



# How a quality audit enhances trust

Global audit quality report 2019

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# EY structure

EY is a global leader in assurance, tax, transaction and advisory services. Worldwide, around 284,000 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, EY's integrated approach is particularly important in the provision of high-quality, multinational audits.

EY refers to the global organization, and may refer to one or more of the member firms of Ernst & Young Global Limited (EYG), each of which is a separate legal entity. EYG, a UK company limited by

guarantee, is the central entity of EY. It does not provide services to clients.

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 the main oversight 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.

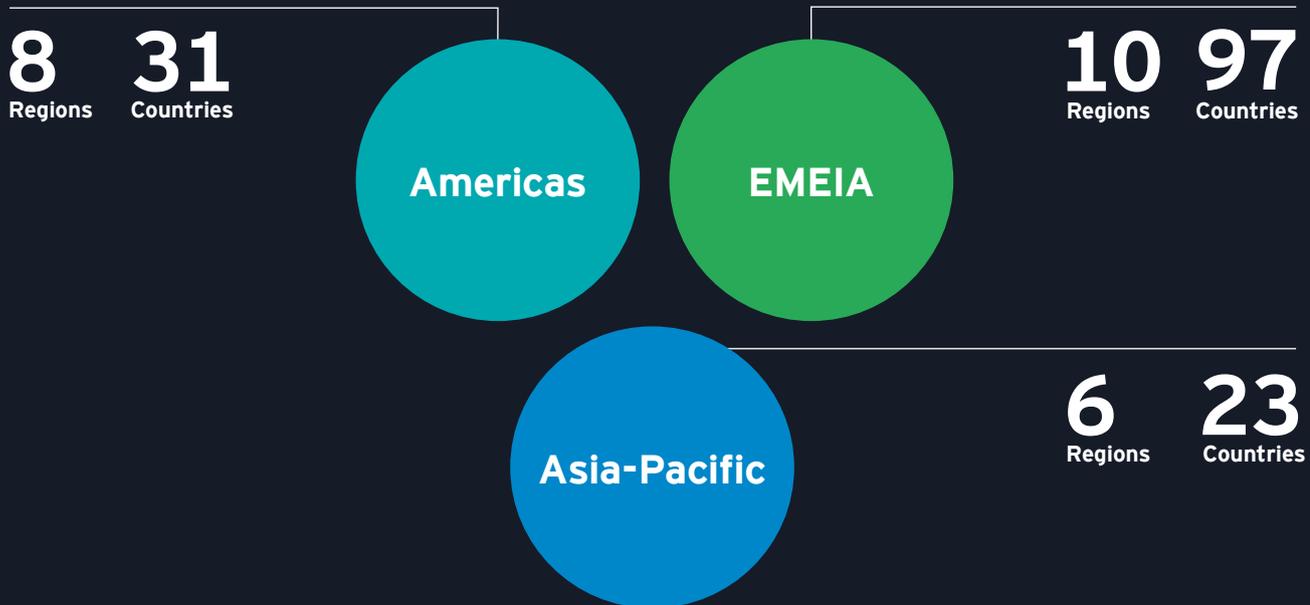
The Executive includes the Global Executive (GE), its committees and teams, and the leadership of the three Areas – the Americas, Asia-Pacific, and Europe, the Middle East, India and Africa (EMEIA). The GE brings together EY's leadership functions, services and geographies. It is chaired by the Chairman and CEO of EYG.

The streamlined structure allows EY member firms to further enhance their provision of consistent, exceptional client service worldwide, with the Executive coordinating a global approach to strategy, quality, risk management, business planning and priorities. It allows for greater stakeholder focus in the 24 regions,

permitting member firms to build stronger relationships with clients and others in each country.

Assurance leaders are responsible for compliance with the quality control system for the EY Assurance service line, while Professional Practice Directors (PPDs) are responsible for enhancing the quality of EY 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 Vice Chair – Assurance. This provides greater confidence as to the objectivity of audit quality and consultation processes.

# EY around the world



## About Sustainable Audit Quality at EY

EY is 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](https://ey.com/en_gl/audit-quality).



# In a fast-changing world, the value of trust is rising

**Carmine Di Sibio**  
EY Global Chairman and CEO

**T**he world is changing fast. Powerful forces are converging to transform how we live and work: globalization, demographic shifts and rapid advances in technology.

New technologies are empowering and disrupting organizations across the world – spurring innovation; creating new business models and sectors; and generating a wealth of data that enables businesses not only to react, but also to predict.

The scope and scale of change is unprecedented. But for change to be progress, it has to be built on trust. That's because it is trust that enables organizations to create long-term value and capital markets to function properly.

High-quality audits improve stakeholder trust in businesses. This drives investment and economic growth and generates value for society overall. It is vital that companies, investors and the wider public have faith in the quality of the audits that support our capital markets.

I have seen the impact that our Sustainable Audit Quality (SAQ) program has made in creating the right culture and producing greater consistency in audit execution. As I start my tenure as EY's Global Chairman and CEO, I will continue to champion SAQ and reinforce the importance of delivering high-quality audits.

In today's fast-changing world, the value of trust is rising. High-quality audits play a crucial role in building trust and confidence in the capital markets – and SAQ builds member firms' ability to deliver high-quality audits.

This report sets out why SAQ is so important to EY, as well as the progress we've made to improve audit quality. I hope you enjoy reading it.

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I have seen the impact that our SAQ program has made in creating the right culture and producing greater consistency in audit execution.



# Why high-quality audits remain my top priority

**Felice Persico**  
EY Global Vice Chair – Assurance

**M**y top priority at EY is and always has been the delivery of high-quality audits. It is what motivates me and more than 75,000 audit professionals across the globe every day.

High-quality audits are the start and end point in inspiring confidence and trust across the capital markets, facilitating economic growth, serving the public interest, and ultimately building a better working world.

To help accomplish these goals, EY's SAQ program focuses on key initiatives across six pillars: tone at the top; exceptional talent; audit technology and digital; simplification and innovation; enablement and quality support; and accountability.

As we demonstrate in the pages that follow, SAQ has developed significantly since its launch in 2015. It has embraced new advances in technology, helped to improve project management with the Milestones program, facilitated communications through the EY Canvas Client Portal and introduced the EY Digital Audit.

This publication details the approach taken on each of the six pillars and explains some of the new initiatives that have been launched.

You will read about what has been achieved and what is planned for the future, not least the introduction of the forthcoming International Standard on Quality Management (ISQM 1). Great progress has been made through SAQ. It has helped to drive better consistency in audit execution and a continuous improvement mindset, and these have led to improved operations and inspection results.

There is still more to do, and EY is ready to accept that challenge – and to continue to make the delivery of high-quality audits the top priority.

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High-quality audits are the start and end point in inspiring confidence and trust across the capital markets.



# SAQ: raising the bar

**David Thorburn**

on behalf of the Public Interest Committee

As my colleague Sir CK Chow and I begin our second three-year terms as members of EY's Global Governance Council (GGC) and the GGC's Public Interest Committee (PIC), it is an appropriate time to reflect on the progress made by EY on audit quality and the challenges that continue to be faced.

The PIC was established to enhance stakeholder confidence in the public interest aspects of EY's global activities through the involvement of independent non-executives (INEs). In particular, the PIC has oversight of EY's global policies and procedures for promoting audit quality and in relation to securing its reputation across all service lines.

Audit quality is critical for EY. It is the highest priority for EY's Assurance service line, and similarly it is the highest priority for the PIC. Serving the public interest clearly extends beyond audit quality – incorporating ethics, whistleblowing and reputational challenges – but quality is our main focus.

The four INEs on the PIC – Sir CK Chow, Jurgen Kluge, Atsushi Saito and myself – meet regularly with EY leadership to review internal and external inspection results and the progress of SAQ initiatives and goals. SAQ has developed significantly since it was launched in 2015, embracing new developments in technology, and improving project management through the EY Canvas Client Portal and Milestones initiatives.

We believe that SAQ continues to maintain an appropriate tone from the top. EY has

worked hard to establish a culture where high-quality audits are the expectation and appropriate behaviors are required at all times. The foundation created by SAQ puts EY in a good position to introduce the new International Standard on Quality Management (ISQM 1), which is expected to be effective from 2021.

The PIC monitors EY's performance against the audit quality goals set by the International Forum of Independent Audit Regulators (IFIAR) and other bodies. Where improvements are needed, the INEs support leadership and seek to understand root cause analysis, the drivers of positive outcomes, remedial actions taking place, best practice transfer across the global network, resourcing levels, and training and talent development. All of this collectively contributes to sustainable improvement.

However, the bar will inevitably be raised further in terms of regulatory targets for inspection results, and this needs to be recognized in planning and execution.

Our assessment so far is that SAQ has made good progress in those countries where the regulators participate in IFIAR. This is driven by EY's global approach, which allows the use of standardized processes, language, systems and internal reporting. While SAQ is working well in many countries, further focus will be placed on countries where the results need marked improvement.

A high standard of quality in audit is an essential component of the corporate reporting framework and underpins

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EY has worked hard to establish a culture where high-quality audits are the expectation.

trust in this system. Consistently high performance across all the countries represented in the EY global network is the aim.

Audit quality, of course, is not just a priority for EY and regulators. There is intense pressure on improving and sustaining quality from a variety of important stakeholders, including audit committees, investors, politicians, the public and the media.

In certain parts of the world, trust in the audit profession – and the wider world of business – has been adversely affected by high-profile corporate failures. As a result, a number of reviews have been launched into the future of the profession and its regulators. In our opinion, evidence-based remedies focused on the protection and improvement of audit quality and the audit ecosystem as a whole should be the underpinning rationale at the heart of any reforms introduced by these reviews.

It is essential for EY to help to ensure a positive relationship between the audit profession and the public. The best way for EY and other audit providers to respond to criticisms and continue to improve trust is by improving audit quality, a goal to which EY is wholeheartedly committed.

**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.**



# Serving the public interest

**David Kane**  
EY Global Deputy Vice Chair – Assurance

Serving the public interest is about remembering that EY auditors are here to serve stakeholders who rely on transparent, informative and accurate financial reporting for decision-making.

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, the safety of investments and with whom to do business.

This is why I am passionate about delivering high-quality audits. In my 26-year career at EY, I have seen significant progress made. As I step into my new role as EY Global Deputy Vice Chair – Assurance, I have never felt better about the quality of EY audits and the potential to improve further through the SAQ program.

