

EY UK 2023 Transparency Report

October 2023





Context

EY purpose: Building a better working world

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

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

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

Unless otherwise stated, this report relates to the principal activities of EY UK for the reporting period from 2 July 2022 to 30 June 2023, referred to throughout the report as FY23.

Transparency

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

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

Local audit

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

Audit Firm Governance Code

First published in January 2010, the Audit Firm Governance Code (AFGC or 'the Code') sets a benchmark for good governance and applies to firms auditing 20 or more listed companies. The version of the Code as revised in 2016 is applicable to FY23; we will report against the 2022 AFGC in FY24.

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

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

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

Throughout this report, where we refer to the results of surveys, these surveys were sent to the full relevant population and the quoted results refer to the views of those people who responded. Where we refer to diversity representation, those percentages are calculated based on people who have declared their sex or ethnicity as relevant.



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Leadership messages



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EY UK Chair

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Foreword from the EY UK Chair

Introduction

Welcome to our EY UK 2023 Transparency Report.

As I write, UK companies – as well as individuals across society – are facing a macro environment the like of which most have never previously experienced. From climate change to the aftermath of the pandemic, from shifting consumer habits to an upcoming election cycle, and from conflicts across the globe to high inflation and interest rates, they are confronted by an array of interrelated global and local risks with compounding effects.

The scale and complexity of these risks – economic, political, social and environmental – are making forward planning more difficult than it has been for years, or maybe even decades. For our business, the pervading economic uncertainty is compounded by regulatory change and action – or, in some instances, lack of action.

However, difficult times can also be moments of great invention and transformation. We know this from the pandemic, when we were all forced to rethink the ways we did almost everything. Despite the macroeconomic turbulence and a challenging deals market, we continue to perform strongly and have delivered another year of double-digit growth, whilst remaining steadfastly committed to serving the public interest, delivering the highest quality audits and providing a diverse, supportive and inclusive environment for our people.

Our perspective on the forces reshaping the audit sector

Against this backdrop, we remain committed to leading the debate on the long-term outlook for the audit profession. In our view, the drivers of change can be broadly divided into four areas: choice, capital, technology, and culture. Below I provide a brief outline of each of these areas.

On **choice**, we have a situation in the audit market where the increasingly complex interplay between mandatory firm rotation, conflicts of interest and capacity constraints could combine to hamper choice for companies. Maximising choice is in the public interest, and over the long term we will need to continue to search for potential solutions. Andrew Walton, our Head of Audit, says more about this in his message.

Regarding **capital**, the demands for capital expenditure are ever-increasing, with the data and technology infrastructure that underpins our business requiring consistent and considerable investment. Whilst this is true of pretty much any organisation, the rising need for significant capital outlays requires continued strong business performance to fund investment.

On **technology**, disruptive new capabilities – such as generative AI, which has been extensively covered in the media in recent months – will continue to impact the world of audit, raising a key challenge for the profession: how to harness the power of advanced technologies whilst also building in the guardrails needed to support speed, accuracy, and quality? As new technologies are

adopted by companies, more innovation in audit will be needed to keep pace with the developing landscape. With this in mind, last year EY announced US\$1 billion global investments in assurance-related technology. But investing in any technology is just the start. We also need to evolve our thinking on the role it can and should play, and how we will harness the capabilities that emerging technology can provide to support our mission to deliver audits of the highest quality. Questions around how to apply technologies like AI in a safe, ethical and fair way occupy many of our conversations with clients, policymakers and other stakeholders. We do not claim to have all the answers. But we wish to, and believe we must, play a role in helping to find them.

Last but not least, on **culture**, there are two key aspects. One is the requirement to have a culture relentlessly focussed on audit quality delivery that underpins our delivery of high-quality work. The other is our broader ethical culture that defines our interactions and conduct. Both aspects are key to our licence to operate, so sustaining and growing each of them is both a priority and an area of continued business focus. In his message, Andrew Walton says more about the work we do to evolve both aspects of our culture.

The talent pipeline, audit capacity, and the future of the profession

As we continue to grapple with these forces and take actions in response, we are keeping the need to build our future pipeline of audit talent at the top of our agenda. This is an imperative that extends far beyond our own business, bringing implications for the profession as a whole and indeed the attractiveness of the entire UK economy.

In an increasingly competitive global environment, it's vital that the UK remains a vibrant and conducive place to do business. This requires many elements, ranging from strong business investment to robust and liquid capital markets to regulatory consistency and certainty. But ultimately, the most important attribute determining the UK's attractiveness will be its ability to create, develop and maintain a highly-skilled talent pool.

In my view, no area of the economy has a more pressing need for talent than professional services. This sector – of which the audit profession is a key part – underpins trust and confidence in the financial system and the smooth functioning of the capital markets. As the volume, complexity and scope of assurance work continue to expand, and the need to serve the public interest remains at the forefront, the profession can only meet the growing demands placed on it if it has a strong and ongoing flow of talent. Without this, it will not have sufficient capacity to fulfil its role effectively or offer companies real choice – putting trust in the financial system, and the UK's wider attractiveness, at risk.

It follows that the future ability of the profession to handle the increasing demand for assurance work will ultimately depend on making audit careers attractive today to talented candidates who could find rewarding employment in almost any other sector. And as we seek these people, the capabilities we need them to possess are continuing to evolve, with skills like critical thinking, technology capabilities, communication, and relationship-building becoming more important.

To convince the in-demand talent with these skills to choose a career in audit, we need to offer them work that is rewarding across the board – not only financially, but also intellectually and morally. This includes responding to their changing

expectations around aspects like hybrid working, health & wellbeing, Diversity, Equity and Inclusiveness (DE&I), and sustainability. In this context, I believe that audit firms' emerging role as assurance providers on non-financial data related to challenges such as climate change is an increasingly important aspect of our people value proposition, helping to make a career in audit more meaningful and attractive to young people with deeply-held values.

In tandem with our ongoing recruitment efforts, these shifts in the talent landscape are reflected by the increasing emphasis we place on the environmental and societal value we create through our work, and our consistently strong focus on our purpose. For example, we are one of the UK's biggest employers of graduates and school leavers, having taken on students across EY UK in 2023. This scale enables us to exert a powerful influence in delivering social mobility and fostering inclusion. You can read more in our latest [Impact Report](#).

As we continue to sustain and expand our talent pipeline, we are also navigating a number of regulatory developments impacting corporate reporting, and in turn the audit. Among these, the current proposed changes to the UKCGC – the subject of a Financial Reporting Council (FRC) consultation paper published in May 2023 – contain a new requirement for a directors' declaration over risk management and internal controls. I continue to have concerns regarding the potential unintended consequences of relying on voluntary provisions in respect of this declaration.

My main concern is that companies that already behave well will continue to do so, whilst those that don't might simply ignore the changes. Also, without detailed guidance and a reference framework, investors will not be in a position to compare declarations between companies, and there will be no clear basis for obtaining external assurance. I believe we as a profession need to come together and engage with the companies we audit to determine how high the bar should be. This is a dialogue in which EY UK is keen to play an active role.

A further major shift underway in the regulatory and reporting landscape is the ongoing extension of assurance into new areas like environmental and social metrics. The increasing focus on non-financial information reflects the fact that all businesses, including our own, need to be measured on their creation of more than just financial value.

In light of this, and the government's recent announcement to withdraw draft secondary legislation that would have introduced additional narrative reporting requirements, we will keep a watching brief on the wider range of reforms currently under consideration and respond accordingly.

In June 2023, the International Sustainability Standards Board (ISSB) published two International Financial Reporting Sustainability Disclosure Standards aiming to boost the transparency of companies' publicly-disclosed environmental, social and governance (ESG) information. However, whilst this was an important step towards universally-accepted international standards, each individual country will now take time to endorse and implement them using its own process. The UK government is setting up a mechanism to do this, and we are actively engaging with all parties to support this effort.

These developments bring significant implications for the audit profession, not least by broadening the scope of what audit clients ask us to do. We are finding that more and more companies recognise the benefits of having their auditor provide non-financial assurance because of the overlap with the financial audit.

The question is whether the UK government will adjust the non-audit services fee cap to take account of this change in demand from companies.

A final area where regulation is entering a phase of rapid evolution is around new technologies such as AI. In my view, the UK has a golden opportunity to take the lead in developing and shaping the regulatory environment around foundational AI models. The UK government's hosting of a [global AI Safety Summit](#) in November 2023 represents a significant step towards realising this opportunity. EY is well-placed to provide support in this area, by bringing our deep business and technology expertise and our credibility and experience in the regulatory field to help develop the most appropriate frameworks. However, the UK's window of opportunity to lead the way will not be open for long, so there is no time to lose.

Our deliberations on structural separation

As part of a strategic network review during FY23, EY evaluated a proposal to separate certain advisory businesses from a multi-disciplinary partnership focussed on audit and assurance. A key and consistent factor in the deliberations was to ensure the audit-focussed business always had access to capital and specialist skill sets it needed. In my view, the new partnership would have been built upon the culture and investment capital needed to provide enhanced competition and choice in the market, and to ultimately help improve audit quality.

It was decided not to proceed, but the considerable due diligence undertaken across the global organisation of EY member firms will undoubtedly benefit us as we prepare for the future. EY approached the idea of separation from a position of strength and to be in control of our own destiny – there was no 'burning platform' for immediate change. But the big questions driving our thinking remain and will need to be answered in the future. We believe the answers will redefine our market in the coming years.

Continued delivery, consistent quality

I'd like to close by once again recognising the performance and high-quality delivery of EY UK audit teams in FY23, powering our continued delivery for clients and society. As you'll read in the following messages from Tonia, Philip and Andrew, it's been a year of progress and investment on many fronts. The overall message is clear. Our audit business is firing on all cylinders and looking to the future – whilst keeping purpose at the core.

Conclusion

In the face of the macroeconomic and geopolitical turbulence facing both EY UK and our clients, I'm pleased to report that our audit business has continued to perform strongly in FY23 whilst also serving the public interest, delivering high audit quality, building our talent pipeline and executing on our firm-wide purpose. We have achieved all of this whilst staying at the forefront of the debate on the future of the audit profession, across issues including organisational structures, market choice, use of emerging technologies, and the attractiveness of a career in audit. If you have any feedback or questions about anything I've said in this message, please feel free to contact me at hball@uk.ey.com.



Leadership messages



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Foreword from the EY UK Head of Audit

Introduction

Looking back on FY23, I would like to start by thanking our people once again for their dedication and commitment to delivering high-quality audits – a task made all the harder by the challenging and fast-changing economic and geopolitical environment during the year. It's been a period when both our own firm, and also the companies that we audit, have faced economic headwinds on a scale not experienced for several decades.

Whilst rising to these challenges during the year, we have continued to develop our audit strategy in line with our stated purpose of protecting the public interest and taking personal pride in audit. In support of this, our strategy is built to deliver consistently high audit quality, give our people lifelong skills and experiences, and grow our business purposefully. In the past year we have taken various steps to deliver on this strategy – and I will now elaborate on these.

Delivering consistently high audit quality

When we set our UK audit quality strategy for FY23, as part of our wider audit strategy, our aim was to achieve high-quality more consistently across all of our audits. To realise this ambition, we prioritised three key areas:

- ▶ Greater standardisation and simplification
- ▶ More effective coaching and support
- ▶ Reduced work intensity

Whilst it is too early to call victory on consistency, we are very encouraged by our improved results in this year's cycle of FRC inspections of our audits. The latest FRC inspection cycle saw us achieve our best result in the past six years, positioning us towards the top of the pack in delivering high-quality audits. Some 80% of the EY UK audits selected by the FRC for review were rated as good or needing limited improvements, rising to 89% of FTSE 350 audits inspected. In its Audit Quality Inspection and Supervision report on EY UK, the FRC commented: 'None of the EY UK audits we inspected were found to require significant improvements. We are pleased that EY UK has maintained its focus on, and continued investment in, audit quality.'

The other quality reviews of our audits published during the year were also very positive. In our other external inspection, the ICAEW's QAD review that's weighted towards higher-risk and complex non-PIE audits, 100% of our audits inspected were rated as good/generally acceptable. And our FY23 cycle of audit quality reviews performed internally found that 89% of the 126 audits we inspected required no or only minor improvements.

However, we know that audit quality is an area where there is always more work to do – and it’s vital that we maintain this year’s momentum and achieve similarly strong results consistently into the future. The examples of good practice identified by the FRC suggest that the building blocks of our strategy remain appropriate and effective. We have made good progress on the priority workstreams outlined above during FY23, and along with further enhancing our purpose-led culture, these remain focus areas for us in FY24. You can find out more about our audit quality strategy in [Appendix 3: Audit quality and culture](#).

Addressing – and learning lessons from – reputational challenges

Whilst we have made solid progress towards realising the ambitions set out in our audit quality strategy, we recognise that we still have some issues to address around the perceived quality of our audits, including from a number of investigations currently in the pipeline. During the past year we’ve faced reputational challenges to the EY brand in the UK, and across the globe, from developments including EY Oceania review into workplace culture, the backlog of public sector audit opinions, and the FRC’s ongoing audit investigations. You can read more on these in [Appendix 3: Audit quality and culture](#) and our [2023 Audit Quality Report](#).

Of the FRC’s audit investigations currently underway, seven relate to audits that were completed by EY UK, compared to four audits at the same point last year. During FY23, the FRC announced investigations into aspects of our audits of MADE.com plc, Stirling Water Seaford Finance plc, and an unnamed company. From previous years, the investigations relating to Thomas Cook Group plc (audits covering two financial years), NMC Health plc, and London Capital & Finance plc have not yet been concluded. We continually look for lessons to be learned from our ongoing investigations and the FRC enforcement actions announced against other firms, and will incorporate these into all of our audits going forward.

A particularly marked trend we have noted in the past year is increased press coverage relating to auditors delaying signing audit opinions. At EY UK, we have delayed the signing of a number of opinions on listed company audits. We will continue to reinforce the message to companies that we will not sign until we are ready, regardless of any unhelpful press speculation or management reaction that we may receive as a result. Our culture and support network enables our partners to make the tough decisions required when assessing whether we are ready to sign an audit opinion.

More generally, we continue to embrace the FRC’s approach to audit firm supervision, and will keep working with the FRC and other stakeholders to ensure our audits deliver on their public interest role of building trust and confidence in business and the capital markets. We have continued our close engagement with the FRC Supervisory team and have worked to address the points highlighted in the feedback they shared with us in February 2023. The FRC identified a number of areas of good practice, including the cultural roadshows hosted by our senior leadership around the country and the expanded provision of our internal quality support processes to a larger number of audits. We have also resolved the issue flagged by the FRC around the reduced number of Non-Executives (NEs) at certain points of the year, as touched on later by Philip and Tonia in their [leadership message](#), and discussed in more detail in [Appendix 3: Governance and leadership](#).

As I mentioned in these pages last year, operational separation can act as a further lever for enhancing audit quality, and in May 2023 we received the FRC's Annual Operational Separation Assessment. We are pleased that across the six categories of principles for operational separation, the FRC has graded us as either already in full compliance or as having made good progress towards full compliance as required by the end of FY24.

Strengthening our firm-wide ethics and our culture of quality and challenge

Our strong ethical values and culture orientated around delivering high-quality audits are central to everything we do. As I noted above, one of the key foundations of our audit quality strategy is our purpose-led culture of quality. In FY23 we've applied a three-fold focus to our efforts to strengthen this culture:

- ▶ **Protecting the public interest** – Reinforcing the messages that the public interest is of greater importance than client service, and that the consistent performance of high-quality audits is in the public interest.
- ▶ **Confidence to challenge** – Taking action to equip our teams with the mindset and capability to apply professional scepticism and challenge, both within the audit team and with the companies we audit. For example, this year many of our people attended training on how to handle difficult conversations. The training was designed to develop the understanding of the importance of creating a safe environment where constructive challenge can occur, and to develop skills that support in providing appropriate challenge.
- ▶ **Rewarding and recognising audit quality** – At partner level, this involves the Audit Board Remuneration Committee (ABRemCo) overseeing the application of the fundamental principles for setting partner pay, including ensuring that audit quality is the main driver of reward and that audit partners are not remunerated for sales of non-audit services to the entities that we audit. For our other colleagues, our focus has been on reinforcing the link between audit quality and our variable pay scheme.

In July 2023, we ran our annual audit quality culture assessment. A really positive outcome this year – one that we were delighted to see – was that our cultural alignment index, at 96%, showed a 10% increase over the prior year. However, we are not being complacent about this improvement, and will continue to seek ways to maintain this strong result.

Further actions aimed at strengthening our culture have included our continued investment in the wider aspects of ethics, our code of conduct and the commitment we make to our people. This year EY UK put all its partners across the UK through an externally-facilitated ethical training programme. Having attended this programme myself, I can attest personally to its power in creating awareness of the kinds of issues that could potentially derail us ethically, and of how we can encourage conversations around positive behaviour. The programme has been so successful at partner level that it's now being rolled out to all staff across EY UK.

Purposeful growth and our responsibility to the public interest

Purposeful growth means being thoughtful about the companies that we want to work with whilst balancing our commitment to protecting the public interest.

In our opinion, taking the public interest into account does not require a firm to make decisions that put significant strain on its capacity or pose risks to audit quality. But we know that the decision not to accept an audit or to resign from one can have far-reaching consequences for the company in question and its investors.

With all of this in mind, we have three 'golden rules' that we apply with companies to explain the decisions we make around accepting or continuing an audit engagement. These are:

- ▶ Companies committing to hold themselves to the highest standards of governance and control
- ▶ Always treating our people professionally and with the respect they deserve
- ▶ Paying us fairly for the scope of work and the risk we take on

Where companies fall short on any of these three criteria, we provide feedback to their board and agree an improvement plan. These principles have served both to improve companies' controls and also to provide our people with the backing of EY UK in delivering difficult messages.

Purposeful growth also applies to our approach to tendering for new work. As underlined by Hywel's comments in his message around the corporate governance code and auditor choice, tendering is an increasingly challenging area both for companies and audit firms. Capacity constraints in the profession – especially in the context of partners accredited to sign audit opinions – mean we cannot take part in all tenders. Tellingly, the number of accredited responsible individuals (RIs) registered in the UK to sign audit reports across all firms has remained largely flat since 2017, yet the time taken to deliver the same audit has increased by approximately one-third during that time. Looking forward, a number of factors mean capacity in the profession is expected to remain tight.

One of these factors is that the wave of mandatory audit tenders has continued for the FTSE 350. Through to the end of 2027 we expect there to be around 175 tender processes, with approximately 158 of these being mandatory firm tender processes and only 17 mandatory firm rotations. It's interesting to note that in the case of mandatory firm tender processes over the last three years (since January 2021), 60% of FTSE 350 tenders have resulted in a change of auditor. A further factor likely to help maintain the squeeze on audit firms' capacity is that, outside of the listed audit market, the Department for Business and Trade has been consulting on proposals to widen the definition of a public interest entity (PIE) to all companies with annual turnover of more than £750m and more than 750 employees. If introduced, Managed Shared Audits (MSAs) will also put further pressure on capacity. One of our actions in response to such challenges is to make concerted investments in expanding our capacity – including increasing our number of RIs by 14% during FY23.

In terms of being paid fairly for the scope and risk we take on, during the past year we received a letter from the 100 Group – an organisation that provides a collective voice for the CFOs of most companies in the FTSE 100 – outlining their concern with rising audit fees at the Big Four firms. Hywel and I met with representatives of the 100 Group to discuss what it takes to deliver a high-quality audit. We had a constructive conversation about the factors that had caused fees to rise, together with the mitigating actions we were taking to limit the increases, such as making greater use of offshore delivery centres, data analysis and technology. However, we were clear that audit fees can be expected to continue to rise, given the scale of corporate governance and audit reforms being proposed, the increasing regulatory oversight and scrutiny of audits and auditors, and – as Hywel has discussed – the need to secure a strong and ongoing flow of talent.

Our people and their importance to audit quality

Above all, our ability to deliver high-quality audits is underpinned by our success in securing, training, and retaining the best talent. With this in mind, I'm sincerely grateful for all the hard work our audit teams have put in this year.

But delivering high-quality audits demands more than hard work. It's also critical that our people have the headspace to think clearly and critically. To provide this, we need to empower our teams to work at an appropriate intensity – which is why this is one of the key workstreams of our audit quality strategy.

I'm pleased to say that during FY23 we've recruited extra experienced auditors, graduates and apprentices into our audit business. Combined with higher retention, this has helped us to rebalance our individual work intensity, with an additional 558 auditors compared to the prior year. This said, there's more to do in this regard, and we will continue to focus on improving how intensely our people work. We are also investing in a pilot looking into how we can deliver our audits more efficiently whilst also enhancing audit quality, including through use of AI to support and augment our human auditors – as Hywel highlighted in his [leadership message](#).

Alongside these initiatives to manage work intensity, it's also vital that we continue to train our people. Aside from core audit skills, our audit team members also need to be well versed in some emerging areas that are becoming increasingly important in their work. We provide this enhanced understanding in several ways, including offering our people a range of EY 'Badges' in topics such as AI, cybersecurity and analytics, and providing targeted sessions covering assurance on Environmental & Sustainability matters. We are also considering introducing more bespoke 'academies' on technology and sustainability next year.

Whilst these efforts are already bearing fruit, the fact remains that attracting the right talent, with the right experience, continues to be an industry-wide challenge – one to which EY UK is not immune. There are a number of levers we can pull to make the profession attractive and to upskill our people.

One of the most powerful of these is expanding the diversity of our audit workforce and teams, as reflected by our diversity targets and progress towards them – you can find more on our diversity targets in our third annual [Impact Report](#). We also continue to review our total reward and recognition package to ensure that our people are remunerated fairly. Finally, a further lever available to us is differentiating ourselves around skills development and career experiences. We are developing a programme of activities including secondments both internally and externally to broaden our skills base, which we hope will ultimately enhance audit quality and make EY UK a more attractive place to work.

That said, I believe that making the audit profession a more appealing career choice is a goal that cannot be achieved by EY UK acting alone. Whilst we will play a critical role, success will require engagement with a wider group of stakeholders. Given this need, we will continue to work with our peers, companies, regulators and government to support the move towards a more attractive profession.

Conclusion

I'm exceptionally proud of what we have achieved in FY23. We have made good progress with our UK audit quality strategy and, as evidenced by our improved results in the FRC's FY23 inspection cycle, that investment is paying off. That being said, we cannot rest on our laurels. And as we continue to grow our business purposefully and invest in our people and culture, we are well-placed to protect the public interest through our audits, whilst also helping to make the profession more attractive to the talent who represent its future. If you have any questions or feedback, feel free to contact me at awalton@uk.ey.com.



Leadership messages



Tonia Lovell

Independent and Audit Non-Executive, Chair of the EY UK Public Interest Board, and Independent Non-Executive on the EY Global Governance Council



Philip Tew

Audit Non-Executive, interim Chair of the EY UK Audit Board and Chair of the Remuneration Committee of the EY UK Audit Board

Foreword from the EY UK Non-Executives

Introduction

This has been the second year of the two Boards – the Public Interest Board (PIB) and UK Audit Board (UKAB) – being in place, and both are now well established and embedded. However, there have been changes to the Boards' composition.

Sir Peter Westmacott, who stepped down at the beginning of the fiscal year, was not replaced as the firm awaited the outcome of the deliberations – now resolved – over the potential for structural separation and a new shape for the business. David Thorburn, the Chair of the UKAB, resigned in January with immediate effect in order to take on a role on the Transaction Committee for the proposed structural separation. Philip took over as interim chair, and the process of finding a new NE with the experience and skills required to take on the role of UKAB Chair was initiated immediately.

Following the decision not to proceed with the proposed structural separation, David was re-appointed as both an Independent Non-Executive (INE) and Audit Non-Executive (ANE) in May 2023, with Philip continuing to act as interim UKAB Chair. The process to find a further NE and bring the number of NEs back to the FY22 level of five was also initiated. For an explanation of the respective roles of INEs and ANEs, and the differences between them, please see [Appendix 3: Governance and leadership](#). In this context, we are conscious that the temporary reduction in the number of NEs during FY23 resulted in non-compliance with certain provisions of the Audit Firm Governance Code (AFGC). However, we did not feel that the depletion impacted the effectiveness of our oversight or our ability to provide constructive challenge, and the issue has now been resolved through the process for appointing replacement NEs post year-end. Again, more details on this are provided in Appendix 3.

Throughout the year, the NEs on the PIB and UKAB continued to challenge management through the lenses of quality – especially in respect of audits – as well as resilience and reputation, and to engage with internal and external stakeholders. We will now explore each of these areas in turn.

Quality

Audit quality

We are pleased to see the improvement in the FY23 results from the FRC inspections of EY UK audits, as detailed by Andrew Walton in his [leadership message](#). The outcome of the FRC inspections in FY22 were out of line with the improved performance of EY UK over the previous few years. Also, the Root Cause Analysis (RCA) over the FY22 inspection outcomes highlighted a wider range of drivers than in the recent past.

During FY23, the UKAB continued to oversee the development and deployment of the refreshed audit strategy, and of the three FY23 priority workstreams within the audit quality strategy – part of the overall audit strategy – that are designed

to complement each other. We are pleased with the progress made so far in the implementation of the audit strategy. However, we recognise that executing the audit strategy and – within that – the audit quality strategy is a multi-year undertaking, and will inevitably take time to have its full impact on audit quality in EY UK.

A further development during the year was that the UKAB received an analysis of the results of 2022 Audit Culture Survey. It was encouraging to find that, for the first time in the results of this annual survey, the top ten phrases or words associated with the EY UK audit culture were all positive terms, such as teamwork, collaboration and scepticism. As mentioned by Andrew in his message, there were further improvements in the most recent survey post year-end. However, we know that there is never any room for complacency when it comes to culture, and the ANEs were pleased to be taken through management's audit culture action plan.

A topic that is a permanent fixture on the UKAB's agenda is resourcing. There are three aspects of resourcing that we focus on particularly closely:

- ▶ The mechanisms that management has put in place to ensure that EY UK does not take on work that cannot be resourced appropriately.
- ▶ Reporting on resourcing levels.
- ▶ Actions that are being taken to ensure that the individuals involved in the delivery of audits have the right skill sets and knowledge.

Additionally in the past year, in the context of the deliberations over the proposed structural separation, the NEs in the UKAB and the PIB provided challenge and oversight to ensure that the two entities whose creation would have resulted from the structural separation would be resilient and properly resourced to deliver high-quality work.

At the same time, the UKAB, through the ABRemCo, continued to oversee the fundamental principles of setting partners' pay. These principles are that:

- ▶ Audit quality is the main driver of reward.
- ▶ There is a sanctions regime for instances where performance is not of the appropriate standard – balanced by positive awards for outstanding delivery.
- ▶ Partners are not incentivised to sell non-audit services to entities that EY UK audits.

The audit quality aspects of the selection process for audit partner candidates are also overseen by the UKAB. Promotions follow rigorous due diligence on partners' track record in terms of quality – and the promotion of potential candidates is deferred in cases where this process highlights issues that have yet to be resolved.

Quality across all service lines

In order to maintain a good understanding of the various businesses of EY UK, the PIB receives regular presentations from service line leaders and their quality leads. This process enables the INEs to consider the service line's performance, specific risks and how these risks are managed, quality of advice, and any actual or potential reputational issues. This year's roster of service lines presenting to the PIB included People Advisory Services as well as Tax and Law.

Resilience

Resilience is a combination of both financial and operational aspects. Jane Goldsmith – who is EY UK Managing Partner for Risk Management – is a member of the Risk Oversight Committee (ROC) and a member of the PIB, providing close connectivity between the PIB and the EY risk function. Through the PIB, the INEs have continued to challenge the evolution of the EY UK risk profile, controls and mitigating actions, focusing particularly in FY23 on engagements related to digital assets, the risk environment that would have been in place following structural separation, and the management and mitigation of reputational risks. The PIB also continued to have visibility over the work of the Internal Audit function.

At the same time, the NEs devoted a significant amount of time during FY23 to monitoring the progress made by EY UK towards compliance with the International Standard on Quality Management (UK) 1 (ISQM 1). As discussed in more detail in [Section 2: System of Quality Management](#) of this report, ISQM 1 covers a very broad range of areas, many of which relate to matters that fall within the remit of the UKAB's oversight. We were kept abreast of progress against ISQM 1 through to the end of FY23, and had frequent interactions with the ISQM 1 implementation team together with Internal Audit, who provided information to the ANEs and INEs on a regular basis. Throughout the year, we held management accountable for dedicating the appropriate time and resources to the ISQM 1 compliance project, and were satisfied that this has been – and continues to be – treated with the priority it requires.

In terms of financial resilience, on an annual basis the NEs ask management to model scenarios and perform stress testing in a similar way to a Public Limited Company's (PLC's) viability statement. Also, through the PIB, the INEs have oversight of the control framework for financial resilience including investments and acquisitions. This strand of activity was also considered during FY23 in light of the progress with operational separation.

Reputation

Turning to activities in FY23 related to reputation, the PIB received presentations on culture across the whole of EY UK from Partner Matters/Talent team. This year we were pleased to see the strengthening of the independent oversight of decisions on sanctions taken in partner disciplinary matters. We also oversee the whistleblowing arrangements in the PIB and monitor the types of issues raised under that process, enabling us to identify any trends that may be arising and/or actions that need to be addressed. Additionally, we discuss the work of the Reputation and Conflicts Panel (RCP). More detail on the RCP is provided in [Appendix 3: Managing risk](#).

As well as being core to the EY purpose, values and behaviour, Diversity, Equity and Inclusiveness (DE&I) is also fundamental to the reputation of EY UK. At the PIB we receive regular updates and insight into the progress that EY UK is making on its DE&I commitments, which leads us into discussions on areas such as culture and employee engagement as well as reputational issues.

In FY22 we dedicated significant time to oversight of the EY UK response to the war in Ukraine. This year, much of our time was devoted to considering the reputational impacts of the proposed structural separation, and discussing the exam cheating issue that first arose in the US, with a view to understanding any potential impacts on the UK firm and what management is doing to safeguard against these.

Again related to reputation, the NEs received briefings this year on how EY UK is preparing for compliance with the Audit Firm Governance Code 2022, and ensured that the terms of reference for the PIB and UKAB were being updated to adequately reflect the new principles and provisions.

We were also closely involved in the development of EY UK's framework for addressing public interest considerations. We acknowledge that a decision not to tender for or accept an audit, or to resign from one, can have far-reaching consequences as Andrew points out in his leadership message. However, we agree that taking the public interest into account should not require a firm to make decisions that imperil audit quality through unmanageable resource strain or other unintended impacts. In light of this, the UKAB will continue to ask probing questions of management to fully understand how the public interest has been considered when policy decisions are being made. Andrew says more in his message about how EY UK decides whether to tender for, accept or continue an audit engagement.

Stakeholder engagement

We engage with management regularly throughout the year via a cadence of meetings with members of the leadership team. Those involved in these meetings include: the EY UK Chair; Head of Regulatory and Public Policy; UK Head of Audit; Managing Partner, Risk Management, UK; Managing Partner, UK Financial Services Organisation; UK Head of Internal Audit; and UK Country Professional Practice Director/UK Audit Compliance Principal. Additionally, this year, we participated in monthly meetings with leadership and senior partners in order to receive regular status updates on the proposed structural separation. As in previous years, we also gained an understanding of the views of partners by speaking to representatives of the Regional Partner Forum (RPF) and participating in EY UK partner calls.

We form a view on employee sentiment through discussions with EY Voice, a forum of elected employee representatives from across EY UK. The EY Voice representatives present at least annually to the PIB, and also meet with EY UK executive leadership on a regular basis. During their most recent presentation to the PIB in February 2023, the topics that the EY Voice representatives raised included:

- ▶ The then current employee sentiment on structural separation
- ▶ The performance review and management process
- ▶ Work/life balance for people working in EY UK

In addition to the formal presentations in the PIB, the NEs also meet with the EY Voice representatives without management being present, to create space for the airing of unfiltered observations on the EY UK culture. These meetings give

us an opportunity to conduct a ‘temperature check’ on culture, and to understand how actions undertaken by management are being perceived by employees and whether they feel that adequate progress is being made against commitments in areas like DE&I. We also attended a number of Culture of Audit Quality roadshows, an activity that spanned the financial year-end. As well as participating in the discussions at the roadshows, the NEs hosted focus groups – again without leadership or partners present – where we could listen to audit staff and really understand what they were feeling.

Another important activity for the NEs during the past year has been engaging with the FRC to demonstrate how we have added value to EY UK and discuss the FRC’s observations on EY UK. NEs also attended roundtables organised by the FRC to explore the concept of public interest and ISQM 1.

Furthermore, our external engagement has included participating in the EY UK Stakeholder Engagement Event in May 2023, which involved audit committee members and the investor community, as discussed in more detail in [Appendix 3: Stakeholder dialogue](#).

Looking ahead

Both INE and ANE are important roles that demand focus and commitment – attributes that we will continue to exhibit in FY24 and beyond. Here we’d like to take the opportunity to thank and wish all the best to Mridul Hegde, who stepped down effective from 18 September 2023, and to welcome Ruth Anderson and Carl Hughes who have joined as NEs from the same date. You can find their biographies in [Appendix 8](#) of this report. Ruth will be taking over from Philip as the permanent UKAB Chair. Looking ahead, whilst maintaining our focus on audit quality, resilience and serving the public interest, we will remain flexible and adapt our agenda to keep it relevant as market dynamics and macro conditions continue to change.

Conclusion

With the deliberations over structural separation concluded, we as NEs have continued to challenge and hold EY UK management to account on the key themes of quality, resilience and reputation, whilst also engaging widely with internal and external stakeholders ranging from regulators to junior EY staff. A particular focus of our work during the past year has been overseeing the formulation and execution of the refreshed audit strategy and, within it, the audit quality strategy. In this regard, we are pleased with the progress made in FY23, and look forward to supporting further advances in FY24. To find out more, please feel free to contact any of us at eynonexecutives@uk.ey.com.



About us

About us



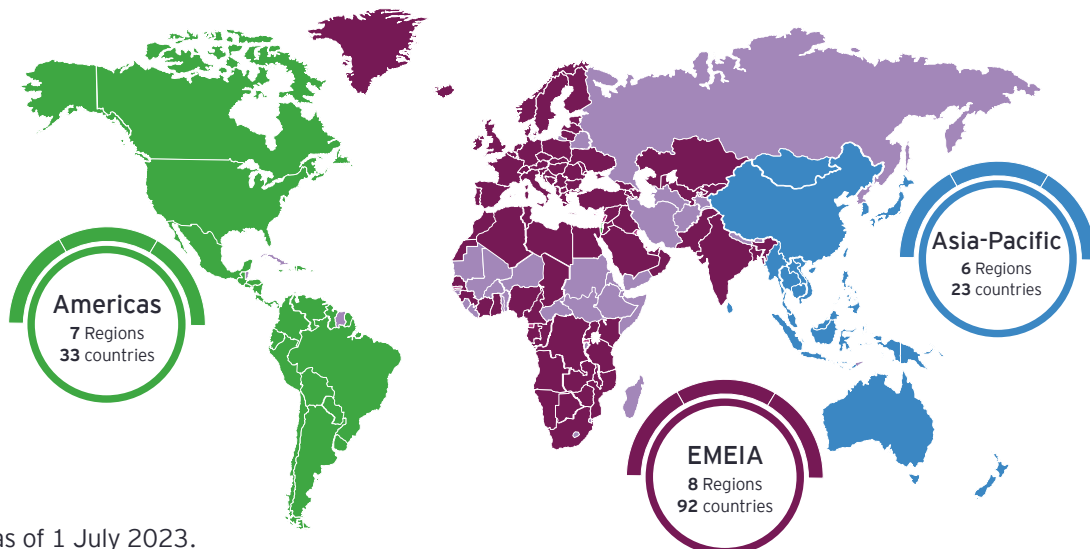
Information on the governance of EY UK, including details on board and committee membership structure, among other things, is included in [Appendix 3: Governance and leadership](#).

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

EY UK is part of the EMEIA Area, which comprises EYG member firms in 92 countries. Within the EMEIA Area, there are eight Regions. EY UK is part of the UK and Ireland (UK&I) Region, with the exception of its financial services practice, which is part of EMEIA FSO, which is treated as a separate region. The UK FSO leader sits on the EMEIA FSO leadership team.

Ernst & Young (EMEIA) Limited (EMEIA Limited), an English company limited by guarantee, is the principal coordinating entity for the EYG member firms in the EMEIA Area. EMEIA Limited facilitates the coordination of these firms and cooperation between them, but it does not control them. EMEIA Limited is a member firm of EYG, has no financial operations and does not provide any professional services.

EY Areas, Regions and countries*

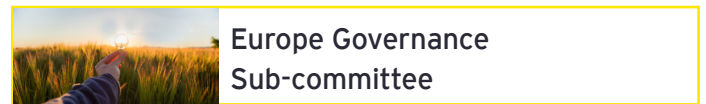


*Figures are as of 1 July 2023.

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

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

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



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



Network arrangements

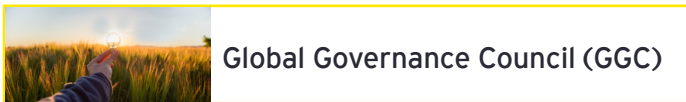
EY is a global leader in assurance, tax, strategy and transactions, and consulting services. Worldwide, more than 390,000 people in member firms in 148 countries share a commitment to building a better working world, united by shared values and an unwavering commitment to quality, integrity and professional scepticism. In today's global market, the integrated EY approach is particularly important in the delivery of high-quality multinational audits, which can span nearly every country in the world.

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

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

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

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



Global Governance Council (GGC)

The GGC is a key governance body of EYG. It comprises one or more representative(s) from each Region, other at-large representatives from any member firm and INEs. The Regional representatives, who otherwise do not hold senior management roles, are elected by their RPFs for a three-year term, with the ability to be reappointed for one additional

three-year term. The GGC advises EYG on policies, strategies, and the public interest aspects of its decision-making. The GGC approves, in some instances upon the recommendation of the Global Executive (GE), certain matters that could affect EY.



Independent Non-Executives (INEs)

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

Tonia Lovell was appointed as a global INE in January 2023 and is currently serving her first term.



Global Executive (GE)

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

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

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

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

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

The GE is also updated regularly on the status of ISQM 1 implementation and aspects that require their attention.

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



GE committees

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



Global Practice Group

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



EYG member firms

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

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

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

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



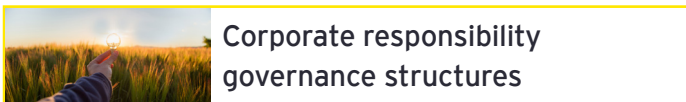
Creating long-term value for society

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

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

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

Among other things, this commitment is reflected in:



Corporate responsibility governance structures

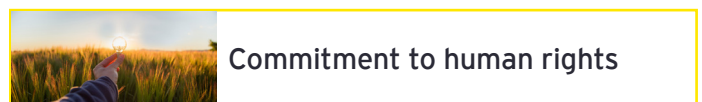
Corporate responsibility across EY is coordinated by the EY Corporate Responsibility Governance Council (CRGC). This body includes members of the EY GE, and provides senior leadership representation from across EY services lines, functions and geographic areas.



The EY social impact ambition

The global corporate responsibility programme, [EY Ripples](#), brings together the global EY network with a goal of positively impacting one billion lives by 2030. In the financial year (FY) to 30 June 2023, EY people have positively impacted 46 million lives through the EY Ripples programme. To date, EY Ripples initiatives have cumulatively impacted the lives of more than 127 million people, aided by:

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



Commitment to human rights

In 2021, the GE signed a statement reaffirming its commitment to uphold and protect human rights. The commitment focuses on the rights of all EY people, the impact of client engagements, stakeholders in EY supply chains and active inclusiveness. EY has continued to focus on strong governance around this commitment.

