How can a high-quality audit help provide certainty in uncertain times?

Sustainable Audit Quality: delivering confidence to the capital markets

Global audit quality report 2021

The better the question. The better the answer. The better the world works.
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Forewords

Carmine Di Sibio

Marie-Laure Delarue and Mike Verbeck

Viewpoints

David Thorburn

Area perspective: John King, Mike Wright, Peter Wollmert

Purpose: serving the public interest
The role of audit in maintaining trust and confidence in the capital markets has become more important than ever as businesses become more complex.

Setting the tone at the top
Audit quality starts with senior leaders and cascades throughout the organization, supported by an accountability framework and a culture of continuous improvement.

Commitment to quality
A comprehensive set of policies and procedures underpins the delivery of high-quality audits, all designed to proactively focus on the key risks throughout the audit cycle.

Investing in exceptional talent
Providing high-quality audits begins with recruiting diverse teams with the right blend of skills, providing ongoing training and supporting individuals’ career development.

Leading with data and technology
The EY Digital Audit drives value through its cutting-edge digital capabilities, while investment in emerging technologies continues to make it more powerful.

Global audit quality report 2021
Sustainable audit quality in numbers

Number of EY audit professionals by geography (December 2020)*

<table>
<thead>
<tr>
<th>Region</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>20,000</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>27,949</td>
</tr>
<tr>
<td>EMEIA</td>
<td>39,075</td>
</tr>
</tbody>
</table>

Number of EY audit professionals by rank*

<table>
<thead>
<tr>
<th>Rank</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit member firm partners/principals</td>
<td>4,937</td>
<td>5,077</td>
<td>5,119</td>
</tr>
<tr>
<td>and executive directors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior managers and managers</td>
<td>13,701</td>
<td>14,672</td>
<td>15,572</td>
</tr>
<tr>
<td>Seniors and staff</td>
<td>59,726</td>
<td>64,810</td>
<td>66,333</td>
</tr>
<tr>
<td>Total</td>
<td>78,364</td>
<td>84,559</td>
<td>87,024</td>
</tr>
</tbody>
</table>

Technology metrics

The EY Canvas global online audit platform connects 120,000 EY people and 350,000+ client users worldwide. It was used on more than 145,000 engagements in 2020.

The EY Helix analytics platform was used on more than 57,000 audit engagements in 2020.

US$700m invested in digitalization and technology in Assurance since the start of the SAQ program.

Internal inspection results of all audits*

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliant engagements</td>
<td>72%</td>
<td>75%</td>
<td>79%</td>
</tr>
<tr>
<td>Compliant engagements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>with immaterial findings</td>
<td>21%</td>
<td>19%</td>
<td>17%</td>
</tr>
<tr>
<td>Total compliant engagements</td>
<td>93%</td>
<td>94%</td>
<td>96%</td>
</tr>
<tr>
<td>Deficient engagements</td>
<td>7%</td>
<td>6%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Creating diverse teams

37% of new audit member firm partners promoted on 1 July 2021 were female.

52% of audit hires in 2020 were female.

50% of audit headcount were female as of December 2020.
Serving the public interest through the delivery of high-quality audits is a key priority of the EY organization—it is critical to the EY strategy and ambition to create long-term value for clients, people and society, and to fulfill the EY purpose of building a better working world.

The EY Sustainable Audit Quality (SAQ) program has been developed to keep audit quality as a primary focus and it is fundamental in EY decision-making.

Delivering high-quality audits has become even more important as the health and economic impacts of the COVID-19 pandemic have affected economies around the globe. In difficult times for companies, investors and the wider public, it is vital to have trust and confidence in the quality of the audits that support business and the capital markets. High-quality audits improve stakeholder trust in businesses. This, in turn, drives investment and economic growth, creating long-term value for society overall.

In addition, as the capital markets—and other stakeholders—increasingly demand more data on how companies create value, using both financial and nonfinancial reporting, EY teams have a responsibility to apply high-quality audit procedures to this emerging trend in corporate reporting.

The EY organization continues to build on investments of US$700m made in digitalization and technology since the start of the SAQ program. Innovations in risk and audit procedures regarding fraud have already been implemented, which is imperative for the profession as a whole. Continuous and significant investment is also being made in people, technology, and the system of quality management to meet audit quality objectives.

This publication, the Global audit quality report 2021, highlights the progress made with SAQ and how EY continues to work toward building a strong future for the auditing profession. I hope you enjoy reading it.

High-quality audits improve stakeholder trust in businesses. This, in turn, drives investment and economic growth, creating long-term value for society overall.

An ongoing commitment to high-quality audits

Carmine Di Sibio
EY Global Chairman and CEO
As EY Global Assurance Vice Chair and EY Global Assurance Deputy Vice Chair, we are united in a common endeavor: to continue to improve audit quality and, in so doing, build trust and confidence in the capital markets. This goal is shared by more than 85,000 EY audit professionals across the globe.

To help accomplish this goal, the EY organization has launched a number of initiatives as part of its SAQ program. The Global audit quality report 2021 looks at many of these and discusses four themes that summarize our priorities: talent, value, trust and data.

By continuing to attract and develop talented individuals, demonstrating the value and trust that auditors can bring, and adopting data and technology in the audit, EY teams help to serve the public interest. They deliver high-quality audits, using a data-driven approach, with independence, integrity, objectivity and professional skepticism.

As is demonstrated in the pages that follow, SAQ has developed significantly since its launch in 2015. It has embraced new advances in technology, including the EY Digital Audit and the EY Digital Global Audit Methodology (GAM), facilitated communications through the EY Canvas Client Portal and seen significant growth in the network of Quality Enablement Leaders.

Technological developments have enabled the EY Canvas online audit platform to connect 120,000 EY people with more than 350,000 client users, while the EY Helix platform analyzes more than 600 billion lines of financial data annually.

Technology is a vital part of SAQ, but it is EY people who are core to the progress that has been made. Particularly in the challenging times that we have all faced recently, EY people have displayed their resilience, commitment and professionalism.

We are extremely proud of their achievements, and the report includes some personal stories to demonstrate how individual auditors can make a difference.

Please reach out to us or any EY member firm audit partner if you have questions or comments about this report.

Marie-Laure Delarue, EY Global Assurance Vice Chair
Mike Verbeck, EY Global Assurance Deputy Vice Chair

“EY teams help to serve the public interest. They deliver high-quality audits, using a data-driven approach, with independence, integrity, objectivity and professional skepticism."

A common endeavor: to improve audit quality
This report covers a period of time unlike any we have experienced before. The impact of the COVID-19 pandemic has changed daily life for individuals and businesses across the globe and produced material challenges to the way that auditors fulfill their purpose of serving the public interest.

As members of the EY Global Governance Council (GGC) and its Public Interest Committee (PIC), the independent non-executives (INEs) have focused on monitoring the EY organization’s response to the pandemic over the past year. An appropriate global response has been necessary to help maintain trust and confidence in the audit during this difficult time, and this has become an important part of our discussions.

The four INE members of the PIC for 2021 — Sir CK Chow, Jurgen Kluge, Atsushi Saito and myself — meet quarterly with EY leadership to discuss the public interest aspects of the network’s global activities. These meetings have all become virtual during the pandemic.

The PIC’s review of the response to the pandemic has covered the health and well-being of EY people, updates to guidance and training, and a focus on key audit risks such as asset valuations and impairments, fraud, going concern and the reliability of audit evidence.

Assurance leadership took immediate actions to identify engagements with perceived elevated risk due to the pandemic, increased the volume of guidance published and required fraud-focused training for audit managers and above. Strong adherence to client acceptance and continuance policies was emphasized, which the PIC sees as a vital part of the control framework required in such uncertain times.

Overall, our assessment has been that the organization responded extensively and thoughtfully to the challenging environment.

Serving the public interest clearly extends beyond audit quality — incorporating ethics, whistleblowing and reputational challenges — but audit quality is the highest priority for the PIC. For this reason, the committee closely monitors the EY SAQ program and performance against a range of audit quality indicators (AQIs) including internal and external inspection results.