Driving high-quality audits – sustainably and consistently across the globe – is a key focus area. The EY organization is also preparing for the audit of the future, which will be different to the audit of today. With the pace of change accelerating, it is vital to anticipate those changes.

We will need to continue to equip EY people with the most advanced technology. They will also need new competencies involving technology and analytics, while engagement teams will use specialists more often in areas such as tax, fraud, valuation, cyber and IT. This multidisciplinary model, combined with the application of new technology, will better identify risks and enhance audit quality.

The six pillars and foundation of SAQ will help EY auditors prepare for the audit of the future. Each pillar is summarized below and explained in more detail in the later chapters of this publication.

**T**here are six pillars to the SAQ program, but there is one foundation: the responsibility to serve the public interest. This responsibility underpins each pillar and is fundamental to the EY purpose of building a better working world.

Performing high-quality audits with independence, integrity, objectivity and professional skepticism is at the heart of serving the public interest. It is a vital role that helps to provide trust and confidence in the capital markets.

## Driving Sustainable Audit Quality across six global pillars to serve the public interest



**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, setting a clear tone at the top.



**Exceptional talent:** Specific initiatives that support EY auditors in performing quality work. This covers recruitment, retention, learning and workload management. It also includes consideration of the type of skills and capabilities needed, both now and in the future.



**Audit technology and digital:** How the EY Digital Audit is evolving in this Transformative Age to set the standard for the data-first way of approaching an audit, combining leading-edge digital tools, stakeholder focus and a commitment to quality.



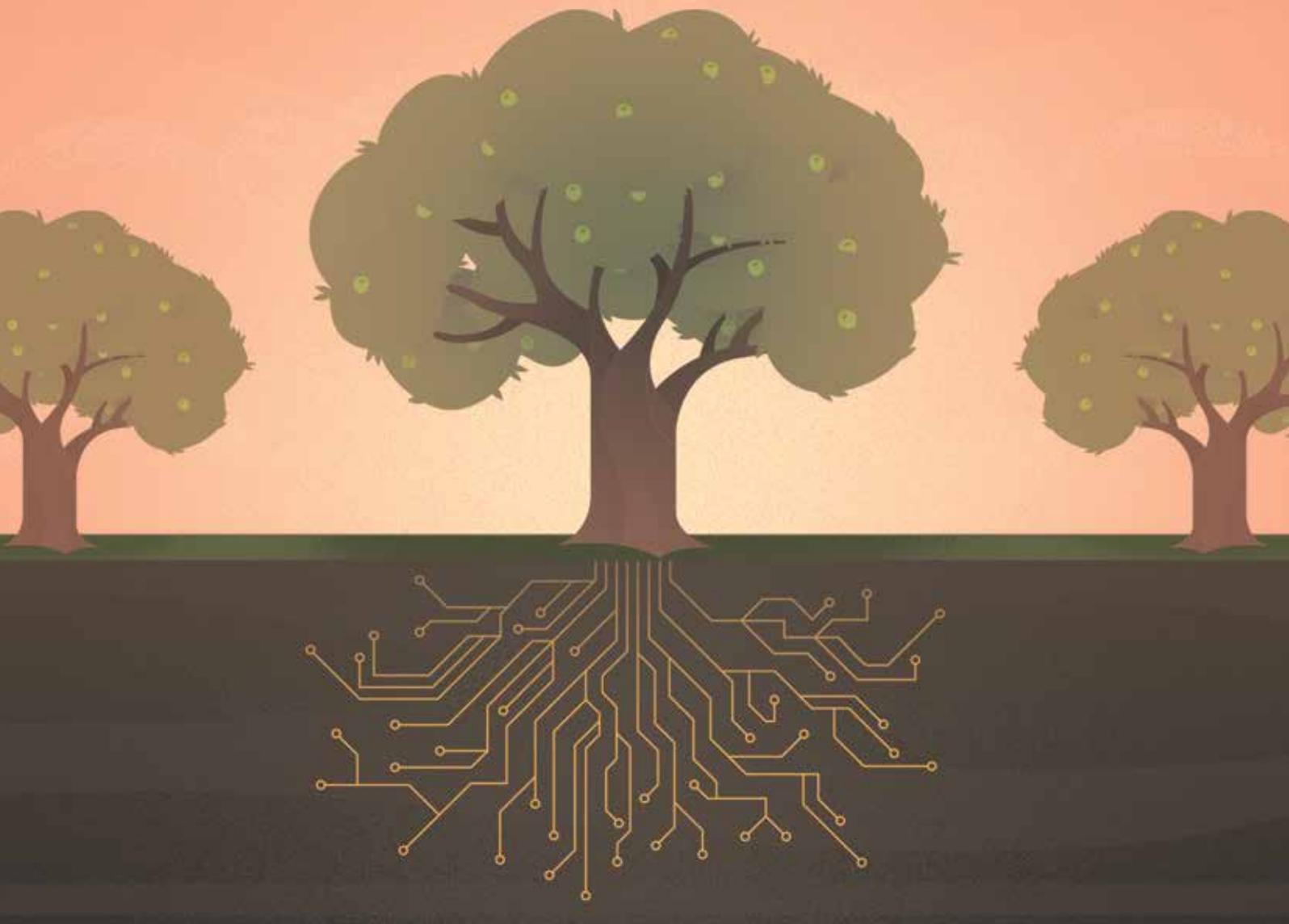
**Simplification and innovation:** How we are simplifying and standardizing the approach used by EY auditors and embracing emerging technologies to improve the quality, consistency and efficiency of the audit. This involves the move to the Digital Global Audit Methodology and the growing use of AI and blockchain.



**Enablement and quality support:** How EY teams are being helped to manage their responsibility to provide high audit quality. This includes efforts to support them through coaching, root cause analysis, the Milestones project management program and updated quality control standards.



**Accountability:** The systems and processes in place to help EY people take responsibility for carrying out high-quality work at all times. This discusses how we measure audit quality, the latest reward and recognition initiatives, the enhanced Accountability Framework and the Global Audit Quality Committee.



# Tone at the top

A commitment to audit quality starts at the top of the organization. EY leaders set a clear tone from the top by establishing and maintaining a culture based on a commitment to quality, an emphasis on values, a global mindset and a focus on the importance of teaming to create the right breadth and depth of skills.

This is the reason that “tone at the top” is the first pillar of SAQ and why so much emphasis is placed on consultation, collaboration and communications. Cascading the appropriate tone is a vital role for those in leadership positions, who regularly reinforce the importance of performing quality work, complying with professional standards, adhering to policies and leading by example.

While the tone at the top is vital, EY people also understand that quality and professional responsibility start with them.

All EY people are held accountable for the quality of their work, including leaders and professionals from other service lines who execute audits. The values shared by EY people (see panel, right) and the commitment to audit quality are embedded in everything the organization does.

Every two years, the EY organization conducts a Global People Survey (GPS). The most recent survey, conducted in 2019, found that 86% of people in the Assurance service line agreed that EY has created an inclusive environment where people with diverse backgrounds and experiences can succeed. This is an increase of four percentage points compared to the previous comparable survey, conducted in 2017.

## Culture

The EY culture strongly supports collaboration and emphasizes the importance

## Shared EY values

The EY approach is based on shared values that inspire EY people and guide them to do the right thing:

- ▶ People who demonstrate integrity, respect and teaming
- ▶ People with energy, enthusiasm and the courage to lead
- ▶ People who build relationships based on doing the right thing



## Viewpoint

# A formula for SAQ success

**Don Zimmerman**

EY Global Vice Chair, Professional Practice

High levels of audit quality are best achieved by having the right people at the right time, and enough people with enough time to execute audit engagements. This can be expressed as  $R^2 + E^2$ .

The first part of the formula,  $R^2$ , requires each engagement to have the appropriate team, including, when needed, specialists in areas such as tax, fraud investigations, valuation, cyber and IT. The world isn't getting any simpler, and EY's multidisciplinary model means that skills are on hand to respond when complexities surface during the audit.

Technological complexity, in particular, requires the recruitment of people with a wider range of skills. The digital revolution, which facilitates the auditor analyzing full data sets rather than small samples, means there is an increasing need for data analysts.

A continued focus on recruitment and the day-to-day experience of our people has helped us achieve  $E^2$ : enough people with enough time. There has been a continuing growth

in the number of audit professionals working for EY; this figure now stands at more than 75,000.

$E^2$  is also facilitated by our Milestones project management program, which helps engagement teams keep on track throughout the audit. When the Milestones program is combined with the EY Canvas Client Portal, engagement teams have more time to focus, to be curious and to be skeptical. As a result, audit quality is enhanced.

Additional improvements to effectiveness and risk management will follow from the introduction of the forthcoming ISQM 1. This will require the identification of a wide range of risks, including those associated with  $R^2 + E^2$ , and evaluation of the controls and processes in place to mitigate those risks.

We have already begun preparing for the standard, which has an anticipated effective date of December 2021. This is a significant undertaking, requiring a substantial investment that will help us to improve audit quality further and continue to have the right formula for success.

of consultation when dealing with complex or subjective accounting, auditing, reporting, regulatory and independence matters.

Culture plays a large part in defining an organization. A positive and healthy culture means people feel engaged and supported, free to speak up and be themselves at work. Recognizing the importance of a strong culture, EY leadership commissioned a Global Culture Assessment to understand the views of EY people.

The assessment was concluded in early 2019, with more than 24,000 people from the Assurance service line sharing their opinions on what they value personally, how they experience EY's culture, and what attributes they think are necessary to achieve the greatest potential. To help drive change management and instill expected behaviors, the EY organization has identified and is promoting four key behaviors that reflect the EY culture: serving the public interest; trust and integrity; a curious and questioning mindset; and high-performing teams.

To reinforce the importance of quality, we have also produced an internal

publication outlining the governance structure for quality at EY. It lists more than 100 key people, including Global Assurance leadership and members of the Global Audit Quality Committee.

The third edition of *Tone at the top: EY audit quality structure* was published in September 2019.

### 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 auditors 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 and the companies audited, act with professional integrity, maintain objectivity and independence and protect confidential information.

The guiding principle is that no client is more important than professional reputation – the reputation of the EY organization and that of each EY auditor.

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The EY culture strongly supports collaboration and emphasizes the importance of consultation when dealing with complex or subjective matters.



# Exceptional talent

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Investing in people is fundamental to delivering high-quality work.