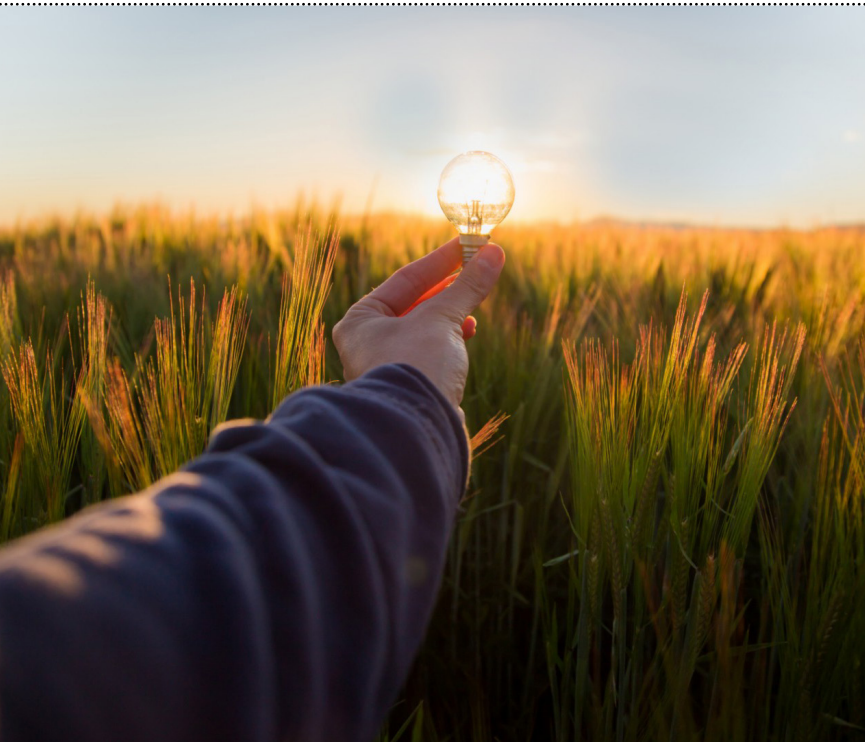


The EY carbon ambition

EY achieved carbon negative status in 2021, remained carbon negative in 2022 and aims to become net zero in 2025. EY endeavours to achieve this by significantly reducing absolute carbon emissions, and then removing or offsetting more than the remaining amount every year. To reach net zero by FY25, the EY global organisation plans to reduce absolute emissions by 40% across Scopes 1, 2 and 3 (versus an FY19 baseline), consistent with a 1.5°C science-based target approved by the Science Based Targets initiative (SBTi). Specific actions include:

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

In the UK we have also published our [Impact Report](#) which describes the wider impact on our people, society and clients in FY23, as well as our ambitions going forward.



System of Quality Management

System of Quality Management



During this year, we finalised the implementation of the International Standard on Quality Management 1 (ISQM 1), which became effective 15 December 2022, and completed the transition from our Internal Quality Control System to our System of Quality Management.

Our System of Quality Management presented here also meets the requirements of the current International Standard on Quality Control 1 (ISQC 1), issued by the International Auditing and Assurance Standards Board (IAASB).

In the context of ISQM 1 and the annual evaluation of our System of Quality Management, EY UK refers to the following EYG member firms performing audits or reviews of financial statements, or other assurance or related services engagements: Ernst & Young LLP.



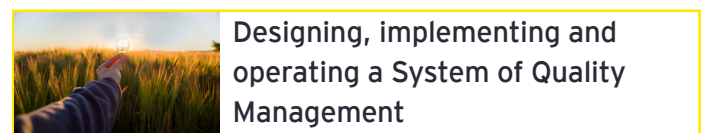
The reputation of EY UK for providing high-quality professional audit services independently, objectively and ethically is fundamental to our success as independent auditors. We continue to invest in initiatives to promote enhanced objectivity, independence, and professional scepticism. These are fundamental attributes of a high-quality audit. Designing, implementing and operating an effective System of Quality Management is essential to these efforts.

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

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

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

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



ISQM 1 requires a more proactive and risk-based approach to managing quality at the firm level by requiring firms to design, implement and operate a System of Quality Management. ISQM 1 also requires evaluating, at least annually, the System of Quality Management.

In the UK, the FRC adopted IAASB's ISQM 1 and issued the 'International Standard on Quality Management (UK) 1' (ISQM (UK) 1) in July 2021 (subsequently updated in March 2023), effective 15 December 2022, expanding the scope to include additional services and specific other requirements. References to the application of ISQM 1 for EY UK are in accordance with ISQM (UK) 1.

ISQM 1 includes robust requirements for the governance, leadership and culture of professional accountancy firms, and introduces a risk assessment process to focus the firm's attention on mitigating risks that may have impact on engagement quality. It also requires more extensive monitoring of the System of Quality Management to identify deficiencies that require corrective actions and to provide the basis for evaluating the overall effectiveness of the System of Quality Management.

ISQM 1 outlines an integrated and iterative approach to the System of Quality Management based on the nature and circumstances of the firm and the engagements it performs. It also takes into consideration the changes in the practice and the different operating models of the firms (e.g., use of technology, network and multidisciplinary firms).

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

To achieve this purpose, EYG member firms have access to certain policies, technologies, strategies and programmes to be used in the design, implementation and operation of the member firms' System of Quality Management. The purpose of these resources is to support member firms and their personnel.

For example, EY has established an approach to the required risk assessment process that includes input and feedback from across EY services lines, functions, and geographic areas to develop global baseline minimums, including quality objectives (based on ISQM 1 requirements), quality risks and responses (including System of Quality Management key controls) assumed to be applicable to EYG member firms. In addition, EY has developed global tools to enable the System of Quality Management processes.

EY member firms, including EY UK, are ultimately responsible for the design, implementation, and operation of their System of Quality Management, and have the responsibility to:

- ▶ Evaluate policies, technologies, strategies, programmes and baseline provided to them, and
- ▶ Determine if they need to be supplemented by the member firm to be appropriate for use (e.g., if the policy needs to be amended to comply with local laws and regulations or if the content within the technology needs to be translated into local language).

In the UK we have added quality objectives, quality risks and quality responses in addition to the EY baseline. These have been added mainly to reflect the additional scope and requirements of the FRC as well as reflecting the laws, regulations and professional standards which are relevant to the UK.



System of Quality Management roles

To enable the design, implementation and operation of EY UK System of Quality Management, individuals are assigned to SQM roles. The individuals in these roles have the appropriate experience, knowledge, influence and authority, and sufficient time to fulfil their System of Quality Management roles and are accountable for fulfilling their responsibilities. SQM roles and responsibilities are defined in the Global SQM policies to drive consistency in the execution of the EY UK System of Quality Management.

Key roles within the System of Quality Management include:

Ultimate responsibility and accountability: The Country Managing Partner is the individual assigned ultimate responsibility and accountability for the System of Quality Management including concluding on its effectiveness within the EY firm structure. In the UK the SQM Ultimate Responsibility Committee has been established which is chaired by the UK Managing Partner, Hywel Ball.

Operational responsibility for the System of Quality Management: The Country Assurance Managing Partner is the individual assigned operational responsibility for the System of Quality Management in the EY firm structure. This includes recommending the System of Quality Management annual evaluation conclusion to the Country Managing Partner. EY UK has established an SQM Operational Committee which is, co-chaired by the Country Assurance Managing Partner and the Risk Managing Partner.

The purpose of the SQM Operational Committee is to oversee the operational responsibility of the System of Quality Management. The SQM Operational Committee includes service line leaders who are represented, under delegated authority, by service line quality leaders including QELs and functions leaders (e.g., Independence, Risk Management, Talent, Professional Practice).

Operational responsibility for compliance with independence requirements: The Risk Managing Partner is the individual assigned operational responsibility for compliance with independence requirements alongside the Country Independence Leader.

Operational responsibility for monitoring the System of Quality Management: The Country Professional Practice Director is the individual assigned operational responsibility for monitoring the SQM in the EY firm structure. This includes concurring with or proposing changes to the recommended System of Quality Management annual evaluation conclusion. EY UK has formed an SQM Oversight Committee, chaired by the Country Professional Practice Director. The purpose of the SQM Oversight Committee is to oversee the monitoring processes and activities of the System of Quality Management. The SQM Oversight Committee includes four individuals chosen for their knowledge and skills relevant to the role of the Committee.



Effectiveness of System of Quality Management annual evaluation conclusion as of 30 June 2023

On behalf of EY UK, the URC which is chaired by the UKMP, is required to evaluate the System of Quality Management on an annual basis, as of 30 June, and conclude on its effectiveness. The evaluation process is executed annually based on the Global SQM Annual Evaluation policy, which is an example of a global intellectual resource provided to drive consistency in the execution of the EY UK System of Quality Management.

This evaluation is based on whether the EY UK System of Quality Management provides reasonable assurance that:

- ▶ EY UK and its personnel are fulfilling their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and engagements are being conducted in accordance with such standards and requirements; and
- ▶ Reports being issued by the member firm and Partners in Charge (PICs) are appropriate in the circumstances.

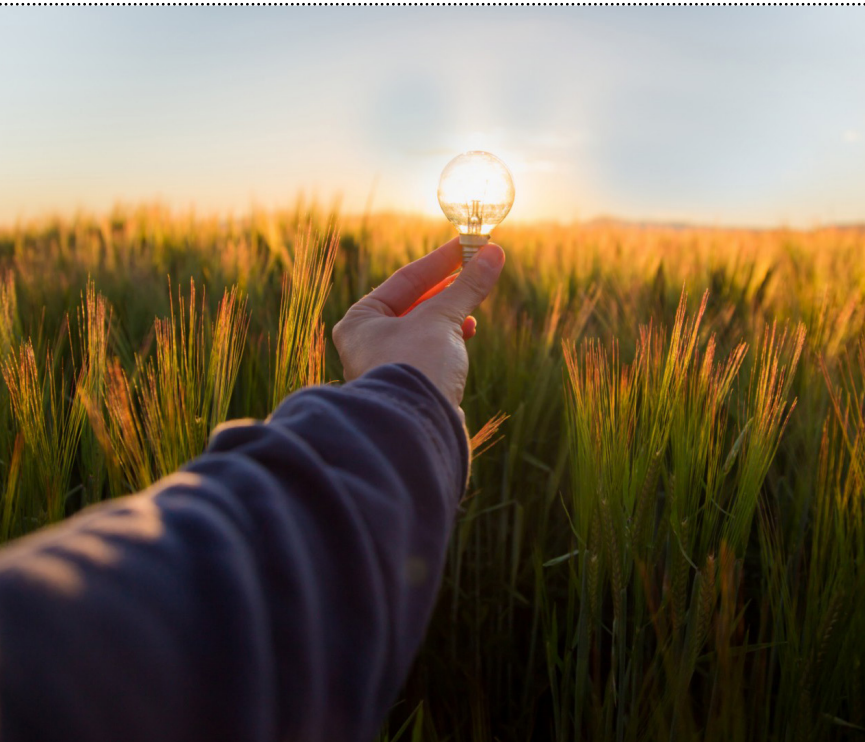
The evaluation of the effectiveness of the System of Quality Management utilises information gathered from monitoring activities performed over a period. The evaluation considered the results of the following:

- ▶ Tests of System of Quality Management key controls
- ▶ Internal and external engagement inspections
- ▶ Other monitoring activities (e.g., tests of EY UK and its personnel's compliance with ethical requirements related to independence, quality criticisms made by external regulators relevant to the System of Quality Management, issues reported through the Ethics hotline).

Professional judgement is used in evaluating the results of monitoring activities, including in determining whether findings, individually or in combination with other findings, rise to the level of a deficiency. Any deficiencies identified require an RCA to be performed and a quality improvement plan to be developed, and are evaluated to determine the severity and pervasiveness of the deficiency. When determining the System of Quality Management annual evaluation conclusion, if a severe deficiency was identified, a member firm would need to assess whether the effect of the deficiency was corrected, and whether the actions taken by 30 June were effective.

System of Quality Management annual evaluation conclusion as of 30 June 2023

The annual evaluation conclusion for EY UK as of 30 June 2023 is that the System of Quality Management provides reasonable assurance that the objectives of the system of quality management are being achieved.



Components of our System of Quality Management

Components of our System of Quality Management

In the following sections, we describe the principal components of the System of Quality Management, which EY UK follows:

- ▶ System of Quality Management risk assessment process
- ▶ Governance and leadership
- ▶ Relevant ethical and legal requirements
- ▶ Client and engagement acceptance and continuance
- ▶ Engagement performance
- ▶ Resources
- ▶ Information and communication
- ▶ System of Quality Management monitoring and remediation process



EY UK has designed and implemented a risk assessment process to establish quality objectives, identify and assess quality risks and design and implement responses to address the quality risks as required by ISQM 1. The risk assessment process is executed annually based on the Global SQM policies to drive consistency in the execution of the EY UK System of Quality Management.

In order to drive consistency whilst providing EYG member firms an approach that is scalable and adaptable based on the facts and circumstances of the member firm, Global System of Quality Management baseline Quality Objectives, Quality Risks and Responses have been developed by representatives of Global Assurance Leadership based on input from functional and service line groups at the Global, Area and Region level. Global SQM baselines include:

- ▶ System of Quality Management baseline Quality Objectives
- ▶ System of Quality Management baseline Quality Risks
- ▶ System of Quality Management baseline Responses
- ▶ System of Quality Management baseline Resources (e.g., Global policies or technologies that mitigate an EY SQM baseline Quality Risk)
- ▶ System of Quality Management baseline Key Controls to be designed and implemented to mitigate an EY System of Quality Management baseline Quality Risk

Global System of Quality Management baselines are presumed to be applicable to every member firm performing ISQM 1 engagements. EYG member firms have the responsibility to evaluate the Global System of Quality Management baselines and determine if the Global System of Quality Management baselines need to be supplemented or adapted by the member firm to be appropriate for use (e.g., additional quality risks, customisation of responses, etc.).

EY UK reviewed the Global System of Quality Management baselines and performed the following:

- ▶ Accepted or rejected Global baseline Quality Risks and Resources after appropriate analysis of our facts and circumstances. In the case of rejection of Global baseline Quality Risks and Resources, this is preliminary discussed with the Area.
- ▶ Accepted or rejected the Global baseline Resources and Key Controls after appropriate analysis of our facts and circumstances. In the case of rejection of Global baseline Resources and Key Controls, this is preliminary discussed with the Area.
- ▶ Together with the Area, identified the level of execution of Global baseline Key Control.
- ▶ Customised accepted Global, Area and Region baseline Key Controls.

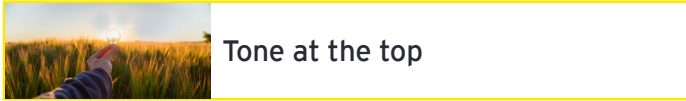
The review of the Global System of Quality Management baselines considered the facts and circumstances of EY UK, including, the nature and operating characteristics of EY UK, the types of engagements performed and systemic trends from monitoring activities within the SQM.

In addition to reviewing the Global System of Quality Management baselines, EY UK determined if additional quality objectives, quality risks or responses were necessary.

As noted above, in the UK, we have added quality objectives, quality risks and quality responses in addition to the EY baseline. We customised the baseline responses and added additional responses to respond to the additional risks. These have been added mainly to reflect the additional scope and requirements of the FRC as well as reflecting the laws, regulations and professional standards which are relevant to the UK.



Governance and leadership



Tone at the top

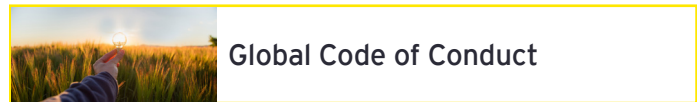
EY UK leadership is responsible for setting the right tone at the top and demonstrating the EY commitment to building a better working world through behaviour and actions. Whilst the tone at the top is vital, EY people also understand that quality and professional responsibility start with them and that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

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

The consistent stance of EY UK has been that no client is more important than our professional reputation – the reputation of EY UK and the reputation of each of our professionals.

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

In order to measure the quality culture across EY member firms and provide EY UK with valuable insights into the perceptions of the culture of quality, including tone at the top, collaboration, and workload management and ethical behaviour, a Global Quality Survey was launched in April 2023. The results of the Global Quality Survey were used to identify areas where EY UK was doing well and where more actions may be required. The Global Quality Survey results indicate that the tone at the top set by leadership demonstrates commitment to quality. The recognition of our strong culture of consultation, coaching and continuous quality improvement is also reflected in the results. However, our people have also communicated through the survey that more still needs to be done to improve our culture around work intensity. Refer to [Appendix 3: Audit quality and culture](#) for additional details on the UK Audit Quality Survey that is also run annually.

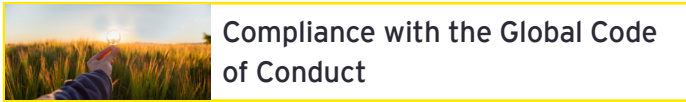


Global Code of Conduct

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

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

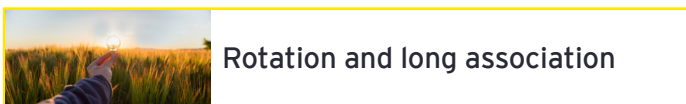
Through our procedures to support compliance with the EY Global Code of Conduct and through frequent communications, we strive to create an environment that encourages all personnel to act responsibly, including reporting misconduct without fear of retaliation.



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



Compliance with relevant ethical requirements, including independence, is a key element of the System of Quality Management. It involves determining that we are independent in fact, as well as appearance. The ethical requirements relevant to our audits and professional services are included in the International Ethics Standards Board for Accountants' International Code for Professional Accountants (including International Independence Standards) (the IESBA Code). We also comply with local ethical requirements or codes in the jurisdiction of our audits and professional services. Refer to [Section 5: Independence Practices](#) for information on policies, tools and process relating to maintaining independence.



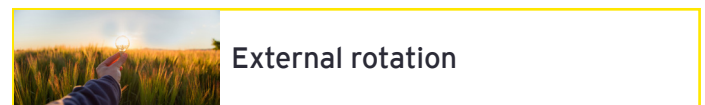
EY UK complies with the audit partner rotation requirements of the IESBA Code and the FRC's Revised Ethical Standard (ES) 2019, as well as the US Securities and Exchange Commission (SEC), where required. EY UK supports audit partner rotation because it provides a fresh perspective and promotes independence from company management, whilst retaining experience and knowledge of the business. Audit partner rotation, combined with independence requirements, enhanced systems of internal quality controls and independent audit oversight, helps strengthen independence and objectivity, and is an important safeguard of audit quality.

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

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

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

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



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

As part of the firm's ISQM 1 framework, there are responses (notably processes and related controls) in place to trigger the advance identification of mandatory firm rotation dates. Communication relating to these deadlines with relevant engagement teams will trigger appropriate communication with entities.



Whistleblowing

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

When a report comes into the EY Ethics Hotline, either by phone or internet, it receives prompt attention by the member firm's legal function. Depending on the content of the report, appropriate individuals from Risk Management, Talent or other functions are also involved in addressing the report. EYG member firms are encouraged to log into the EY Ethics Hotline matters that are reported locally outside of the EY Ethics Hotline.

A new reporting tool was launched in EY UK in December 2022, Culture Shift™ Report & Support. This tool complements the existing suite of reporting options for anyone who has experienced or witnessed behaviours they believe are unacceptable and do not align with EY values.



Non-compliance with laws and regulations (NOCLAR)

In accordance with the IESBA Code of Ethics, EY has adopted a policy designed to meet its obligations to report non-compliance with applicable law and regulation – NOCLAR. The policy covers reporting obligations with respect to non-compliant activity by clients or EY personnel, as relevant to their respective business activities.

In addition to the NOCLAR reporting obligations, EY may be required to make certain reports to relevant regulatory authorities regarding possible misconduct by clients – actual or suspected. Where such obligations exist, reports are made in accordance with local laws or regulations.



Anti-bribery

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



Insider trading

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

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



Economic and trade sanctions

It is important that EY People comply with the ever-changing situation with respect to international economic and trade sanctions. EY monitors sanctions issued in multiple geographies both prior to business relationships being accepted and as they continue. Guidance is provided to EY people on impacted relationships and activities.



Anti-money laundering

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



Data protection and confidentiality

The EY global policy on data protection and confidentiality and UK Addendum sets out the principles to be applied to the collection, use and protection of all information that EY has responsibility for, including personal data relating to current, past and prospective personnel, clients, suppliers and business associates, as well as other information considered confidential to clients, third parties or the EY organisation. This policy is consistent with the requirements of the European Union General Data Protection Regulation (EU GDPR), UK GDPR, and other applicable laws and regulations concerning data protection and privacy in addition to relevant professional standards providing a framework for confidentiality. EY also has binding corporate rules approved by UK and EU regulators in place to facilitate the movement of personal data within the EY network. Furthermore, we have a policy to address our specific UK data privacy requirements and business needs.



Client and engagement acceptance and continuance



Global policy on client and engagement acceptance and continuance

The EY global policy on client and engagement acceptance and UK addendum sets out principles for member firms to determine whether to accept a new client, a new engagement with an existing client, or to continue with an existing client or engagement. These principles are fundamental to maintaining quality, managing risk, protecting EY people and meeting regulatory requirements. The EY global policy on client and engagement acceptance is an example of a policy issued by EYG to help ensure the adherence to EY values, to address network risk and to drive consistency in the System of Quality Management.

The objectives of the policy are to:

- ▶ Establish a rigorous process for evaluating risk and making decisions to accept or continue clients or engagements
- ▶ Meet applicable independence requirements
- ▶ Identify and deal appropriately with any conflicts of interest
- ▶ Identify and decline clients or engagements that pose excessive risk
- ▶ Highlight clients or engagements that are inconsistent with EY values
- ▶ Require consultation with designated professionals to identify additional risk management procedures for specific high-risk factors
- ▶ Comply with legal, regulatory and professional requirements

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

The EY global policy on conflicts of interest and associated guidance considers the increasing complexity of engagements and client relationships, and the need for speed and accuracy in responding to clients. They also align with the latest IESBA Code.



Putting policy into practice

We use the EY Process for Acceptance of Clients and Engagements (PACE), an intranet-based system, for efficiently coordinating client and engagement acceptance and continuance activities in line with global, service line and member firm policies. PACE takes users through the acceptance and continuance requirements and identifies the policies and references to professional standards needed to assess both business opportunities and associated risks. PACE is an example of technological resources used by EYG member firms across the globe to drive consistency in the System of Quality Management.

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

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

teams, as designated based on risk. As determined by the level of risks deemed present, new audit engagements may also require approval by designated Regional and Area PPD and AMP representatives.

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

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



Engagement performance

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



The EY Digital Audit

The EY Digital Audit helps EY teams meet the changing needs of the companies they serve and deliver against evolving stakeholder expectations – both today and tomorrow.

It supports EY professionals in driving quality and unlocking the digital advantage across all phases of the audit by pairing advanced capabilities with the right digital skill sets and a culture of continued innovation.

The EY Digital Audit is deployed around the globe and is well-established and proven in the market:

- ▶ **EY Canvas** facilitates secure and cloud-based workflow, communication and documentation on **150,000+** audits.
- ▶ **EY Canvas Client Portal** connects **200,000+** EY professionals with more than **300,000** client users.

- ▶ **EY Atlas** serves as the central repository of accounting knowledge for EY teams and audited entities.
- ▶ **EY Smart Automation** capabilities drive automation of core activities and are directly integrated in EY Canvas.
- ▶ **EY Helix – the global analytics suite** – enables EY teams to analyse over **775 billion** lines of journal entry data annually.

These technologies support EY teams in driving quality by connecting companies and teams, automating audit procedures and processes, and analysing data using advanced technologies.

Connecting

Seamlessly connecting entities and audit teams to each other, as well as to the right information, is the foundation of a high-quality audit.

Deployed globally, EY Canvas serves as the single workflow, communication and documentation hub for EY audit engagements worldwide. Hosted safely in the cloud, it leverages industry-leading technology for web applications. This not only provides a secure, globally consistent platform for EY member firm staff to work in, it also enables EY member firms to respond quickly and effectively.

Through the use of profile questions, audit engagements in EY Canvas are automatically configured with information relevant to an entity's type (e.g., listed, public interest entity) and industry. This helps to keep audit plans customised and up-to-date, and provides direct linkage to audit guidance, professional standards and documentation templates. The majority of forms that enable audit documentation are integrated into EY Canvas, leveraging the profile questions to deliver the relevant audit procedures and related documentation requirements. With the Milestones programme as discussed in the [Section 4: Infrastructure supporting quality](#), EY Canvas enables effective project management. EY Canvas is built with a user interface that allows the team to visualise risks and their relationship to the planned response and work performed in key areas. It also enables a linkage for group audit teams to communicate relevant information and instructions to component auditors so that the primary team can direct execution and monitor performance of the group audit.

EY Canvas includes the EY Canvas Client Portal to assist teams in communicating with entities' management and

streamlining their requests. It also includes EY Canvas Oversight, which provides real-time oversight and tracking of audit progress globally to enhance visibility and facilitate proactive collaboration throughout all phases of the audit.

EY Canvas is further supplemented by the EY Atlas global research platform that provides access to the latest accounting knowledge for both EY professionals and the entities they audit.

Automating

Smart technologies help to enable greater levels of automation, centralisation and standardisation throughout the audit.

The EY Digital Audit leverages the global connectivity of EY Canvas to deploy automation globally. The EY Smart Automation Hub provides a centralised and global access point for automation capabilities that is fully embedded in EY Canvas and provides real-time status updates. These capabilities utilise large scale automation, as well as Artificial Intelligence (AI), machine learning and other advanced technologies, to both enhance project management and support audit testing.

Automating and accelerating routine procedures enables audit teams to focus on the most prominent risks and complex judgment areas, as well as on adding value to the companies they audit. At the same time, audit support activities are streamlined – significantly reducing the administrative support effort required from entities' management, finance and accounting teams.

Analysing

The deployment of end-to-end analytics enables a smarter, data-driven approach that supports EY teams in identifying risk, detecting anomalies and generating insights.

EY Helix integrates data-driven auditing into the EY global audit methodology (EY Digital GAM). EY Helix comprises data analysers for core business and accounting processes, alongside industry and transaction-specific analysers.

This allows audit engagement teams to deploy targeted data analytics specific to the entity being audited and drill down across operating cycles to better understand financial activities and business processes. The result is a smarter, risk-based approach that supports higher quality audit evidence, effective identification of trends and anomalies,

and deeper levels of insight and business intelligence. Refer to Audit methodology in the [Resources](#) section for additional information on how the data-driven, end-to-end, audit approach is central to delivering a quality audit.

The use of EY Helix is supported through seamless and secure data access enabled by a standardised and centralised data delivery processes, a range of extraction and connection methods, and security protocols.

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

Investment in next generation Assurance technology

The EY Digital Audit advances higher audit quality through better focus on risks of material misstatement and higher quality audit evidence to respond to those risks.

As noted in [Section 4: Infrastructure supporting quality](#), to further accelerate and capitalise on the speed of change, the EY organisation is investing in next generation Assurance technology to facilitate trust, transparency and transformation.

Building on the strengths of the existing EY global audit technology suite, this four-year investment program is driving the future of Assurance technology via the integration and transformation of capabilities into one seamless platform – powering the next generation of data-driven and AI-enabled Assurance services.

Investment is focussed across three core transformation areas to drive continued quality and value:

- ▶ User experience and collaboration
- ▶ Data access and analytics
- ▶ AI and business intelligence

Over the past 12 months, this investment has enabled the release of more than 20 significant new Assurance technology capabilities, including next generation data analytics that leverage Microsoft Power BI, new AI capabilities integrated with EY Canvas to support risk assessment and redefined audit workflow for non-listed, non-complex entities.



Auditor's responsibility to detect fraud

Ongoing improvement efforts from standard setters and regulators recognise the need to evolve how audits are performed to better address fraud detection. At a global level, EY is committed to addressing stakeholders' questions about the auditor's role in this area.

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

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

- ▶ The use of data analytics to enhance fraud detection capabilities and further develop professional scepticism in audits
- ▶ Using additional internal and external data and information to enable more nimble responses to external risk indicators, such as short selling and whistleblowers
- ▶ Utilising electronic confirmations for audit evidence wherever possible
- ▶ Developing a proprietary fraud risk assessment framework for use with audit committees and those charged with governance
- ▶ Mandating annual fraud training for all audit professionals that incorporates the experience of EY forensics professionals
- ▶ Requiring the use of forensic professionals in the audit on a targeted-risk basis to assess potential risks of fraud
- ▶ Expanding the use of EY Global Assurance Risk Centre of Excellence building on the latest technology, such as machine learning and AI, to further leverage external data through adverse media scrapping, key forensic metrics, short seller monitoring, tools to evaluate document authenticity, and other technology to enhance fraud risk identification and response in our audits



Reviews of audit work

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

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

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

EY policies also describe the critically important role of the PIC in managing and achieving quality on the audit and reinforcing the importance of quality to all members of the audit team.



Consultation requirements

EY consultation policies are built upon a culture of collaboration, whereby audit professionals are encouraged to share perspectives on complex accounting, auditing and reporting issues. As the environment in which EY member firms work has become more complex and connected around

the globe, the EY culture of consultation has become even more important to help member firms reach the appropriate conclusions for entities that they audit on a timely basis. Consultation requirements and related policies are designed to involve the right resources, so that audit engagement teams reach appropriate conclusions.

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

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

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



Engagement quality reviews

EY engagement quality review policies address the audits that are subject to engagement quality reviews and the qualifications of engagement quality reviewers. Engagement quality reviewers are experienced professionals with significant subject-matter knowledge. They are independent of the audit engagement team and provide an objective evaluation of the significant judgements the audit engagement team made, and the conclusions reached thereon. The performance of an engagement quality review, however, does not reduce the responsibilities of the PIC for the engagement and its performance. In no circumstances may the responsibility of the engagement quality reviewer be delegated to another individual.

EY policies and practices related to the assignment and eligibility of professionals to serve as engagement quality reviewers have been enhanced to conform with the requirements of International Standard on Quality Management (ISQM) 2, [Engagement Quality Reviews](#). These enhancements focus on assigning an engagement quality reviewer who has the appropriate competence and capabilities, including sufficient time, as well as having sufficient authority and objectivity to achieve an effective engagement quality review. Training and enablement support the execution of the engagement quality review.

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

For audits, engagement quality reviews are performed by audit partners in compliance with professional standards for audits of listed entities and UK PIEs, as well as certain other companies (including those considered to need close monitoring). The Country AMP (or Country Audit Leader) and Country PPD approve the assignment of the engagement quality reviewer to each applicable engagement.



Audit engagement team resolution process for differences of professional opinion

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

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

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

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

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



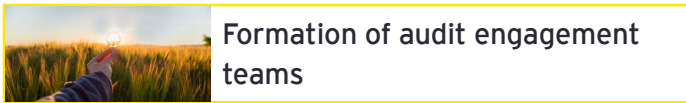
Documentation retention

The Records and Information Retention and Disposition Global Policy supports and builds upon provisions within the EY Global Code of Conduct regarding acting with professional integrity in terms of documenting work and respecting intellectual capital. This policy and the Global Retention Schedule (GRS) establish records and information management (RIM) requirements for the management of records and information and documents ('records and information') throughout their life cycle including the requirement to securely discard or delete records for which the retention period has expired, unless special and acceptable circumstances apply. This policy, the GRS and RIM requirements are in accordance with applicable professional standards and are based on regulatory, legal, and business requirements and obligations, and they apply to all engagements and personnel and address UK legal requirements, applicable to the creation and maintenance of working papers, relevant to the work performed.



Resources

Refer to [Section 6: Investing in exceptional talent and continuing education](#) for additional information on the EY UK commitment to investing in talent to drive further advances in audit quality.

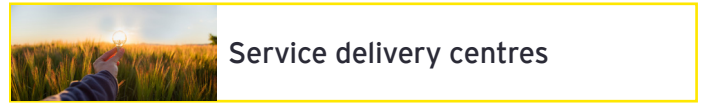


Formation of audit engagement teams

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

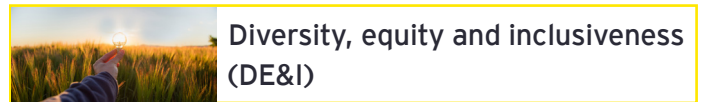
In many situations, professionals with experience in a specialised area of accounting or auditing, such as tax or information technology, are assigned as part of the audit engagement team to assist in performing audit procedures and obtaining sufficient appropriate audit evidence. Additionally, internal specialists who have knowledge outside of accounting or auditing, such as forensics, asset valuation, actuarial analysis and ESG, may perform work in their field that is used by the audit engagement team to assist in obtaining sufficient appropriate audit evidence.

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



Service delivery centres

Global Delivery Services (GDS) is an integrated network of EY service delivery centres that provide services to support EY member firms. In an era of unprecedented change, GDS continues to develop flexible business models and innovative ways to support member firms and their evolving needs. Across all disciplines, GDS teams combine deep technical knowledge with a focus on innovation, automation and process improvement to create hundreds of customised and scalable services that provide greater value for the EY organisation. As part of its audit transformation journey, EY Assurance services will increase its use of specialised teams to drive higher-quality outcomes, including GDS.



Diversity, equity and inclusiveness (DE&I)

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

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

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

to advance DE&I within these processes. Each Region has completed a self-assessment against the baseline expectations model and committed to an action plan to make progress. There has been a particular focus on promoting gender diversity over recent years. Thirty-three percent of new audit EYG member firm partners around the globe, promoted on 1 July 2023 were women and a strong pipeline of female leadership has been built, supported by 52% of all audit hires by member firms across the globe in 2022 being female. Information about EY UK workforce diversity can be found in our [Impact Report](#).

Inclusive organisations maximise the power of all differences. Employees need to feel they are working for an organisation that not only values them as individuals, but also sees differences as strengths and values their contributions. Fostering this sense of belonging is critical to helping the EY organisation attract the most talented individuals and helping EY professionals stay motivated and engaged.

In the March 2023 employee listening survey, 82% of EY auditors said the EY organisation provides a work environment where they feel free to be themselves, an increase of 3% when compared with the March 2022 survey.

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

Our values: who we are

1

People who demonstrate integrity, respect, teaming and inclusiveness

2

People with energy, enthusiasm and the courage to lead

3

People who build relationships based on doing the right thing



Audit methodology

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

Designed and based on extensive research with audit practitioners, EY Digital GAM, which is part of EY GAM, focuses on simplifying tasks and improving connection from one audit procedure to the next by leveraging full populations of entity data. All procedures, including risk assessment and substantive procedures start with a data-first mindset, by analysing relevant financial and non-financial data and supplementing this with traditional audit techniques such as inquiries, observations and inspection. The ability to analyse disaggregated data using the EY Helix global analytics suite enhances audit engagement teams' understanding of the entity's business and focuses on the identification of entity-specific risks, key transactions and trends and anomalies that may be indicators of misstatement or fraud. A data-driven audit approach focuses effort on the audit of higher-risk transactions, enables a dynamic audit strategy that

is reactive to readily identifiable changes in the data and refines the focus and specificity of dialogue with the entity and its management about audit findings and evaluating the outcomes.

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

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

EY continues to develop the methodology, guidance and associated enablement to address changes and revisions in auditing and other professional standards and changes within entities' financial reporting processes, and to enhance guidance related to matters that are important to entities' stakeholders, such as climate-related risks, cyber risk and the entity's use of emerging technologies within their operations or financial reporting processes (e.g., automation, AI, blockchain). EY audit engagement teams are provided methodology, guidance and resources to identify and respond to unique risks arising from climate change, cyber risk and technology disruption.

Other enhancements have been made to address implementation experiences and external and internal inspection results.

Recently, EY GAM was updated for the requirements of International Standards of Auditing (ISA) 220 (Revised), *Quality Control for an Audit of Financial Statements, ISQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or*

Related Services Engagements, ISA (UK) 240 (Revised), The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements, and new independence requirements of the International Ethics Standards Board for Accountants' Code of Ethics for pre-concurrence of non-assurance services and disclosure of fees. A suite of enablement to implement the new and revised requirements was issued.

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

We have issued accounting and auditing considerations when auditing entities that are exposed to risk due to the recent failures and near-failures in the banking and certain other sectors, as well as to respond to evolving economic conditions, including increases in inflation and interest rates.



Certification of technology

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

Certification addresses a range of aspects, including that the solution has a clear audit evidence objective, has been appropriately tested, that methodology, enablement and learning are available to support its application and relevant legal and regulatory requirements have been managed (e.g., data privacy).



The information and communication component is a new component in ISQM 1 for obtaining, generating or using information and communicating information, to enable the design, implementation and operation of the System of Quality Management. The quality objectives within the component address the effective two-way communication between:

- ▶ Personnel
- ▶ Member firms within the EY network
- ▶ External parties
- ▶ Service providers

Effective two-way communication is essential to the operation of the System of Quality Management and the performance of audit engagements. The Global SQM policy provides the requirements for EYG member firms to communicate internally and externally about the member firm's System of Quality Management.



The System of Quality Management monitoring and remediation process is the cornerstone of the EY process to monitor the System of Quality Management, including audit quality. EY UK has established a SQM monitoring and remediation process to:

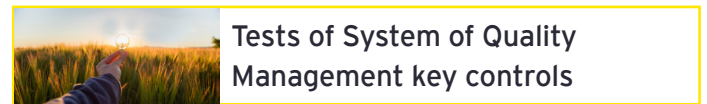
- ▶ Provide relevant, reliable and timely information about the design, implementation and operation of the EY UK System of Quality Management
- ▶ Provide a basis for the identification of deficiencies
- ▶ Take appropriate actions to respond to any identified deficiencies

Information obtained from the monitoring and remediation process about the design, implementation and operation of the EY UK System of Quality Management is evaluated to conclude on the effectiveness in achieving the objectives of the EY UK System of Quality Management.

System of Quality Management monitoring activities include:

- ▶ Tests of System of Quality Management key controls
- ▶ Internal and external engagement inspections
- ▶ Other monitoring activities, for example and not exhaustive:
 - ▶ Tests of EY UK and its personnel's compliance with ethical requirements related to independence
 - ▶ Review of quality criticisms made by external regulators relevant to the System of Quality Management
 - ▶ Results of internal audit reports
 - ▶ Results of staff surveys
 - ▶ Review of issues reported through the Ethics hotline

The monitoring and remediation process is executed annually based on the Global SQM Monitoring and Remediation policy, which is an example of a global intellectual resource provided to drive consistency in the execution of the EY UK System of Quality Management. The monitoring and remediation process is coordinated and monitored by representatives of Global Professional Practice Director (Global PPD), with oversight by the Global Assurance leadership.



System of Quality Management key controls have been designed and implemented to mitigate quality risks. The objective of performing tests of System of Quality Management key controls within the EY UK System of Quality Management includes determining whether the System of Quality Management key controls:

- ▶ Were designed, implemented and operated in accordance with Control Owner's understanding and documentation thereof
- ▶ Were operated on a timely basis by the Control Owner/ Control Operator specified in the design of the System of Quality Management key control
- ▶ Resulted in the timely resolution of any matters identified
- ▶ Were based on reliable information (i.e., information used in the performance of the System of Quality Management key control is complete and accurate, if applicable)

Individuals testing System of Quality Management key controls are competent, objective and independent of the control owners and control operators.



Audit quality reviews (AQR)

EY UK executes the Global AQR programme, reports results and develops responsive action plans. The Global AQR programme complies with the requirements and guidelines in the ISQM 1 and is supplemented, where necessary, to comply with EY UK professional standards and regulatory requirements. It also aids continual efforts to identify areas where EY UK can improve our performance or enhance our policies and procedures.

AQRs include the inspection of at least one completed engagement for each PIC on a cyclical basis. The engagements reviewed each year are selected on a risk-based approach, emphasising audit engagements that are large, complex or of significant public interest, including elements of unpredictability. The Global AQR programme includes detailed risk-focussed file reviews covering a large sample of listed and non-listed audit engagements, and PIEs and non-PIEs, to measure compliance with: internal policies and procedures; EY GAM requirements; and relevant local professional standards and regulatory requirements. It also includes reviews of a sample of non-audit assurance engagements performed by audit engagement teams. These measure compliance with the relevant professional standards, and internal policies and procedures that should be applied in executing non-audit assurance services.

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

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

The Global AQR programme is supplemented by a programme that covers inspections of other assurance and related services engagements regardless of the service line performing the work. This is referred to as the Other Assurance Quality Review (OAQR) programme.