The PIC noted that the EY organization had achieved the target set by the International Forum of Independent Audit Regulators (IFIAR) to produce a 25% reduction in inspection findings by 2019 for listed public interest entities across nine countries. Performance continues to be monitored against the updated IFIAR target to achieve a 25% reduction in findings across 25 countries by 2023, and the EY network is on track to meet this goal.

For those countries not represented by IFIAR, the PIC assesses performance using AQIs, including internal inspection results through the Audit Quality Review (AQR) program. AQR results have consistently improved in the past three years, however continued progress is essential.

Recent events have highlighted the need for the delivery of consistent, high-quality audits throughout the EY network, particularly with regard to risk and audit procedures involving fraud. PIC members noted the tone from the top in response to these events, the commitment to continuous improvement and the introduction of measures — such as mandating annual fraud training for all audit professionals that incorporates the experience of EY forensics professionals — that go beyond currently accepted professional standards.

It is clear that the EY organization has responded seriously to these events and the PIC will continue to monitor the situation closely, particularly in relation to fraud capabilities.

Other focus items for the PIC are based on the organization’s priorities for the rest of 2021 and beyond. These include: the introduction of International Standard on Quality Management 1 (ISQM 1); the rollout of Digital GAM; the data-driven audit; climate change and sustainability; and work-life balance in a post-COVID-19 world.

The extent of the change and challenge experienced in the past 12 months has been unprecedented, and more disruption is inevitable in the next year. PIC members continue to believe that the SAQ program is central to the culture of the EY organization and underpins its aspirations for consistently high-quality audits across the network.

David Thorburn is a member of the EY Global Governance Council and chairs its Public Interest Committee. He is also chair of the INE Oversight Committee of the UK member firm Ernst & Young LLP. Away from EY, he is Chair of the Board Risk Committee at Barclays Bank UK PLC.

David Thorburn on behalf of the Public Interest Committee

PIC members continue to believe that the SAQ program is central to the culture of the EY organization
Every day, EY auditors around the world have one overriding purpose: to serve the public interest. This is explicitly referenced in NextWave, the EY organization’s strategy to create long-term value and build a better working world for clients, people and society.

The NextWave Assurance ambition is to serve the public interest by independently assessing risk and identifying opportunities to enhance trust in business and the capital markets, in support of sustainable, long-term value creation.

Each step the auditor takes is of vital importance in a process that relies on transparent, informative and accurate financial reporting to help stakeholders make crucial decisions. This, in turn, builds and sustains trust and confidence in global financial markets; helps to create and support long-term value; and, in so doing, builds a better working world.

Investors are not the only stakeholders who depend on high-quality auditing and financial reporting. Employees, pensioners, suppliers and lenders, among others, rely on high-quality audits to make important decisions. These decisions involve who to work for, whether salaries will be paid on time and the safety of investments.

The importance of the audit and the auditor in building trust and confidence is greater than ever as business becomes more complex. New risks are emerging all the time – cybercrime, data theft, climate change – while existing risks, such as fraud, and unexpected events, such as the COVID-19 pandemic, produce increasing complexity.

In these challenging times, EY people have demonstrated their purpose more than ever before. There have been countless positive actions, big and small, that they have taken to help colleagues, stakeholders and society more generally in response to the COVID-19 pandemic.
Sustainable Audit Quality: the six pillars

The SAQ program is a globally consistent approach to sustaining high-quality audits across the EY network. It has required significant investment and created positive change for EY auditors and the companies audited.

SAQ comprises six pillars that structurally frame the Assurance service line purpose of serving the public interest, to create long-term value and build a better working world. Serving the public interest is seen therefore as the foundation of SAQ. Each pillar is summarized below.

1) Tone at the top: The internal and external messages sent by EY leadership, including audit partners, that establish and encourage a culture based on a commitment to quality, a dedication to continuous improvement, an emphasis on values, a global mindset and the importance of teaming.

2) Exceptional talent: A commitment to invest in diverse and talented individuals covering recruitment, retention, professional and personal development, performance assessment, career progression and well-being.

3) Audit technology and digital: How the EY Digital Audit is setting the standard for the data-driven approach to an audit, combining leading-edge digital capabilities, a stakeholder focus and a commitment to quality.

4) Simplification and innovation: How the EY organization is simplifying and standardizing the approach used by EY auditors and embracing emerging technologies to improve the quality, consistency and efficiency of the audit.

5) Enablement and quality support: How EY teams are being helped to manage their responsibility to provide high-quality audits. This includes efforts to support them through coaching, root cause analysis and updated quality management standards.

6) Accountability: The systems and processes in place to help EY people take responsibility for carrying out high-quality work at all times. This discusses the measurement of audit quality, reward and recognition initiatives, the Accountability Framework and the Global Audit Quality Committee.

EY people have demonstrated resilience, commitment and professionalism and shown that the purpose of the audit and the auditor in serving the public interest has never been more important.

Doing the right thing

To embed an understanding of serving the public interest and ethical conduct, EY people must be fully engaged. Clear and open communication supports and encourages collaboration and constructive challenge, reinforcing the need to consult with colleagues on areas of concern.

When complex questions of ethics, independence, regulation and client engagement arise, it is vital to do the right thing. What You Do Matters is an SAQ initiative that supports this process. It is dedicated to helping audit teams maintain their role in supporting the public interest and delivering high-quality audits.

The What You Do Matters program provides materials that teams can work through, and identifies the behaviors most appropriate when delivering a quality audit: serving the public interest; acting with trust and integrity; maintaining a curious and questioning mindset; and high-performance teaming.

A linked initiative that fosters a curious and questioning mindset is Purpose-Led Outcome Thinking (PLOT). This initiative focuses on behaviors and skillsets that help auditors to fully understand why they are undertaking certain tasks. PLOT creates a mindset of focusing on the purpose and desired outcome of an activity. It helps to build a supportive team culture that is focused on the bigger picture. Mentorship, collaboration and developing the next generation of auditors are central themes and PLOT has proven particularly useful when teams are working remotely.

PLOT involves the consideration of four questions, known as the 4Ws:

- What is the task?
- Why is the task being carried out?
- What is the output?
- When will the task be completed and how will progress be monitored?
Ethics and integrity

The EY approach to business ethics and integrity is contained in the EY Global Code of Conduct and other policies, and is embedded in training programs, internal communications and the EY culture of consultation.

All people at EY member firms around the world are required to confirm compliance with the Global Code of Conduct each year. This discusses how EY people work with one another, with vendors and with the companies audited; act with professional integrity; maintain objectivity and independence; and protect confidential information.

The Global Code of Conduct is a clear set of standards for business conduct and applies to everyone in the EY organization, regardless of their individual role, position or practice.

For EY auditors, the Code was recently revised to reflect advancements in technology and how auditors use them; and to update the resources available to EY people to support decision-making. But the guiding principle remains that no client is more important than professional reputation — the reputation of the EY organization and that of each EY auditor.

Having recently taken up the role of Global Quality Enablement Leader, it’s a good time to reflect on the structures currently in place as part of the SAQ program to maintain and improve audit quality.

With more than 500 Quality Enablement Leaders (QELs) worldwide, a Global Audit Quality Committee, an influential digital network, committed Assurance leaders and an experienced Professional Practice group, there is a strong base on which to build.

It is important to remember that achieving and sustaining the highest level of quality also requires a continuous improvement mindset and ongoing commitment. I will work with the groups above and with global audit teams to embrace this mindset so that member firms across the entire EY network consistently deliver high-quality audits.

One priority area must be data analytics, as this unlocks the opportunity to test whole populations of data and identify large, infrequent or unusual transactions. It then frees up auditors to best utilize their skills and knowledge to target their professional scrutiny and skepticism where there is the greatest risk.

Emerging technologies — involving data exchange, intelligent automation, blockchain, AI and 5G — offer further potential to transform the current audit delivery model and enhance the quality of EY audits. The audit of the future will be data-driven, judgment-led and quality-focused.

The purpose behind PLOT

Coaching audit team members takes time — it can sometimes take longer to teach someone a task than to do it yourself. But it is a learning experience and it is very important for the development of auditors and for the quality of the audit.

The PLOT initiative provides a coaching opportunity because it aligns daily work to the bigger picture. PLOT meetings encourage team members to be involved in setting goals and taking individual ownership of the progress and quality of the audit engagement.