Delivering high-quality audits relies on a combination of technical know-how, sound judgment, efficient working practices, effective teamwork and a continuous dedication to improvement. This is supported by a talent development system that puts people at the heart of everything: their learning, professional development, wellbeing and career progression.

Investing in people is fundamental to delivering high-quality work. It is important to attract and recruit those people who bring the broad range of skills needed in the audit profession – technical specialists, curious skeptics, good communicators and ethical leaders. Once they have been onboarded, the focus is on helping them make the most of their talents in order to create meaningful career experiences and deliver exceptional client service.

## Attracting and recruiting

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 casting a wide net to look beyond traditional sources of talent. With the EY Digital Audit now becoming the new norm in terms of both process and tools, auditors must combine strong accounting and project management skills with the ability to analyze large data sets, be agile in adopting new ways of working 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 cohort of high-quality auditors is a top priority. In order to find the 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, ethics and the ability to collaborate in high-performing teams. Regardless of their academic background, all recruits are expected to live up to high standards of integrity, and to have strong business acumen and leadership potential.

Anticipating and leading the changes impacting the profession are critical, and workforce planning is an important enabler for EY to understand those. EY uses a workforce planning tool that enables the business to model different assumptions and identify the actions needed on both a short- and long-term basis.

The tool helps to connect the different talent initiatives together: starting with recruitment, to identify the number of people and the skills required, and then linking to career development.

### 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. To achieve that, significant investment has been made in expanding the Audit Academy, which offers a consistent training program for EY auditors across the world. Every year, the content and focus are adjusted to address new technologies and strategic priorities that promote audit quality.

Inspection and quality review findings are constantly examined to assess and address root causes, and all of this is then fed into the Audit Academy curriculum to enhance and strengthen continual learning. Moreover, the Audit Academy encourages and empowers individuals to think critically, to act with integrity and to deliver exceptional client service.

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.

It has also transformed learning methods and technologies. Traditional lecture-based education has been replaced with more dynamic, simulation-based learning, supplemented by on-demand

web and video learning. This commitment to innovating training led to the Audit Academy winning 10 industry awards for learning between 2014 and 2018. It now contains 650 hours of content and delivers training to 68,000 professionals per year.

To understand the impact of the Audit Academy on audit quality and other criteria, the effectiveness of the program is measured by continually running interviews with staff. Overall, 86% of those who have engaged in Audit Academy courses find them highly relevant to their work and said they had put their learning into practice or intended to do so. Of those, 88% could demonstrate how lessons learned had a positive impact on their engagements. These results generally fall within the top quartile of results for learning programs at comparable organizations.

### Engagement

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. Listening to EY people – where we can understand their ambitions, their concerns and the pressures they are under – makes it possible to provide a better environment in which they can flourish. Engagement can be seen as a combination of factors – pride, advocacy, commitment and satisfaction. Given the importance, engagement levels are regularly monitored through a variety of channels.

How does audit quality relate to the organization's overall purpose? Audit quality plays a vital role in increasing confidence in the capital markets, something that is crucial in the current economic and political climate.

### Learning opportunities

90%

of people in the Assurance service line who responded to the 2019 Global People Survey agreed that **the experiences they had received in their role had been valuable for their growth and development**, an increase of two percentage points on the previous survey.

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A commitment to innovating training led to the Audit Academy winning 10 industry awards for learning between 2014 and 2018.

## Number of audit professionals

	FY17	FY18	FY19
Audit partners	3,916	3,893	3,959
Executive directors, senior managers and managers	12,519	13,075	14,016
Seniors and staff	54,904	54,948	57,936
<b>Total</b>	<b>71,339</b>	<b>71,916</b>	<b>75,911</b>

“

EY Badges allow professionals to gain future-focused skills. They are awarded based on globally consistent criteria, and act as a digital credential on the recipient’s CV.

EY auditors are proud of their work, which is why the EY network participates globally in the #AuditorProud social media campaign. In 2018, the organization again had the largest voice of the “Big Four,” with two thirds of Twitter posts related to the #AuditorProud campaign coming from EY people.

Meanwhile, the Counseling Families program has progressed the people agenda by focusing on communication, connection and career development. Small groups of around 25 people meet on a quarterly basis to learn about business performance and understand strategic priorities; share experiences; and recognize and celebrate achievements.

The 2019 GPS found that 90% of people in the Assurance service line agreed that the experiences they had received in their role had been valuable for their growth and development. Several programs have also been introduced to encourage building new skills; 84% of GPS respondents said they were provided with learning opportunities to build the skills required to be successful in the future, an increase of four percentage points.

EY Badges is one such program, allowing professionals to gain future-focused skills in domains including data visualization, AI and blockchain. 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

### Case study



**Sharmishta Byragani**  
Manager  
London, UK

## New ways of working

During the six years I’ve been an EY auditor, I’ve seen a major shift toward new ways of working. We deal with huge amounts of data. In the past, it was time-consuming to sift and validate this data.

Now data analytics and artificial intelligence do much of this work for us, which reduces errors and increases efficiency. It also gives

us even more time to focus on areas of the audit that require a greater amount of judgment.

The biggest change is that the analytical tools can look at

a whole data set, not just a small sample, which enables us to ask better questions. It also means we can get a better understanding of how the company we are auditing works before we talk to them, rather than asking them to pull out all the detail and sifting through it together.

This has led to a big change in my own role and skill set. For example, when evaluating results, I need to be able to look at the correlation analysis, understand what the data is telling us and make the right conclusions based on my knowledge of the company.

It’s a learning curve, but it is exciting and enjoyable and I love being able to share insights with the companies I audit in these new ways.



organization to offer such a program. Take-up of the program is increasing as more team members recognize the importance of managing their own skills portfolio.

An increasingly important talent priority has been on vitality and improving the day-to-day experience of our people. The initiative is designed to help 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.

Supporting people in actively maintaining personal wellbeing, energy and enthusiasm helps them to perform at their best and to deliver high-quality audits and exceptional client service. It also underpins the continued focus on audit quality. The better the organization can support

people's vitality, 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 to expand their knowledge as part of longer-term career progression.

**Retention**

The EY network is committed to leading the industry when it comes to retaining the talent within the business. Retention does change depending on external drivers such as market conditions, as well as local culture. However, there is one factor, employee expectations, that is globally consistent.



Vitality is designed to help people develop better working habits, maintain good health and develop sustainable careers while living fulfilled lives outside work.

**Viewpoint**

## The vital importance of people



**Karen Hochrein**  
EY Global Assurance  
Talent Leader

The auditor's role is changing. Companies now rely not only on accounting and technical experience in their auditors, but also on an ability to apply the latest technology and to adapt to changing business models.

For audit to remain an appealing career path, a working environment is required that attracts the kind of specialists needed. As Global Assurance

Talent Leader, I feel privileged to play a role in recruiting the thousands of skilled and hard-working professionals who join EY member firms every year. I am also excited by the personal development possibilities available to current EY people.

By deciding what skills are needed, where to deploy resources, how to broaden people's skill base and how to support professionals through their working lives, EY people are placed at the center of the drive toward audit quality.

And we recognize that to be their best, EY people need support. Last year we started the Vitality program to help deliver that support. In a fast-changing environment, it becomes increasingly important to look after yourself to fully realize your potential.

With the EY Digital Audit now deployed globally, it is clear that skill needs have changed. Alongside the core accounting knowledge, what is needed are people with enquiring minds, good critical judgment, data science skills and the ability to work well with others as part of diverse teams. They also need good communication skills to be able to quickly explain complex concepts to clients and colleagues.

As business changes, audit teams must keep pace. Business is more fragmented, complex and dynamic, so we must be more agile. The companies EY teams work with are moving toward a more modern set of working practices, as we are. Flexible working patterns, continual learning and achieving a good work-life balance are now expected as standard.

We are applying a rigorous set of measurement tools to talent management. The workforce planning tool puts people management right at the heart of all our Assurance services. The suite of employee listening tools introduced across the organization give us a much clearer view of how our people are performing and what we can do to improve their working environment.

From wellbeing at work to acquiring the necessary experience to enhance their potential, we will always be a committed supporter of EY people.

## Creating diverse teams

32.5%

of new Assurance partners in the global organization were female in 2019, compared with 31.9% in 2018.

49.0%

of EY auditors in FY19 were female, compared with 48.1% in FY18.

51.2%

of all those hired by EY in FY19 were female.

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. Having more specialists entering the organization challenges the idea of simply laying out a "path to partner."

New entrants to the workforce may have different career hopes, so they are being provided with the necessary tools and processes to manage their own progression. Audit professionals are driven by serving the public interest, but they also want to feel that their employer cares about their progress and job satisfaction. This more individualized career structure is vital in attracting new talent and in helping to develop and retain the existing workforce.

### Mobility

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.

To achieve this, the organization has a number of mobility programs that are designed to move people when required. For example, the Global Emerging Markets Mobility program involves six-month to three-year assignments for individuals from emerging markets. These individuals are seconded to mature markets, with the aim of providing knowledge transfer and returning necessary skills to their home markets.

### Diversity and inclusiveness

The EY network has long been an enthusiastic advocate of diversity. But simply supporting diversity as a concept is not enough. A concerted effort has been made to build strong, diverse and inclusive teams – something that is especially

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A concerted effort has been made to build strong, diverse and inclusive teams – something that is especially important in audit, where skepticism, challenge and critical thinking form the bedrock.

important in audit, where 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 focus on promoting gender diversity within audit teams over recent years. In 2019, 32.5% of new Assurance partners in the global organization were female, compared with 31.9% in 2018, and 49.0% of EY auditors in FY19 were female, compared with 48.1% in FY18.

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 ensuring the EY network can attract the most talented individuals, as well as keeping them motivated and engaged.

As such, leaders across the business are expected to make this a priority, and it is now embedded as a key metric across all the organization's talent management programs.



## Case study



**Alex Han**  
Senior Manager  
Philadelphia, US

## Technology, people and culture

The EY Digital Audit has transformed the way my teams interact with clients and execute our audits. Driven by the capabilities of this technology, we are able to promote greater efficiencies in our workflows, improve communications with the client and increase the effectiveness of our audit procedures.

Enhanced effectiveness is driven by our transformed data analytics, which gives us the ability to analyze client data, ask better questions and execute more targeted audit procedures.

EY also helps me provide audit quality in countless other ways, including various continuing education opportunities and the forward-looking performance evaluation system. But, most importantly, the EY culture is the cornerstone that led us to where we are and will guide us to the vision that each and every one of us is striving toward.