The results of the AQR and OAQR processes are summarised globally (including for Areas and Regions), along with any key areas where the results indicate that continued improvements are required. Summarised results are shared within the network. Measures to resolve audit quality matters noted from the Global AQR programme, regulatory inspections and peer reviews are addressed by Assurance leadership and our PPD. These programmes provide important practice monitoring feedback for our System of Quality Management and continuing quality improvement efforts.

We provide additional detail of this monitoring in [Appendix 3: Audit quality and culture](#).



External quality assurance reviews

The EY UK audit practice is subject to inspection by the FRC and the Institute of Chartered Accountants in England and Wales Quality Assurance Department (ICAEW's QAD). As part of the inspections, the regulators evaluate quality control systems and review selected engagements. The FRC is a member of IFIAR and, accordingly, the inspection results are submitted for inclusion in the annual IFIAR survey.

The EY UK audit practice is also subject to inspection by the US Public Company Accounting Oversight Board (PCAOB). These inspections take place every three years. The last quality assurance inspection by the PCAOB took place in 2021. The final report on the inspection was issued on 8 December 2022. The last quality assurance inspection by the FRC and ICAEW's QAD took place in FY23. Details of each of these are discussed in [Appendix 3: Audit quality and culture](#).

We respect and benefit from the regulators' inspection processes. We thoroughly evaluate the points raised during the inspection to identify areas where we can improve audit quality and the relevance to the System of Quality Management. Engagements with significant findings and certain other engagements are subject to RCA. Together with the AQR process, external inspections provide valuable insights into the quality of EY audits. These insights help us to effectively execute high-quality audits.

Refer to [Appendix 3: Audit quality and culture](#) for further details of the latest inspections and findings.



Engagement-level root cause analysis (RCA) and action plans

Engagement-level RCA is a central part of the EY quality improvement framework, providing an in-depth assessment of the root causes that underlie an engagement’s positive or negative inspection outcome. The findings of each root cause are analysed in detail. This process enables a better understanding of the drivers behind both positive and negative outcomes and allows us to focus on key behaviours that drive positive and high-quality results, a process that is fundamental and foundational to continuous improvement.

Once the engagement RCA has been completed, EYG member firms are responsible for assessing their portfolio results, with special consideration given to identifying pervasive issues and developing responsive action plans for remediation.



Audit quality indicators

In addition to understanding the overall System of Quality Management annual results, Assurance leadership monitors the execution of the EY strategy and quality priorities through a combination of metrics or audit quality indicators (AQIs). Whilst no single reportable metric or set of metrics can be viewed as a sole indicator of audit quality, a set of metrics can be used to give an indication of audit quality.

Enabled by the EY organisation’s strong global integration of tools, practices and policies, country specific data is accumulated monthly on a variety of topics. The AQIs include both leading and lagging quality-related indicators and span across themes related to execution, talent, remediation and enablement. Each AQI is measured against established geographically specific and global targets, with outliers requiring an evaluation and remediation plan. The AQIs are also aligned to the EY accountability framework to reinforce priorities for the country leadership network and are subject to an annual review to help ensure they remain relevant and responsive to quality initiatives.

Examples of EY AQIs include:

- Internal and external inspection results
- Adherence to engagement pacing milestones
- Retention
- Independence
- Deployment of mandatory learning

Elements monitored and measured through the AQI dashboard are subject to an annual review to help ensure they remain relevant and responsive to quality initiatives.

The Global AQI dashboard helps to inform the leadership about whether particular actions are having the intended effect and provides an early warning where intervention is warranted.

We provide details of some AQIs in [Appendix 3: Audit quality and culture](#).



Identifying and assessing System of Quality Management deficiencies and performing RCA

Findings are information about the design, implementation and operation of the System of Quality Management which indicate that one or more deficiencies may exist. Findings are accumulated from the performance of monitoring activities. EY UK evaluates each finding or aggregation of findings considering the relative importance of the finding(s) to determine whether a deficiency exists. Potential findings are reviewed and concluded upon by the SQM Operational Committee and then challenged by the SQM Oversight Committee.

If any deficiencies are identified, analysis is undertaken to determine the root cause, to help assess the severity and pervasiveness of the deficiency, and to develop responsive actions.

In addition to the Governance reviews carried out in the UK representatives from Global and Area Professional Practice and Assurance Leadership meet on a regular basis to review the results of the monitoring activities and the assessment of findings and deficiencies to drive consistency in the application of the framework for identifying and assessing findings and evaluating deficiencies and performing root cause as described in the Global SQM Monitoring and Remediation policy.

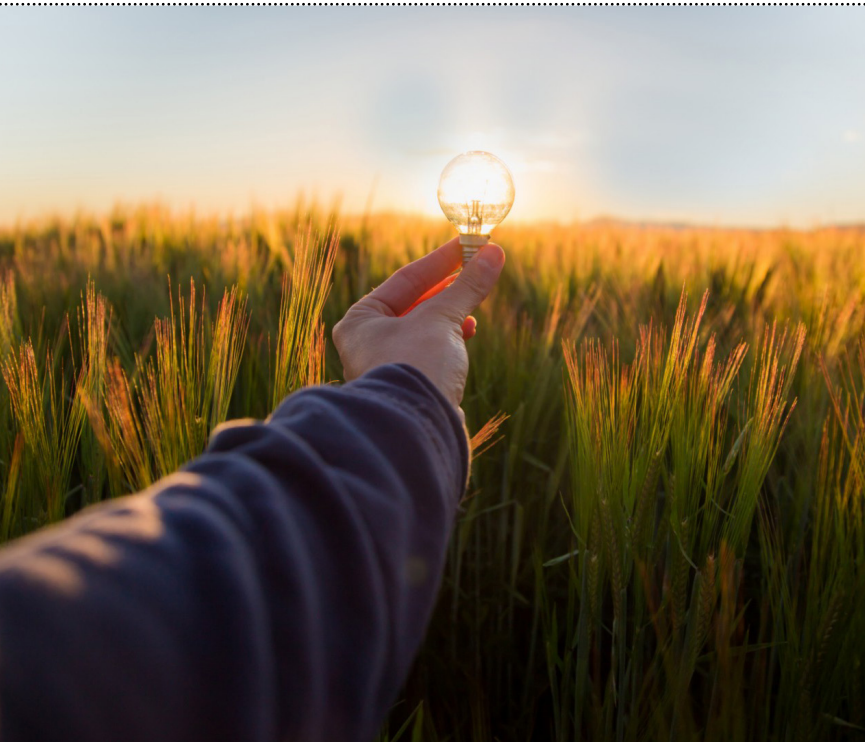


System of Quality Management quality improvement plans

For any identified deficiencies, EY UK quality improvement plans are developed, which includes:

- ▶ Correcting the effect of the identified deficiency
- ▶ Remediating identified deficiencies in a timely manner
- ▶ Evaluating the effectiveness of the remediation actions

Quality improvement plans are developed by the SQM Operational Committee and are reviewed by the SQM Oversight Committee to help ensure the appropriateness of the actions designed.



Infrastructure supporting quality

Infrastructure supporting quality



Strategy

NextWave is the EY global strategy and ambition to deliver long-term value to clients, people and society. It has put EY in a strong position to adapt and innovate, whilst the EY purpose of *Building a better working world* continues to inspire EY people to use EY knowledge, skills and experiences to support the communities in which they live and work. The insights and quality services EY member firms deliver help enhance trust in business and the capital markets in support of sustainable, long-term value creation.

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

In response, EY Assurance services has embarked on a multi-year journey of bold changes across audit teams, processes and technology. Through this transformation, EY continues to harness the inherent strengths of its member firms' greatest asset in delivering quality and building trust – EY people. By enhancing their skills and experiences, whilst also transforming the way EY teams work, (guided by intuitive methodology and tailored enablement and putting data and technology at the centre of the assurance services they provide), they better deliver on the EY purpose.

Through a data-driven approach, enabled by the transformation and integration of our digital technology capabilities, EY teams will continue to deliver high-quality audits with independence, integrity, objectivity and professional scepticism. EY member firms provide their audit professionals with additional training and enablement to help detect fraud. The data-first approach and enhanced training elevates EY teams' experiences, so they can spend more time addressing risks and exercising professional judgement. EY member firms remain future-focussed as they transform, including ever-more sophisticated data analytics and efficiently delivering greater insight in support of the high-quality audits that are valued by the entities that EY member firms audit and the capital markets. By applying these technologies, EY Assurance services teams contribute meaningfully to the overall EY purpose of *Building a better working world*.

Data and technology continue to transform the audit and support the changing needs of the capital markets. In June 2022, the EY organisation announced a US\$1b investment in evolving a next-generation technology platform. This integrated platform builds on the already strong foundations of the EY Assurance leading-class technology suite, driving audit quality and greater value for audited entities by facilitating trust, transparency and transformation. It will provide new data access capabilities and advanced analytics, incorporate new forms of business intelligence and AI, and enhance the user experience for audited entities and EY people – all important components of delivering high-quality audits.



Global Audit Quality Committee (GAQC)

The EY GAQC comprises senior leaders from across the EY organisation with extensive, diverse and highly relevant experience. The GAQC advises EY Assurance leadership on the many aspects of the organisation's business, operations, culture, talent strategy, governance and risk management that affect audit quality.

The committee develops innovative ideas and approaches to delivering high-quality audits, so that leading practices can be shared across the organisation. It is a central repository for learning and feedback and serves as the basis for the organisation's AQIs and other forms of quality monitoring that feed the continuous improvement cycle.



Quality Enablement Leaders (QEL)

The EY QEL network is a group of senior Assurance leaders around the world who drive improvements in audit quality by empowering engagement teams and driving operational excellence within the global Assurance practice.

Empowerment for audit teams is enabled by:

- ▶ Delivering audit engagement team coaching
- ▶ Deploying technical enablement related to the adoption of new auditing standards
- ▶ Driving proficiency in the use of automated tools and techniques

Operational excellence for the Audit service is achieved through:

- ▶ Designing the framework for implementing consistent workforce planning across the globe, including protocols for workload management
- ▶ Establishing global data protocols and managing the data to execute portfolio reviews
- ▶ Managing in-flight engagements to support timely, positive intervention

Many of the QEL related activities are directly aligned to the EY SQM. Because of the nature of their activities, the QEL network offers a unique perspective on the nature of challenges that can impact audit quality. The QEL network collaborates frequently with the Professional Practice function to drive audit quality.

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



Sustainable audit quality (SAQ)

To support auditors in fulfilling their purpose, the EY organisation created the SAQ programme, which provides a framework to help address the evolving risks of the audit. SAQ is a globally consistent approach to achieving and sustaining high-quality audits across the EY network. It has required significant investment and created positive change for EY auditors and the companies audited.

The significant efforts the EY organisation has made in executing quality initiatives under the global SAQ programme are positively impacting audit quality across the EY network and the behaviour of audit engagement teams.

Through in-flight management, we can measure the progress of in-process audits and identify areas that require additional attention before they are completed. Several elements of the in-flight management activities are also AQIs, which helps to drive the focus and accountability around executing quality audits. Examples of how the EY organisation puts its focus on

quality into action include:

- ▶ Audit quality indicators
- ▶ Root cause analysis
- ▶ Action plans
- ▶ Milestones
- ▶ EY Canvas client portal
- ▶ Coaching

Further detail on those activities not previously discussed include:

Milestones

Effective project management enables audit engagement teams to stay focussed on the risks that matter most across the audit cycle, better balancing the workload by allocating the right amount of time to complete the risk tasks and ensuring timely executive involvement. The milestones functionality is enabled through EY Canvas. Facilitated through dashboards in EY Canvas and the EY Canvas Reporting Hub, Milestones break the audit cycle down into specific tasks, with dates and steps designed to help achieve timely completion and appropriate supervision and review.

EY Canvas Client Portal

The EY Digital Audit allows EY audit engagement teams to send requests for documents used to support the audit or for work to be performed by an entity's internal audit, as permitted by local laws and regulations, via EY Canvas. Clients work on the requests, upload documents and respond via the EY Canvas Client Portal. Clients can see requests that have been assigned to them or to the group(s) which they are a member.

Coaching

Through the QEL-led coaching programmes, audit engagement teams are supported as they navigate critical accounting estimates and judgements, adopt new or revised auditing standards all whilst utilising new tools and enablement. More than 1,500 audit engagements go through global coaching on an annual basis.

Additional coaching initiatives in EY UK are discussed in [Appendix 3: Audit quality and culture](#).

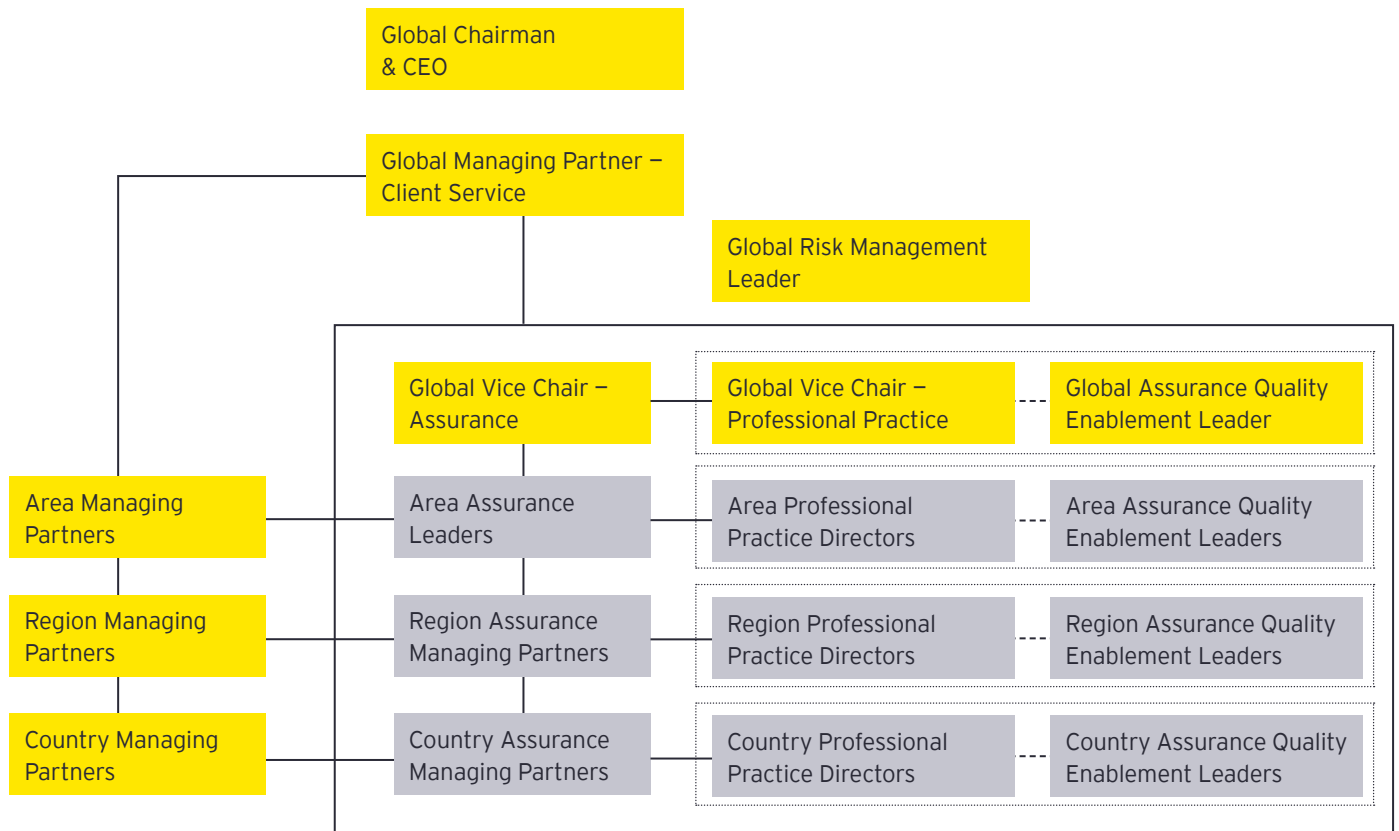


Professional Practice

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

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

Assurance governance*



*Illustrative to show global alignment; actual reporting lines may vary based on legal, regulatory and structural considerations.

In the UK we also have a UK Head of Audit role, Andrew Walton, who reports into the Country Managing Partner for his UK Head of Audit role and is overseen by the relevant Regional Assurance Leader.

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

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

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

Further, as noted above, the Country PPD has operational responsibility for monitoring the SQM. This includes concurring with or proposing changes to the recommended SQM annual evaluation conclusion. The SQM monitoring process is coordinated and monitored by representatives of Global PPD.



Risk Management

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

Among other things, the Global RM Leader helps monitor the identification and mitigation of these risks, as well as

other risks across the organisation as part of the broader Enterprise Risk Management (ERM) framework. The ERM priorities are communicated to EYG member firms.

The Global RM Leader is responsible for establishing a consistent risk management framework around the globe and coordinating risk management across EY.

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

When events that present risks occur, Global Risk Management actively seeks input from EYG member firms on lessons learned from both crisis management and business continuity standpoints. This after-action review process has generated significant changes to EY planning around its crisis response and management of crises at the member firm and global levels. Such reviews provide a higher degree of proactiveness especially in identifying emerging risks before they cause significant impact, and the prioritisation of risks by each member firm. For example, this allows the EY Global Security team and Region Security Manager network to work directly with their respective member firm crisis management teams in preparing for the most likely threats by incorporating training and advanced stages of readiness to its crisis management networks.

Additionally, Global Risk Management has placed more focus on business resiliency in business continuity planning efforts in EY. A key component of this approach is the recognition that many crises do not just 'happen'; there are usually indicators of escalating factors as a crisis unfolds. This approach allows EYG member firms to begin addressing mitigation of risks whilst continuing to carry on 'business as usual' at the very early stages of a potential business impact situation. The creation of 'escalation matrixes' around several ongoing and high-chance geopolitical events allow EY member firm and region risk management crisis management teams to respond more rapidly and more effectively as events escalate. Additionally, these escalation matrixes and subsequent action item checklists go beyond traditional workforce life and safety issues by delving into factors that could impact a member firm's ability to effectively conduct business, e.g., disruption to banking systems or sustained cyber-attacks.

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

In addition, the EY Global Code of Conduct provides a clear set of principles to guide the behaviours of those working at EY. This includes EY professionals being required to speak up when observing behaviour that is believed to be a violation of law or regulation, applicable professional standards, or the EY Global Code of Conduct itself.

The Global Data Protection and Confidentiality Policy (previously discussed) sets out requirements when handling sensitive and restricted information, including personal data. EYG member firms have a continuing responsibility to communicate local changes in law or regulation, reflecting the ever-changing landscape of restrictions on the use of data. The Global Data Protection and Confidentiality Policy was developed in accordance with applicable law, regulatory frameworks (such as EU GDPR), and relevant professional standards. The policy provides clarity for EYG member firms and their employees and connects to related policies and guidance on information security, records retention, social media utilisation, and other data protection-related topics.



Cybersecurity

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

The EY approach to cybersecurity is proactive and includes the implementation of technologies and processes necessary to manage and minimise cybersecurity risks around the globe. EY information security and data protection programmes, consistent with industry practices and applicable legal requirements, are designed to protect against unauthorised access to systems and data. There is a

dedicated team of cybersecurity specialists, who constantly monitor and defend EY systems.

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

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



Non-financial reporting

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

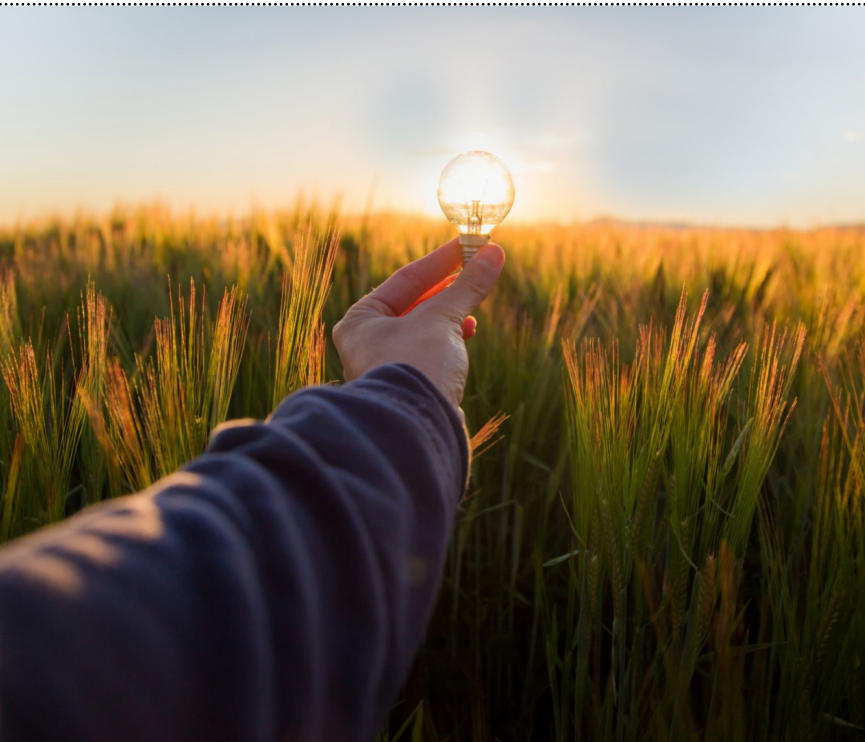
The methodology emphasises applying appropriate professional scepticism in the execution of procedures inclusive of the changing landscape in ESG reporting and criteria. EY SAM is based on the International Standards on Assurance Engagements (ISAEs).

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

regulatory non-financial reporting landscape, EY people, clients and processes. They are readily accessible to support Assurance engagement teams.

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

EY provides input to a number of public and private initiatives to improve the quality, comparability and consistency of non-financial reporting, including climate risk. These activities take place at a global, Regional and national level.



Independence practices

Independence practices

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

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

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

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



EY Global Independence Policy (GIP)

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

The EY GIP is an example of an Intellectual resource provided by a Global Function to drive consistency in the System of Quality Management.



Global Independence System (GIS)

The GIS is an intranet-based tool that helps EY professionals identify the entities from which independence is required and the independence restrictions that apply. Most often, these are listed entities we audit and their affiliates, but they can also be other types of attest or assurance clients. The tool includes family-tree data relating to audit clients and their affiliates, other entities for which independence restrictions apply, and for other entities for which there are no independence restrictions. Family-tree data is updated by client-serving engagement teams. The entity data includes notations that indicate the independence rules that apply to each entity, helping our people determine the type of services that can be provided or other interests or relationships that can be entered into.

GIS is an example of a technological resource provided by a Global Function to drive consistency in the System of Quality Management.



Global Monitoring System (GMS)

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

GMS also facilitates annual and quarterly confirmation of compliance with independence policies, as described below. GMS is an example of a technological resource made available to EYG member firms to drive consistency in the System of Quality Management.



Independence compliance

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



Independence confirmation

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

All EY professionals are required to confirm compliance with the EY Global Code of Conduct and independence policies and procedures annually. All client-facing professionals at the ranks of manager through partner, and certain others, based on role or function, are required to confirm compliance with independence policies and procedures quarterly.



Independence compliance reviews

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

During FY23, the EY UK independence practices have been subject to internal review by EY Global Internal Audit and EY UK Internal Audit.



Personal independence compliance testing (PICT)

Each year, the EY Global Independence team establishes a programme for PICT, which is an audit of an individual's compliance with the requirement to report financial interests in GMS. As part of the PICT, the selected individuals will provide account statements and other documentation of their financial interests, which are then compared to information reported in GMS as of the relevant period being tested to determine if there are unreported interests. Any unreported interests are evaluated with consequences assigned as deemed appropriate. For the 2023 testing cycle, EY UK tested more than 970 partners and other personnel.



Non-audit services

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



Global independence learning

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

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

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

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

The annual independence learning programme is an example of an intellectual resource provided by a Global Function to drive consistency in the System of Quality Management.



Service Offering Reference Tool (SORT)

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

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

SORT is an example of a technological resource made available to EYG member firms to drive consistency in the System of Quality Management.



Business Relationships Independence Data Gathering and Evaluation (BRIDGE)

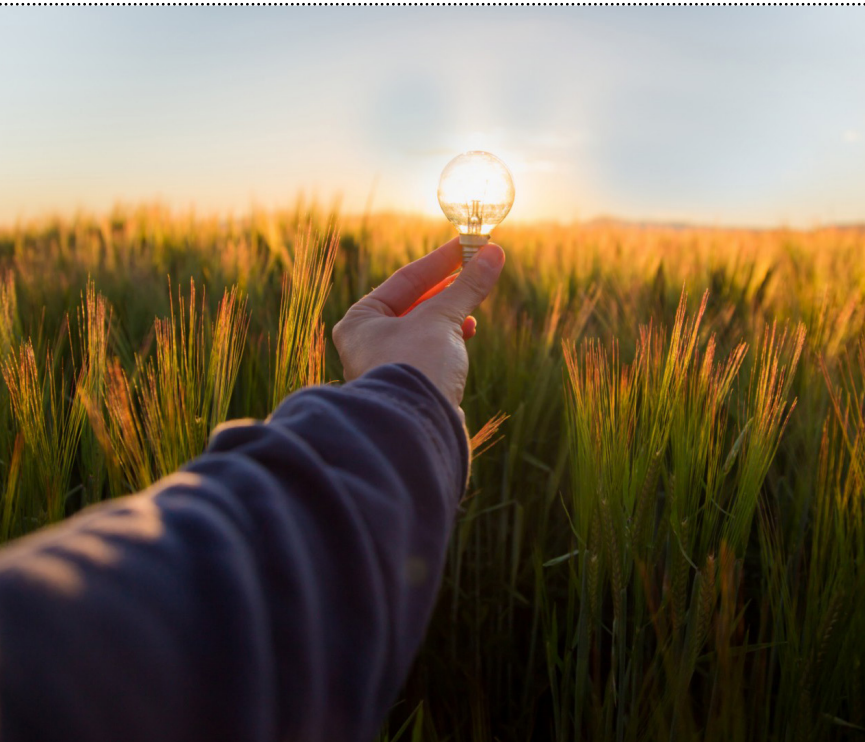
EY people are required to use BRIDGE in many circumstances to identify, evaluate and obtain advance approval of a potential business relationship with an entity we audit, thereby supporting our compliance with independence requirements.

BRIDGE is an example of a technological resource made available to EYG member firms to drive consistency in the System of Quality Management.



Audit committees and oversight of independence

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



Investing in
exceptional
talent and
continuing
education

Investing in exceptional talent and continuing education



The EY employee value proposition (EVP) is the promise we give to our employees for working at EY UK. But this isn't something that just happens; it's on our people to make it happen. EY UK provides the opportunities, the scale, the technology, the learning and the diverse and inclusive culture. It's up to our people to build their own exceptional experience from the building blocks EY UK offers.

The EY EVP 'The exceptional EY experience. It's yours to build' is designed to empower EY people to be intentional about their careers, enabling them to seek out the experiences, the learning, the skills, the impact and the leadership behaviours that will help them build the career they want, and a better working world for themselves and others.

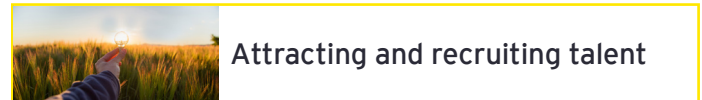
EY UK is committed to investing in our number one asset – our talent – to help ensure we keep our promise to them. Delivering on the EVP in turn helps us to drive further advances in audit quality, creating real value and insights for entities that are audited by us.

Changing environments mean that investments in exceptional talent need to be agile. Audit engagement teams already bring together an increasingly diverse set of skills and this trend will only accelerate as new technologies are adopted and the role of the audit professional continues to evolve. Skill sets will need to be further enhanced to encompass new competencies, such as coding and data visualisation, and new areas, such as the analysis of non-financial information (for example, rapidly changing ESG standards).

Audit professionals also need to understand and assess the risks and considerations associated with these technologies, particularly as companies implement new systems and generate new data that impact financial reporting, such as business models dealing with cryptocurrencies.

Talent investment needs to focus more broadly on the development of new skillsets – enabling teams to harness the full potential of new technology and bring a new lens to their work.

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



In a world with a decreasing talent pipeline, where the number of students graduating with an accounting degree continues to drop, competition for talent with the relevant skills has never been higher. Finding the next generation of high-quality auditors remains our top priority. We keep the recruiters who we work with up to date and upskill them with current trends and hot topics in audit, so that they are armed with the information to talk to candidates. We are also exploring several recruitment innovation platforms and talent attraction initiatives with the purpose of networking with new and diverse audiences that we didn't have the opportunity to connect with via the traditional channels and innovate in the ways we connect and attract our future talent.

For example, in the last year, EY designed the EY Talent Tree in the metaverse. Through a series of global talent events, EY teams have hosted hundreds of potential future audit professionals in an environment that strips away the physical barrier of real-world meeting rooms, and replaces them with a new, highly interactive virtual world. What has been achieved so far is very exciting – a series of events on a global scale that helped identify new talent from the next generation of potential accounting professionals, who live and breathe technology; and who will help forge the future of our profession.

Another innovation initiative EY is currently working on is an audit virtual work experience programme, with the support of an external vendor. This programme is designed primarily for university and college students who are at early stages of their studies and are looking to explore future career paths. The purpose of this programme is to connect with students and showcase the work EY teams do in audit, in a direct and open way, with the aim to build a network with our future talent from the early stages in their academic journey.

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



Retention and focus on wellbeing

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

Achieving a work-life balance is important for EY people. People are now far more focussed on getting the balance right between their professional and personal lives. Forty-three percent of EY auditors now work remotely two or more days per week and have a greater wellbeing experience as a result.

An increasingly important talent priority has been a focus on wellbeing and improving the day-to-day experience of EY people. The overarching goal is to embed a wellbeing culture through the commitment of leadership to provide the financial, physical, emotional and social support that enables EY people to be the best they can be. In practice, this can include equitably balancing work allocations and breaking down barriers that have previously prevented professionals from setting and adhering to healthy boundaries.

The better the organisation can support people's wellbeing, the more likely it is to provide them with compelling reasons to continue their career journey within the EY network.

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

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



Personalised careers with diverse experiences

As the workforce becomes more diverse in terms of background, skill sets and education, aspirations also change. With more people with specialised skills entering the organisation, EYG member firms are implementing more flexible career paths for all professionals that link to future-focussed service delivery model thinking.

The workforce is evolving, and individuals often have different career hopes, so we are providing all our people with the necessary tools and processes to manage their progression. A more individualised career structure is vital in attracting new talent and in helping to develop and retain the existing workforce.

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

We are seeing success through these redesigned career paths. In the March 2023 employee listening survey, 82% of respondents (73% for EY UK) indicated that they know which skills they need to build the career they want.



Mobility

In an organisation that spreads across more than 150 jurisdictions, one of the most powerful experiences EYG member firms can offer their people is to work across cultures and borders. People join EY for exceptional and diverse experiences, with more than 90% of member firms' new hires in EY Assurance being motivated by joining a highly globally integrated organisation.

EYG member firms provide a variety of on-demand mobility solutions and programmes, leading to an increase in new Assurance mobility assignments of more than 100% this year. The global mobility platform, Mobility4U, provides professionals with a single point of entry to locate opportunities worldwide. That includes job swaps, where individuals can exchange roles with an EY peer on either a long- or short-term basis. There is a focus on enabling specific business-driven mobility initiatives that give people an opportunity to learn or share specific knowledge and

skills. Strategic mobility programmes for member firm partners and future leaders also continue, which support, in particular, EY emerging market Regions.

Post-pandemic, EYG member firms are increasingly able to offer virtual mobility experiences. These provide the benefits of working cross-border with new teams and enable EY people to expand their global networks.

A mobility return on investment analysis showed that international experience increased retention (+15%) and positively impacted career opportunities. Ninety-five percent of mobility assignees reported a positive impact on career one year post assignment, 97% of assignees said their international assignment experience was exceptional and 95% would recommend an EY mobility assignment.



Performance management

EY has a performance management framework, LEAD, that supports our people's careers, inspires their growth and recognises the value they bring to EY UK. Through ongoing feedback, counsellor insights and development conversations, LEAD helps align individuals with the EY strategy and enables a focus on the future. An individual's dashboard provides a snapshot of performance against the Transformative Leadership dimensions, including quality, risk management, technical excellence and engagement metrics. Feedback received during an annual cycle is aggregated and used as an input to compensation and reward programmes.

At the centre of the framework are conversations between counselee and counsellor, covering topics such as understanding diverse career paths, creating an inclusive and equitable environment and pursuing learning and new experiences. These conversations help to identify opportunities for further development and to build future-focussed skills.

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



Engagement

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

Engagement levels are regularly monitored through a variety of channels, and the March 2023 EY employee listening survey showed that 73% of audit professionals (67% for EY UK) had a favourable attitude in terms of engagement (up 1% from 2022 globally and 2% for EY UK).

Listening to the views and concerns of EY people is a key element in increasing engagement. The EY employee listening strategy gives our people a voice at every step of their EY experience, so that we know what they need and what EY can do to help build exceptional experiences. Understanding the evolving perspectives and experiences of EY people is essential to delivering our EVP.

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

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

EY Assurance runs an initiative known as 'Global Voices' which unites 200 high-performing junior professionals from across the world and all sub-service lines. Its purpose is to empower and engage the EYG member firms' workforces by seeking their feedback on a wide range of topics of strategic importance, to broaden leadership perspectives. Leadership teams are increasingly engaged and motivated to understand the group's perspectives on business-critical challenges like talent retention, technology and innovation and ESG & societal impact.



The Audit Academy

The Audit Academy is the EY global learning programme for auditors. It builds auditors' core skill sets and evolves over time – for example to complement those core skills with the new capabilities needed to support the EY Digital Audit. Every year, the content and focus of the Audit Academy is adjusted to address new technologies and strategic priorities that promote audit quality. Any changes are agreed by Assurance leadership, following recommendations from the EY Global Assurance Learning Steering Committee.

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

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

The Audit Academy provides a blend of on-demand learning and simulation or case study-based learning that can be deployed either physically or virtually.



Professional development

To encourage the building of new skills, the EY Badges programme enables professionals to gain future-focussed skills including artificial intelligence, blockchain, robotic process automation, innovation and cybersecurity, as well as other capabilities that are in high demand, such as sustainability. EY Badges is a self-directed learning initiative that supplements a substantial programme of core structured training for auditors.

Allied to EY Badges is the EY Tech MBA and Masters in both Business Analytics and Sustainability. These are online qualifications awarded by Hult International Business School, a triple-accredited university, that are available free of charge to all EY people.

As of 30 June 2023, almost 47,000 EY Badges had been awarded to current audit professionals, including 16,000 in analytics and data strategy alone. In addition, more than 23,000 EY Badges have been awarded to people who have since left EY.

In total, during the financial year to 30 June 2023, EY audit professionals undertook 8.8m hours of learning (compared with 8.2m hours for the previous year), averaging 87.6 hours each. Refer to [Appendix 3: Audit quality and culture – Metrics on investment in audit quality \(training\)](#) for information on the hours of learning undertaken by EY UK audit professionals.

In the March 2023 EY employee listening survey, 87% of respondents (76% for EY UK) said that EY provides them with learning opportunities that build the skills they need to be successful and 83% (70% for EY UK) said that what they are learning at EY is helping them to achieve their career aspirations.

There are also a variety of learning programmes that have been developed specifically for member firm partners. These are available to all member firm partners worldwide and cover topics including Transformative Leadership, Disruptive Technology, and Sustainability. These are supplemented by high-touch, immersive programmes for select groups of partners on topics such as Client Leadership and Disruptive Technology, and there are also regular learning programmes on audit-specific topics such as fraud.

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

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



Knowledge and internal communications

In addition to professional development and performance management, we understand the importance of providing audit engagement teams with up-to-date information to help them perform their professional responsibilities. There is significant EY investment in knowledge and communication networks to enable the rapid dissemination of information to help people collaborate and share best practices. Some EY resources and tools include:

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



Revenue and remuneration

Revenue and remuneration



Financial information

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

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

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

▶ Non-audit services to other entities

The audit business routinely procures audit support from experts outside of the audit ringfence in areas such as tax, valuations and IT. Following work undertaken in relation to the principles of operational separation, our transfer pricing arrangements for services between our audit and non-audit businesses had been updated and fully implemented from the start of FY23, ahead of the required implementation date. In updating the arrangements, we have utilised the Organisation for Economic Cooperation and Development (OECD) guidance on transfer pricing and established a cost plus methodology in order to set arms-length rates. Revenues of the audit business in FY23 are stated after applying transfer pricing on specialists' time; revenues for FY22 do not reflect these transfer pricing arrangements.

Financial information for the period ended on 30 June 2023 expressed in £ million

Service	FY23		FY22 ¹	
	Revenue	Percent	Revenue	Percent
Statutory audits and directly related services for UK PIEs	217	6%	185	6%
Statutory audits and directly related services for entities whose parent is a UK PIE	56	1%	42	1%
Other audit services and directly related services for non-UK PIEs	464	13%	399	12%
Total audit revenues	737	20%	626	19%
Non-audit services provided to companies we audit	160	4%	163	5%
Total revenues from companies we audit	897	24%	789	24%
Non-audit services provided to other entities	2,829	75%	2,418	75%
Total revenue from the Channel Islands excluded from the categories above	29	1%	22	1%
Total revenue	3,755	100%	3,229	100%
UK audit profit²	88		88	

The Local Audit Transparency Instrument requires disclosure of the turnover in the financial period of the local auditor in relation to performing local audit work as defined by the instrument. For EY UK, this revenue totals £17million (FY22: £16 million).

¹ FY23 revenues represent a 52-week accounting period and FY22 revenues represent a 52-week accounting period. The revenue and profit figures stated above are presented in accordance with transparency reporting requirements and incorporate the effects of transfer pricing described in the paragraph above the table.

² Profit is calculated based on the revenue and direct costs associated with audit engagements, together with specific overheads for the audit practice and an allocation of total firm overheads, such as property and technology costs. These costs are allocated on a pro rata basis, based primarily on the headcount or revenues of the relevant business segment. No cost is included for the remuneration of members of EY UK, consistent with the treatment of their remuneration in the firm's financial statements.



Remuneration of partners

Quality is at the centre of the EY strategy and is a key component of EY performance management systems. EY UK partners¹ are evaluated and compensated based on criteria that include specific quality and risk management indicators. Equally, when EY UK partners do not adhere to quality standards, remedial actions are taken. These may include performance monitoring, compensation adjustment, additional training, additional supervision or reassignment – or, in instances of repeated or particularly serious non-compliance, separation from EY.

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

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

- ▶ Providing technical excellence
- ▶ Living the EY values as demonstrated by behaviours and attitude
- ▶ Demonstrating knowledge of, and leadership in, quality and risk management

- ▶ Complying with policies and procedures
- ▶ Complying with laws, regulations and professional duties

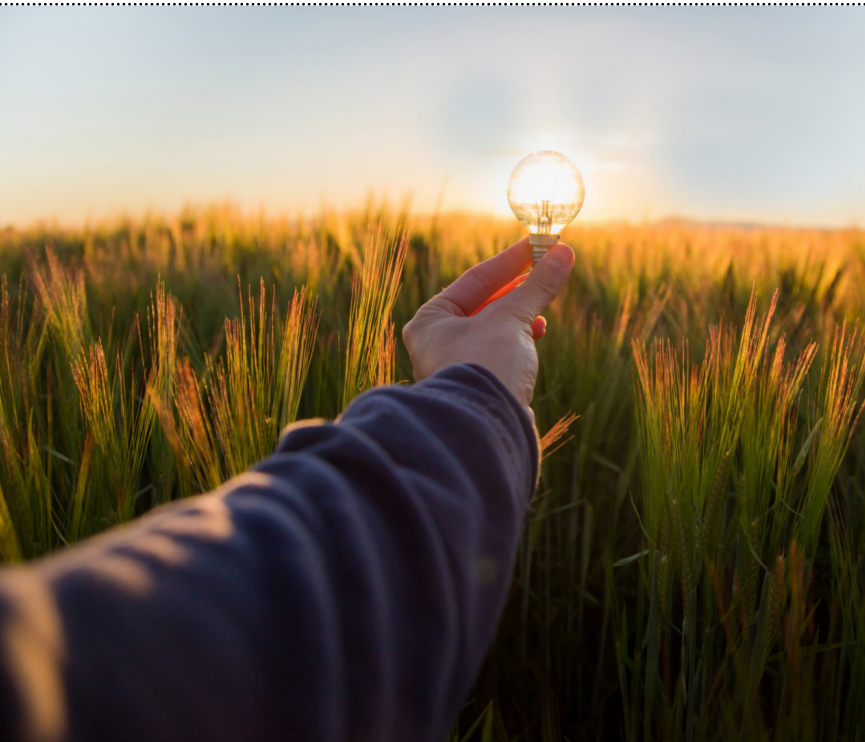
The EY partner compensation philosophy calls for meaningfully differentiated rewards based on a partner's level of performance, as measured within the context of the performance management framework. Partners are assessed annually on their performance in delivering high-quality, exceptional client service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

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

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

- ▶ Experience
- ▶ Role and responsibility
- ▶ Long-term potential

1. When not capitalised, references to the term 'partner' in this report for EY UK in FY23 relate only to members of Ernst & Young LLP. A list of members' names is available for inspection at 1 More London Place, London, SE1 2AF, the firm's principal place of business and its registered office and at Companies House [<https://www.gov.uk/get-information-about-a-company>] under the registration number OC300001.