Team members also understand why they are undertaking a particular activity. Sometimes the ultimate purpose of an activity might not be clear to a junior member of the team, but it is important for the more senior people to take the time to provide the context.

The opportunity for coaching on the job is key to audit quality. That way, knowledge and experience is passed on from the partner to the senior manager and then on to other team members.

If team members are coached so they fully understand the importance and purpose of a task, they might also be able to think of ways to improve processes. New team members with the right knowledge can bring different insights to the team and thereby help to improve audit quality.
Setting the tone at the top

Tone at the top is fundamental for any organization, and the EY organization is no different. A culture of trust, integrity and ethical behavior is embedded in SAQ, and "Tone at the top" is firmly established as the first of the six SAQ pillars.

The appropriate tone is set by the EY organization’s leadership, including audit partners, who encourage a culture based on a commitment to quality, a dedication to continuous improvement, a focus on values, a global mindset and the importance of teaming. Senior leaders commit to clear communication, collaboration and teamwork to maintain audit quality, a culture that helps create a unified, consistent approach. It is an approach that drives goals and standards that are transparent and measured against high benchmarks.

Leaders set the standards through their own behaviors. They display the tone through actions and non-verbal communications. But to be successful, this tone must cascade throughout the organization so that EY people understand that quality starts with them. All EY audit professionals are held accountable for the quality of their work and for performing against professional standards, as are
leaders and professionals from other service lines who participate in audits.

The culture is reinforced by EY leaders and plays a large part in defining the EY organization. A positive and healthy culture means that people feel engaged and supported. The EY culture strongly supports collaboration and emphasizes the importance of consultation when dealing with complex or subjective accounting, auditing, reporting, regulatory and independence matters.

A culture of quality exists throughout the EY organization that recognizes and reinforces:

- The organization’s role in serving the public interest by member firms consistently performing quality engagements
- The importance of professional ethics, values and attitudes
- The responsibility of all EY people for quality relating to the performance of engagements or activities within the system of quality management and their expected behavior
- The importance of quality in the organization’s strategic decisions and actions, including financial and operational priorities

**Accountability framework**

Accountability is a key aspect of the EY culture. EY member firm partners’ evaluations are based on numerous factors, including the tone they convey to their teams and the emphasis on the behaviors that contribute to audit quality, their level of consistent and direct involvement in the audit, the results of inspections and their mentoring and stewardship activities.

The EY organization continues to emphasize the behaviors it has identified as contributing to audit quality in its training and performance management process. These behaviors are grouped under themes including acting with confidence and courage, saying what needs to be said, and leading the way.

The organization has established an accountability framework to evaluate those who are responsible for audit within the EY regions, so they can be assessed in a consistent manner and their contribution to quality recognized. This creates both global and local accountability for audit quality. Engagement partners can only go so far in facilitating change and there is an increasing requirement therefore for the accountability framework to operate at an organizational level.

Responsibility and accountability are key themes in ISQM 1, the new international standard on quality management (see p13). The EY organization is preparing for this challenge with an accountability framework that focuses on those individuals who can influence the quality and culture of the EY network.

**Engagement with regulators**

The role of auditors is to carry out high-quality work in accordance with the guidelines set by professional standards, laws and regulations across the world. Regulators – rightfully – not only expect compliance with current requirements, but also continuous improvement.

The EY organization engages in an ongoing dialogue with the International Forum of Independent Audit Regulators (IFIAR) in which integrity and quality are at the top of the agenda. IFIAR meets regularly with EY leaders, bringing together leading practices and current developments on audit quality from both the 58 regulators (across 54 countries) that make up IFIAR and the 10 countries that are members of the IFIAR Global Audit Quality Working Group (Australia, Canada, France, Germany, Japan, the Netherlands, Singapore, Switzerland, the UK and the US).

**External inspection results**

In 2020, IFIAR issued its second challenge to the global audit networks. It called on them to achieve another 25% reduction in audits with at least one inspection finding by the 2023 IFIAR survey for listed public interest entities across 25 countries. The EY organization is currently on track to meet that reduction.

**Internal inspection results**

Internal inspections are performed on engagements each year. EY leadership conducts the annual Audit Quality Review (AQR) program as an important element of assessing the system of quality.
Audit quality is inextricably linked to the EY organization’s commitment to serve the public interest. It is how the audit profession maintains its relevance to, and impact on, society.

High-quality audits are recognized as a prerequisite by regulators, but also by the entire corporate reporting ecosystem — including governments, standard-setters, investors, company management teams and boards, and audit committees.

But in order to maintain its future relevance in this ecosystem, the audit needs to transform into the digital age so that it is able to continue to serve the needs of stakeholders. Digital transformation presents a significant opportunity for auditors – alongside talent, it is, and will continue to be, at the heart of audit. Together, technology and talent will act as the driving forces behind improved quality.

Audit methodology is being transformed by technology – both in the way audit work is carried out and in how the business environment is evolving. As well as being a great enabler, however, technology is establishing new risks that need to be addressed. For example, cyber and fraud risks are being enabled by technology, but equally, technology can be harnessed to tackle these issues from an audit perspective.

Attracting the right talent, and retaining it, has never been more important than during this period of transformation. Talent is the audit profession’s biggest asset; just as the EY organization invests in technology, so it invests in talent.

The COVID-19 pandemic has served to underline the importance of digital transformation. It has reinforced the need for auditors to navigate risk, harness the power of the twin assets of technology and talent and enhance their relevance to the corporate reporting ecosystem.

The aim is to exceed regulatory benchmarks and produce audits of high quality. Continuous improvement is critical to the way the EY organization operates.
The results of the AQR process are summarized globally (including for Areas and Regions), along with any key areas where the results indicate that continued improvements are required. Summarized results are shared within the network. Results for the internal inspections in 2018, 2019 and 2020 are set out on the facing page.

Continuous improvement
The EY organization is committed to continuous improvement, providing an environment in which auditors can thrive. This means recruiting, developing and retaining the right people, embracing innovation, encouraging simplification and closely monitoring everything that audit teams do.

The aim is to exceed regulatory benchmarks and produce audits of high quality. Continuous improvement is critical to the way the EY organization operates.

System of quality management
In December 2020, the International Auditing and Assurance Standards Board (IAASB) issued ISQM 1, a revised standard that moves towards a risk-based approach and is more integrated, tailored and proactive.

ISQM 1 requires audit firms to design, implement, monitor and assess the overall system of quality management (SQM) that provides reasonable assurance that they will meet certain quality objectives. The standard includes requirements for the governance, leadership and culture of an audit firm and a risk assessment process that evaluates risks to achieving quality objectives and identification of controls that address those risks. It involves more extensive monitoring of the SQM to evaluate effectiveness and to identify deficiencies that require corrective actions.

While the effective date of the standard is December 2022, the EY organization has already taken many steps to improve its SQM. An effective SQM is the foundation for all the organization’s quality initiatives and will enhance quality and operating effectiveness.

The EY organization’s approach is to implement an SQM that is consistently applied across the entire network of member firms. This is especially important in a global economy where many audits involve other EY member firms. A globally consistent SQM helps to facilitate audit quality and consistent execution.

More transparency, less hierarchy
I have seen the significant impact that highest-performing teams (HPT) can have on audit quality as part of my role both as an EY auditor in the Netherlands and also in supporting the EMEIA QELs.

It is vital to have a supportive team of people with different skillsets, different personalities and a shared vision based on a common purpose. Developing a deeper understanding of what motivates other team members helps to provide an environment built on trust and empathy.

In the Netherlands, I have taken part in a number of HPT training sessions and seen how team members have become more confident and more willing to ask questions or suggest new approaches.

As a result, the working culture has become more transparent, less hierarchical and more willing to engage in healthy debate. And this has led to better results and improved audit quality.

The team spirit developed during these sessions has proved particularly useful during the COVID-19 pandemic and has helped colleagues to provide mutual support and encouragement.
Commitment to quality

Audit quality is fundamental in EY decision-making and the SAQ program continues to demonstrate this commitment to keep audit quality as a primary focus.

This applies even in the recent challenging times from the COVID-19 pandemic, which highlighted the need to enhance procedures related to potential audit risks to the delivery of consistent, high-quality audits throughout the EY network.