Audit quality is a core value created by a combination of unique technology, culture and teaming. I strongly believe that the EY leadership empowers my teams to provide unparalleled audit quality, which results from interactions with companies that are risk-focused.

The partners I have worked for have embraced diversity of thought, encouraged entrepreneurial spirit and cultivated mentorship. At EY, we have the right technology and people and an empowering culture.

## Awards

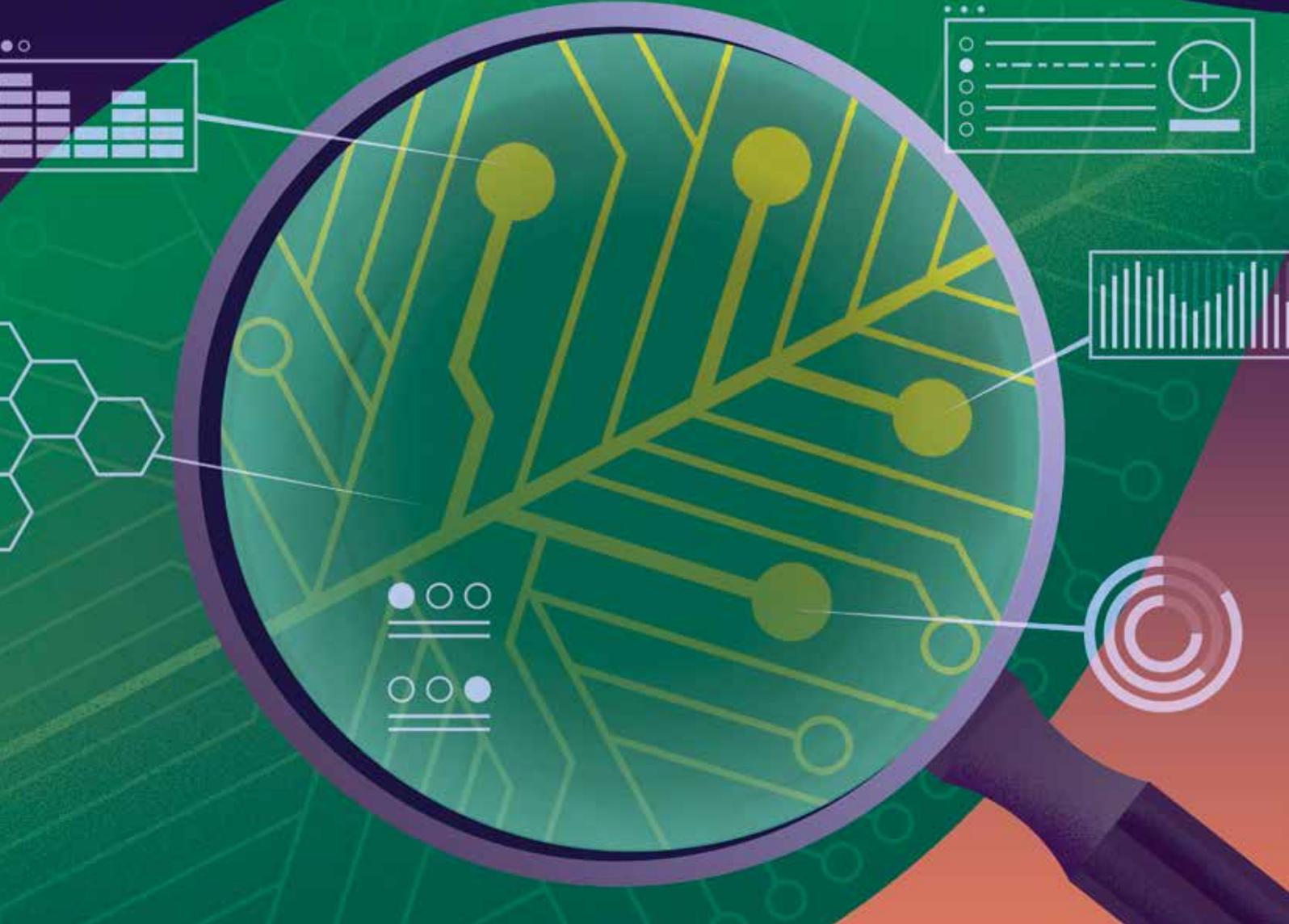
The EY network is committed to continually improving the working environment for all its people worldwide. As a result of these efforts, the organization and member firms regularly feature on rankings of “best places to work” around the world. Here are some examples of where it has featured:

- ▶ **DiversityInc Top Companies for Diversity Councils**  
(2019) – ranked 1
- ▶ **DiversityInc Top Companies for Employee Resource Groups**  
(2019) – ranked 1
- ▶ **Universum’s Most Attractive Employer rankings – Business**  
(2018) – ranked 3
- ▶ **Sunday Times 25 Best Big Companies to Work For**  
(2019) – ranked 13
- ▶ **Fortune magazine “100 Best Companies to Work For”**  
(2019) – included for the 21st consecutive year
- ▶ **Fortune magazine Change the World List**  
(2019) – ranked 14 for EY Neurodiversity Centers of Excellence

EY was a Gold award winner in the 2019 Learning Elite Awards, which recognize the best companies for learning and development, and the EY network won 10 awards in the 2018 Brandon Hall Group Human Capital Management Awards, which recognize excellence in the learning industry.

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Fostering a sense of pride and belonging is critical to ensuring the EY network can attract the most talented individuals, as well as keeping them motivated and engaged.



# Audit technology and digital

## A digitized audit from end to end

Supported by EY Canvas, a global audit platform, and aligned with the new Digital Global Audit Methodology, the EY Digital Audit focuses on four central components:

- ▶ **Connecting** teams and companies
- ▶ **Automating** audit processes and procedures
- ▶ **Analyzing** data, including with emerging technologies
- ▶ **Driving value** through the digital client experience

In this Transformative Age, new technologies are emerging at rapid speed, with advanced methods and techniques becoming available for businesses to use. Business models are changing, while, at the same time, new threats and risks are emerging.

This means that organizations are seeking to embrace the opportunities of change and identify associated risks. For every type of business, in every sector, the need to respond to change is now more urgent than ever.

For the audit profession, the challenges are clear:

- ▶ Stakeholders rightfully demand audits of the highest quality
- ▶ Expectations remain high regarding the scope and thoroughness of audits
- ▶ Organizations want audits to leverage their latest investments in systems, technology and data

- ▶ Auditors are required to communicate key (or critical) audit matters to provide greater transparency
- ▶ Companies expect auditors to ask meaningful and insightful questions about the data they audit

EY is meeting each challenge with a measured and innovative response.

## EY Digital Audit

The EY Digital Audit has transformed the way that EY teams deliver the financial statement audit. It has become the standard for the new, data-first way of approaching the audit, combining cutting-edge digital tools, stakeholder focus and a commitment to high quality.

The EY Digital Audit:

- ▶ Connects more than 120,000 EY users across 150+ countries, and currently connects more than 200,000



client users at companies that EY member firms audit (with this number consistently increasing)

- ▶ Drives leading-edge data security
- ▶ Enables EY teams to manage more than 150,000 audits
- ▶ Links EY professionals and teams across PC, mobile and tablet devices

## EY Canvas

EY Canvas, the organization’s global audit platform, is the core of its auditor technology. Now in its fifth annual audit cycle, EY Canvas drives the delivery of high-quality audits, enabling EY teams to deliver:

- ▶ **One globally seamless audit**, carried out by teams linked through one global methodology and one global audit platform
- ▶ **Better risk identification and response**, allowing findings to be reported promptly
- ▶ **Centralized planning and monitoring** of the global audit, providing enhanced capability to the primary team
- ▶ **Quick customization** of the audit approach to make relevant changes across all geographies and to be responsive to the ever-evolving regulatory environment
- ▶ **Real-time monitoring** of the audit that can capture, flag and share global audit findings as they arise
- ▶ **Streamlined client communications** via an integrated online portal
- ▶ **Improved project management** and ability to monitor key milestones in the audit

## EY Canvas Client Portal

EY Canvas Client Portal serves as the digital channel providing a direct connection for company management to monitor the status of audit requests and respond to queries from EY professionals.

It connects client users directly to audit teams and is the gateway to provide audit support information. It has been developed to help audited companies securely provide supporting audit evidence, thus reducing their administrative burden in supporting the audit and eliminating duplication and inefficiencies.

The portal provides a dashboard showing completion of audit requests that have been made to the company. At the same time, internal audit groups can provide audit evidence directly, significantly reducing the use of email communication.

## EY Canvas Mobile Application Suite

A powerful set of three mobile applications – EY Canvas Engage, EY Canvas Inventory and EY Canvas Pulse – integrate directly with EY Canvas to streamline and enhance EY auditors’ digital experiences and drive audit quality:

**EY Canvas Engage** helps teams view documents and sign off on audit evidence associated with tasks directly via a mobile device. This supports enhanced workflow automation. By linking directly into EY Canvas, the Engage app helps teams meet critical deadlines and keep the audit moving smoothly and efficiently.

**EY Canvas Inventory** has recently been updated to improve flexibility for audit teams when testing inventory counts, allowing them to record the counts through the app and upload them to EY Canvas immediately.

**EY Canvas Pulse** provides a valuable insight into audit engagement status, timelines and team performance, reducing the burden of administrative tasks and helping auditors to focus more on the audit itself. It provides real-time updates for both audit teams and audited organizations.

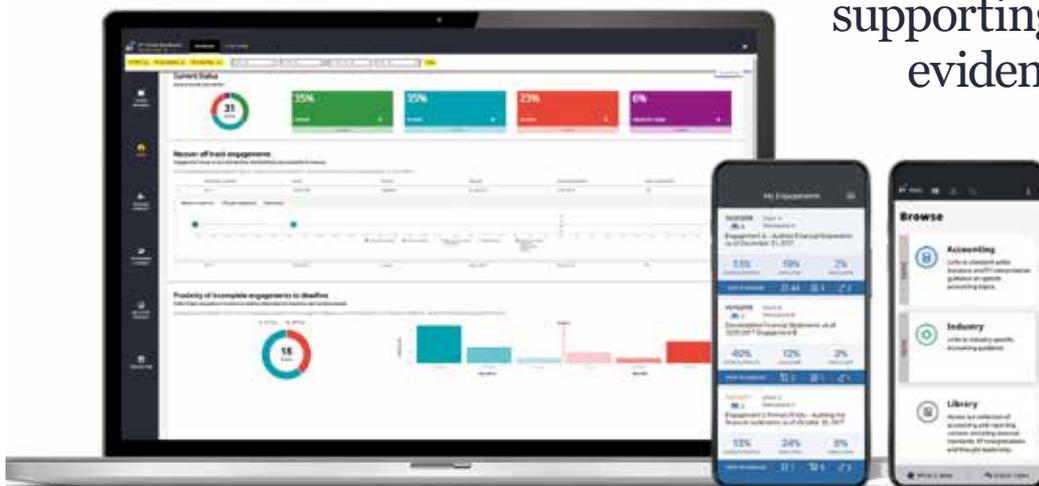
## EY Canvas Dashboard

The EY Canvas Dashboard allows audit teams to carry out more of the statutory audit coordination using EY Canvas.

