are exposed to risk due to the recent events in these countries.



### Certification of technology

With continued developments in technology used in the audit, EY has a robust certification process to ensure technology used in audit engagements is fit-for-purpose (i.e., that the solution meets its objectives and is appropriate for use in the audit circumstances, and that EY people have the appropriate competencies to use the solution).

Certification addresses a range of areas, including that the solution has a clear audit evidence objective, has been widely tested, that methodology and enablement are available to support appropriate application and effective learning is available to practitioners. There are also checks to ensure that data is securely maintained and that there is compliance with relevant data privacy requirements.



### Formation of audit teams

The assignment of professionals to an audit engagement is made under the direction of our Assurance leadership. The factors considered when assigning people to audit teams include engagement size and complexity; engagement risk ratings; specialised industry knowledge and experience; timing of work; continuity; and opportunities for on-the-job training. For more complex engagements, consideration is given to whether specialised or additional expertise is needed to supplement or enhance the audit engagement team.

In many situations, internal specialists are assigned as part of the audit engagement team to assist in performing audit procedures and obtaining appropriate audit evidence. These professionals are used in situations requiring special skills or knowledge, such as tax, forensics, information systems, asset valuation and actuarial analysis.

We also work regularly with EY's offshore team who support the delivery of our audit work. We have policies and procedures in place to ensure our teams are independent and sufficiently trained in order to maintain high standards of quality in the UK.

When certain conditions exist, EY UK's policies require the approval of the assignment of individuals to specific audit roles by our Assurance leadership and Regional PPD (or delegate). This is carried out, among other things, to make sure that the professionals leading audits of listed entities and other public-interest entities possess the appropriate competencies (e.g., the knowledge, skills and abilities) to fulfil their engagement responsibilities, and are in compliance with applicable auditor rotation regulations.



## Fraud

As part of ongoing improvement efforts, there is recognition of the need to evolve how audits are performed to better address fraud. At a global level, EY is committed to leading the profession more widely to address stakeholders' questions about the auditor's role in fraud detection.

Companies have never been as data rich as they are today, providing new opportunities to detect material frauds through data mining, analysis and interpretation. Auditors are increasingly using data analytics to identify unusual transactions and patterns of transactions that might indicate a material fraud.

Technology is not a panacea, however, and professional judgement also comes into play. There is a responsibility for all involved, including management, boards, auditors and regulators, to focus more on corporate culture and behaviours to support fraud prevention and detection. Additional actions taken to address this important area of the audit, include:

- ▶ The use of data analytics for fraud testing in audits
- ▶ Using additional internal and external data and information to enable more nimble responses to external risk indicators, such as short selling and whistleblowing
- ▶ Utilising electronic confirmations for audit evidence wherever possible
- ▶ Developing a proprietary fraud risk assessment framework for use with audit committees and those charged with governance
- ▶ Requiring the use of forensic specialists in the audit on a targeted-risk basis



## Non-financial reporting

EY member firms provide assurance services on a wide range of nonfinancial information and reporting-related information. The EY Sustainability Assurance Methodology (EY SAM) is a global framework for the application of a consistent approach to all assurance engagements on ESG and sustainability information. EY SAM provides for the delivery of high-quality assurance services through the consistent application of thought processes, judgments and procedures in all engagements, regardless of the level of assurance required. EY SAM is also adaptable to the nature of both the ESG reporting, and the criteria applied by the reporting entity in producing that report.

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The methodology emphasises applying appropriate professional scepticism in the execution of procedures inclusive of the changing landscape in ESG reporting and criteria. EY SAM is based on the International Standards on Assurance Engagements (ISAEs).

As part of our obligation for high-quality assurance services related to nonfinancial reporting, EY has developed guidance, training and monitoring programmes, and processes used by member firm professionals to execute such services consistently and effectively. This includes the EY Climate Change and Sustainability Services – a dedicated team of sustainability professionals. Guidance has also been developed for audit engagement teams to assess the impact of climate risk on financial reporting under International Financial Reporting Standards (IFRS) or other financial reporting frameworks. The Global, Area and Regional PPDs, EY quality functions and IFRS desks, together with other finance and sustainability professionals, who work with teams in each member firm, are knowledgeable about the changing regulatory nonfinancial reporting landscape, EY people, clients and processes. They are readily accessible to support assurance engagement teams.

Additionally, EY has enhanced quality control-related processes to address such aspects as the engagement acceptance process, training and accreditation requirements, and resource assignments specifically related to attestation services over nonfinancial reporting matters.

EY provides input to a number of public and private initiatives to improve the quality, comparability and consistency of nonfinancial reporting, including climate risk. These activities take place at a global, Regional and national level. Examples include drafting ESG metrics and ESG reporting proposals for the Embankment Project on Inclusive Capitalism (EPIC) and the World Economic Forum's International Business Council (WEF-IBC). EY also makes resources available to standard-setters in the area of sustainability reporting, including the development of the Taskforce on Nature-related Financial Disclosures (TNFD) framework.

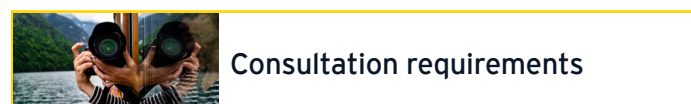


EY policies describe the requirements for timely and direct senior professional participation, as well as the level of review required for the work performed. Supervisory members of an audit team perform a detailed review of the audit documentation for technical accuracy and completeness. Senior audit executives and engagement partners perform a second-level review to determine the adequacy of the audit work as a whole and the related accounting and financial statement presentation. Where appropriate, and based on risk, a tax professional reviews the significant tax and other relevant working papers. For listed entities and certain other companies, an engagement quality reviewer (described below in Engagement quality reviews) reviews important areas of accounting, financial reporting and audit execution, as well as the financial statements of the audited company and the auditor's report.

The nature, timing and extent of the reviews of audit work depend on many factors, including:

- ▶ Risk, materiality, subjectivity and complexity of the subject matter
- ▶ Ability and experience of audit team members preparing the audit documentation
- ▶ Level of the reviewer's direct participation in the audit work
- ▶ Extent of consultation employed

EY policies also describe the roles and responsibilities of each audit engagement team member for managing, directing and supervising the audit, as well as the requirements for documenting their work and conclusions.



EY consultation policies are built upon a culture of collaboration, whereby audit professionals are encouraged to share perspectives on complex accounting, auditing and reporting issues. As the environment in which EY member firms work has become more complex and globally connected, the EY culture of consultation has become even more important to help member firms reach the appropriate conclusions for entities that they audit on a timely basis. Consultation requirements and related policies are designed to involve the right resources, so that audit teams reach appropriate conclusions.

**The EY culture of consultation enables engagement teams to deliver seamless, consistent and high-quality services that meet the needs of audited entities, their governance bodies and all stakeholders.**

For complex and sensitive matters, there is a formal process requiring consultation outside of the audit engagement team with other personnel who have more experience or specialised knowledge, primarily Professional Practice and Independence personnel. In the interests of objectivity and professional scepticism, EY policies require members of Professional Practice, Independence and certain others to withdraw from a consultation if they currently serve, or have recently served, the entity to which the consultation relates. In these circumstances, other appropriately qualified individuals would be assigned.

EY policies also require that all consultations are documented, including written concurrence from the person or persons consulted, to demonstrate their understanding of the matter and its resolution.



### Engagement quality reviews

EY engagement quality review policies address audit and assurance engagements. Engagement quality reviewers are experienced professionals with significant subject-matter knowledge. They are independent of the engagement team and provide an objective evaluation of the significant judgements the engagement team made, and the conclusions reached in formulating the auditor's report. The performance of an engagement quality review, however, does not reduce the responsibilities of the partner in charge of the engagement for the engagement and its performance. In no circumstances may the responsibility of the engagement quality reviewer be delegated to another individual.

Certain policies and practices related to the assignment and eligibility of professionals to serve as engagement quality reviewers, as well as related accreditation and training requirements, and enablement to support execution of the reviews are being modified to conform with the requirements of International Standard on Quality Management (ISQM) 2, *Engagement Quality Reviews*.

The engagement quality review spans the entire engagement cycle, including planning, risk assessment, audit strategy and execution. Policies and procedures for the performance and documentation of engagement quality reviews provide specific guidelines on the nature, timing and extent of the procedures to be performed, and the required documentation evidencing their completion. In all circumstances, the engagement quality review is completed before the date of the auditor's or assurance report.

For audits, engagement quality reviews are performed by audit partners in compliance with professional standards for audits of all listed companies, and those considered to need close monitoring. The Regional AMP (or Regional Audit Leader) and Regional PPD (or delegate) approves all the required audit engagement quality review assignments.



### Audit engagement team resolution process for differences of professional opinion

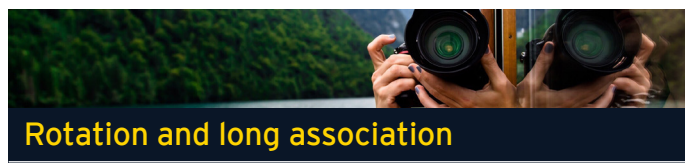
EY has a collaborative culture that encourages and expects people to speak up, without fear of reprisal, if a difference of professional opinion arises or if they are uncomfortable about a matter relating to an engagement. Policies and procedures are designed to empower members of an audit engagement team to raise any disagreements relating to significant accounting, auditing or reporting matters.

These policies are made clear to people as they join EY, and we continue to promote a culture that reinforces a person's responsibility and authority to make their own views heard and seek out the views of others.

Differences of professional opinion that arise during an audit are generally resolved at the audit engagement team level. However, if any person involved in the discussion of an issue is not satisfied with the decision, they refer it to the next level of authority until an agreement is reached or a final decision is made, including consultation with Professional Practice if required.

Furthermore, if the engagement quality reviewer makes recommendations that the engagement partner does not accept or the matter is not resolved to the reviewer's satisfaction, the auditor's report is not issued until the matter is resolved.

Differences of professional opinion that are resolved through consultation with Professional Practice are appropriately documented.



### Rotation and long association

EY supports mandatory audit partner rotation to help reinforce auditor independence. EY UK complies with the audit partner rotation requirements of the IESBA Code, and the FRC's Revised Ethical Standard 2019, as well as the US Securities and Exchange Commission (SEC), where required. EY UK supports audit partner rotation because it provides a fresh perspective and promotes independence from company management, while retaining expertise and knowledge



of the business. Audit partner rotation, combined with independence requirements, enhanced systems of internal quality controls and independent audit oversight, helps strengthen independence and objectivity, and is an important safeguard of audit quality.

For PIEs, the FRC'S Ethical Standard requires the lead engagement partner and other audit partners who make key decisions or judgements on matters significant to the audit, (together, the 'key audit partners'), to be rotated after five years. For a new PIE, (including a newly listed company), key audit partners may remain in place for an additional two years before rotating off the team if they have served the company for four or more years prior to the listing. The engagement quality reviewer is required to be rotated after seven years.

Upon completing the maximum service period for rotation, a key audit partner may not lead or coordinate professional services to the PIE companies we audit until after completing a cooling-off period. This period is five years for key audit partners, five years for an engagement quality reviewer and two years for other partners subject to rotation.

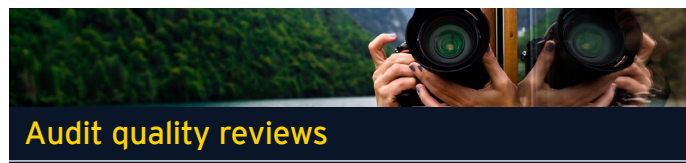
In addition to the key audit partner rotation requirements applicable to PIE companies we audit, EY has established a long association safeguards framework. This is consistent with the requirements of the IESBA Code and includes consideration of the threats to independence created by the involvement of professionals over a long period of time and a safeguards framework to address such threats.

We employ tools to effectively monitor compliance with internal rotation, and requirements for audit partners and other professionals who have had a long association with the company we audit. There is also a process for rotation planning and decision-making that involves consultation with, and approvals by, our Professional Practice and Independence professionals.



### External rotation

For public interest entities, we comply with the external audit firm rotation requirements of Section 491 and 491A of the Companies Act 2006, and the FRC's Revised Ethical Standard 2019.



The EY Global AQR programme is the cornerstone of the EY process to monitor audit quality. EY UK executes the Global AQR programme, reports results and develops responsive action plans. The primary goal of the programme is to determine whether systems of quality controls, including those of EY UK, are appropriately designed and followed in the execution of audit engagements to provide reasonable assurance of compliance with policies and procedures, professional standards and regulatory requirements. The Global AQR programme complies with requirements and guidelines in the ISQC 1, as amended, and is supplemented, where necessary, to comply with UK professional standards and regulatory requirements. It also aids EY UK's continual efforts to identify areas where we can improve our performance or enhance our policies and procedures.

Executed annually, the programme is coordinated and monitored by representatives of the Global PPD network, with oversight by the Global Assurance leadership.

The engagements reviewed each year are selected on a risk-based approach, emphasising audit engagements that are large, complex or of significant public interest, including elements of unpredictability. The Global AQR programme includes detailed risk-focussed file reviews covering a large sample of listed and non-listed audit engagements, and public interest entities and non-public interest entities, to measure compliance with internal policies and procedures; EY GAM requirements; and relevant local professional standards and regulatory requirements. It also includes reviews of a sample of non-audit assurance engagements performed by audit engagement teams. These measure compliance with the relevant professional standards, and internal policies and procedures that should be applied in executing non-audit assurance services. In addition, practice-level reviews are performed to assess compliance with quality control policies and procedures in the functional areas set out in ISQC 1.

The Global AQR programme complements external practice monitoring and inspection activities, such as inspection programmes executed by audit regulators and external peer reviews. It also informs us of our compliance with regulatory requirements, professional standards, and policies and procedures.

AQR reviewers and team leaders are selected for their skills and professional competence in accounting and auditing, as well as their industry specialisation. They have often participated in the Global AQR programme for a number of years and are highly skilled in the execution of the programme. Team leaders and reviewers are independent of the engagements and teams they are reviewing, and are normally assigned to inspections outside of their home location.

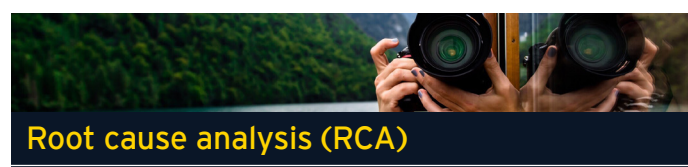
The results of the AQR process are summarised globally (including for Areas and Regions), along with any key areas where the results indicate that continued improvements are required. Summarised results are shared within the network. Measures to resolve audit quality matters noted from the Global AQR programme, regulatory inspections and peer reviews are addressed by Assurance leadership and our PPD. These programmes provide important practice monitoring feedback for our continuing quality improvement efforts. We provide details of the AQR results for the most recent cycle in [Appendix 3: Audit quality and culture](#).



EY UK's audit practice and our registered statutory auditors are subject to annual inspection by the FRC and ICAEW QAD, and to three-yearly inspections by the US Public Company Accounting Oversight Board (PCAOB). As part of the inspections, the regulators evaluate quality control systems and reviews selected engagements.

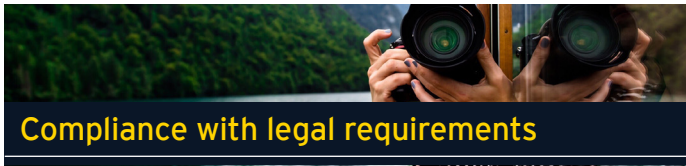
The last quality assurance inspection by each of these regulators took place in FY22. Details of each of these are discussed in [Appendix 3: Audit quality and culture](#).

We respect and benefit from the FRC, QAD and PCAOB inspection process. We thoroughly evaluate the points raised during the inspection in order to identify areas where we can improve audit quality. Engagements with significant findings are subject to RCA (see next section). Together with the AQR process, external inspections provide valuable insights into the quality of EY audits. These insights help us to effectively execute high-quality audits.



RCA is a central part of the EY quality improvement framework, providing an in-depth assessment of the root causes that underlie an audit's favourable or unfavourable inspection outcome. This enables the identification of the key factors that can impact audit quality and the taking of responsive actions. The EY Global Root Cause Process is designed to drive consistency in execution and timeliness of completion as well as execution of responsive action plans, actively monitored.

EY UK's audit practice identifies and evaluates various conditions and events that may have contributed to the favourable or unfavourable outcome. Responsive action plans are developed to address the root causes for significant engagement-related findings. EY UK's audit practice reviews the nature and prevalence of findings and root causes to determine if systemic issues exist, and if so, further action plans are developed. The EY Global Remediation Taskforce is responsible for addressing the most serious pervasive findings and root causes across the network and implementing responsive action plans on a larger scale.



## Compliance with legal requirements

The EY GCoC provides clear guidance about EY actions and business conduct. EY UK complies with applicable laws and regulations, and EY values underpin our commitment to doing the right thing. This important commitment is supported by a number of policies and procedures, explained in the paragraphs below.



### Anti-bribery

The EY Global Anti-bribery Policy provides EY people with direction on certain unethical and illegal activities. It emphasises the obligation to comply with anti-bribery laws and provides a definition of what constitutes bribery. It also identifies reporting responsibilities when bribery is discovered. In recognition of the growing global impact of bribery and corruption, efforts have been sustained to continue to embed anti-bribery measures across EY.



### Insider trading

Securities trading is governed by many laws and regulations, and EY personnel are obliged to comply with applicable laws and regulations regarding insider trading. This means EY personnel are prohibited from trading in securities, while in possession of material non-public information.

The EY Global Insider Trading Policy reaffirms the obligation of EY people not to trade in securities when in possession of insider information, provides detail on what constitutes insider information, and identifies with whom EY people should consult if they have questions regarding their responsibilities.



### Economic and trade sanctions

It is important that we are aware of the ever-changing situation with respect to international economic and trade sanctions. EY monitors sanctions issued in multiple

geographies both at the point when business relationships are accepted and as they continue. Guidance is provided to EY people on impacted relationships and activities.



### Anti-Money Laundering (AML)

EY UK is classified as an obliged entity under applicable AML regulations. Consistent with the EY Global guidance on AML, EY UK has implemented policies and procedures designed to meet these obligations, including Know Your Client procedures, customer due diligence, risk assessments and suspicious activity reporting. EY people are trained on their responsibilities under the regulations, and provided with guidance on who to consult when they have questions.



### Data protection

The EY global policy on personal data protection sets out the principles to be applied to the collection, use and protection of personal data, including personal data relating to current, past and prospective personnel, clients, suppliers and business associates. This policy is consistent with the strict requirements of the European Union's GDPR, and other applicable laws and regulations concerning data protection and privacy. EY also has binding corporate rules approved by UK and EU regulators in place to facilitate the movement of personal data within the EY network. Furthermore, we have a policy to address our specific UK data privacy requirements and business needs.



### Document retention

EY global and related local policies on records and information retention and disposition apply to all engagements and personnel. These policies address document preservation whenever any person becomes aware of any actual or reasonably anticipated claim, litigation, investigation, subpoena or other government proceedings involving us or one of our clients that may relate to our work. It also addresses UK legal requirements, applicable to the creation and maintenance of working papers relevant to the work performed.



## Independence practices



# Independence practices

The EY Global Independence Policy requires EY UK and our people to comply with the independence standards applicable to specific engagements, e.g., the IESBA Code of Ethics. In the UK, the FRC's Revised Ethical Standard 2019 is incorporated with the EY Global Independence Policy into the EY UK & Ireland Independence Policy.

We consider and evaluate independence with regard to various aspects, including our financial relationships and those of our people; employment relationships; business relationships; the permissibility of services we provide to companies we audit; applicable firm and partner rotation requirements; fee arrangements; audit committee pre-approval, where applicable; and partner remuneration and compensation.

**Failure to comply with applicable independence requirements will be factored into decisions relating to a person's promotion and compensation, and may lead to other disciplinary measures, including separation from EY UK.**

EY UK has implemented EY global applications, tools and processes to support us, our professionals and other employees in complying with independence policies.



### EY Global Independence Policy (GIP)

The EY GIP contains the independence requirements for member firms, professionals and other personnel. It is a robust policy predicated on the IESBA Code and supplemented by more stringent requirements in jurisdictions, where prescribed, by the local legislative body, regulator or standard-setting body. The policy also contains guidance designed to facilitate an understanding and the application of the independence rules. The EY GIP is readily accessible and easily searchable on the EY intranet.



### Global Independence System (GIS)

The GIS is an intranet-based tool that helps EY professionals identify the entities from which independence is required and the independence restrictions that apply. Most often, these are listed companies we audit and their affiliates, but they can also be other types of attest or assurance clients.

The tool includes family-tree data relating to affiliates of listed companies we audit, and is updated by client-serving engagement teams. The entity data includes notations that indicate the independence rules that apply to each entity, helping our people determine the type of services that can be provided or other interests or relationships that can be entered into.



### Global Monitoring System (GMS)

The GMS is another important global tool that assists in identifying proscribed securities and other impermissible financial interests. Professionals ranked as manager and above are required to enter details about all securities they hold, or those held by their immediate family, into the GMS. When a proscribed security is entered or if a security they hold becomes proscribed, professionals receive a notice and are required to dispose of the security. Identified exceptions are reported through an independence incident reporting system for regulatory matters.

GMS also facilitates annual and quarterly confirmation of compliance with independence policies, as described below.



### Independence compliance

EY has established several processes and programmes aimed at monitoring the compliance with independence requirements of EY member firms and their people. These include the following activities, programmes and processes.



### Independence confirmation

Annually, EY UK is included in an Area-wide process to confirm compliance with the EY Global Independence Policy and process requirements, and to report identified exceptions, if any.

All EY professionals, and certain others, based on their role or function, are required to confirm compliance with independence policies and procedures at least once a year. All client-facing managerial professionals and partners are required to confirm compliance quarterly.



## Independence compliance reviews

EY conducts internal procedures to assess member firm compliance with independence matters. These reviews include aspects of compliance related to non-audit services, business relationships with the companies we audit and financial relationships of member firms.



## Personal independence compliance testing

Each year, the EY Global Independence team establishes a programme for testing compliance with personal independence confirmation requirements and with reporting of information into GMS. For the 2022 testing cycle, EY UK tested more than 750 partners and other personnel.



## Non-audit services

EY monitors compliance with professional standards, laws and regulations governing the provision of non-audit services to companies we audit through a variety of mechanisms. These include the use of tools, such as [PACE](#) and the [Service Offering Reference Tool \(SORT\)](#), and training and required procedures completed during the performance of audits and internal inspection processes. There is also a process in place for the review and approval of certain non-audit services in advance of accepting the engagement.



## Global independence learning

EY develops and deploys a variety of independence learning programmes. All EY professionals and certain other personnel are required to participate in annual independence learning to help maintain independence from the companies EY member firms audit.

The goal is to help EY people understand their responsibilities and to enable each of them, and their member firms, to be free from interests that might be regarded as incompatible with objectivity, integrity and impartiality in serving a company we audit.

The annual independence learning programme covers independence requirements, focusing on recent changes to policy, as well as recurring themes and topics of importance. Timely completion of annual independence learning is required and is monitored closely. EY UK supplements this program with local content to cover local independence requirements under the FRC's Ethical Standard that differ from the EY Global Independence Policy.

In addition to the annual learning programme, independence awareness is promoted through events and materials, including new-hire programmes, milestone programmes and core service line curricula.



## Service Offering Reference Tool (SORT)

SORT serves as the master list of approved EY services. We assess and monitor our portfolio of services on an ongoing basis to confirm that they are permitted by professional standards, laws and regulations, and to make sure that we have the right methodologies, procedures and processes in place as new service offerings are developed. We restrict services from being provided that could present undue independence or other risks.

SORT further provides EY people with information about EY service offerings. It includes guidance on which services can be delivered to companies we audit and non-audit clients, as well as independence and other risk management issues and considerations.



### **Business Relationships Independence Data Gathering and Evaluation (BRIDGE)**

EY people are required to use BRIDGE in many circumstances to identify, evaluate and obtain advance approval of a potential business relationship with a company we audit, thereby supporting our compliance with independence requirements.



### **Audit committees and oversight of independence**

We recognise the important role audit committees and similar corporate governance bodies undertake in the oversight of auditor independence. Empowered and independent audit committees perform a vital role on behalf of shareholders in protecting independence and preventing conflicts of interest. We are committed to robust and regular communication with audit committees or those charged with governance. Through the EY quality review programmes, we monitor and test compliance with EY standards for audit committee communications, as well as the pre-approval of non-audit services, where applicable.



Investing in  
exceptional talent  
and continuing  
education



## Investing in exceptional talent and continuing education



### Impact of COVID-19

The continuing EY commitment to investing in talent will drive further advances in audit quality, creating real value and insights for companies that are audited by EY teams. Even during a period of unparalleled disruption, EY member firms have continued to invest time and resources, so that they can draw out the very best in their people.

The shift to remote working at the start of the COVID-19 pandemic accelerated a trend that was already in place in the auditing profession. Auditors are moving to more flexible ways of working based on the requirements of the audited entity, the audit firm and the individual.

This changing working environment has accelerated the need for auditors to make greater use of available technology, to have an agile mindset that embraces change and disruption, and to operate effectively in teams.

There has also been an increased focus during the pandemic on how teams work together and on improving communication. As part of this, we are using the power of our global network to share best practice ideas across key themes – onboarding, smart ways of working, wellbeing, coaching and mentoring, and engaging and enhancing team experiences.

In addition, the organisation has taken action to address emerging risks, through both training and a focus on increasing awareness of these risks. Common themes that teams need to focus on are communicated throughout the organisation.



### Attracting and recruiting talent

Competition for talented people with the relevant skills has never been higher and finding the next generation of high-quality auditors is a top priority. We put a great deal of effort into keeping our network of recruiters around the world up to speed with current trends and hot topics in audit so that they are armed with the information to talk to candidates. We are also exploring several innovations in recruitment that have the potential to make us more attractive to diverse audiences and improve the candidate experience.

In order to recruit people who fit with the organisation's culture, it is important to take into account not just technical excellence, but also other attributes – communication skills, high ethical standards and the ability to collaborate in high-performing teams. All joiners are expected to live up to high standards of integrity, and to have strong business acumen and leadership potential.

Workforce planning is an important enabler as EY seeks to understand, anticipate and lead the changes that will impact the profession. Planning tools enable the business to model different assumptions and identify the actions needed on both a short- and long-term basis.

The tools help to connect the different talent initiatives, starting with recruitment – identifying the number of people and the skills required – and then linking to career development. This knowledge enables the EY organisation to offer meaningful career progression and opportunities.



### Retention and focus on wellbeing

Having recruited the talent, retaining it within the business is a key contributor to the delivery of high-quality audits. Retention can vary based on external drivers such as market conditions. However, there is one factor that is globally consistent: employee expectations.

Achieving a work-life balance is important for EY people. People are now far more focussed on getting the balance right between their professional and personal lives. An increasingly important talent priority has, therefore, been a focus on wellbeing and improving the day-to-day experience of EY people. The better the organisation can support people's wellbeing, the more likely it is to provide them with compelling reasons to continue their career journey within the EY network.

The recently launched EY Global Wellbeing Strategy has as its overarching goal to embed a wellbeing culture through the commitment of leadership and the provision of appropriate resources and opportunities to achieve optimal health and performance. The aim is to increase job satisfaction, help people take care of themselves and be more effective.

Additionally, new entrants to the world of work are less likely to stay at the same organisation for their entire careers. Boosting retention, therefore, now means focusing more on the journey than the destination.

As part of this commitment, there is a stronger focus on experience management, scheduling auditors onto engagements where they can find opportunities to expand their knowledge, as part of longer-term career progression.



### **Personalised careers with diverse experiences**

As the workforce becomes more diverse in terms of background, skill sets and education, aspirations also change. With more people with specialised skills entering the organisation, EY member firms are creating a more varied, flexible and agile set of career paths for professionals that are based on a future-focussed service delivery model.

New entrants to the workforce may have different career hopes, so they are being provided with the necessary tools and processes to manage their progression. A more individualised career structure is vital in attracting new talent and in helping to develop and retain the existing workforce.

Promotions focus on people's skills, not the number of years in post. This year the EY organisation has introduced greater flexibility by introducing more 'agile promotions,' where career progression takes place when an individual is ready rather than at set times in the year.

We are seeing great success through these redesigned career paths. In the March 2022 employee listening survey, 76% of respondents (62% for EY UK) agreed that at EY there are diverse career paths to help them build the career that is right for them (up 7% from 2021 globally and 6% for EY UK).



### **Performance management**

EY has a performance management framework that connects people's career, development and performance, thereby striking an appropriate balance between evaluation and development. Through ongoing feedback, counsellor insights and development conversations, it aligns individuals with the EY strategy and enables a focus on the future. An individual's dashboard provides a snapshot of performance against the

EY Transformative Leadership dimensions, as well as quality, risk management and technical excellence, and assesses performance against their peers. Feedback received during an annual cycle is aggregated and used as an input to compensation and reward programmes.

At the centre of the framework are conversations between counselee and counsellor, covering career planning, skills development and managing performance. These conversations help to identify opportunities for further development and to build future-focussed skills.

The performance management framework also extends to partners, principals, executive directors and directors, and applies to all EYG member firms around the world. It reinforces the global business agenda by continuing to link performance to wider goals and values. The process includes goal setting, ongoing feedback, personal development planning and an annual performance review, all tied to recognition and reward. Documenting partners' goals and performance is the cornerstone of the evaluation process. A member firm partner's goals are required to reflect various global and local priorities across six metrics, the most important one being quality.



### **Engagement**

Employee engagement is an important sign of success in building the right culture. Audit professionals want to feel that their employer cares about their progress and job satisfaction. Understanding the ambitions, concerns and pressures faced by EY people makes it possible to provide a better environment in which they can flourish.

Engagement levels are regularly monitored through a variety of channels, and the March 2022 employee listening survey showed that 72% of audit professionals (64% for EY UK) had a favourable attitude in terms of engagement, a figure that continues to rise.

Listening to the views and concerns of EY people is a key element in increasing engagement. The EY listening strategy gives our people a voice at every step of their EY experience, so that we know what they need and what EY can do to help build exceptional experiences. Understanding the evolving perspectives and experiences of EY people is essential to delivering our employer value proposition – The Exceptional EY Experience. It's Yours To Build.

The EY People Pulse survey is run three times per year to gather feedback on key elements that drive engagement and retention. Each survey focuses on different strategic drivers (Careers, Learning and skills, etc.) and includes other relevant topics.

The EY Team Experience survey is another element of our employee listening strategy, aimed at improving and unifying the day-to-day experience for our engagement teams. Eligible team members provide feedback on their experience of an engagement across a variety of questions, rated on a five-point scale. This feedback provides actionable insights and pathways for tangible change at the engagement team level.