Appendix 1: List of UK PIE companies we audit

Appendix 1: List of UK PIEs audited by EY UK



UK PIE companies audited by EY UK

In the period 2 July 2022 to 30 June 2023, EY UK performed audits of the following UK PIEs:

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

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

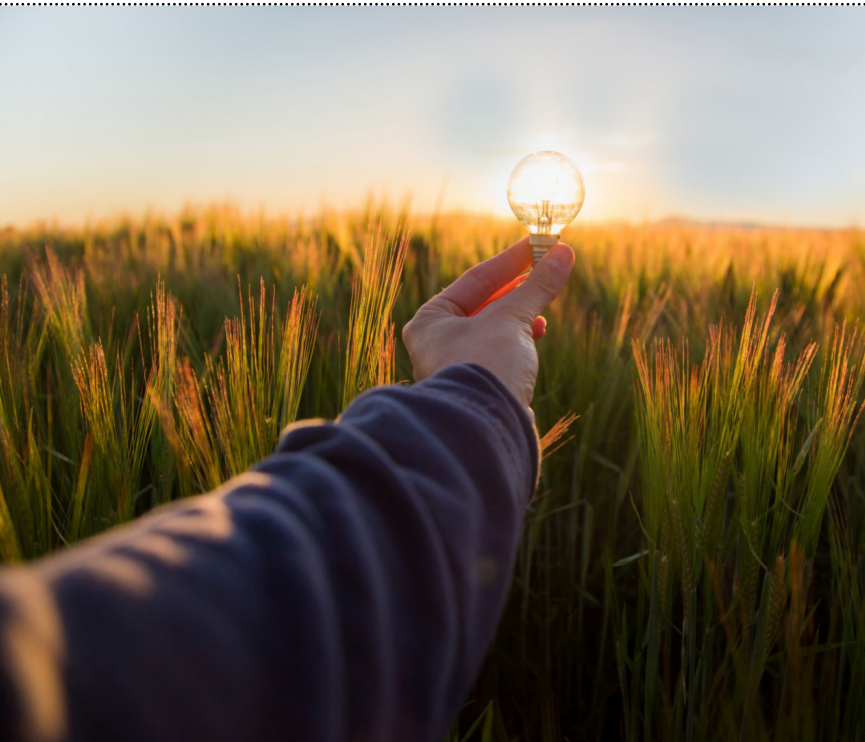
Henderson European Focus Trust plc
 Henry Boot PLC
 Hill & Smith PLC
 Hochschild Mining PLC
 Hodge Life Assurance Company Limited
 HSB Engineering Insurance Limited
 ICG Enterprise Trust plc
 Imperial Brands Finance PLC
 Imperial Brands PLC
 Integrafin Holdings plc
 Integralife UK Limited
 Intermediate Capital Group plc
 International General Insurance Company (UK) Limited
 Invesco Perpetual UK Smaller Companies Investment Trust plc
 Investec Bank plc
 Investec Investment Trust plc
 Investec plc
 J Sainsbury plc
 JPMorgan European Discovery Trust PLC
 JPMorgan Global Growth & Income Plc
 JPMorgan UK Smaller Companies Investment Trust plc
 Julian Hodge Bank Limited
 Jupiter Green Investment Trust PLC
 Keller Group plc
 Lanark Master Issuer PLC
 Land Securities Group PLC
 Lannraig Master Issuer PLC
 London Borough of Redbridge¹
 London Stock Exchange Group plc
 Lowland Investment Company plc
 LSEGA Financing Plc
 LSL Property Services plc
 Majedie Investments PLC
 Managed Pension Funds Limited
 Martin Currie Global Portfolio Trust plc
 Mears Group PLC
 Methodist Insurance plc
 Mizuho International plc
 Mobius Life Limited
 Monzo Bank Limited
 Morgan Sindall Group plc
 National Deposit Friendly Society Limited

National Westminster Bank Plc
 Nationwide Building Society
 Natwest Group PLC
 NatWest Markets Plc
 New Star Investment Trust Plc
 NEX Group Limited
 Nomura Bank International plc
 Nottingham Building Society
 On the Beach Group plc
 PA (GI) Limited
 PageGroup plc
 Pantheon Infrastructure Plc
 Pantheon International Plc
 Pearson Funding plc
 Pearson plc
 Pennon Group plc
 Persimmon Plc
 Personal Assurance Plc
 Phoenix Group Holdings Plc
 Phoenix Life Limited
 QIB (UK) plc
 Reassure Life Limited
 Reassure Limited
 Relx PLC
 Renishaw plc
 Rightmove plc
 RIT Capital Partners plc
 Riverstone Credit Opportunities Income Plc
 RM Infrastructure Income Plc
 Sainsbury's Bank plc
 Savills plc
 Schroder & Co. Limited
 Schroder Asian Total Return Investment Company plc
 Schroder AsiaPacific Fund plc
 Schroder British Opportunities Trust plc
 Schroder Income Growth Fund plc
 Schroder Pension Management Limited
 Schroders plc
 Scotland Gas Networks Plc
 Scottish Hydro Electric Power Distribution plc
 Scottish Hydro Electric Transmission plc
 SG Kleinwort Hambros Bank Limited

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

Shaftesbury Carnaby PLC	The Co-operative Bank p.l.c.
Shaftesbury Chinatown PLC	The European Smaller Companies Trust PLC
Shaftesbury PLC	The Gym Group plc
Shell plc	The Higher Education Securitised Investments Series No.1 plc
Shires Income PLC	The Monks Investment Trust PLC
SIG plc	The Rank Group Plc
Silverstone Master Issuer plc	The Restaurant Group plc
Skipton Building Society	The Royal Bank of Scotland plc
Softcat plc	The Sage Group plc
Soteria Insurance Limited	The Scottish American Investment Company Plc
South West Water Finance plc	THG PLC
Southern Electric Power Distribution plc	Transport for London
Southern Gas Networks Plc	TransRe London Limited ¹
Spire Healthcare Group plc	Tullow Oil plc
SSE plc	UBS Asset Management Life Ltd
Stagecoach Group Limited	University College London
Standard Chartered Bank	University of Liverpool
Standard Chartered PLC	Unum Limited
Standard Life Assurance Limited	USAA Limited ¹
Standard Life Pension Funds Limited	Virgin Money UK PLC
Stewart Title Limited	Vodafone Group Plc
STS Global Income & Growth Trust PLC	Volution Group plc
Sun Life Assurance Company of Canada (U.K.) Limited	VTB Capital plc
Target Healthcare REIT PLC	Warwick Finance Residential Mortgages Number Three Plc ¹
Tate & Lyle PLC	Watches of Switzerland Group PLC
TD Bank Europe Limited	Wesleyan Assurance Society
Templeton Emerging Markets Investment Trust PLC	Wessex Water Services Finance Plc
The Bankers Investment Trust PLC	William Hill Limited
The Baptist Insurance Company Plc	Xaar plc
The Co-operative Bank Finance p.l.c.	Zurich Assurance Ltd

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



Appendix 2: Approved EYG member firms

Appendix 2: approved EYG member firms



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

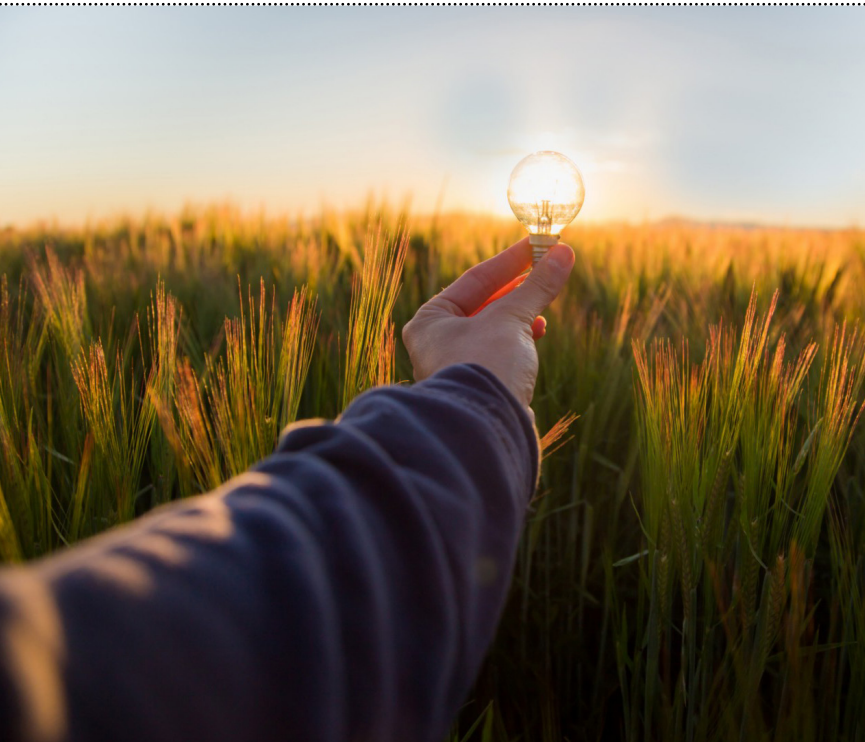
As of 30 June 2023, the following EYG member firms are approved to carry out statutory audits in an EU or EEA member state or in Gibraltar:

Member state	Statutory auditor or audit firm
Austria	Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.
Belgium	EY Assurance Services SRL
	EY Bedrijfsrevisoren SRL
	EY Europe SRL
Bulgaria	Ernst & Young Audit OOD
Croatia	Ernst & Young d.o.o.
Cyprus	Ernst & Young Cyprus Limited
	Ernst & Young
	Ernst & Young CEA (South) Services Ltd
	Ernst & Young CEA (South) Holdings Plc
Czech Republic	Ernst & Young Audit, s.r.o.
Denmark	EY Godkendt Revisionspartnerselskab
	EY Partnership P/S
	Komplementarselskabet af 1. januar 2008 A/S
	EY Grønland Godkendt Revisionsanpartsselskab
Estonia	Ernst & Young Baltic AS
	Baltic Network OU
Finland	Ernst & Young Oy
France	Auditex
	Ernst & Young Audit
	Ernst & Young et Autres
	EY & Associés
	Picarle et Associes
Germany	Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft
	Ernst & Young Heilbronner Treuhand-GmbH Wirtschaftsprüfungsgesellschaft
	EY Revision und Treuhand GmbH Wirtschaftsprüfungsgesellschaft
	Treuhand-Süd GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft
	TS GmbH Wirtschaftsprüfungsgesellschaft
	TS Treuhand GmbH Wirtschaftsprüfungsgesellschaft
	Schitag Schwäbische Treuhand GmbH Wirtschaftsprüfungsgesellschaft
Gibraltar	EY Limited
Greece	Ernst & Young (Hellas) Certified Auditors Accountants S.A.
Hungary	Ernst & Young Könyvvizsgáló Korlátolt Felelősségű Társaság
Iceland	Ernst & Young ehf
Ireland	Ernst & Young Chartered Accountants

Approved EYG member firms (Cont'd)

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

Total turnover for the year ended on 30 June 2023 for these EYG member firms, resulting from statutory audits of annual and consolidated financial statements was approximately €2.6 billion.



Appendix 3: EY UK-specific content

Appendix 3: EY UK-specific content



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Governance and leadership

UK key performance indicators on governance

The AFGC provides that firms should introduce KPIs on the performance of their governance system and report on performance against these KPIs in their transparency reports. We explain below how we performed against our governance KPIs in FY23.

Status legend: met not met

KPI	Status	Progress in FY23
Leadership		
The EY UK Board should meet at least four times per annum.	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"> The EY UK Board met fifteen times during the year. This comprised the main quarterly meetings and ad hoc meetings. Various decisions were also made via electronic fora.
The gender and ethnic minority diversity of the EY UK Board should reflect that of the partnership.	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"> As at 30 June 2023, of the 10 EY UK Board members, four were male (including one of ethnic minority) and six were female. Female representation on the EY UK Board (60%) exceeded the gender diversity of the partnership (26%). Ethnic minority representation on the EY UK Board (10%) was below that of the partnership (17%).
There should be a minimum attendance target of 80%, over a rolling 12-month period, for EY UK Board meetings.	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"> Collectively, the EY UK Board, at its main quarterly meetings, had an attendance rate of 93%. Individual attendance rates are included in Appendix 9.
Values		
As part of the EY UK culture assessment, we hold quarterly people surveys throughout the year, with the EY UK Board acting upon the cultural aspects of the findings. The surveys assess people's views on EY UK and their engagement.	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"> The engagement score is derived by aggregating responses to questions across different areas including advocacy, satisfaction, commitment and pride. Not all of the surveys include questions on engagement. We disclose the results of the latest survey covering engagement that was run during the year and the most recent post year-end survey, if the results are available sufficiently in advance of the publication of this report. The overall UK engagement score results for the March 2023 and July 2023 surveys were 67% and 69%, respectively. The EY UK Board takes actions, as and when appropriate, in response to the findings of the survey (discussed throughout this report).
On at least a bi-annual basis, the EY UK Board should receive reports on the UK's compliance with the Global Code of Conduct.	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"> The EY UK Board received a report on Global Code of Conduct matters (including ethical behaviour and the status of affirmation of people's compliance and familiarisation with the content of the Global Code of Conduct) in December 2022 and June 2023.

KPI	Status	Progress in FY23
INEs		
There should be at least three INEs, and the PIB should meet at least four times per annum.	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"> During the year EY UK had a minimum of three INEs except for the period detailed in the Independent and Audit Non-Executives sub-section below. The PIB met four times.
On an annual basis, the EY UK Board must satisfy itself that the INEs remain independent from EY UK.	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"> The EY UK Board is satisfied that the INEs remained independent from EY UK throughout the year, as explained later in this section.
The UKAB should be chaired by and have a majority of ANEs.	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"> During the year the UKAB was chaired by an ANE and had a majority of ANEs except for the period detailed in the Independent and Audit Non-Executives sub-section below.
At least one of the ANEs should not be a firm INE (doubly independent).	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"> Philip Tew is not a firm INE and is therefore doubly independent.
The UKAB should meet at least four times per annum.	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"> The UKAB met six times during the year, which included a separate strategy session.

KPI	Status	Progress in FY23
Operations		
The Risk Oversight Committee (ROC) should meet at least four times per annum, with the goal of helping to ensure that there are no material failings or weaknesses in EY UK internal controls.	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"> The ROC met eight times during the year. The activities undertaken by the ROC, along with commentary on EY UK internal controls, are set out in Appendix 3: Managing risk.

KPI	Status	Progress in FY23
Reporting		
The EY UK Board should review the annual Transparency Report to satisfy itself that it is fair, balanced and understandable, and complies with the AFGC, or explains otherwise.	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"> The EY UK Board approved the EY UK 2023 Transparency Report on 26 October 2023, after satisfying itself that it was fair, balanced and understandable, and in compliance with the AFGC, Article 13 of the EU Audit Regulation (537/2014) (as incorporated into UK domestic law by Section 3 of the European Union (Withdrawal) Act 2018), and the Local Auditors (Transparency) Regulations 2020. EY UK has complied with the provisions of the AFGC or has otherwise provided a considered explanation.

KPI	Status	Progress in FY23
Dialogue		
The EY UK Board should satisfy itself, on at least an annual basis, that a formal programme of investor dialogue is occurring.	<input checked="" type="checkbox"/>	<ul style="list-style-type: none"> The EY UK Board is satisfied that, as set out in Appendix 3: Stakeholder dialogue, a formal programme of investor dialogue took place.

The AFGC was updated in 2022 to take account of the introduction of operational separation of audit practices at the largest audit firms. It applies to audit firms as a whole, not purely the audit practice and continues to apply in its entirety in firms where the audit practice is operationally-separate from the rest of the firm.

The revised 2022 AFGC applies to financial years beginning on or after 1 January 2023. For EY UK, this will be financial year commencing on 1 July 2023 (FY24), with steps having been undertaken to apply the new code.



Legal structure

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

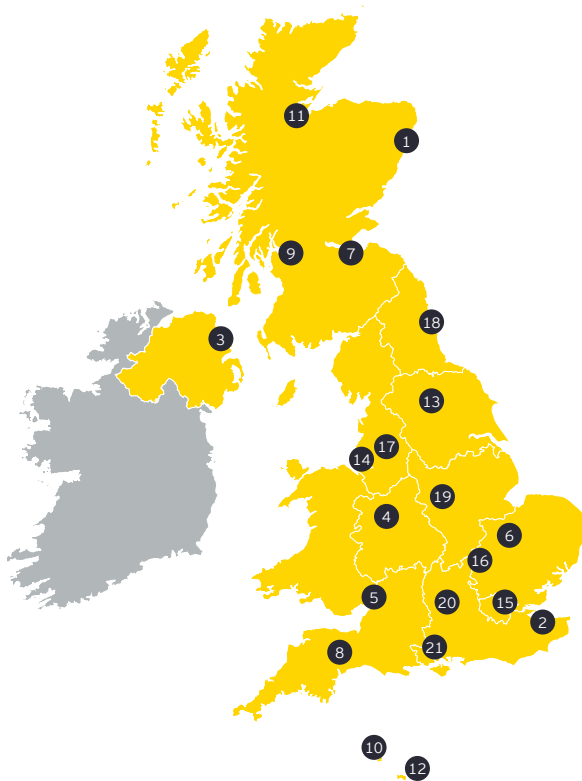
EY UK is covered by the governance arrangements established by EMEIA Limited and EYG (for further details refer to [Section 1: About us](#)). The EY UK leadership is subject to regular review of its actions and its performance across all areas of business activity; senior individuals also participate in a number of international EY fora, which enables the sharing of best practice with peers. Although decision-making is local, the regular review process provides another level of

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

As noted in last year's Transparency Report, the term 'Partner'¹ was extended to include some of our most senior people who are employees and not members of Ernst & Young LLP. As at 30 June 2023 EY had 1,578 Partners in total, of which 864 were members² (779 as at the end of the previous financial year). Of the total number of Partners 28% were female and 16% of minority ethnicity; of the members, 26% were female and 17% were of minority ethnicity.

Effective from 1 July, EY UK promoted 123 new Partners, of which 66 were members.

The number of EY offices as at 30 June 2023 was 24 EY offices across the UK, including Jersey and Guernsey (increased from 22 as at the prior year-end).



- | | |
|---------------|---|
| 1. Aberdeen | 14. Liverpool |
| 2. Ashford | 15. London (More London Place, Churchill Place and Gray's Inn Road) |
| 3. Belfast | 16. Luton |
| 4. Birmingham | 17. Manchester |
| 5. Bristol | 18. Newcastle-Upon-Tyne |
| 6. Cambridge | 19. Nottingham |
| 7. Edinburgh | 20. Reading and Maidenhead |
| 8. Exeter | 21. Southampton |
| 9. Glasgow | |
| 10. Guernsey | |
| 11. Inverness | |
| 12. Jersey | |
| 13. Leeds | |

1. When not capitalised, references to the term 'partner' in this report for EY UK in FY23 relate only to members of Ernst & Young LLP
 2. A list of members' names is available for inspection at 1 More London Place, London, SE1 2AF, the firm's principal place of business and its registered office and at Companies House [<https://www.gov.uk/get-information-about-a-company>] under the registration number OC300001.



Governance structure and management

[Section 1: About us](#) sets out details of the EY network and regional structure; EY UK is part of the EMEIA Area, which is comprised of EYG member firms in 92 countries. Within the EMEIA Area, there are eight Regions. EY UK is part of the UK and Ireland (UK&I) Region, with the exception of UK FSO, which is part of the EMEIA FSO. EMEIA FSO is treated as a separate Region within the EMEIA Area. The UK FSO leader sits on the EMEIA FSO leadership team; the UK&I Region is separately led by the UK&I leadership team. Matters which impact EY UK LLP (including legal, regulatory and reputational matters, and financial resilience) are managed at the UK Country Committee (UKCC). The UKCC includes representation of both the UK&I Region and UK FSO.

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

The appointments to the governance structure and country management are a combination of the following:

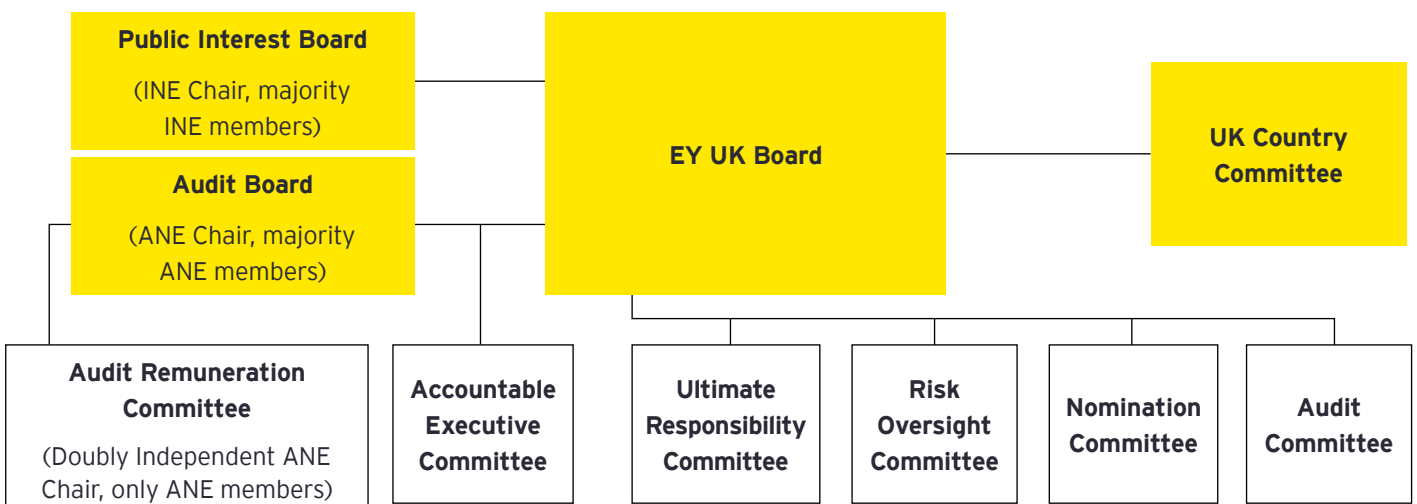
- ▶ Roles-based appointments – these have been considered to ensure that the right skillset and representation are

maintained. They are not time-limited; the relevant individuals will serve for so long as they hold the relevant role and that role is appointed to the governance structure or country management. Individuals appointed based on their roles are subject to annual evaluation that takes their performance in role into consideration.

- ▶ Non-executive appointments:
 - ▶ The AFGC requires a firm to appoint INEs to its governance structure who, through their involvement, collectively enhance the entire firm’s performance in meeting the Purpose of the AFGC.
 - ▶ Operational separation principles require the appointment of ANEs to a firm’s governance structure, who focus on the audit practice only.

Appointment and termination of INEs and ANEs are discussed in detail later in this section and their involvement in EY UK governance structure has been set out below.

- ▶ Elected representatives:
 - ▶ The EY UK Board includes three representatives of the UK&I and FS Partner Fora which are comprised of elected individuals.
 - ▶ Members of the Partner Fora will serve for an initial period of up to three years, which may be extended by a further term of up to three years.





Independent and Audit Non-Executives

EY UK NEs are INEs, who have an EY UK-wide remit and are members of the PIB; and/or ANEs, who are focussed on the EY UK audit practice and are members of the UKAB.

NEs bring constructive challenge to EY UK leadership and oversee policies and procedures across the entirety of EY UK. NEs have full access to EY UK management and there is on-going, regular dialogue. The Chairs of the UKAB and PIB are also invited to EY UK Board meetings as attendees (rather than as members, which ensures they maintain their independence but are nonetheless able to provide constructive challenge). This is one of the ways to ensure that NEs have visibility of the entirety of the business of EY UK. Details of their attendance at scheduled EY UK Board meetings during FY23 are given in [Appendix 9](#).

As at 30 June 2023, the EY UK Non-Executives were as follows:

Name	Role	First appointed	Term as NE
▶ Tonia Lovell	▶ ANE and INE ▶ Chair of the Public Interest Board	▶ June 2019	▶ Second term
▶ Mridul Hegde	▶ ANE and INE	▶ July 2021	▶ First term
▶ Philip Tew	▶ ANE ▶ Chair of the Audit Board Remuneration Committee ▶ Interim Audit Board Chair	▶ July 2021	▶ First term
▶ David Thorburn	▶ ANE and INE	▶ June 2016	▶ Third term

Since the year-end Mridul Hegde stepped down as an NE on 18 September 2023, with Ruth Anderson and Carl Hughes being appointed as NEs on the same date.

Biographical details of the INEs and ANEs are included in [Appendix 8](#), including details of skills and experience relevant to their positioning. For the work of the INEs and ANEs, see the report from the Chairs of the PIB and the UKAB in the [Leadership message](#).

Provision C.1.1. of the AFGC requires that INEs should number at least three and be in the majority on a body that oversees public interest matters. EY UK was not in compliance with this provision for FY23 for the meetings noted below.

As reported in last year's Transparency Report, Sir Peter Westmacott stood down from his role as an INE on 31 July 2022. From this date, there was no longer an INE majority on the PIB. Sir Peter Westmacott was not replaced at the time as the firm awaited the outcome of the deliberations over the

As part of attending EY UK Board meetings, the Chairs of the UKAB and PIB provide updates on the activities of the boards they chair. Philip Tew, who took on the role of interim UKAB Chair as discussed below, did not attend EY UK Board meetings when acting as interim UKAB Chair to safeguard his doubly-independent status. During his tenure, Tonia Lovell provided updates on the activities of the UKAB on his behalf.

The role of our INEs and ANEs within the governance structure of EY UK meet the requirements of the AFGC – the INEs are all members of the PIB; the ANEs are all members of the UKAB.

potential for structural separation and a new shape for the business.

David Thorburn, the Chair of the UKAB, resigned in January with immediate effect in order to take on a role on the Transaction Committee for the proposed structural separation of the firm. Philip Tew took over as interim UKAB Chair. Following the decision not to proceed with the structural separation, David Thorburn was re-appointed as both an INE and ANE in May 2023, with Philip Tew continuing to act as interim UKAB Chair.

For the period of David's absence, EY UK only had two INEs, neither of whom had the competencies set out in Principle C.2 of the AFGC. Throughout this period EY UK did however have three NEs, with Philip Tew, the doubly independent ANE, having competence in both accounting and auditing.

Following the departure of Sir Peter Westmacott and also reflecting the absence of David Thorburn, the composition of the PIB on the dates of its meetings was, as follows:

Meeting	INE Members	Executive Members
13 October 2022	Three	Three
16 November 2022	Three	Three
7 February 2023	Two	Three
6 June 2023	Three	Three

A majority of ANEs is also expected on the UKAB by the FRC's Operational Separation Principles (Principle 3). During the period of David Thorburn's absence, there was one meeting of the UKAB (on 6 February 2023) at which there were three ANEs and three executives, which was not compliant with Principle 3.

Given their skills, capacity, standing within EY UK, ongoing regular dialogue with senior leadership and timely access to high-quality management information, despite the depletion to the number of NEs, they continued to provide effective oversight and constructive challenge.

It should also be noted that there were no votes called at any of the meetings noted above, and the Terms of Reference for the PIB and the UKAB include a casting vote for the Chair, who is an INE and ANE respectively. Nonetheless, in order to mitigate unavoidable or unforeseen circumstances in the future, the Terms of Reference of the PIB and UKAB have been amended to include weighted voting rights to the NEs, such that if the number of NEs fall below a majority, the NEs nonetheless hold the majority when it comes to a vote.

Since David Thorburn's initial departure, work commenced to recruit new Non-Executives, with the result that Ruth Anderson and Carl Hughes were appointed to the roles of INE and ANE on 18 September 2023 addressing the non-compliance set out above. Effective from that date, Ruth Anderson took over from Philip Tew as Chair of the UKAB. Mridul Hegde stepped down on the same day.

Appointment and termination of Independent and Audit Non-Executives

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

Rights and responsibilities of the INEs and ANEs are set out in a Letter of Appointment and Service. An appointment may be terminated by either the INE/ANE or EY UK giving six months' written notice. In the event of a fundamental disagreement that cannot be resolved, the appointment may be terminated immediately under the dispute resolution provisions (see further detail below). In addition, immediate termination may be required where a conflict occurs with other roles that the INE/ANE holds, an example being where an entity EY UK audits acquires an entity in which the INE or ANE also holds an appointment.

Fundamental disagreements

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

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

Independence of Independent and Audit Non-Executives

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

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

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

There were no independence issues or concerns involving the NEs noted for FY23; none of the NEs were in post for more than nine years.

EY UK support

The INEs and ANEs have the benefit of a policy of directors' and officers' insurance in respect of their roles. Additionally, the EY UK Ethics Partner is a member of the PIB and provides updates to the PIB on independence activities and current issues. The INEs and ANEs also have access to the EY UK Ethics Partner to address ad hoc issues as required.

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

EY UK also provides access to professional advisers at the expense of EY UK (subject to consultation with the EY UK Board Chair to establish and approve the appropriate means of obtaining this professional advice).

Independent Non-Executives' remuneration

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

The salaries of the INEs and ANEs in respect of their UK roles in FY23 were:

Meeting	NE role	Chair role	Total
Tonia Lovell	£100,000	£40,000	£140,000
Philip Tew	£100,000	£16,000	£116,000
Mridul Hegde	£100,000	n/a	£100,000
David Thorburn	£66,667	£20,000	£86,667

Given David's Thorburn's resignation as an NE (detailed above) David's fees have been prorated.

Additionally, Sir Peter Westmacott was paid £8,333 for the one month of service rendered in FY23.

Tonia Lovell also received an additional £70,000 for her INE role on the GGC in FY23. See [Section 1: About us](#) for further details regarding the GGC.



The EY UK Board

The EY UK Board is the ultimate governance body of EY UK and is responsible for managing the commercial, financial and reputational risk of EY UK together with the general and operational management of EY UK as a whole, including overseeing compliance with all applicable professional regulatory and legal requirements.

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

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

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

In FY23, the UK MP of EY UK was Hywel Ball. The role of the UK MP includes:

- ▶ Representing and promoting the interests of EY UK
- ▶ Providing leadership for the partners and employees of EY UK and its subsidiary undertakings
- ▶ Acting as the interface with regulators and governmental authorities
- ▶ Being responsible for managing risk, public policy, inclusive growth and geostrategic service offerings
- ▶ The ultimate responsibility and accountability for the systems of quality management for all the member firms of the country

The membership of the EY UK Board as at 30 June 2023 was as follows:

EY UK Board Members	Title	Time served on the EY UK Board to the nearest year
Roles-based appointments		
Hywel Ball (Chair)	UK Managing Partner	7 years (Chair for 3 years)
Andrew Walton	UK Head of Audit	3 years
Anna Anthony	Managing Partner, UK FSO	3 years
Christabel Cowling	UK Head of Regulatory & Public Policy	5 years
Jane Goldsmith	Managing Partner, Risk Management, UK	3 years
Lisa Cameron	General Counsel	13 years
Lynn Rattigan	UK Chief Operating Officer	8 years
Other EY UK Board members – appointed for a three-year term, subject to individuals remaining as Partner Forum members		
Adam Munton	FSO Partner Forum representative	First term, 2 years with one year remaining of current term
Alison Duncan	UK&I Partner Forum representative	First term, 2 years with one year remaining of current term
Sundar Viswanathan	UK&I Partner Forum representative	First term, 2 years with one year remaining of current term

Biographical details of each EY UK Board member and the attendance records for each of the governance bodies (as outlined in the governance structure above) are included in [Appendix 7](#) and [Appendix 9](#) respectively. There were no co-opted EY UK Board members in FY23.

The EY UK Board held three primary quarterly meetings during FY23, as reflected in the attendance table in [Appendix 9](#). The fourth quarterly meeting was held on 12 July 2023 and therefore fell outside of FY23 and will be captured in the FY24 Transparency Report.

In addition, the EY UK Board held other ad hoc meetings and conducted business through electronic fora. The agenda of

the EY UK Board included consideration of matters across EY UK, on which the EY UK Board takes decisions to ensure that the purpose of the AFGC is achieved, including:

- ▶ Commercial, financial and reputational interests
- ▶ Values and culture
- ▶ Risks (with a specific focus on reputational matters and financial resilience) and regulatory matters
- ▶ Governance matters
- ▶ The audit business (with a specific focus on audit quality matters and the status of operational separation)



The Public Interest Board (PIB)

The remit of the PIB is to enhance the performance of EY UK in meeting the purpose of the AFGC. Its principal objectives in FY23 were to promote audit quality, to help EY UK secure its reputation more broadly, including its non-audit business, and to reduce the risk of firm failure. In connection with the AFGC purpose, the PIB is responsible for the independent oversight of EY UK policies and procedures in relation to financial resilience, governance and leadership, values and culture, and risk management and resilience. Review of people strategy and people policies and procedures, to help ensure the public interest is protected, is a standing item on the PIB's agenda.

The membership of the PIB as at 30 June 2023 was as follows:

PIB Members	Title	Time served on the PIB to the nearest year
Non-Executive members		
Tonia Lovell (Chair)	Independent Non-Executive	4 years
David Thorburn	Independent Non-Executive	6 years
Mridul Hegde	Independent Non-Executive	2 years
Roles-based appointments		
Anna Anthony	Managing Partner, UK FSO	2 years
Hywel Ball	UK Managing Partner	2 years
Jane Goldsmith	Managing Partner, Risk Management, UK	2 years

Since the year-end Mridul Hegde stepped down as an NE on 18 September 2023, with Ruth Anderson and Carl Hughes being appointed as NEs and appointed to the PIB on the same date.

See further details in the [Independent and Audit Non-Executives](#) sub-section above for David Thorburn's resignation and re-appointment during the year.



UK Audit Board (UKAB)

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

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

The membership of the UKAB as at 30 June 2023 was as follows:

UKAB Members	Title	Time served on the UKAB to the nearest year
Non-Executive members		
Philip Tew (interim Chair)	Doubly independent Audit Non-Executive	2 years
David Thorburn	Independent and Audit Non-Executive	2 years
Mridul Hegde	Independent and Audit Non-Executive	2 years
Tonia Lovell	Independent and Audit Non-Executive	2 years
Roles-based appointments		
Andrew Walton	UK Head of Audit	2 years
Javier Faiz	UK FSO Head of Audit	2 years
Justine Belton	UK Country Professional Practice Director and UK Audit Compliance Principal	2 years

Since the year-end Mridul Hegde stepped down as an NE on 18 September 2023, with Ruth Anderson and Carl Hughes being appointed as NEs and appointed to the UKAB on the same date. In addition, Ruth Anderson was appointed as the Chair of the UKAB.

See further details in the [Independent and Audit Non-Executives](#) sub-section above for David Thorburn's resignation and re-appointment during the year. Further details on the role of the UKAB and ANEs in the oversight of audit quality can be found in [Appendix 3: Audit quality and culture](#).



UK Country Committee (UKCC)

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

The UKCC meets at least ten times per year, and reports to the EY UK Board with a regular summary of significant matters considered and decisions it has made. The composition of the UKCC is determined by the EY UK Board, and is roles-based to ensure it has the right skillset and representation to consider and decide matters within scope of the UKCC's purpose.

The membership of the UKCC as at 30 June 2023 was as follows:

UKCC Members	Title	Time served on the UKAB to the nearest year
Roles-based appointments		
Hywel Ball (Chair)	UK Managing Partner	3 years
Ally Scott	Managing Partner, Scotland	3 years
Anna Anthony	Managing Partner, UK FSO	3 years
Gavin Jordan	Chief Operating Officer, UK FSO	3 years
Jane Goldsmith	Managing Partner, Risk Management, UK	3 years
Justine Campbell	Managing Partner, Talent	3 years
Lisa Cameron	General Counsel	3 years
Lynn Rattigan	UK Chief Operating Officer	3 years
Rupert Taylor	Managing Partner, UK FSO Talent	3 years
Alison Kay	UK Managing Partner, Client Service	2 years
Rodney Bonnard	Markets Leader, UK FSO	2 years

Since the year-end, there have been certain roles-based changes to the composition of the UKCC: Lynn Rattigan, Alison Kay and Rodney Bonnard stood down from the UKCC and Christabel Cowling joined as a member.

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



Committees supporting the EY UK governance structure

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



Accountable Executive Committee (AEC)

The AEC is a committee of the EY UK Board and is responsible for ensuring the desired outcomes for operational separation are delivered, embedded and monitored.

The membership of the AEC as at 30 June 2023 was as follows:

AEC Members	Title	Time served on the AEC to the nearest year
Hywel Ball (Chair)	UK Managing Partner	2 years
Anna Anthony	Managing Partner, UK FSO	2 years
Lynn Rattigan	UK Chief Operating Officer	2 years

Since the year-end, Christabel Cowling joined as a member.

In FY23, the activities of the AEC included:

- ▶ Ensuring EY UK has undertaken its activities in compliance with the FRC's Principles for Operational Separation of the Audit practice
- ▶ Review and approval of revised arms-length Transfer Pricing arrangements for specialists' input into audit engagements, for implementation for FY24 year-end
- ▶ Review and approval of updates to policies relating to the audit perimeter
- ▶ Overseeing the financial reporting to the FRC on operational separation
- ▶ Monitoring the financial resilience of the audit business



Nomination Committee (NomCo)

The NomCo is a permanent committee of the EY UK Board and acts on its behalf in respect of the consideration for appointment and extensions to the terms of appointment of:

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

On a periodic basis, the NomCo will review the individual performance of members of the PIB and UKAB. No such review was conducted during FY23.

The membership of the NomCo as at 30 June 2023 was as follows:

NomCo members	Title	Time served on the NomCo to the nearest year
Anna Anthony (Chair)	Managing Partner, UK FSO	2 years
Hywel Ball	UK Managing Partner	2 years
Christabel Cowling	UK Head of Regulatory & Public Policy	2 years
Sundar Viswanathan	UK&I Partner Forum representative	2 years
Non-Executive members		
Tonia Lovell	Independent and Audit Non-Executive	2 years

In FY23, the activities of the NomCo included consideration of changes to members of the ROC.



Risk Oversight Committee (ROC)

The ROC is a committee of the EY UK Board and its role is discussed in detail in [Appendix 3: Managing risk](#). Members of the ROC, including the Chair, are appointed by the EY UK Board having been recommended for appointment by the NomCo.

The membership of the ROC as at 30 June 2023 was as follows:

ROC Members	Title	Time served on the ROC to the nearest year
Chris Bowles (Chair)	Executive Director, Risk Management	6 years
Jane Goldsmith	Managing Partner, Risk Management, UK	3 years
Christabel Cowling	UK Head of Regulatory & Public Policy	7 years
Jenny Clayton	Partner, Regulatory & Risk Management, UK FSO	2 years
Stuart Thompson	Partner, Risk Management	5 years
Michael-John Albert	Partner, FSO	1 year
Jon Hughes	Partner – Transformation Strategy Leader	1 year

From October 2022, Chris Bowles took on the role of ROC Chair from Jane Goldsmith, and Michael-John Albert and Jon Hughes were appointed as additional members to the ROC.