A secure, automated platform fully integrated with EY Canvas and designed for large multinational audits, the Dashboard enables EY teams and clients to monitor the status of global audit engagements and drive progress where action needs to be taken. It provides a global perspective and real-time view on the progress of audits



EY Canvas Client Portal has been developed to help audited companies securely provide supporting audit evidence.



The EY Canvas apps are available for computers and mobile devices.

and compliance – delivering confidence in reporting and identifying remediation for potential issues.

### EY Smart Automation

EY Canvas now integrates audit automation at scale via EY Smart Automation, which enables audit procedures and processes to be automated from end to end.

EY Smart Automation is deployed through an automation hub integrated within the EY Canvas global audit platform, and uses advanced automation techniques to automate administrative and repetitive tasks, including those that were traditionally executed manually by client teams in support of the audit. This, in turn, helps the auditors to focus on areas requiring their professional judgment and insight.

### EY Helix

EY Helix is a global library of data analyzers that EY audit professionals around the world use to develop audit evidence in support of conclusions by embedding analytics in every significant aspect of the audit. Rather than testing smaller samples, auditors can now capture, transform and

analyze larger populations of structured and unstructured data.

The EY Helix data analyzer library, including the General Ledger Analyzer, now processes more than 400 billion lines of client financial data each year. It is in use across more than 150 countries.

EY Helix gives audit teams the ability to track and gather a wider range of data as the audit progresses. Having done that, they can then determine where delays are occurring and why, and what actions to take.

### WAMapps

WAMapps is a single, secure reporting and data analytics platform custom-built to address the specific data needs for fund audits performed in the Wealth & Asset Management (WAM) sector. As part of the EY Digital Audit, WAMapps captures data digitally and securely from multiple client sources, allowing EY auditors to take in a greater volume of data at a faster pace.

The platform repurposes data into a standard format that increases clarity and consistency, therefore making

it easier to analyze more effectively. WAMapps also layers into the assessment external market data to help EY auditors better assess investment performance and portfolio valuation. This, combined with the automation of certain aspects of the audit process, improves quality and consistency while providing deeper client insights.

WAMapps enables greater collaboration between EY auditors, their clients and their clients' administrators. With the ability to see the right picture, EY auditors can focus on a broader view of audit risks, which in turn enables them to be more responsive and interactive.

### EY Atlas

EY Atlas is a market-leading global accounting and financial reporting research platform, linking EY audit teams to the most relevant and up-to-date accounting, auditing and industry information, including external standards, interpretations and thought leadership. EY Atlas enables high-quality audits by providing audit teams with faster, better and more relevant research and technical data directly to their laptops. It has also

## Viewpoint



**Hermann Sidhu**  
EY Global Assurance  
Digital Leader

edge tools with smart deployment. It is the profession's first connected, data-driven audit. The guiding principles of the EY Digital Audit – accessibility, transparency and visibility – are central to our globally connected and integrated approach.

In the same way that organizations are investing in systems to promote connectivity and collaboration, so are we, too, with the EY Digital Audit.

# A roadmap of digital transformation

In the past five years, the Assurance service line has been undergoing unprecedented transformation. This has occurred in tandem with the changes driven by companies that are increasingly leveraging new technology and data capabilities.

The EY Digital Audit is the result of significant investment over this half-decade, combining leading-edge tools with smart deployment. It is the profession's first connected, data-driven audit. The guiding principles of the EY Digital Audit – accessibility, transparency and visibility – are central to our globally connected and integrated approach.

As companies generate more and more data, the role of the EY auditor is changing. This growing volume of information is being used to deliver higher-quality audits and putting greater emphasis on risk identification and business insight.

By harnessing the connectivity and insight enhanced by technology, stakeholders are provided with greater confidence in the financial reporting of the companies audited. Company management and finance teams can experience a higher-quality audit, and their audit committees can benefit from greater risk insights and new perspectives.

More than a transformation in technology, this is also a transformation in how auditors do their work. It improves connectivity, uses automation to help increase time spent focusing on areas requiring judgment, and helps improve analysis and insight.

The EY Digital Audit is no longer an aspiration; it is a reality. It is also at the heart of the EY purpose of building a better working world through inspiring confidence and trust to help a complex world to work.



been optimized for use on smartphone and tablet devices to provide auditors with an integrated, consistent, easy-to-use way to find information when they are on the move. EY Atlas Client Edition is a subscription-based service for audited organizations, accessible via the EY Canvas Client Portal.

**EY's audit technology moves to the cloud**

EY Canvas and EY Helix are now joining EY Atlas in moving to the cloud – a transition that provides an advanced infrastructure that allows 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 global capabilities of the EY Digital Audit by:

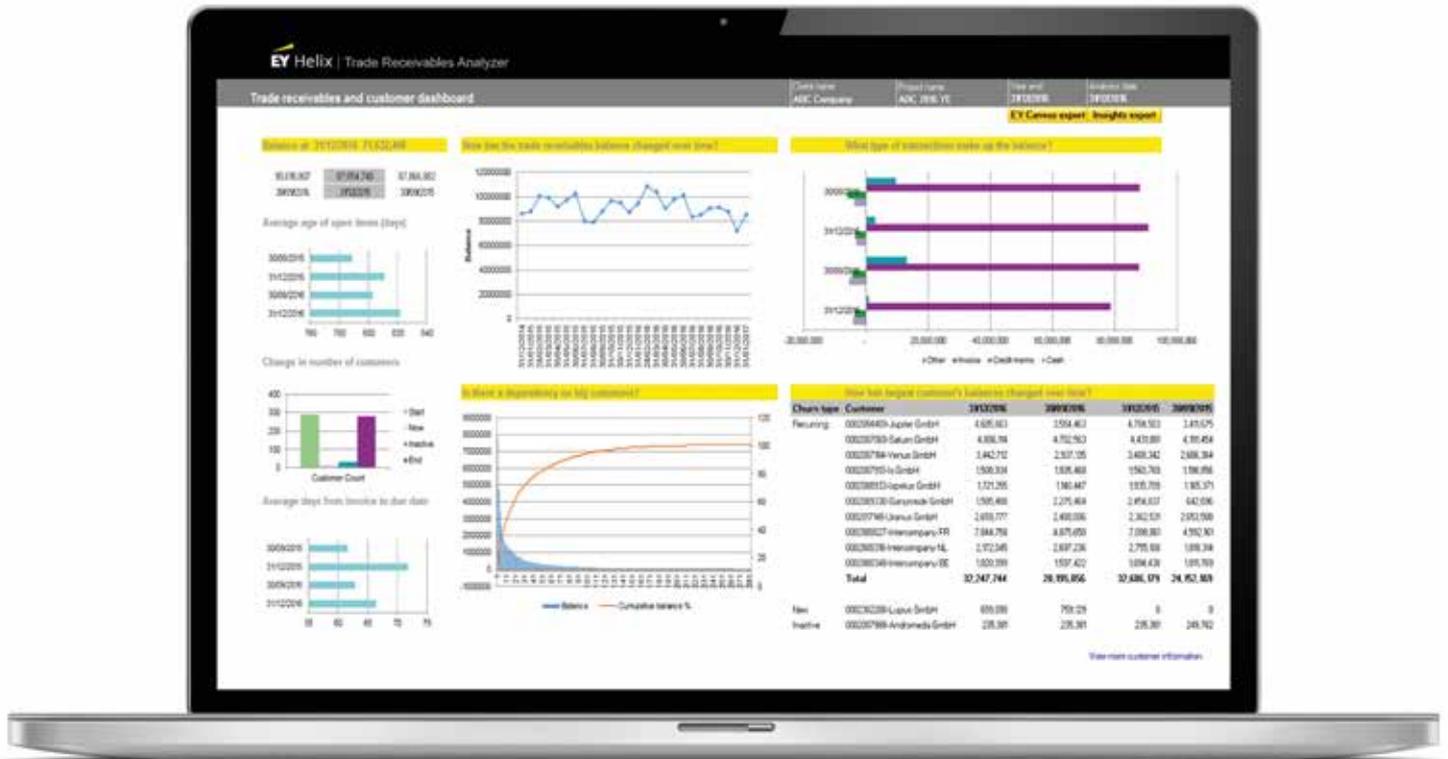
- ▶ Embedding advanced security measures into the existing data security architecture
- ▶ Boosting the stability of the platforms and tools, facilitating accessibility and continuity
- ▶ Accelerating the speed and scale at which teams deploy system upgrades and new technologies

**Security**

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 data 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.

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EY Helix gives audit teams the ability to track and gather a wider range of data as the audit progresses.



The EY Helix data analyzer library processes more than 400 billion lines of client financial data each year.



# Simplification and innovation

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In the EY Digital Audit, simplification and innovation go hand in hand.

Auditing is – and has always been – a complex profession.

As the processes and systems used by organizations continue to transform in the digital age, new professional standards are emerging. In parallel, regulatory oversight is expanding as well.

As part of EY’s commitment to quality, the audit is evolving to respond to this complexity, by increasing digitization, centralization and standardization of audit processes, effectively enabling EY auditors to gain better information and insights.

In the EY Digital Audit, simplification and innovation go hand in hand, with one leading to the other as more effective ways of working are developed through audit technology and the adoption of a new,

data-driven audit approach. Bigger and better data are combined with innovative ideas, resulting in simplified processes and an opportunity to examine work through a more purposeful lens. This enables a greater focus on risk, and, in return, an increase in audit quality.

## **Data: the heart of the EY Digital Audit methodology**

Beginning in 2020, the Global Audit Methodology (GAM) used by EY auditors to interpret and apply international and domestic auditing standards will be transformed with a new approach that puts data at the heart of the audit.