For discussion of wider issues, the Global Voices network was established in 2021. A group of 200 high-performing people from all levels and all Assurance sub-service lines provide feedback on, or contribute ideas to, a range of different strategic priorities. It effectively works as a 'shadow board,' providing valuable perspectives and insights, and helping to shape strategy. The initiative also provides an opportunity for senior leadership to detail their vision of the future and then allow that to cascade throughout the organisation.



### The Audit Academy

As the EY Digital Audit continues to evolve, it is important to complement the auditor's core skills with an evolving range of new capabilities. Every year, the content and focus of the Audit Academy are adjusted to address new technologies and strategic priorities that promote audit quality. Any changes are agreed by Assurance leadership, following recommendations from the EY Global Assurance Learning Steering Committee.

Inspection and quality review findings are reviewed regularly to assess and address root causes, and the conclusions are then fed into the Audit Academy curriculum to enhance and strengthen continual learning.

Teams can be sure that they are receiving world-class and globally consistent core learning. Whether that involves focusing on changes in regulation, mastering emerging technologies or embedding data analytics into existing audit practices, the Audit Academy has the resources in place to support every need. Moreover, the Audit Academy encourages and empowers individuals to apply professional scepticism, think critically to deliver high quality audits.

In response to the COVID-19 pandemic, the Audit Academy now delivers a blend of on-demand learning and simulation or case study-based learning that can be deployed either physically or virtually. In 2022, EY UK designed the Audit learning calendar to ensure that every learner had the opportunity to participate in meaningful in-person learning experiences alongside their virtual learning. This served to maximise the opportunity for peer networking, discussion and coaching which is so critical for the exceptional experience, and to drive Audit Quality.



### Professional development

To encourage the building of new skills, the EY Badges programme enables professionals to gain future-focussed skills in three distinct pillars: technology, leadership and business. Subjects covered in the programme include analytics, transformative leadership, sustainability, artificial intelligence, blockchain, robotic process automation, innovation, cybersecurity and digital skills, as well as certain sector capabilities that are in high demand. New badges are added regularly as the programme evolves.

Badges are awarded based on globally consistent criteria and act as a digital credential that the recipient can include on their curriculum vitae (CV), wherever their career may subsequently take them, to demonstrate what they have learned as part of their EY experience. EY was the first professional services organisation to offer such a programme, with take-up increasing as more team members recognise the importance of managing their own skills portfolio.

As at the end of FY22, 37,500 EY Badges had been awarded to current audit professionals globally, including 13,100 in analytics and data strategy alone. In addition, more than 13,000 EY Badges have been awarded to people who have since left EY. This is a significant achievement given that EY Badges is a self-directed learning initiative that supplements a substantial programme of core mandatory training for auditors.

Allied to EY Badges is the EY Tech MBA, an online qualification awarded by Hult International Business School, a triple-accredited university. This is the first time that an organisation of EY's size has offered such a qualification to all its people. Following the success of the EY Tech MBA, also in association with Hult, EY has launched Masters in Business Analytics and Sustainability. Both are the first qualifications of their kind, and both are available free of charge to all EY people.

In total, during FY22, EY UK audit professionals undertook approximately 620,000 hours of learning (compared with 564,000 hours for the previous year). This represented an average of 65.1 hours each of EY learning and 164 hours on average for those completing professional qualification programmes.

In the March 2022 employee listening survey, 87% of respondents said that EY provides them with learning opportunities that build the skills they need to be successful (an increase of 1% on March 2021) and 83% said that what they are learning at EY is helping them to achieve their career aspirations (up 1% from 2021). The equivalent employee listening survey results for EY UK were 77% (equal to the prior year) and 69% (down 2% from the prior year) respectively.

There are also a variety of learning programmes that have been developed specifically for member firm partners. These are available to all member firm partners worldwide and cover topics including transformative leadership, disruptive technology, and sustainability. These are supplemented by high-touch, immersive programmes for select groups of partners on topics such as client leadership and disruptive technology, and there are also regular learning programmes on audit-specific topics such as fraud.

Where an EYG member firm audits and reviews IFRS financial statements, relevant team members undertake learning to become IFRS-accredited.

EY UK requires audit professionals to obtain at least 20 hours of continuing professional education each year and at least 120 hours over a three-year period. Of these hours, 40% (eight hours each year and 48 hours over a three-year period) must cover technical subjects related to accounting and auditing.

In June 2022, the US SEC announced a settled order against Ernst & Young LLP, US (EY US) concerning conduct that was discovered in an extensive internal investigation and voluntarily shared with the PCAOB. The order refers to incidents in the past of inappropriate and unacceptable answer sharing on continuing professional education and, by some individuals, on the ethics exams required to earn or maintain a Certified Public Accountant (CPA) license. EY US's response to this unacceptable behaviour has been thorough, extensive and effective. EY US has reinforced the EY commitment that all EY people act with integrity and ethics through training, communications, ongoing monitoring and discipline.



## Mobility

In an organisation that spreads across more than 150 jurisdictions, the opportunities to experience work and life are equally widespread. People join EY for exceptional experiences, including geographical mobility. Mandatory firm rotation and an increased desire for variety and flexibility mean that it is now even more important to have the right people in the right place at the right time, and enough people with enough time to execute audit engagements.

Inevitably, travel restrictions during the pandemic have meant that many cross-border experiences had to be paused. However, in September 2021, legacy mobility programmes were streamlined into one new offering – Mobility4U – which provides assurance professionals with a single point of entry to locate global opportunities. Both physical and virtual assignments are covered, including job swaps, where individuals can exchange roles with an EY peer on either a long- or short-term basis. In the March 2022 employee listening survey, 84% of respondents said they feel they have access to the work experiences they need to build their career, and in the survey four months earlier, 82% people said they feel EY prepares them to work effectively with clients and colleagues from different countries and cultures. These results were 71% and 81% respectively for EY UK.





## Knowledge and internal communications

In addition to professional development and performance management, we understand the importance of providing audit teams with up-to-date information to help them perform their professional responsibilities. There is significant EY investment in knowledge and communication networks to enable the rapid dissemination of information to help people collaborate and share best practices. This has been of increasing importance to address emerging risks arising as a result of the pandemic. Some EY resources and tools include:

- ▶ EY Atlas, which includes local and international accounting and auditing standards, as well as interpretive guidance
- ▶ Publications such as International Generally Accepted Accounting Principles (GAAP), IFRS developments and illustrative financial statements
- ▶ Global Accounting and Auditing News – a weekly update covering assurance and independence policies, developments from standard-setters and regulators, as well as internal commentary thereon
- ▶ Practice alerts and webcasts, covering a range of global and country-specific matters, designed for continuous improvement in member firms' Assurance practices



## Revenue and remuneration

# Revenue and remuneration



Revenue represents combined, not consolidated, revenues, and includes expenses billed to clients, and revenues related to billings to other EYG member firms. Revenue amounts disclosed in this report include revenues from both companies we audit and non-audit clients.

Revenue is presented in accordance with Article 13, The Transparency Report, Statutory Audit Regulation (Regulation EU) No 537/2014), as amended by the Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019 and includes revenues from:

- ▶ The statutory audit of accounts of UK PIEs, and separately members of groups of undertakings whose parent undertaking is a UK PIE<sup>1</sup>
- ▶ The statutory audit of accounts of other entities
- ▶ Permitted non-audit services to entities audited by the statutory auditor
- ▶ Non-audit services to other entities

Our audit practice routinely procures audit support from experts outside of the audit ringfence in areas such as tax, valuations and IT. Following work undertaken in relation to the principles of operational separation, our transfer pricing arrangements for services between our audit and non-audit practices have been updated and fully implemented from the start of FY23, ahead of the required implementation date. In updating the arrangements, we have utilised the Organisation for Economic Cooperation and Development (OECD) guidance on transfer pricing and established a cost plus methodology in order to set arms-length rates. The new arrangements will likely result in increased costs being recognised by the audit practice from FY23. Revenues for FY22 do not reflect these transfer pricing arrangements.

## Financial information for the period ended on 1 July 2022 expressed in £million

Service	FY22 <sup>2</sup>		FY21 <sup>1</sup>	
	Revenue	Percent	Revenue	Percent
Statutory audits and directly related services for PIEs	185	6%	177	6%
Statutory audits and directly related services for entities whose parent is a PIE	42	1%	75	3%
Other audit services and directly related services for non-PIEs	399	12%	343	12%
<b>Total audit revenues</b>	<b>626</b>	<b>19%</b>	<b>595</b>	<b>21%</b>
Non-audit services provided to companies we audit	163	5%	156	6%
<b>Total revenues from companies we audit</b>	<b>789</b>	<b>24%</b>	<b>751</b>	<b>27%</b>
Non-audit services provided to other entities	2,418	75%	1,981	72%
Total revenue from the Channel Islands excluded from the categories above	22	1%	22	1%
<b>Total revenue</b>	<b>3,229</b>	<b>100%</b>	<b>2,754</b>	<b>100%</b>
<b>UK audit profit<sup>3</sup></b>	<b>88</b>		<b>53</b>	

The Local Audit Transparency Instrument requires disclosure of the turnover in the financial period of the local auditor in relation to performing local audit work as defined by the instrument. For EY UK, this revenue totals £16 million (FY21: £14 million).

<sup>1</sup> As disclosed in the FY21 Transparency Report, from 1 January 2021, following the UK's departure from the EU, UK companies that previously met the definition of EU PIEs became UK PIEs. Revenues from EU PIE subsidiaries that are not subsidiaries of UK PIEs are included in the table above within 'Other audit services and directly related services for non-PIEs' revenue in the current year. In the previous year, these revenues were disclosed within 'Statutory audits and directly related services for entities whose parent is a PIE', reflective of the fact that for the first half of FY21 the UK was an EU member and the EU definition of PIE applied. As this is a change to the basis of preparation, no restatement is made to the prior year comparatives.

<sup>2</sup> FY22 revenues represent a 52-week accounting period; FY21 revenues represent a 52-week accounting period.

<sup>3</sup> Profit is calculated based on the revenue and direct costs associated with audit engagements, together with specific overheads for the audit practice and an allocation of total firm overheads, such as property and technology costs. These costs are allocated on a pro rata basis, based primarily on the headcount or revenues of the relevant business segment. No cost is included for the remuneration of members of EY UK, consistent with the treatment of their remuneration in the firm's financial statements.



## Partner remuneration

Quality is at the centre of the EY strategy and is a key component of EY performance management systems. EY UK partners are evaluated and compensated based on criteria that include specific quality and risk management indicators. Equally, when EY UK partners do not adhere to quality standards, remedial actions are taken. These may include performance monitoring, compensation adjustment, additional training, additional supervision or reassignment – or, in instances of repeated or particularly serious non-compliance, separation from EY.

EY policies prohibit evaluating and compensating lead audit engagement partners and other key audit partners on an engagement based on the sale of non-assurance services to companies they audit. This reinforces to EY partners their professional obligation to maintain independence and objectivity.

Specific quality and risk performance measures have been developed to account for:

- Providing technical excellence
- Living the EY values as demonstrated by behaviours and attitude
- Demonstrating knowledge of, and leadership in, quality and risk management
- Complying with policies and procedures
- Complying with laws, regulations and professional duties

The EY partner compensation philosophy calls for meaningfully differentiated rewards based on a partner's level of performance, as measured within the context of the performance management framework. Partners are assessed annually on their performance in delivering high quality, exceptional client service and people engagement, alongside financial and market metrics.

**We operate under a system that requires quality to be a significant consideration in a partner's overall year-end rating.**

To recognise different market values for different skills and roles, and to attract and retain high-performing individuals, the following factors are also considered when we determine our partners' total reward:

- Experience
- Role and responsibility
- Long-term potential

For further comments on the link between quality and pay, please see [Appendix 3: Governance and leadership](#).





## Appendix 1: List of PIE companies we audit

## Appendix 1: List of PIE companies we audit



### EY UK PIE companies we audit

In the fiscal year that ended on 1 July 2022, EY UK performed audits of the following UK PIEs:

4imprint Group plc	CC Japan Income & Growth Trust plc
Aberdeen New Dawn Investment Trust plc	Clydesdale Bank plc
Aberdeen Smaller Companies Income Trust plc	Coca-Cola Europacific Partners plc
Aetna Insurance Company Limited	Co-operative Group Holdings (2011) Limited
Ahli United Bank (UK) plc	Co-operative Group Limited
Allica Bank Limited	Coutts & Company
Artesian Finance II plc	D A S Legal Expenses Insurance Company Limited
Artesian Finance III plc	DB UK Bank Limited
ASA International Group plc	De La Rue plc
Ashoka India Equity Investment Trust plc	Dignity plc
Associated British Foods plc	Dr. Martens plc
Assura plc	Edinburgh Worldwide Investment Trust plc
Aston Martin Lagonda Global Holdings plc	Endurance Worldwide Insurance Limited
Astrenska Insurance Limited	Energear plc
Avast plc	Europe Arab Bank plc
AVEVA Group plc	EVRAZ plc
Baillie Gifford China Growth Trust PLC	F&C Investment Trust PLC
Baillie Gifford UK Growth Fund plc	Fidelity Asian Values plc
Bank of Georgia Group plc	Fidelity China Special Situations plc
Bank of London and The Middle East plc	Fidelity European Trust plc
Bank Sepah International plc	Fidelity Japan Trust plc
Beazley plc	Fidelity Special Values plc
Bellevue Healthcare Trust plc	Finance for Residential Social Housing plc
Bellway plc	Financial Guaranty UK Limited
BG Energy Capital plc	Flood Re Limited
BHP Group plc	FM Insurance Company Limited
BlackRock Energy and Resources Income Trust plc	Forterra plc
BlackRock Frontiers Investment Trust plc	Fresnillo plc
BlackRock Greater Europe Investment Trust plc	Fuller, Smith & Turner plc
BlackRock Latin American Investment Trust PLC	Gemini Student Living Limited
Brewin Dolphin Holdings Plc	Genuit Group plc
Britvic Plc	Georgia Capital plc
Brown Shipley & Co. Limited	Gore Street Energy Storage Fund plc
Burberry Group plc	Gosforth Funding 2017- 1 PLC
Burford Capital PLC	Gosforth Funding 2018- 1 PLC
Bytes Technology Group plc	Great American International Insurance (UK) Limited

## List of PIEs audited by EY UK (Cont'd)

Gulf International Bank (UK) Limited	Majedie Investments PLC
Handelsbanken plc	Managed Pension Funds Limited
Harbour Energy plc	Martin Currie Global Portfolio Trust plc
Harmony Energy Income Trust plc	Mears Group plc
Harworth Group plc	Methodist Insurance plc
Henderson European Focus Trust plc	Mizuho International plc
Henry Boot plc	Mobius Life Limited
Heylo Housing Secured Bond Plc	Monzo Bank Limited
Hill & Smith Holdings plc	Morgan Sindall Group plc
Hochschild Mining plc	National Deposit Friendly Society Limited
Hodge Life Assurance Company Limited	National Westminster Bank Plc
HSB Engineering Insurance Limited	Nationwide Building Society
ICG Enterprise Trust plc	Natwest Group plc
Imperial Brands Finance plc	NatWest Markets plc
Imperial Brands plc	New Star Investment Trust plc
Intermediate Capital Group plc	NEX Group Limited
International General Insurance Company (UK) Limited	Nomura Bank International plc
Invesco Perpetual UK Smaller Companies Investment Trust plc	Nostrum Oil & Gas plc
Investec Bank plc	Nottingham Building Society
Investec Investment Trust plc	On the Beach Group plc
Investec plc	PA (GI) Limited <sup>1</sup>
J Sainsbury plc	PageGroup plc
John Menzies plc	Pantheon International plc
JPMorgan Elect plc	PCF Bank Limited
JPMorgan European Discovery Trust plc	Pennon Group plc
JPMorgan Global Emerging Markets Income Trust plc	Persimmon Plc
JPMorgan Global Growth & Income plc	Personal Assurance plc
JPMorgan UK Smaller Companies Investment Trust plc	Phoenix Group Holdings plc
Julian Hodge Bank Limited	Phoenix Life Limited
Jupiter Emerging & Frontier Income Trust plc	QIB (UK) plc
Jupiter Green Investment Trust plc	Reassure Life Limited
Keller Group plc	Reassure Limited
Lanark Master Issuer plc	RELX PLC
Land Securities Group plc	Renishaw plc
Lannraig Master Issuer plc	RIT Capital Partners plc
London Borough of Redbridge <sup>1</sup>	Riverstone Credit Opportunities Income plc
London Stock Exchange Group plc	RM Infrastructure Income plc
Lowland Investment Company plc	Sabre Insurance Company Limited
LSL Property Services plc	Sabre Insurance Group plc
Made.com Group Plc	Sainsbury's Bank plc

## List of PIEs audited by EY UK (Cont'd)

Savills plc	Tate & Lyle plc
Schroder & Co. Limited	TD Bank Europe Limited
Schroder Asian Total Return Investment Company plc	Templeton Emerging Markets Investment Trust plc
Schroder AsiaPacific Fund plc	The Bankers Investment Trust plc
Schroder British Opportunities Trust plc	The Baptist Insurance Company Plc
Schroder Income Growth Fund plc	The Co-operative Bank Finance plc
Schroder Pension Management Limited	The Co-operative Bank plc
Schroders plc	The Gym Group plc
Scotland Gas Networks plc	The Henderson Smaller Companies Investment Trust plc
Scottish Hydro Electric Power Distribution plc	The Higher Education Securitised Investments Series No.1 plc
Scottish Hydro Electric Transmission plc	The Independent Investment Trust plc
Securities Trust of Scotland plc	The Monks Investment Trust plc
SG Kleinwort Hambros Bank Limited	The Rank Group plc
Shaftesbury Carnaby plc	The Restaurant Group plc
Shaftesbury Chinatown plc	The Royal Bank of Scotland plc
Shaftesbury plc	The Sage Group plc
Shell plc	The Watches of Switzerland Group plc
Shires Income plc	THG plc
SIG plc	TR European Growth Trust plc
Silverstone Master Issuer plc	Transport for London
Skipton Building Society	TransRe London Limited
Softcat plc	Tullow Oil plc
Soteria Insurance Limited	UBS Asset Management Life Ltd
South West Water Finance plc	University College London
Southern Electric Power Distribution plc	University of Liverpool
Southern Gas Networks Plc	Unum Limited
Spire Healthcare Group plc	USAA Limited
SSE plc	Virgin Money UK plc
Stagecoach Group plc	Vodafone Group plc
Standard Chartered Bank	Volusion Group plc
Standard Chartered plc	Warwick Finance Residential Mortgages Number Three plc
Standard Life Assurance Limited	Wesleyan Assurance Society
Standard Life Pension Funds Limited	Wesleyan Bank Limited
Stewart Title Limited	Wessex Water Services Finance plc
Sun Life Assurance Company of Canada (UK) Limited	Xaar plc
Target Healthcare REIT plc	Zurich Assurance Ltd

1. Ongoing audit engagements where an opinion was signed outside the period noted





## Appendix 2: Approved EYG member firms

## Appendix 2: Approved EYG member firms



### List of approved EYG member firms in an EEA member state or in Gibraltar

As of 1 July 2022, the following EYG member firms are eligible for appointment as a statutory auditor, or are eligible for appointment as an auditor in an EEA member state or in Gibraltar:

Member state	Statutory auditor
Austria	Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.
Belgium	EY Assurance Services SRL
	EY Bedrijfsrevisoren SRL
	EY Europe SRL
Bulgaria	Ernst & Young Audit OOD
Croatia	Ernst & Young d.o.o.
Cyprus	Ernst & Young Cyprus Limited
	Ernst & Young
	Ernst & Young CEA (South) Services Ltd
	Ernst & Young CEA (South) Holdings Plc
Czech Republic	Ernst & Young Audit, s.r.o.
Denmark	EY Godkendt Revisionspartnerselskab
	EY Grønland Godkendt Revisionsanpartsselskab
Estonia	Ernst & Young Baltic AS
	Baltic Network OU
Finland	Ernst & Young Oy
France	Artois
	Auditex
	Ernst & Young Audit
	Ernst & Young et Autres
	EY & Associés
	Picarle et Associates
Germany	Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft
	Ernst & Young Heilbronner Treuhand-GmbH Wirtschaftsprüfungsgesellschaft
	EY Revision und Treuhand GmbH Wirtschaftsprüfungsgesellschaft
	Treuhand-Süd GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft
	TS GmbH Wirtschaftsprüfungsgesellschaft
	TS Treuhand GmbH Wirtschaftsprüfungsgesellschaft
	Schitag Schwäbische Treuhand GmbH Wirtschaftsprüfungsgesellschaft
Gibraltar	EY Limited
Greece	Ernst & Young (Hellas) Certified Auditors Accountants S.A.
Hungary	Ernst & Young Könyvvizsgáló Korlátolt Felelősségű Társaság
Iceland	Ernst & Young ehf
Ireland	Ernst & Young Chartered Accountants
Italy	EY S.p.A.

## Approved EYG member firms (Cont'd)

Member state	Statutory auditor
Latvia	Ernst & Young Baltic SIA
Liechtenstein	Ernst & Young AG, Basel
	Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft
	Ernst & Young AG, Vaduz
Lithuania	Ernst & Young Baltic UAB
Luxembourg	Ernst & Young Luxembourg S.A.
	Ernst & Young S.A.
Malta	Ernst & Young Malta Limited
Netherlands	Ernst & Young Accountants LLP
Norway	Ernst & Young AS
Poland	Ernst & Young Audyt Polska sp. z o.o.
	Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością Finance sp. k
	Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością Doradztwo Podatkowe sp. k.
	Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.
	Ernst & Young Usługi Finansowe Audyt sp. z o.o.
Portugal	Ernst & Young Audit & Associados – SROC, S.A.
Romania	Ernst & Young Assurance Services SRL
	Ernst & Young Support Services SRL
Slovakia	Ernst & Young Slovakia, spol. s r.o.
Slovenia	Ernst & Young d.o.o.
Spain	ATD Auditores Sector Público, S.L.U
	Ernst & Young, S.L.
Sweden	Ernst & Young AB

Total turnover for FY22 for these EYG member firms, resulting from statutory audits of annual and consolidated financial statements, was approximately €2.34 billion.



## Appendix 3: EY UK-specific content

# Appendix 3: EY UK-specific content



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## Governance and leadership



### EY UK Key Performance Indicators on governance

The AFGC provides that firms should introduce KPIs on the performance of their governance system and report on performance against these KPIs in their transparency reports. We explain below how we performed against our governance KPIs in FY22.

Status legend: ☒ met ☒ not met

KPI	Status	Progress in FY22
<b>Leadership</b>		
The EY UK Board should meet at least four times per annum.	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"> <li>▶ The EY UK Board held five main meetings during the year.</li> <li>▶ There were additional ad hoc meetings as and when required, and various decisions were also made via electronic fora.</li> </ul>
The gender and ethnic minority diversity of the EY UK Board should reflect that of the partnership.	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"> <li>▶ As at 1 July 2022, of the 10 EY UK Board members, 4 were male (including 1 of ethnic minority) and 6 were female.</li> <li>▶ Female representation on the EY UK Board (60%) exceeded the gender diversity of the partnership (25%).</li> <li>▶ Ethnic minority representation on the EY UK Board (10%) was below that of the partnership (14%).</li> </ul>
There should be a minimum attendance target of 80%, over a rolling 12-month period, for EY UK Board meetings.	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"> <li>▶ Collectively, the EY UK Board had an attendance rate of 96%. Individual attendance rates are disclosed in <a href="#">Appendix 9</a>.</li> </ul>

KPI	Status	Progress in FY22
<b>Values</b>		
As part of EY UK's culture assessment, we hold quarterly surveys of our people throughout the year, with the Board acting upon the cultural aspects of the findings. The surveys assess our people's views on EY UK and their engagement.	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"> <li>▶ The engagement score is derived by aggregating responses to questions across different areas including advocacy, satisfaction, commitment and pride. Not all of the surveys include questions on engagement.</li> <li>▶ We disclose the results of the latest survey covering engagement that was run during the year and the most recent post-year-end survey, if the results are available sufficiently in advance of the publication of this report.</li> <li>▶ The overall UK engagement score result for the March 2022 survey was 69%.</li> <li>▶ The EY UK Board takes actions, as and when appropriate, in response to the findings of the survey (discussed throughout this report).</li> </ul>
On at least a bi-annual basis, the EY UK Board should receive reports on the UK's compliance with the GCoC.	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"> <li>▶ The EY UK Board receives reports on GCoC matters (including ethical behaviour and the status of affirmation of peoples' compliance and familiarisation with the content of the GCoC) and responds accordingly.</li> </ul>

KPI	Status	Progress in FY22
<b>INEs</b>		
There should be at least three INEs, and the PIB should meet at least four times per annum.	✓	▸ The PIB, comprised of four INEs and three executive members, met four times during the year.
On an annual basis, the EY UK Board must satisfy itself that the INEs remain independent from EY UK.	✓	▸ The EY UK Board is satisfied that the INEs remained independent from EY UK throughout the year, as explained later in this section.
The UKAB should be chaired by and have a majority of ANEs.	✓	▸ The UKAB is chaired by an ANE and comprised of four ANEs and three executive audit members.
At least one of the ANEs should not be a firm INE (doubly independent).	✓	▸ Philip Tew is not a firm INE and is therefore doubly independent.
The UKAB should meet at least four times per annum.	✓	▸ The UKAB met four times during the year, as well as having ad hoc briefing sessions on topical areas.

KPI	Status	Progress in FY22
<b>Operations</b>		
The Risk Oversight Committee (ROC) should meet at least four times per annum, with the goal of helping to ensure that there are no material failings or weaknesses in EY UK's internal controls.	✓	▸ The ROC met 11 times during the year. The activities undertaken by the ROC, along with commentary on EY UK's internal controls, are set out in <a href="#">Appendix 3: Managing risk</a> .

KPI	Status	Progress in FY22
<b>Reporting</b>		
The EY UK Board should review the annual Transparency Report to satisfy itself that it is fair, balanced and understandable, and complies with the AFGC, or explains otherwise.	✓	<ul style="list-style-type: none"> <li>▸ The EY UK Board approved the EY UK 2022 Transparency Report on 27 October 2022, after satisfying itself that it was fair, balanced and understandable, and in compliance with the AFGC, Article 13 of the EU Audit Regulation (537/2014) (as incorporated into UK domestic law by Section 3 of the European Union (Withdrawal) Act 2018), and the Local Auditors (Transparency) Regulations 2020.</li> <li>▸ EY UK has complied with the provisions of the Code or has otherwise provided a considered explanation.</li> </ul>

KPI	Status	Progress in FY22
<b>Dialogue</b>		
The EY UK Board should satisfy itself, on at least an annual basis, that a formal programme of investor dialogue is occurring.	✓	▸ The EY UK Board is satisfied that, as set out in <a href="#">Appendix 3: Stakeholder dialogue</a> , a formal programme of investor dialogue took place.

The Board will keep the KPIs under review and determine how they need to evolve as we prepare for implementation of the new AFGC.



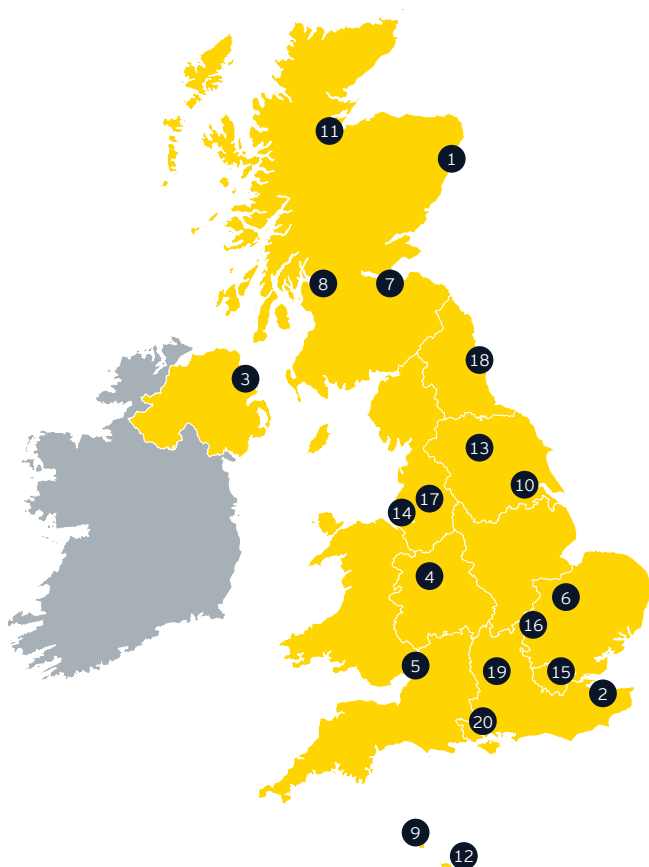
EY Europe has voting control of EY UK. As a normal condition of authorisation, all partners of EY Europe (i.e., not just those who are UK based or who are accountants or auditors) become affiliated members of the ICAEW. This means that they are all subject to, among other things, the ICAEW's ethical and professional standards.

EY UK is covered by the governance arrangements established by EMEIA Limited and EYG (for further details refer to [Section 1: About us](#)). The EY UK leadership is subject to regular review of its actions and its performance across all areas of business activity. EY UK's management also participates in a number of international EY fora, which enables it to share best practice with peers, along with other approaches and different techniques for running EY UK sustainably. Although decision-making is local, the regular

review process provides another level of informed challenge to proposed decisions and plans. Details of entities related to EY UK can be found in its statutory financial statements.

At 1 July 2022, EY UK had 779 members in total, compared to 717 as at the end of the previous financial year, with 161 members based outside of London. Of the total number of members, 25% were female and 14% were of minority ethnicity. Effective from 2 July 2022, 74 new members joined the partnership, of whom 30 were female and 15 of minority ethnicity. In a change from the previous year, from 2 July, the term 'Partner' is being extended to include some of our most senior people who are employees and not members of Ernst & Young LLP.<sup>4</sup> Following this change as at 2 July EY UK had 1,533 Partners in total, of whom 421 were female and 222 of minority ethnicity.

As at 1 July 2022 there were 21 EY offices across the UK, including Jersey and Guernsey:



- |               |                                                    |
|---------------|----------------------------------------------------|
| 1. Aberdeen   | 11. Inverness                                      |
| 2. Ashford    | 12. Jersey                                         |
| 3. Belfast    | 13. Leeds                                          |
| 4. Birmingham | 14. Liverpool                                      |
| 5. Bristol    | 15. London (More London Place and Churchill Place) |
| 6. Cambridge  | 16. Luton                                          |
| 7. Edinburgh  | 17. Manchester                                     |
| 8. Glasgow    | 18. Newcastle-Upon-Tyne                            |
| 9. Guernsey   | 19. Reading                                        |
| 10. Hull      | 20. Southampton                                    |

<sup>4</sup>A list of members' names is available for inspection at 1 More London Place, London, SE1 2AF, the firm's principal place of business and its registered office and at Companies House [<https://www.gov.uk/get-information-about-a-company>] under the registration number OC300001. References to the term 'partner' elsewhere in this report for EY UK in FY22 relate only to members of Ernst & Young LLP.