UK Audit Committee (UKAC)

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

The membership of the UKAC as at 30 June 2023 was as follows:

UKAC Members	Title	Time served on the UKAC to the nearest year
Alison Duncan (Chair)	Audit Partner	2 years
Chris Voogd	Audit Partner	5 years
Jane Goldsmith	Managing Partner, Risk Management, UK	2 years
Lloyd Brown	Audit Partner	5 years
Sarah Williams	Audit Partner	4 years
Stuart Wilson	Audit Partner	5 years

The EY UK Board selects UKAC members based on their roles and expertise, with their period of appointment reflecting this. As a UK&I Partner Forum representative EY UK Board member, Alison Duncan chairs the UKAC.

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

The topics covered throughout the annual cycle of meetings were considered necessary for the UKAC to be in a position to fulfil its responsibilities on behalf of the EY UK Board in relation to the external audit process and the UK LLP financial statements. The UKAC meets at least twice annually; in relation to the FY23 financial reporting, it met five times and undertook the activities set out below.

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

- ▶ Approved the appointment and fees of the external auditor.
- ▶ Challenged and approved the audit plan, considering the risks identified by the external auditor.
- ▶ Read and discussed the audit results as reported by the external auditor.

- ▶ Monitored the effectiveness and independence of the external auditor, including the need and timing of partner rotation.

With respect to other matters the UKAC:

- ▶ Reviewed the FY23 Internal Audit Plan, received reports and discussed with the Head of Internal Audit the findings arising from its work, the status of agreed action plans and considered the impact, if any, on the financial reporting processes and controls of EY UK.
- ▶ Received reports and presentations on a number of finance related matters, including pensions and annual impairment testing, and considered the implications for the FY23 year-end financial close process and reporting.
- ▶ Received a briefing on mandatory statutory climate-related disclosures for UK entities, alongside the approach adopted for EY UK for FY23. This included involvement of the EY UK Climate Change and Sustainability Services team and the UKAC Chair discussed directly with these specialist teams, their views on the draft disclosures prior to finalisation.
- ▶ Reviewed with the UK Head of Audit an update on the main policies that the firm has implemented in relation to operational separation and the future reporting of the audit business’ financial performance to the FRC.

Specifically, as it pertained to the integrity of the EY UK FY23 financial statements, the UKAC reviewed analyses and/or reports provided by management and the external auditors, specifically focusing on areas of significant estimation and judgement, including:

- ▶ Revenue recognition and the prior year adjustment in relation to the valuation of unbilled receivables and accruals in relation to work subcontracted to EY member firms on client engagements
- ▶ Completeness and valuation of provisions for professional liability claims and regulatory matters
- ▶ Valuation of defined benefit pension liabilities and the past service cost arising as a result of the plan

amendment (Refer Note 20 of the Members' Annual Report and Financial Statements)

- ▶ Annual impairment test for the carrying value of goodwill
- ▶ Appropriateness of the going concern basis of preparation of the financial statements

The UKAC reported to the EY UK Board at its meeting on 12 October 2023 and recommended the approval of the FY23 financial statements, subject to certain updates and clearance from the external auditor, that were subsequently confirmed by the UKAC.



Ultimate Responsibility Committee (URC)

The URC is a committee of the EY UK Board and is responsible and accountable for the System of Quality Management within EY UK. Specifically, the URC is responsible for:

- ▶ Evaluating the effectiveness of the System of Quality Management each year
- ▶ Concluding, in relation to the quality objectives being achieved, that the System of Quality Management has provided EY UK with:
 - ▶ Reasonable assurance
 - ▶ Reasonable assurance, except for, or
 - ▶ No reasonable assurance
- ▶ Fulfilling the System of Quality Management-related responsibilities which includes the promotion of a culture of quality, overseeing the establishment of Quality-related organisational structures, and approving Quality-related investments and resource allocations

The membership of the URC as at 30 June 2023 was as follows:

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



Audit Board Remuneration Committee (ABRemCo)

The ABRemCo is a sub-committee of the UKAB. The ABRemCo was formed in response to the Operational Separation Principles which includes a requirement for the UKAB to have a remuneration sub-committee. The role of the ABRemCo is to oversee the remuneration of audit Partners with a remit to consider the policies and processes in relation to audit Partner remuneration and whether these policies and processes have been appropriately applied.

The membership of the ABRemCo as at 30 June 2023 was as follows:

ABRemCo Members	Title	Time served on the ABRemCo to the nearest year
Non-Executive members		
Philip Tew (Chair)	Doubly independent Audit Non-Executive	2 years
Mridul Hegde	Independent and Audit Non-Executive	2 years
Tonia Lovell	Independent and Audit Non-Executive	2 years

David Thorburn was a member of the ABRemCo until his aforementioned resignation in January 2023.

Since the year-end Mridul Hegde stepped down as an NE on 18 September 2023, with Ruth Anderson and Carl Hughes being appointed as NEs on the same date and then further appointed to the ABRemCo on 4 October 2023.

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

Partner pay takes account of experience, roles and responsibilities, long-term potential, as well as being directly linked to a Partner’s overall in-year performance. Performance is measured within the context of the EY performance management framework which includes consideration of the audit quality grading, various financial metrics and people/teaming factors.

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

audit portfolio, broader contributions made to delivering high audit quality and compliance with mandatory training and internal policies.

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

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



Audit quality and culture



EY UK SAQ programme

The EY UK SAQ programme aligns with the EY Global SAQ programme and has been running since 2014. Since then, significant investments have been made to keep improving audit quality. EY UK has made good progress towards achieving the goal to deliver consistent high-quality audits evidenced by improved FRC inspection results this year and consistently high ICAEW's QAD results.

A number of good practice examples have been identified through both the external and internal inspections. However, the primary objective of EY UK must be and is to achieve high-quality in every audit and this will continue to be the focus for FY24 and beyond.

In the most recent inspection results:

- ▶ The FRC graded 80% of the audits inspected as requiring no or limited improvements (89% for audits of FTSE 350 companies).
- ▶ The ICAEW's QAD graded 100% of the audits inspected as satisfactory or generally acceptable.
- ▶ The internal quality reviews rated 89% of audits as having no or only minor findings.

Over the last five years:

- ▶ The FRC has graded an average of 75% of all EY UK audits as requiring no or limited improvements (82% for audits of FTSE 350 companies).
- ▶ The ICAEW's QAD has graded an average of 96% of EY UK audits as satisfactory or generally acceptable.
- ▶ The internal quality reviews have graded 85% of audits reviewed as having no or only minor findings.

Audit quality is not defined in professional standards, and no single metric can be viewed as a definitive measure of it. Therefore, the outcomes from all reviews, along with other indicators (including the monitoring and annual evaluation conclusions of our System of Quality Management), are taken into account when assessing audit quality.

Delivering sustainable, consistent high-quality audits is a priority for EY UK and the drive to achieve this is captured in the audit quality purpose.

Audit quality purpose

At EY we are committed to consistently delivering high-quality audits that serve the public interest.

The refreshed Audit Quality Strategy of EY UK emphasises the importance of a purpose-led culture and is fundamental to delivering on this audit quality purpose.

EY UK is also committed to continuous improvement. In 2022, it was announced that \$1bn would be invested globally in technology to support audit quality and early developments of this are already materialising. This is being supplemented by extensive and regular training and coaching of teams, both in audit and for the various specialists that support core audit teams.

Findings from all reviews are assessed through the RCA programme which considers the nature and severity of the findings driving any rating when determining the right actions to take in response.

The global SAQ programme creates the framework under which EY UK identifies specific initiatives to implement these actions. The programme is structured into six core pillars:

Global SAQ pillars					
1	2	3	4	5	6
Tone at the top	Exceptional talent	Accountability	Audit technology and digital	Simplification and innovation	Enablement and quality support
The internal and external messages sent by EY leadership, including audit partners, that establish and encourage a commitment to quality, setting a clear tone at the top	Specific initiatives that support EY auditors in devoting time to perform quality work, including recruitment, retention, learning and workload management	The systems and processes in place to help EY people take responsibility for carrying out high-quality work at all times, including their reward and recognition	How the EY Digital Audit is evolving in this transformative age to set the standard for the data-first way of approaching audit, combining digital tools, stakeholder focus and a commitment to quality	How we are simplifying and standardising the approach used by EY auditors and embracing emerging technologies to improve the quality, consistency and efficiency of the audit	How EY teams are being helped to manage their responsibility to provide high audit quality

Since the start of the SAQ programme, EY UK has implemented a wide variety of initiatives, many of which continue to support the delivery of high-quality audits today. These initiatives include:

- ▶ Refreshed audit quality governance with the Audit Quality Executive Committee (AQE) (discussed further below) and the UKAB (refer to [Appendix 3: Governance and leadership](#))
- ▶ Annual audit Quality Summit and National Academies
- ▶ Global investment in technology improving teams' connectivity, introducing increased automation, and data analytics tools supported by enhancements to the audit methodology
- ▶ Key behaviours which drive high-quality audits identified and embedded in the approach to all audits
- ▶ Use of AQIs, including a global milestones programme, to improve and monitor project management of audits
- ▶ Significant investment in additional support for audit teams through 'hot file' reviews, coaching packs,

enhanced risk review processes and best practice documentation

- ▶ Greater linkage between audit quality and reward for audit partners and EY UK people
- ▶ Annual audit trust awards to celebrate outstanding contributions to a quality-led culture from across UK audit at all levels, as well as specialist who support audits
- ▶ 'Culture of Audit Quality' roadshows across the UK communicating the desired audit culture and the audit quality strategy
- ▶ Introduction of a new technology enabled 'one-stop-shop' that is easily accessible and supports teams in finding the right answers, information and good practice examples
- ▶ Implementation of ISQM 1, which became effective from 15 December 2022, and completed the transition from the Internal Quality Control System to the System of Quality Management. The first evaluation as at 30 June 2023 is discussed in [Section 2: System of Quality Management](#)



To deliver against the audit quality purpose, the audit quality strategy of EY UK is built on a thorough review of those specific factors that most successfully deliver high-quality audits.

It is clear there is no one action that can ensure audit quality; it requires a carefully considered series of actions across the business that impact audits on a daily basis.

The development and implementation of the EY UK audit quality strategy has been subject to ongoing review and challenge by the ANEs and internal audit reviews.

The three priority focus areas in FY23 were:

- ▶ More effective coaching and support
- ▶ Reduced work intensity
- ▶ Greater standardisation and simplification

Additional audit quality initiatives in FY23 included:

- ▶ Audit culture, with a focus on professional scepticism
- ▶ Preparing for ISQM 1

The audit quality strategy was designed to be adaptable, so as circumstances change, areas that have the greatest impact on audit quality can be prioritised. The effectiveness of the strategy is regularly monitored, to ensure that it continues to assist in delivering against the audit quality purpose. Some of the outcomes include improved inspection results in the current year and no regulatory findings on areas where standardised enablement material was used. However, various data points including our RCA indicate the need for greater consistency (particularly in the use of standardised enablement materials, documentation and coaching) and for continuing audit quality initiatives related to the priority areas.

The refreshed audit quality strategy for FY24 will focus on the following key areas:

- ▶ Purpose-led culture (with increased prominence from prior years)
- ▶ More effective coaching and support
- ▶ Rebalancing work intensity
- ▶ Greater standardisation and simplification

Focus on standardisation and simplification and coaching will continue. 'Reduced work intensity' has been renamed to 'rebalancing work intensity' so that it better reflects the purpose of the workstream, with the focus being on balancing workloads to ensure a more equitable split of hours worked.

ISQM 1 came into effect from 15 December 2022 and includes a more robust requirement for governance, leadership, and culture, with extensive monitoring to identify deficiencies and take corrective action where necessary. The focus is on quality objectives, and reaching a conclusion (through extensive evaluation work) on whether the system of quality management provides EY UK with reasonable assurance that the quality objectives are being met.

The process is now business as usual for FY24 and as part of the refresh of the audit quality strategy for FY24, the population of our ISQM 1 controls was considered and a conclusion reached that these appropriately address all areas across the SAQ pillars.

The annual evaluation conclusion for EY UK as of 30 June 2023 is that the System of Quality Management provides reasonable assurance that the objectives of the system of quality management are being achieved. Further details can be found in [Section 2: System of Quality Management](#).

Although included in the FY23 audit quality strategy, culture has been given more prominence in FY24 in recognition of the fundamental role culture plays in the delivery of high-quality audits, and the contribution of every individual to our purpose-led culture.



A purpose-led culture leads to the right teaming, the support and confidence to constructively challenge and being professionally sceptical at all times. In addition to the six Global SAQ pillars noted above, the fundamental elements underpinning the culture are:

- ▶ The essential attributes of our audit business (right resources, right first time and right reward); and
- ▶ Our people, focussed on a common audit quality purpose

Highlights of activities undertaken to strengthen culture during FY23 included:

- ▶ **Completion of the 2022 Enhancing our culture of audit quality roadshows** across EY UK. These focussed on the continued drive of a cultural mindset shift to embed further challenge and professional scepticism into the audit. A specific session was run earlier this year for the offshore delivery centre.
- ▶ **Developed onboarding training** for all staff in the form of a video emphasising the importance of culture, professional scepticism and challenge, all of which underpin audit quality.
- ▶ **Launched 'Better me'** which is dedicated time regularly set aside for all auditors across every grade to focus on training and personal development.

The following focus areas have been identified to continue to drive the importance of a purpose-led culture In FY24:

- ▶ **Addressing the 'upward challenge gap':** The Audit Quality Culture survey in July indicated a 96% cultural alignment index, a 10% annual increase, meaning that people are describing the EY UK culture in increasingly positive terms including: attention to detail; coaching/mentoring; scepticism; and continuous learning. However, people feel less confident to challenge those senior to them in their teams. This is referred to as the 'upward challenge gap,' and will be a focus of the culture of audit quality roadshows.
- ▶ **Reinforcing a cultural mindset in the form of what it means to be an audit professional:** This involves setting clear role expectations and continuing to drive the messaging on the importance of professional scepticism and having the confidence to challenge both internally and with management of the companies we audit.

- ▶ **Delivering the 2023 culture of audit quality roadshows in hybrid sessions across several regional offices and London homes.** Going forward, all regional offices and London homes will be visited on a 2-year rotational basis. There will also be an annual virtual wrap-up session for anyone who did not have or was unable to attend a local event. Specific virtual abridged sessions will be held for the offshore deliver centre and specialists.
- ▶ **Continuing the development of a framework for and allocating a mentor to each newly promoted audit partner,** so they feel better supported.

For further details on the FY24 initiatives, including culture, refer to the [2023 Audit Quality Report](#).



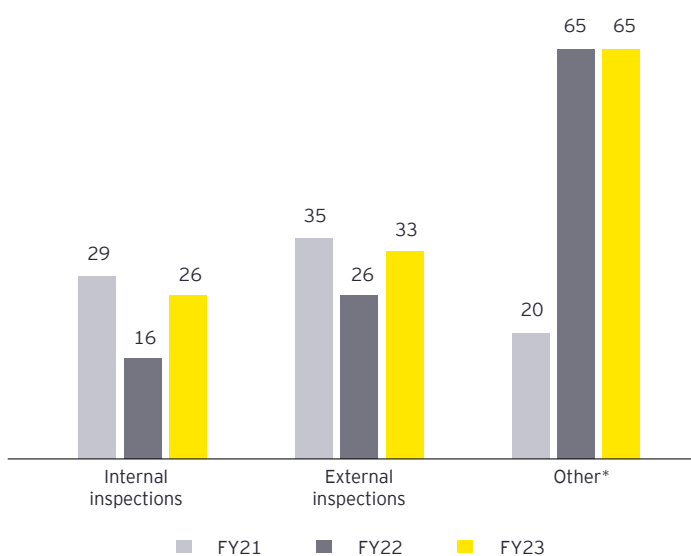
As explained in [Section 3: Components of our System of Quality Management](#), RCA is a central part of the EY quality improvement framework, providing in-depth assessment of the root causes that underlie positive or negative outcomes on audits. At EY UK, the results of the RCA are used, along with other factors, in developing the AQS. They are reported along with proposed actions to internal and external stakeholders, including the AQE, ANEs, FRC and ICAEW.

Enhancements continue to be made to the approach to RCA to develop the analysis and understanding of positive and negative behaviours that drive findings. Key improvements in the year included:

- ▶ Acceleration of the RCA process
- ▶ Implementation of actions prior to the RCA process conclusion where this was appropriate
- ▶ Increased focus on comparing and contrasting the quality occurrences (QOs) with positive quality events (PQEs) to further understand why there is inconsistency in execution and overlap between areas of good practice and findings

The process for the monitoring of individual and firmwide actions arising from RCA has also been enhanced. Focus groups were again held to enable a real time view of audit quality, alongside consideration of engagement level RCA which is historic.

The coverage of audits inspected to identify potential themes was further increased this year. In total 124 RCA reviews were performed in the current cycle (FY22: 107; FY21: 84). This included PQEs, for which an increased number of interviews with more junior members of the teams were performed to help fully identify any potential learnings. Due to the timing of inspections, the RCA on 2023 internal inspections is ongoing, and the below graph summarises the RCA arising on the internal inspections from 2022.



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

There are a variety of root causes from this year's inspection cycle, which is reflective of the relatively disparate nature of findings across engagements – no systemic weaknesses in the strategy, approach or systems were identified. More detail regarding the outcome of RCA on inspections is provided in the public report available on the FRC website. In summary, the key themes were:

Key themes from positive RCA work	Key themes from quality findings
High degree of manager and partner involvement	Varying impact of familiarity bias and experience with the engagement
Appropriate and sufficient resources	Inconsistency in the quality of coaching received
Strong team culture	Misalignment between task allocation and relevant team experience

As noted, the observations from RCA are included as inputs into the refreshed FY24 AQS.



The AQE is chaired by the UK Quality Enablement Leaders (UKQEL). The AQE consisted of seven management members throughout FY23 including the Heads of the Audit practice, the SAQ programme leaders and the Professional Practice leaders. The AQE had 11 formal monthly meetings throughout FY23 (excluding August 2022), as well as two strategy-specific meetings.

There is a regular standing agenda for each meeting through which updates on key priorities are given, supplemented by additional topics as and when consideration of such from the AQE is required. Additional attendees are invited to present to the AQE as and when required on these and other priorities.

Standing agenda topics include: resourcing, updates from EY UK operational separation oversight committees as they affect audit quality, the AQS, monthly monitoring of AQIs, the RCA plan, guidance from regulators, Audit Quality Support Team (AQST) reviews, and internal and external inspections.

Topics considered annually by the AQE include: the Audit Quality Summit, UK training plans, and the results of the audit quality survey. Key additional topics have included independence compliance and improvement monitoring, the continued development of culture to support audit quality, a detailed consideration of insurance methodology, amongst others. The AQE has responsibility for approving plans that relate to the development of audit staff and support the continued delivery of high-quality audits

EY UK is monitored by EY EMEA and EY Global and is held accountable for areas such as inspection results, milestones, and tone at the top as demonstrated through training, compliance, support for audit teams, and other key areas of quality support. Reporting to these stakeholders is approved by the AQE. The AQE also ensures that EY Global and EMEA quality initiatives are implemented appropriately.

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



The UKAB and ANE oversight of audit quality

The role of the UKAB is discussed in [Appendix 3: Governance and leadership](#).

The UKAB had six standard meetings in the year to oversee the activities of FY23, including a strategy session, which incorporated the review of the FY24 AQS refresh. The ANEs challenge topics presented to ensure plans and processes are robust and sufficient to support the delivery of audit quality. The Chair and other members of the AQE attend these meetings to respond to questions as necessary.

The agenda for standard meetings is set to discharge the duties of the UKAB, and to consider ad hoc topics as they arise from horizon scanning and emerging developments. Examples include audit leadership and partner remuneration, culture, and the implications of regulatory publications, amongst others. In addition, regular topics for the UKAB

to consider include monitoring the firmwide AQIs and challenging the actions planned to respond to risks identified, as well as training plans, regulatory publications, inspection results and RCA, and the resulting actions to be taken to respond to each of these. The AQS is a key focus of the UKAB and detailed plans are presented for consideration and challenge. The UKAB also reviews the design and integrity of the partner promotion process to ensure that audit quality is appropriately considered in promotion decisions.

Specifically this year, the UKAB received details of the EY UK Single Quality Plan for review and challenge. This document has been introduced following feedback from the FRC on monitoring and governance of actions that support audit quality. Further information on the work of the INEs and ANEs, and the oversight and challenge they provided in FY23, can be found in their [Leadership message](#).



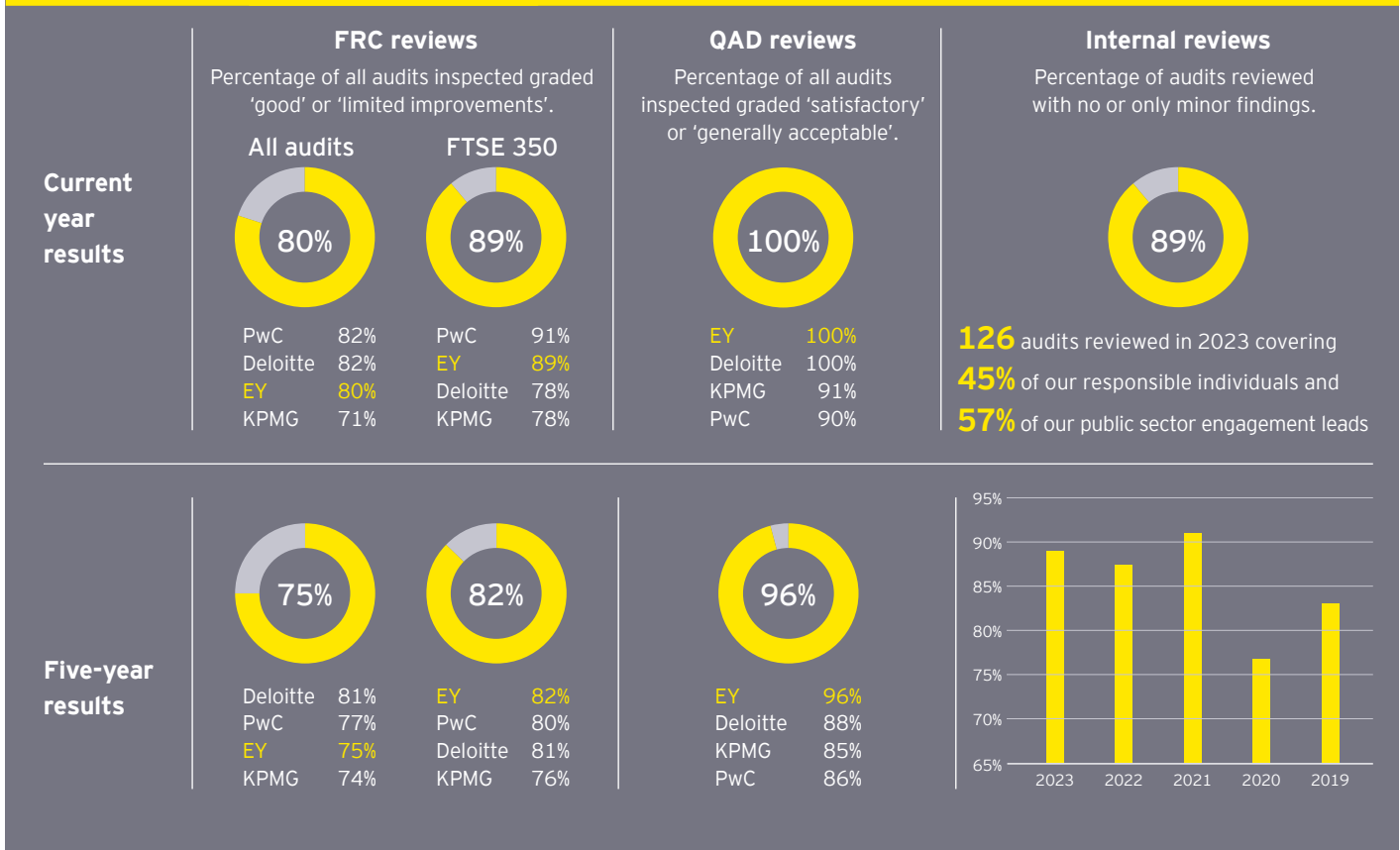
Audit Quality indicators and outcomes

In 2014 through the Policy and Reputation Group (PRG), six of the largest audit firms identified the key factors contributing to audit quality and determined a number of metrics as AQIs that audit firms should report on in their Transparency Reports. This mix of agreed qualitative and quantitative metrics, that are not otherwise disclosed elsewhere in the report, are reported below. In order to assess risks to audit quality and take timely actions when required, a bigger population of AQIs is monitored for management purposes, and reported to the AQE monthly.

Those outcomes reported below represent a sample of the AQIs monitored.

The FRC issued a thematic review on AQIs in 2020 recognising that monitoring these has the potential to improve audit quality. Following a further consultation in 2022 on the best methods to share firmwide AQIs publicly, the FRC decided on ten firmwide AQIs. This public reporting will come into effect in June 2025 and will replace the existing measures agreed through the PRG.

Audit quality reviews





Partner and staff audit quality survey

At EY UK, the people that provide the audit services are pivotal in the successful delivery of audit quality, so it is critical that their feedback about how we deliver SAQ is obtained and considered. Therefore, an annual Audit UK Quality Survey is conducted (in addition to the Global Quality Survey) to provide insights that are used as one of the inputs into the strategy and quality agenda for the coming year. The results of the latest survey that ran in September 2023 are shared below. The results have shown a generally positive trend year-on-year, which is encouraging; however, actions continue to be taken to improve those results which are below the set targets.

The items highlighted in bold are those historically agreed by the PRG for disclosure. The items annotated with an asterisk are included in the FRC definitions note¹ on firm-level AQIs. EY UK also takes the opportunity to ask additional questions which are amended each year where necessary to reflect topical matters.

Question asked	Notes	2021	2022	2023
I understand my purpose as an auditor in providing independent assurance, supporting strong capital markets and protecting the public interest.	(i)	100	100	100
The EY leadership team communicates audit quality as priority.	(i)	97	95	95
* I have sufficient time and resources to deliver quality audits.	(ii)	44	46	50
* I receive sufficient training and development to enable me to deliver quality audits.	(iii)	78	76	82
EY places sufficient emphasis on audit quality.	(iv)	92	92	94
Delivering quality audits is a priority for me.	(iv)	98	98	97
I believe that EY recognises and rewards audit quality.	(v)	62	62	65
I believe that I am able to apply professional scepticism when performing my audits.	(vi)	97	96	94
* I am encouraged and supported by audit engagement partners to deliver quality audits.	(vii)	n/a	n/a	88

Most questions consist of a five-point range – from strongly agree to strongly disagree. Those responses for strongly agree and agree are reported as positive in the above results.

Notes:

(i) The results for these two questions are pleasing as they demonstrate the impact of the EY leadership team's continual focus on the importance of understanding the societal purpose of the work EY UK does, as well as sharing with the partners and staff details of the ongoing reviews into the audit profession.

(ii) In the prior year, the question asked was: 'The teams I worked with had sufficient resources to enable them to deliver quality audits during FY22'. The question has been amended this year to meet the FRC definition note on firmwide AQIs. Therefore, whilst not directly comparable as the change in the question may lead to an altered interpretation, it is positive to see an increase in agreement to this question. However, as discussed earlier in the [Leadership messages](#), it is vital that EY UK people have

sufficient time to think clearly and critically, and therefore this continues to be an area where more needs to be done.

As such, rebalancing work intensity (previously 'reduced work intensity') remains one of the key priority areas in the AQS for FY24 to ensure that a more equitable split of work across people is achieved, and to allow people more time to think, which should lead to greater consistency. Additional experienced auditors, graduates and apprentices have been recruited over the last year into the audit business which, combined with higher retention, has contributed an additional 558 auditors compared to the prior year leading to a rebalancing of individual work intensity. In addition to recruitment, the focus of EY UK remains on reducing the total hours of onshore teams through focussed efforts to increase hours offshore and nearshore for lower-risk areas and administrative tasks, and leadership continues to invest in pilots to investigate how the use of technology and AI can support audit teams in efficiently delivering high-quality audits.

¹ Each of the questions in the FRC definitions note refer to 'high-quality audits'. To remain consistent with the questions asked in previous years, we referred in our survey to 'quality audits'.

In FY24 the ambition of an equitable split of work across the business will continue to be progressed. Specifically this will be achieved by: undertaking a detailed review of people's portfolios to ensure they are appropriate and have periods of lower intensity between busy times; another review of the highest-risk engagements to ensure the teams have the right resource at the right time; continued 'lifehack' skills training to support audit teams with managing workloads; and the tracking and analysis of the work intensity of our people, as well as offering guidance to provide clarity on the expected experience of an audit professional.

Public interest remains at the forefront of the growth strategy – and EY UK continues to only take on work once sufficient due diligence on a company's governance, control and attitude to audit has been conducted, and when there is sufficient capacity to deliver a high-quality audit. As explained in Andrew Walton's [Leadership Message](#), in a market where accredited RIs registered in the UK to sign audit reports across all firms has remained largely flat since 2017, and hours required to deliver audits whilst maintaining quality has increased, there is increased demand on the profession to be able to deliver. This remains a factor in consideration when managing the pipelines of audit tenders, staff recruitment, and progression to RI status of EY UK people.

(iii) Following 3 years of a gradual decrease in positive responses, the results are, for this year, the highest they have been in the last 5 years. Coaching is a priority area for the AQS and action has been taken during FY23, with more to do in FY24. This includes:

- ▶ Expansion of the Audit Quality Support Team (AQST) by nine people as at 1 October 2023, with a further two in the pipeline.
- ▶ Refreshed the quality enablement network providing dedicated quality coaching support to local teams.
- ▶ Expanded the library of task-specific tutorial videos to now cover over 100 sessions.
- ▶ Continuing to coach and support the practice via EY Compass – the EY UK new 'one-stop-shop' queries and consultations app, which was launched in FY23.

(iv) EY UK teams continue to show a strong regard for delivering high-quality audits and they see EY UK consistently placing emphasis on this.

(v) The result for reward and recognition, although an increase on last year, is still below target. However, it is pleasing to see that this represents the highest score in over five years, evidencing that steps taken to date have had a

positive impact and people are increasingly seeing the link between audit quality and reward and recognition.

Performance on audit quality is also a critical factor in EY UK audit Partners' overall evaluation. High audit quality is rewarded as part of annual appraisals to include positive outcomes on inspections. Audit quality continues to be recognised through various bonus schemes, with those recognised for outstanding quality receiving a reward.

Formal promotions at mid-year and year-end continued in FY23. As at 1 October 2023, we promoted over 600 individuals in Audit, demonstrating clear opportunities for career progression. The continued use of ad hoc promotions has also helped to recognise people whilst meeting business resource needs.

(vi) This result remains strong, albeit has decreased marginally since the prior year. The culture workstream in FY24 will continue to focus on reinforcing the cultural mindset of an audit professional, the importance of scepticism and the confidence to challenge both internally and externally. This will be driven through workstreams, training and messaging, including the annual Roadshows and Audit Quality Summit.

(vii) This AQI is one of those stipulated in the FRC firmwide AQI reporting definitions note and is therefore a new inclusion in our survey this year. Therefore, there are no comparatives. Whilst a good result to see that 88% of EY UK people feel supported and encouraged by audit Partners in delivering quality audits, improvement is sought going forward such that the messaging from engagement partners reflects that of leadership. The culture workstream should empower audit Partners to focus even more on quality and the societal importance of what auditors do. This will be specifically bolstered with the mentor programme being developed for newly promoted audit Partners. ISA 220 reinforces the role of the PICs in communicating audit quality. A suite of enablement to implement the new and revised requirements was issued which should support engagement partners in this remit. Furthermore, the Purpose Led Outcome Thinking (PLOT) enhancements through the coaching workstream should also support them in strengthening this message.

For full details of the FY24 AQS, including further context on the initiatives referred to in response to these findings above, refer to the [2023 Audit Quality Report](#). These results will be kept under consideration and additional actions enforced where considered necessary to further support EY UK people in consistently delivering quality audits.



Metrics on external investigations

EY UK is regulated and subject to professional disciplinary action in cases of misconduct. The FRC discloses on its website a list of investigations that have been publicly announced and summarises its work in an annual report.

In its Annual Enforcement Review published on 27 July 2023, the FRC disclosed that as at 31 March 2023 there were 32 open investigations into individuals and firms for audit work. These investigations were across a number of firms, not specific to EY UK. Of the 32 open audit investigations 30 have been announced; of those that have not been announced none relate to EY UK. Of these 30 announced investigations, seven relate to audits which EY UK completed:

1. The audit of Thomas Cook Group plc for the 2017 year-end
2. The audit of Thomas Cook Group plc for the 2018 year-end
3. The audit of NMC Health plc for the 2018 year-end
4. The audit of London Capital & Finance plc for the 2017 year-end
5. The audit of Stirling Water Seafield Finance Limited for the 2019 year-end (announced in FY23)
6. The audit of a company for the 2021 year-end. The investigation relates to a breach of the fee cap requirements set out in the FRC's Revised Ethical Standard 2019 (announced in FY23)
7. The audit of MADE.com plc for the 2021 year-end (announced in FY23)

EY UK is committed to working with the FRC to understand and respond to any findings that may arise from these investigations.

Full details of the FRC's 2023 Annual Enforcement Review can be found at [FRC Annual Enforcement Review](#).

Results of FRC reviews

The FRC records audits in three categories in its public inspection reports as follows: 'good or limited improvements required', 'improvements required' or 'significant improvements required'. The FRC published its report on its latest inspection of EY UK on 6 July 2023, together with an [overview report](#). For full details of the FRC's findings and the EY UK response, please refer to the [FRC website](#).

The FRC inspected 20 of our audits, of which 80% were assessed as requiring no more than limited improvements. For the third successive year, none were assessed as having significant improvements required. Included within the overall sample were 9 FTSE 350 audits, of which 89% met that standard.

The improvement in the FRC inspection results from the prior year, combined with the achievement of 100% good or generally acceptable ICAEW reviews, shows progress towards the EY UK goal of delivering consistent high-quality audits.

The drive for continuous improvement is supported by the extensive RCA programme in place. Although there have been no systemic issues identified leading to findings, learnings from the ongoing reviews have been shared across the practice in regular messaging throughout the inspection cycle.

The good practice examples identified by the FRC indicate that the steps taken are having a positive impact.

Good practices identified within EY UK firm-wide procedures:

- ▶ **Compliance with the FRC's Revised ES 2019** – Built-in validation checks to support completeness in relation to personal independence; and automated checks of financial interests against restricted investments.
- ▶ **Partner and staff matters** – Strong mechanisms to reward positive staff quality; file reviews for director promotion candidates; and rigorous manager promotion assessment process.
- ▶ **Acceptance, continuance, and resignation procedures** – Robust acceptance and continuance software, including integration of automated workflows from other related processes; and consultation on required safeguards for prospective audit clients.

Good practices identified on individual audits inspected:

- ▶ Detailed revenue planning procedures
- ▶ Benchmarking of risk assessment procedures
- ▶ Effective consideration of inspection findings
- ▶ Robust testing of cash and cash equivalents
- ▶ Challenge of inventory valuations
- ▶ Effective sensitivity analysis for impairment of goodwill
- ▶ Comprehensive revenue testing
- ▶ Use of data analytics on core payment process
- ▶ Comprehensive IT testing
- ▶ Use of specialists on going concern
- ▶ Timely Engagement Quality Control Review

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

- ▶ **Compliance with the FRC's Revised ES 2019** – Robust assessment of independence threats and safeguards needed before approving non-audit services, including, where relevant, identifying the expected value of the non-audit service fee in isolation and when aggregated.
- ▶ **Partner and staff matters** – recruitment, management of partner and senior staff engagement portfolios, appraisals, remuneration and promotion – Staff below partner level to set personal objectives to respond to adverse quality findings; and strengthen the evidencing of the appraisal process including self-assessments and evidence for quality and performance ratings.

Areas identified for improvement from the inspection of individual audits

- ▶ Improve the assessment of the recoverability of deferred tax assets and the valuation of certain other assets
- ▶ Further enhance the testing of revenue and margins, including the testing of journals
- ▶ Enhance the evaluation and challenge of aspects of going concern assessments, in particular the related disclosures

RCA was performed and improvement plans established in these areas, which are reflected in the Audit Quality Strategy. The overall response which includes details of the specific actions addressing the FRC findings is within section 1 of the [FRC public report](#), which is available on the FRC website.

FRC inspections of public sector audits

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

During FY23 the FRC inspected two public sector appointment engagements as part of their 2022/23 cycle, both with a March 2021 year end.

As the FRC's public report had not been published by the end of September 2023, the FRC inspection results have not been included in this report. The FRC's report is due for release later in 2023. The FRC report for the 2021/22 cycle is available [here](#).

FRC thematic reviews

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

During the year, EY UK responded to the FRC firmwide reviews into 'acceptance and continuance', 'ethics and independence', and 'training and methodology', and thematics into 'offshore delivery centres', 'sampling', 'in-flight (hot) reviews', and 'FRC Speak Up Thematic'. The feedback received from the FRC on these topics is welcomed, and ongoing dialogue to agree the best course of action for implementing recommendations, where applicable, is considered.

There have been a number of other information requests, including, but not limited to, resourcing, crypto, and operational separational. The largest volume of ongoing information requests continues to relate to ISQM 1 implementation. These are responded to as and when required and regular meetings are held with the FRC to ensure EY UK is consistently discharging our duty of serving the public interest.

Results of PCAOB inspections

EY UK is inspected every three years by the PCAOB. As a result of the COVID-19 pandemic, the last inspection was deferred until 2021, and was conducted remotely in

the year, jointly with the FRC. Three engagements were reviewed in total, resulting in a single part 1 finding relating to controls testing over the occurrence of revenue. EY UK has thoroughly evaluated this matter and taken action, where appropriate, in accordance with PCAOB standards and firmwide policies. This action did not change the audit conclusion, nor did the actions affect the reports to the principal auditor with respect to the role of EY UK in the audit. The report was finalised in December 2022 and is available on the [PCAOB website](#).

Results of ICAEW's QAD reviews

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

The last ICAEW's QAD inspection took place in 2022. The resulting private report, issued in the spring of 2023, noted:

'The firm continues to maintain an acceptable standard of audit work. All of our ten file reviews were good or generally acceptable, which is consistent with our previous visit.'

The ICAEW's QAD inspection identified good practice in several of the files reviewed. Broad themes were:

- ▶ Detailed records of the group audit team's interactions with the component auditors at key stages of the audit.
- ▶ Examples of thorough and insightful documentation that demonstrated the audit team's good understanding of the business, risk-focussed approach to planning, and depth of going concern review.

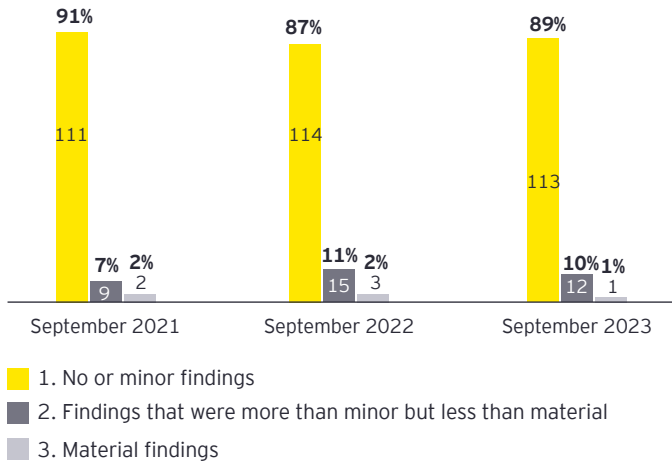
The ICAEW's QAD inspection did not identify any significant matters or significant thematic issues. Whilst no significant thematic findings have been identified, RCA has been performed on a sample of the 'good' and 'generally acceptable' engagements to identify actions that can be taken to improve audit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

ICAEW's QAD inspections of public sector appointments

The ICAEW's QAD inspects public sector engagements that fall outside the remit of 'major local audits'. There was no inspection of these audits by the ICAEW's QAD during 2023.