Known as Digital GAM, the new methodology facilitates the analysis of full populations of an organization’s data to produce a fuller picture of the business, driving higher quality through a data-driven audit approach.

Digital GAM enhances and often replaces the traditional audit testing approach with new, risk-based, technology-enabled techniques that simplify and refine the EY auditor's focus on identification of and response to relevant risk.

In turn, EY auditors can analyze whole populations of an organization's data from multiple perspectives, building a body of evidence and producing a deeper view into the operational environment.

This view enables EY auditors to ask better questions and, as a result, provide stakeholders with better, sharper insights.

**How it works**

Digital GAM has been designed with input from various leaders and individuals serving on accounts from around the globe with deep experience utilizing EY Helix analyzers and analytic programs. It is in effect the codification of the experiences and approaches that comprise the EY Digital Audit.

Developed in accordance with professional standards and written to consider the evolution of the audit profession as well as internal and external inspection results, the modified methodology focuses on simplifying tasks and improving linkage from one audit procedure to the next by leveraging full populations of client data.

Powered by EY's digital audit technology, automated techniques are embedded in phases of the audit, analyzing information across an organization's "business cycle," or the flow of financial activity that results as an entity operates its business.

The correlations and relationships between different sets of data throughout the business cycle demonstrate how the entity has recorded the transactions and help EY auditors better identify areas of risk and how to respond to those risks.

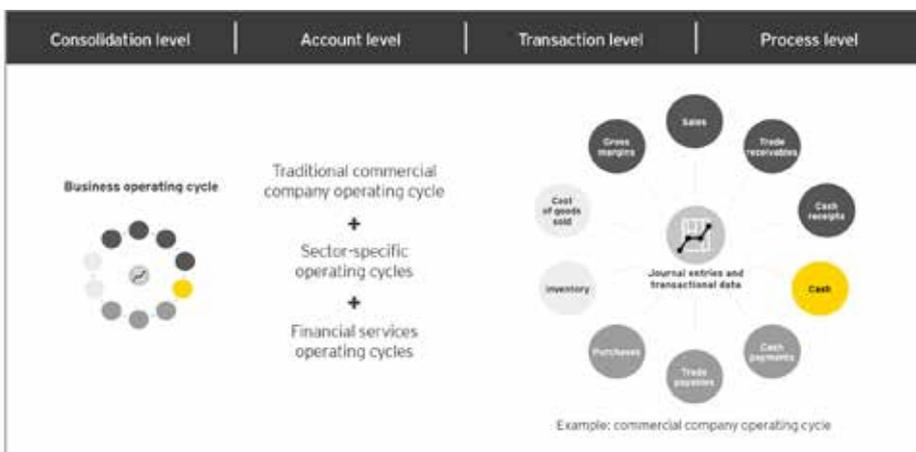
Moreover, Digital GAM is dynamic and adaptive, with the ability for customization according to the type, size and location of an audit, configuring the requirements of relevant auditing standards and guidance and providing support through on-demand tips and examples.

This means that with Digital GAM, all components of the EY Digital Audit come together under a streamlined, data-first approach applied across the complete audit cycle, which will enhance how EY teams work.

Digital GAM requires a broader change in mindset and approach. Some changes are tactical, such as new audit tasks, refocused approaches to journal entry testing and the online availability of standard audit forms, templates and checklists. Other changes, however, are more strategic and require a deeper change in behavior and overall approach, such as enhanced mentorship, which will enhance quality and professional skepticism.

While Digital GAM simplifies the global approach to auditing an organization's data, other internal EY programs are under way to simplify the audit through visual interpretations of data. One new program being piloted across the globe turns a written description of a company's internal controls into a pictorial depiction based on a model using flowcharts. This allows

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With Digital GAM, all components of the EY Digital Audit come together under a streamlined, data-first approach applied across the complete audit cycle.”



Through Digital GAM, EY data analyzers help EY auditors understand the financial activities and flows of transactions across the business operating cycle.

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As a profession, auditors must keep questioning, analyzing and evaluating data from every perspective.

engagement teams to better identify risks and design procedures to address those risks.

**Digital GAM in 2020**

Piloted with a small group of audit teams around the world in 2019, Digital GAM will be progressively rolled out across EY audit practices, globally, in 2020. As part of the phased rollout of the new methodology, the EY network performed extensive research and gathered lessons learned from pilot teams to strengthen and improve the analysis and application of data end to end in Digital GAM.

In addition to facilitated learning groups and on-demand training, Digital GAM implementation will also be supported by a global network of digital “coaches” tasked with sharing leading practices and collecting feedback for further methodology enhancements.

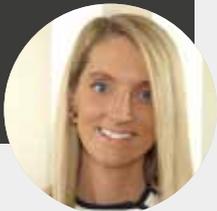
**Emerging technologies**

Emerging technologies are already having a significant influence on the audit. Whether it’s embedding AI into data analytics tools, driving efficiency with robotic process automation (RPA) or using visualization to enhance audit quality, innovative new tools are being used in intelligent and useful ways.

The appropriate use of these new tools will enable the delivery of high-quality audits, and streamline information with the organizations audited at every stage of the process.

The EY Digital Audit has been vital in harnessing these disruptive technologies. As a profession, auditors must keep questioning, analyzing and evaluating data from every perspective. Automation may relieve auditors of many time-consuming administrative or repetitive tasks, but trust

Case study



**Tara Dent**  
Associate Partner  
Ernst & Young  
Melbourne, Australia

Challenging the status quo

Audit quality is about understanding the why, what and how of everything we do. Personally, I thrive on challenging the status quo and identifying ways for continuous improvement, and these are my key values in driving audit quality.

This means living and breathing the right behaviors and values, leading by example and setting the right tone from the top. Ensuring that I embed quality objectives as my number-one

priority helps me to lead high-performing teams and deliver high-quality initiatives consistently and with purpose.

I have had broad involvement in supporting and improving audit quality. One of my most significant contributions was to the design, development, implementation and enablement of EY Canvas. When it was first designed, the vision was to drive better quality, better project management, simplification and enhanced collaboration with the companies we audit. That vision has grown. EY Canvas is now the engine that powers the EY Digital Audit, with better connectivity through the EY Canvas Client Portal, strong integration with analytics and Digital GAM, and greater innovation through EY Smart Automation.

I’ve also had significant involvement in the implementation of the Milestones program and EY Canvas Client Portal and creating an Asia-Pacific initiative called Getting Ahead of the Curve, which enables earlier, better planning and moving work

forward out of busy periods. Improved project management, combined with EY Digital Audit technology, has delivered a better experience for teams and for the companies audited.

It also enhances quality, enabling teams to do the right thing, at the right time, with the right people in the right place. Using Milestones and EY Canvas Client Portal functionality has streamlined administration, improved project and client management, and has helped teams to manage earlier planning and executive review.

In my current role, I lead the network activities work-stream of the ISQM 1 project. ISQM 1 involves a shift from a focus on individual engagement inspections to one based on the system of quality management. At the heart of ISQM 1 is a requirement to define a proactive, risk-based approach to quality management. ISQM 1 will have a significant impact on audit quality. An effective and holistic system of quality management provides the foundation on which Sustainable Audit Quality is executed. It provides an opportunity to improve every process, and to align, challenge, synergize and integrate processes across functions.

There will also be opportunities for global consistency through standardization and simplification of businesses processes. To simplify a complex process takes a great deal of effort, but this is crucial in meeting quality objectives. Continued standardization of processes will enable the EY organization to provide globally consistent, high-quality information about the system of quality management to stakeholders.

## Viewpoint

## A time of change



**Jeanne Boillet**  
EY Global Assurance  
Innovation Leader

If the past two years have shown us anything, it is that the pace of change is not slowing. In this dynamic working world, companies are harnessing emerging technologies in their efforts to adapt and grow.

This is the same for EY. Stakeholders expect us to deploy the latest technology to better understand audited businesses and the risks they face. That's why EY teams are

leveraging emerging technologies, including blockchain, AI and more, as part of the connected, data-driven audit.

And that data represents the next critical juncture in digital transformation. We are working on ways to harness data,

not only to improve internal processes, but also to provide audited companies with the insights that can underpin improved performance.

By combining the different forces impacting finance and audit, as well as the opportunities offered by disruptive technologies, EY teams are making the audit process more effective throughout each stage.

As we harness these disruptive technologies, as a profession, EY auditors continue to do what they do best: questioning, analyzing and evaluating data from every perspective.

Automation may relieve us of many repetitive tasks, but trust in the digital age is still developed through human decisions, and the responsibility to ask the basic, fundamental questions remains unchanged.

in the digital age is still developed through human decisions, and the responsibility to ask the right questions remains unchanged.

**AI**

AI is an increasingly important tool in the delivery of a high-quality audit. A range of tools has been developed that use AI, such as Document Intelligence for Contract Review, which enables audit teams to review business documents more effectively by leveraging machine learning technologies.

On lease agreements, for example, EY Document Intelligence for Contract Review can accurately extract information such as commencement date and lease amount. It identifies the clauses most relevant to each item. The EY professional then evaluates the most relevant values that influence audit judgements. Over time, the AI in the tool continues to learn from these interactions to become more effective. The tool can recognize different data types: amounts, dates, percentages and many more.

The benefits include improved speed and accuracy of reading and interpreting contracts. It is estimated that the time taken to review documents is decreased by 60-80%, allowing audit teams to focus

on judgments, higher-value activities and relationships with key stakeholders.

**Blockchain**

The EY Blockchain Analyzer is a suite of blockchain audit technologies that enhances the ability to perform an in-depth review of cryptocurrency (and digital assets at large) business transactions. The technology supports EY teams as they perform audits for companies using a range of cryptocurrencies.

It is designed to enable audit teams to gather an organization's entire transaction data from multiple blockchain ledgers. Auditors can then perform an analysis, reconciling and identifying transaction outliers. The technology supports the testing of cryptocurrencies including BitCoin, Ether, BitCoin Cash, LiteCoin, and a number of other crypto-assets managed or traded by exchanges or asset management firms.

In April 2019, the second generation of the EY Blockchain Analyzer was announced. This included developments that supported new cryptocurrencies on the platform and added functionality relevant to private and public blockchains. The Analyzer can now be used for multiple purposes such as audit, tax and transaction monitoring.

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The EY Blockchain Analyzer enhances the ability to perform an in-depth review of cryptocurrency business transactions.