## Governance structure and management

**Section 1: About us** sets out details of EY's network and regional structure; EY UK is part of the EMEIA Area, which comprises EYG member firms in 94 countries and 8 regions. EY UK is part of the UK&I Region, with the exception of its financial services practice, which is part of the EMEIA FSO, which is treated as a separate Region.

As the principal objectives of the AFGC Purpose are relevant at a country-level, impacting EY UK as a whole, the overall responsibility and oversight of these matters rests with the EY UK governance structure (EY UK Board, PIB and UKAB) and country management (UKCC), which are indicated in yellow below and discussed in further detail in this section. EY UK's management is accountable to its owners and no individual has unfettered powers of decision-making. Members of governance structures are supplied with information in a timely manner and in an appropriate form and quality to enable them to discharge their duties.

Appointments to the governance structure and country management are:

- ▶ Roles-based appointments – these have been considered to ensure that the right skillset and representation is maintained. They are not time-limited; the relevant individuals will serve for so long as they hold the relevant role.

### ▶ Non-executive appointments:

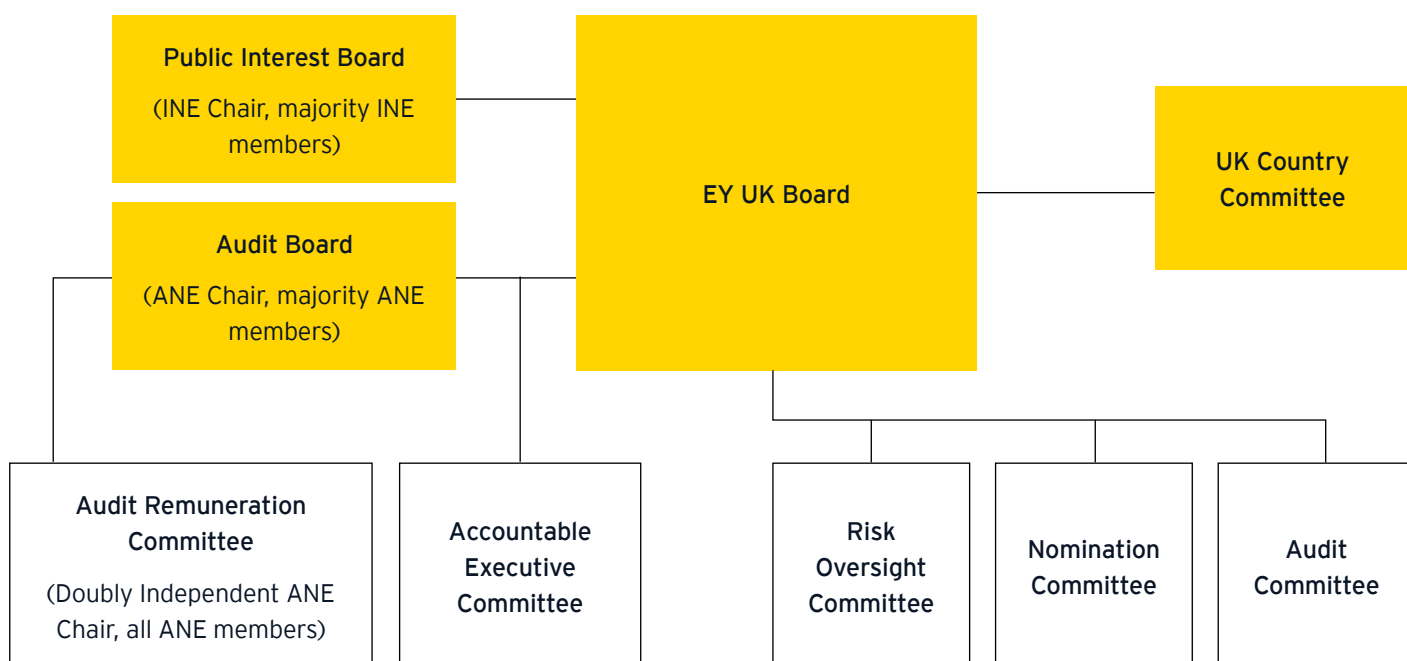
- ▶ The AFGC requires a firm to appoint independent non-executives (INEs) to its governance structure who, through their involvement, collectively enhance the entire firm's performance in meeting the Purpose of the AFGC.
- ▶ Operational Separation Principles require the appointment of audit non-executives (ANEs) to a firm's governance structure, who focus on the audit practice only.

Appointment and termination of INEs and ANEs is discussed in detail later on and their involvement in EY UK's governance structure has been set out below.

### ▶ Other appointments (EY UK Board only) can include:

- ▶ Three representatives of the Partner Fora selected by the fora
- ▶ Up to two additional co-opted members

These members will serve for an initial period of up to three years, which may be extended by a further term of up to three years.





## Independent and Audit Non-Executives

The appointment of our INEs and ANEs and their role within the governance structure of EY UK meet the requirements of the AFGC and Operational Separation Principles – the INEs are all members of the PIB; the ANEs are all members of the UKAB. As at 1 July 2022, EY UK's Non-Executives were as follows:

Name	Role	First appointed	Term as NE
▶ David Thorburn	▶ ANE and INE ▶ Chair of the UK Audit Board	▶ June 2016	▶ Third term
▶ Tonia Lovell	▶ ANE and INE ▶ Chair of the Public Interest Board	▶ June 2019	▶ Reappointed for Term 2
▶ Mridul Hegde	▶ ANE and INE	▶ July 2021	▶ First term
▶ Sir Peter Westmacott	▶ INE	▶ April 2017	▶ Since the year-end, Sir Peter Westmacott stood down from his role as INE
▶ Philip Tew	▶ ANE ▶ Chair of the Audit Board Remuneration Committee	▶ July 2021	▶ First term

Biographical details of the INEs and ANEs are included in Appendix 8, including details of skills and experience relevant to their positioning.

Attendance of the Chair of the Public Interest Board and the Chair of the UK Audit Board at the EY UK Board meetings ensures that the INEs and ANEs have visibility of the entirety of the business of EY UK. As reports on issues raised by the whistleblowing process are discussed at the EY UK Board, their attendances also allows them to satisfy themselves that the whistleblowing process is effective. Details of Tonia Lovell's and David Thorburn's attendance at Board meetings are given in [Appendix 9](#).

### Appointment and termination of Independent and Audit Non- Executives

INEs and ANEs are appointed by the Board for an initial term of three years. With the approval of the Board, an INE or ANE may be invited to serve for a maximum of two additional terms of three years.

Rights and responsibilities of the INEs and ANEs are set out in a Letter of Appointment and Service. An appointment may be terminated by either the INE, ANE or EY UK giving six months' written notice. In the event of a fundamental disagreement that cannot be resolved, the appointment may be terminated immediately under the dispute resolution provisions (see further detail below). In addition, immediate

termination may be required where a conflict occurs with other roles that the INE or ANE holds, an example being where an entity we audit acquires an entity in which the INE or ANE also holds an appointment.

### Fundamental disagreements

In the event that there is a fundamental disagreement between an INE and/or ANE and members of the EY UK Board and/or its governance structures, the INE and/or ANE shall set out the nature and status of the disagreement, in writing, to the Chair of the EY UK Board (copied to the members, including the other party in disagreement), together with any other details such as a need for further information, the respective positions of the parties and any preferred criteria for resolving the disagreement.

The Chair shall respond to the INE and/or ANE in writing by setting out any proposed timescale and method for resolving the disagreement. At the conclusion of the proposed time, the INE and/or ANE and the other party in disagreement shall indicate to the Chair whether or not the disagreement has been resolved. In the event that the disagreement has not been resolved, the INE and/or ANE and the other party in disagreement must indicate whether a further intercession by the Chair is desired. In the event that no such indication is made and the disagreement persists or, if the nature of the disagreement relates directly to the Chair, the INE, ANE or EY UK may terminate the INE and/or ANE appointment.



## Independence of Independent and Audit Non-Executives

Prior to their appointment, EY UK INEs and ANEs are interviewed and briefed on the ongoing independence requirements and any firm issues. The INEs and ANEs are required to confirm their independence from EY UK and the entities we audit in accordance with the AFGC and the FRC's Ethical Standard. This process involves ongoing annual self-declarations of independence, and the finite tenures of INEs and ANEs help to ensure their independence is not compromised.

Independence from EY UK requires, among other things, that:

- ▶ The appointment of the INEs and ANEs by the Board is limited to an initial term of three years that may only be extended by a maximum of two additional three-year terms.
- ▶ Members of the INE's or ANE's immediate family are not partners or employees of EY.
- ▶ The INE and ANEs may not have a joint investment with EY.
- ▶ Independence from the entities we audit:
  - ▶ Generally, there are no restrictions on the types of relationships INEs and ANEs may have with entities audited by EY as they are not considered in EY UK's chain of command and the FRC's Ethical Standard specifically excludes them from these requirements.
  - ▶ However, we prohibit the INEs and ANEs from holding an officer, director or employee role at an entity audited by EY.
  - ▶ The INEs and ANEs confirm their independence in accordance with the EY requirements both on appointment and annually thereafter.

## EY support

The INEs and ANEs have the benefit of a policy of directors' and officers' insurance in respect of their roles. Additionally, EY UK's Ethics Partner is a member of the PIB and provides updates to the PIB on EY UK's independence activities and

current issues. The INEs and ANEs also meet with EY UK's Ethics Partner to address ad hoc issues.

EY UK provides INEs and ANEs with full administrative support in performing their duties, including assistance from the Company Secretary, Director of Regulatory & Public Policy (stakeholder engagement) and an EY Executive Assistant (administration and expenses). INEs and ANEs are entitled to request all relevant information about EY UK's affairs, including access to relevant partners, as is reasonably necessary to discharge their duties. All such information is provided in a timely manner and in an appropriate form and quality.

EY also provides access to professional advisers at EY UK's expense (subject to consultation with the EY UK Board Chair to establish and approve the appropriate means of obtaining this professional advice). Appropriate indemnity insurance is in place in respect of legal action against any NE in respect of their work in this role.

## Independent Non-Executives' remuneration

EY UK INEs and ANEs are paid a fixed annual income, based on an agreed number of days' service per annum, which has been benchmarked with FTSE 100 NED roles. The annual salaries of the INEs and ANEs in respect of their UK roles are:

- ▶ David Thorburn: £140,000 (as UKAB Chair)
- ▶ Tonia Lovell: £140,000 (as PIB Chair)
- ▶ Mridul Hegde: £100,000
- ▶ Sir Peter Westmacott: £100,000
- ▶ Philip Tew: £100,000

David Thorburn also received an additional £100,000 for his INE role on the GGC. He was first appointed as an INE to the GGC in May 2016 and stepped down from this role on 31 May 2022 at the end of his second term (see [Section 1: About us – Legal structure, ownership and governance](#) for further details regarding the GGC).



## The EY UK Board

The EY UK Board is the ultimate governance body of EY UK. It is responsible for promoting and protecting the interests of EY UK and the general and operational management of EY UK as a whole, including overseeing compliance with all applicable professional regulatory and legal requirements.

Management decisions at EY UK are taken in a variety of different fora, including within individual service lines and at an industry grouping level. In its oversight role, the EY UK Board invites the representation of different facets of management, considers the performance of the service lines and exercises oversight more generally through the matters laid down in its agenda. As discussed in more detail below, the EY UK Board has delegated some of its duties to four permanent board committees.

The Board is appointed by the EOE of EY Europe. The UK Country Managing Partner (UK Managing Partner, or UK MP)

chairs the EY UK Board. The UK MP is appointed by the Europe Managing Partner of EY Europe, who has the right to remove the UK MP, having consulted with the Board and appropriate partners and with the consent of the EOE.

In FY22, the UK MP of EY UK was Hywel Ball. The role of the UK MP includes:

- ▶ Representing and promoting the interests of EY UK
- ▶ Providing leadership for the partners and employees of EY UK and EY UK's subsidiary undertakings
- ▶ Acting as the interface with regulators and governmental authorities
- ▶ Being responsible for managing risk, public policy, inclusive growth and geostrategic service offerings

The membership of the Board as at 1 July 2022 was as follows:

EY UK Board Members	Title	Time served on the EY UK Board to the nearest year
<b>Roles-based appointments</b>		
Hywel Ball (Chair)	UK Managing Partner	6 years (Chair for 2 years)
Andrew Walton	UK Head of Audit	2 years
Anna Anthony	Managing Partner, UK FSO	2 years
Christabel Cowling	UK Head of Regulatory & Public Policy	4 years
Jane Goldsmith	Managing Partner, Risk Management, UK	2 years
Lisa Cameron	General Counsel	12 years
Lynn Rattigan	UK Chief Operating Officer	7 years
<b>Other Board members – appointed for a three-year term</b>		
Adam Munton	FSO Partner Forum representative	First term, 1 year
Alison Duncan	UK&I Partner Forum representative	First term, 1 year
Sundar Viswanathan	UK&I Partner Forum representative	First term, 1 year

Debbie O'Hanlon, Ian Baggs, Justine Belton and Sue Dawe stepped down from the EY UK Board on 8 October 2021. Adam Munton, Alison Duncan and Sundar Viswanathan were appointed as the representatives of the UK and FSO Partner Fora on the same date. There were no co-opted EY UK Board members in FY22.

Biographical details of each EY UK Board member and the attendance records for each of the governance bodies (as outlined in the governance structure above) are included in [Appendix 7](#) and [9](#) respectively.

The EY UK Board held five main meetings during FY22 and, in addition, held other ad hoc Board meetings and conducted

business through electronic fora. The agenda of the EY UK Board included consideration of matters across EY UK, on which the Board takes decisions to ensure that the purpose of the AFGC is achieved, including:

- ▶ Commercial, financial and reputational interests
- ▶ Values and Culture
- ▶ Risks (with a specific focus on reputational matters and financial resilience) and regulatory matters
- ▶ Governance matters
- ▶ The audit practice (with a specific focus on audit quality matters)



## The Public Interest Board (Previously Independent Non-Executive Oversight Committee (IOC))

The IOC had been formed in April 2017, following the publication of the 2016 AFGC. The Public Interest Board (PIB) replaced the IOC on 23 September 2021 with a remit to enhance EY UK's performance in meeting the purpose of the AFGC. Its principal objectives are to promote audit quality, to help EY UK secure its reputation more broadly, including in its non-audit business, and to reduce the risk of

firm failure. In connection with the AFGC's purpose, the PIB is responsible for the independent oversight of EY UK's policies and procedures in relation to financial resilience, governance and leadership, values and culture, and risk management and resilience. A review of people management policies and procedures is a standing item on the PIB's agenda.

The membership of the PIB as at 1 July 2022 was as follows:

PIB Members	Title	Time served on the PIB to the nearest year
<b>Non-Executive members</b>		<b>Including period on the IOC</b>
Tonia Lovell (Chair)	Independent Non-Executive	3 years
David Thorburn	Independent Non-Executive	5 years
Mridul Hegde	Independent Non-Executive	1 year
Sir Peter Westmacott	Independent Non-Executive	5 years
<b>Roles-based appointments</b>		
Anna Anthony	Managing Partner, UK FSO	1 year
Hywel Ball	UK Managing Partner	1 year
Jane Goldsmith	Managing Partner, Risk Management, UK	1 year



## UK Audit Board

The UKAB has been established in response to the Operational Separation Principles. These require an audit board to be chaired by – and have a majority of – ANEs, of whom at least one ANE should not be a firm INE (doubly independent) and should have experience of audit at an appropriate level of seniority, either as a former auditor or consumer of audit services.

The role of the UKAB is to provide independent oversight of EY UK's pursuit of improved audit quality, by ensuring that

people in EY UK's audit practice are focussed above all on the delivery of high-quality audits in the public interest. The UKAB achieves this goal through having regard to the FRC's objective that audit remains an attractive and reputable profession, increasing the deserved confidence in audit.

The UKAB is chaired by an ANE and has a majority of ANEs. The membership of the UKAB as at 1 July 2022 was as follows:

UKAB Members	Title	Time served on the UKAB to the nearest year
<b>Non-Executive members</b>		
David Thorburn (Chair)	Independent and Audit Non-Executive	1 year
Mridul Hegde	Independent and Audit Non-Executive	1 year
Philip Tew	Doubly independent Audit Non-Executive	1 year
Tonia Lovell	Independent and Audit Non-Executive	1 year
<b>Roles-based appointments</b>		
Andrew Walton	UK Head of Audit	1 year
Javier Faiz	UK FSO Head of Audit	1 year
Justine Belton	UK Country Professional Practice Director and UK Audit Compliance Principal	1 year

For more detail on the work of the INEs and ANEs, see the report from the Chairs of the PIB and the UKAB in their Leadership message. Additional information on the ANEs' oversight of audit quality is included within [Appendix 3: Audit quality and culture](#).



## UK Country Committee

The purpose of the UK Country Committee (UKCC) is to manage the operations of EY UK with respect to matters that have, or may have, a UK country-specific impact, including legal, regulatory, and reputational matters and financial resilience.

The UKCC meets monthly, and it reports to the EY UK Board with a regular summary of significant matters considered

and decisions it has made. The composition of the UKCC is determined by the EY UK Board and is roles-based, to ensure it has the right skillset and representation to consider and decide matters within scope of the UKCC's purpose.

The membership of the UKCC at 1 July 2022 was as follows:

UKCC Members	Title	Time served on the UKCC to the nearest year
Roles-based appointments		Including period on the Country Response Committee
Hywel Ball (Chair)	UK Managing Partner	2 years
Ally Scott	Managing Partner, Scotland	2 years
Anna Anthony	Managing Partner, UK FSO	2 years
Gavin Jordan	Chief Operating Officer, UK FSO	2 years
Jane Goldsmith	Managing Partner, Risk Management, UK	2 years
Justine Campbell	Managing Partner, Talent	2 years
Lisa Cameron	General Counsel	2 years
Lynn Rattigan	UK&I Chief Operating Officer	2 years
Rupert Taylor	Managing Partner, UK FSO Talent	2 years
Alison Kay	UK Managing Partner, Client Service	1 year
Rodney Bonnard	Markets Leader, UK FSO	1 year

The UKCC is supported by various sub-committees and may delegate its authority for certain matters to those sub-committees. These include:

- ▶ Sub committees which were previously sub-committees of the EY UK Board (e.g., the Pensions Sub-Committee and Reputation and Conflicts Panel, which is a consistent forum to assess reputation risk, public interest and conflicts).
- ▶ Newly-created sub committees (e.g., the Sanctions Review Committee).





## Committees supporting the EY UK governance structure

The governance structure of EY UK is supported by the following sub-committees of the EY UK Board and Audit Board:



### Accountable Executive Committee

The Accountable Executive Committee (AEC) has been established as a committee of the EY UK Board. The AEC was formed in response to Operational Separation Principle 21 and is responsible for ensuring the desired outcomes for operational separation are delivered, embedded and monitored.

The membership of the AEC as at 1 July 2022 was as follows:

AEC Members	Title	Time served on the AEC to the nearest year
Hywel Ball (Chair)	UK Managing Partner	1 year
Anna Anthony	Managing Partner, UK FSO	1 year
Lynn Rattigan	UK Chief Operating Officer	1 year

In FY22, the activities of the AEC members included:

- ▶ Reviewing and approving arms-length arrangements for specialists input into audit engagements, for implementation for the FY23 year-end
- ▶ Commissioning an independent review of cost allocation
- ▶ Reviewing policies relating to the perimeter, notably services being led from the audit practice
- ▶ Overseeing the financial reporting to the FRC on Operational Separation
- ▶ Monitoring the financial resilience of the audit business



## Nomination Committee

A Nomination Committee (NomCo) has been established as a permanent committee of the EY UK Board to act on its behalf in respect of the consideration for appointment, and extensions to the terms of appointment of:

- INEs and ANEs
- EY UK Board representatives of the UK&I and FSO Regional Partner Fora
- Additional co-opted members of the EY UK Board pursuant to the EY UK Board Terms of Reference
- Members of the Audit Committee and ROC

The membership of the NomCo as at 1 July 2022 was as follows:

NomCo members	Title	Time served on the NomCo to the nearest year
Anna Anthony (Chair)	Managing Partner, UK FSO	1 year
Hywel Ball	UK Managing Partner	1 year
Christabel Cowling	UK Head of Regulatory & Public Policy	1 year
Sundar Viswanathan	UK&I Partner Forum representative	1 year
<b>Non-Executive members</b>		
Tonia Lovell	Independent and Audit Non-Executive	1 year

In FY22, the activities of the NomCo included consideration of:

- INE membership of the NomCo
- A change of UKAC Chair
- An extension of an INE term
- A change of ROC Chair



## Risk Oversight Committee

The Risk Oversight Committee (ROC) is a permanent committee of the EY UK Board. Its role is discussed in detail in Appendix 3: Managing risk. Members of the ROC, including the Chair, are appointed by the EY UK Board having been recommended for appointment by the NomCo.

The membership of the ROC as at 1 July 2022 was as follows:

ROC Members	Title	Time served on the ROC to the nearest year
Jane Goldsmith (Chair)	Managing Partner, Risk Management, UK	2 years
Christabel Cowling	UK Head of Regulatory & Public Policy	6 years
Chris Bowles	Executive Director, Risk Management	5 years
Jenny Clayton	Partner, Regulatory & Risk Management, UK FSO	1 years
Stuart Thompson	Partner, Risk Management	4 years



## UK Audit Committee

The UK Audit Committee (UKAC) reviews and monitors the external auditor's independence and objectivity, and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements. It is also responsible for making recommendations in relation to the appointment of the external auditor and for approving the remuneration and terms of engagement of the external auditor. Furthermore, the UKAC monitors the integrity of the financial statements of EY UK, reviews significant financial reporting judgements and recommends the approval of the financial statements to the EY UK Board.

The membership of the UKAC as at 1 July 2022 was as follows:

UKAC Members	Title	Time served on the UKAC to the nearest year
Alison Duncan (Chair)	Audit Partner	1 year
Chris Voogd	Audit Partner	4 years
Jane Goldsmith	Managing Partner, Risk Management, UK	1 year
Lloyd Brown	Audit Partner	4 years
Sarah Williams	Audit Partner	3 years
Stuart Wilson	Audit Partner	4 years

The EY UK Board selects UKAC members based on their roles and expertise, with their period of appointment reflecting these criteria. As a UK&I Partner Forum representative Board member, Alison Duncan took on the Chair responsibilities from Chris Voogd in April 2022. Jane Goldsmith also joined the UKAC as a non-audit partner and Board member.

Representatives from the firm's management teams attend certain UKAC meetings, including the Chief Operating Officer, Finance Director and UK Head of Audit. In addition, the Head of Internal Audit and the external auditors regularly attend the Committee's meetings, and the Chair has regular informal meetings with the external audit partner.

The topics covered throughout the annual cycle of meetings were considered necessary and appropriate for the UKAC to be in a position to fulfil its responsibilities on behalf of the EY UK Board in relation to the external audit process and the and the EY UK LLP financial statements. The UKAC meets at least twice annually. In FY22, the Committee met six times and undertook the activities set out below.

With respect to the external auditor, BDO LLP, the UKAC:

- ▶ Approved the appointment and fees of the external auditor
- ▶ Challenged and approved the audit plan, considering the risks identified by the external auditor

- ▶ Read and discussed the audit results as reported by the external auditor
- ▶ Monitored the effectiveness and independence of the external auditor and considered the need and timing of an audit tender process

With respect to other matters the UKAC:

- ▶ Reviewed the FY22 Internal Audit Plan; received reports and discussed with the Head of Internal Audit the findings arising from its work and the status of agreed action plans; and considered the impact, if any, on the firm's financial reporting processes and controls
- ▶ Received and considered reports and presentations on a number of finance-related projects and the implications for the FY22 year-end financial close process and reporting
- ▶ Considered the emerging risks and reporting developments in relation to climate risks and agreed with both management and the external auditor the approach to be adopted in respect of the 2022 financial statements
- ▶ Reviewed with the UK Head of Audit an overview of the main policies that the firm has developed in relation to operational separation and the future reporting of the audit practice's financial performance to the FRC

Specifically, in relation to the integrity of the EY LLP 2022 financial statements, the UKAC reviewed analyses and/or reports provided by management and the external auditors, focusing primarily on areas of significant estimation and judgement, including:

- ▶ Revenue recognition and valuation of unbilled receivables
- ▶ Completeness and valuation of provisions for professional liability claims and regulatory matters

- ▶ Valuation of defined benefit pension liabilities
- ▶ Acquisition accounting
- ▶ Annual impairment test for the carrying value of goodwill
- ▶ Appropriateness of the going concern basis of preparation of the financial statements

The UKAC reported to the EY UK Board at its meeting on 11 October 2022 and recommended the approval of the 2022 financial statements.



## Audit Board Remuneration Committee

The Audit Board Remuneration Committee (ABRemCo) has been established as a sub-committee of the UKAB. The ABRemCo was formed in response to the Operational Separation Principles which include a requirement for the UKAB to have a remuneration sub-committee. The role of the ABRemCo is to oversee the remuneration of audit partners with a remit to consider the policies and processes in relation to audit partner remuneration and whether these policies and processes have been appropriately applied.

The membership of the ABRemCo as at 1 July 2022 was as follows:

ABRemCo Members	Title	Time served on the ABRemCo to the nearest year
<b>Non-Executive members</b>		
Philip Tew (Chair)	Doubly independent Audit Non-Executive	1 year
David Thorburn	Independent and Audit Non-Executive	1 year
Mridul Hegde	Independent and Audit Non-Executive	1 year
Tonia Lovell	Independent and Audit Non-Executive	1 year

The ABRemCo scrutinises policies to make sure that audit partners are not incentivised for non-audit sales, but its main focus is monitoring whether policies related to audit partner pay give primary weight to a partner's contribution to audit quality.

As described in [Section 5: Revenue and remuneration](#), partner pay takes account of experience, roles and responsibilities, and long-term potential, as well as being directly linked to a partner's overall in-year performance. Performance is measured within the context of the EY performance management framework which includes consideration of the audit quality grading, various financial metrics and people/teaming factors.

The annual quality rating is determined by a panel of partners independent of those being rated and reflects a comprehensive and structured assessment of an individual partner's performance in regard to audit quality. The ratings are derived from various considerations including external

and internal inspection results, complexity of the partner's audit portfolio, broader contributions made to delivering high audit quality and compliance with mandatory training and internal policies.

The quality grading provides both a cap (when a low quality rating exists) and a floor (when a high quality rating exists) to the overall performance rating. Any deviations from the cap and floor being applied to individual partners require independent approval. There may also be financial sanctions for poor audit quality outcomes or additional rewards given to partners for exceptional audit quality outcomes.

The outcomes of this process are presented to the ABRemCo, which considers whether policies and processes in relation to audit partner remuneration have been appropriately applied. The ABRemCo advises the UKAB with respect to the results of the annual audit partner performance assessment process with reference to the policies, process and outcomes related to audit quality.



## Audit quality and culture

EY is committed to serving the public interest through achieving the highest standard of audit quality across all engagements. This will be achieved through embedding EY's desired culture, and enabling learning and development of our people while adhering to the highest ethical standards in the profession.

As discussed in the Leadership messages, this year's FRC inspection results were lower than in recent years, with only 65% of inspections being graded as good or requiring limited improvement. As noted by the FRC, changes in results from one year to the next are not necessarily indicative of an overall reduction in audit quality at a firm. Notwithstanding this, EY's culture promotes self-improvement and action is needed to address the FRC's feedback and findings to ensure there is greater consistency to deliver high audit quality across all audits. The results of other inspections in the year by the ICAEW QAD and EY's internal audit reviews produced better outcomes, with 100% of the QAD inspections being graded in the category of good/generally acceptable, and 87% of the 132 audits inspected internally requiring no or only minor improvements.

Using the findings and positive outcomes from these inspections, as well as feedback from the business, RCA findings and actions, regulatory guidance, future developments, and other inputs, the multi-year AQS has been refreshed. The effectiveness of its implementation continues to be regularly monitored and assessed by UK Audit leadership, the ANEs and INEs. The results of the inspections, the strategy as well as the inputs to it and oversight thereof, are discussed in depth in this section.

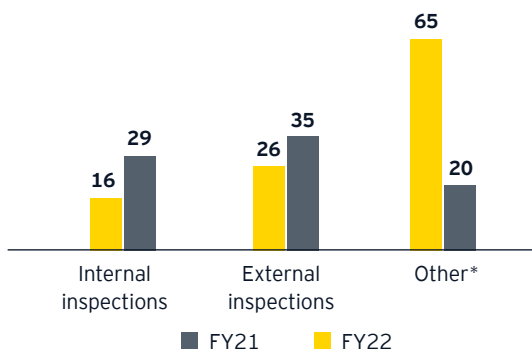


### Root cause analysis (RCA)

As explained in [Section 2: Commitment to Sustainable Audit Quality](#), RCA is a central part of the EY quality improvement framework, providing an in-depth assessment of the root causes that underlie positive or negative outcomes on audits. In the UK, the results of the RCA are used, along with other factors, in developing our AQS. They are reported along with proposed actions to internal and external stakeholders, including the AQE, ANEs, FRC and ICAEW.

Enhancements continue to be made to the approach to RCA to develop the analysis and understanding of positive and negative behaviours that drive findings. Key improvements this year include increasing the involvement of the AQE members in 3-rated AQRT inspections RCAs to add challenge and debate of root causes identified; and increasing the separation between the teams who complete the RCA and the teams who develop the actions to allow more focus on challenge of the root causes. The RCA team have also continued to work with external consultants who have supported on 3 rated AQRT inspections RCAs, and they will consider their recommendations going forward. Focus groups continue to be used to supplement the RCA process.

The coverage of audits inspected to identify potential themes was increased again this year. In total 107 RCA reviews were performed in the current cycle (FY21: 84). This total included positive quality events (PQEs), for which an increased number of interviews with more junior members of the teams were performed to help fully identify any potential learnings. Due to the timing of inspections, the RCA on 2022 internal inspections is ongoing, and the graph below summarises the RCA arising on the internal inspections from 2021.



\*Includes prior year audit adjustments, non-audit reviews and non-personal independence breaches

“

We are committed to consistently delivering high-quality audits that are in the public interest. We achieve this through living our quality culture that has independence, scepticism and doing the right thing at its core. Our quality strategy has evolved to focus on more effective coaching and support, reduced work intensity and greater standardisation and simplification.