When the pandemic began to affect people across the globe, the highly integrated structure of the EY organization was used to produce a consistent response to the altered working conditions, while previous investments in technology enabled a rapid pivot to remote working. EY leaders focused on building trust and confidence in the audit – and how the execution of high-quality audits serves the public interest.

A comprehensive set of actions was developed under the Strengthening Trust and Confidence program. This included new guidance, training and coaching initiatives to help address financial reporting challenges, such as estimation uncertainty, and practical challenges, such as how to audit inventory remotely.

It involved: the compilation of a list of engagements with elevated network risk; undertaking a strategic portfolio review; establishing risk dashboards for EY leaders; and enhancements to the client acceptance and continuance processes to address client and audit risk and improve the system of quality management.
Strengthening Trust and Confidence: additional elements

- Fraud training has been provided for all EY audit professionals, including a new program for managers through to partners. The new program focused on the auditors’ responsibility related to fraud detection and considerations related to the fraud triangle (pressure, opportunity and rationalization), and highlighted real-life fraud events.

- Electronic Cash Confirmations are becoming more accepted as a means of sending confirmation requests and receiving responses. Enhanced guidance related to executing cash confirmation procedures was issued recognizing the importance of cash, while additional focus was placed on the use of third-party service providers.

- Forensics specialists can enhance the audit team’s identification, assessment and response to fraud risks by constructively challenging the audit team in its fraud procedures. There has been an increase in the use of forensics specialists, especially on audits with a perceived higher level of fraud risk.

- Greater emphasis on understanding the business of audited companies for 2021 audits. The focus is on understanding the entity’s business model, including the extent to which it integrates the use of IT into the business model.

Client acceptance and continuance

In the EY organization, rigorous risk assessments are conducted before member firms accept audit assignments, and then again annually before continuing audit work. These assessments consider factors such as management’s integrity and approach to meeting its financial reporting responsibilities, the company’s financial condition and the strength of its audit committee. Built into this is the recognition that risks can change over time.

EY engagement partners are required to periodically reevaluate the risks associated with the engagement and to design responsive procedures, and these reevaluations inform decisions about client continuance.

The results of these reviews could lead to a change in resources, including additional use of specialized skills, enhanced use of digital tools, amendments to audit plans, or a change in the relationship between the EY member firm and the entity it audits.

EY audit teams complete a questionnaire using the Process for Acceptance of Clients and Engagements (PACE) tool. This tool is used consistently across the organization to inform and document risk assessment and decisions. PACE also helps audit teams consider the results of client acceptance and continuance decisions as they plan the audit.

Client acceptance and continuance decisions can be further informed by unlocking the power of technologies such as artificial intelligence (AI), machine learning and data analytics. Technology can also be used to review an entity’s social media profile and activity, which can help identify areas of risk that may not be apparent elsewhere. Reports on short selling can also inform risk profiles.

Working in a virtual world

There are two types of considerations 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 covers how businesses are evolving to work in a virtual world, where transactions are carried out online, across borders, without the need for physical interaction.

EY member firms understand the risks that a virtual world can have on the way their people work; this incorporates concerns about mental health and well-being and the need to establish the appropriate work/life balance for the individual. However, it is also understood that the businesses with which EY member firms work face similar issues. High turnover of staff can create risks, and evolving business practices can create new risks, which in turn require an evolution in audit planning and practices.

Fraud: use of forensics in audit

Preventing and detecting fraud within a company is primarily the responsibility of the management under the oversight of those charged with governance. But auditors, along with other members of the corporate governance and reporting ecosystem, also have an important role to play.
Currently, auditors are responsible for providing reasonable assurance to shareholders that the financial statements are free from material misstatement, whether caused by fraud or error. Public opinion in many places, however, indicates that auditors are expected to play a role that extends beyond providing this reasonable assurance.

As part of ongoing improvement efforts, the EY organization recognizes that it needs to evolve how audits are performed to better address fraud and is committed to leading the profession more widely to address stakeholder 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 ideally placed to carry out this role and 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 the human element also comes into play. There is an opportunity for all involved – including management, boards, auditors and regulators – to focus more on corporate culture and behaviors to support fraud detection. The EY organization is taking additional actions to address this important area of the audit, including:

- Mandating the use of data analytics for fraud testing in audits for all listed entities globally
- Using additional internal and external data and information to enable more nimble responses to external risk indicators such as short selling and whistleblowers
- Using electronic confirmations for audit evidence wherever possible
- Developing a proprietary fraud risk assessment framework for use with audit committees and those charged with governance
- Mandating annual fraud training for all audit professionals that incorporates the experience of EY forensics professionals
- Requiring the use of forensic specialists in the audit on a targeted-risk basis

Root cause analysis
The EY organization uses a range of tools to gain a deeper understanding of the factors that drive the delivery of high-quality audits. Root cause analysis is a central part of the EY quality improvement framework, providing in-depth assessment of the root causes that underlie an audit’s positive or negative inspection outcome.

Once root cause analysis has been undertaken, Remediation Task Forces are deployed to address any issues that may remain. They are drawn from a range of disciplines, with each skill set mapping onto the task at hand. The Task Forces are then able to feed back into a remediation plan that sets out the continuous improvement strategy related to the findings and root causes.

The EY organization investigates the findings of each root cause analysis in detail. Analyzing this research enables a better understanding of the drivers behind both positive and negative inspection outcomes. This has allowed EY teams to focus on key behaviors that drive positive and high-quality results, a process that is fundamental and foundational to continuous improvement.

Effective project management
Effective project management enables audit teams to stay focused on the risks that matter most across the audit cycle, better balancing the workload by allocating the right amount of time to complete the right tasks and ensuring timely executive involvement where needed. Proactive, thoughtful planning allows auditors to verify that they are completing the audit procedures necessary to issue an audit opinion.

A well-paced, well-organized audit can result in a less stressful work environment. Teams that work collaboratively to set a manageable pace for the audit by tackling issues and clearing review notes in real time report higher morale overall, as well as a sense of personal ownership and accomplishment for the individual auditor. Additionally, project management encourages auditors to be more thoughtful.

Companies have never been as data-rich as they are today, providing new opportunities to detect material frauds.
and intentional at every stage of the audit, accelerating learning and development as well as creating a more meaningful experience along the way.

The focus on project management in the global audit platform, EY Canvas, is powered by the Milestones program. Facilitated through dashboards in EY Canvas and the EY Canvas Reporting Hub, Milestones breaks the audit cycle down into specific tasks, with dates and steps designed to help achieve timely completion and appropriate supervision and review.

Milestones combines many of the key elements of the audit quality framework: it allows for better on-the-job coaching while reducing the time taken between work being completed and reviewed – helping to keep the audit on track throughout the year by adding flexibility and transparency into the process. This, in turn, allows teams to be more proactive and forward-thinking, and to better focus on year-end issues.

Through the use of Milestones, there has been significant improvement in audit quality. When it is used in conjunction with the EY Canvas Client Portal to capture and record the receipt of evidence and other business communications from companies that are being audited, in real time, teams see an even greater improvement in their overall audit quality.

Milestones and the EY Canvas Client Portal are known collectively as the Audit Pacing Program.

PM2

The EY organization has also introduced PM2, a global initiative to simplify how member firms plan, review and monitor their audit engagements. This is founded on the experience that proactive audit management leads to higher-quality audits.

PM2 establishes global protocols for common processes to improve practice management. It applies lessons from key inspection findings and introduces new audit pacing and leverage models that help to balance the workload across the cycle.

Supported with new guidance and enablement, PM2 aims to reduce administrative burden for EY teams while allowing audit professionals enough time for planning and review. In turn, it produces smoother execution across the audit lifecycle and a streamlined archiving process.

PM2 transforms the EY Canvas audit platform into a project management tool that enables collaboration and transparency. Ultimately, it aims to drive higher quality but also cultivate a better audit experience for EY teams by providing clearer guidance and simpler processes.

Coaching

Coaching is an important piece of the SAQ program. EY teams are supported by coaches who help them navigate the maze of critical accounting estimates and judgments. Coaching plans are developed based on Key Findings Reviews (KFRs), PLOT, the AQR program and other initiatives.