Results of internal audit quality reviews (AQR)

In the 2023 cycle, a total of 126 internal AQR reviews were performed, covering audits with financial year ends between 31 December 2021 and 31 March 2023 inclusive. The results are set out below:



Only one of the engagements subject to internal AQR was rated 3. The material finding driving the 3 rating on this engagement was insufficient procedures performed in relation to goodwill and intangible assets impairment.

The internal AQR reviews covered 25% of FTSE 350 audits performed by EY UK. Two of these FTSE 350 engagements were given a 2 rating, with the remainder all gaining the highest 1 rating.

RCA is undertaken for each engagement that is rated either 2 or 3 to identify actions we can take across our practice to continue to improve audit quality. This is ongoing for the 2023 AQR inspections.

The AQR process is discussed in [Section 3: Components of our System of Quality Management](#).



Percentage of RIs subject to quality reviews

The review process is intended to cover all RIs – Partners authorised to sign audit reports – at least every three years, and every FTSE 350 audit every six years. Other audits are selected for review to cover a cross-section of the audit practice. However, the selection is weighted towards those engagements with higher risk factors. In the current year 126 engagements were reviewed (of which 8 were public sector engagements). This gave coverage of 45% of UK RIs (2022: 46%) and 57% (2022: 43%) of public sector engagement leads in the 2023 AQR cycle.



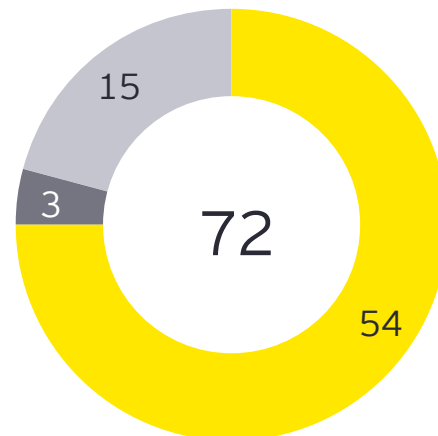
Metrics on investment in audit quality (training)

Training curricula are reviewed each year to reflect the current needs of the business, taking account of inspection findings, new audit and accounting standards and other regulatory changes.

Training in FY22 had been delivered fully virtually due to deployment constraints arising from the continued impact of COVID-19. In FY23 some face-to-face training was brought back. Having EY UK audit professionals back in the physical classroom for a portion of learning during the year has had a positive impact on learner engagement. The learning deployment strategy is continually being improved through a blend of instructor-led offerings (face to face and in the virtual classroom) and on-demand, self-directed content.

Training curricula are reviewed each year to reflect the current needs of the business, taking account of inspection findings, new audit and accounting standards and other regulatory changes.

Average number of hours of mandatory training completed by audit Partners and professionals (excluding professional qualification training*)



- Mandated Accounting and Auditing Learning
- Independence, Ethics, and Risk Mgt. Learning
- Role related required learning

*In total, during FY23, EY UK audit professionals undertook approximately 760,000 hours of mandated learning to keep their knowledge up to date and build foundational knowledge and skills for those in their qualification contracts and those new to EY UK or new in grade. Removing hours related to professional qualification learning this represents 72 hours on average per audit professionals, including Partners.

- ▶ UK audit professionals completing professional qualification contracts completed an additional 212 hours on average per learner (approximately 6 weeks) during FY23.
- ▶ Mandated accounting and auditing training, including firm-wide mandated training on independence, ethics, and risk management topics, made up 36% of the total training hours delivered to UK audit professionals during FY23. In 2022, training themes included sharpening the focus on fraud and risk, NOCLAR, methodology updates driven by global ISA revisions specifically related to risk assessment and changes to other professional standards. Further implementation of the data-driven audit continues, along with fully embedding this into the practice, facilitated by learning. Training continues to consider amendments to IFRSs. This year the focus on non-technical skills critical to these behaviours and the delivery of high-quality audits – specifically coaching was emphasised.
- ▶ For qualified staff and Partners, approximately 65% of their training programme consists of this mandated accounting and auditing learning, allowing 35% to be more learner-defined on need and interest. This other role-related learning includes:
 - ▶ US technical learning required for UK audit professionals serving on component teams or as a primary team on US engagements
 - ▶ Onboarding training for experienced professionals who join EY UK, whether on secondment or on a permanent basis
 - ▶ Industry-specific learning (primarily related to FSO and government and public sector audits)
- ▶ Other training not captured in the hours above includes, but is not limited to:
 - ▶ Counsellor and transformative leadership learning
 - ▶ EY Badges (curated learning to develop future-focussed technology, leadership and business skills) and other non-technical training
- ▶ Personal development training and learning such as milestone events (e.g., new senior, manager and senior manager and partner programmes) and pathway to Partner development programme
- ▶ Industry- and sector-specific updates covering a variety of topics, typically including key developments in the industry, economic considerations, market updates, and hot topics, specific audit considerations and regulatory focus, and at times facilitated by external speakers where appropriate
- ▶ Office/cluster quality enablement local training sessions and Culture of Audit Quality roadshows
- ▶ ITEM Club economic briefings
- ▶ Reading of Global Accounting and Auditing new UK Assurance Technical Alerts and key communications from the Audit Quality team
- ▶ Partner-specific quality communications and discussions on audit quality and risk management



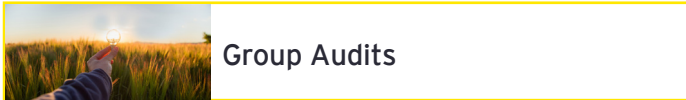
Other AQIs agreed through the PRG

The other AQIs agreed through the PRG on investment in audit innovation and investor liaison are addressed in Hywel Ball's [Leadership message](#) and [Appendix 3: Stakeholder dialogue](#).

With regard to Audit Committee Chair impact, following the research commissioned by the FRC in 2022 and 2020, in May 2023, the FRC published 'Audit Committees and the External Audit: Minimum Standard' (the 'Standard') applicable to FTSE 350 audit committees. Guidance has been issued to audit teams to support conversations with Audit Committees about adopting the recommendations within the Standard.



Other considerations relating to audits



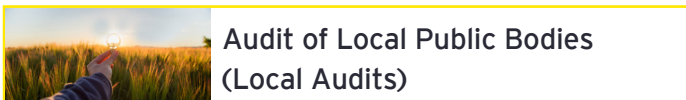
Group Audits

Collaboration and coordination across member firms is a critical success factor in the timely delivery of quality audits. The globally integrated EY organisation, where all member firms follow one methodology and use one audit delivery tool, allows for the consistent execution of high-quality audits across all member firms.

The EY audit methodology sets out clear guidance on how EY member firms conduct group audits. The group engagement partner is responsible for the direction, supervision and performance of the group audit engagement. There are a range of policies, templates and guidance that have been designed to help execute these responsibilities and document how this has been done. As noted in [Section 3: Components of our System of Quality Management](#), EY GAM was updated for the requirements of ISA 220 (Revised), which included the methodology and enablement relevant for group audits.

The EY Canvas audit technology enables cross-border teams to work consistently, transparently and securely together on audit planning, execution and reporting with the companies that we audit. These tools enable documentation of the group auditor's oversight of work performed both by firms within the EY network and other audit firms.

The impact of the separation of the EY member firms in Russia and Belarus, which took place in 2022, was worked through with any audit teams impacted. The EY UK portfolio is continuously evaluated in light of the sanctions regimes given the regular revisions which take place to these regimes in the UK and elsewhere. Guidance has been issued to the practice on the provision of audit services connected with Russia, and EY UK continues to engage as necessary with regulators and the UK government. It is ensured that teams both meet the regulatory obligations and EY UK ambitions for high-quality audits and where this will not be possible, withdrawal from the audit is actioned.



Audit of Local Public Bodies (Local Audits)

All engagement leads for Local Audits (as defined by The Local Auditors (Transparency) Regulations 2020) are

registered as KAPs with the ICAEW and are supported by dedicated public sector audit staff. In addition to the programme of training for assurance professionals, outlined above, all KAPs and staff working on local audit engagements are required to undertake sector-specific mandatory training for local audit work.

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

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

Since 2017/18 there has been a deterioration in the timeliness of local audit in England, with delays compounding during the COVID-19 pandemic, leading to a persistent and significant backlog of audit opinions. Through enhanced recruitment campaigns, EY UK has continued to invest in public sector audit teams to support the long-term sustainability of public audit. EY UK has successfully recruited at all levels, expanding the team including new Key Audit Partners. EY UK continually reviews the portfolio of appointments to ensure appropriate resourcing necessary to deliver high-quality public audits. On 17 July 2023, Lee Rowley MP, Parliamentary Under-Secretary of State for Local Government and Building Safety, gave evidence to the UK Parliament's Levelling Up, Housing and Communities Committee inquiry into Financial Reporting and Audit in Local Authorities. He outlined that work was ongoing to address this area and develop a sustainable solution to the timeliness challenges which the local audit sector in England has faced in recent years. Further work is being completed with the aim of implementing agreed changes by the end of 2023.

As the auditor to a significant proportion of the local audit market, EY UK is working with the government, along with other stakeholders, to support the development of more detailed proposals to address the backlog and develop a sustainable solution.



Managing risk

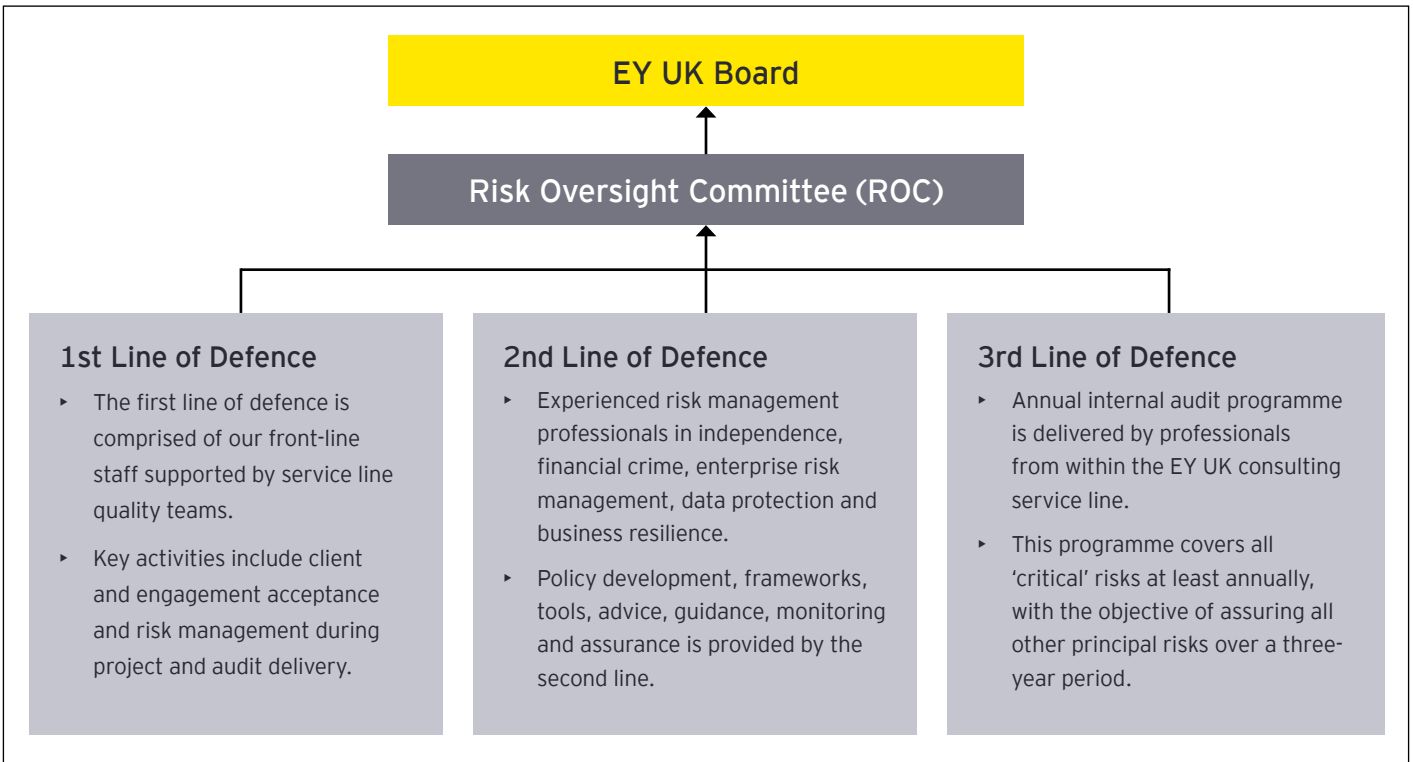
The environment in which EY UK operates creates a broad range of diverse risks. Effective management of these risks is critical to safeguarding EY UK, delivering on its purpose and ambition and ensuring alignment with the risk management principles of the AFGC. Consequently, EY UK operates a

robust risk management process to identify, assess, measure and monitor the risks it faces. There are also investments in initiatives to promote enhanced objectivity, independence and professional scepticism in the delivery of audits.



Our Three Lines of Defence model

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



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

- ▶ Monitoring risk exposure for each of the EY UK principal risks
- ▶ Reviewing and discussing the performance of Key Risk Indicators (KRIs) against risk tolerances
- ▶ Monitoring the response to the Ukraine crisis and risks arising from it, including the implementation of revised sanctions
- ▶ Monitoring the risks associated with the proposed structural separation of the firm, including implementation risks and the impact on the UK firm's principal risks
- ▶ Assessing the risks associated with the financial downturn and recommending mitigating actions to the EY UK Board
- ▶ Overseeing the ongoing development and strengthening of the Three Lines of Defence
- ▶ Managing risks associated with third parties and Global EY related risks as they impact EY UK
- ▶ Overseeing the Internal Audit function, including the FY23 audit plan and the results of audits conducted during the year
- ▶ Reviewing the identification and management of firm and service line-specific risks
- ▶ Monitoring regulatory requests and developments relevant to the management of EY UK risks
- ▶ Overseeing the ongoing development of the EY UK ERM Framework
- ▶ Maintaining risk policies including new policies and amendments required

The ROC is supported in management of risk across the business by the Risk Executive Committee (REC) which meets

monthly and includes first line risk leadership from all UK service lines. REC receives a risk update from each of the service lines across both Regions on a rolling basis and is a useful forum for discussion and identification of cross-service line mitigating actions. REC provides an important link on risk matters from the EY UK Board and ROC to the first line.



Proactively strengthening the Three Lines of Defence

EY UK continues to monitor the scope and performance of our RM function to ensure this remains effective in responding to the risk profile and regulatory expectations. This has enabled the strengthening of the control environment and management of risk through business-as-usual activity and a series of proactive change initiatives.

The past year has seen the implementation of ISQM 1, which has been a key area of focus for the RM team in collaboration with the business. The approach to management of risk across all service lines has continued to be strengthened and the business has been supported with resources, frameworks and tools. Other areas of focus have included compliance with the evolving sanctions in relation to the Ukraine conflict, strengthening policy around client continuation and enhancing desktop controls to reduce incidences of data loss. In addition, the Reputation and Conflicts Panel (RCP) is a panel of senior leaders which continues to complement existing processes for addressing potential conflicts of interest and reputational matters in engagement acceptance decisions.


RM continues to improve the quality of risk exposure reporting, providing insightful information to facilitate effective decision making by the ROC and the EY UK Board and providing updates to other committees such as the UKCC and the PIB. There is an increase in the focus on a forward-looking outlook for each risk, highlighting potential areas of concern in future months.

The second Line of Defence has performed a Viability Assessment in FY23 using various factors including business modelling of internal and external risk events and scenarios, to understand the potential impact on EY UK finances and principal risks. The assessment's conclusions supported the ongoing viability of the business under these stress scenarios.



Agile risk management supported by Internal Audit

EY UK has continued to strengthen its Internal Audit capability – the third Line of Defence – to complement other ongoing initiatives to strengthen governance arrangements.



Internal Audit function

Internal Audit reports formally on a quarterly basis to the ROC and half yearly to the EY UK Board. The Internal Audit Charter and performance of the Head of Internal Audit and the Internal Audit function are reviewed annually and approved by the ROC. Quarterly progress updates to the ROC consider:

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

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


An experienced Partner leads the Internal Audit team. Following a resourcing review in early FY23, the ROC approved the recruitment of additional resources for the team and in FY23 just over 10,000 hours of internal audit reviews were conducted. The team will continue to be supplemented with subject matter resources from across EY UK as required to support specific reviews.



The Internal Audit plan

The FY23 Internal Audit plan, aligned to the EY UK business risk profile and strategic issues facing senior management, was approved by the ROC and the EY UK Board in June 2022. Consistent with previous years, the FY23 plan had an overarching principle that it should be flexible and agile to respond to the changing risk profile of EY UK. This could include new regulatory requirements, the International

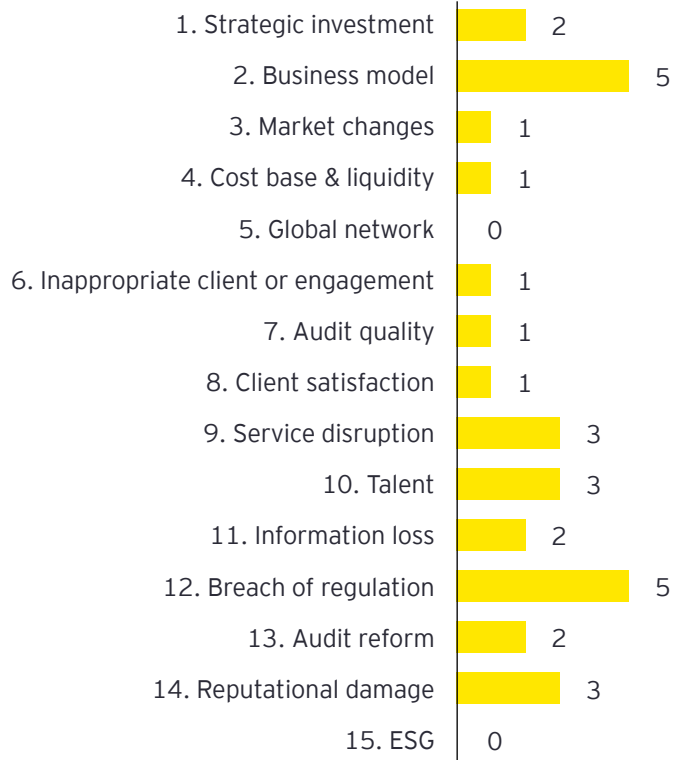
Standard on Quality Management, operational separation, internal transformation and strategic change and other ongoing disruptive factors. In response, the ROC formally reviewed the validity of the FY23 plan quarterly throughout the year with a number of revisions approved by the ROC to reflect the changing risk profile as a consequence of challenging market conditions and revised business priorities. This overarching principle will continue into FY24.



Looking ahead to FY24

Investment in Internal Audit will continue in FY24 with coverage against the principal risks summarised below:

FY24 Number of audits per risk area



Commitment to continuous improvement

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



EY UK is committed to complying with all applicable laws and regulations. With this in mind, a Compliance Framework has been implemented covering all risk management policies. The compliance approach includes horizon scanning, testing, monitoring, control improvements, reporting, education and communication. In FY23:

- ▶ All compliance policies were assessed to identify inherent risk, controls effectiveness and residual risk.
- ▶ Five policies were updated and relaunched in line with risk management policy governance protocols.
- ▶ There was a continued focus on data protection compliance, in line with UK GDPR requirements, including the issue of a new global policy and UK addendum, and further guidance to the business. Mandatory data protection training was also launched across EY UK.
- ▶ There are robust controls in place to minimise the risk of money laundering and terrorist financing. All relevant staff continue to receive regular training in financial crime prevention, AML awareness and reporting and anti-bribery training. A new tool has been implemented for Suspicious Activity Reporting (SAR).
- ▶ Sanctions compliance has continued to be a key topic. A cross-disciplinary team across RM, General Counsel Office and Service Line Quality continued to respond to the new Russian asset freezes and service sanctions.
- ▶ EY UK continued to focus on fraud prevention controls. A new multi-disciplinary Fraud Forum has been established to enable a cross-firm approach to potential fraud matters.



The EY Global Code of Conduct provides a behavioural and ethical framework on which EY member firms and people are expected to base their decisions and actions. All joiners in EY UK are required to complete the Global Code of Conduct learning within 120 days of joining and are required to confirm that they will act in compliance with the Global Code of Conduct. Additionally, people must affirm annually that they have acted, and will continue to act, in compliance with the Global Code of Conduct, having re-familiarised themselves with the content. An Ethics Hotline is available for any person to report concerns about any conduct that they consider to be unethical, illegal, in violation of our professional standards or otherwise inconsistent with the Global Code of Conduct. A new reporting app, Culture Shift™ Report & Support, has been made available for the use of people in EY UK since December 2022. This tool complements the existing suite of reporting options for anyone who has experienced or witnessed behaviours that they believe are unacceptable.

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

In EY UK there are various avenues in place for people to make a whistleblowing report in confidence and anonymously. The UK whistleblowing guidance has been drafted to be fully accessible and user-friendly for everyone in EY UK. It explains clearly and directly:

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

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

More recently, EY UK has placed an increased emphasis on our 'Speak Up' campaign, particularly further to the launch

of the Culture Shift™ Report & Support app in December 2022. Reminders that people can raise concerns about any unethical behaviour or treatment they have faced or witnessed are circulated on regular leadership emails and other firm-wide communications. These communications remind all partners and staff that they have a personal responsibility to report all instances of non-compliant and unethical behaviour without fear of reprisal.

The NEs oversee the whistleblowing arrangements in the PIB and monitor the types of issues raised under that process. As reports on issues raised by the whistleblowing process are also discussed at the EY UK Board, the attendances of the Chair of the PIB and Chair of the UKAB also allows the NEs to satisfy themselves that the whistleblowing process is effective.



Principal risks

The relevant UK team confirms annually that EY UK principal risks are identified, and that controls are in place to monitor them. The process includes a robust assessment of the principal risks that would threaten the EY UK business model, future performance, solvency or liquidity and the sustainability of the audit practice. Controls and mitigants are regularly reassessed throughout the year, with the key mitigating actions against each principal risk noted in the table below. Where relevant, principal risks, risk drivers and mitigating actions set out below are included in our system of quality management described in [Section 3: Components of our System of Quality Management](#). Where controls are identified as ineffective or are required in response to issues and events, appropriate management actions are taken.

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

Principal risks	Risk drivers	Actions to mitigate risks
2. Our business model is unsustainable	<p>EY UK is committed as part of the NextWave ambition to a sustainable business model, including global investment in leading data analytics tools, creation of a digital methodology supporting our audit services and expansion of new services. Delivery of services may become unsustainable if:</p> <ul style="list-style-type: none"> ▶ Technology, nearshore and offshore resources and third parties/alliance partners are used ineffectively as part of our delivery models. ▶ Services are priced poorly such that we do not generate a sustainable margin. ▶ Our business model does not offer an attractive proposition to the right people, at the right time, with the right experience and motivation. ▶ Our culture becomes either too risk-averse or too risk-taking. ▶ Clients no longer perceive the value we provide as a significant differentiator. ▶ Conflict on the international stage impacts our business model directly or indirectly. ▶ Change is managed ineffectively resulting in not achieving business objectives. 	<p>EY UK continues to monitor and manage the sustainability of its business model through the following actions:</p> <ul style="list-style-type: none"> ▶ Senior management continually monitor the performance of EY UK. ▶ Appropriate management action is taken when necessary to adjust to changing market conditions. ▶ Performance is measured against the annual plan. ▶ Cash and billing controls act as early warning indicators for business model and engagement management issues. ▶ Methodologies and approvals processes are in place to manage complex engagements, from inception to fruition. ▶ Ongoing review at an engagement level allows for continuous monitoring of pricing, scope and margin. ▶ We continue to invest in assets, centres of excellence and alliances to grow our delivery capability and expand client service offerings in line with our strategy. ▶ Our recruitment strategy is continually adjusted, so we have the right talent and globally aligned talent pathways to deliver the services our clients need whilst being commercially aware. ▶ We continue to target recruitment of talent that will enable us to use technology to transform traditional services and launch new offerings, extracting maximum value from our technology investment plan. ▶ Ongoing surveys allow continual assessment of colleague engagement and organisational culture.
3. Our services are not adaptable to changing market conditions	<p>EY UK must continually evolve to meet changing market conditions. We will not achieve this if:</p> <ul style="list-style-type: none"> ▶ We do not anticipate or react sufficiently quickly to macroeconomic or geopolitical shifts for instance worsening economic conditions. ▶ We do not anticipate or adapt to significant market changes (for example technology developments including Artificial Intelligence), regulatory change and competition including new market entrants. ▶ We are unable to adapt quickly with sufficient and appropriate people. ▶ Our pricing is not sufficiently competitive. ▶ Major accounts, market segments or sectors significantly reduce spend due to recession, or other structural changes. ▶ Our services and solutions are not sufficiently relevant to market demand. 	<p>Service line management teams monitor the impact of macroeconomic and political uncertainties to:</p> <ul style="list-style-type: none"> ▶ Respond to changing market conditions in an agile way, with regular formal monitoring against one and three year plans, including regular deep dive sessions. ▶ Prepare ourselves for new competitors or adjusted business models of existing competitors. ▶ Continue to monitor trends in client needs (e.g., digitalisation, artificial intelligence and technology-enabled transformation) and align our investment strategy accordingly. ▶ Amend our recruitment, training and performance management strategies to deliver the services our clients need in the future. ▶ Oversee reporting and monitoring processes that highlight revenue and missed opportunities.

Principal risks	Risk drivers	Actions to mitigate risks
4. We are not appropriately managing our cost base and liquidity position	<p>The largest components of the cost base are people, technology, property, facilities and global network-related costs. Costs may rise faster than revenue due to market forces and/or inadequate management of service delivery and overheads. External factors, particularly responses to regulation and laws or the economic climate may also increase cost. Specific risks would arise in the event that:</p> <ul style="list-style-type: none"> ▶ Working capital and cashflow are managed inadequately. ▶ Direct and indirect costs are managed ineffectively. 	<p>Costs are managed in the following ways:</p> <ul style="list-style-type: none"> ▶ Financial controls in place at all levels of EY UK. ▶ Ongoing management reviews of our cost/income position ▶ Robust management of working capital and liquidity including regular oversight of billing and ongoing review of banking facilities. ▶ Effective engagement planning and control. ▶ Appropriate monitoring and governance over investment spend. ▶ Continued commitment to initiatives to tighten control over internal non-client related spend.
5. We are negatively impacted through association with the global network of EY firms	<p>Reputational damage may affect the UK firm because of a failure on the part of another member firm in the EY global network. This would arise for example if:</p> <ul style="list-style-type: none"> ▶ There is inappropriate conduct or a compliance breach by another EY member firm. ▶ A service failure in an EY member firm has implications for a global engagement managed in the UK. 	<p>EY UK continues to monitor reputational issues caused by the global EY network through:</p> <ul style="list-style-type: none"> ▶ Ongoing monitoring and engagement, at a global level as well as between EY UK Legal and PPD teams, to understand the implications of activities in other EY member firms and their regulatory environments. Following the implementation of ISQM 1 across the firm, consideration of the evaluations made by member firms forms part of these monitoring activities. ▶ EY UK, like all other EY member firms, managing service quality at engagement and service line levels. ▶ Our quality and risk management teams providing further support and guidance to manage and mitigate risks.

Principal risks	Risk drivers	Actions to mitigate risks
6. We accept an inappropriate client or engagement	<p>EY UK is committed to a robust policy and decision-making process over client and engagement acceptance. We might accept clients or engagements that are inappropriate if:</p> <ul style="list-style-type: none"> ▶ Judgments are not made using the right information in determining whether to accept or continue a client relationship or engagement – including in relation to ethical requirements. ▶ EY UK does not check if it can perform the engagement in accordance with professional standards or legal and regulatory requirements. ▶ The decision to accept or continue a client or engagement is unsuitable in the context of financial and operational priorities of EY UK. ▶ Clients and engagements are not monitored continuously with appropriate action being taken. ▶ There is lack of awareness of changing stakeholder expectations regarding the clients and sectors to which we should provide professional services or changing expectations on the nature of our services. 	<p>Policies and procedures are in place related to client acceptance and continuance, including:</p> <ul style="list-style-type: none"> ▶ Independence and Global Conflicts Policy to prevent conflicts of interests and other independence issues. ▶ Client and Engagement Acceptance Global Policy, and mandatory use of the global PACE system for all client and engagement acceptance and continuance. ▶ Mandatory use of the BRIDGE tool for engagement in third-party relationships. ▶ Ring-fencing of teams where appropriate. ▶ Controls around financial crime and strengthened senior leadership involvement and controls related to compliance with sanctions in response to the impact of the crisis in Ukraine. ▶ Training, guidance and regular awareness campaigns in respect of areas of compliance on client and engagement acceptance. ▶ The use of the Reputation and Conflicts Panel (RCP) to assess more reputationally risky services, as well as strengthened service quality focus and accountabilities on more complex and risky engagements. ▶ The Global Client Service Partner (GCSP) plays an important role in client and engagement risk management, in particular where there are significant independence or other high risk considerations. <p>Acceptance and Continuance of client relationships and specific engagements is a component of the ISQM 1 framework.</p>

Principal risks	Risk drivers	Actions to mitigate risks
7. Audits are not performed or documented in accordance with auditing standards	<p>Commitment to public interest is of paramount importance in our provision of audit services to organisations. We will fail to meet this commitment if:</p> <ul style="list-style-type: none"> ▶ A culture is not fostered that is committed to quality and continuous improvement. ▶ Engagement teams fail to understand and fulfil their responsibilities, including exercising appropriate professional judgment and scepticism. ▶ Sufficient and appropriate resources are not established and assigned or there is lack of appropriate direction and supervision to engagement teams given the nature and circumstances of the engagements. ▶ Open communication, challenge and consultation is not promoted. ▶ Audit documentation that satisfies applicable requirements is not assembled and retained. ▶ Relevant professional standards and regulatory and ethical requirements including independence are not complied with. ▶ We fail to design, implement and operate an effective system of quality management. 	<p>Mitigating actions include comprehensive and well-established internal quality and compliance procedures alongside a system of quality management that meets the requirements of ISQM 1, including:</p> <ul style="list-style-type: none"> ▶ A governance and leadership structure that promotes quality in decision making and strategic priorities, as well as maintaining and monitoring our system of quality management. ▶ An infrastructure that supports and promotes quality and consultation, including a number of in-house tools to manage the audit process, combined with supporting functions with specialised knowledge, such as the Quality Enablement Leaders network and the Professional Practice Directorate team. ▶ An audit quality strategy that is sustainable, adaptable and responsive to emerging issues, reinforcing a culture of professional scepticism and challenge. ▶ Ongoing monitoring of resources, including professional, technological, and intellectual – combined with processes supporting the recruitment, development, and assignment of resources. ▶ Engagement of specialists in situations requiring specific skills or knowledge. ▶ Quality reviews, including commitment to learn from internal and external inspection activities and to identify root causes that underlie positive or negative outcomes on audits to enable continual improvement. ▶ Development and deployment of a variety of learning programmes, including those covering accounting and audit technical learning, independence, and fraud awareness. ▶ Exchange of information such as through firm-wide or service line specific communications, meetings, roadshows, or publications. ▶ Exchange of information with external parties through engagement-specific communications, as well as through publications and ongoing engagement with regulators. <p>Engagement performance is a component of the ISQM 1 framework.</p>

Principal risks	Risk drivers	Actions to mitigate risks
8. Clients are dissatisfied with the quality of work delivered	<p>Delivering high-quality service to our clients is central to our strategy. We could fail to deliver services that meet client expectations harming our reputation as a trusted service provider and impacting our ability to win further business if:</p> <ul style="list-style-type: none"> ▶ We contract to deliver a service that is outside of our capabilities. ▶ Scope, deliverables, timescales, dependencies and assumptions are not managed at inception or during the engagement lifecycle. ▶ Contractual obligations are not managed and delivered resulting in legal implications and reputational damage. 	<p>EY UK seeks to ensure that exceptional client service is delivered based on:</p> <ul style="list-style-type: none"> ▶ Comprehensive and well-established internal quality and compliance procedures to address the risks of service failure. ▶ Rigorous recruitment and development procedures. ▶ Adjusting the delivery approach on an engagement-specific level (e.g., use of offshore capabilities). ▶ Client and engagement acceptance and continuance processes to verify that the right service is provided to the right client and with the appropriately skilled resource. ▶ Service line-specific policies designed to assist client teams in understanding and managing the risk of poor quality or non-compliant service delivery (e.g., breach of independence). ▶ Continued improvements to governance over engagement initiation and new client acceptance. ▶ Quality review procedures over service delivery and continued enhancement of delivery tools, with strengthened monitoring in particular of high-risk client engagements. ▶ The GCSPs supported by the account teams play a strong role in ensuring adequate focus on quality of client delivery.


Principal risks	Risk drivers	Actions to mitigate risks
9. The provision of service delivered is disrupted	<p>Our people, premises and technology are critical to the successful running of the business. We will not be able to deliver engagements and services as expected due to the impact of certain events for example:</p> <ul style="list-style-type: none"> ▶ Technology, system and application performance and recovery, continuity and replacement procedures are inadequate. ▶ IT change is not managed effectively. ▶ Malicious physical acts or cyber-attacks impact the delivery of our services. ▶ Events occur leading to inaccessibility to EY UK or client premises, or there is unexpected or unplanned unavailability of key personnel (e.g. due to a pandemic, terrorist attack, natural disaster, warfare). ▶ Third-party relationships are not managed effectively, resulting in service/client disruption or reputational damage. 	<p>EY UK has a Business Resilience function with risk management processes in place to protect service delivery and mitigate the impact of unwanted events. Controls include:</p> <ul style="list-style-type: none"> ▶ Risk horizon scanning and protective intelligence. ▶ A Business Continuity programme and tested Crisis Management Plan with supporting scenario playbooks. ▶ Integrated management of technology in use globally, with a close working relationship between the UK firm and Global IT. ▶ Management of technology lifecycles and system performance supported by disaster recovery procedures and employee support. ▶ Professional IT change management and programme governance involving senior stakeholders in EY UK. ▶ Use of proven technologies, independently attested processes, a mature information security and cyber defence policy framework and management systems enabling EY UK to respond to risks emanating from the changing geopolitical landscape. ▶ Access control security across all EY UK office locations as part of an integrated physical security programme. ▶ Comprehensive contingency and operational resilience planning, covering all service lines, functions and locations. ▶ Specialist services and applications to keep in touch with our people in the UK and whilst travelling globally, enabling updates on incidents and access to medical and evacuation services where required. ▶ Continually updated training materials and sessions to raise awareness of our staff regarding internal and external IT and cyber risk. ▶ Key controls that are continually assessed against prevailing industry standards, best practice and emerging risks. ▶ Continually updated controls around workstations including monitoring and prevention of data loss arising from leavers and monitoring use of unauthorised cloud applications, internet usage and messaging services. ▶ Third parties are subject to a wide range of existing engagement and compliance controls, for example Independence and financial crime. <p>Resources, including human, technological, intellectual resources, is a component of the ISQM 1 framework.</p>

Principal risks	Risk drivers	Actions to mitigate risks
10. Talent is not attracted, integrated, retained and managed	<p>The EY UK proposition is to be an employer of choice and be attractive to the brightest and best talent. This will be weakened and we will not be able to retain the right individuals if:</p> <ul style="list-style-type: none"> ▶ The partnership model offered is insufficiently attractive which in turn impacts the effectiveness of our succession planning. ▶ Attractive and flexible working arrangements are not provided to our people or we fail to promote and enable the health and wellbeing of our people. ▶ Attractive career paths are not provided for our people with professional and personal development along with appropriate compensation. ▶ People are not engaged through effective leadership, management and support. ▶ A diverse and inclusive culture is not created that is open to all members of society without bias. ▶ EY UK is not able to attract and retain sufficient people with the right skills and experience at the right time. 	<p>Processes and procedures are in place to manage the recruitment, retention and management of people. These include:</p> <p>Supporting personal development</p> <ul style="list-style-type: none"> ▶ Onboarding process and experience for new joiners. ▶ Individual counselling and 'buddying' programmes to develop the right talent. ▶ Implementation of a firm-wide harmonised learning and development strategy. ▶ Multi-year talent programmes, including diversity and inclusiveness initiatives. ▶ Induction and post-induction programmes, at staff and partner levels. <p>Involving senior management to foster talent</p> <ul style="list-style-type: none"> ▶ 'Market learning sponsors' to ensure senior management buy-in, and to embed learning and development into individual service line strategies. ▶ Regular leadership communications covering strategy and performance. ▶ Frequent employee listening surveys (quarterly) to measure employee experience and engagement and new joiner and exit surveys. ▶ Improved management of performance through mandated counsellor training. ▶ Individual performance, readiness for promotion and development are discussed regularly at internal performance appraisal groups. ▶ Annual benchmarking of total reward by grade, location and competency groups. ▶ Focussed actions have been implemented to address heightened industry-wide risks related to resourcing given the slowdown in the labour market coupled with the high demand for talent. <p>Resources, including human resources, is a component of the ISQM 1 framework.</p>

Principal risks	Risk drivers	Actions to mitigate risks
11. Confidential information is misappropriated, mishandled or corrupted	<p>It is important to protect EY and client data or information from loss, misuse, theft or failure to comply with policy or relevant data regulations. This may be compromised if:</p> <ul style="list-style-type: none"> ▶ Electronic equipment or hard copy documents are lost. ▶ Information is sent electronically or in hard copy to an unintended recipient or by third parties acting under the direction of EY UK. ▶ Information is not created, stored, transferred or destroyed appropriately and in line with policy. ▶ Malicious and unauthorised access occurs to EY UK offices or systems due to a cyber-attack or code corruption. ▶ Data is stolen by malicious actors internally or externally. 	<p>We have comprehensive and well-established internal quality management procedures consistent with industry standards, best practice and legal requirements to address the risks of an information breach, including:</p> <p>Data protection and information security training</p> <ul style="list-style-type: none"> ▶ Mandatory regular training and reminders for staff on the importance of data protection and risk mitigation, including what to do in the event of data loss and an annual declaration that they have read and understood requirements. ▶ Mandatory GDPR training in place for all staff. ▶ Service line-specific incident training, as required. <p>Policies and procedures</p> <ul style="list-style-type: none"> ▶ Suite of policies and procedures governing data protection, data incidents and supporting guidance. ▶ Contractual terms addressing the handling of confidential information and client data. ▶ Improved hardware and software controls. ▶ Software controls designed to reduce the risk of misdirected external emails. ▶ Reduced footprint of risk via full migration of laptop data to cloud through our Modern Workplace strategy. ▶ IT asset encryption to mitigate the risk of breaches. ▶ Continued investment in cybersecurity controls, e.g., strengthened communication, training and testing to improve awareness of 'phishing'. ▶ Periodic testing of IT and cybersecurity controls. ▶ Dedicated team of cybersecurity experts who actively monitor, hunt and defend our system. ▶ Maintenance of globally recognised, industry standard certification on information security management systems such as ISO 27001 and Cyber Essentials Plus. ▶ Regular training and reminders to staff to remain vigilant for potential cyberattacks (including phishing). ▶ Regular communications on good data-handling practices. ▶ Data incident handling programme. ▶ Data risk mitigation plans. <p>Managing confidentiality is incorporated in the ISQM 1 framework.</p>

Principal risks	Risk drivers	Actions to mitigate risks
12. We are found to be in breach of new or existing regulation	<p>Our services are subject to legal and regulatory requirements. We are at risk of breaching such requirements if:</p> <ul style="list-style-type: none"> ▶ We fail to monitor, understand or respond to new and changing regulatory requirements and expectations or changing interpretations thereof. ▶ A culture of risk awareness and risk management is not enabled and embedded in our people. ▶ Behaviours consistent with our Global Code of Conduct are not promoted and enabled. ▶ Compliance with internal policies and procedures, and relevant regulatory requirements is not promoted and enabled. 	<p>The Regulatory & Public Policy team monitors regulatory and policy developments impacting EY UK, in conjunction with specialist teams such as the Professional Practice Directorate team supporting the audit service line. Taking feedback from stakeholders such as EY Global, NEs and regulators, this is then used to:</p> <ul style="list-style-type: none"> ▶ Update our policies and procedures framework. ▶ Prepare and update guidance documents for our staff. ▶ Refresh our training plan (mandating particular components, as necessary). <p>In addition:</p> <ul style="list-style-type: none"> ▶ Service line 'risk radars', second-line monitoring activities and our Internal Audit programme provide further support and control. ▶ Compliance metric reports provide quality assessments for performance management reviews. ▶ EY UK continues to invest in new tools and technologies to support our staff in monitoring regulatory developments. ▶ In FY23 we have responded to the Russian sanctions imposed by the UK government. This includes taking necessary actions on existing clients and engagements and strengthening acceptance procedures where appropriate. <p>Consideration of regulatory requirements is incorporated in the ISQM 1 framework.</p>
13. Externally-imposed change to our existing business model threatens our ability to continue to deliver high-quality audits	<p>Developments in the market, including in corporate governance and reporting can have a significant impact on our business. We will not be successful in responding if:</p> <ul style="list-style-type: none"> ▶ Change impacting our business is not anticipated and managed. ▶ We fail to operate a sustainable audit practice that is financially resilient. 	<p>We have frequent interaction with government departments and regulators and contribute to the continuing debate regarding developments in the Big Four and auditing. Mitigating actions responding to this risk include:</p> <ul style="list-style-type: none"> ▶ Monitoring and engagement with external parties on external/market drivers impacting our business. ▶ Monitoring of our business model, such as through scenario planning, to assess whether it remains appropriate and responsive to external/market drivers. ▶ Implementation of operational separation through a governance structure that oversees its function in accordance with the FRC's objectives including financial resilience of the audit practice.