Michael-John Albert, UK Quality Enablement Leader



This cycle was a challenging year to understand the full picture of the audit quality results due to the mixed results of the inspections as explained above, and more diverse RCA drivers than have been present in previous years. This is reflective of the disparate nature of findings across the engagements. There were no systemic weaknesses identified in the strategy, approach or systems. The detailed findings of RCA on inspections are discussed in the [public report](#) available on the FRC website. In summary, the findings were:

Key themes from positive RCA work	Key themes from quality findings
High degree of executive involvement	Ability to apply existing guidance, or to fully comprehend, and subsequently address, the risk
Strong team culture, including tone from the top and focus on audit quality	Adequacy of review procedures and ability to get things right first time
Adequate resourcing	Resource allocation

To further understand the actions taken in response to the RCA findings, refer to the [Audit Quality Report](#) which expands further on the strategy for the coming year. This is discussed in summary below.



Following a major redesign in 2020, and a refresh in 2021, EY's multi-year AQS has remained adaptable and responsive to emerging issues. In recent times, the strategy reacted to the additional audit challenges arising from Brexit, COVID-19 and the impact of the war in Ukraine. The impacts of these changes are expected to be evidenced in the outcomes of future inspection cycles.

The FY22 strategy update created a direct link between the adoption of the quality management standard ISQM1, effective from 15 December 2022, and the AQS. The audit response to the impact of climate change on businesses and the broader environmental, social and governance agenda was also embedded as one of the elements of the AQS, including rolling out an enhanced methodology and guidance for teams. The FY22 priorities, and key accomplishments, were:

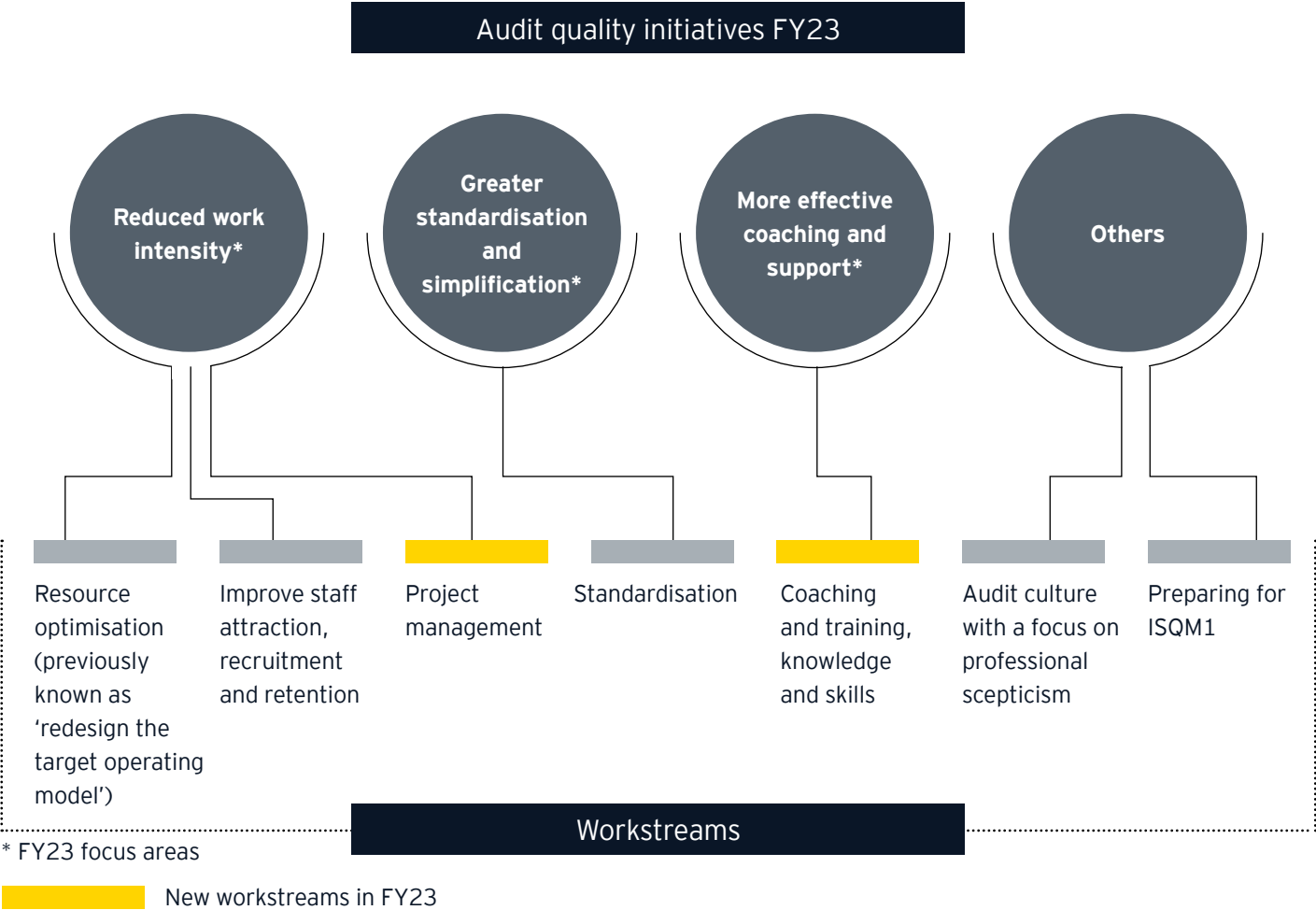
Workstream	Key accomplishments
<b>Further enhance audit culture with a focus on professional scepticism</b>	<p>Continued to promote the guidance and frameworks introduced in FY21 to support teams and ensured these are used on a wider portfolio of audits, including the audit purpose barometer and active scepticism framework. In addition, in FY22 some of the key achievements to further enhance the ability of our people to demonstrate scepticism included:</p> <ul style="list-style-type: none"> <li>▶ The launch of an impairment work programme that is required in all instances where there is a significant risk over impairment or reversal thereof.</li> <li>▶ Continued to expand the collaboration with EY Forensics specialists to conduct enhanced Fraud Risk Assessments on a wider sample of audit engagements.</li> </ul> <p>To meet the objective of this workstream, and to ensure all of our people understand the desired culture and reasons for it, a series of roadshows entitled 'Enhancing our Culture of Quality' was launched, with Quality and Talent leaders visiting our offices and engagement with local partners and staff.</p> <p>Professional scepticism was not a theme called out by the regulator in the FRC public report.</p>

Workstream	Key accomplishments
<b>Improving standardisation on audits</b>	<p>The inspection results demonstrate that achieving audit quality consistently remains an area for improvement. Ensuring there is clear and concise guidance, as well as examples of high quality workpapers, is key to ensuring that teams have confidence that the work they are performing meets all requirements, and matches the high standards seen on most audits. Some of the key achievements in FY22 included:</p> <ul style="list-style-type: none"> <li>▶ The release of 'task-specific tutorials' – bite-sized learning videos with clear instructions on how to complete some of the key mandatory documents required throughout the audit to a high standard.</li> <li>▶ An updated and developed methodology framework for areas including fair value accounting and hedge accounting. The fair value methodology was subject to review by the FRC and has been updated for the enhancements they have suggested.</li> <li>▶ Given the importance of climate change to the audit and the related disclosures, a senior partner was appointed to lead and oversee the development of the methodology, audit programmes, training and guidance. This was done with input from EY climate experts.</li> </ul> <p>The root cause analysis from the latest inspections, as well as feedback from the business, shows this is an area that helps to support teams in delivery, and that more is needed. Therefore, it will remain as a key focus into FY23.</p>
<b>Successfully adopting the digital audit</b>	<p>The digital audit strategy was a key focus in FY22 as the application of digital technologies was increased, and training rolled out to the whole population. This was done while ensuring it supported audit quality, through enabling teams to achieve more consistency and efficiency, and providing robust documentation enablers to help teams demonstrate the work undertaken. In order to achieve this, detailed training sessions through learning modules and interactive workshops were held for all teams who were introducing the digital model during the year. 'Digital coaches' were also introduced on the ground to support teams live as they transitioned their audits.</p> <p>Digital GAM reviews were performed on a sample of digital engagements, with good practices and lessons learnt summarised and shared with the business. This practice will continue into FY23.</p> <p>Having had a successful year in this transition, this workstream is now part of business-as-usual while the remaining engagements to which a digital audit can be applied adopt these processes. Although this is no longer considered 'priority', given its importance and the challenges that can arise, continued support and further reviews are planned to monitor progress while we finalise this transition.</p>



## FY23 strategy refresh

Most recently, the AQS has been refreshed for 2022/23, with the identification of three key focus areas shown below.



The impact of changes made now will benefit engagements performed over the next year and captured by the FRC's reporting in 2024 and onwards. The initiatives that underpin these focus areas have been validated through two detailed strategy workshops in the year to ensure that they are responsive to the root causes of the FRC and other inspection findings, both internal and external in today's context. The initiatives identified serve both to address quality failings that led to key findings, and to reinforce the positive behaviours that have given rise to good practice and positive inspection outcomes.

### Reduced work intensity

- ▶ Right-size the portfolio and resource model with the aim of allowing our people to be energised, ready and able to challenge and therefore consistently performing high quality audits
- ▶ Focus on where and how we execute the audit – use of offshore locations and Centres of Excellence (CoE)
- ▶ Review of resource allocation, ensuring that teams have the right people with appropriate experience
- ▶ Reduce admin burden and improve project management

### Greater standardisation and simplification

- ▶ Simplify and standardise selected forms across the audit file to make them easier and clearer for both preparer and reviewer
- ▶ Launch further CoE where work can be performed centrally and consistently to support audit teams
- ▶ Release topic-specific methodologies for a number of areas of the audit file that have common characteristics
- ▶ Further release of good practice examples and standardised wording for areas such as impairment and our use of specialists where the same information can be used by a number of audit teams

### More effective coaching and support

- ▶ Expand our audit quality support team (AQST and KFR teams) by recruiting additional resources to cover a larger population of audits
- ▶ Extend our review capacity by utilising senior managers to assist with the Engagement Quality Control Review (EQCR) function
- ▶ Enhance our quality enablement network through senior manager representatives leading in every office
- ▶ Develop technology-enabled support options such as online coaching support and task specific tutorials

These and the remaining workstreams of the AQS, and focus areas for FY22, are discussed in more detail in our [Audit Quality Report](#).

### Monitoring the effectiveness of the strategy

Another key focus in FY23 is an assessment of the effectiveness of the strategy. The way in which we measure the effectiveness of the actions that underpin the strategy has been enhanced. This includes monitoring adoption rates of new tools, feedback from various file review processes, inspection results and feedback from focus groups and staff surveys. In line with the increased expectations from the FRC through the single quality plan, we aim to report on a periodic basis how effective actions have been to improving audit quality.

These focus areas will operate alongside existing workstreams which have become 'business-as-usual' to drive consistently good quality outcomes, and all will continue to be subject to oversight from the AQE and ANEs through the UKAB.



### Audit Quality Executive

The AQE is chaired by the UK QEL. The AQE consisted of seven management members throughout FY22 including the Heads of the Audit practice, the SAQ programme leaders and the Professional Practice leaders. The AQE had 11 formal monthly meetings throughout FY22 (excluding August 2021), as well as two strategy-specific meetings. There is a regular standing agenda for each meeting through which updates on key priorities are given, supplemented by additional topics as and when consideration by the AQE is required. Additional attendees are invited to present to the AQE as and when required on these and other priorities.

Standing agenda topics include resourcing, updates from our operational separation oversight committees as they affect audit quality, our Audit Quality Strategy, monthly monitoring of AQIs, the RCA plan, guidance from regulators, Audit Quality Support Team (AQST) reviews, and internal and external inspections. Topics considered annually by the AQE include the Audit Quality Summit, UK training plans, and the results of the audit quality survey. Key additional topics have included independence compliance monitoring, the continued development of culture to support audit quality,

the response to climate change, and detailed consideration of insurance methodology, among others. EY UK is monitored by EY EMEA and EY Global through an annual quality assessment. This is also approved by the AQE each year prior to submission. It includes areas such as inspection results, milestones, and tone at the top as demonstrated through training, compliance, support for audit teams, and other key areas of quality support.

The AQE has responsibility for approving plans that relate to the development of our audit staff and support the continued delivery of high-quality audits. The AQE also ensures that EY global and EMEA quality initiatives are implemented appropriately.

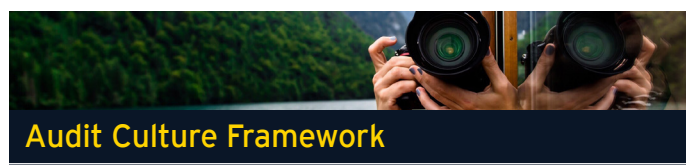
The AQE summarises the key matters at the UKAB for further input, feedback and challenge prior to approval and implementation to the business.



### The UKAB and ANE oversight of audit quality

In response to the Operational Separation Principles, from 1 July 2021, a new EYAB was formed to provide independent oversight of audit quality at EY. The role and structure of the UKAB is discussed in [Appendix 3: Governance and leadership](#), and in the Leadership messages.

The UKAB met four times in the year to oversee the activities undertaken during FY22. The agenda is set to discharge the duties of the UKAB, and to consider ad hoc topics as they arise from horizon scanning and emerging developments. Examples include, audit leadership and partner remuneration, culture, audit of climate change metrics and the implications of regulatory publications, among others. The ANEs challenge the topics presented to ensure plans and processes are robust and sufficient to support the delivery of quality. The Chair and other members of the AQE attend these meetings to respond to questions as necessary. The quality strategy is a key focus of the UKAB and detailed plans are presented for consideration and challenge. In addition, regular topics for the UKAB to consider include monitoring of our AQIs, and challenging the actions planned to respond to risks identified, training plans, regulatory publications, inspection results and RCA, and the resulting actions to be taken to respond to each of these. The UKAB also reviews the design and integrity of the partner promotion process to ensure that audit quality is appropriately considered in promotion decisions. Further information on the work of the ANEs, and the oversight and challenge they provide, can be found in their Leadership messages.



### Audit Culture Framework

Audit quality starts with having the right culture embedded in the business. Culture is therefore a fundamental element of EY's AQS. In 2021, as part of implementing operational separation, the EY Audit Culture Framework was introduced. This articulates EY's desired audit culture, identifying those elements which are considered to be important to foster the behaviours that drive the delivery of high-quality audits. The Cultural Icon we have developed brings together the purpose of our people, the components of SAQ, and the three cultural attributes of Right Resources, Right Reward, and Right First Time:



The three fundamental elements underpinning the culture in EY's audit practice are:

- ▶ Our people, focussed on a common purpose
- ▶ The essential attributes of our audit practice
- ▶ Six components of SAQ

Together, these elements forge a culture that supports high-quality audits in the public interest



Each year an audit quality culture assessment is performed to obtain feedback from our people on the values and behaviours they experience, and those they consider to be fundamental to the audit quality culture of the future. The results are assessed to determine how effective the actions in the prior years have been, and to plan what more is needed. Through the most recent cultural survey, there has been a steady improvement in our cultural health over the past four years, and a significant improvement from 78% to 86% in the past year. This improvement can be seen across different demographic groups, differing levels of seniority and across our offices. This demonstrates how this healthy audit quality culture is being progressively embedded across the audit practice. Embedding a culture of constructive challenge, and reinforcing EY's purpose of serving the public interest remains a priority.

The Annual Audit Quality Summit is used to present the priorities for the coming year, including progress against the desired culture, and future plans. The INEs and ANEs and the FRC are invited to give their views of EY's performance and challenge where more is needed in the future.

The annual quality survey results also indicate that our people understand their responsibilities around working in the public interest, and that the tone set by leadership demonstrates management's commitment to quality, with 95% of our people noting that quality is a clear priority for our leadership. Echoing feedback from the teams through these surveys, RCA has identified strong team culture and tone from the top as positive drivers behind good inspections. Yet, more must be done to improve the culture around resourcing, coaching and recognition, which has been built into the FY23 strategy.



## Resourcing

Across the audit industry, resourcing continues to be an issue. This is mainly due to limits on immigration from the EU, where we historically recruit from, and the effects of higher-than-usual attrition rates following a period of low attrition during the peak COVID-19 period. EY has not been immune to this challenge.

Reducing work intensity is one of the three key priority areas in the AQS for FY23, and more than 1,232 experienced auditors, graduates and apprentices have been recruited over the last year. Headcount is planned to be increased by over 250 people on average between FY22 and FY23. A critical part of this process is the onboarding of new hires which takes time, hence, we continue to try to recruit ahead of attrition. The onboarding support to facilitate an exceptional experience for new hires along with a smooth and efficient transition to UK Audit is being tailored. This includes in-person onboarding, organising of networking events and embedding audit culture and hybrid working themes into the onboarding experience to instil a sense of purpose and belonging from day one. In addition to recruitment, measures are also underway to retain existing talent, as explained in the section on recognition below.

Public interest remains in the forefront of our audit growth strategy and we will only take on work when we have carried out sufficient due diligence on the company's governance, control and attitude to audit, and when we are sure we have sufficient capacity to deliver a high quality audit. This is subject to sign off by our independent Qualifying for Success panel. In the past year, we have declined the opportunity to participate in over 250 of the audit tenders and other requests potentially open to us – more than one every working day – in many instances because the potential resource constraints might pose a risk to high quality. As well as helping to manage and reduce the work intensity of our teams, this selective approach also helps to achieve purposeful growth. That is, while we recognise the need to grow, we must do so in the right way. Growing with purpose means we are distinctive, we create value for all stakeholders, our people work in an engaging place and enjoy the benefits of a profitable, resilient firm. The drive for purposeful growth therefore means the opportunity and chance for our people to learn, develop and have an exceptional experience with EY. This allows us to be a more attractive employer which will further aid retention of our talent.

Given the importance of having the right resources within the business to ensure audit quality, resourcing indicators continue to be closely monitored monthly by the AQE with actions taken when required. These actions focus on recruitment, retention and having the right portfolio of work.



## Coaching

The FY23 strategy refresh includes a focus on coaching, which is described above. In addition, further changes being actioned are:

- ▶ A move back to delivering training sessions in person.
- ▶ Introduction of Audit Professional Development days which are dedicated time to focus on professional development and training.

On-the-job coaching is also critical to how our people learn and the transition to hybrid working will aid this. The question of how people can be expected to coach if they have not been coached or trained how to coach themselves has also been considered. Therefore, the aim is to deliver on-the-job coaching training to all levels within the business. This will be mandatory training which will include reminders of the importance of purpose-led outcome thinking (PLOT) being a way to think and not a process.



## Recognition

The talent strategy focuses on retaining the best talent through reward and recognition by:

- ▶ Delivering a competitive total reward strategy in the top quartile of the market.
- ▶ Ensuring our people are engaged and inspired by how their efforts make a difference to public interest, contribute to society and increase trust in capital markets.
- ▶ Continuing to give more weight to quality when determining variable pay awards.

In order to reinforce the importance of delivering against the desired culture, a link between audit quality and partner remuneration has been established, including a new sanctions framework whereby adverse quality ratings for equity partners directly reduce their remuneration outcomes.

In addition, this year the 'annual audit trust awards' have been introduced to recognise our people for the role they play in building a quality-led culture. These replace 'Culture Coins' which have been operating for a number of years. The awards will firstly reinvigorate and bring new focus to the importance of culture, and also expand the population to include specialists who support audit, as well as audit. There are eight categories in which our people can nominate their colleagues for demonstrating essential behaviours for a quality-led culture. The first of the annual culture role models were selected and recognised at the Annual Audit Quality Summit in October 2022. This is a great achievement for these individuals, and we look forward to celebrating more achievements with our teams who demonstrate our desired culture going forward.



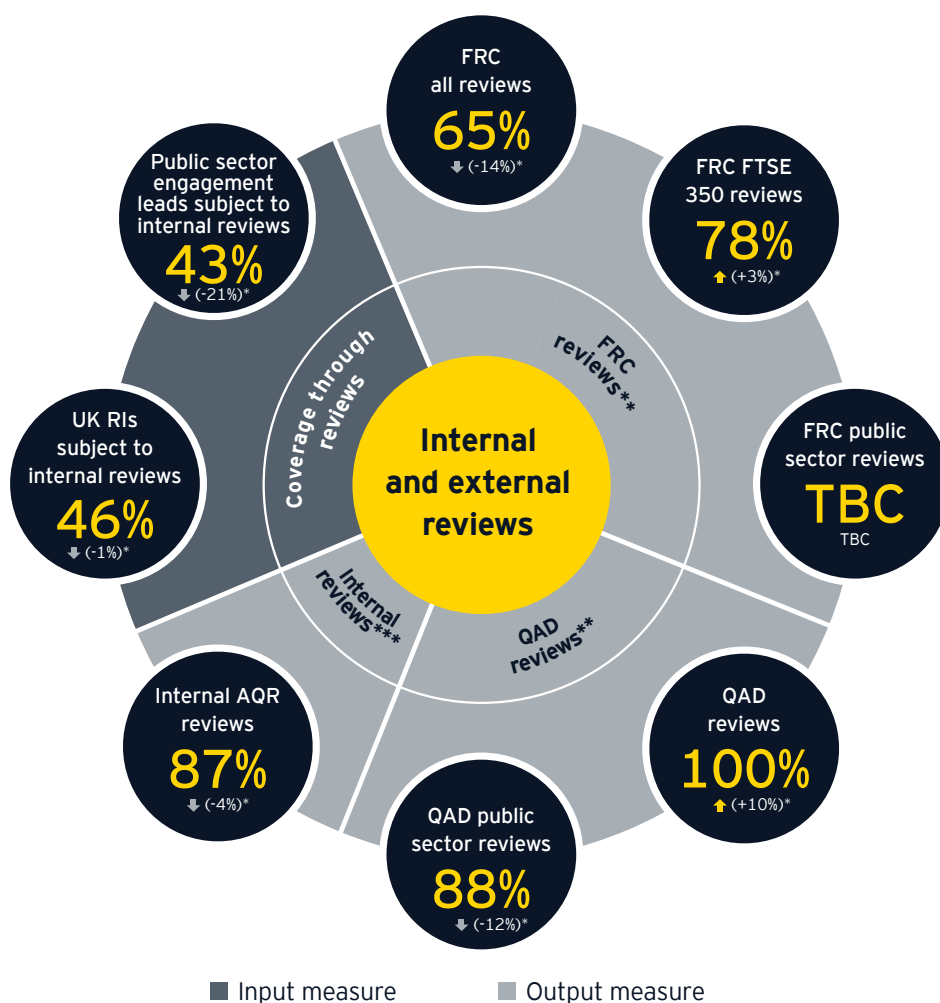
## Enhancing our culture of quality roadshows

In order to bring the culture of quality to life, a series of 'Enhancing our culture of quality' roadshows was rolled out across all offices. The purpose of these was to encourage debate, and principally to listen to our people to understand the experiences they are having in the current environment. The INEs and ANEs joined to participate in some of these the sessions, and gain first-hand insights from across the practice. These roadshows covered the desired culture, feedback on the culture survey, the importance of public interest in executing audits as well as including and promoting the use of innovative and leading edge tools.

## Audit Quality Indicators and outcomes

In 2014, through the Policy and Reputation Group (PRG), six of the largest audit firms identified the key factors contributing to audit quality and determined a number of metrics as AQIs that audit firms should report on in their Transparency Reports. These 11 agreed metrics, which are a mix of qualitative and quantitative, are included with commentary below. We monitor a bigger population of AQIs for management purposes, which are reported to the AQE monthly in order to assess risks to audit quality and take actions when required. Those outcomes reported below are from only a sample of the AQIs we monitor.

The FRC issued a thematic review on AQIs in 2020 recognising that monitoring these has the potential to improve audit quality. It has issued a further consultation in 2022 on the best methods to share firm-wide AQIs publicly, to replace these existing reported measures. We are actively participating in the conversations to ensure that the AQIs are meaningful and timely, and will allow stakeholders to challenge audit teams effectively and appropriately.



\* Represents percentage points increase or decrease against the prior year.

\*\* Represents percentage of engagements inspected that require no more than limited improvements.

\*\*\* Represents percentage of engagements inspected that received a 1 grade.



## Partner and staff surveys

Success in meeting the stated audit quality ambition is dependent on the individuals delivering audit engagements. It is therefore critical to listen to people's feedback about how we deliver SAQ. The annual audit quality survey is conducted to provide insights and to provide the information set out below. The survey was run in September 2022.

The items highlighted in bold in the table below are those that the PRG has agreed will be disclosed. We take the opportunity to ask additional questions in our annual survey.

Question asked	2022 %	2021 %	2020 %
I understand my purpose as an auditor in providing independent assurance, supporting strong capital markets and protecting the public interest. <sup>i</sup>	100	100	100
<b>The teams I work with had sufficient resources to enable them to deliver quality audits during FY22.<sup>ii</sup></b>	46	44	51
<b>I receive sufficient training and development to enable me to deliver quality audits.<sup>iii</sup></b>	76	78	80
<b>EY places sufficient emphasis on audit quality.<sup>iv</sup></b>	92	93	92
Delivering quality audits is a priority for me. <sup>iv</sup>	98	98	98
I believe that EY recognises and rewards audit quality. <sup>v</sup>	62	60	49
I believe that I am able to apply professional scepticism when performing my audits. <sup>vi</sup>	96	97	96
The quality of the audit work I have performed has been maintained at an appropriate level during remote working throughout the COVID-19 crisis. <sup>vii</sup>	93	92	92

A five-point range is offered for most questions – from strongly agree to strongly disagree. The responses for strongly agree and agree are included as positive.

### Notes:

- i. We are pleased with the result for this question which demonstrates the impact of our continual focus on the importance of understanding the societal purpose of the work we do as well as sharing with our partners and staff details of the ongoing reviews into the audit profession. 95% of our people also felt that the EY leadership team communicates audit quality as priority.
- ii. The level of positive responses in relation to resourcing is below where we want it to be with only two-percentage points improvement from the prior year. As discussed above, resourcing continues to be a challenge across the audit industry. Actions are being taken through the strategic focus of reducing work intensity, continued recruitment, and retention.
- iii. While we are pleased to see the largely positive view of our training has been maintained, we are conscious of the gradual decrease in positive responses over the past three years following the challenges of moving the programme to virtual delivery since the UK went into lockdown in March 2020. Reacting to feedback from our people from the prior year, coaching is one of the strategic focuses for FY23, and there has already been a transition back to delivering training sessions in person as discussed above.
- iv. We are pleased that our people continue to show such a strong regard for delivering high-quality audits and that they see EY consistently placing emphasis on that.
- v. The result for reward and recognition is still below where we want it to be. However, it is pleasing to see that this represents our highest score in the past five years evidencing that steps taken to date have had a positive impact and our people are increasingly seeing the link between audit quality and reward and recognition.
- vi. Our distinctive audit culture helps bring our strategy together to achieve our commitment to protect the public interest by providing the highest standard of audit quality across all our engagements. A critical part of this culture is that our people are empowered to challenge and exercise professional scepticism across all our audits. Embedding an audit culture with a focus on professional scepticism was also one of our three key priority workstreams for both FY21 and FY22 and it is pleasing to see this has resulted in positive survey results for the past three years. We will continue to drive the cultural shift in mindset to embed further challenge and professional scepticism into our work through further training and communications.
- vii. It is reassuring to see that 93% of our people continue to agree that the quality of their work has been maintained while operating remotely during the COVID-19 crisis. The connectivity of our teams through the use of technology has enabled us to achieve this result.



## Metrics on external investigations

Our firm is regulated and subject to professional disciplinary action in cases of potential misconduct. The FRC discloses on its website a list of investigations that have been publicly announced and summarises its work in an annual report. In its [Annual Enforcement Review](#) published on 29 July 2022, the FRC disclosed that as at 31 March 2022 there were 38 open investigations into individuals and firms for audit work, i.e., these investigations were across a number of firms, not specific to EY UK. Of the 38 audit investigations, the FRC notes that 28 have been announced. Of these 28 investigations, four relate to audits which EY UK completed. These were disclosed in our prior year Transparency Report and remain ongoing with no change:

- ▶ The audit of Thomas Cook Group plc for the 2017 year-end
- ▶ The audit of Thomas Cook Group plc for the 2018 year-end
- ▶ The audit of NMC Health plc for the 2018 year-end
- ▶ The audit of London Capital & Finance plc for the 2017 year-end

Of the 10 that have not been announced, none relate to EY UK.

We are committed to working with the FRC to understand and respond to any findings that may arise from these investigations.

As disclosed in the 2021 Transparency Report, on 25 August 2021 the FRC published the Final Decision Notice in its investigation under the Audit Enforcement Procedure into the audit of the financial statements of Stagecoach Group plc for the year ending 29 April 2017. The investigation arose from a referral from the FRC's annual inspection cycle. The penalties included financial and non-financial sanctions against EY, and a financial sanction and severe reprimand on the audit engagement partner. Full details of this and other ongoing and closed investigations can be found in the FRC's [2022 Annual Enforcement Review](#).



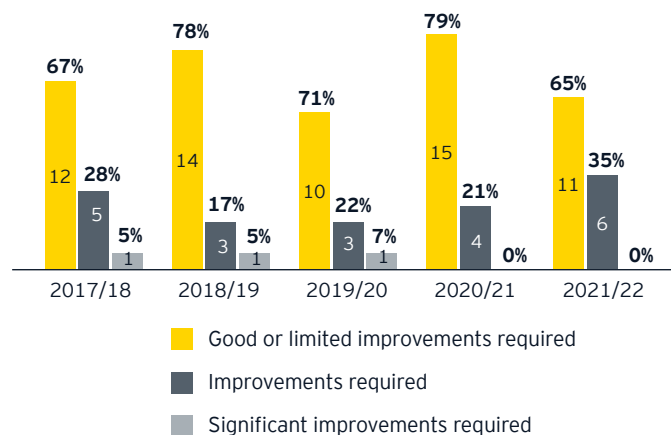
## Results of FRC reviews

The FRC records audits in three categories in its public inspection reports as follows:

- ▶ Good or limited improvements required
- ▶ Improvements required
- ▶ Significant improvements required

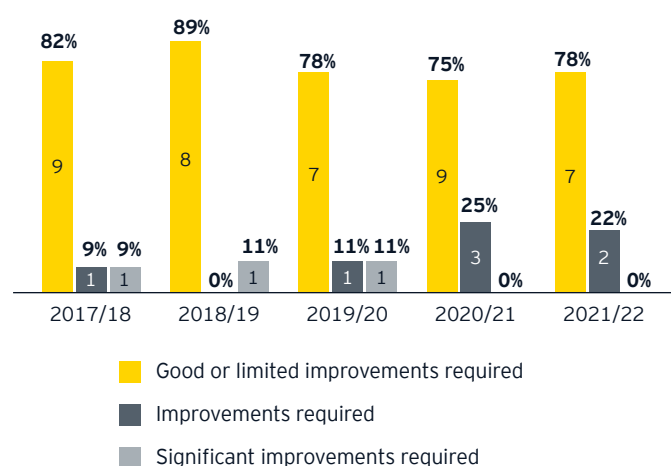
The FRC published its [report](#) on its latest inspection of EY UK on 20 July 2022, together with an [overview report](#). A summary of the results is set out below. For full details of the FRC's findings and EY's response, please refer to the [FRC website](#).