The EY organization provides on-the-ground coaching through the QEL network (see next page). The network meets with teams to help with specific areas, ensuring that enablement and mentorship occur throughout the lifecycle of the audit.

Through KFRs, the EY quality network collects and analyzes data and performance metrics from audits, with the aim of improving performance. KFRs are focused on areas of high findings from internal and external inspection activity. Updated routinely to consider emerging issues, KFRs examine the engagement’s areas of risk, given its profile. Ultimately, the objective is to build a continuous loop of improvement. By examining layers of detail and complexity, KFRs also help to address substantive issues and make it possible to identify quickly any areas where improvement is needed.

In 2020, the EY organization introduced PM2, a global initiative to simplify how member firms plan, review and monitor their audit engagements.
Linking KFRs with people development empowers auditors to test their judgment in constructive and useful ways. As part of that, the EY network commissioned a series of short video tutorials under the banner Can You Say Yes? The videos aim to promote a curious mindset and encourage auditors to ask themselves the right questions. By doing so, they are more likely to bring the appropriate levels of skepticism and critical thinking to the audit.

**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 audit quality indicators (AQIs). These include: external and internal inspection results; Milestones performance; people surveys; and retention rates.

AQI dashboards help to inform Assurance leaders about whether particular actions are having the intended effect, to provide an early warning for potential problems and to evaluate the overall system of quality management.

**Global Audit Quality Committee**

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

The committee was formed to develop innovative ideas and approaches to delivering quality audits, so that best practice can be shared across the organization. It is the central repository for learning and feedback, and serves as the basis for new AQIs and other forms of quality monitoring that feed into the continuous improvement cycle.

**Quality Enablement Leaders**

The EY QEL network is a group of more than 500 senior Assurance leaders around the world who drive improvements in audit quality by providing support to audit teams.

Their responsibilities include: coaching teams; supporting internal and external inspections; advising teams on remediating the root causes of significant audit deficiencies; driving practice and project management; supporting portfolio risk analyses; and implementing and monitoring processes related to the EY system of quality management including global AQIs.

Using EY Canvas and Milestones, as well as ever-more sophisticated AI tools, the QELs are able to build a picture of audit quality performance in real time. This, in turn, gives greater clarity over where resources should be deployed to support audit teams and the companies they audit.

**Professional Practice**

The Global Professional Practice group is a network of more than 1,250 technical subject-matter specialists in accounting and auditing standards who consult on accounting, auditing and financial reporting matters and perform various monitoring and risk management activities. Professional Practice also oversees the development of guidance, training and monitoring programs, and the processes used by audit professionals to execute audits consistently and effectively.

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**Meeting challenges head-on**

*I passionately believe that when everyone pulls in the same direction, remarkable things can happen. In recent years, I have seen a step change in EY people’s commitment to audit quality, which has helped to increase trust and confidence in the capital markets.*

This is why EY auditors have been able to meet challenges such as the COVID-19 pandemic. They have built on existing strengths, which in turn allows them to further pursue their purpose of serving the public interest.

*I am proud of the investment that has been made in SAQ. It meant that when the pandemic arose, Assurance leadership was able to adapt rapidly, launching initiatives to provide EY people around the world with the tools they needed to carry out their roles. The initiatives worked because of the teaming, commitment and determination that already existed.*

EY people demonstrate what needs to be done to carry out a high-quality audit. This quality is shaped by their passion to understand what is required in all aspects of the work, and by their pride in doing that work to the best of their abilities. This then feeds into the overriding purpose.

Audit quality matters. It matters to EY people and it matters to a wide group of stakeholders. And this understanding lies at the heart of the passion, pride and purpose that binds EY people together.
Consistent global approach to cross-border risk
Companies frequently raise capital or list securities outside the country in which they are domiciled (e.g., cross-border initial public offerings and debt issuances). There continues to be increasing complexity of global financial markets and regulatory risk, and these cross-border transactions often include the preparation of international offering documents intended to satisfy the regulatory requirements and established practices of different jurisdictions.

Capital Markets (CM) is a team of senior EY professionals located in the major financial market centers across EMEIA, Asia-Pacific and the Americas. The team—which includes IPO, sector and debt-offering professionals—provides support to member firm audit teams across a wide range of industries and geographies. CM’s global presence means they can work together to deliver seamless cross-border support on many aspects of the regulatory and capital-raising process.

The CM team has coordinating responsibilities for audit quality, regulatory compliance, and risk management for cross-border transactions and matters, with a focus on United States Securities and Exchange Commission (SEC) registrants outside the US. CM maintains global policies, processes and procedures to deliver seamless and consistently high-quality service and risk management support. It addresses, among other considerations, specific cross-border review requirements, as well as global coordination and oversight.

The benefit of behavioral change
High audit quality is closely associated with strong project management. The appropriate pacing of the audit, including timely supervision and review, is crucial to success.

There are certain activities that can be undertaken early in the audit cycle, but time pressures can sometimes result in these being delayed. The Milestones program helps teams to perform tasks as early as possible, while a proper balance of risk and rewards can also encourage behavioral change.

My experience as an auditor in India shows that such change leads to positive results. I have worked closely with my team to identify what has to be prioritized at what point in time. This has involved focusing on the root causes of the best audits and looking to achieve the highest quality.

I have also been working with colleagues from the UK, the Netherlands, Germany and Russia to examine how to use performance assessment to improve project management. A pilot program has been launched that I hope can be expanded more broadly.

It is clear that focusing more on project management and motivating teams to strive for audit quality can benefit both the auditor and the audited company, and lead to improved performance.

Case study
Poonam Todorwal
Director
Mumbai, India

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The EY QEL network drives improvements in audit quality by providing support to audit teams.
Managers have further increased their engagement with teams, providing coaching time and checking that auditors are taking the appropriate breaks away from their laptops.

This commitment to quality proved a critical asset when the COVID-19 pandemic first affected the Americas. Assurance leadership provided guidance, training and coaching to help teams address financial reporting challenges and remote working. The EY organization’s technology and culture provided additional support, but it was the agility of EY people that was crucial.

The way that EY teams adapted to the pandemic is a credit to their professionalism, commitment and resilience. And it reinforces the importance of recruiting and retaining the right people with the right skills and investing in building high-performing, inclusive teams.

There have been many achievements during this challenging time. I am proud that EY teams have continued to make audit quality their highest priority and that their commitment is reflected in the improvement in internal and external inspection results. But the journey is far from over. EY audit professionals will be working hard to make further progress in the months and years ahead.

The approach to quality is grounded in EY values, supported by strong execution, and is continuously evolving. Core elements include expanding the use of data to support the audit, focusing on timely pacing and executive involvement, strengthening the system of quality management and investing in the skills of EY people.

Data analytics, combined with greater use of emerging technologies, helps EY teams develop a deeper understanding of audited companies and the risks in their financial reporting. In the US, as an example, 99% of public company audits currently use the EY Helix general ledger analyzer, and in other major markets, including Canada, Mexico and Brazil, more than 75% of audits leverage the EY Helix tools.

Timely pacing of the audit and strong project management are important drivers of audit quality. When teams execute on a timely basis throughout the year, spreading the workload and allowing issues to be addressed early, quality improves.

The EY system of quality management also facilitates the delivery of high-quality audits. It promotes a culture of commitment to quality, prevents and detects risks to quality and helps EY people understand their roles and responsibilities. And at the audit team level, auditors collaborate with IT, tax and valuation professionals to drive a deeper understanding of business processes and key risks.

Performing high-quality audits requires innovation and a mindset of continuous improvement. This is something that 20,000 EY audit professionals working across the Americas are taking to heart as they perform audits that promote trust and confidence in the capital markets.

The way that EY teams adapted to the pandemic is a credit to their professionalism, commitment and resilience.
My communications with partners and executive directors have emphasized audit quality, serving the public interest and, importantly, well-being.
Exceptional talent is the beating heart of every EY team. A continuing commitment to investing in this talent will drive further advances in audit quality, creating real value and insights for companies that are audited by EY teams. This commitment runs through the whole talent process, from recruitment to professional and personal development, performance assessment, career progression and maintaining well-being. Even during periods 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.