Principal risks	Risk drivers	Actions to mitigate risks
14. Loss of public trust in EY UK as a result of reputational damage	<p>It is critical to maintain a good reputation with clients, markets, regulators and the public. Our reputation would be adversely impacted if:</p> <ul style="list-style-type: none"> ▶ EY UK provides services to clients that would be viewed by key stakeholders as contrary to our public standing. ▶ Conduct by our people does not meet the high standards we impose on ourselves. ▶ Failure of an EY service gives rise to adverse views in media and the market. ▶ Conduct issues and complaints are not received, investigated and resolved satisfactorily. 	<p>We value our reputation highly and an appreciation of reputational risk is at the heart of all our business decisions. Additionally, alongside responses linked with the other service delivery risks:</p> <ul style="list-style-type: none"> ▶ Significant reputational issues are reviewed and opined on by the Reputation & Conflicts Panel. ▶ Building trust within EY UK and with our external stakeholders remains a key focus and has been reiterated recently through a series of initiatives. ▶ Ethics and a shared set of values drive the behaviour of our partners and staff, and this is reinforced by training and guidance. ▶ EY UK has whistleblowing procedures in place, including a confidential Ethics Hotline. ▶ All staff are required to complete our Global Code of Conduct training which sets out the standards that are expected of our people to reduce the likelihood of adverse publicity arising from individual actions by staff or partners. ▶ Established policies and processes, supported with governance and leadership, facilitate resolution of conduct issues and complaints such as these reported through the Ethics Hotline. ▶ A new reporting tool was launched in EY UK in December 2022, Culture Shift™ Report & Support.
15. Environmental, social and governance (new principal risk introduced in FY23)	<p>We are committed to complying with all aspects of the ESG agenda. This will be compromised if:</p> <ul style="list-style-type: none"> ▶ EY UK does not improve our environmental impact or fail to demonstrate this to key stakeholders. ▶ We do not make progress with our corporate social responsibility agenda by failing to make an impact on individual lives. ▶ EY UK is not governed in a transparent way with a diverse range of people in key decision-making capacities. 	<p>EY UK has established a governance framework to manage its ESG agenda and promote sustainable business practices. Mitigative actions taken include:</p> <ul style="list-style-type: none"> ▶ Environmental requirements: Monitoring emission reduction, ensuring emission data accuracy (ISAE3000) and an audit of the EY UK Environmental Management System, which formalises policies, procedures and regulatory compliance relating to the environmental function of our UK offices (ISO14001). ▶ Social requirements: Ongoing monitoring of progress against published Sustainable Development Goals, with social initiatives subject to the same robust approval regime applied to paid client engagements ensuring risks such as independence and reputational matters are fully addressed. ▶ Governance requirements: Conducting policy reviews, providing inclusion training, monitoring gender and ethnicity partner targets, mandatory pay gap reporting, and the review of policies and processes regarding breaches of conduct on a regular and case-by-case basis.




Statement of the effectiveness of the EY UK system of internal control

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

- ▶ Validating EY UK risks.
- ▶ Reviewing the management and monitoring of risks.
- ▶ Considering the outcome of the controls assessments completed under ISQM 1 which supported the annual evaluation conclusion for EY UK as of 30 June 2023 that the System of Quality Management provides reasonable assurance that the objectives of the system of quality management are being achieved.
- ▶ Assessing the risk profile and associated controls for each Service Line and at the EY UK level.
- ▶ Reviewing the work of Internal Audit.
- ▶ Considering the reports and findings from regulatory reviews.
- ▶ Reviewing the conclusions of our external auditors, including comments in relation to the control environment.
- ▶ Obtaining written confirmation at the service line and functional levels that processes and controls are in place to manage principal risks.
- ▶ Reviewing the risk profile for completeness using the output of discussions across EY UK services lines and functions on risks and control activities, with the ROC meeting to challenge and approve the updated risk profile.

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



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

In accordance with Article 13(2) (d) of the EU Audit Regulation and the Local Auditors (Transparency) Regulations 2020, the EY UK Board confirms that it is satisfied that our internal quality control system is, in general, robust and operate effectively and allows us to readily identify any areas of potential improvement or refinement. This is supported by the evaluation made under ISQM 1 set out above. We continually seek to improve all aspects of our business and we use the findings of internal reviews and external regulatory reviews to enhance our processes.

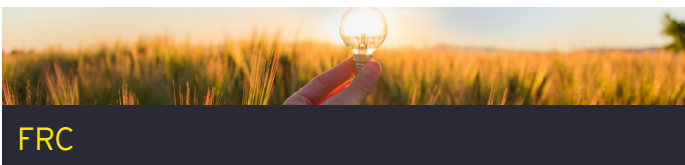


Stakeholder dialogue



Engagement overview

EY UK and our NEs take a proactive approach to stakeholder engagement and actively participate in both public and private stakeholder events and meetings with the aim of enhancing two-way communication and our understanding of our stakeholders' opinions, concerns and emerging expectations. Throughout FY23 our engagement efforts centred around company directors, including but not limited to audit committee members, institutional investors – both asset owners and asset managers – UK government departments and policy makers, and our regulator, the FRC. As in the prior year, we continued to engage on topics related to the audit and corporate governance reforms, non-financial reporting with a focus on the environment and audit quality. Additionally, this year our engagement also covered the proposed structural separation of the firm.



FRC

EY UK maintained ongoing engagement with the FRC, across its wide remit, throughout FY23. EY UK continued to maintain a well-established two-way relationship with the Supervision Division, on all its work strands, at all levels of seniority. Our key senior-level executive role holders and NEs engage with supervisory leads in the Audit Market Supervision (AMS) and Audit Firm Supervision (AFS) and Audit Quality Review (AQR) through a framework of regular meetings. These cover areas such as audit and firm culture, ethics and conduct, risk management, governance and internal RCA; aspects and projects such as operational separation, local audit, PIE auditor registration, ISQM 1 and the Single Quality Plan (SQP); as well as aspects specific to EY, such as the proposed structural separation, exams/assessments cheating safeguards and cyber-security breaches and the Audit Quality Summit. EY UK also engages regularly with the FRC Regulatory Standards Division on ethical standards and corporate governance policy and regulatory reforms.

EY UK responses to the regulator's information requests on all its strands of work inform these meetings and provide evidence that support the development of FRC's publications and thematic reviews.

The FRC met with our NEs independently on several occasions. Furthermore, our NEs attended FRC roundtables convened to discuss the concepts of public interest and ISQM 1.



Institutional investors

EY UK engages with investors to improve our understanding of their priorities in respect of corporate reporting and audit and to listen to any specific feedback they have. We engage with the Investor Forum, Investment Association as well as with individual investors. We held a number of investor events focussed on topics related to the environment, including the Transition Plan Taskforce standard for transition plan disclosures and sustainable disclosure labels. EY UK also supported investors with their understanding of the Taskforce on Nature-related Financial Disclosures by presenting to the Investor Forum members on this important topic.



Audit Committees and Chief Financial Officers of the FTSE 350

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

At a firm level across the year, EY UK actively engaged with the Audit Committee Chairs' Independent Forum (ACCIF) on a variety of topics, including Project Spring. The project brought together a group of experienced audit committee chairs, representatives from the six largest audit firms and executives from the FRC with the common objective to enhance audit quality and the wider understanding of

the subject. Following three extensive workshops, ACCIF published its final report on the project outcomes in July 2023, including a series of key learnings and actions for ACCIF, auditors and the FRC. EY UK took the opportunity to engage separately with ACCIF and promote the project outcomes. A video interview with the ACCIF Chair of Project Spring was shared across the audit practice, and teams are being encouraged to engage with the audit committees and management of the companies they audit on the outputs to support conversations about enhancing audit quality on their engagements.

Our annual Financial Reporting Outlook conference also creates another opportunity for engagement and the sharing of views. Held in November 2022, this year the agenda was dominated by themes related to social and environmental matters. EY UK also delivered an on-demand video, featuring Harriet Mossop from the FRC, which shared practical tips for December 2022 year-end reporters about how to draft their second-year climate disclosures.

EY UK continued to organise roundtables and webinars for chief financial officers and their reports on matters related to the government's reform agenda, including on the proposed revisions to the UK Corporate Governance Code.



EY UK Centre for Board Matters (CBM) is a programme for Non-Executive Directors (NEDs), which delivers insights on the current issues and trends facing UK and global businesses and is an exclusive networking platform to build strong peer relationships.

Throughout FY23, the CBM continued to engage over a thousand CBM members through a monthly newsletter, webcasts, roundtables, in-person events and LinkedIn. Members participated across 19 events on the following topics:

- ▶ **DE&I:** EY UK played an active role to amplify the annual Female FTSE Board report, conducted by Cranfield University's School of Management and sponsored by EY UK as well as the Parker Review.

- ▶ **Sustainability:** we convened asset owners, asset managers and corporate board members to collectively discuss effective investor stewardship, good corporate governance and transparent disclosures on Net Zero, TCFD, transition plans and biodiversity. CBM also delivered two events on preparing rigorous plans to drive the transition to net zero. Speakers included Rt Hon Lord Deben, Chair of the Climate Change Committee; Chris Skidmore MP, Chair of the Net Zero Review; Rhian-Mari Thomas OBE, CEO at Green Finance Institute; Dr Kirstie McIntyre, Global Director of Sustainability at Diageo; Jonathan Lewis, CEO, Capita; and Chris Pateman-Jones, CEO at Connected Kerb; and Baroness Penn, Co-chair, Transition Plan Taskforce.
- ▶ **Geopolitics:** At the annual Spring Reception, members were invited to debate implications of global and domestic volatility with special guest Bronwen Maddox, Director and CEO of Chatham House, who joined a panel with Peter Arnold, EY UK&I Chief Economist and Mats Persson, EY Partner, Strategy and Transactions.
- ▶ **Corporate Governance:** Mark Babington, Executive Director, Regulatory Standards, FRC, along with EY speakers, hosted a webcast providing an overview of the proposed revisions to the UK Corporate Governance Code and the overall progress made on the government's reform agenda. This was followed by a roundtable discussion to gather perspectives and views from members and fellow board members.



In May 2023 EY UK held its second stakeholder engagement event, bringing together investors, audit committee members, The EY UK leadership team and NEs to discuss the issues facing EY UK and the wider profession. This event, which also included representatives from ACCIF and the Investment Association (IA), was an important opportunity for EY to listen to the views and expectations of these stakeholders and understand the common challenges facing all parties.

The discussion centred on:

- ▶ Choice and capacity in the audit market
- ▶ Audit quality
- ▶ People matters

EY UK highlighted the interplay that mandatory firm rotation, conflicts of interest, and capacity constraints had in affecting choice in the audit market. For example, the number of individuals registered as RIs with authority to sign audit opinions has dropped 10% since 2018, yet audit effort has increased significantly in that time. Also affecting choice and capacity are factors such as the increased complexity of audits and greater regulatory scrutiny.

The IA commented that all parties in the ecosystem – regulators, firms, investors and companies – need to be mindful that the issues prevalent in the current audit market around choice and capacity are not replicated in the fast-growing market for assurance services over narrative reporting and non-financial metrics.

Our NEs explained that they had challenged the leadership of EY UK on the FRC's 2021/22 AQR inspection results. Delivering sustainable, consistent high-quality audits remains a priority for EY UK and leadership discussed the key ongoing initiatives to do so, including: use of forensic professionals in at least all FTSE 350 audits; more effective use of data analytics; effective coaching; and rebalancing of work intensity.

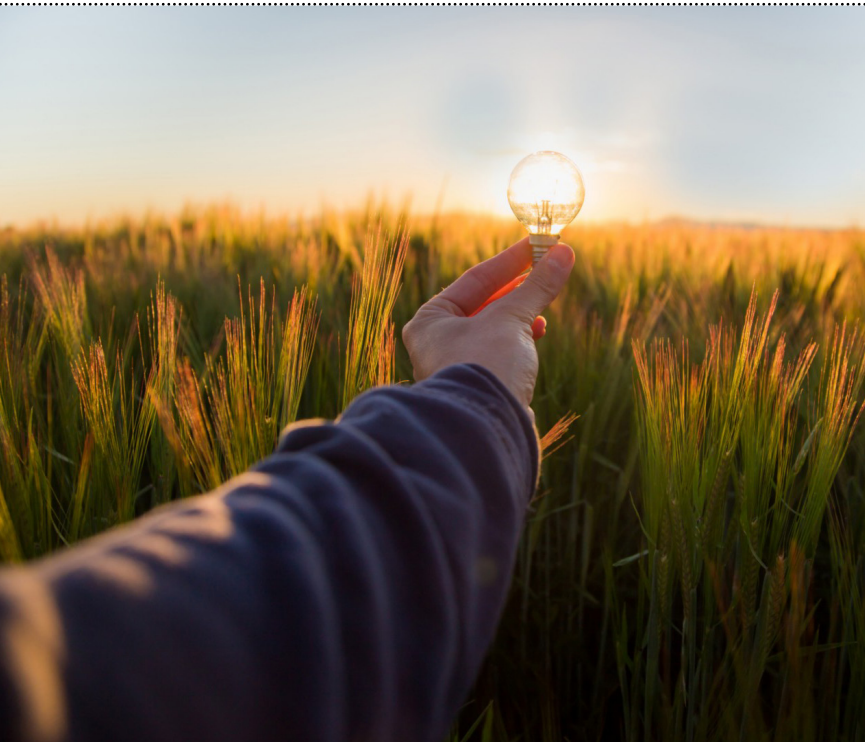
Culture is a key underpinning of audit quality. The NEs were encouraged to learn that for the first time since the EY

UK audit culture survey had been introduced, the top 10 phrases and words associated with the audit culture were all positive, such as 'teamwork', 'collaboration' and 'scepticism'. Audit Committee members commented that audit quality to some extent also depends on companies having robust governance processes and effective control environments. They welcomed auditors continually holding them to account to improve these.

Investors reiterated that high-quality reporting and audits underpin their ability to make important long-term decisions and to hold boards to account. In particular, they are increasingly looking at companies' sustainability reporting, and said that clarity on the extent to which this information has been assured is crucial.

The NEs discussed the ways in which they had directly engaged with EY staff and explained that EY had made improvements in whistleblowing processes e.g., to better support those coming forward with ethics or conduct complaints.

It was clear from the debate that achieving high-quality audit and assurance which companies benefit from and investors can rely on, whilst complex, is key to the business ecosystem. This underlines even more clearly the need for auditors, companies and investors to work collaboratively on some of the common issues affecting the audit market and audit quality.



Appendix 4: Audit Firm Governance Code

Appendix 4: Audit Firm Governance Code



The following table provides a list of the Code's principles and provisions with a reference next to each one to indicate where, in the EY UK 2023 Transparency Report, the matter is addressed for the purposes of Code principle E.2.

Principles and provisions of the 2016 AFGC LEADERSHIP	How EY UK is addressing the principles and provisions
<p>A.1 Owner accountability principle The management of a firm should be accountable to the firm's owners and no individual should have unfettered powers of decision.</p>	<p>Section 1: About us – Legal structure, ownership and governance Appendix 3: Governance and leadership – Governance structure and management</p>
<p>A.1.1 The firm should establish a board or equivalent governance structure, with matters specifically reserved for its decision, to oversee the activities of the management team.</p>	<p>See A.1 above EY UK Terms of Reference (July 2023) published on the EY website</p>
<p>A.1.2 The firm should state in its transparency report how its governance structures and management operate, their duties and the types of decisions they take. In doing so the firm should explain how its governance structure provides oversight of both the audit practice and the firm as a whole with a focus on ensuring the Code's purpose is achieved.</p>	<p>Context Leadership messages Appendix 3: Governance and leadership – Governance structure and management Appendix 3: Managing risk – Our Three Lines of Defence model</p>
<p>If the management and/or governance of the firm rests at an international level it should specifically set out how management and oversight of audit is undertaken and the Code's purpose achieved in the UK.</p>	<p>Section 4: Infrastructure supporting quality – Assurance governance Appendix 3: Governance and leadership – Governance structure and management</p>
<p>A.1.3 The firm should state in its transparency report the names and job titles of all members of the firm's governance structures and its management, how they are elected or appointed and their terms, length of service, meeting attendance in the year, and relevant biographical details.</p>	<p>Appendix 3: Governance and leadership – Governance structure and management Appendix 7: EY UK Board Members' biographies Appendix 8: EY UK Non-Executive's biographies Appendix 9: Meeting attendance</p>
<p>A.1.4 The members of a firm's governance structures and management should be subject to formal, rigorous and ongoing performance evaluation and, at regular intervals, members should be subject to re-election or re-selection.</p>	<p>Section 6: Investing in exceptional talent and continuing education – Performance management Appendix 3: Governance and leadership – Committee supporting the EY UK Governance structure, Nomination Committee</p>

Audit Firm Governance Code (Cont'd)

Principles and provisions of the 2016 AFGC LEADERSHIP	How EY UK is addressing the principles and provisions
<p>A.2 Management principle A firm should have effective management which has responsibility and clear authority for running the firm.</p>	<p>Section 4: Infrastructure supporting quality – Assurance governance Appendix 3: Governance and leadership – Governance structure and management</p>
<p>A.2.1 Management should have terms of reference that include clear authority over the whole firm including its non-audit businesses, and these should be disclosed on the firm’s website.</p>	<p>EY UK Terms of Reference (July 2023) published on the EY website</p>
Principles and provisions of the 2016 AFGC VALUES	How EY UK is addressing the principles and provisions
<p>B.1 Professionalism principle A firm should perform quality work by exercising judgement and upholding values of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour in a way that properly takes the public interest into consideration and meets auditing and ethical standards.</p>	<p>Leadership messages Section 3: Components of our System of Quality Management Section 4: Infrastructure supporting quality Appendix 3: Governance and leadership – Public Interest Board; UK Audit Board Appendix 3: Audit quality and culture</p>
<p>B.1.1 The firm’s governance structures and management should establish and promote throughout the firm an appropriate culture, supportive of the firm’s public interest role and long-term sustainability. This should be achieved in particular through the right tone from the top, through the firm’s policies and practices and by management publicly committing themselves and the whole firm to quality work, the public interest and professional judgement and values.</p>	<p>See B.1 above</p>
<p>B.1.2 Firms should introduce KPIs on the performance of their governance system, and report on performance against these in their transparency reports.</p>	<p>Appendix 3: Governance and leadership – EY UK key performance indicators on governance</p>
<p>B.1.3 The firm should have a Code of Conduct which it discloses on its website and requires everyone in the firm to apply. The Board and Independent Non-Executives should oversee compliance with it.</p>	<p>Section 1: About us – network arrangements – EYG member firms Appendix 3: Governance and leadership – EY UK key performance indicators on governance Appendix 3: Managing risk – Ethics and whistleblowing</p>

Audit Firm Governance Code (Cont'd)

Principles and provisions of the 2016 AFGC VALUES	How EY UK is addressing the principles and provisions
<p>B.2 Governance principle A firm should publicly commit itself to this Audit Firm Governance Code.</p>	<p>Context – Audit Firm Governance Code 2016</p>
<p>B.2.1 The firm should incorporate the principles of this Audit Firm Governance Code into an internal Code of Conduct.</p>	<p>The firm's Code of Conduct is established at a global level see: Section 1: About us – network arrangements – EYG member firms) but its principles are consistent with the relevant principles of the AFGC</p>
<p>B.3 Openness principle A firm should maintain a culture of openness which encourages people to consult and share problems, knowledge and experience in order to achieve quality work in a way that properly takes the public interest into consideration.</p>	<p>Section 3: Components of our System of Quality Management – Governance and leadership – Tone at the top; Audit engagement team resolution process for differences of professional opinion</p> <p>Section 3: Components of our System of Quality Management – Engagement Leadership – Consultation requirements</p> <p>Section 6: Investing in exceptional talent and continuing education – Engagement</p> <p>Appendix 3: Audit quality and culture – Audit Quality Culture survey</p>

Audit Firm Governance Code (Cont'd)

Principles and provisions of the 2016 AFGC INDEPENDENT NON-EXECUTIVES	How EY UK is addressing the principles and provisions
<p>C.1 Involvement of Independent Non-Executives principle</p> <p>A firm should appoint Independent Non-Executives to the governance structure who through their involvement collectively enhance the firm's performance in meeting the purpose of the Code.</p>	<p>Leadership messages</p> <p>Appendix 3: Governance and leadership – Independent and Audit Non-Executives</p>
<p>C.1.1 Independent Non-Executives should number at least three and be in the majority on a body that oversees public interest matters; and/or be members of other relevant governance structures within the firm.</p> <p>They should also meet as a separate group to discuss matters relating to their remit. They should have full visibility of the entirety of the business but should pay particular attention to and report on risks to audit quality and how they are addressed.</p> <p>If a firm considers that having three INEs is inappropriate given its size or number of public company clients, it should explain this in its transparency report and ensure a minimum of two at all times. Where the firm adopts an international approach to its management, it should have at least three INEs with specific responsibility and relevant experience to focus on the UK business and to take part in governance arrangements for this market; or explain why it regards a smaller number to be more appropriate, in which event there should be a minimum of two.</p>	<p>See C.1 above</p> <p>Appendix 3: Governance and leadership – Independent and Audit Non-Executives</p>
<p>C.1.2 The firm should disclose on its website and in its transparency report information about the appointment, retirement and resignation of Independent Non-Executives; their remuneration; their duties and the arrangements by which they discharge those duties; and the obligations of the firm to support them.</p> <p>The firm should report on why it has chosen to position its Independent Non-Executives in the way it has (for example, as members of the main Board or on a public interest committee).</p> <p>The firm should also disclose on its website the terms of reference and composition of any governance structures whose membership includes Independent Non-Executives.</p>	<p>Appendix 3: Governance and leadership – Independent and Audit Non-Executives</p> <p>Appendix 8: EY UK Non-Executives' biographies</p> <p>EY UK Terms of Reference (July 2023) published on the EY website</p>
<p>C.1.3 The Independent Non-Executives should report in the firm's transparency report on how they have worked to meet the purpose of the Code defined as:</p> <ul style="list-style-type: none"> ▶ Promoting audit quality. ▶ Helping the firm secure its reputation more broadly, including in its non-audit businesses. ▶ Reducing the risk of firm failure. 	<p>Leadership messages</p> <p>Appendix 3: Governance and leadership – Public Interest Board; UK Audit Board</p> <p>Appendix 3: Audit Quality – The UKAB and ANE oversight of audit quality</p>
<p>C.1.4 Independent Non-Executives should have regular contact with the Ethics Partner, who should under the ethical standards have a reporting line to them.</p>	<p>Appendix 3: Governance and leadership – Independent and Audit Non-Executives: EY support</p>

Audit Firm Governance Code (Cont'd)

Principles and provisions of the 2016 AFGC INDEPENDENT NON-EXECUTIVES	How EY UK is addressing the principles and provisions
<p>C.2 Characteristics of Independent Non-Executives principle</p> <p>The Independent Non-Executives' duty of care is to the firm. They should command the respect of the firm's owners and collectively enhance shareholder confidence by virtue of their independence, number, stature, experience and expertise.</p> <p>They should have a balance of relevant skills and experience including of audit and a regulated sector.</p> <p>At least one Independent Non-Executive should have competence in accounting and/or auditing, gained for example from a role on an audit committee, in a company's finance function, as an investor or at an audit firm.</p>	<p>Appendix 3: Governance and leadership – Independent and Audit Non-Executives</p> <p>Appendix 8: EY UK Non-Executives' biographies</p>
<p>C.2.1 The firm should state in its transparency report its criteria for assessing the impact of Independent Non-Executives on the firm's independence as auditors and their independence from the firm and its owners.</p>	<p>Appendix 3: Governance and leadership – Independent and Audit Non-Executives, Independence of Independent and Audit Non-Executives</p>
<p>C.3 Rights and responsibilities of Independent Non-Executives principle</p> <p>Independent Non-Executives of a firm should have rights consistent with their role including a right of access to relevant information and people to the extent permitted by law or regulation, and a right to report a fundamental disagreement regarding the firm to its owners and, where ultimately this cannot be resolved and the Independent Non-Executive resigns, to report this resignation publicly.</p>	<p>Appendix 3: Governance and leadership – Independent and Audit Non-Executives</p> <p>EY UK Terms of Reference (July 2023) published on the EY website</p>
<p>C.3.1 Each Independent Non-Executive should have a contract for services setting out their rights and duties.</p>	<p>Appendix 3: Governance and leadership – Independent and Audit Non-Executives, Appointment and termination of Independent and Audit Non-Executives</p>
<p>C.3.2 Independent Non-Executives should be appointed for specific terms and any term beyond nine years should be subject to particularly rigorous review and explanation.</p>	<p>Appendix 3: Governance and leadership – Independent and Audit Non-Executives, Independence of Independent and Audit Non-Executives</p>
<p>C.3.3 The responsibilities of an Independent Non-Executive should include, but not be limited to, oversight of the firm's policies and processes for:</p> <ul style="list-style-type: none"> ▶ Promoting audit quality. ▶ Helping the firm secure its reputation more broadly, including in its non-audit businesses. ▶ Reducing the risk of firm failure. 	<p>See C.1.3 above</p>
<p>C.3.4 The firm should ensure that appropriate indemnity insurance is in place in respect of legal action against any Independent Non-Executive in respect of their work in that role.</p>	<p>Appendix 3: Governance and leadership – Independent and Audit Non-Executives, EY support</p>

Audit Firm Governance Code (Cont'd)

Principles and provisions of the 2016 AFGC INDEPENDENT NON-EXECUTIVES	How EY UK is addressing the principles and provisions
C.3.5 The firm should provide each Independent Non-Executive with sufficient resources to undertake their duties including having access to independent professional advice at the firm's expense where an Independent Non-Executive judges such advice necessary to discharge their duties.	Appendix 3: Governance and leadership – Independent and Audit Non-Executives, EY support
C.3.6 The firm should establish, and disclose on its website, procedures for dealing with any fundamental disagreement that cannot otherwise be resolved between the Independent Non-Executives and members of the firm's management team and/or governance structures.	Appendix 3: Governance and leadership – Independent and Audit Non-Executives, Fundamental disagreements Refer to EY website
Principles and provisions of the 2016 AFGC OPERATIONS	How EY UK is addressing the principles and provisions
<p>D.1 Compliance principle</p> <p>A firm should comply with professional standards and applicable legal and regulatory requirements. Operations should be conducted in a way that promotes audit quality and the reputation of the firm. The Independent Non-Executives should be involved in the oversight of operations.</p>	<p>Leadership messages</p> <p>Section 2: System of Quality Management</p> <p>Section 4: Infrastructure supporting quality</p> <p>Appendix 3: Governance and leadership – Independent and Audit Non-Executives; Public Interest Board; UK Audit Board</p> <p>Appendix 3: Managing risk – Principal risks and actions to mitigate risks</p>
D.1.1 The firm should establish policies and procedures for complying with applicable legal and regulatory requirements and international and national standards on auditing, quality control and ethics, including auditor independence.	<p>Section 3: Components of our System of Quality Management</p> <p>Section 4: Infrastructure supporting quality</p> <p>Section 5: Independence practices</p>
D.1.2 The firm should establish policies and procedures for individuals signing group audit reports to comply with applicable standards on auditing dealing with group audits including reliance on other auditors whether from the same network or otherwise.	Appendix 3: Audit quality and culture – Group audits

Audit Firm Governance Code (Cont'd)

Principles and provisions of the 2016 AFGC OPERATIONS	How EY UK is addressing the principles and provisions
<p>D.1.3 The firm should state in its transparency report how it applies policies and procedures for managing potential and actual conflicts of interest.</p>	<p>Section 3: Components of our System of Quality Management – Global policy on client and engagement acceptance and continuance</p> <p>Section 5: Independence practices – Global Monitoring System; Independence confirmation; Independence compliance reviews; Personal independence compliance testing</p> <p>Appendix 3: Managing risk – Principal risks</p>
<p>D.1.4 The firm should take action to address areas of concern identified by audit regulators in relation to the firm’s audit work.</p>	<p>Leadership messages</p> <p>Section 3: Components of our System of Quality Management – External quality assurance reviews</p> <p>Appendix 3: Audit quality and culture – Our UK SAQ programme</p>
<p>D.2 Risk management principle</p> <p>A firm should maintain a sound system of internal control and risk management over the operations of the firm as a whole to safeguard the firm and reassure stakeholders.</p>	<p>Leadership messages</p> <p>Section 2: System of Quality Management – Designing, implementing and operating a System of Quality Management</p> <p>Appendix 3: Managing risk – Our Three Lines of Defence model</p>
<p>D.2.1 The firm should, at least annually, conduct a review of the effectiveness of the firm’s system of internal control.</p> <p>Independent Non-Executives should be involved in the review which should cover all material controls, including financial, operational and compliance controls and risk management systems as well as the promotion of an appropriate culture underpinned by sound values and behaviour within the firm.</p>	<p>Leadership messages</p> <p>Section 2: System of Quality Management – From Internal quality control system to System of Quality Management</p> <p>Appendix 3: Audit quality and culture</p> <p>Appendix 3: Managing risk</p> <p>Appendix 3: Managing risk – Compliance statements</p>
<p>D.2.2 The firm should state in its transparency report that it has performed a review of the effectiveness of the system of internal control, summarise the process it has applied and confirm that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from that review.</p> <p>It should also disclose the process it has applied to deal with material internal control aspects of any significant problems disclosed in its financial statements or management commentary.</p>	<p>Appendix 3: Managing risk – Our Three Lines of Defence model</p> <p>Appendix 3: Managing risk – Compliance statements</p>

Audit Firm Governance Code (Cont'd)

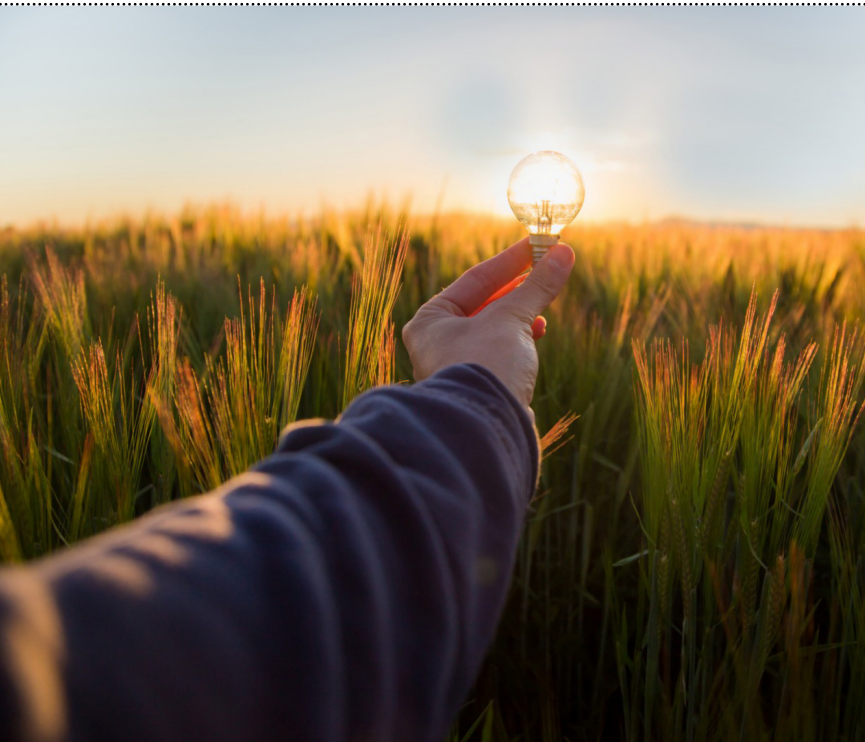
Principles and provisions of the 2016 AFGC OPERATIONS	How EY UK is addressing the principles and provisions
<p>D.2.3 The firm should carry out a robust assessment of the principal risks facing it, including those that would threaten its business model, future performance, solvency or liquidity. This should reference specifically the sustainability of the audit practice within the UK.</p>	<p>Appendix 3: Managing risk – Principal risks</p>
<p>D.3 People management principle A firm should apply policies and procedures for managing people across the whole firm that support its commitment to the professionalism, openness and risk management principles of this Audit Firm Governance Code.</p>	<p>Leadership messages Section 4: Infrastructure supporting quality Section 6: Investing in exceptional talent and continuing education</p>
<p>D.3.1 The firm should disclose on its website how it supports its commitment to the professionalism, openness and risk management principles of the Audit Firm Governance Code through recruitment, development activities, objective setting, performance evaluation, remuneration, progression, and other forms of recognition, representation and involvement.</p>	<p>Refer to EY website</p>
<p>D.3.2 Independent Non-Executives should be involved in reviewing people management policies and procedures, including remuneration and incentive structures, to ensure that the public interest is protected.</p>	<p>Leadership messages Appendix 3: Governance and leadership – UK Audit Board; Audit Board Remuneration Committee, The Public Interest Board</p>
<p>D.4 Whistleblowing principle A firm should establish and apply confidential whistleblowing policies and procedures across the firm which enable people to report, without fear, concerns about the firm's commitment to quality work and professional judgement and values in a way that properly takes the public interest into consideration. The Independent Non-Executives should be satisfied that there is an effective whistleblowing process in place.</p>	<p>Section 3: Components of our System of Quality Management – Whistleblowing Appendix 3: Managing risk – Ethics and whistleblowing Leadership messages Appendix 3: Governance and leadership – Public Interest Board Appendix 3: Risk Management – Our Three Lines of Defence model</p>
<p>D.4.1 The firm should report to Independent Non-Executives on issues raised under its whistleblowing policies and procedures and disclose those policies and procedures on its website.</p>	<p>See to D.4 above Refer to EY website</p>

Audit Firm Governance Code (Cont'd)

Principles and provisions of the 2016 AFGC REPORTING	How EY UK is addressing the principles and provisions
<p>E.1 Internal reporting principle</p> <p>The management of a firm should ensure that members of its governance structures, including owners and Independent Non-Executives, are supplied with information in a timely manner and in a form and of a quality appropriate to enable them to discharge their duties.</p>	<p>Appendix 3: Governance and leadership – Governance structure and management</p>
<p>E.2 Governance reporting principle</p> <p>A firm should publicly report how it has applied in practice each of the principles of the Audit Firm Governance Code (AFGC) and make a statement on its compliance with the Code's provisions or give a considered explanation for any non-compliance.</p>	<p>Context: Audit Firm Governance Code</p> <p>Appendix 4: Audit Firm Governance Code (this appendix)</p>
<p>E.2.1 The firm should publish on its website an annual transparency report containing the disclosures required by Code Provisions A.1.2, A.1.3, B.1.2, C.2.1, D.1.3, D.2.2, E.2.1 and E.3.1</p>	<p>Refer to EY website</p>
<p>E.2.2 In its transparency report the firm should give details of any additional provisions from the UK Corporate Governance Code which it has adopted within its own governance structure.</p>	<p>Context</p>
<p>E.3 Transparency principle</p> <p>A firm should publish on an annual basis in its transparency report a commentary on the firm's performance, position and prospects.</p>	<p>Leadership messages</p> <p>For further information on the performance and position of the EY global network, see the EY UK Annual Results 2023, due to be published in the autumn of 2023.</p>
<p>E.3.1 The firm should confirm that it has carried out a robust assessment of the principal risks facing the audit firm, including those that would threaten its business model, future performance, solvency or liquidity. The firm should describe those risks and explain how they are being managed or mitigated.</p>	<p>Appendix 3: Managing risk – Principal risks</p>
<p>E.3.2 The transparency report should be fair, balanced and understandable in its entirety.</p>	<p>Appendix 3: Governance and leadership – EY UK key performance indicators on governance</p>
<p>E.4 Reporting quality principle</p> <p>A firm should establish formal and transparent arrangements for monitoring the quality of external reporting and for maintaining an appropriate relationship with the firm's auditors.</p>	<p>Appendix 3: Governance and leadership – UK Audit Committee</p>
<p>E.4.1 The firm should establish an audit committee and disclose on its website information on the committee's membership and terms of reference which should deal clearly with its authority and duties, including its duties in relation to the appointment and independence of the firm's auditors. On an annual basis, the audit committee should publish a description of its work and how it has discharged its duties.</p>	<p>Refer to EY website</p> <p>EY UK Terms of Reference (July 2023) published on the EY website</p> <p>Appendix 3: Governance and leadership – UK Audit Committee</p>

Audit Firm Governance Code (Cont'd)

Principles and provisions of the 2016 AFGC REPORTING	How EY UK is addressing the principles and provisions
<p>E.5 Financial statements principle A firm should publish audited financial statements prepared in accordance with a recognised financial reporting framework such as International Financial Reporting Standards or UK GAAP, and should be clear and concise.</p>	Ernst & Young LLP financial statements available from Companies House (to be filed in the autumn of 2023).
<p>E.5.1 The firm should explain who is responsible for preparing the financial statements and the firm's auditors should make a statement about their reporting responsibilities, preferably in accordance with the extended audit report standards.</p>	Ernst & Young LLP financial statements available from Companies House (to be filed in the autumn of 2023).
<p>E.5.2 The firm should state whether it considers it appropriate to adopt the going concern basis of accounting and identify any material uncertainties to its ability to continue to do so, with supporting assumptions or qualifications as necessary.</p>	Ernst & Young LLP financial statements available from Companies House (to be filed in the autumn of 2023).
Principles and provisions of the 2016 AFGC DIALOGUE	How EY UK is addressing the principles and provisions
<p>F.1 Firm dialogue principle A firm should have dialogue with listed company shareholders, as well as listed companies and their audit committees, about matters covered by this Audit Firm Governance Code to enhance mutual communication and understanding and ensure that it keeps in touch with shareholder opinion, issues and concerns.</p>	Leadership messages Appendix 3: Stakeholder dialogue
<p>F.1.1 The firm should disclose on its website its policies and procedures, including contact details, for dialogue about matters covered by this Audit Firm Governance Code with listed company shareholders and listed companies. It should also report on the dialogue it has had during the year. The Independent Non-Executives disclosures should cover the nature and extent of the involvement of Independent Non-Executives in such dialogue.</p>	Refer to EY website
<p>F.2 Shareholder dialogue principle Shareholders should have dialogue with audit firms to enhance mutual communication and understanding.</p>	See F.1 above
<p>F.3 Informed voting principle Shareholders should have dialogue with listed companies on the process of recommending the appointment and re-appointment of auditors and should make considered use of votes in relation to such recommendations.</p>	See F.1 above Through our stakeholder engagement activities, we encourage ongoing dialogue between investors and listed companies.