### All reviews



Results presented in percentage terms; absolute number representing engagements reviewed.

### FTSE 350 reviews





The FRC inspected 17 of our audits, of which 65% were assessed as requiring no more than limited improvements. Included within the overall sample were nine FTSE 350 audits, of which 78% met that standard.

It is disappointing that this year's FRC inspection results are out of line with the improved performance in recent years as well as the improved results seen in the ICAEW inspections this year, and our own AQR internal inspections (IQM). The FRC has not identified any systemic reasons for the inspection results. As the FRC says, these results are not necessarily indicative of an overall reduction in audit quality. However, we do need to improve our consistency in delivering high quality audits.

The FRC highlighted areas of good practice.

#### Good practices identified within EY UK's firm-wide procedures:

- 1 **Engagement Quality Control Review (EQCR), consultations and audit documentation** – Robust process for monitoring consultations by audit teams to identify topics where additional guidance or training would be beneficial
- 2 **Methodology** – Guidance on auditing complex valuation adjustments; and disclosure guidance including illustrative examples of good practice disclosures
- 3 **Internal quality monitoring (IQM)** – Follow-up reviews conducted for all audits rated as having more than minor findings or material findings, to ensure the findings have been remediated appropriately.

#### Good practices identified on individual audits inspected:

- ▶ Fraud and climate risk assessments
- ▶ Use of specialists
- ▶ Going concern, impairment and impact of COVID-19
- ▶ Group oversight
- ▶ Revenue
- ▶ Expected Credit Loss (ECL)
- ▶ Financial statement review/Engagement Quality Control Review

The FRC also highlighted areas for improvement.

#### Areas identified for improvement within EY UK's firm-wide procedures:

- ▶ Implementation of the FRC's Revised Ethical Standard – Improve the guidance on how to more consistently consider the perspective of an Objective Reasonable and Informed Third Party when taking decisions relating to ethics and independence; and ensure cumulative fees for non-audit services are monitored on a timely basis
- ▶ IQM – Strengthen the reviews of completed audits to consistently identify key areas that require improvement; and ensure that the professional judgements made by the reviewer are recorded

#### Areas identified for improvement from the inspection of individual audits:

- ▶ Improve the effectiveness of the testing of revenue
- ▶ Strengthen the evaluation by the group audit team of aspects of component auditors testing
- ▶ Improve the evidence of procedures performed over cash and bank balances
- ▶ Further enhance the evaluation and challenge of aspects of impairment assessments
- ▶ Improve the identification of covered persons for independence purposes and the reporting of non-audit services

RCA was performed and improvement plans established in these areas, which are reflected in the refreshed Audit Quality Strategy. The overall response which includes details of the specific actions addressing the FRC findings is within the [FRC public report](#), which is available on the FRC website. A summary of these actions is provided below.

#### Actions identified to address the areas highlighted for improvement

In terms of firm-wide procedures, guidance was enhanced in December 2021 to further highlight the importance of the Objective, Reasonable, Informed Third Party standard, and a fee cap workbook introduced along with FAQs and guidance in relation to cumulative non-audit fee monitoring.

Each year the IQM process is critically assessed and enhancements made to improve its effectiveness. In 2022 a more detailed scoping template has been introduced and the pilot of a more in depth independence review into compliance with Independence standards has been extended.

Several of the actions which respond to the areas identified for improvement from the inspection of individual audits have already been embedded in the business today, since the inspections relate to audits performed up to two years ago. Actions taken and planned can be summarised under the following headings:

- ▶ **Guidance/enablement material** – This includes industry-specific guidance and aide-memoires, as well as the development of an impairment work programme.
- ▶ **Communications** – This has included webcasts discussing inspection findings on an ongoing basis, together with actions to address them; and 'top-tips' communications focussed on the key areas.
- ▶ **Training** – All findings from the inspection cycle have been included in Summer executive events. Training modules were also developed to share insights from the FRC's Final Decision Notice in respect of the audits of Patisserie Holdings Plc and Mitie Group Plc.
- ▶ **Quality support** – Audit quality support has been extended to offer further opportunities for audit quality coaching.
- ▶ **Audit strategy** – The refreshed strategy has prioritised the standardisation workstream, which will include development of good practice guidance in relation to impairment and further development of the Impairment CoE. It will also assess the feasibility of implementing a further centre of excellence to support engagement teams with key independence procedures.



## FRC inspections of public sector appointments

The FRC has direct responsibility for inspecting all 'major local audits' (defined within the Local Audit (Professional qualifications and Major Local Audit) Regulations 2014 (SI 2014/1627)). Public sector audits that fall outside the remit of 'major local audits' are monitored by the ICAEW's QAD.

During FY22 the FRC inspected four public sector engagements – three with a March 2021 year-end and one with a March 2020 year-end.

We are unable to provide the FRC inspection results in the EY UK 2022 Transparency Report due to a delay in the publication of the FRC's public report 'Major Local Audits – Audit Quality Inspections'.<sup>1</sup>

<sup>1</sup> The FRC's report was published after this Transparency Report was approved for issue.

## Thematic reviews

The FRC supplements its routine monitoring programme with a series of thematic reviews of certain aspects of corporate reports and audits where there is shareholder interest and scope for improvement and learning from good practice. These thematic review reports are helpful in identifying areas of good practice as well as opportunities to improve.

In the year, we responded to the FRC information request into how we demonstrate the 'culture of challenge and scepticism'. We welcome the feedback received in June 2022 and will continue to address our culture, including this feedback. As our cultural survey indicates, we have seen a steady improvement in our cultural health over the past four years, and a significant improvement from 78% to 86% in the past year, demonstrating the strides made to date. A similar approach was taken to the thematic reviews on 'climate change' and 'cash and cashflow statements'. We are considering the feedback from these and how best to implement the recommendations where applicable. Another thematic review into the 'audit of IFRS 9' has been completed and we are engaging with the FRC on this ahead of receiving final feedback later this year.

We have also been working with the FRC to expand on the thematic review published in 2020 on AQIs, and have engaged with companies that we audit on how best to share relevant AQIs with them to support audit quality. This work is ongoing, and supplemented by a further consultation held in August 2022. We await the conclusion of these exercises and will work with stakeholders in the coming months to develop the appropriate set of reporting to support audit quality.

We have also responded to requests related to the implementation of ISQM1. ISQM1 is discussed further in [Section 2: Commitment to Sustainable Audit Quality](#).

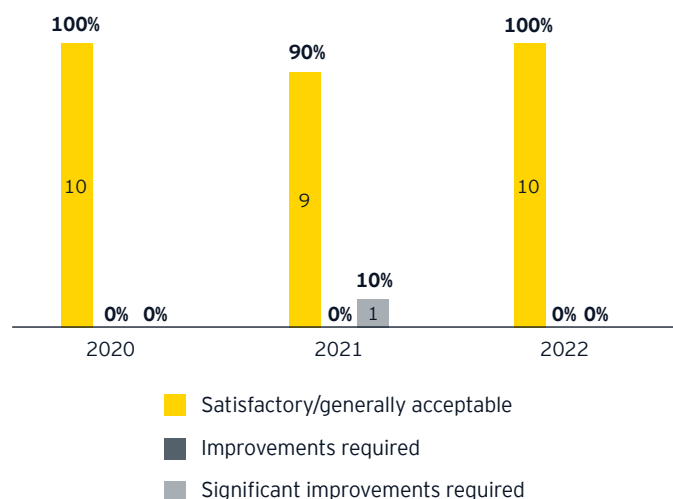


## Results of ICAEW QAD reviews

The QAD conducts monitoring visits to all firms registered for audit with the ICAEW. Its monitoring visits contribute to the ICAEW's objective of maintaining the highest standards among member firms. EY UK is in the population of firms that the QAD visits on an annual basis, but for which the FRC has lead regulatory responsibility.

The most recent QAD inspection took place in 2021. The resulting private report, issued in the spring of 2022, noted: 'Audit work continues to be of a good standard in most areas. All ten files were either good or generally acceptable, which is an improvement in the grading profile compared to the previous visit.'

The results of the QAD inspections are set out below:



The QAD inspection highlighted good practice in three audit areas:

- Implementation of IFRS16 (two files)
- Engagement and interaction with component auditors (two files)
- Professional scepticism (two files)

The QAD inspection did not identify any significant thematic issues. While no thematic findings have been identified, RCA has been completed on a sample of the 'good' and 'generally acceptable' engagements to identify actions that can be taken to improve further audit quality.



## Results of PCAOB inspections

EY UK is inspected every three years by the PCAOB. The last inspection was deferred until 2021 as a result of the COVID-19 pandemic. The inspection was conducted remotely, and two of the three reviews were performed jointly with the FRC. The publication of the final PCAOB report is pending.

### QAD inspections of public sector appointments

During FY21 the QAD inspected eight public sector financial statement audit opinions. The audits selected were signed in the 12 month period since the last inspection and the year-ends reviewed ranged from March 2019 to March 2021. Where a March 21 audit was inspected, the VFM procedures were also in scope of the review (four engagements). QAD also added a review of VFM for one further engagement where the financial statements were not reviewed.

The resulting private report, issued in the summer of 2022, noted: 'Overall, the audit work we reviewed was of a good standard. Of the eight financial statement opinions files we reviewed, seven were either good or generally acceptable, but one file required significant improvement.'

The QAD report also noted: 'In the file needing significant improvement, the audit team needed to improve the work done to assess the classification of certain assets as investment properties and whether the negative investment property valuations were appropriate and complied with accounting standards.' Furthermore, the QAD report said: 'Improvement is also required on the same file in relation to the audit team's consideration of the cashflow statement, with our review identifying two material errors.' It is very disappointing that one engagement inspected required this level of improvement. This audit fell short of the high expectations of audit quality. Specific actions are being undertaken in response to this result. These actions include RCA to understand the circumstances of the audit and drill down to the causes of the QAD findings to enable the design of responsive actions that will improve audit quality.

The results of the public sector QAD inspections are set out below:

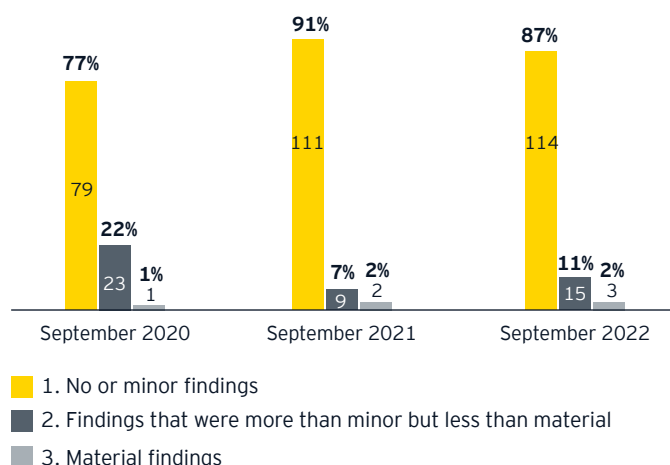


All five of the VFM reviews were rated 'Good'.



### Results of internal quality reviews (AQR)

In 2022, a total of 132 internal AQR reviews were performed. The results are set out below:



The internal reviews in 2022 covered 27% of our FTSE 350 audits. These were audits with financial year-ends between 31 March 2021 and 2 April 2022 inclusive. One of these engagements was given a 2 rating, with the remainder all gaining the highest 1 rating.

There are three engagements rated 3 from the internal inspections. The material finding driving the 3 rating on each engagement was:

- ▶ Insufficient audit documentation retained on the group audit file to evidence group oversight
- ▶ Insufficient alternative procedures where bank confirmations were not received and revenue findings in relation to completeness of risk assessment and extent of substantive testing
- ▶ Procedures not performed in line with audit plan over significant risk areas (investment impairment and revenue)

RCA is undertaken for each engagement that is rated either 2 or 3 to identify actions we can take across our practice to continue to improve audit quality. This is ongoing for the 2022 AQR inspections.

The AQR process is discussed in [Section 2: Commitment to Sustainable Audit Quality](#).



#### Percentage of Responsible Individuals subject to quality reviews

Audits reviewed in the summer of 2022 are primarily audits of December 2021 year-ends. Public sector reviews are split between March 2021 year-ends for local government and March 2022 year-ends for NHS opinions, due to the timing of the relevant opinions.

The review process is intended to cover every Responsible Individual (RI) – partners and associate partners authorised to sign audit reports – at least every three years, and every FTSE 350 audit every six years. Other audits are selected for review to cover a cross-section of the audit practice. However, the selection is weighted towards those engagements with higher risk factors. In the current year 132 engagements were reviewed (of which six were public sector reviews). This gave coverage of 46% of UK RIs (FY21: 47%) and 43% (FY21: 64%) of public sector engagement leads in the 2022 AQR cycle.

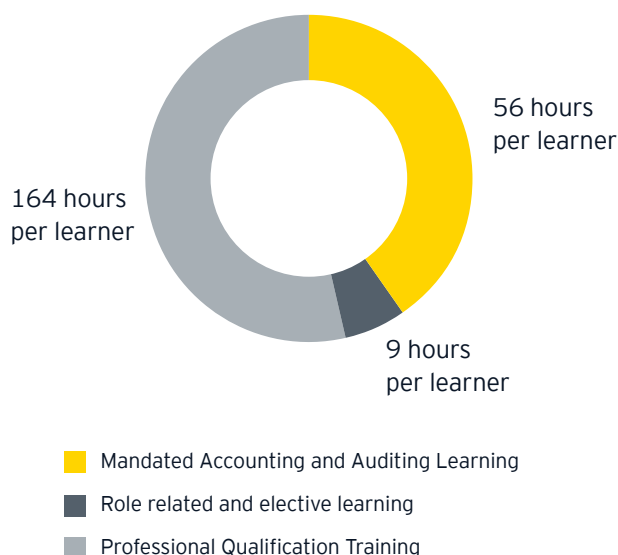


#### Metrics on investment in audit quality (training)

Training curricula are reviewed each year to reflect the current needs of the business, taking account of inspection findings, new audit and accounting standards and other regulatory changes. In FY22, training was reviewed by the FRC with no key findings reported.

Throughout FY22, the training design and delivery approach continued to respond to the ongoing impact of COVID-19 and a fully virtual learning curriculum was deployed. The learning deployment is continually being improved through a blend of virtual instructor-led offerings and on-demand, self-directed content.

#### FY22 Learning by type





- ▶ For the portion of our UK audit professionals that are completing professional qualification contracts approximately 4.5 weeks were spent on this foundational learning during FY22.
- ▶ Mandated accounting and auditing training made up 40% of the total training hours delivered to UK audit professionals during FY22. In 2021, training themes included sharpening our focus on fraud and risk, amendments to IFRSs and a continued focus on audit quality, particularly the application of scepticism and challenge of management and the non-technical skills critical to these behaviours. There has been continued investment in training our partners and staff on revised GAM, updated to reflect the data-driven audit approach as full implementation occurred in FY22, and best practices from pilot implementation have been shared. This was achieved through deployment of instructor-led digital audit workshops and associated e-learning programmes.
- ▶ For qualified staff and partners, approximately 85% of their training programme consists of this mandated accounting and auditing learning, allowing 15% to be more learner-defined on need and interest. This other role-related learning includes:
  - ▶ Firm-wide risk management learning (for example data protection, independence, and our Code of Conduct). The Code of Conduct provides a behavioural and ethical framework on which EY member firms and people are expected to base their decisions and actions, which includes approach to learning.
  - ▶ US technical learning required for UK audit professionals serving on component teams or as a primary team on US engagements
  - ▶ Onboarding training for experienced professionals who join us, whether on secondment or on a permanent basis
  - ▶ Industry-specific learning (primarily related to Financial Services and government and public sector audits)
  - ▶ Counsellor and transformative leadership learning
  - ▶ EY Badges (curated learning to develop future-focussed technology, leadership and business skills) and other non-technical training
  - ▶ Personal development training and learning such as milestone events (e.g., new senior, manager and senior manager programmes)



### Narrative description of investment in audit innovation

The majority of EY's investment in innovation is made by EY Global as set out in [Section 2: Commitment to Sustainable Audit Quality](#), and most recently through press announcement on the matter which can be found [here](#). Throughout FY21 there has been significant investment in innovation including EY Canvas, data analytics and technologies to support the detection of fraud.

This was supplemented in the UK with investment in the design and launch of tools such as robotic process automation solutions to perform manual repeated operations and custom analytics to address specific audit risks. For example, the Furlough Analyser was updated during the year, with a view to helping to address audit risks related to companies' applications for the Government's furlough scheme and the changing scheme rules. The secure access to large data sets has been continuously improved for engagement teams to enable them to use the full suite of the analytic tools that are available.




### Metrics on investor liaison – qualitative description of investor liaison

This is discussed in [Appendix 3: Stakeholder dialogue](#).



### Metrics on Audit Committee Chair impact – results of the ACC survey on audit quality

Independent research commissioned by the FRC, which builds on similar research in 2020, reinforces the case for developing standards for Audit Committees to help promote a more consistent approach to audit quality. The research covered interviews with ACCs spanning a wide range of sectors and both listed and unlisted companies. The principal areas covered in the research were: defining a good quality audit; selecting an auditor; planning and executing an audit; and changes in the audit sector. There are numerous insightful quotes from ACCs into how they assess audit quality, often around involvement of the audit team and lead audit partner, sufficient challenge of management, and timely communications. This article was shared with audit leaders to reinforce the messaging around challenge of management and delivery of audit quality. The full article can be found on the [FRC website](#).



## Group and Local Audits



### Group audits

The EY audit methodology sets out clear guidance on how EY member firms conduct group audits. The group engagement partner is responsible for the direction, supervision and performance of the group audit engagement. There are a range of policies, templates and guidance that have been designed to help execute these responsibilities and document how this has been done. This guidance has been improved, and additional good practice examples offered to the business in the prior year. It has been further simplified and standardised to respond to the latest inspection findings.

The EY Canvas audit technology enables cross-border teams to work consistently, transparently and securely together on audit planning, execution and reporting with the companies that we audit. During the period of disruption to travel and working patterns due to the COVID-19 pandemic and other worldwide events, this technology has been increasingly important in supporting changing ways of working for our teams. These tools enable documentation of the group auditor's oversight of work performed by both firms within the EY network and other audit firms. For the sixth consecutive year, the FRC has included examples of good practice in group oversight within its public report, but disappointingly this was also an area where it found an issue in the current year. RCA has identified that this is not indicative of a systemic issue and actions are in place to support our teams in getting this right every time.

The impact of the separation of the EY member firms in Russia and Belarus and the effects on the ongoing audits interacting with them are being managed. We continue to evaluate our portfolio in light of the sanction regimes applying regulatory requirements to them. Guidance has been issued to the practice on services with Russia, and EY continue to engage as necessary with the FRC and the UK government. Quality has remained key on these engagements, with teams being required to consult to ensure they meet the ambition for high quality, while complying with all regulations.



### Local audits

All engagement leads for local audits (as defined by The Local Auditors (Transparency) Regulations 2020) are registered as key audit partners (KAPs) with the ICAEW and are supported by dedicated public sector audit staff. In addition to the programme of training for assurance professionals, outlined above, all KAPs and staff working on local audit engagements are required to undertake sector-specific mandatory training for local audit work.

This training covers health, local government and local government pension schemes and is delivered at both the planning and execution stages of the audit. Additional training is also delivered to KAPs on their additional powers and duties under the Local Audit and Accountability Act 2014. The results of both internal and external quality reviews of local audit engagements are communicated to all Government and Public Sector assurance staff. Core skills training on local audits has been delivered during the year. KAPs attend quality panels to assess their competency when they are appointed in the same way as the RIs.

Monitoring of local audit performance takes place in accordance with the applicable regulations. Full details of these reviews and results are included in the section 'Audit Quality Indicators and Outcomes'.



## Managing risk

The environment in which we operate creates a broad range of diverse risks for EY UK. Effective management of these risks is critical to safeguarding EY UK, delivering on our purpose and ambition and ensuring we are aligned with the risk management principles of the AFGC. Consequently, EY UK operates a robust risk management process to identify, assess, measure and monitor the risks it faces. We also invest in initiatives to promote enhanced objectivity,

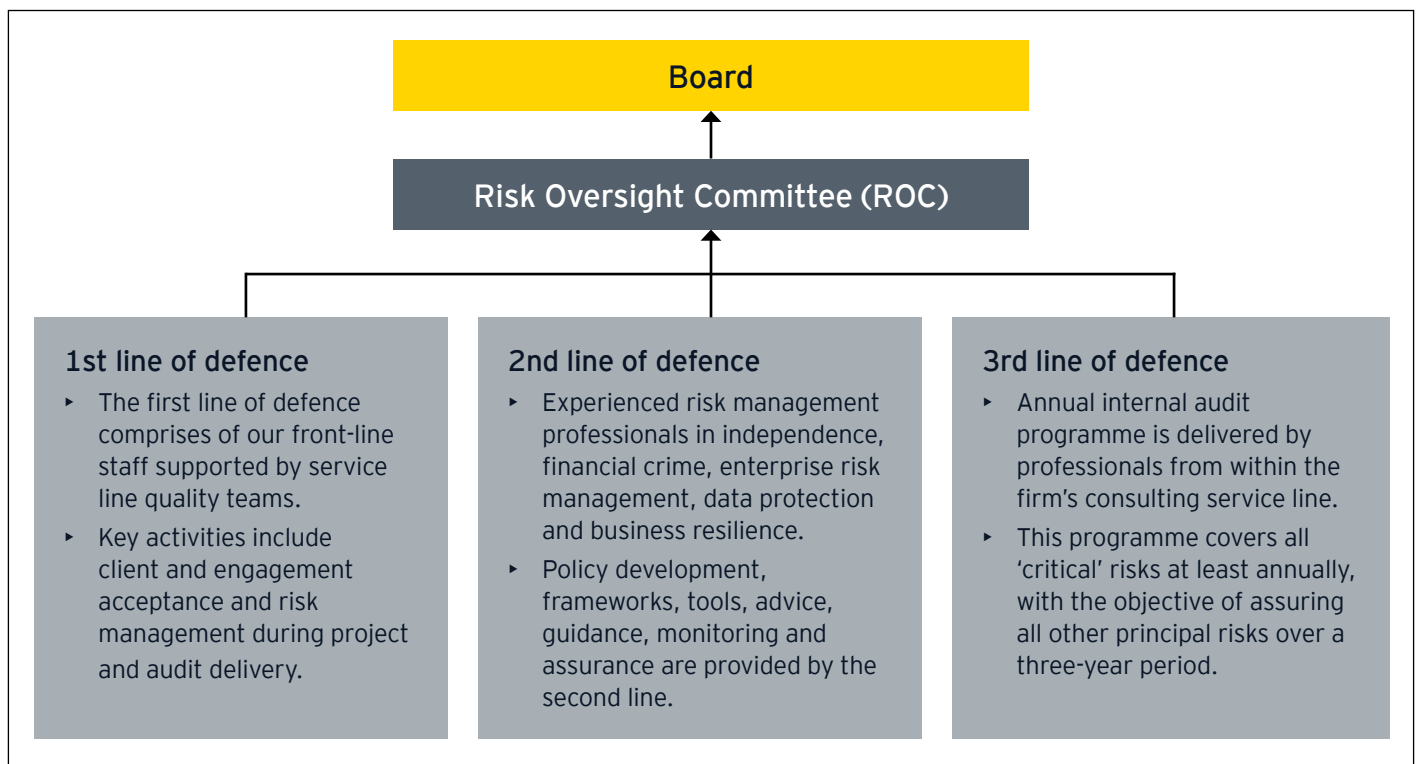
independence and professional scepticism in the delivery of our audits.

As noted in the Chairman's opening remarks, at a global level EY is proposing a structural change, separating the organisation into two distinct, multidisciplinary organisations. We are still at any early stage in the process, so the current risk assessment and viability assessment are based on the existing structure of the organisation and its risks.



### Our Three Lines of Defence Model

We operate a robust Three Lines of Defence Model, as illustrated below:



The EY UK Board has overall responsibility for risk management and internal control over the entire business of EY UK. To support the EY UK Board in discharging this responsibility, the organisation periodically and at least annually, reviews the effectiveness of EY UK's internal control system. The ROC's primary mandate is to support the EY UK Board in its role in the management of risk. The ROC meets regularly, with a standing agenda covering both risk and assurance activity.

The ROC's work this year included:

- ▶ Monitoring EY UK's response to the Ukraine crisis and risks arising from it, including the implementation of revised sanctions
- ▶ Oversight of the ongoing development and strengthening of EY UK's Three Lines of Defence
- ▶ Reviewing EY UK's implementation of ISQM 1
- ▶ Oversight of EY UK's Internal Audit function, including the FY22 audit plan and the results of audits executed during the year
- ▶ Reviewing the identification and management of the firm and service-line specific risks
- ▶ Monitoring regulatory requests and developments relevant to the management of EY UK's risks
- ▶ Reviewing the process for assessing the impact of selected principal risks on the viability of EY UK's performance, solvency and liquidity



### Proactively strengthening our Three Lines of Defence

We continue to monitor the scope and performance of our Risk Management function to ensure this remains effective in responding to the firm's risk profile and regulatory expectations.

This has enabled strengthening of our control environment and management of risk through business-as-usual activity and a series of proactive change initiatives.

These included, for example, continuing to restructure how we accept clients and engagements, further strengthening our frameworks around service delivery and improving how we identify and manage new business opportunities. Additionally, we are progressing with implementing a set of measures to strengthen our risk culture across EY UK proactively.

The ongoing management of our principal risks has been enhanced, supported by an increase in dedicated resources. This activity is underpinned by robust risk exposure reporting.

The second line of defence performed a viability assessment, using various factors including business modelling of internal and external risk events and scenarios, to understand their potential impact on EY UK's finances and principal risks. The assessment's conclusions supported the business' ongoing viability under these stress scenarios.



### Agile risk management support by our Internal Audit function

We have continued our commitment to significantly strengthen the firm's Internal Audit – the third line of defence – to complement other ongoing initiatives to strengthen our governance arrangements.



### Internal Audit

Internal Audit formally reports monthly to the ROC and quarterly to the EY UK Board. The Internal Audit Charter and performance of the Head of Internal Audit and the Internal Audit function are reviewed annually and approved by the ROC. Monthly progress updates to the ROC consider:

- ▶ The validity of the remaining IA plan and adequacy of resources
- ▶ Results of recent completed reviews
- ▶ Status of overdue Internal Audit actions (completed quarterly)

Outside these formal governance channels noted above, Internal Audit periodically reports the key themes and status of management actions emerging from Internal Audit reviews to the UKAC, PIB, UKAB and Senior Leadership, to promote a strong control culture across the firm.



An experienced partner leads EY UK's Internal Audit team. The Internal Audit team has 2.7 FTE senior managers and managers. Following a recent resourcing review, the ROC approved the recruitment of a further two full-time team members, which is ongoing. The team will continue to be supplemented with subject matter resources from across the firm as required.



The FY22 Internal Audit programme, aligned to EY UK's business risk profile and strategic issues facing senior management, was approved by the ROC and the EY UK Board in June 2021. Consistent with previous years, the FY22 plan had an overarching principle that it should be flexible and agile to respond to the changing risk profile of the firm. This could include new regulatory requirements, the International Standard on Quality Management, Operational Separation, internal transformation and strategic change and other ongoing disruptive factors. In response, the ROC formally reviewed the validity of the FY22 Internal Audit plan monthly throughout the year with a number of revisions approved by the ROC. This overarching principle will continue into FY23.

The table below shows the completed programme of FY22 Internal Audits:

Audit Quality Strategy – implementation	Managing strategic investments	Operational separation – reporting
Risk management	Managing transformative change	Business continuity
Performance management	Recruitment and onboarding (talent)	Finance transformation (Finance)
Recharges and allocations (Finance)	Expenses (Finance)	Client experience – UK&I (client)
Mercury complementary user entity controls	Data incident management	EY Law – client and engagement acceptance (Legal)
Pricing and margin protection	Audit Quality Indicators	Managed services – UK&I
Diversity, Equality and Inclusion	Return to office work	Actions follow-up (four per year)



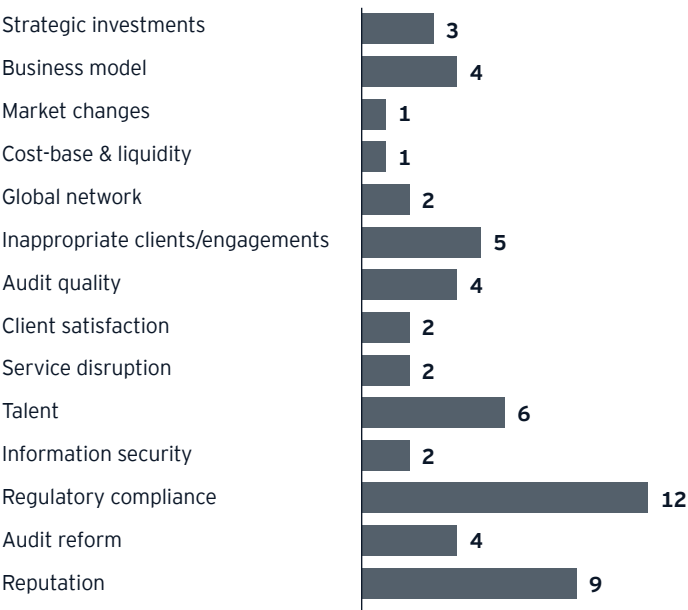


## Looking ahead to FY23

Our investment in Internal Audit will continue in FY23 with coverage against the key principal risks summarised below:

### Commitment to continuous improvement

#### FY23 number of audits per risk area



Our Internal Audit team is committed to continuous improvement and reports regularly to the ROC, PIB and EY UK Board on progress against its Quality Improvement Programme, including the 2021 External Quality Assessment (EQA). A key example of continuous improvement during the year was the investment in tools and technology to support the delivery of internal audits, the monitoring and reporting of internal audit actions, and the embedding of a flexible audit response model (FARM) to reflect the different types of audits.

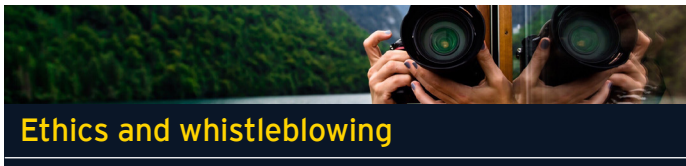


## Policy updates

EY member firms are committed to complying with all laws and regulations. With this goal in mind, we have implemented a Compliance Framework across all risk management policies. Our compliance approach includes horizon scanning, testing, monitoring, control improvements, reporting, education and communication.