Delivering high-quality audits requires a broad range of skills. The EY network recognizes the need to recruit from as diverse a range of talents as possible, a commitment that creates a whole that is larger than the sum of its parts.

Professionals from a wide range of disciplines are already involved in the audit, and this multidisciplinary model will only grow in importance. Increasingly, professionals will be needed who have knowledge of areas such as data, AI, blockchain, environmental risk, cyber threats, fraud, tax and valuations.

To be their best, EY professionals also need to know they have the necessary support to perform at such high levels – well-being has never been more important, to individuals, teams and the EY organization as a whole. As working patterns change to incorporate greater flexibility, EY teams are also evolving, supported at a leadership level that sets standards of behavior and is committed to the best possible working principles and practices.
Internal surveys of EY people demonstrate the success of this commitment, with levels of engagement and positive attitudes continuing to rise. The EY organization aims to provide every opportunity for its people to experience all that a career in auditing can offer, and 76% of EY audit professionals confirmed that their experience has been “exceptional” in the July 2021 internal employee listening survey.

This is the target for the organization’s talent programs: exceptional teams that deliver exceptional results.

**COVID-19: impact on people**

The shift to remote working during the COVID-19 pandemic has accelerated a trend that was already in place in the auditing profession. Auditors, including those in the EY organization, are moving to more flexible ways of working based on the requirements of the audited company, the audit firm and the individual.

This changing environment has highlighted 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. Additional counseling has been provided to help EY people stay connected and engaged. All these steps are viewed through the lens of audit quality; even during a pandemic, high-quality audits are paramount.

In addition, the organization 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 organization.

**Attracting and recruiting talent**

Irrespective of the COVID-19 pandemic, the world is changing, and the companies that EY teams work with are at the forefront of that change. This means adjusting recruitment criteria and looking beyond traditional sources of talent. With the EY Digital Audit now established, auditors must combine strong audit, accounting and project management skills with the ability to analyze large data sets, be open to change and exhibit the curiosity to ask better questions that lead to deeper insights.

Competition for talented people with these skills has never been higher and finding the next generation of high-quality auditors is a top priority. In order to recruit people who fit with the organization’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 organization to offer meaningful career progression and opportunities.

**Diversity and inclusiveness**

The EY organization has long been a leading supporter of diversity. A concerted effort has been made to build strong, diverse and inclusive teams – something that is especially important in audit, where professional skepticism, challenge and critical thinking form the bedrock. Creating diverse teams fosters an inclusive work environment, develops more relevant insights and solidifies the organization’s position as a market leader in this space.

There has been a particular focus on promoting gender diversity within audit teams over recent years. Thirty-seven percent of new audit partners promoted on 1 July 2021 were female. A strong pipeline of female leadership has been built, supported by 52% of all audit hires across the globe in 2020 being female.

Employees need to feel they are working in an organization that not only values them as individuals, but also values a diverse spectrum of backgrounds and thought. Fostering this sense of pride and belonging..."
is critical to helping the EY network attract the most talented individuals, as well as keeping them motivated and engaged.

As such, leaders across the EY organization make this a priority, and it is now embedded as a key metric across all the organization’s talent management programs. In the July 2021 employee listening survey, 86% of auditors said EY people demonstrate integrity, teamwork, respect and inclusiveness, and 77% agreed with the statement that “EY provides a work environment where I feel free to be myself.”

**Engagement and well-being**

Employee engagement is a vital sign of success in building the right culture. No organization can hope to attract, retain and develop high-performing individuals without an employee-centric 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 can be seen as a combination of factors: pride, advocacy, intent to stay and accomplishment. Given the importance of this, engagement levels are regularly monitored through a variety of channels, and the July 2021 employee listening survey showed that 71% of audit professionals had a favorable attitude in terms of engagement (an increase of one percentage point on 2020).

The Counseling Families program has strengthened people’s career experience by focusing on communication, connection and career development. Groups of around 25 people meet regularly to learn about business performance and understand strategic priorities; share experiences; and recognize and celebrate achievements. The need for this program has been even greater during the pandemic, with meetings becoming virtual events that have focused on connecting and supporting team members.

An increasingly important talent priority has been a focus on well-being and improving the day-to-day experience of EY people. This approach helps EY people to develop better working habits, maintain good health and produce sustainable careers while living fulfilled lives outside work. It has three main goals: to increase job satisfaction, to help people take care of themselves and to help them be more effective.

In addition, the EY network runs regular campaigns that highlight ways in which assurance professionals around the world can discover new opportunities, explore new places and evolve their accounting, auditing and leadership skills. Responding to the need for flexibility in light of the COVID-19 pandemic, the most recent campaign offered reassurance, encouragement and inspiration regarding the many directions a career in EY Assurance can take.

The better the organization can support people’s well-being, the more likely it is to provide them with compelling reasons to continue their career journey within the EY network. As part of this commitment, there is a stronger focus on experience management, which transforms the concept of assignment by scheduling auditors onto engagements where they not only maximize their unique skills and competencies, but also find opportunities.

**Case study**

Allan Douglas
Assistant Director
Nashville, US

**Elated to be an EY pioneer**

I felt absolutely elated when I learned that my graduation with the EY Tech MBA from Hult International Business School was approved. It was thrilling to know that I’d crossed the finish line as the first recipient from Assurance and could now focus on bringing back to the business all that I had learned.

From the day the accredited degree program was launched, I was keen to be an EY pioneer. I saw it as a next-level opportunity to accelerate my career capabilities and expand the value I can bring.

At EY, I am the communications and solutions lead for the US-Central region and I drive implementation of a digital mindset and practices across Assurance audit teams.

I am already implementing ideas from the EY Tech MBA, such as adopting a design focus to make better use of Robotic Process Automation. Pursuing these topics helped me to visualize their potential impact to improve audit quality and enhance skills.

Before joining the EY organization, I worked in the music industry, where I first appreciated the connection between creativity and problem solving. I always try to upskill what I do, and the EY Tech MBA is a superb opportunity to put this into practice.

**“**

EY member firms are creating a more varied, flexible and agile set of career paths for professionals to accommodate the differing interests and aspirations of their people.
Employee listening
Listening to the views, concerns and general feedback from EY people is a key element in increasing engagement. Feedback is important all the time, not just during a performance review or as part of an annual employee survey. For this reason, the EY organization has introduced continuous employee listening and now gathers responses to its employee survey three times a year.

The EY Team Experience survey (part of the organization’s NextWave People ambition) is another important tool for driving positive change – an opportunity for engagement partners and managers to facilitate a consistently better experience for their people. Eligible team members provide feedback on their experience of an engagement across a variety of questions, rated on a five-point scale.

For discussion on wider issues, the Global Voices network has been created. 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 Assurance strategic priorities. The initiative also provides an opportunity for senior leadership to detail their vision of the future and then allow that to cascade throughout the organization.

Retention
Retaining the talent 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.

The issue of work-life balance is becoming increasingly important for EY people. Younger people are now far more focused on getting the balance right between their professional and personal lives. Alongside this, new entrants to the world of work are less likely to stay at the same organization for their entire careers. Boosting retention, therefore, now means focusing more on the journey than the destination.

This recognizes that, as the workforce becomes more diverse in terms of background, skill sets and education, aspirations also change. With more specialists entering the organization, EY member firms are creating a more varied, flexible and agile set of career paths for professionals to accommodate the differing interests and aspirations of their people.

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. This more individualized 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. For example, the EY organization is introducing more “agile promotions,” where career progression takes place when an individual is ready rather than at set times in the year.

Learning opportunities
To encourage the building of new skills, the EY Badges program enables professionals to gain future-focused skills in three distinct pillars: technology; leadership; and business. Subjects covered in the program 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.

Badges are awarded based on globally consistent criteria and act as a digital credential on the recipient’s CV. EY was the first professional services organization to offer such a program, with take-up increasing as more team members recognize the importance of managing their own skills portfolio.

As of August 2021, 29,034 EY Badges had been awarded to audit professionals, including 9,839 in analytics and data.
strategy alone. The Badges program is becoming increasingly popular, with a 137% increase in the number awarded between December 2020 and August 2021. This is a significant achievement given that EY Badges is a self-directed learning initiative that supplements a substantial program 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 organization of EY’s size has offered such a qualification to all its people. The first EY Assurance graduate from the program, Allan Douglas, was awarded his MBA in February 2021 (see panel on page 24).