Appendix 5: EU Audit Regulation (537/2014)

Appendix 5: EU Audit Regulation (537/2014)

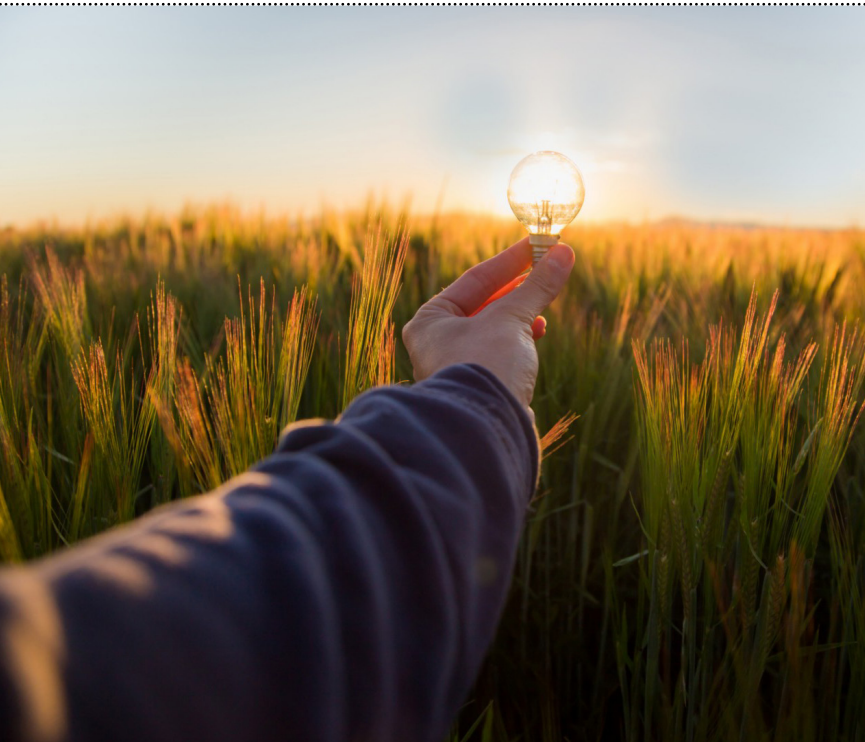


Under Article 13 of The EU Audit Regulation (537/2014), subsequently incorporated into UK domestic law by Section 3 of the European Union (Withdrawal) Act 2018, EY UK is required to disclose certain information. The table below shows where these disclosures can be found in this Transparency Report.

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

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

Provisions of the regulation	Where to find information on how EY UK complies with the regulation
f. A list of public interest entities for which the statutory auditor carried out statutory audits during the preceding financial year.	Appendix 1: List of PIE companies we audit
g. A statement concerning the statutory auditor's independence practices which also confirms that an internal review of independence compliance has been conducted.	Section 5: Independence practices Section 5: Independence practices – Independence compliance reviews
h. A statement on the policy followed by the statutory auditor concerning the continuing education of statutory auditors referred to in paragraph 11 of Schedule 10 to the Companies Act 2006.	Section 6: Investing in exceptional talent and continuing education
i. Information concerning the basis for the ' remuneration of members of the management body of the statutory auditor, where that statutory auditor is a firm.	Section 7: Revenue and remuneration Appendix 3: Governance and leadership – Audit board remuneration committee
j. A description of the statutory auditor's policy concerning the rotation of key audit partners and staff in accordance with Article 17(7).	Section 3: Components of our system of quality management – Rotation and long association
k. Where not disclosed in its accounts, information about the total turnover of the statutory auditor, divided into the following categories:	Section 7: Revenue and remuneration
i. Revenues from the statutory audit of accounts of public interest entities and members of groups of undertakings whose parent undertaking is a public interest entity.	See 'k' above
ii. Revenues from the statutory audit of accounts of other entities.	See 'k' above
iii. Revenues from permitted non-audit services to entities that are audited by the statutory auditor.	See 'k' above
iv. Revenues from non-audit services to other entities.	See 'k' above



Appendix 6: Local Auditors (Transparency) Regulations 2020

Appendix 6: Local Auditors (Transparency) Regulations 2020



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

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

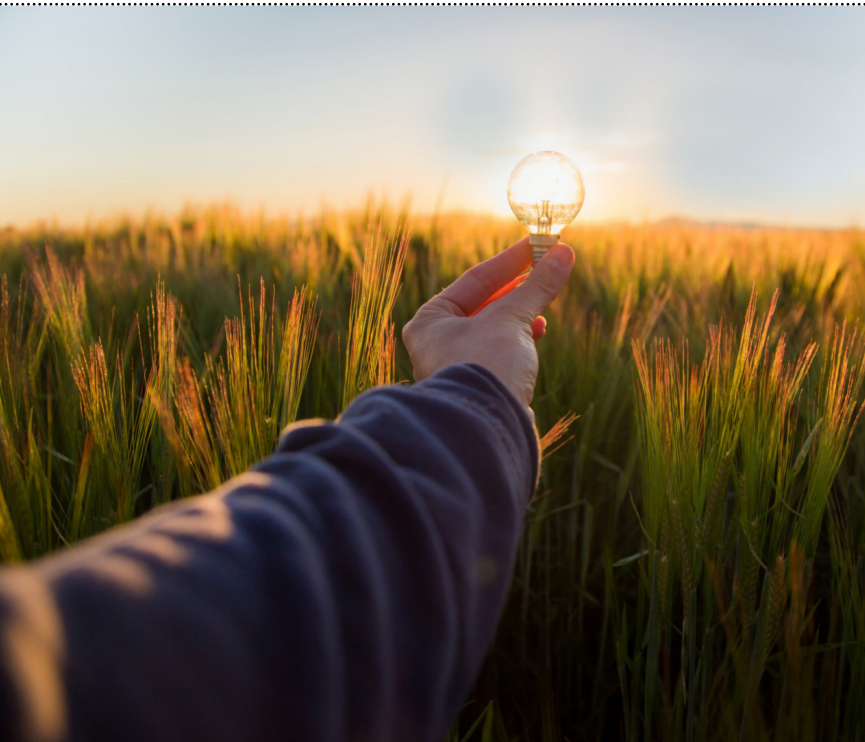
Financial Reporting Council – The Local Auditors (Transparency) Regulations 2020

Provisions of the regulations	Where to find information on how EY complies with the regulations
g. A list of major Local Audits in respect of which an audit report has been made by the transparency reporting local auditor in the financial year of the auditor; and any such list may be made available elsewhere on the website specified in regulation 4 provided that a clear link is established between the transparency report and such a list.	Appendix 6: Local Auditors (Transparency) Regulations 2020
h. A statement on the policies and practices of the transparency reporting local auditor designed to ensure that persons eligible for appointment as a local auditor continue to maintain their theoretical knowledge, professional skills and values at a sufficiently high level.	Section 6: Investing in exceptional talent and continuing education Appendix 3: Audit quality and culture – Our audit quality strategy Appendix 3: Audit quality and culture – Local audits
i. Turnover for the financial year of the transparency reporting local auditor to which the report relates, including the showing of the importance of the transparency reporting local auditor’s local audit work.	Section 7: Revenue and remuneration
j. Information about the basis for the remuneration of partners	Section 7: Revenue and remuneration – Partner remuneration



List of major local audits

Engagement	Sector	Type
Cambridgeshire County Council	Local Government	County Council
Cambridgeshire County Council Pension Fund	Local Government Pension Fund	Local Government Pension Fund
Central Bedfordshire Council	Local Government	Unitary Authority
Greater London Authority	Local Government	GLA and Functional Bodies
London Borough of Bromley	Local Government	London Borough Council
London Borough of Bromley Council Pension Fund	Local Government Pension Fund	Local Government Pension Fund
Merton Council	Local Government	London Borough Council
Merton Pension Fund	Local Government Pension Fund	Local Government Pension Fund
Middlesbrough Council	Local Government	Unitary Authority
Middlesbrough Pension Fund (Teesside)	Local Government Pension Fund	Local Government Pension Fund
Milton Keynes Council	Local Government	Unitary Authority
NHS Norfolk & Waveney Clinical Commissioning Group	NHS	Clinical Commissioning Group
NHS Norfolk & Waveney Integrated Care Board	NHS	Integrated Care Board
Police and Crime Commissioner for Hampshire	Local Government Police body	Police and Crime Commissioner
Police and Crime Commissioner for Kent	Local Government Police body	Police and Crime Commissioner
Police and Crime Commissioner for Sussex	Local Government Police body	Police and Crime Commissioner
Portsmouth Hospitals NHS Trust	NHS	NHS Trust
Reading Borough Council	Local Government	Unitary Authority
South Tyneside Council	Local Government	Metropolitan Borough Council
South Tyneside Pension Fund (Tyne & Wear)	Local Government Pension Fund	Local Government Pension Fund
Suffolk County Council	Local Government	County Council
Suffolk Pension Fund	Local Government Pension Fund	Local Government Pension Fund
Transport for London	Local Government	GLA and Functional Bodies
West Sussex County Council	Local Government	County Council
West Sussex Pension Fund	Local Government Pension Fund	Local Government Pension Fund



Appendix 7: EY UK Board Members' biographies

Appendix 7: EY UK 2023 TR – EY UK board members' biographies



Anna Anthony
Managing Partner, UK FSO

Anna Anthony is the EY UK Financial Services Managing Partner, responsible for over 250 partners and 5,000 employees serving clients in the banking, insurance and asset management sectors, and sits on the EY UK Board. With more than 20 years' experience advising the financial services sector across EMEIA markets, Anna has led on many large-scale projects, including high-profile mergers and acquisitions (M&A) and restructuring programmes. And, as a qualified tax accountant, she has extensive experience in providing and implementing

complex international tax advice to the world's largest financial institutions. She is also the European Client Service Partner for one of the largest international banking clients of EY UK.

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



Hywel Ball
UK Chair and UK&I Managing Partner

Hywel has been with EY for over 35 years, including 25 years as a partner. He has worked in the EY London, New York and Edinburgh offices, and has worked with leading multinational and FTSE listed organisations from across a range of sectors.

Before taking his current role as EY UK Chair and UK & Ireland Managing Partner in 2020, Hywel was the UK Head of Audit and Managing Partner of Assurance and was the signing audit partner on a number of FTSE 50 companies. During his tenure, Hywel drove an unrelenting focus on audit quality whilst also significantly growing both the audit and non-audit practices.

Hywel is a leading voice on the importance of long-term value creation and co-authored the EY Long-Term Value framework, which is designed to help companies measure and communicate the value they create for all stakeholders.

He led a proof of concept of this framework with the Coalition for Inclusive Capitalism and over 30 global participants, in an initiative called The Embankment Project. Hywel also led the auditors' advisory group for the Brydon review of the audit profession and was a member of the Advisory Board for the FRC's review of Corporate Reporting.

More widely, Hywel is passionate about the role that business plays in society. Under his leadership, EY in the UK has led the way in a number of areas, including entering into a 10-year zero carbon Power Purchase Agreement so that the majority of the energy EY UK uses will be zero carbon.

In addition, Hywel is a member of HM Treasury's Professional Services Council, the Corporate Advisory Group of the British Academy's Future of the Corporation Programme, and is a fellow of the Royal Society of Arts. He is also on the audit committee of The British Museum.



Lisa Cameron
General Counsel

Lisa assumed the role of General Counsel on becoming partner in 2006 and is responsible for legal and corporate governance issues affecting EY UK. Lisa and her team of 40 advise leadership and partners on matters of contract, regulation, transactions, litigation, employment and overall practice protection.

In the current environment, ethical conduct and decision making in all aspects of our work and behaviour are essential to building trust and protecting our reputation and that of our people, and a part of Lisa's role is supporting our people and organisation, to make the right decisions and behave in a professional and ethical manner.



Christabel Cowling
EY UK Head of Regulatory and Public Policy

Christabel has been with EY for over 20 years, having previously worked for PwC. She has extensive experience in auditing multinational listed groups under IFRS and of reporting accountant work for corporate transactions. As EY UK Head of Regulatory and Public Policy, Christabel leads our response to the UK's audit reforms and she is Chair of the

cross-firm Policy and Reputation Group. From the beginning of FY24 she took on the role of Managing Partner for EY UK Core Business Services (CBS). The CBS group provides support, knowledge, resources and tools that help EY deliver quality services to clients, win in the marketplace, and optimise growth and profitability.



Alison Duncan
Audit Partner

Alison has been with EY for 31 years, 20 of which as a partner, in which time she has been the Global Client Service and Lead Audit Partner on a number of FTSE 100 companies. Alison has a number of EY UK governance roles including Deputy Chair of the UK&I Regional Partner Forum and a member of both EY EMEIA Advisory Council and Global Governance Council. Alison is a member of the EY UK Board as a UK&I Partner Forum representative and chairs the EY UK Audit Committee.

Alison has held a number of leadership positions including UK&I Assurance Digital Assurance Leader and Managing Partner for People when she was a member of the UK Executive.

Alison is a board member and chairs the Finance Committee of Teach First, a charity committed to giving children facing the biggest barriers the chance to fulfil their potential through making our education system work for every child.



Jane Goldsmith
Managing Partner, Risk Management, EY UK

Jane Goldsmith was appointed Managing Partner Risk Management for EY UK on 01 November 2020. She has been a partner in EY UK since 2008. Before becoming EY UK Risk Leader, Jane was a consulting partner, focusing on CFO Advisory and latterly on Regulatory Remediation. She has

also held leading roles on the talent agenda, including Talent and Partner Matters Leader for the UK FSO practice, and Talent Leader for the EMEIA Advisory business.



Adam Munton
Capital Markets Partner

Adam has over 30 years' experience in professional services with experience spanning wholesale, retail and corporate banking, asset management and capital markets. Adam specialised in the management of large-scale delivery programmes, business change and IT transformation. He joined EY in 2014 after 24 years with Accenture where he was a Managing Director.

Adam is Client Service Partner for a number of the largest banking clients of EY UK with accountability for all aspects of the services provided across the EMEA region. Adam also has responsibility for Quality and Risk Management matters in the FSO Markets team. He has also been a UK FSO Partner Forum member for over three years. He joined the EY UK Board as a Partner Forum representative in October 2021.



Lynn Rattigan
EY UK Chief Operating Officer and EY Entrepreneur Of The Year™ UK Partner Sponsor

Lynn has spent her entire career in professional services. She has been a partner since 2001 and has held a number of leadership, management and client facing roles during that time. Lynn has been the Chief Operating Officer (COO) for EY UK for the last eight years, sitting on the EY UK executive management team and the EY UK LLP Board.

From a client perspective, Lynn has had an extensive and diverse range of client experiences throughout her career, having worked with a number of FTSE 100 companies, private equity houses and private companies. Lynn is also the Partner Sponsor for the iconic EY Entrepreneur Of The Year programme in the UK which celebrates, supports and connects entrepreneurs throughout the UK and across the globe.



Sundar Viswanathan
Strategy and Transactions Partner

Sundar Viswanathan has over 17 years' experience with EY UK, eight as a partner in the Strategy & Transactions Team. He currently focuses on advising private equity investors on complex carve-outs and businesses with significant value creation potential.

Prior to joining EY, Sundar gained eight years' experience in various roles, including audit, risk advisory and post-merger integration in professional services and corporate environments.



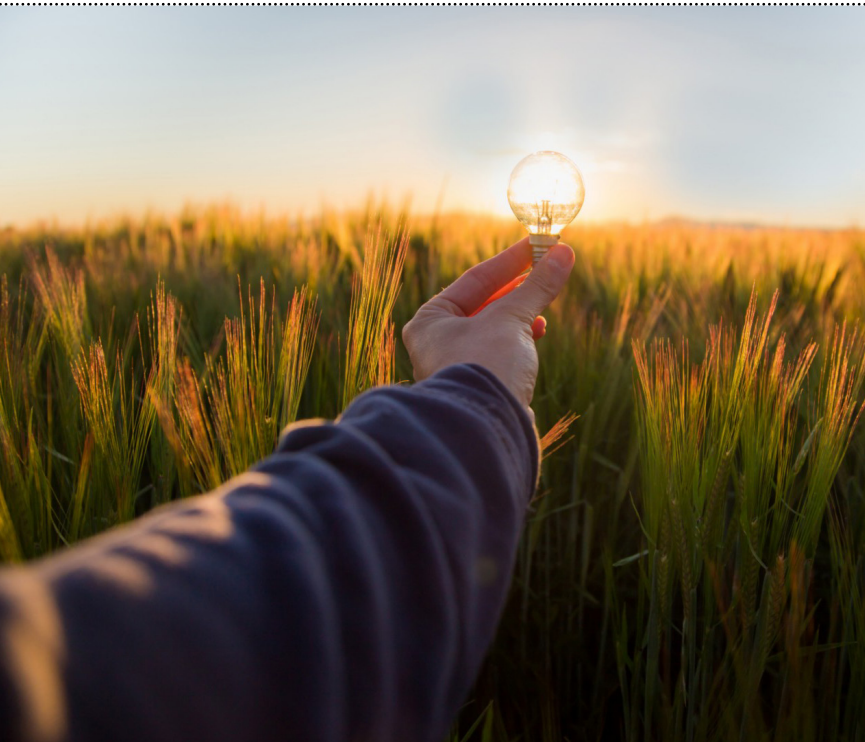
Andrew Walton
EY UK head of Audit

Andrew is EY UK Head of Audit and also a member of the EY UK Board. Andrew has been at EY for 32 years, the last 19 as a partner. Andrew has extensive experience of working with large listed corporations, notably in the consumer products sector.

Prior to his appointment as EY UK Head of Audit, he has held other leadership positions including EY UK&I Deputy Head

of Audit, EY UK&I Head of Assurance Markets and London Audit Leader. Andrew has had three secondments during his career: to our Toronto audit practice, to our talent function and to our commercial due diligence practice.

He is an Investment Committee member for the Social Business Trust.



Appendix 8: EY UK Non- Executives' biographies

Appendix 8: EY UK Non-Executives' biographies



Tonia Lovell

Tonia practised law for over 25 years, at Linklaters and then in-house at Unilever plc. During her 20 plus years at Unilever her roles included Chief Legal Officer, Group Secretary and General Counsel Corporate Governance. She was also previously a member of the External Advisory Committee to Royal London Asset Management's sustainability funds, a school governor and a member of the GC100 Executive Committee. Tonia is a qualified and experienced executive coach with a focus on coaching/mentoring members of the legal community.

Tonia was selected to chair the PIB in 2021 given her legal background and extensive governance experience at a plc level.

Tonia was appointed as an Independent Non-Executive to EY Global in January 2023 and as such is a member of EY Global Governance Council and chairs the EY Global Public Interest Committee.



David Thorburn (Resigned 11 January 2023, reappointed 01 May 2023)

David's career spans over 40 years in banking, with Clydesdale & Yorkshire Banks, TSB Group, the Bank of England, Barclays Bank UK PLC, and most recently the Coventry Building Society.

David has been pursuing a portfolio career since 2015. David is Chair of the Coventry Building Society and of the Chartered Banker Institute 2025 Foundation.

David is a Chartered Banker and former External Member of the Bank of England's Prudential Regulatory Committee. He is also a former Chairman of CBI Scotland, a Past President of The Chartered Institute of Bankers in Scotland, and former Board Director of the British Bankers Association and Scottish Financial Enterprise.

David was an EY Global INE, until stepping down in May 2022, at the end of his second and therefore last term. He was also Chair of the EY Public Interest Committee (Global). David was selected to chair the UKAB, given his corporate background and his in-depth understanding of the EY global approach to audits obtained through his role as a Global INE

David Thorburn, resigned in January with immediate effect in order to take on a role on the Transaction Committee for the proposed structural separation of the firm. Following the decision not to proceed with the structural separation, David was re-appointed as both an INE and ANE in May 2023, but did not resume the role of UKAB Chair.



Mridul Hegde (Resigned 18 September 2023)

Mridul Hegde CB has been an Independent Non-Executive Director of HSBC UK and Chair of its Risk Committee since 2018. She became a non-executive director of HSBC Innovation Banking in June 2023. She was also a Non-Executive Director of the UK Municipal Bonds Agency for three years. A former director of HM Treasury,

Mridul was part of the leadership team that designed and executed the UK government's support of the banking sector during the global financial crisis. Prior to that, she was HM Treasury's Director of Public Spending and held a number of other senior roles. Mridul brings significant experience of UK financial services and of the wider regulatory and governance ecosystem.



Philip Tew

Philip Tew is currently a NED and Chair of the Governance, Audit and Risk Committee (GARC) for Quilter Cheviot, a leading discretionary investment

management firm. He was previously a senior audit partner at PwC and worked there for 40 years, before leaving in 2018. Philip has a wealth of experience in the financial services sector and brings strong technical knowledge of financial reporting, accounting and auditing. He has worked extensively with boards, audit committees and management teams across large and listed companies.

Philip was selected to:

- ▶ Take the role of the doubly independent ANE, focussed exclusively on the audit practice, given his extensive experience as an audit partner. Following David Thorburn's resignation, Philip was also appointed as interim Chair of the UKAB.
- ▶ Chair the ABRemCo given both his audit experience and his experience as Chair of GARC for Quilter Cheviot.



New appointments

Two Non-Executives were recruited to EY UK in the first half of FY24: Ruth Anderson and Carl Hughes. They both joined as INEs and ANEs and sit on the PIB, UKAB and ABRemCo. Ruth has taken over from Philip Tew as Chair of the UKAB.



Ruth Anderson

Ruth is currently a Non-Executive Director and Chair of the audit committee of Shaftesbury Capital Plc, a London real estate investment trust. She has

previously held Non-Executive Director and audit committee chair roles at both listed companies and public sector organisations, including Ocado Group, Travis Perkins, Coats

Group and The Royal Parks. Ruth is a chartered accountant and trained as an auditor before specialising in corporate tax. She was a partner at KPMG for 20 years, before retiring in 2009. During her career at KPMG, Ruth was a UK board member and member of its audit committee for six years and served as Vice-Chair for five years.

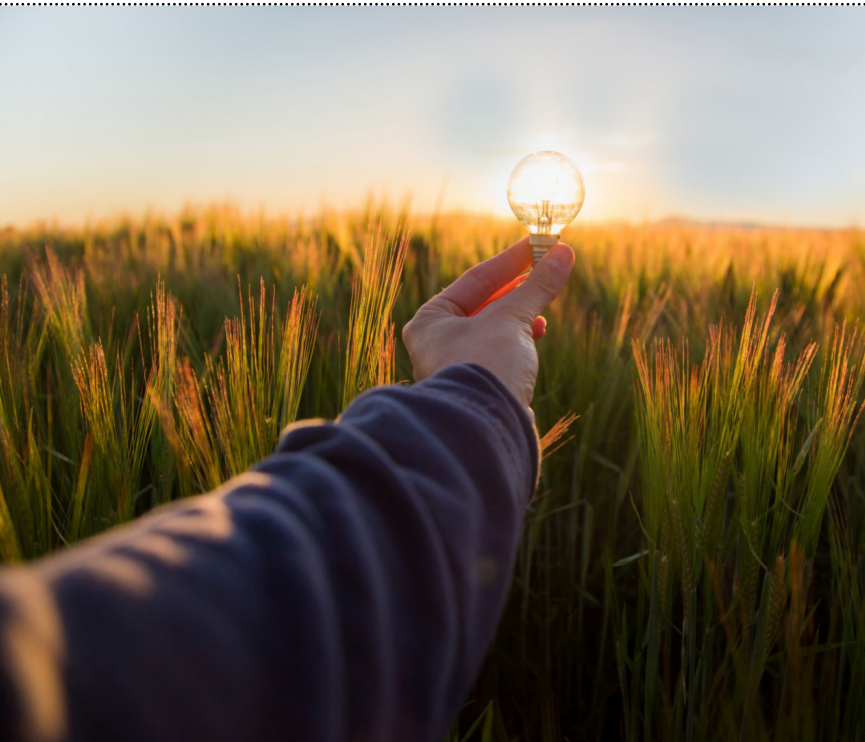


Carl Hughes

Carl has worked extensively with boards, audit committees and management teams across large and listed companies. Since retiring from Deloitte in 2015 as a Vice

Chairman, senior audit Partner and global head of its energy & resources practice, Carl has served on the board of the Audit Committee Chairs Independent Forum (ACCIF) and as a non-

executive director and audit committee chairman of EnQuest Plc and En+ Group. Carl is also a member of the General Synod of the Church of England and has recently been appointed as chairman of The Archbishops' Council Finance Committee and the Church's Strategic Mission & Ministry Investment Board which allocates funding received from the Church Commissioners.



Appendix 9: Meetings attendance

Appendix 9: Meetings attendance



Table of attendance

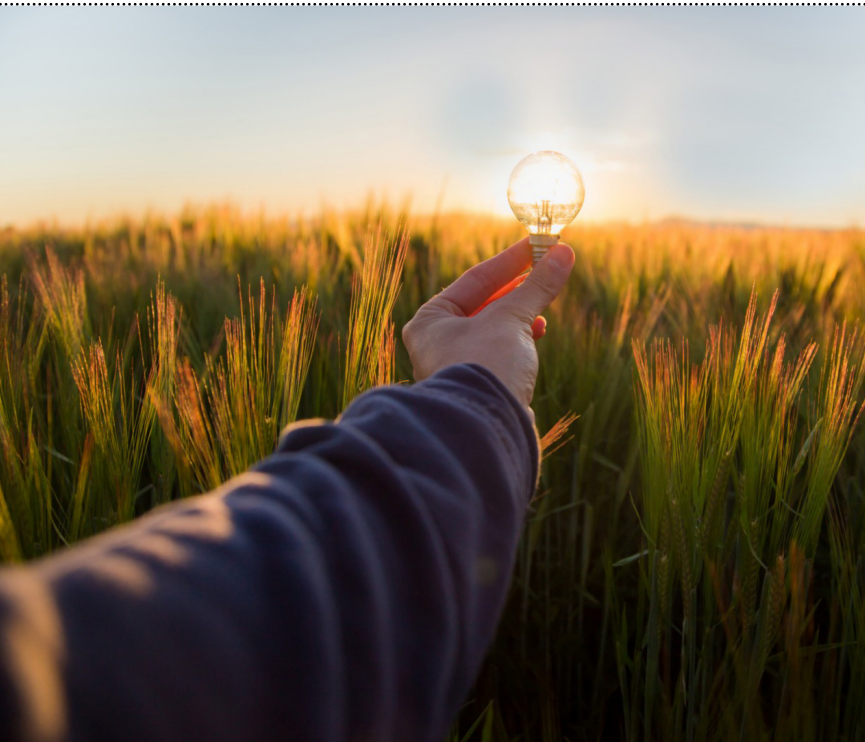
The following table shows the level of attendance at scheduled EY UK board and committee meetings in FY23.

	Board	PIB	UKAB	UKCC	AEC	NomCo	ROC	UKAC	ABRemCo	URC
Number of meetings in FY23	3*	4	6	10	4	1	8	4***	3	3
Michael-John Albert							4**			
Anna Anthony	3	4		8	3	1				3
Hywel Ball	3	4		9	4	1				2
Justine Belton			6							
Rodney Bonnard				6						
Chris Bowles							8			
Lloyd Brown								4		
Lisa Cameron	2			9						
Justine Campbell				9						
Jenny Clayton							6			
Christabel Cowling	3					1	5			
Alison Duncan	3							4		
Javier Faiz			6							
Jane Goldsmith	3	4		8			8	3		
Mridul Hegde		3	6						3	
Jon Hughes							5**			
Gavin Jordan				9						
Alison Kay				5						
Tonia Lovell	3	4	6			1			3	
Adam Munton	3									
Lynn Rattigan	2			8	4					3
Ally Scott				7						
Rupert Taylor				9						
Philip Tew			6						3	
Stuart Thomson							7			
David Thorburn	2**	3**	4**						2**	
Sundar Viswanathan	3					1				
Chris Voogd								3		
Andrew Walton	3		6							
Sarah Williams								3		
Stuart Wilson								4		

*Main board meetings are recorded here, but there were additional ad hoc meetings as and when required, and various decisions via electronic fora.

** Given these individuals' respective appointment/stand-down dates, they have attended all possible FY23 meetings they could for this particular body.

*** The UKAC meets at least twice annually. In relation to the FY23 financial reporting/audit cycle, it met five times and undertook the activities set out in the UKAC report on pages 88 and 89.



Appendix 10: Descriptions of roles

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Role	Brief description
EY UK Managing Partner and Chair	<ul style="list-style-type: none"> ▶ Leads the EY business in the UK including, among other responsibilities: <ul style="list-style-type: none"> ▶ Represents and promotes the interests of EY UK ▶ Provides leadership for the partners and employees of EY UK and its subsidiary undertakings ▶ Acts as the interface with regulators and governmental authorities ▶ Responsible for managing risk, public policy, inclusive growth and geostrategic service offerings
EY UK Head of Audit	<ul style="list-style-type: none"> ▶ Responsible for leading the UK audit practice (spanning companies, local authorities and entities in the financial services sector): <ul style="list-style-type: none"> ▶ Includes all aspects of audit quality, recruitment, resourcing and performance management ▶ Involves overseeing matters of risk management ▶ Liaison with all audit regulators and professional bodies
Managing Partner, EY UK FSO	<ul style="list-style-type: none"> ▶ Leads the UK FSO business and, among other things: <ul style="list-style-type: none"> ▶ Responsible for a team dedicated to serving the UK financial services industry ▶ Tracks engagement quality, recruitment, resourcing, performance management, and inclusive growth as well as overseeing matters of risk management ▶ Works closely with the UK Managing Partner to ensure consistency of practice across EY UK ▶ Acts as the interface with regulators and governmental authorities in financial services
EY UK Head of Regulatory & Public Policy	<ul style="list-style-type: none"> ▶ Responsible for managing regulatory risk of EY UK, including: <ul style="list-style-type: none"> ▶ Engagement with UK-based policy makers and regulators spanning auditing, corporate reporting, and corporate governance matters ▶ Works closely with senior EY colleagues, across EY UK and wider EY network, on regulatory matters with cross-firm and/or extraterritorial implications ▶ Leads a UK team of corporate governance and public policy subject matter experts
Managing Partner, Risk Management, EY UK	<ul style="list-style-type: none"> ▶ Responsible for managing risk and regulatory compliance for EY UK, including: <ul style="list-style-type: none"> ▶ Partner and staff personal independence ▶ Independence aspects of business relationships, acquisitions, conflicts and audit pursuits ▶ Enterprise risk management ▶ Reputational risk management ▶ Business resilience, comprising business continuity crisis management, health and safety, and physical security ▶ Compliance, comprising client due diligence, client and engagement acceptance and compliance policy setting and monitoring ▶ Support for client-facing teams in delivering quality and exceptional client service

Descriptions of roles (Cont'd)

Role	Brief description
General Counsel	<ul style="list-style-type: none"> ▶ Responsible for all legal issues affecting EY UK, advising leadership and partners on matters of: <ul style="list-style-type: none"> ▶ Contract ▶ Regulation ▶ Governance ▶ Transaction ▶ Litigation ▶ Employment ▶ Overall practice protection
EY UK Chief Operating Officer	<ul style="list-style-type: none"> ▶ Responsible for the day-to-day operations of EY UK, which encompasses: <ul style="list-style-type: none"> ▶ Management of the activities of people across all functional areas of EY UK ▶ Oversight of the financial performance of EY UK that results from the execution of strategy ▶ Manages external relationships with suppliers, lending banks, external auditors and the pension trustee
EY UK Country Professional Practice Director	<ul style="list-style-type: none"> ▶ A person designated by the Area PPD to be the Area PPD's representative for a Region. This person is responsible for: <ul style="list-style-type: none"> ▶ The provision of support to audit teams in matters relating to risk management and compliance with EY UK policies and procedures (e.g., audit and accounting technical and learning support) ▶ A first point-of-contact for internal consultation ▶ The Regional PPD consults with the Area PPD, when appropriate
EY UK Audit Compliance Principal	<ul style="list-style-type: none"> ▶ Responsible for ensuring: <ul style="list-style-type: none"> ▶ That EY UK complies with the audit regulations and any applicable obligation that is imposed by the Competent Authority ▶ To help ensure the monitoring required by these regulations is carried out satisfactorily and that any appropriate action is taken
Managing Partner, Scotland	<ul style="list-style-type: none"> ▶ Responsible for the day-to-day operations of the EY UK business in Scotland, which encompasses: <ul style="list-style-type: none"> ▶ Management of the activities of our people across all four offices in Scotland, in conjunction with Office Managing Partners and Service Line Leaders ▶ Planning, influencing, oversight and monitoring of the client coverage plan and financial performance of the Scotland region of EY UK, in line with the execution of EY UK strategy ▶ In partnership with the Head of the EY FSO business in Scotland, management of key external stakeholder relationships across the country, including Scottish government, Scottish Financial Enterprise, Institute of Chartered Accountants of Scotland (ICAS) and various trade and industry bodies
Chief Operating Officer, EY UK FSO	<ul style="list-style-type: none"> ▶ Responsible for the day-to-day operations of the UK FSO business, which forms part of EY UK: <ul style="list-style-type: none"> ▶ The UK FSO COO has oversight of the financial performance of the UK FSO business, as well as investment decisions and operating model changes ▶ The UK FSO COO works closely with the UK COO on EY UK financial and operational matters that impact the UK FSO business

Descriptions of roles (Cont'd)

Role	Brief description
Managing Partner, Talent	<ul style="list-style-type: none"> ▶ Leads the UK&I talent function, responsible for ensuring the effective delivery of talent strategies integral to the EY UK 'employee value proposition'. This includes the task of ensuring EY UK is: <ul style="list-style-type: none"> ▶ Seen as a truly multicultural international business, upholding its values whilst delivering on its purpose, ambition, and employee value proposition ▶ Includes the leadership of the HR Team ▶ Involves the responsibility of leading the Partner Matters Team, spanning the pastoral care of the UK&I partner group and annual succession planning, among other things
Managing Partner, EY UK FSO Talent	<ul style="list-style-type: none"> ▶ Responsible for leading the development, implementation, and monitoring of the UK FSO talent strategy, as part of the EY EMEIA FSO talent strategy: <ul style="list-style-type: none"> ▶ Responsible for coordinating partner matters for UK FSO partners ▶ Works closely with the EMEIA FSO Talent Lead, to ensure alignment with the EMEIA FSO region, and with EY UK Managing Partner, Talent, to ensure consistency of practice across the EY UK
EY UK Managing Partner, Client Service	<ul style="list-style-type: none"> ▶ Responsible for the execution of the EY UK strategy and has overall responsibility for the service lines and markets organisation so that partners and staff can provide exceptional service, wherever EY UK clients do business. This includes: <ul style="list-style-type: none"> ▶ Leads on the development and execution of the EY UK growth strategy ▶ Accountable for the EY UK financial performance across all service lines, markets, accounts and functional areas of EY UK ▶ Responsible for the development and execution of the investment strategy to support the growth ambition of EY UK including acquisitions, technology and people
Markets Leader, EY UK FSO	<ul style="list-style-type: none"> ▶ Responsible for the 'go-to market' approach for UK FSO, which: <ul style="list-style-type: none"> ▶ Ensures that EY has a strong and appropriate 'client centricity' and 'go-to market strategy' across three EY sectors – Banking and Capital Markets, Wealth and Asset Management and Insurance ▶ Reviews and ensures that EY has the appropriate level of client service (including Assessment of Service Quality process) ▶ Supports the business with its horizon scanning to help ensure that EY understands client needs in order to build and align its capability and solutions ▶ Manages the 'markets function' within UK FSO
EY UK FSO Head of Audit	<ul style="list-style-type: none"> ▶ Responsible for the FSO Audit practice, under the leadership of the UK Head of Audit, including: <ul style="list-style-type: none"> ▶ All aspects of audit quality, recruitment, resourcing, and performance management ▶ Involves overseeing matters of risk management ▶ Works closely with the UK Head of Audit to ensure consistency of practice across EY UK



Glossary

Glossary



Abbreviation	Definition
ABRemCo	Audit Board Remuneration Committee
AEC	Accountable Executive Committee
AFGC	Audit Firm Governance Code or 'the Code'
AI	Artificial Intelligence
AML	Anti-Money Laundering
AMP	Assurance Managing Partner
ANE	Audit Non-Executive
AQE	Audit Quality Executive Committee
AQIs	Audit Quality Indicators
AQR	Audit Quality Review
AQST	Audit Quality Support Team
BRIDGE	Business Relationships Independence Data Gathering and Evaluation
CRGC	Corporate Responsibility Governance Council
DE&I	Diversity, Equity and Inclusiveness
EMEIA	Europe, Middle East, India and Africa
EMEIA Limited	Ernst & Young (EMEIA) Limited
EOE	Europe Operating Executive
ERM	Enterprise Risk Management
ES	Ethical Standard
ESG	Environmental, social and governance
EVP	Employee Value Proposition
EU	European Union
EY	Refers collectively to the global organisation of member firms of EYG
EY Europe	Ernst & Young Europe LLP
EY GAM	EY Global Audit Methodology
EYG	Ernst & Young Global Limited
EY Helix	EY Helix global analytics suite
EY SAM	EY Sustainability Assurance Methodology
EY UK	Refers to a limited liability partnership incorporated in England & Wales which is a member firm of Ernst & Young Global Limited (EYG), a UK company limited by guarantee.
FRC	Financial Reporting Council
FSO	Financial Services Organisation
GAAP	Generally Accepted Accounting Principles
GAM	General Audit Methodology

Glossary (Cont'd)

Abbreviation	Definition
GAQC	Global Audit Quality Committee
GARC	Governance, Audit and Risk Committee
GDPR	General Data Protection Regulation
GDS	Global Delivery Services
GE	Global Executive
GGC	Global Governance Council
GIP	Global Independence Policy
GIS	Global Independence System
Global PPD	Global Professional Practice Director
GMS	Global Monitoring System
GRS	Global Retention Schedule
GSAQ	Global Sustainable Audit Quality
GSET	Global Social Equity Task Force
IAASB	International Auditing and Assurance Standards Board
ICAEW	Institute of Chartered Accountants in England and Wales
IESBA	International Ethics Standards Board for Accountants
IFIAR	International Forum of Independent Audit Regulators
IFRS	International Financial Reporting Standards
INE	Independent Non-Executive
ISAs	International Standards of Auditing
ISAEs	International Standards on Assurance Engagements
ISQC 1	International Standard on Quality Control 1
ISQM 1	International Standard on Quality Management 1
ISQM (UK) 1	International Standard on Quality Management (UK) 1
ISSB	International Sustainability Standards Board
KAPs	Key Audit Partners
KPIs	Key performance indicators
KYC	Know Your Client
LLP	Limited Liability Partnership
MSA	Managed Shared Audits
NEs	Non-Executives
NOCLAR	Non-Compliance with Laws And Regulations
NomCo	Nomination Committee
OECD	Organisation for Economic Cooperation and Development
OAQR	Other Assurance Quality Review
PACE	Process for Acceptance of Clients and Engagements
PCAOB	US Public Company Accounting Oversight Board
PIB	Public Interest Board

Glossary (Cont'd)

Abbreviation	Definition
PICs	Partners in Charge
PICT	Personal Independence Compliance Testing
PIEs	Public interest entities
PLOT	Purpose-Led Outcome Thinking
PPAs	Power Purchase Agreements
PPD	Professional Practice Director
PQE	Positive Quality Events
PRG	Policy and Reputation Group
QAD	Quality Assurance Department
QEL	Quality Enablement Leaders
QOs	Quality Occurrences
RCA	Root Cause Analysis
RIs	Responsible individuals
RM	Risk Management
RIM	Records and Information Management
ROC	Risk Oversight Committee
RPF	Regional Partner Forum
SAQ	Sustainable Audit Quality
SBTi	Science Based Target initiatives
SDGs	Sustainable Development Goals
SEC	US Securities and Exchange Commission
SORT	Service Offering Reference Tool
SQM	System of Quality Management
UK	United Kingdom
UKAB	UK Audit Board
UKAC	UK Audit Committee
UKCC	UK Country Committee
UKCGC	UK Corporate Governance Code
UK&I	UK and Ireland
UKMP	UK Managing Partner
UKQEL	UK Quality Enablement Leaders
UKSAQ	UK Sustainable Audit Quality
UNGC	United Nations Global Compact
URC	Ultimate Responsibility Committee

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