In FY22:

- ▶ All compliance policies were assessed to identify inherent risk, controls effectiveness and residual risk.
- ▶ New risk management policy governance protocols were introduced to strengthen the development and maintenance of our compliance policies. In FY22, five policies were updated and relaunched.
- ▶ EY UK continued its focus on Data Protection compliance, in line with UK Government GDPR requirements, implementing further risk controls and enhancing the data risk framework. This included cataloguing Records of Processing Activity (ROPA) across all service lines.
- ▶ EY UK has robust controls in place to minimise the risk of money laundering and terrorist financing. Anti-bribery and corruption (ABC) controls continue to evolve and all relevant staff continue to receive regular training in financial crime prevention, anti-money laundering (AML) awareness and reporting and anti-bribery training.
- ▶ Sanctions compliance has been a key topic in FY22. A cross-disciplinary team has been developed across Risk Management, General Counsel Office and Service Line Quality to respond to the new Russian asset freezes and service sanctions.
- ▶ EY UK conducted a detailed review of our fraud prevention controls, establishing a new UK Fraud Prevention policy and designing an enhanced framework for a firm-wide fraud risk assessment.



The EY GCoC provides a behavioural and ethical framework on which EY member firms and people are expected to base their decisions and actions. All EY UK joiners are required to complete the Code of Conduct learning within 120 days of joining EY UK and are required to confirm that they will act in compliance with the Code of Conduct. Additionally, all EY UK people must confirm annually that they have acted, and will continue to act, in compliance with the Code of Conduct, having re-familiarised themselves with the content. An Ethics Hotline is available for any EY person to report concerns about any conduct that they consider to be unethical, illegal, in violation of our professional standards or otherwise inconsistent with the Code of Conduct.

EY also has a global policy on reporting non-compliance with the Code of Conduct and non-compliance with applicable laws and regulations (NOCLAR). The policy reflects a standard issued by the IESBA, setting out a framework to guide the actions of professional accountants when deciding how best to act in the public interest when they become aware of actual or suspected non-compliance with applicable laws and regulations. The policy also reinforces the general principles of the Code of Conduct by rejecting unethical or illegal business practices, supporting compliance with laws, regulations and standards, and upholding our commitment to ethical behaviour and quality. NOCLAR confirms our people's responsibility to speak up.

At EY UK, we have various avenues in place for our people to make a whistleblowing report in confidence and anonymously.

The UK whistleblowing guidance has been drafted to be fully accessible and user-friendly for everyone in EY UK. It explains clearly and directly:

- ▶ The types of behaviour that should be reported
- ▶ How to make these reports
- ▶ What EY UK does to protect whistleblowers from any retaliation or adverse treatment which may result from speaking up

We have robust procedures in place for the investigation and handling of whistleblowing reports, to ensure consistency of process and record-keeping.

Recently, the firm has put an increased emphasis on our 'Speak Up' campaign. A reminder that our people can raise concerns about any unethical behaviour or treatment they have faced or witnessed is circulated on regular internal leadership emails and other EY UK-wide communications. These communications remind all partners and staff that they have a personal responsibility to report all instances of non-compliant and unethical behaviour without fear of reprisal.



The relevant EY UK team confirms annually that EY UK’s principal risks are identified, and controls are in place to monitor them. The process includes a robust assessment of the principal risks that would threaten EY UK’s business model, future performance, solvency or liquidity and the sustainability of the audit practice of EY UK. Controls and mitigants are regularly reassessed throughout the year for the key mitigating actions noted in the table below. Where controls are identified as ineffective or are required in response to issues and events, appropriate management actions are taken.

Principal risks	Risk tendency	Risk drivers	Actions to mitigate risks
1. Strategic investments do not generate an adequate return	Increasing	<p>EY UK continues to invest in new assets and services aligned to our strategic objectives, which may be developed in-house or through acquisition. It also invests in a range of strategic alliances with other service providers.</p> <p>The risk exists that the investments will not provide the required return if:</p> <ul style="list-style-type: none"> <li>▶ Strategic investments are made without a clear business case or governance being established.</li> <li>▶ EY UK is not able to deliver on strategic investments in line with expectations.</li> </ul>	<p>To ensure appropriate oversight of planned strategic investments:</p> <ul style="list-style-type: none"> <li>▶ EY UK has a governance framework in place to approve and manage strategic investments. All investments are assessed and approved based on individual business cases by investment boards and executive committees.</li> <li>▶ The returns on investments are monitored and any necessary action is taken by management.</li> <li>▶ Use of established processes is required for the development of new assets and services.</li> <li>▶ We continue to promote cross-collaboration between service lines and with other Global EY member firms to leverage from investments across EMEIA and worldwide.</li> <li>▶ This year, we have assessed the likely impact of a downturn in the economy. We are confident that our strategic investments supporting the firm's growth plans remain viable and that the risk has stabilised.</li> </ul>

Principal risks	Risk tendency	Risk drivers	Actions to mitigate risks
2. Our business model is unsustainable	Increasing	<p>EY UK is committed as part of the EY NextWave ambition to a sustainable business model, including through Global investment in leading data analytics tools and the creation of a digital methodology supporting our audit services and through expansion of new services such as ESG-related services. The delivery of EY UK services might become unsustainable as a result of:</p> <ul style="list-style-type: none"> <li>▶ Ineffective use of technology, nearshore, offshore and third parties/alliance partners as part of our delivery models.</li> <li>▶ Poor pricing of services such that we do not generate a sustainable margin.</li> <li>▶ Our business model does not offer an attractive proposition to the right people, at the right time, with the right experience and motivation.</li> <li>▶ Our culture is either too risk-averse or too risk-taking.</li> <li>▶ Clients no longer perceive the value we provide as a significant differentiator.</li> <li>▶ Conflict on the international stage impacts our business model directly or indirectly.</li> <li>▶ Failure to manage change resulting in not achieving the business objectives.</li> </ul>	<p>EY UK continues to monitor and manage the sustainability of firm's business model through the following actions:</p> <ul style="list-style-type: none"> <li>▶ Senior management continuously monitors the performance of our firm.</li> <li>▶ Appropriate management action is undertaken when necessary to adjust to changing market conditions.</li> <li>▶ Performance is measured against the annual plan.</li> <li>▶ Methodologies and approvals processes are in place to manage complex engagements, from inception to fruition.</li> <li>▶ Ongoing review at an engagement level allows for continuous monitoring of pricing, scope and margin.</li> <li>▶ We continue to invest in assets, CoE and alliances to grow our delivery capability and expand client service offerings in line with our strategy.</li> <li>▶ Our recruitment strategy is continually adjusted, so we have the right talent and globally aligned talent pathways to deliver the services our clients need while being commercially aware.</li> <li>▶ We continue to target the recruitment of talent that will enable us to use technology to transform traditional services and launch new offerings, extracting maximum value from our technology investment plan.</li> <li>▶ Ongoing surveys allow continual assessment of colleague engagement and organisational culture.</li> <li>▶ The crisis in Ukraine has not impacted our business model in the UK and in offshore and nearshore locations. However this is being monitored closely.</li> </ul>

Principal risks	Risk tendency	Risk drivers	Actions to mitigate risks
3. Our services are not adaptable to changing market conditions	Increasing	<p>EY UK may not adapt sufficiently quickly to changing market conditions. This might be the case if:</p> <ul style="list-style-type: none"> <li>▶ We do not anticipate or react sufficiently quickly to macroeconomic or geopolitical shifts (for instance, worsening economic conditions post-lockdown, reduced global trade post-Brexit) and market changes (channel shifts between audit and non-audit services, regulatory change and competition including new market entrants).</li> <li>▶ We are unable to adapt quickly with sufficient and appropriate people.</li> <li>▶ Our pricing isn't sufficiently competitive.</li> <li>▶ Major accounts, market segments, or sectors significantly reduce their spending, as a result of the recession or structural changes such as those accelerated by the pandemic.</li> <li>▶ Our services and solutions are not sufficiently relevant to market demand.</li> </ul>	<p>Service line management teams monitor the impact of macroeconomic and political uncertainties to:</p> <ul style="list-style-type: none"> <li>▶ Respond to changing market conditions in an agile way.</li> <li>▶ Prepare ourselves for new competitors or adjusted business models of old competitors.</li> <li>▶ Continue to monitor trends in client needs (e.g. digitalisation, artificial intelligence and technology-enabled transformation) and align our investment strategy accordingly.</li> <li>▶ Amend our recruitment, training and performance management strategies to deliver the services our clients need in the future (e.g. NextWave).</li> <li>▶ Oversee reporting and monitoring processes that highlight revenue and missed opportunities.</li> </ul>
4. We are not appropriately managing our cost base and liquidity position	Increasing	<p>The largest components of EY UK's cost base are people, technology, property, facilities and global network-related costs.</p> <p>These costs may rise faster than EY UK's revenue base due to market forces and/or inadequate management of service delivery and overheads. External factors, particularly responses to regulation and laws or the economic climate (including inflation), may also drive higher costs.</p> <p>Specific risks would stem from:</p> <ul style="list-style-type: none"> <li>▶ Inadequate management of cashflow.</li> <li>▶ Inadequate control of direct and indirect costs.</li> </ul>	<p>EY UK continues to manage costs on a firm-wide level in the following ways:</p> <ul style="list-style-type: none"> <li>▶ Financial controls are in place at all levels of EY UK.</li> <li>▶ Ongoing management reviews of our cost/income position and cashflow development.</li> <li>▶ Strong engagement planning and control.</li> <li>▶ Appropriate monitoring and governance over investment spending.</li> <li>▶ Continued commitment to Initiatives to tighten control over internal non-client related spend.</li> <li>▶ Roll-out of a new global travel and expenses system (Concur) to enhance the existing system and provide additional functionality.</li> <li>▶ Wider use of collaborative tools to manage costs.</li> <li>▶ Monitoring of developments in regulation and legislation to track and forecast indirect costs.</li> <li>▶ To support the increased Sanction Screening process introduced as a result of the Ukraine crisis, ongoing communications to lead engagement partners was introduced and a revised Reputation and Conflicts Panel Process was implemented.</li> </ul>



Principal risks	Risk tendency	Risk drivers	Actions to mitigate risks
5. We are negatively impacted through association with the global network of EY firms	Stable	<p>The potential exists for reputational damage to affect the UK firm because of a failure on the part of another member firm in the EY global network. For example, this might take the form of:</p> <ul style="list-style-type: none"> <li>▶ Inappropriate conduct or a compliance breach by another EY member firm.</li> <li>▶ A service failure that has implications for engagements managed globally by EY UK.</li> </ul>	<p>The firm continues to monitor reputational issues through:</p> <ul style="list-style-type: none"> <li>▶ The ongoing monitoring and engagement, at a global level, between EY UK's Legal and PPD teams to understand the implications of activities in other EY member firms and their regulatory environments.</li> <li>▶ Additionally, the UK firm, like all other EY member firms, manages service quality at engagement and service line levels.</li> <li>▶ Our quality and risk management teams provide further support and guidance to manage and mitigate risks.</li> <li>▶ To support the increased Sanction Screening process introduced as a result of the Ukraine crisis, ongoing communications to lead engagement partners was introduced and a revised Reputation and Conflicts Panel Process.</li> </ul>
6. We accept an inappropriate client or engagement	Stable	<p>We might accept clients or deliver engagements that are inappropriate. For example, this might be the case if we:</p> <ul style="list-style-type: none"> <li>▶ Fail to assess the suitability of clients and engagements at inception.</li> <li>▶ Fail to monitor clients and engagements continuously throughout the life of the client relationship or engagement and take appropriate action.</li> <li>▶ Are not aware of changing stakeholder expectations regarding to the clients and sectors to which we should provide professional services, including changing expectations on the nature of our services.</li> </ul>	<p>Policies and procedures are in place related to client acceptance and continuance, including:</p> <ul style="list-style-type: none"> <li>▶ Independence and Global Conflicts Policy to prevent conflicts of interests and other independence issues.</li> <li>▶ Mandatory use of the new BRIDGE tool for all third-party relationships, launched to enhance the existing controls applied through the previous system.</li> <li>▶ Ring-fencing of teams where appropriate.</li> <li>▶ Mandatory use of PACE.</li> <li>▶ Successful pilot of CoE for audit engagement continuance to be rolled out firm-wide.</li> <li>▶ Controls around financial crime, including AML and ABC, and strengthened senior leadership involvement and controls related to compliance with sanctions in response to the impact of the crisis in Ukraine.</li> <li>▶ Training, guidance and regular awareness campaigns in respect of areas of firm compliance on client and engagement acceptance.</li> <li>▶ The use of the Reputation and Conflicts Panel to assess more reputationally risky engagements, as well as strengthened service quality focus and accountabilities on more complex and risky engagements.</li> </ul>

Principal risks	Risk tendency	Risk drivers	Actions to mitigate risks
7. Audits are not performed or documented in accordance with auditing standards	Stable	<p>Audit quality that falls below expectations and negatively impacts trust in our profession. This may result from:</p> <ul style="list-style-type: none"> <li>▶ A culture that is not committed to continuous improvement, failing to promote and enable continuous development and behaviours that contribute to consistent high-quality audits.</li> <li>▶ Failure to enable and promote professional scepticism and robust judgment.</li> <li>▶ Insufficient understanding of the audited entity contributes to an inappropriate audit risk assessment.</li> <li>▶ Lack of sufficient challenge leading to inappropriate application of accounting standards to the audited entity's fact pattern.</li> <li>▶ Failure to structure an engagement team with the right capacity and skills, fitting the complexity of the audited entity.</li> <li>▶ Insufficient audit documentation contributing to lack of sufficient audit evidence.</li> <li>▶ Ineffective quality review/control processes.</li> <li>▶ Shortcomings in other EY network firms' work.</li> </ul>	<p>Comprehensive and well-established internal quality and compliance procedures supporting audit quality, including:</p> <ul style="list-style-type: none"> <li>▶ Staff and partner recruitment, development and assignment procedures, including mandated training activity.</li> <li>▶ Global audit methodology and risk management policies accessed through an online portal.</li> <li>▶ Quality review procedures over service delivery.</li> <li>▶ Audit Quality Strategy and monitoring of the implementation of AQE and QEL function.</li> <li>▶ RCA of deficiencies identified and the implementation of lessons learned.</li> <li>▶ Fraud awareness training and requirements on responding to identified fraud.</li> <li>▶ Regular monitoring of client circumstances to respond to increased audit risk where relevant.</li> <li>▶ Testing of selected files prior to audit opinion by service quality teams.</li> <li>▶ Access to specialist staff within the wider firm.</li> <li>▶ Appropriate budgeting and forecasting to meet audit operational needs.</li> <li>▶ Independence framework implemented with controls covering adherence.</li> <li>▶ Sustainable Audit Quality programme.</li> <li>▶ Ethics Hotline available to staff.</li> </ul>

Principal risks	Risk tendency	Risk drivers	Actions to mitigate risks
8. Clients are dissatisfied with the quality of work delivered	Stable	<p>Delivering services that do not meet client expectations harms our reputation as a trusted service provider and impacts our ability to win further business. For example, this could be the case if we:</p> <ul style="list-style-type: none"> <li>▶ Contract to deliver a service outside of our capabilities.</li> <li>▶ Fail to manage scope, deliverables, timescales, dependencies and assumptions at inception or during the engagement lifecycle.</li> <li>▶ Failure to manage and deliver contractual obligations resulting in legal implications and reputational damage.</li> </ul>	<p>Our firm seeks to ensure that we are delivering exceptional client service based on:</p> <ul style="list-style-type: none"> <li>▶ Comprehensive and well-established internal quality and compliance procedures to address the risks of service failure.</li> <li>▶ Rigorous recruitment and development procedures.</li> <li>▶ Adjusting our delivery approach on an engagement-specific level (e.g., use of offshore capabilities).</li> <li>▶ Client and engagement acceptance and continuance processes to verify that we will provide the right service to the right client and with the appropriately skilled resource.</li> <li>▶ Service line-specific policies designed to assist client teams in understanding and managing the risk of poor quality or non-compliant service delivery (e.g., breach of independence).</li> <li>▶ Quality review procedures over service delivery and continued enhancement of delivery tools, with particular emphasis on remote and flexible working and the potential that this continues in the short term as we emerge from the pandemic.</li> <li>▶ Continued improvements to governance over engagement initiation and new client acceptance.</li> </ul>

Principal risks	Risk tendency	Risk drivers	Actions to mitigate risks
9. The provision of service delivered is disrupted	Stable	<p>We might not be able to deliver engagements and services as expected due to the impact of certain internal or external events due to:</p> <ul style="list-style-type: none"> <li>▶ Inadequate technology, system and application performance and recovery, continuity and replacement procedures.</li> <li>▶ Failure in the management of IT change.</li> <li>▶ Malicious physical acts or cyberattacks that impact the delivery of our services.</li> <li>▶ Events leading to inaccessibility to EY and client premises, or unexpected or unplanned unavailability of key personnel (e.g., a pandemic, terrorist attack, natural disaster, warfare or other events that prevent access to key EY buildings).</li> <li>▶ Failure to manage third-party relationships resulting in service/client disruption or reputational damage.</li> </ul>	<p>EY has a comprehensive risk management process in place to protect our service delivery. Controls include:</p> <ul style="list-style-type: none"> <li>▶ Management of IT system lifecycles and system performance.</li> <li>▶ Stringent disaster recovery procedures and employee support.</li> <li>▶ Professional IT change management programme governance involving senior members of EY UK.</li> <li>▶ Integrated IT management of systems in use globally across all member firms.</li> <li>▶ Use of currently proven technologies, independently attested processes, a mature information security and cyber defence policy framework and management systems enabling the firm to respond to risks emanating from the changing geopolitical landscape.</li> <li>▶ Physical access security across all EY office locations.</li> <li>▶ Comprehensive contingency and operational resilience planning, covering all service lines and functions.</li> <li>▶ Continuously updated training materials and sessions to raise awareness of our staff regarding internal and external IT and cyber risks.</li> <li>▶ Key controls that are continually assessed against prevailing industry standards, best practices and emerging risks.</li> <li>▶ Remote working introduced and fully integrated into the business, meaning a lack of access to the office does not interrupt service provision.</li> <li>▶ Continuously updated controls around EY workstations, including monitoring and the prevention of data loss arising from leavers and monitoring of the use of unauthorised cloud, internet usage and messaging services.</li> </ul>

Principal risks	Risk tendency	Risk drivers	Actions to mitigate risks
10. Talent is not attracted, integrated, retained and managed	Increasing	<p>EY UK's proposition as an employer-of-choice might be weakened in the future and we might not be able to retain the right talent if we:</p> <ul style="list-style-type: none"> <li>▶ Are unable to offer a sufficiently attractive partnership model, which in turn impacts the effectiveness of our succession planning.</li> <li>▶ Fail to offer attractive and flexible working arrangements and fail to promote and enable the health and wellbeing of our people.</li> <li>▶ Fail to offer attractive career paths with professional and personal development, as well as compensation.</li> <li>▶ Fail to engage people through effective leadership, management and support.</li> <li>▶ Fail to create and maintain a diverse and inclusive culture, open to all members of society without bias.</li> <li>▶ Are unable to attract and retain people with the right competence and abilities.</li> </ul>	<p>Processes and procedures are in place to manage the recruitment, retention and management of people. These include:</p> <p><b>Supporting personal development</b></p> <ul style="list-style-type: none"> <li>▶ Onboarding process and experience for new joiners.</li> <li>▶ Individual counselling and 'buddying' programmes to develop the right talent.</li> <li>▶ Implementation of a firm-wide harmonised learning and development strategy.</li> <li>▶ Multi-year talent programmes, including diversity and inclusiveness initiatives.</li> <li>▶ Induction and post-induction programmes, at staff and partner levels.</li> </ul> <p><b>Involving senior management to foster talent</b></p> <ul style="list-style-type: none"> <li>▶ 'Market learning sponsors' to ensure senior management buy-in and to embed learning and development into individual service line strategy.</li> <li>▶ Regular leadership communications are covering strategy and performance.</li> <li>▶ Frequent employee listening surveys (quarterly) to measure employee experience and engagement and new joiner and exit surveys.</li> <li>▶ Improved management of performance through mandated counsellor training.</li> <li>▶ Individuals' performance, readiness for promotion and development are discussed regularly at internal performance appraisal groups.</li> <li>▶ Annual benchmarking of total reward by grade, location and competency groups.</li> <li>▶ Focussed actions have been implemented to address heightened industry-wide risks related to recruitment and retention due to shortages in the labour market and high demand for talent.</li> </ul>



Principal risks	Risk tendency	Risk drivers	Actions to mitigate risks
11. Confidential information is misappropriated, mishandled or corrupted	Stable	<p>Data protection and information security protocols might be neglected, or controls might be breached, resulting in compromised client or EY proprietary data and information.</p> <p>Although remote working protocols are now well established, increased use of hybrid working will require ongoing focus on controls. Risks remain through:</p> <ul style="list-style-type: none"> <li>▶ Loss of electronic equipment or hard copy documents.</li> <li>▶ Information sent electronically or in hard copy to an unintended recipient or by third parties acting under EY's direction.</li> <li>▶ Information not being created, stored, transferred, or destroyed appropriately or in line with policy.</li> <li>▶ Malicious and unauthorised (internal and external) access to EY offices and/or systems (data breach because of a cyberattack and/or data or code corruption).</li> </ul>	<p>We have comprehensive and well-established internal quality management procedures consistent with industry standards, best practice and legal requirements to address the risks of a breach, including:</p> <p><b>Data protection and information security training programme</b></p> <ul style="list-style-type: none"> <li>▶ Mandatory regular training and reminders for staff on the importance of data protection and risk mitigation, including what to do in the event of data loss and an annual declaration that they have read and understood requirements.</li> <li>▶ Mandatory GDPR training in place for all staff.</li> <li>▶ Service line-specific incident training, as required.</li> </ul> <p><b>Policies and procedures</b></p> <ul style="list-style-type: none"> <li>▶ Suite of policies and procedures governing data protection, data incidents and supporting guidance.</li> <li>▶ Contractual terms are addressing the handling of confidential information and client data.</li> <li>▶ Improved hardware and software controls,</li> <li>▶ Software controls designed to reduce the risk of misdirected external emails.</li> <li>▶ Reduced footprint of risk via full migration of laptop data to cloud through our Modern Workplace strategy.</li> <li>▶ IT asset encryption.</li> <li>▶ Continued investment in cybersecurity controls, e.g. strengthened communication, training and testing to improve awareness of phishing.</li> <li>▶ Periodic testing of IT and cybersecurity controls.</li> <li>▶ Dedicated team of cybersecurity experts who actively monitor, hunt and defend our system.</li> <li>▶ Maintenance of globally recognised, industry standard certification on information security management systems such as ISO 27001 and Cyber Essentials Plus.</li> <li>▶ Regular training and reminders to staff to remain vigilant for potential cyberattacks (including phishing).</li> <li>▶ Regular communications on good data-handling practices.</li> <li>▶ Data incident handling programme.</li> <li>▶ Data risk mitigation plans.</li> </ul>

Principal risks	Risk tendency	Risk drivers	Actions to mitigate risks
12. We are found to be in breach of new or existing regulation	Stable	<p>Our services are subject to legal and regulatory requirements. We are at risk of breaching such requirements if:</p> <ul style="list-style-type: none"> <li>▶ We fail to monitor, understand or respond to new and changing regulatory requirements and expectations or changing interpretations thereof.</li> <li>▶ We fail to enable and embed a culture of risk awareness and risk management.</li> <li>▶ We fail to promote and enable behaviours consistent with our Code of Conduct.</li> <li>▶ We fail to promote and enable compliance in the application of internal policies, procedures and relevant regulatory requirements.</li> </ul>	<p>The EY UK Regulatory and Public Policy team is responsible for monitoring regulatory and policy developments impacting the UK firm. They are supported in this by specialist risk management teams.</p> <p>Insight from the EY UK Regulatory and Public Policy team, combined with feedback from our regulators, INEs and ANEs, EY Global Public Policy Committee and the UK PPD and the monitoring of regulatory developments performed by second-line functions, are used to:</p> <ul style="list-style-type: none"> <li>▶ Update our policies and procedures framework.</li> <li>▶ Prepare and update guidance documents for our staff.</li> <li>▶ Refresh our training plan (mandating particular components, as necessary).</li> </ul> <p><b>In addition:</b></p> <ul style="list-style-type: none"> <li>▶ Service line 'risk radars', second-line monitoring activities and our Internal Audit programme provide further support and control.</li> <li>▶ Compliance metric reports provide quality assessments for performance management reviews.</li> <li>▶ EY UK continues to invest in new tools and technologies to support our staff in monitoring regulatory developments.</li> <li>▶ In FY22, we have strengthened our compliance processes in a number of areas, including financial crime and sanctions, hospitality and data protection.</li> </ul>

Principal risks	Risk tendency	Risk drivers	Actions to mitigate risks
13. Externally imposed change to our existing business model threatens our ability to continue to deliver high-quality audits	Stable	<p>Operational separation of our audit practice, in line with the principles set out by the FRC contributes to risks that we:</p> <ul style="list-style-type: none"> <li>▶ Fail to establish an audit practice that is financially resilient and sustainable.</li> <li>▶ Fail to sufficiently respond to the requirements of the principles set out by the FRC and maintain a sustainable business model.</li> </ul>	<p>We have frequent interactions with government departments and regulators and contribute to the continuing debate on the future of the Big Four and auditing. Specific mitigating actions on this risk more generally include:</p> <ul style="list-style-type: none"> <li>▶ Ongoing commitment to our implementation plan for operational separation and monitoring of the plan.</li> <li>▶ Engagement with our regulators to understand and respond to feedback on our implementation plan for operational separation and progress with implementation of the plan.</li> <li>▶ Scenario planning.</li> <li>▶ The firm continually reviews its business model to assess whether it remains appropriate and responsive to external/market drivers.</li> </ul>
14. Loss of public trust in EY UK as a result of reputational damage	Increasing	<p>Reputational damage could be caused by:</p> <ul style="list-style-type: none"> <li>▶ Providing services to clients that would be viewed by some or all of our stakeholders as contrary to our public standing.</li> <li>▶ Conduct by our people that does not meet the high standards we impose on ourselves.</li> <li>▶ Failure to comply with our public commitments, relevant guidance and regulations relating to Environmental, Social and Governance requirements.</li> </ul>	<p>We value our reputation highly and an appreciation of reputational risk is at the heart of all our business decisions. Additionally:</p> <ul style="list-style-type: none"> <li>▶ Significant reputational issues are reviewed and opined on by the Reputation and Conflicts Panel.</li> <li>▶ Building trust within EY UK and with our external stakeholders remains a key focus and has been reiterated recently through a series of initiatives.</li> <li>▶ Ethics and a shared set of values drive the behaviour of our partners and staff, and this is reinforced by training and guidance and monitored by our Code of Conduct Committee.</li> <li>▶ EY UK has whistleblowing procedures in place, including a confidential Ethics Hotline.</li> <li>▶ All staff are required to complete our GCoC training which sets out the standards that are expected of our people to reduce the likelihood of adverse publicity arising from individual actions by staff or partners.</li> <li>▶ A governance framework has been established to manage all elements of the UK firm's ESG agenda.</li> </ul>

## Compliance statements



### Statement of the effectiveness of EY UK's system of internal control

As part of its annual procedures and in compliance with the AFGC, the EY UK Board confirms that EY UK has performed a review of the effectiveness of the system of internal control, including consideration of the process undertaken to update the risk register for principal risks, controls and monitoring mechanisms. In summary, this involved:

- ▶ Validating EY UK's risks
- ▶ Reviewing the management and monitoring of risks
- ▶ Reviewing the work of Internal Audit
- ▶ Considering the reports and findings from regulatory reviews
- ▶ Reviewing the conclusions of our external auditors, including comments in relation to the control environment
- ▶ Obtaining written confirmation at the service line and functional levels that processes and controls are in place to manage principal risks

- ▶ Reviewing the risk register for completeness using the output of discussions across EY UK's services lines and functions on risks and control activities, with the ROC meeting to challenge and approve the updated risk register

In addition, we continue with the implementation of ISQM 1, which will further enhance our internal quality control system.

In the course of this review of the effectiveness of internal control, we have identified actions that we believe will strengthen controls to manage and mitigate principal risks and have not identified any significant weaknesses. On the basis of the reviews carried out, the EY UK Board is satisfied that EY UK's systems of internal control are operating effectively and are in line with the risk management principles of the AFGC.



### Statement on the effectiveness of the functioning of the internal quality control system

In accordance with Article 13(2) (d) of the EU Audit Regulation and the Local Auditors (Transparency) Regulations 2020, the Board confirms that it is satisfied that our internal quality controls and systems are, in general, robust and operate effectively and allow us to

readily identify any areas of potential improvement or refinement. We continually seek to improve all aspects of our business and we use the findings of internal reviews and external regulatory reviews to enhance our processes.



## Stakeholder dialogue



### Engagement overview

EY UK and our NEs take a proactive approach to stakeholder engagement. We participate actively in both public and private stakeholder events and meetings with the aim of enhancing two-way communication and our understanding of their opinions, concerns and emerging expectations. Throughout FY22 our engagement efforts centred around company directors, including but not limited to audit committee members, institutional investors – both asset owners and asset managers – UK government departments and policy makers, and our regulator, the FRC. Key topics included the BEIS reform proposals on audit and corporate governance with a specific focus on the implementation of operational separation and the FRC's revisions to the AFGC.



### FRC

EY UK engaged with the FRC on an ongoing basis throughout FY22 on both the supervisory and policy aspects of its remit. Areas covered included our AQS, the BEIS audit and corporate governance reforms, operational separation, PIE auditor registration, our risk management processes and governance. The FRC held an introductory meeting with the newly-appointed Non-Executives and met with our INEs and ANEs independently on several occasions. Furthermore, our ANEs attended a FRC roundtable convened to discuss the 2022 AFGC. This form of engagement with our INEs, ANEs and senior leadership will continue as part of the FRC's engagement framework, which has been amended recently by FRC to better align meetings with key milestones in its supervisory cycle. As part of its recent thinking, the FRC has requested to additionally have separate meeting with INEs only and ANEs only in FY23.



### Institutional investors

EY UK engages with investors to improve our understanding of their priorities in respect of corporate reporting and audit and to listen to any specific feedback they may have. We engage with the Investor Forum and Investment Association as well as with individual investors. Expectations regarding corporate reporting, with a specific reference to the Task Force on Climate-Related Financial Disclosures and climate in the financial statements, were the main focus of EY UK's engagement with investors this year.