In total, during the financial year to 30 June 2021, EY audit professionals undertook 8.5m hours of learning (compared with 7.0m hours for the previous year), averaging 93.6 hours each. This is well in excess of the requirements of professional accounting organizations, which typically average 40 hours per year.

A substantial proportion of those hours were delivered by the award-winning EY Audit Academy, a consistent training program for EY auditors across the globe.

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 Global Assurance Learning Steering Committee.

COVID-19 may have accelerated audit firms’ transition toward new ways of operating, but I believe this will outlast the immediate effects of the pandemic.

I see the sudden shift to remote and flexible working by both audit firms and the companies they audit adding a new dimension to the challenge already faced in adapting audit to a fast-evolving corporate world. Digital technologies and data analysis are becoming increasingly central to the audit process, as well as to companies’ business models.

As a result, a more diverse range of skills will be required. Alongside business skills, the EY organization will need more people with expertise in STEM subjects (science, technology, engineering and mathematics), so they can use technology effectively for audit purposes.

The personal characteristics required by new team members will evolve as well. Traditionally, firms have emphasized personal integrity and professional skepticism in audit professionals. These attributes remain vital. But in the new and rapidly changing environment, professionals will also be needed who can develop deeper knowledge of business, a powerful curiosity about technologies and an agile mindset that embraces transformation.

I know increased flexibility can bring other important benefits, especially if there is more emphasis placed on performance in terms of output and productivity. More broadly, the changes brought about by COVID-19 are leading us to think about different ways of working.

I’m passionate about belonging and, having been the organization’s first female service line leader in Turkey, and having worked in different countries and for different service lines, I know diversity is important for us to grow as an organization and build a better working world.

This means recruiting people from a wider range of social and cultural backgrounds and, once they are hired, giving them opportunities to broaden their personal horizons. But we will succeed in fostering diversity only if we also create an environment where all our people feel they belong and are welcomed. Everyone must be able to thrive, contribute and add value.

As Dilek Çilingir Köstem, EY Global Assurance Talent Leader, sees it: ‘COVID-19 may have accelerated audit firms’ transition toward new ways of operating, but I believe this will outlast the immediate effects of the pandemic. I see the sudden shift to remote and flexible working by both audit firms and the companies they audit adding a new dimension to the challenge already faced in adapting audit to a fast-evolving corporate world. Digital technologies and data analysis are becoming increasingly central to the audit process, as well as to companies’ business models. As a result, a more diverse range of skills will be required. Alongside business skills, the EY organization will need more people with expertise in STEM subjects (science, technology, engineering and mathematics), so they can use technology effectively for audit purposes.

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This means recruiting people from a wider range of social and cultural backgrounds and, once they are hired, giving them opportunities to broaden their personal horizons. But we will succeed in fostering diversity only if we also create an environment where all our people feel they belong and are welcomed. Everyone must be able to thrive, contribute and add value.'
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 training. 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 think critically, act with integrity and deliver exceptional client service.

In response to the COVID-19 pandemic, the Audit Academy pivoted to deliver core classroom programs virtually, while retaining the same dynamic, simulation and case study-based learning that has won multiple learning industry awards in recent years.

**Mobility**

In an organization that spreads across more than 150 territories, 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 programs 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.

Despite the uncertainties, the learning and development of EY people remains a priority, and the network continues to offer a range of possibilities for them to explore, learn and grow.
The EY Digital Audit has transformed the way that EY teams deliver the financial statement audit. It has become the standard for the data-driven approach to the audit, combining cutting-edge digital capabilities, a stakeholder focus and a commitment to high quality.

Stakeholders’ expectations of the purpose and objective of the audit are ever-increasing. The EY response to these rising expectations includes a relentless focus on enhancing the skills of EY auditors and investing in new technologies to improve the EY Digital Audit. This involves enhancing the way that auditors look at risk, reducing the management burden in supporting the audit and providing new insights to improve audit quality.

The EY Digital Audit comprises the EY Canvas online audit platform, the EY Helix analytics platform and the EY Atlas research platform and is the result of significant investment over the past decade. It is underpinned by a strategy built...
on three pillars of connecting, automating and analyzing, which helps to drive value for stakeholders of the audit.

- Connecting audit teams and audited companies: one global platform for improved collaboration, supported by transparent and smart technology

- Automating supporting processes and data management: automated solutions improve project management, reduce management burden and facilitate consistent execution and quality control

- Analyzing data using EY digital solutions: the use of state-of-the-art analyzers and emerging technologies supports EY audit teams in analyzing data to identify risks and provide greater insights

The key features of EY Smart Automation are:

- Helps to find the right sample size through rule-based logic routines that determine the sampling strategy in accordance with EY GAM

- Integrates quality checks by scanning documents for key terms and phrases before the final auditor evaluation

- Provides tailoring for local requirements through multiple languages

- Streamlines checklist preparation and review for financial statement disclosures using EY Intelligent Checklists

- Automates the trade receivables/payables confirmation process using EY Confirmations

Analyzing data using EY digital solutions
The use of state-of-the-art analyzers and emerging technologies supports EY audit teams in unlocking the power of data to identify risk and provide greater business insights. EY Helix is a global audit analytics platform that includes analyzers for all phases of the audit. It allows EY audit teams to visualize the complete flow of every transaction recorded within the year in an accounting process.

EY Helix analyzes more than 600b lines of client journal data each year. With its broad suite of analyzers, EY Helix examines entire populations of data to present a fuller picture of business activities. It supports EY teams in identifying trends and anomalies, obtain higher-quality evidence to support audit conclusions and focus on the risks that matter most.

The key features of EY Helix are:

- Embeds data analytics in every aspect of the audit, from planning to execution to reporting

Connecting audit teams and audited companies
EY Canvas is an online audit platform. It connects 120,000 EY users across 150+ countries, linking them to more than 350,000 users at audited companies through the EY Canvas Client Portal. The portal facilitates the secure exchange of audit-related information, streamlines communications and provides the ability to monitor the progress of audit requests in real time. EY Canvas was used on more than 145,000 audit engagements in 2020.

The key features of EY Canvas are:

- Supports the EY Digital Global Audit Methodology through a data-driven approach

- Stores audit files, work papers and audit evidence in secure environments

- Provides all relevant engagement and project information at a glance through a comprehensive engagement dashboard

- Facilitates continuous monitoring and audit execution by EY audit teams

Automating supporting processes and data management
EY Smart Automation digitally supports the audit through centralization and standardization. Automating manual processes enables EY audit teams to focus on risk and provide business insights, as well as enhancing the experience for audited companies. EY Smart Automation solutions improve project management and use AI and machine learning to provide broader and deeper audit evidence.
Examines entire populations of data across financial operating cycles to achieve enhanced transparency

Presents a fuller picture of business activities and clearly identifies trends and anomalies

Identifies greater insights that can help improve business processes and controls

Digital Global Audit Methodology and the importance of data

As the EY Digital Audit continues to transform, so does the EY Global Audit Methodology (GAM). Digital GAM sharpens the focus on risk and facilitates better project management. It incorporates a data-driven approach, whether it is planning for the audit, performing risk assessments or responding to risks. It codifies the lessons learned from data analytics experiences over the years and embeds them into tasks and activities across the audit cycle.

Developed according to professional auditing standards and written to consider the evolution of the auditing profession as well as internal and external inspection results, the new methodology focuses on simplifying tasks and improving...
Digital GAM incorporates a data-driven approach, whether it is planning for the audit, performing risk assessments or responding to risks.

The methodology is enabled by a standardized data capture and delivery process and standardized documentation that supports a data-driven approach to auditing significant classes of transactions and significant accounts.

This approach enhances and often replaces traditional audit testing. When using data analytics techniques on 100% of an entity’s transactions as outlined in Digital GAM, the focus from the outset of the audit is on what has gone wrong instead of what can go wrong, enabling a more effective, top-down, risk-based approach.

The EY organization began a phased rollout of Digital GAM in April 2020, and this rollout has continued through 2021.