# Area perspective



**John King**  
EY Americas Assurance Leader

Our commitment to audit quality is at the heart of everything we do. It is my top priority and the top priority of the 20,000 EY audit professionals working across the Americas.

A critical driver of audit quality is our use of technology to streamline processes, improve communications and digitalize audit procedures. The goal is to make every EY audit a data-driven audit.

This past year, more than 70% of the audit engagements in the Americas used the RPA-based General Ledger Analyzer. By leveraging full data sets, instead of statistical sampling, teams can better assess risks during the planning stage of an audit and identify transactions for further evaluation. EY teams are able to complete audit procedures with a higher degree of certainty and build on that knowledge to provide boards and C-suite with insight into business risks.

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EY professionals use a structured approach that visualizes processes and risks as part of audit planning.

To empower EY professionals to deliver audit quality, we are committed to building digital capability and strengthening the digital mindset. More than 400 EY digital coaches – seniors, managers and senior managers who possess both a passion for data analytics and deep auditing expertise – are helping EY teams to capture and analyze data. The coaches operate in close collaboration with the Quality Network, which advises and supports auditors in adopting new accounting standards and applying best practices.

To complement our expanding digital capabilities, we are driving a greater understanding of key business processes and controls. At the outset, EY professionals use a structured approach that visualizes processes and risks as part of audit planning. Recent inspections have shown a positive trend in the reduction of findings in areas such as review controls, information provided by the entity and accounting estimates. Much of this progress can be attributed to the enhanced rigor and analytical mindset we are applying to risk assessment and audit planning.

EY teams also are benefiting – particularly in the US – from the external perspective provided by the Independent Audit Quality Committee (IAQC). The IAQC was formed in 2018 and advises EY US senior leadership on the many issues that affect audit quality.

The IAQC comprises three independent leaders with diverse and highly relevant experience, and we are already benefitting from their counsel. Their contribution complements the important work of the INEs on the EY Global Governance Council.

Ultimately, however, the ability to deliver Sustainable Audit Quality rests with EY people. We proactively invest in EY professionals and tools to inspire and help EY people deliver at the highest levels. This involves: building transformative leaders; encouraging diversity and inclusiveness; recognizing and rewarding teams and individuals for their commitment to quality; fostering wellbeing; embracing change; sustaining a culture built on integrity; and creating the appropriate tone from the top and an environment where we are all proud to serve the public interest as auditors.



**Edward Ho**  
EY Asia-Pacific Assurance Leader

Audit quality is my number one priority in Asia-Pacific. It is so important that in July 2018 I asked the then Deputy Area Assurance leader, Jon Pye, to become the Quality Enablement Leader for the Area.

The appointment of Jon to this role symbolized my commitment to improving audit quality. At the same time, greater emphasis was placed on SAQ initiatives including: Milestones; EY Canvas Client Portal; Key Findings Review; the Personal Workload Tool; and Purpose-Led Outcome Thinking (PLOT).

EY analysis shows that where engagement teams embrace both Milestones monitoring and the EY Canvas Client Portal, performance is significantly enhanced. We have therefore encouraged our coordinators to spend more time coaching engagement teams on how to achieve the milestones.

Key Findings Reviews, involving the analysis of audit data to improve performance, have been significantly expanded across the Area. A total of 650 reviews were completed in our financial year ending 30 June 2019, compared with 405 reviews in the preceding year.

A pictorial approach to understanding a company's business flows and processes has also been deployed during 2018 and 2019. This has received very positive feedback from both engagement teams and audited companies.

Workload is being addressed to help achieve an appropriate work-life balance. Starting with partners, a Personal Workload Tool was



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We have developed Partner Quality Events to reinforce the importance of appropriate behaviors. To date, more than 90% of Asia-Pacific partners have attended one of these.

piloted in Oceania in December 2018, with full deployment across the Area in 2019. The tool assigns the right people to the right jobs, and assesses whether there is enough time to deliver high-quality audits.

It is also important for auditors to fully understand why they have to undertake certain tasks, and PLOT helps them to do this. It has been implemented across Asia-Pacific and has already contributed to a stronger sense of purpose.

Alongside the six SAQ initiatives, we have developed four-hour Partner Quality Events where we reinforce the importance of appropriate behaviors and approaches. To date, more than 90% of partners in Asia-Pacific have attended one of these events.

A similar approach has been taken for non-partners, with “Back to Basics” sessions offering refreshers on issues that have been highlighted by internal inspections. More than half of the managers and senior managers in the Area have attended these sessions.

Jon and I will continue to support these events and reinforce the tone from the top, so that audit quality remains the number one priority.



**Jean-Yves Jégourel**  
EY EMEIA Assurance Leader

I continue to emphasize the importance of SAQ and the goal that EY should have the highest-quality audits in the profession. This commitment is shared by each leader across the 10 regions and 97 countries that comprise the EMEIA Area.

The right frameworks are in place, there is a strong network of Quality Enablement Leaders and an influential Audit Quality Committee. Regular “Quality Days” – where EY professionals in a particular region discuss audit quality with the local regulator – help to reinforce the message and demonstrate strong leadership.

Improved project management has also been a key factor. The use of Milestones and the EY Canvas Client Portal have simultaneously improved audit quality and driven exceptional client service.

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Regular “Quality Days” help to reinforce the message and demonstrate strong leadership.

Meanwhile, newer initiatives such as PLOT and the Personal Workload Tool for partners and associate partners have been embraced.

Progress on a technology roadmap remains a priority, with digital leaders now in place in every EMEIA region. The aim is to ensure digital activities are consistent and collaborative, while reducing duplication.

Underpinning this is the EY Digital Audit’s move to the cloud, meaning advanced security, stability and capability, supporting EY teams’ commitment to SAQ and helping deliver greater transparency and accountability.

High levels of audit quality are both a professional and a commercial imperative at a time when the audit profession is under greater scrutiny than ever before. Audit committee chairs continue to be focused on the quality performance of audit providers, and the level of due diligence carried out by companies considering an EY member firm as their auditor has increased significantly.

Good progress has been made, but better consistency of high-quality execution is still needed. This is why I welcome the introduction of ISQM 1, which brings an increased concentration on audit firms’ quality control systems.

ISQM 1 has an anticipated effective start date of December 2021, but preparations have already begun. It is a huge opportunity and will be beneficial in embedding stronger quality controls into processes and systems.

Results from the latest survey of EY auditors across EMEIA, conducted in June 2019, showed that audit quality was a high individual priority and that the tone from the top was appropriate. However, it is clear that there is more work to do on managing workloads, providing timely feedback and using project management more frequently.

These issues will be prioritized in the year ahead. It is vital that the momentum is maintained and high levels of audit quality remain of paramount importance.



# Enablement and quality support

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Through the use of Milestones, there has been significant improvement in audit quality.

Across the EY network, there are systems and structures in place to help analyze audit quality and improve working practices, skill sets and resource levels where necessary. To deliver high quality, it is important to support audit teams, who often work in stressful and demanding environments. It is equally crucial to monitor audit quality and engage in open discussions when challenges arise.

## Quality Enablement Leaders

The EY Quality Enablement Leaders (QEL) network is a group of approximately 200 senior Assurance leaders who take action to drive audit quality by providing hands-on support to engagement teams. They are based in every region, and increasingly at different locations within each region.

Their responsibilities include: coaching teams; supporting internal and external inspections; evaluating significant audit deficiencies through root cause analysis; looking at resourcing needs for changes in engagements dynamics; and helping provide

additional support to audit teams due to changes in demands on engagements.

Using EY Canvas and Milestones, the QELs are now 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 are auditing.

## Professional Practice

The EY Professional Practice group has a central role in developing, monitoring and enhancing the quality of Assurance practices. Professional Practice delivers practical insight and thought leadership on accounting, auditing, financial reporting, regulatory matters and other technical and risk matters to audit teams, the entities they audit and other stakeholders.

Their role has been enhanced by the development of new tools that deliver levels of granularity and focus that were previously beyond the reach of the typical audit team.



In addition, Professional Practice monitors audit quality and risks through internal inspections processes, including Audit Quality Reviews (AQRs).

### Root cause analysis

The EY network uses a range of tools to gain a deeper understanding of the factors that drive inspection results and to avoid any recurring issues. Around 15,000 professional hours are devoted globally to root cause analysis each year. It 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.

The organization then investigates the findings in detail and undertakes correlation analysis. Combining all this research enables a better understanding of the drivers behind both positive and negative inspection outcomes, making it possible to take remedial action where necessary. 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.

### Milestones

Underscoring the market-leading digital audit technology is a keen focus on project management, powered by Milestones in the global audit platform, EY Canvas. 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 minimizing 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 EY Canvas Client Portal to capture and record the receipt of evidence and other business communications from companies under audit, in real-time, teams see an even greater improvement in their overall audit quality.

### Coaching

EY teams are supported by a variety of coaching programs to help them with the more challenging areas of the audit. Coaching is provided through Key Findings Reviews (KFRs), the AQR program and other initiatives.

EY provides on-the-ground coaching through the QEL network. The network meets with teams to help with specific areas, ensuring that enablement and mentorship occur on various accounting and auditing topics.

It is only possible to improve the people and processes that contribute to audit quality if there is an appropriate level and scope of information with which to make an assessment. Through internal 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 consider the engagement's areas of risk, given its profile, such as multi-location scoping, revenue and receivables, and inventory. Ultimately, the objective is to build a continuous loop of improvement.

The KFR program harnesses the power of the data collected. By examining layers of detail and complexity, KFRs also help to address substantive issues. These reviews make it possible to identify quickly any areas where improvement is needed.

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 they encourage auditors to ask themselves the right questions. By doing that, they are more likely to bring the appropriate levels of skepticism and critical thinking to the audit – qualities that are enhanced by technology but never replaced.

### Audit quality indicators

The EY network has developed audit quality indicators (AQIs) that help give insight on where it may be necessary to intervene if quality appears to be short of expectations.

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EY teams are supported by a variety of coaching programs to help them with the more challenging areas of the audit.

# Passion, pride and purpose



**Jay Paulson**  
EY Global Quality  
Enablement Leader and  
Chairman of the Global  
Audit Quality Committee

regulators or the way we develop and support EY people, that passion shows through in everything we do.

Quality is demanded at all levels of the organization. That

High-quality audits help to create trust and confidence in the capital markets. Our role as auditors is vital in giving shareholders, regulators and the wider community that confidence.