Following the publication of the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA) and Bank of England Discussion Paper 21/2 in July 2021 on diversity and inclusion in the financial services sector, EY UK held a number of roundtables with financial firms in London, Bristol, Birmingham, Manchester and Edinburgh. These events, which brought together over 80 regulatory, diversity and inclusion and human resources professionals, covered, among other topics, governance issues such as the impacts on the Board and Senior Managers and Certification Regime (SMCR); challenges around data collection; training needs; and board-level diversity. As part of the process, EY UK also engaged with the FCA, actively sharing our perspectives on the discussion paper and hosting a virtual tour of EY's Neurodiversity CoE.



### Audit Committees and Chief Financial Officers of the FTSE 350

EY UK audit partners regularly engage with audit committees and chief financial officers over the course of audit engagements, bringing regulatory insights and eliciting their feedback and views on matters of audit quality and corporate reporting.



At a firm level across the year, EY UK actively engaged with the Audit Committee Chairs' Independent Forum (ACCIF) on a variety of topics, including on elements of the BEIS audit and corporate governance reforms. EY UK participated in virtual roundtables with the ACCIF members and invited them to share their views at our annual Audit Quality Summit held in September 2021, which was also attended by our NEs.

Our annual Financial Reporting Outlook conference, to which our NEs are also invited, creates another opportunity for engagement and the sharing of views. Held this year in November 2021, the conference's agenda was dominated by themes related to the BEIS audit and corporate governance reforms as well as social and environmental matters.



EY UK's Centre for Board Matters (CBM) is a programme for Non-Executive Directors (NEDs), which delivers insights on the current issues and trends facing UK businesses. Through FY22, CBM continued to engage members through a fortnightly newsletter, blogs, webcasts and roundtables. CBM delivered six webcasts, including 'Putting the UK Government's reform into practice' with a prestigious panel of leaders, including Jessica Friers, Executive Chairman, Accounting for Sustainability; Mark Manning, Sustainable Finance and Stewardship, FCA; and Russell Picot, Director, Universities Superannuation Scheme, where the panellists discussed the practical implications and opportunities for boards stemming from the COP 26 summit. To broaden the reach of our engagement activities, CBM partnered with CriticalEye, the peer-to-peer board community, as the lead sponsor for the October 2021 NED Summit.

CBM also hosted an in-person networking event on 26 May, with special guest speaker, Robert Guest, Foreign Editor for the Economist, who shared his views on 'The new political

world order and the impact on business'. Additionally, CBM delivered a webcast on 'The Government's response to reforming audit and corporate governance – what has changed and what that means for UK business', which took place on 6 June. Panellists included Sir Jon Thompson, CEO, FRC; Eoin Parker, Director, Business Frameworks at BEIS; Simon Henry, Board member, Audit Committee Chairs' Independent Forum (ACCIF); and Andrew Walton, Head of Audit, EY UK.

Furthermore, EY UK's 'Soaring to new heights' publication series, covering governance considerations for boards and their committees, provided insights on roles and evolving expectations, and formed the basis of individual engagements to explore themes related to governance, climate and human capital, as well as the BEIS audit and corporate governance reforms.



To address the key themes that were consistently present throughout our engagement activities and prepare for the implementation of the provisions of the 2022 AFGC, in July 2022 EY held its first stakeholder engagement event, bringing together investors, audit committee members, EY UK's leadership team and Non-Executives. Over the course of two hours, we discussed how EY's governance, including NE involvement, supports high-quality audits and firm resilience. Investors voiced interest in how our partner remuneration structures drive a focus on audit quality. We also set out the progress we have made towards operational separation and how we are evolving our audits to respond to stakeholder demands regarding climate change. Stakeholders were interested in understanding how to monitor appropriate specialist involvement in audits and whether the wording in our audit reports is influenced by the companies we audit.



## Appendix 4: Audit Firm Governance Code

## Appendix 4: Audit Firm Governance Code



The following table provides a list of the Code's principles and provisions with a reference next to each one to indicate where, in the EY UK 2022 Transparency Report, the matter is addressed for the purposes of Code principle E.2.

Principles and provisions of the 2016 AFGC LEADERSHIP	How EY UK is addressing the principles and provisions
<b>A.1 Owner accountability principle</b> The management of a firm should be accountable to the firm's owners and no individual should have unfettered powers of decision.	Section 1: About us – Legal structure, ownership and governance Appendix 3: Governance and leadership – Governance structure and management
A.1.1 The firm should establish a board or equivalent governance structure, with matters specifically reserved for its decision, to oversee the activities of the management team.	See A.1 above
A.1.2 The firm should state in its transparency report how its governance structures and management operate, their duties and the types of decisions they take. In doing so the firm should explain how its governance structure provides oversight of both the audit practice and the firm as a whole with a focus on ensuring the Code's purpose is achieved.	Context Leadership messages Appendix 3: Governance and leadership – Governance structure and management Appendix 3: Managing risk – Our Three Lines of Defence Model
If the management and/or governance of the firm rests at an international level it should specifically set out how management and oversight of audit is undertaken and the Code's purpose achieved in the UK.	Section 2: Commitment to Sustainable Audit Quality – Assurance governance
A.1.3 The firm should state in its transparency report the names and job titles of all members of the firm's governance structures and its management, how they are elected or appointed and their terms, length of service, meeting attendance in the year, and relevant biographical details.	Section 1: About us – Legal structure, ownership and governance; Network arrangements Appendix 3: Governance and leadership – Governance structure and management Appendix 7: EY UK Board Members' biographies Appendix 8: EY UK Non-Executives' biographies
A.1.4 The members of a firm's governance structures and management should be subject to formal, rigorous and ongoing performance evaluation and, at regular intervals, members should be subject to re-election or re-selection.	Section 1: About us – Network arrangements Section 4: Investing in exceptional talent and continuing education – Performance management

## Audit Firm Governance Code (Cont'd)

Principles and provisions of the 2016 AFGC LEADERSHIP	How EY UK is addressing the principles and provisions
<b>A.2 Management principle</b> A firm should have effective management which has responsibility and clear authority for running the firm.	Section 1: About us – Legal structure, ownership and governance; Network arrangements Section 2: Commitment to sustainable audit quality – Infrastructure supporting quality Appendix 3: Governance and leadership – Governance structure and management
A.2.1 Management should have terms of reference that include clear authority over the whole firm including its non-audit businesses, and these should be disclosed on the firm's website.	Terms of Reference available on the EY website
Principles and provisions of the 2016 AFGC VALUES	How EY UK is addressing the principles and provisions
<b>B.1 Professionalism principle</b> A firm should perform quality work by exercising judgement and upholding values of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour in a way that properly takes the public interest into consideration and meets auditing and ethical standards.	Leadership messages Section 2: Commitment to sustainable audit quality Appendix 3: Governance and leadership – Public Interest Board; UK Audit Board Appendix 3: Audit quality and culture
B.1.1 The firm's governance structures and management should establish and promote throughout the firm an appropriate culture, supportive of the firm's public interest role and long-term sustainability. This should be achieved in particular through the right tone from the top, through the firm's policies and practices and by management publicly committing themselves and the whole firm to quality work, the public interest and professional judgement and values.	See B.1 above
B.1.2 Firms should introduce KPIs on the performance of their governance system, and report on performance against these in their transparency reports.	Appendix 3: Governance and leadership – EY UK Key Performance Indicators on governance
B.1.3 The firm should have a Code of Conduct which it discloses on its website and requires everyone in the firm to apply. The Board and Independent Non- Executives should oversee compliance with it.	Appendix 3: Governance and leadership – EY UK Key Performance Indicators on governance Appendix 3: Managing risk – Ethics and whistleblowing

## Audit Firm Governance Code (Cont'd)

Principles and provisions of the 2016 AFGC VALUES	How EY UK is addressing the principles and provisions
<b>B.2 Governance principle</b> A firm should publicly commit itself to this Audit Firm Governance Code.	Context – Audit Firm Governance Code
B.2.1 The firm should incorporate the principles of this Audit Firm Governance Code into an internal Code of Conduct.	The firm's Code of Conduct is established at a global level (see: About us) but its principles are consistent with the relevant principles of the AFGC
<b>B.3 Openness principle</b> A firm should maintain a culture of openness which encourages people to consult and share problems, knowledge and experience in order to achieve quality work in a way that properly takes the public interest into consideration.	Section 2: Commitment to sustainable audit quality – Audit engagement team resolution process for differences of professional opinion; Tone at the top; Consultation requirements  Section 4: Investing in exceptional talent and continuing education – Engagement  Appendix 3: Managing risk – Compliance Statements
Principles and provisions of the 2016 AFGC INDEPENDENT NON-EXECUTIVES	How EY UK is addressing the principles and provisions
<b>C.1 Involvement of Independent Non-Executives principle</b> A firm should appoint Independent Non-Executives to the governance structure who through their involvement collectively enhance the firm's performance in meeting the purpose of the Code.	Leadership messages Section 1: About us – Network arrangements Appendix 3: Governance and leadership – Independent and Audit Non-Executives
C.1.1 Independent Non-Executives should number at least three and be in the majority on a body that oversees public interest matters; and/or be members of other relevant governance structures within the firm.  They should also meet as a separate group to discuss matters relating to their remit. They should have full visibility of the entirety of the business but should pay particular attention to and report on risks to audit quality and how they are addressed.  If a firm considers that having three INEs is inappropriate given its size or number of public company clients, it should explain this in its transparency report and ensure a minimum of two at all times. Where the firm adopts an international approach to its management, it should have at least three INEs with specific responsibility and relevant experience to focus on the UK business and to take part in governance arrangements for this market; or explain why it regards a smaller number to be more appropriate, in which event there should be a minimum of two.	See C.1 above



## Audit Firm Governance Code (Cont'd)

Principles and provisions of the 2016 AFGC INDEPENDENT NON-EXECUTIVES	How EY UK is addressing the principles and provisions
<p>C.1.2 The firm should disclose on its website and in its transparency report information about the appointment, retirement and resignation of Independent Non- Executives; their remuneration; their duties and the arrangements by which they discharge those duties; and the obligations of the firm to support them.</p> <p>The firm should report on why it has chosen to position its Independent Non- Executives in the way it has (for example, as members of the main Board or on a public interest committee).</p> <p>The firm should also disclose on its website the terms of reference and composition of any governance structures whose membership includes Independent Non-Executives.</p>	<p>Leadership messages</p> <p>Appendix 3: Governance and leadership – Independent and Audit Non-Executives</p> <p>Appendix 8: EY UK Non-Executives' biographies</p> <p>Terms of Reference available on the EY website</p>
<p>C.1.3 The Independent Non-Executives should report in the firm's transparency report on how they have worked to meet the purpose of the Code defined as:</p> <ul style="list-style-type: none"> <li>▶ Promoting audit quality.</li> <li>▶ Helping the firm secure its reputation more broadly, including in its non-audit businesses.</li> <li>▶ Reducing the risk of firm failure.</li> </ul>	<p>Leadership messages</p> <p>Appendix 3: Governance and leadership – Public Interest Board; UK Audit Board</p>
<p>C.1.4 Independent Non-Executives should have regular contact with the Ethics Partner, who should under the ethical standards have a reporting line to them.</p>	<p>Appendix 3: Governance and leadership – Independent and Audit Non-Executives; EY Support</p>
<p><b>C.2 Characteristics of Independent Non-Executives principle</b></p> <p>The Independent Non-Executives' duty of care is to the firm. They should command the respect of the firm's owners and collectively enhance shareholder confidence by virtue of their independence, number, stature, experience and expertise.</p> <p>They should have a balance of relevant skills and experience including of audit and a regulated sector.</p> <p>At least one Independent Non-Executive should have competence in accounting and/or auditing, gained for example from a role on an audit committee, in a company's finance function, as an investor or at an audit firm.</p>	<p>Appendix 3: Governance and leadership – Independent and Audit Non-Executives</p> <p>Appendix 8: EY UK Non-Executives' biographies</p>
<p>C.2.1 The firm should state in its transparency report its criteria for assessing the impact of Independent Non-Executives on the firm's independence as auditors and their independence from the firm and its owners.</p>	<p>Appendix 3: Governance and leadership – Independent and Audit Non-Executives</p>

## Audit Firm Governance Code (Cont'd)

Principles and provisions of the 2016 AFGC INDEPENDENT NON-EXECUTIVES	How EY UK is addressing the principles and provisions
<b>C.3 Rights and responsibilities of Independent Non-Executives principle</b> Independent Non-Executives of a firm should have rights consistent with their role including a right of access to relevant information and people to the extent permitted by law or regulation, and a right to report a fundamental disagreement regarding the firm to its owners and, where ultimately this cannot be resolved and the Independent Non-Executive resigns, to report this resignation publicly.	Appendix 3: Governance and leadership – Independent and Audit Non-Executives  Revised Terms of Reference available on the EY website
C.3.1 Each Independent Non-Executive should have a contract for services setting out their rights and duties.	Appendix 3: Governance and leadership – Independent and Audit Non-Executives
C.3.2 Independent Non-Executives should be appointed for specific terms and any term beyond nine years should be subject to particularly rigorous review and explanation.	Appendix 3: Governance and leadership – Independent and Audit Non-Executives
C.3.3 The responsibilities of an Independent Non-Executive should include, but not be limited to, oversight of the firm's policies and processes for: <ul style="list-style-type: none"> <li>▸ Promoting audit quality.</li> <li>▸ Helping the firm secure its reputation more broadly, including in its non-audit businesses.</li> <li>▸ Reducing the risk of firm failure.</li> </ul>	Leadership messages  Appendix 3: Governance and leadership – Independent and Audit Non-Executives; Public Interest Board; UK Audit Board
C.3.4 The firm should ensure that appropriate indemnity insurance is in place in respect of legal action against any Independent Non-Executive in respect of their work in that role.	Appendix 3: Governance and leadership – Independent and Audit Non-Executives
C.3.5 The firm should provide each Independent Non-Executive with sufficient resources to undertake their duties including having access to independent professional advice at the firm's expense where an Independent Non-Executive judges such advice necessary to discharge their duties.	Appendix 3: Governance and leadership – Independent and Audit Non-Executives
C.3.6 The firm should establish, and disclose on its website, procedures for dealing with any fundamental disagreement that cannot otherwise be resolved between the Independent Non-Executives and members of the firm's management team and/or governance structures.	Appendix 3: Governance and leadership – Independent and Audit Non-Executives

## Audit Firm Governance Code (Cont'd)

Principles and provisions of the 2016 AFGC OPERATIONS	How EY UK is addressing the principles and provisions
<p><b>D.1 Compliance principle</b></p> <p>A firm should comply with professional standards and applicable legal and regulatory requirements. Operations should be conducted in a way that promotes audit quality and the reputation of the firm. The Independent Non-Executives should be involved in the oversight of operations.</p>	<p>Leadership messages</p> <p>Section 2: Commitment to sustainable audit quality – Infrastructure supporting quality; Instilled professional values; Performance of audits</p> <p>Appendix 3: Governance and leadership – Independent and Audit Non-Executives; Public Interest Board; UK Audit Board</p> <p>Appendix 3: Managing risk – Principal risks and actions to mitigate risks</p>
<p>D.1.1 The firm should establish policies and procedures for complying with applicable legal and regulatory requirements and international and national standards on auditing, quality control and ethics, including auditor independence.</p>	<p>Section 2: Commitment to sustainable audit quality – Infrastructure supporting audit quality; Instilled professional values; Client acceptance and continuance; Performance of audits; Review and consultation; Audit quality reviews</p> <p>Section 3: Independence practices</p>
<p>D.1.2 The firm should establish policies and procedures for individuals signing group audit reports to comply with applicable standards on auditing dealing with group audits including reliance on other auditors whether from the same network or otherwise.</p>	<p>Appendix 3: Audit quality and culture – Group audits</p>
<p>D.1.3 The firm should state in its transparency report how it applies policies and procedures for managing potential and actual conflicts of interest.</p>	<p>Section 2: Commitment to sustainable audit quality – Client acceptance and continuance</p> <p>Section 3: Independence practices – Global Monitoring System; Independence confirmation; Independence compliance reviews; Personal independence compliance testing</p> <p>Appendix 3: Managing risk – Principal risks</p>
<p>D.1.4 The firm should take action to address areas of concern identified by audit regulators in relation to the firm's audit work.</p>	<p>Section 2: Commitment to sustainable audit quality – Internal quality control system</p> <p>Appendix 3: Audit quality and culture</p>

## Audit Firm Governance Code (Cont'd)

Principles and provisions of the 2016 AFGC OPERATIONS	How EY UK is addressing the principles and provisions
<p><b>D.2 Risk management principle</b></p> <p>A firm should maintain a sound system of internal control and risk management over the operations of the firm as a whole to safeguard the firm and reassure stakeholders.</p>	<p>Leadership messages</p> <p>Section 2: Commitment to sustainable audit quality – Internal quality control system</p> <p>Appendix 3: Managing risk – Our Three Lines of Defence Model</p>
<p>D.2.1 The firm should, at least annually, conduct a review of the effectiveness of the firm's system of internal control.</p> <p>Independent Non-Executives should be involved in the review which should cover all material controls, including financial, operational and compliance controls and risk management systems as well as the promotion of an appropriate culture underpinned by sound values and behaviour within the firm</p>	<p>Section 2: Commitment to sustainable audit quality – Internal quality control system</p> <p>Appendix 3: Audit quality and culture</p> <p>Appendix 3: Managing risk</p> <p>Appendix 3: Managing risk – Compliance Statement</p>
<p>D.2.2 The firm should state in its transparency report that it has performed a review of the effectiveness of the system of internal control, summarise the process it has applied and confirm that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from that review.</p> <p>It should also disclose the process it has applied to deal with material internal control aspects of any significant problems disclosed in its financial statements or management commentary.</p>	<p>Appendix 3: Managing risk – Our Three Lines of Defence Model</p> <p>Appendix 3: Managing risk – Compliance Statement</p>
<p>D.2.3 The firm should carry out a robust assessment of the principal risks facing it, including those that would threaten its business model, future performance, solvency or liquidity. This should reference specifically the sustainability of the audit practice within the UK.</p>	<p>See D.2.2 above.</p>

## Audit Firm Governance Code (Cont'd)

Principles and provisions of the 2016 AFGC OPERATIONS	How EY UK is addressing the principles and provisions
<p><b>D.3 People management principle</b></p> <p>A firm should apply policies and procedures for managing people across the whole firm that support its commitment to the professionalism, openness and risk management principles of this Audit Firm Governance Code.</p>	<p>Leadership messages</p> <p>Section 2: Commitment to sustainable audit quality – Infrastructure supporting quality; Instilled professional values</p> <p>Section 4: Investing in exceptional talent and continuing education – Development of EY people</p>
<p>D.3.1 The firm should disclose on its website how it supports its commitment to the professionalism, openness and risk management principles of the Audit Firm Governance Code through recruitment, development activities, objective setting, performance evaluation, remuneration, progression, and other forms of recognition, representation and involvement.</p>	<p>Refer to EY website</p>
<p>D.3.2 Independent Non-Executives should be involved in reviewing people management policies and procedures, including remuneration and incentive structures, to ensure that the public interest is protected.</p>	<p>Leadership messages</p> <p>Appendix 3: Governance and leadership – UK Audit Board; Audit Board Remuneration Committee</p>
<p><b>D.4 Whistleblowing principle</b></p> <p>A firm should establish and apply confidential whistleblowing policies and procedures across the firm which enable people to report, without fear, concerns about the firm's commitment to quality work and professional judgement and values in a way that properly takes the public interest into consideration.</p> <p>The Independent Non-Executives should be satisfied that there is an effective whistleblowing process in place.</p>	<p>Section 2: Commitment to sustainable audit quality – Whistleblowing</p> <p>Appendix 3: Managing risk – Ethics and whistleblowing</p> <p>Leadership messages</p> <p>Section 1: About us – Independent Non-Executives</p> <p>Appendix 3: Governance and leadership – Independent and Audit Non-Executives</p>
<p>D.4.1 The firm should report to Independent Non-Executives on issues raised under its whistleblowing policies and procedures and disclose those policies and procedures on its website.</p>	<p>See D.4 above</p> <p>Refer to EY website</p>



## Audit Firm Governance Code (Cont'd)

Principles and provisions of the 2016 AFGC REPORTING	How EY UK is addressing the principles and provisions
<b>E.1 Internal reporting principle</b> The management of a firm should ensure that members of its governance structures, including owners and Independent Non-Executives, are supplied with information in a timely manner and in a form and of a quality appropriate to enable them to discharge their duties.	Appendix 3: Governance and leadership – Governance structure and management
<b>E.2 Governance reporting principle</b> A firm should publicly report how it has applied in practice each of the principles of the Audit Firm Governance Code (AFGC) and make a statement on its compliance with the Code's provisions or give a considered explanation for any non-compliance.	Context – Audit Firm Governance Code Appendix 3: Governance and leadership Appendix 4: Audit Firm Governance Code (this appendix)
E.2.1 The firm should publish on its website an annual transparency report containing the disclosures required by Code Provisions A.1.2, A.1.3, B.1.2, C.2.1, D.1.3, D.2.2, E.2.1 and E.3.1	Refer to EY website
E.2.2 In its transparency report the firm should give details of any additional provisions from the UK Corporate Governance Code which it has adopted within its own governance structure.	Context
<b>E.3 Transparency principle</b> A firm should publish on an annual basis in its transparency report a commentary on the firm's performance, position and prospects.	Leadership messages For further information on the performance and position of EY UK, see the EY UK Annual Results 2022, due to be published in the autumn of 2022.
E.3.1 The firm should confirm that it has carried out a robust assessment of the principal risks facing the audit firm, including those that would threaten its business model, future performance, solvency or liquidity. The firm should describe those risks and explain how they are being managed or mitigated.	Appendix 3: Managing risk – Principal risks
E.3.2 The transparency report should be fair, balanced and understandable in its entirety.	Appendix 3: Governance and leadership – EY UK Key Performance Indicators on governance
<b>E.4 Reporting quality principle</b> A firm should establish formal and transparent arrangements for monitoring the quality of external reporting and for maintaining an appropriate relationship with the firm's auditors.	Appendix 3: Governance and leadership – UK Audit Committee
E.4.1 The firm should establish an audit committee and disclose on its website information on the committee's membership and terms of reference which should deal clearly with its authority and duties, including its duties in relation to the appointment and independence of the firm's auditors. On an annual basis, the audit committee should publish a description of its work and how it has discharged its duties.	Refer to EY website Revised ToR on the EY website Appendix 3: Governance and leadership – UK Audit Committee

## Audit Firm Governance Code (Cont'd)

Principles and provisions of the 2016 AFGC REPORTING	How EY UK is addressing the principles and provisions
<b>E.5 Financial statements principle</b> A firm should publish audited financial statements prepared in accordance with a recognised financial reporting framework such as International Financial Reporting Standards or UK GAAP, and should be clear and concise.	Ernst & Young LLP financial statements available from Companies House (to be filed in the autumn of 2022).
E.5.1 The firm should explain who is responsible for preparing the financial statements and the firm's auditors should make a statement about their reporting responsibilities, preferably in accordance with the extended audit report standards.	Ernst & Young LLP financial statements available from Companies House (to be filed in the autumn of 2022).
E.5.2 The firm should state whether it considers it appropriate to adopt the going concern basis of accounting and identify any material uncertainties to its ability to continue to do so, with supporting assumptions or qualifications as necessary.	Ernst & Young LLP financial statements available from Companies House (to be filed in the autumn of 2022).
Principles and provisions of the 2016 AFGC DIALOGUE	How EY UK is addressing the principles and provisions
<b>F.1 Firm dialogue principle</b> A firm should have dialogue with listed company shareholders, as well as listed companies and their audit committees, about matters covered by this Audit Firm Governance Code to enhance mutual communication and understanding and ensure that it keeps in touch with shareholder opinion, issues and concerns.	Leadership messages Appendix 3: Governance and leadership – EY UK Key Performance Indicators on governance Appendix 3: Stakeholder dialogue
F.1.1 The firm should disclose on its website its policies and procedures, including contact details, for dialogue about matters covered by this Audit Firm Governance Code with listed company shareholders and listed companies. It should also report on the dialogue it has had during the year. The Independent Non-Executives disclosures should cover the nature and extent of the involvement of Independent Non-Executives in such dialogue.	Refer to EY website
<b>F.2 Shareholder dialogue principle</b> Shareholders should have dialogue with audit firms to enhance mutual communication and understanding.	See F1 above
<b>F.3 Informed voting principle</b> Shareholders should have dialogue with listed companies on the process of recommending the appointment and re-appointment of auditors and should make considered use of votes in relation to such recommendations.	See F1 above Through our stakeholder engagement activities, we encourage ongoing dialogue between investors and listed companies.



## Appendix 5: EU Audit Regulation (537/2014)

## Appendix 5: EU Audit Regulation (537/2014)



Under Article 13 of The EU Audit Regulation (537/2014), subsequently incorporated into UK domestic law by Section 3 of the European Union (Withdrawal) Act 2018, EY UK is required to disclose certain information. The table below shows where these disclosures can be found in this Transparency Report.

Provisions of the regulation	Where to find information on how EY UK complies with the regulation
a. A description of the legal structure and ownership of the statutory auditor, if it is a firm.	Section 1: About us – Legal structure, ownership and governance; Network arrangements
b. Where the statutory auditor is a member of a network:	
i. A description of the network and the legal and structural arrangements in the network.	See (a) above
ii. The name of each member of the network that is eligible for appointment as a statutory auditor, or is eligible for appointment as an auditor in an EEA State or in Gibraltar.	Appendix 2: Approved EYG member firms
iii. For each of the members of the network identified under paragraph (ii), the countries in which they are eligible for appointment as auditors or in which they have a registered office, central administration or principal place of business.	See b (ii) above
iv. The total turnover of the members of the network identified under paragraph (ii), resulting from statutory audit work or equivalent work in the EEA States or Gibraltar.	Appendix 2: Approved EYG member firms
c. A description of the governance structure of the statutory auditor, if it is a firm.	Appendix 3: Governance and leadership – Legal structure, Governance structure and management
d. A description of the internal quality control system of the statutory auditor and a statement by the management body on the effectiveness of its functioning.	Section 2: Commitment to sustainable audit quality – Internal quality control system Appendix 3: Audit quality and culture Appendix 3: Managing risk Appendix 3: Managing risk – Compliance Statement
e. An indication of when the last quality assurance review referred to in Article 26 was carried out.	Appendix 3: Audit quality and culture – Results of FRC reviews

## EU Audit Regulation (537/2014) (Cont'd)

Provisions of the regulation	Where to find information on how EY UK complies with the regulation
f. A list of public interest entities for which the statutory auditor carried out statutory audits during the preceding financial year.	Appendix 1: List of PIE companies we audit
g. A statement concerning the statutory auditor's independence practices which also confirms that an internal review of independence compliance has been conducted.	Section 3: Independence practices
h. A statement on the policy followed by the statutory auditor concerning the continuing education of statutory auditors referred to in paragraph 11 of Schedule 10 to the Companies Act 2006.	Section 4: Investing in exceptional talent and continuing education – Development of EY people
i. Information concerning the basis for the ' remuneration of members of the management body of the statutory auditor, where that statutory auditor is a firm.	Section 5: Revenue and remuneration
j. A description of the statutory auditor's policy concerning the rotation of key audit partners and staff in accordance with Article 17(7).	Section 2: Commitment to sustainable audit quality – Rotation and long association
k. Where not disclosed in its accounts, information about the total turnover of the statutory auditor, divided into the following categories:	Section 5: Revenue and remuneration
i. Revenues from the statutory audit of accounts of public interest entities and members of groups of undertakings whose parent undertaking is a public interest entity.	See 'k' above
ii. Revenues from the statutory audit of accounts of other entities.	See 'k' above
iii. Revenues from permitted non-audit services to entities that are audited by the statutory auditor.	See 'k' above
iv. Revenues from non-audit services to other entities.	See 'k' above





## Appendix 6: Local Auditors (Transparency) Regulations 2020

## Appendix 6: Local Auditors (Transparency) Regulations 2020



### Financial Reporting Council – The Local Auditors (Transparency) Regulations 2020

Provisions of the regulations	Where to find information on how EY complies with the regulations
a. A description of the legal structure, governance and ownership of the transparency reporting local auditor.	Section 1: About us – Legal structure, ownership and governance; Network arrangements  Appendix 3: Governance and leadership – Governance structure and management
b. Where the transparency reporting local auditor belongs to a network, a description of the network and the legal, governance and structural arrangements of the network.	See (a) above
c. A description of the internal quality control system of the transparency reporting local auditor and a statement by the administrative or management body on the effectiveness of its functioning in relation to local audit work.	Leadership messages Section 2: Commitment to Sustainable Audit Quality – Internal quality control system Appendix 3: Audit quality and culture Appendix 3: Managing risk Appendix 3: Managing risk – Compliance Statement
d. A description of the transparency reporting local auditor's independence procedures and practices including a confirmation that an internal review of independence practices has been conducted.	Section 3: Independence practices
e. Confirmation that all engagement leads are competent to undertake local audit work and staff working on such assignments are suitably trained.	Appendix 3: Audit quality and culture – Local audits
f. A statement of when the last monitoring of the performance by the transparency reporting local auditor of local audit functions, within the meaning of paragraph 23 of Schedule 10 to the Companies Act 2006, as applied in relation to Local Audits by Section 17 and paragraphs 1, 2 and 28 (7) of Schedule 5 to the Act, took place.	Appendix 3: Audit quality and culture – FRC inspections of public sector appointments; QAD inspections of public sector appointments

## Financial Reporting Council – The Local Auditors (Transparency) Regulations 2020

Provisions of the regulations	Where to find information on how EY complies with the regulations
g. A list of major Local Audits in respect of which an audit report has been made by the transparency reporting local auditor in the financial year of the auditor; and any such list may be made available elsewhere on the website specified in regulation 4 provided that a clear link is established between the transparency report and such a list.	Appendix 6: Local Auditors (Transparency) Regulations 2020
h. A statement on the policies and practices of the transparency reporting local auditor designed to ensure that persons eligible for appointment as a local auditor continue to maintain their theoretical knowledge, professional skills and values at a sufficiently high level.	Section 2: Commitment to sustainable audit quality – Infrastructure supporting audit quality; Instilled professional values Appendix 3: Audit quality and culture – Local audits Section 4: Investing in exceptional talent and continuing education – Development of EY people
i. Turnover for the financial year of the transparency reporting local auditor to which the report relates, including the showing of the importance of the transparency reporting local auditor's local audit work.	Section 5: Revenue and remuneration
j. Information about the basis for the remuneration of partners	Section 5: Revenue and remuneration



## List of major Local Audits

Engagement	Sector	Type
Bedford Borough Council	Local Government	Unitary Authority
Bedford Pension Fund	Local Government Pension Fund	Local Government Pension Fund
Central Bedfordshire Council	Local Government	Unitary Authority
Greater London Authority	Local Government	GLA and Functional Bodies
Hampshire County Council	Local Government	County Council
Hampshire Pension Fund	Local Government Pension Fund	Local Government Pension Fund
Hertfordshire County Council	Local Government	County Council
Hertfordshire Pension Fund	Local Government Pension Fund	Local Government Pension Fund
London Ambulance Service NHS Trust	NHS	Ambulance NHS Trust
London Borough of Bexley	Local Government	London Borough Council
London Borough of Bexley Council Pension Fund	Local Government Pension Fund	Local Government Pension Fund
London Borough of Hillingdon	Local Government	London Borough Council
London Borough of Hillingdon Pension Fund	Local Government Pension Fund	Local Government Pension Fund
London Borough of Newham	Local Government	London Borough Council
London Borough of Newham Pension Fund	Local Government Pension Fund	Local Government Pension Fund
London Borough of Redbridge	Local Government	London Borough Council
London Borough of Redbridge Pension fund	Local Government Pension Fund	Local Government Pension Fund
London Fire Commissioner	Local Government	Fire Authority
Merton Council	Local Government	London Borough Council
Merton Pension Fund	Local Government Pension Fund	Local Government Pension Fund
Milton Keynes Council	Local Government	Unitary Authority
Newcastle City Council	Local Government	Metropolitan District Council
NHS Berkshire West Commissioning Group	NHS	Clinical Commissioning Group
NHS Buckinghamshire Clinical Commissioning Group	NHS	Clinical Commissioning Group
NHS Cambridgeshire and Peterborough Clinical Commissioning Group	NHS	Clinical Commissioning Group
NHS Coventry and Warwickshire Clinical Commissioning Group	NHS	Clinical Commissioning Group
NHS Durham Clinical Commissioning Group	NHS	Clinical Commissioning Group

## List of major Local Audits (Cont'd)

Engagement	Sector	Type
NHS Lincolnshire CCG	NHS	Clinical Commissioning Group
NHS Norfolk and Waveney Clinical Commissioning Group	NHS	Clinical Commissioning Group
NHS Oxfordshire Clinical Commissioning Group	NHS	Clinical Commissioning Group
NHS Tees Valley Clinical Commissioning Group	NHS	Clinical Commissioning Group
NHS West Sussex Clinical Commissioning Group	NHS	Clinical Commissioning Group
Norfolk County Council	Local Government	County Council
Norfolk Pension Fund	Local Government Pension Fund	Local Government Pension Fund
North Tyneside Council	Local Government	Metropolitan District Council
Northamptonshire County Council	Local Government	County Council
Northamptonshire Pension Fund	Local Government Pension Fund	Local Government Pension Fund
Police and Crime Commissioner for Hampshire	Local Government Police body	Police and Crime Commissioner
Police and Crime Commissioner for Kent	Local Government Police body	Police and Crime Commissioner
Police and Crime Commissioner for Sussex	Local Government Police body	Police and Crime Commissioner
Police and Crime Commissioner for Thames Valley	Local Government Police body	Police and Crime Commissioner
Portsmouth City Council	Local Government	Unitary Authority
Royal Free London NHS Foundation Trust	NHS	Foundation Trust
Southampton City Council	Local Government	Unitary Authority
Suffolk County Council	Local Government	County Council
Suffolk Pension Fund	Local Government Pension Fund	Local Government Pension Fund
Transport for London	Local Government	GLA and Functional Bodies
West Sussex County Council	Local Government	County Council
West Sussex Pension Fund	Local Government Pension Fund	Local Government Pension Fund





## Appendix 7: EY UK Board Members' biographies

## Appendix 7: EY UK Board Members' biographies



**Anna Anthony**  
Managing Partner, UK FSO

Anna Anthony is EY's UK Financial Services Managing Partner, responsible for over 200 partners and 4,000 employees

serving clients in the banking, insurance and asset management sectors, and sits on the EY UK Board. Outside of EY, Anna is a NED for the International Business and Diplomatic Exchange, a non-profit organisation providing leadership in promoting international trade and investment flows.