Security in the cloud

EY Canvas and EY Helix are now joining EY Atlas in moving to the cloud. This transition provides an advanced infrastructure that enables EY technology teams to develop, manage and deploy the EY Digital Audit in an EY-isolated virtual private datacenter in the cloud.

By leveraging cloud technology, EY teams further enhance the capabilities of the EY Digital Audit by:

- Embedding advanced security measures into the existing data security architecture
- Boosting the stability of the platforms, facilitating accessibility and continuity
- Accelerating the speed and scale at which teams deploy system upgrades and new technologies

The security of EY platforms, applications and data is a critical component of the EY Digital Audit. Multi-layered security includes controls over user authentication and data access, encryption for both in-transit and at-rest data, and continuous monitoring of cyber threats by a 24/7 Cybersecurity Center. EY systems have also been designed to comply with data privacy regulations around the globe.

EY Canvas has moved into the cloud for the vast majority of EY member firms’ countries, a move that further enhances security as well as flexibility and stability, while the latest version of EY Helix has been built specifically for the cloud, incorporating enhanced security benefits.

Cybersecurity as a service

With a significant increase in cyberattacks during the COVID-19 pandemic and the heightened focus on the impact these may have on an entity’s financial statements, the topic of cybersecurity is top-of-mind for many entities that the EY organization audits. EY research in 2020 revealed that the pandemic has caused widespread disruption in cybersecurity operations and is expected to have a significant impact on strategies, investments and future priorities.

Given the importance of cyber risk to the entities that EY member firms audit and to their boards, regulators and the overall market, EY audit teams are strongly encouraged to engage in a broader discussion of cyber risk with audit committees and management. This discussion can focus on understanding these bodies’ concerns and needs, and enables audit teams to better understand the business risks of the audited entity and be in a position to assist and support it where permissible.

The consequences of recent (and ongoing) cyberattacks have demonstrated that control procedures that have been designed to mitigate certain logical access risks may not be able to deal with the sophisticated and ever-evolving nature of such attacks. The increasing amount of information gathered by entities, coupled with many entities’ increasing interconnectivity with suppliers, vendors, customers, business partners and others, can result in an elevated risk to the business related to the safeguarding of data and access points. EY auditors use the information obtained from their inquiries and other risk assessment procedures to document their assessment of whether cyber risks represent a risk of material misstatement to the financial statements.
As audited companies accelerate their investments in technology, it enables EY auditors to access a broader range of structured and unstructured data.

Driving value is the key to an end-to-end digitized audit. That is the ultimate aim of the increased technological innovation that is being brought to bear on the audit process. But what does this mean?

There are three distinct areas where the EY Digital Audit drives value: trust, transparency and transformation.

Stakeholder trust in the audit process is enhanced through the creation of consistency in audit application. Trust is further enhanced by being able to gain audit evidence from EY Helix analytics to examine entire populations of data. And trust is brought to a new dimension by being able to validate the robustness of the underlying technologies and related processes used by audited companies, based on experience and leading-edge technology.

Transparency is also enhanced through technology. Technology facilitates the identification of patterns and outliers earlier in the process and allows the companies that EY member firms audit to see the entire audit process, its status and progress through EY Canvas.

Transformation is the third aspect of driving value. Technology not only transforms the audit process, it transforms the experience – of auditors, and of the companies they audit. It allows the auditor to gain greater insight into how the business operates. The insights that auditors are able to share with audited companies are grounded in the success of the transformation of the audit.

Technology is an enabler. It will not replace the auditor; rather, it allows the auditor to make a difference, to make key judgments, and to identify key risks. The data is there to be analyzed; technology provides the key to unlock the value. It allows auditors to look forward, to provide greater analysis of nonfinancial reporting and to help assess the long-term value of an organization.

As technology evolves, so does the audit, reaffirming its relevance, transforming at speed and driving value. Ultimately, digitizing the audit end-to-end will support sustainable audit quality, allowing auditors to deliver the trust and confidence all stakeholders look for in an entity’s reporting.
Investing in emerging technology

EY Assurance continues to build on investments of more than US$700m in digitalization and technology since the start of the SAQ program. This investment continues at pace, including an accelerated focus on emerging technologies.

Across the EY organization, teams are exploring new capabilities with the potential to transform the current audit delivery model and are leveraging these technologies to reimagine the future of EY Assurance services.

Harnessing these emerging technologies includes the auditing of blockchain-enabled transactions with the EY Blockchain Analyzer and the use of Artificial Intelligence to analyze business documents and contracts using the EY Document Intelligence platform.

EY teams are also exploring opportunities involving new data exchange techniques, intelligent automation and the rapid pace of development of cloud, cyber and Internet of Things technologies. These opportunities are facilitating the evolution from the data-enabled audit to a data-driven audit.

As audited companies accelerate their investments in technology, it enables EY auditors to access a broader range of structured and unstructured data. Access to this wealth of information supports EY audit professionals to be more targeted about where to focus their professional skepticism.

To explore this next generation of emerging technologies, EY Assurance professionals lead research and development activities through a network of innovation teams, including an advanced technology group based in Palo Alto, California. This group is addressing some of the most complex opportunities involving leading-edge technologies.

The advanced technology group and other EY Assurance innovation teams are continuing to foster a mindset and culture of continuous improvement and technological excellence that will enable the EY organization to harness the changes and opportunities to come in the years ahead.

The use of state-of-the-art analyzers and emerging technologies supports EY audit teams in unlocking the power of data to identify risk and provide greater business insights.
EY structure

EY is a global leader in assurance, tax, strategy, transaction and consulting services. Worldwide, more than 312,000 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 objectivity. In today’s global market, an integrated approach is particularly important in the provision of high-quality, multinational audits.

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EYG coordinates the member firms and promotes cooperation among them. Its objectives include promoting the provision of exceptional, high-quality client service by member firms worldwide. The member firms’ obligations and responsibilities are governed by the regulations of EYG and various other agreements.

The Global Governance Council is a key governance body of EYG. It comprises one or more representatives from each region, other member firm partners as representatives and up to six independent non-executives.

The Global Executive (GE) of EYG brings together EY leadership functions, services and geographies. It is chaired by the Chairman and CEO of EYG.

The streamlined structure allows EY member firms to further enhance their provision of consistent, exceptional client service worldwide, with EYG coordinating a global approach to strategy, quality, risk management, business planning and priorities. It allows for greater stakeholder focus in the 22 regions, permitting member firms to build stronger relationships with clients and others in each country.

Assurance leaders are responsible for compliance with the Assurance quality control system for EY member firms, while Professional Practice Directors (PPDs) are responsible for enhancing the quality of EY member firms’ Assurance practices around the world. Area PPDs are overseen by the Global Vice Chair, Professional Practice (Global PPD) and the Area Assurance Leader, while the Global PPD is overseen by the EY Global Assurance Vice Chair. This structure provides greater confidence as to the objectivity of audit quality and consultation processes.

EY around the world

- **Americas**
  - 8 Regions
  - 34 Countries

- **EMEIA**
  - 8 Regions
  - 96 Countries

- **Asia-Pacific**
  - 6 Regions
  - 23 Countries
Global audit quality leaders

Marie-Laure Delarue  
EY Global Assurance Vice Chair

Mike Verbeck  
EY Global Assurance Deputy Vice Chair

David Kane  
EY Global Assurance Vice Chair, Professional Practice

Ira Fitlin  
EY Global Assurance Quality Enablement Leader and Chairman of the Global Audit Quality Committee

Marc Jeschonneck  
EY Global Assurance Digital Leader

John King  
EY Americas Assurance Leader

Dilek Çilingir Köstem  
EY Global Assurance Talent Leader

Jay Paulson  
EY Asia-Pacific Professional Practice Director and former Global Assurance Quality Enablement Leader

Peter Wollmert  
EY EMEIA Assurance Leader

Mike Wright  
EY Asia-Pacific Assurance Leader

About Sustainable Audit Quality at EY

EY member firms are committed to performing and delivering globally consistent, high-quality audits sustained over time. Learn more about the Sustainable Audit Quality (SAQ) program and access a digital version of this report at ey.com/en_gl/audit-quality.
EY | Building a better working world

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Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

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