It is our aim to bring a passionate commitment to quality and our role at all times, and, in doing so, build a better working world. Whether that is through delivering work for the companies EY member firms audit, driving long-term value for investors, interaction with

means that, from the top down, EY people hold ourselves and each other accountable; demonstrate what needs to be done to execute a high-quality audit; understand applicable professional standards; plan the work and are vigilant in assessing progress during the audit; appropriately document the work; and, critically, provide the necessary coaching, supervision and review. Our pride in the work we do is well established, and it sharpens the edge of our passion to improve.

SAQ continues to be all-encompassing and relies on the determination to embed critical thinking in EY teams at all stages of the audit process. It demands an understanding of our purpose as auditors, deploying and developing the latest technologies, and it prioritizes understanding where we are excelling and where there is a need to focus resources.

It has been good to reflect on the work that has been carried out to get to this point, but we are not finished. We will always have a continuous improvement mindset. Stakeholders and EY people alike are benefiting from the quality culture we have instilled.

Examples of these indicators include:

- ▶ External inspection results
- ▶ Internal inspection results
- ▶ Milestone performance
- ▶ People surveys
- ▶ Staff retention rates

## Rate My Engagement

Rate My Engagement (RME) was introduced to give deeper insight into individual engagements. The RME tool has been developed to provide information in four areas of an engagement experience (communication, environment, flexibility and team culture). The survey tool helps team members to provide feedback anonymously about these key areas, generating a report that captures ratings and feedback for each question.

The report provides average team score, low and high scores and benchmarks for each question. Teams are then able to discuss the report and develop action plans focusing on areas of improvement, as well as identify and reinforce areas that are working successfully. RME also provides insights to regional leadership on the engagement experience for audit teams, common practices and areas of concern.

## What You Do Matters

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 engagement teams maintain their role in supporting the public interest and delivering high-quality audits.

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

## ISQM 1

In February 2019, the International Auditing and Assurance Standards Board (IAASB) released an exposure draft that proposes significant changes to the way professional accountancy firms manage quality. The International Standard on Quality Management 1 (ISQM 1) will replace the current International

Standard on Quality Control 1 (ISQC 1), and take a more proactive and risk-based approach.

ISQM 1 is expected to require firms to design, implement, monitor and assess the overall system of quality management (SQM) that provides reasonable assurance a firm will meet its quality objectives. The proposed standard includes more robust 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 will involve more extensive monitoring of the SQM to evaluate effectiveness and to identify deficiencies that require corrective actions.

While the anticipated effective date of the standard is December 2021, EY has already taken many steps to improve its SQM. An effective SQM is the foundation for all EY's quality initiatives, and will enhance quality and operating effectiveness. EY'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 the use of other EY member firms. A globally consistent SQM helps ensure audit quality and consistent execution.



# Accountability

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The organization has embedded a culture of accountability at all levels of the audit process — a culture of doing the right thing.

With the accounting profession under more scrutiny than ever before, EY has a duty, in serving the public interest, to help its people take responsibility for performing quality work at all times.

To achieve and sustain this, the organization has embedded a culture of accountability at all levels of the audit process – a culture of doing the right thing. This means that partners, senior managers, managers and the rest of their teams are expected to maximize use of the digital technology, and to be driven by the EY quality agenda in everything they do.

## Measuring audit quality

While the measurement of audit quality is subjective to a certain extent, it can also be assessed using objective measures. These measures include inspection results – both from external and internal inspections – and the results of coaching activities, performance in

terms of the timeliness of the audit, and the competencies and experience of EY audit teams.

Quality is a reflection of the EY network’s responsibility for building trust and confidence in capital markets and serving the public interest at the highest possible level. As such, performance on quality is measured wherever possible, enabling the organization to analyze any quality challenges and take corrective action.

In response to the vast digital transformation taking place worldwide, organizations and their audit committees see quality as a key factor when choosing an auditor. Tenders require evidence of quality levels, and stakeholders are specifically hiring or not hiring because of quality considerations.

The primary driver for the EY SAQ program is professional duty and pride; every auditor wants to deliver the highest

quality. In addition, the focus on quality from various stakeholders is increasing. The systems of accountability established by the organization are helping to achieve this goal.

### Internal inspection results

Internal inspections are performed on engagements each year. EY leadership conducts the annual AQR program as an important element of assessing the system of quality control at the member firm, regional and global levels.

The reviewed engagements are selected according to a range of risks, including considerations of audits that are large, complex or of significant public interest. The AQR program includes detailed, risk-focused reviews covering a large sample of listed and non-listed audit engagements to measure compliance with internal policies,

procedures and methodology, and relevant standards and regulatory requirements.

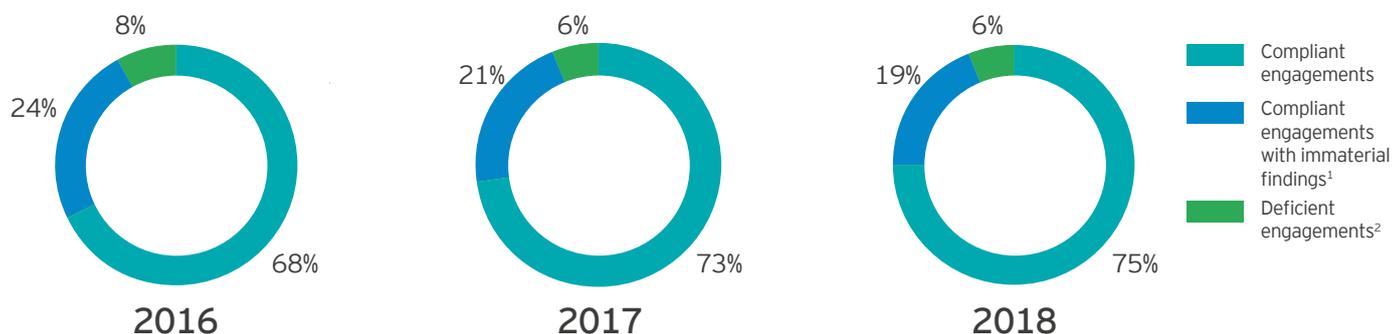
Leading the inspection process, AQR reviewers and team leaders are selected for their knowledge and professional competence in accounting and auditing, as well as their industry specialization. They often work on the Global AQR program for a number of years and are highly skilled in all technical aspects of the audit. Team leaders and reviewers are assigned to inspections outside of their home locations and are independent of the audit teams reviewed.

The results of the AQR process are summarized globally (including for Areas and Regions), along with any key areas where the results tell us that continued improvements are required. Results for the internal inspections in 2016, 2017 and 2018 are set out below.

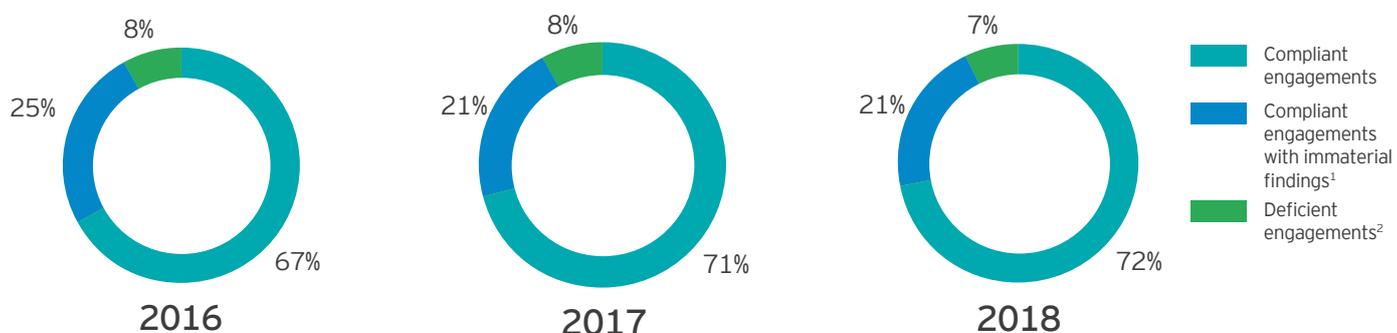
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The annual AQR program is an important element of assessing the system of quality control at the member firm, regional and global levels.

### Internal inspection results of audits in IFIAR-regulated countries



### Internal inspection results of all audits



<sup>1</sup> Such findings may result in the need for additional audit procedures or documentation. However, given their nature, these matters would not be expected to have a significant impact on the overall audit conclusion.

<sup>2</sup> Findings in procedures or documentation that are material to the financial statements or auditor's reports, or were not performed in accordance with EY policies.



**Reward and recognition**

The EY organization’s commitment to audit quality is fulfilled for stakeholders by the work that audit teams do each day. The performance of Assurance leaders is measured and rewarded with this in mind. Quality is a significant factor in an Assurance leader’s overall evaluation.

Partners’ performance is measured against an array of criteria, ranging from their baseline compliance with Assurance and risk management policies and attendance at mandatory training events, to the ways in which they set the “tone at the top” for their teams by fully embracing SAQ initiatives and, ultimately, improving their engagements’ external inspection results.

The organization has also established an Accountability Framework for evaluating the leaders who are responsible for audit within the global EY regions, so they can be assessed in a consistent manner and rewarded based on quality. This creates both global and local accountability in the framework for audit quality.

**Remediation Task Forces**

Achieving Sustainable Audit Quality is about more than celebrating and highlighting where things go right. It also requires a single-minded commitment to recognizing and addressing where performance needs to improve. Performance cannot improve unless gaps are uncovered and these gaps are used to drive learning and improvement.

The organization’s inspection program is continually updated to the highest standards. Once inspections are completed, and root cause analysis has been undertaken, Remediation Task Forces – teams of operations specialists, professional practice personnel and Assurance and quality leaders – are deployed to address 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 strategy that sets out the continuous improvement strategy related to the findings and root causes.

**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 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 and share innovative and game-changing ideas and approaches to delivering quality audits. 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.

**Working with regulators**

The role of auditors is to carry out the very highest quality work in accordance with the guidelines and standards set by independent regulators across the world. These bodies expect auditors to go beyond the minimum and set new standards for quality and accountability.

The EY network engages in an ongoing dialogue with IFIAR in which integrity and quality are at the top of the agenda. To facilitate this dialogue, the EY IFIAR subcommittee meets monthly, bringing together leading practices and current developments on audit quality from 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) in a constructive and transparent way.

**Continuous improvement**

The EY network is committed to continuous improvement, and provides 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 the highest quality. Continuous improvement is critical to the way the EY organization operates, and quality is the key to its culture.

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