With more than 20 years' experience advising the financial services sector across EMEA markets, Anna has led on many

large-scale projects, including high-profile mergers and acquisitions (M&A) and restructuring programmes. And, as a qualified tax accountant, she has extensive experience in providing and implementing complex international tax advice to the world's largest financial institutions.

From her platform as a senior partner in EY UK, Anna is an active and visible advocate of the diversity and inclusiveness agenda and plays a leadership role on EY's sustainability journey.



**Hywel Ball**  
UK Managing Partner

Hywel has been with EY for over 35 years, including 25 years as partner.

He has worked in EY's London, New York and Edinburgh offices, and has worked with leading multinational and FTSE listed organisations from across a range of sectors.

Before taking his current role as EY's UK Chair and UK & Ireland Managing Partner in 2020, Hywel was the UK Head of Audit and Managing Partner of Assurance and was the signing audit partner on a number of FTSE 50 companies. During his tenure, Hywel drove a unrelenting focus on audit quality while also significantly growing both the audit and non-audit practices.

Hywel is a leading voice on the importance of long-term value creation and co-authored the EY Long-Term Value framework, which is designed to help companies measure and communicate the value they create for all stakeholders.

He led a proof of concept of this framework with the Coalition for Inclusive Capitalism and over 30 global participants, in an initiative called The Embankment Project. Hywel also led the auditors' advisory group for the Brydon review of the audit profession and was a member of the Advisory Board for the FRC's review of Corporate Reporting.

More widely, Hywel is passionate about the role that business plays in society. Under his leadership, EY in the UK has led the way in a number of areas, including entering into a 10-year zero carbon Power Purchase Agreement so that the majority of the energy EY UK uses will be zero carbon.

In addition, Hywel is a member of HM Treasury's Professional Services Council, the CBI President's Committee, the Corporate Advisory Group of the British Academy's Future of the Corporation Programme and is a fellow of the Royal Society of Arts. He is also on the audit committee of The British Museum.



**Lisa Cameron**  
General Counsel

Lisa is a dual qualified lawyer who joined EY in 1998. She assumed the role of EY UK's General Counsel on becoming partner in 2006 and is responsible for all legal issues affecting EY UK. Lisa and her team advise leadership and partners on matters of contract, regulation, governance, transactions, litigation, employment, and overall practice protection.

In the current environment, ethical conduct and decision making in all aspects of our work and behaviour are essential to building trust and protecting our reputation and that of our people, and a part of Lisa's role is supporting our people and organisation, to make the right decisions and behave in a professional and ethical manner.



**Christabel Cowling**  
UK Head of Regulatory and Public Policy

Christabel has been with EY for 20 years, having previously worked for PwC. She has extensive experience in auditing multinational listed groups under IFRS and of reporting accountant work for corporate transactions. As UK Head of Regulatory and Public Policy, Christabel leads our response to the UK's audit reforms and she is Chair of the cross-firm Policy and Reputation Group.

Prior to her current role, Christabel led our audit practice across the North of England and Scotland between 2011 and 2014 and was the Chief Operating Officer for Assurance across the UK & Ireland between 2014 to 2018.



**Alison Duncan**  
Audit Partner

Alison has been with EY for 30 years, 19 of which as a partner, in which time she has been the Global Client Service and Lead Audit Partner on a number of FTSE 100 companies.

Alison has a number of firm governance roles including Deputy Chair of the UK&I Regional Partner Forum and a member of both EY's EMEIA Advisory Council and GGC. Alison is a member of the EY UK Board as a UK&I Partner Forum representative and chairs the EY UK Audit Committee.

Alison has held a number of leadership positions including UK&I Assurance Chief Innovation Officer and Digital Assurance Leader, and Managing Partner for People when she was a member of the UK Executive.

Alison is a board member and chairs the Finance Committee of Teach First, a UK non-for-profit organisation that is focussed on building a movement of leaders in classrooms, schools and across society to end educational inequality in the UK.



**Jane Goldsmith**  
Managing Partner, Risk Management, UK

Jane Goldsmith was appointed Managing Partner Risk Management for the UK firm on 01 November 2020. She has been a partner in the UK firm since 2008. Before becoming the firm's Risk Leader, Jane was a consulting partner, focusing on CFO Advisory and latterly on Regulatory

Remediation. She has also held leading roles on the talent agenda, including Talent and Partner Matters Leader for the UK FSO practice, and Talent Leader for the EMEIA Advisory business.



**Adam Munton**  
Capital Markets Partner

Adam has over 30 years' experience in professional services with experience spanning wholesale, retail and corporate banking, asset management and capital markets. Adam specialised in the management of large-scale delivery programmes, business change and IT transformation. He joined EY in 2014 after 24 years with Accenture where he was a Managing Director.

Adam is EY's Client Service Partner for a number of the firm's largest banking clients with accountability for all aspects of the services provided across the EMEA region. Adam also has responsibility for Quality and Risk Management matters in the FSO Markets team. He has also been a UK FSO Partner Forum member for over two years. He joined the EY UK Board as a Partner Forum representative in October 2021.



**Lynn Rattigan**  
UK Chief Operating Officer and EY Entrepreneur Of The Year™ UK Partner Sponsor

Lynn has spent her entire career in professional services. She has been a partner since 2001 and has held a number of leadership, management and client facing roles during that time. Lynn has been the Chief Operating Officer (COO) for the UK firm for the last seven years, and in her capacity as COO she sits on the UK Firm's executive management team and is also a member of the EY UK Board.

From a client perspective, Lynn has had an extensive and diverse range of client experiences throughout her career, having worked with a number of FTSE 100 companies and private equity houses, specialising in the delivery of Corporate Finance services. Lynn is also currently Partner Sponsor for EY's iconic Entrepreneur Of The Year programme which celebrates, supports and connects entrepreneurs, recognising the contribution of people who build and lead successful, growing and dynamic businesses, inspiring others with their vision, leadership and achievement.



**Sundar Viswanathan**  
Strategy and Transactions Partner

Sundar Viswanathan has over 17 years' experience with EY, seven as a partner in the Strategy & Transactions Team. He currently focuses on advising private equity investors on complex carve-outs and businesses with significant value creation potential.

Prior to joining EY, Sundar gained eight years' experience in various roles, including audit, risk advisory and post-merger integration in professional services and corporate environments.



**Andrew Walton**  
UK Head of Audit

Andrew is UK Head of Audit and also a member of the EY UK Board. Andrew has been at EY for 31 years, the last 18 of which as a partner. Andrew is currently the lead audit partner for a FTSE 100 company and has extensive experience of working with large listed corporations, notably in the consumer products sector.

Prior to his appointment as UK Head of Audit, he has held other leadership positions including UK & Ireland Deputy Head of Audit, UK & Ireland Head of Assurance Markets and London Audit Leader. Andrew has had three secondments during his career: to our Toronto audit practice, to our talent function and to our commercial due diligence practice. He is an Investment Committee member for the Social Business Trust.





## Appendix 8: EY UK Non- Executives' biographies

## Appendix 8: EY UK Non-Executives' biographies



**Tonia Lovell**

Tonia practised law for over 25 years, at Linklaters and then in-house at Unilever plc. During her 20 plus years at Unilever her roles included Chief Legal Officer (2010-2013), Group Secretary (2010-2018), General Counsel, Corporate Governance (2015-2018) and General Counsel for the UK and Ireland (2003-2010). She was also an advisory member of the Unilever Executive Committee, corporate governance adviser to the Unilever Boards and Director of Unilever UK/Ireland, as well as a member of a number of committees.

Tonia is a member of the External Advisory Committee to Royal London Asset Management's sustainability funds, an executive coach/mentor to members of the legal community, a school governor and a former member of the GC100 Executive Committee.

Tonia was selected to chair the PIB, given her legal background and extensive governance experience at a plc level.



**David Thorburn**

David's career spans over 40 years in banking, with Clydesdale & Yorkshire Banks, TSB Group, the Bank of England, Barclays Bank UK PLC, and most recently the Coventry Building Society.

David has been pursuing a portfolio career since 2015. David is Chair of the Coventry Building Society and of the Chartered Banker Institute 2025 Foundation.

David is a Chartered Banker and former External Member of the Bank of England's Prudential Regulatory Committee. He is also a former Chairman of CBI Scotland, a Past President

of The Chartered Institute of Bankers in Scotland, and former Board Director of the British Bankers Association and Scottish Financial Enterprise.

David was an EY Global INE, until stepping down in May 2022, at the end of his second and therefore last term. He was also Chair of EY's Public Interest Committee (Global). David continues to be an EY UK INE and ANE.

David was selected to chair the AB, given his corporate background and his in-depth understanding of EY's global approach to audits obtained through his role as a Global INE.



**Sir Peter Westmacott**

Sir Peter was British Ambassador to the United States from January 2012 until he retired from the UK Diplomatic Service in January 2016. He then spent a semester at Harvard's Kennedy School of Government as a Resident Fellow.

Sir Peter was British Ambassador to France from 2007-2012 and to Turkey from 2002-2006. His 40-year diplomatic career included four years in Iran before the 1979 revolution and a secondment to the European Commission in Brussels.

He was the Foreign and Commonwealth Office's Director for the Americas from 1997-2000 and Deputy Under Secretary of State from 2000-2001. From 1990-1993, he was Deputy Private Secretary to His Royal Highness The Prince of Wales. He is now Senior Adviser at Chatham House, a Distinguished Ambassadorial Fellow at the Atlantic Council, chair of the international advisory board of Tikehau Capital, a NED of We.Soda Ltd, Volex Plc and Glasswall Holdings and an advisory director of Campbell Lutyens & Co.





## New appointments

At the beginning of FY22, two additional Non-Executives were recruited to EY UK. Mridul Hegde joined as an INE and ANE and sits on the newly formed PIB, UKAB and ABRemco. Philip Tew was appointed to the UKAB as the doubly independent ANE and chairs the ABRemco.



### Mridul Hegde

Mridul Hegde CB has been an Independent Non-Executive Director of HSBC UK and Chair of its Risk Committee since 2018. She was also a

Non-Executive Director of the UK Municipal Bonds Agency for three years. A former director of HM Treasury, Mridul was part of the leadership team that designed and executed the

UK Government's support of the banking sector during the global financial crisis. Prior to that, she was HM Treasury's Director of Public Spending and held a number of other senior roles. Mridul brings significant experience of UK financial services and of the wider regulatory and governance ecosystem.



### Philip Tew

Philip Tew is currently a NED and Chair of the Governance, Audit and Risk Committee (GARC) for Quilter Cheviot, a leading discretionary investment

management firm. He was previously a senior audit partner at PwC and worked there for 40 years, before leaving in 2018. Philip has a wealth of experience in the financial services sector and brings strong technical knowledge of financial reporting, accounting and auditing. He has worked

extensively with boards, audit committees and management teams across large and listed companies.

Philip was selected to:

- ▶ Take the role of the doubly independent ANE, focussed exclusively on the audit practice, given his extensive experience as an audit partner.
- ▶ Chair the ABRemCo given both this audit experience and his experience as Chair of GARC for Quilter Cheviot.



## Appendix 9: Meetings attendance

## Appendix 9: Meetings attendance



Table of attendance

The following tables show the level of attendance at scheduled EY board and committee meetings in FY22.

	Board	PIB	UKAB	UKCC	AEC	NomCo	ROC	UKAC	ABRemCo
Number of meetings in FY22	5*	4	4	17**	1	3	11	6	2
Anna Anthony	5	3		16	1	3			
Ian Baggs	1***								
Hywel Ball	5	4		14	1	3			
Justine Belton	1***		3						
Rodney Bonnard				12***					
Chris Bowles							11		
Lloyd Brown								6	
Lisa Cameron	4			14					
Justine Campbell				15					
Jenny Clayton							9		
Christabel Cowling	5					3	10		
Sue Dawe	1***								
Alison Duncan	4***							4***	
Javier Faiz			3						
Jane Goldsmith	5	3		14			10	2***	
Mridul Hegde		4	4						2
Gavin Jordan				12					
Alison Kay				8***					
Tonia Lovell	5	4	4			1***			2
Adam Munton	4***								
Debbie O'Hanlon	1***								
Lynn Rattigan	4			9	1				
Ally Scott				11					
Rupert Taylor				16					
Philip Tew			4						2
Stuart Thomson							11		
David Thorburn	5	4	4						2
Sundar Viswanathan	4***					2***			
Chris Voogd								6	
Andrew Walton	5		4						
Sir Peter Westmacott		4							
Sarah Williams								6	
Stuart Wilson								6	

\* Quarterly meetings are recorded here, but there were additional ad hoc meetings as and when required, and various decisions via electronic fora.

\*\* Scheduled meetings are recorded here, but there were other additional ad hoc meetings as and when required, and various decisions via electronic fora.

\*\*\*Given these individuals' respective appointment/stand-down dates, they have attended all possible meetings they could for this particular body, for FY22 with (due to conflicting commitments) the exception of Alison Kay (who attended 8 out of 14) and Rodney Bonnard (who attended 12 out of 14).



## Appendix 10: Descriptions of roles

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Role	Brief description
UK Managing Partner and Chair	<ul style="list-style-type: none"> <li>Leads EY's business in the UK including, among other responsibilities: <ul style="list-style-type: none"> <li>Represents and promotes the interests of EY UK</li> <li>Provides leadership for the partners and employees of EY UK and EY UK's subsidiary undertakings</li> <li>Acts as the interface with regulators and governmental authorities</li> <li>Responsible for managing risk, public policy, inclusive growth and geostrategic service offerings</li> </ul> </li> </ul>
UK Head of Audit	<ul style="list-style-type: none"> <li>Responsible for leading the UK audit practice (spanning companies, local authorities and entities in the financial services sector): <ul style="list-style-type: none"> <li>Includes all aspects of audit quality, recruitment, resourcing and performance management</li> <li>Involves overseeing matters of risk management</li> <li>Liaison with all audit regulators and professional bodies</li> </ul> </li> </ul>
Managing Partner, UK FSO	<ul style="list-style-type: none"> <li>Leads the UK FSO business and, among other things: <ul style="list-style-type: none"> <li>Responsible for a team dedicated to serving the UK financial services industry</li> <li>Tracks engagement quality, recruitment, resourcing, performance management, and inclusive growth as well as overseeing matters of risk management</li> <li>Works closely with the UK Managing Partner to ensure consistency of practice across the UK firm</li> <li>Acts as the interface with regulators and governmental authorities in financial services</li> </ul> </li> </ul>
UK Head of Regulatory & Public Policy	<ul style="list-style-type: none"> <li>Responsible for managing EY UK's regulatory risk, including: <ul style="list-style-type: none"> <li>Engagement with UK-based policy makers and regulators spanning auditing, corporate reporting, and corporate governance matters</li> <li>Works closely with senior EY colleagues, across the UK firm and wider network of EY firms, on regulatory matters with cross-firm and/or extraterritorial implications</li> <li>Leads a UK team of corporate governance and public policy subject matter experts</li> </ul> </li> </ul>
Managing Partner, Risk Management, UK	<ul style="list-style-type: none"> <li>Responsible for managing risk and regulatory compliance for the firm, including: <ul style="list-style-type: none"> <li>Partner and staff personal independence</li> <li>Independence aspects of business relationships, acquisitions, conflicts and audit pursuits</li> <li>Enterprise risk management</li> <li>Reputational risk management</li> <li>Business resilience, comprising business continuity crisis management, health and safety, and physical security</li> <li>Compliance, comprising client due diligence, client and engagement acceptance and compliance policy setting and monitoring</li> <li>Support for client-facing teams in delivering quality and exceptional client service</li> </ul> </li> </ul>

## Descriptions of roles (Cont'd)

Role	Brief description
General Counsel	<ul style="list-style-type: none"> <li>Responsible for all legal issues affecting the firm, advising leadership and partners on matters of: <ul style="list-style-type: none"> <li>Contract</li> <li>Regulation</li> <li>Governance</li> <li>Transaction</li> <li>Litigation</li> <li>Employment</li> <li>Overall practice protection</li> </ul> </li> </ul>
UK Chief Operating Officer	<ul style="list-style-type: none"> <li>Responsible for the day-to-day operations of EY UK, which encompasses: <ul style="list-style-type: none"> <li>Management of the activities of people across all functional areas of EY UK</li> <li>Oversight of the financial performance of EY UK that results from the execution the firm's strategy</li> <li>Manages external relationships with EY UK's suppliers, lending banks, external auditors and the pension trustee</li> </ul> </li> </ul>
UK Country Professional Practice Director	<ul style="list-style-type: none"> <li>A person designated by the Area PPD to be the Area PPD's representative for a Region. This person is responsible for: <ul style="list-style-type: none"> <li>The provision of support to audit teams in matters relating to risk management and compliance with the firm's policies and procedures (e.g., audit and accounting technical and learning support)</li> <li>A first point-of-contact for internal consultation</li> <li>The Regional PPD consults with the Area PPD, when appropriate</li> </ul> </li> </ul>
UK Audit Compliance Principal	<ul style="list-style-type: none"> <li>Responsible for ensuring: <ul style="list-style-type: none"> <li>That the UK firm complies with the audit regulations and any applicable obligation that is imposed by the Competent Authority</li> <li>To help ensure the monitoring required by these regulations is carried out satisfactorily and that any appropriate action is taken</li> </ul> </li> </ul>
Managing Partner, Scotland	<ul style="list-style-type: none"> <li>Responsible for the day-to-day operations of the EY UK business in Scotland, which encompasses: <ul style="list-style-type: none"> <li>Management of the activities of our people across all four EY Offices in Scotland, in conjunction with Office Managing Partners and Service Line Leaders</li> <li>Planning, influencing, oversight and monitoring of the client coverage plan and financial performance of the Scotland region of EY UK, in line with the execution of the firm's strategy</li> <li>In partnership with the Head of EY's FSO business in Scotland, management of key external stakeholder relationships across the country, including Scottish Government, Scottish Financial Enterprise, Institute of chartered Accountants of Scotland (ICAS) and various trade and industry bodies</li> </ul> </li> </ul>
Chief Operating Officer, UK FSO	<ul style="list-style-type: none"> <li>Responsible for the day-to-day operations of the UK FSO business, which forms part of EY UK: <ul style="list-style-type: none"> <li>The UK FSO COO has oversight of the financial performance of the UK FSO business, as well as investment decisions and operating model changes</li> <li>The UK FSO COO works closely with the UK COO on EY UK financial and operational matters that impact the UK FSO business</li> </ul> </li> </ul>



## Descriptions of roles (Cont'd)

Role	Brief description
Managing Partner, Talent	<ul style="list-style-type: none"> <li>▶ Leads the UK&amp;I talent function, responsible for ensuring the effective delivery of talent strategies integral to the firm's 'employee value proposition'. This includes the task of ensuring the firm is: <ul style="list-style-type: none"> <li>▶ Seen as a truly multicultural international business, upholding its values while delivering on its purpose, ambition, and employee value proposition</li> <li>▶ Includes the leadership of the HR Team</li> <li>▶ Involves the responsibility of leading the Partner Matters Team, spanning the pastoral care of the UK&amp;I partner group and annual succession planning, among other things</li> </ul> </li> </ul>
Managing Partner, UK FSO Talent	<ul style="list-style-type: none"> <li>▶ Responsible for leading the development, implementation, and monitoring of the UK FSO talent strategy, as part of the EY's EMEIA FSO talent strategy: <ul style="list-style-type: none"> <li>▶ Responsible for coordinating partner matters for UK FSO partners</li> <li>▶ Works closely with the EMEIA FSO Talent Lead, to ensure alignment with the EMEIA FSO region, and with the UK firm's Managing Partner, Talent, to ensure consistency of practice across the UK firm</li> </ul> </li> </ul>
UK Managing Partner, Client Service	<ul style="list-style-type: none"> <li>▶ Responsible for the execution of the EY UK strategy and has overall responsibility for the service lines and markets organisation so that partners and staff can provide exceptional service, wherever the firm's clients do business. This includes: <ul style="list-style-type: none"> <li>▶ Leads on the development and execution of the EY UK growth strategy</li> <li>▶ Accountable for the EY UK financial performance across all service lines, markets, accounts and functional areas of the firm</li> <li>▶ Responsible for the development and execution of the investment strategy to support the growth ambition of the firm including acquisitions, technology and people</li> </ul> </li> </ul>
Markets Leader, UK FSO	<ul style="list-style-type: none"> <li>▶ Responsible for the 'go-to market' approach for UK FSO, which: <ul style="list-style-type: none"> <li>▶ Ensures that EY has a strong and appropriate 'client centricity' and 'go-to market strategy' across three EY sectors – Banking and Capital Markets, Wealth and Asset Management and Insurance</li> <li>▶ Reviews and ensures that EY has the appropriate level of client service (including Assessment of Service Quality process)</li> <li>▶ Supports the business with its horizon scanning to help ensure that EY understands client needs in order to build and align its capability and solutions</li> <li>▶ Manages the 'markets function' within UK FSO</li> </ul> </li> </ul>
UK FSO Head of Audit	<ul style="list-style-type: none"> <li>▶ Responsible for the FSO Audit practice, under the leadership of the UK Head of Audit, including: <ul style="list-style-type: none"> <li>▶ All aspects of audit quality, recruitment, resourcing, and performance management</li> <li>▶ Involves overseeing matters of risk management</li> <li>▶ Works closely with the UK Head of Audit to ensure consistency of practice across EY UK</li> </ul> </li> </ul>



## Glossary

# Glossary



Abbreviation	Definition
ABC	Anti-Bribery and Corruption
ABRemCo	Audit Board Remuneration Committee
ACC	Audit Committee Chair
ACCs	Audit Committee Chairs
ACCIF	Audit Committee Chairs' Independent Forum
AEC	Accountable Executive Committee
AFGC	Audit Firm Governance Code or 'the Code'
AI	Artificial Intelligence
AML	Anti-Money Laundering
AMP	Assurance Managing Partner
ANEs	Audit Non-Executives
AQE	Audit Quality Executive (previously the Audit Quality Board)
AQIs	Audit Quality Indicators
AQP	Audit Quality Plan
AQR	Audit Quality Review
AQRT	Audit Quality Review Team
AQS	Audit Quality Strategy
AQST	Audit Quality Support Team
ARGA	Audit, Reporting and Governance Authority
BEIS	Department of Business, Energy & Industrial Strategy
BRIDGE	Business Relationships Independence Data Gathering and Evaluation
CBM	Centre for Board Matters
CCSC	Climate Change Steering Committee
CFO	Chief Financial Officer
CoE	Centres of Excellence
COP26	The 2021 United Nations Climate Change Conference
COVID-19	Coronavirus
CPA	Certified Public Accountant
CRGC	Corporate Responsibility Governance Council
CV	Curriculum Vitae
DE&I	Diversity, Equity and Inclusiveness
ECL	Expected Credit Loss
EEA	European Economic Area
EMEIA	Europe, Middle East, India and Africa
EMEIA Limited	Ernst & Young (EMEIA) Limited

## Glossary (Cont'd)

Abbreviation	Definition
EOE	Europe Operating Executive
EPIC	Embankment Project on Inclusive Capitalism
EQA	External Quality Assessment
EQCR	Engagement Quality Control Reviewer
ERM	Enterprise Risk Management
ESG	Environmental, Social and Governance
EU	European Union
EY	Refers collectively to the global organisation of member firms of EYG
EY Europe	Ernst & Young Europe LLP
EY GAM	EY Global Audit Methodology
EYG	Ernst & Young Global Limited
EY SAM	EY Sustainability Assurance Methodology
EY Tech	EY Tech Masters of Business Administration
FARM	Flexible Audit Response Model
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FSO	Financial Services Organisation
GAAP	Generally Accepted Accounting Principles
GAQC	Global Audit Quality Committee
GARC	Governance, Audit and Risk Committee
GCoC	Global Code of Conduct
GDPR	General Data Protection Regulation
GE	Global Executive
GGC	Global Governance Council
GIP	Global Independence Policy
GIS	Global Independence System
GMS	Global Monitoring System
GSET	Global Social Equity Task Force
GVC	Global Vice Chair
HR	Human Resources
IAASB	International Auditing and Assurance Standards Board
ICAEW	Institute of Chartered Accountants in England and Wales
ICAS	Institute of Chartered Accountants of Scotland
IESBA	International Ethics Standards Board for Accountants
IFIAR	International Forum of Independent Audit Regulators
IFRS	International Financial Reporting Standards
INEs	Independent Non-Executives
IOC	Independent Oversight Committee
ISAs	International Standards on Auditing

## Glossary (Cont'd)

Abbreviation	Definition
ISAES	International Standards on Assurance Engagements
ISQC 1	International Standard on Quality Control 1
ISQM1	International Standard on Quality Management (UK) 1
KAPs	Key Audit Partners
KPIs	Key Performance Indicators
LLP	Limited Liability Partnership
M&A	Mergers and Acquisitions
MSAs	Managed Shared Audits
NEDs	Non-Executive Directors
NOCLAR	Non-compliance with Laws and Regulations
NomCo	Nomination Committee
OECD	Organisation for Economic Cooperation and Development
PACE	Process for Acceptance of Clients and Engagements
PCAOB	US Public Company Accounting and Oversight Board
PIB	Public Interest Board
PIC	Public Interest Sub-Committee
PIEs	Public Interest Entities
PLC	Public Limited Company
PLOT	Purpose Led Outcome Thinking
PPAs	Power Purchase Agreements
PPD	Professional Practice Director
PQE	Positive Quality Events
PRA	Prudential Regulation Authority
PRG	Policy and Reputation Group
QAD	Quality Assurance Department
QEL	Quality Enablement Leaders
RCA	Root cause analysis
RI	Responsible Individual
RM	Risk Management
ROC	Risk Oversight Committee
ROPA	Records of Processing Activity
RPF	Regional Partner Forum
SAQ	Sustainable Audit Quality
SaT	Strategy and Transactions
SBTi	Science Based Target initiatives
SDGs	Sustainable Development Goals
SEC	US Securities and Exchange Commission
SMCR	Senior Managers and Certification Regime



## Glossary (Cont'd)

Abbreviation	Definition
<b>SORT</b>	Service Offering Reference Tool
<b>SQM</b>	System of Quality Management
<b>The Board</b>	EY UK Board
<b>TNFD</b>	Taskforce on Nature-related Financial Disclosures
<b>UK</b>	United Kingdom
<b>UKAB</b>	UK Audit Board
<b>UKAC</b>	UK Audit Committee
<b>UK&amp;I</b>	UK & Ireland
<b>UKCC</b>	UK Country Committee
<b>UKCGC</b>	UK Corporate Governance Code
<b>UK COO</b>	UK Chief Operating Officer
<b>UK MP</b>	UK Managing Partner
<b>UNGC</b>	United Nations Global Compact
<b>VFM</b>	Value for Money
<b>WEF-IBC</b>	World Economic Forum's International Business Council

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ED None

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