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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of Ernst & Young AG,

Respondent.

PCAOB Release No. 105-2024-039

September 24, 2024

By this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions (“Order”), the Public Company Accounting Oversight Board (“Board” or “PCAOB”) is:

- (1) censuring Ernst & Young AG (“EY Switzerland,” the “Firm,” or “Respondent”);
- (2) imposing a civil money penalty in the amount of \$45,000 upon the Firm; and
- (3) requiring the Firm to comply with its policies and procedures directed toward ensuring compliance with PCAOB standards for communications with audit committees.

The Board is imposing these sanctions on the basis of its findings that the Firm failed to make certain required communications to the audit committee of its issuer audit client, STMicroelectronics N.V. (“STMicroelectronics”), in violation of AS 1301, *Communications with Audit Committees*.

I.

The Board deems it necessary and appropriate, for the protection of investors and to further the public interest in the preparation of informative, accurate, and independent audit reports, that disciplinary proceedings be, and hereby are, instituted against Respondent pursuant to Section 105(c) of the Sarbanes-Oxley Act of 2002, as amended (the “Act”), and PCAOB Rule 5200(a)(1).

II.

In anticipation of the institution of these proceedings, and pursuant to PCAOB Rule 5205, EY Switzerland has submitted an Offer of Settlement (“Offer”) that the Board has determined to accept. Solely for purposes of these proceedings and any other proceedings brought by or on behalf of the Board, or to which the Board is a party, and without admitting or denying the findings herein, except as to the Board’s jurisdiction over Respondent and the subject matter of these proceedings, which is admitted, Respondent consents to the entry of this Order as set forth below.¹

III.

On the basis of Respondent’s Offer, the Board finds that:

A. Respondent

1. **Ernst & Young AG** is a public limited liability company with headquarters in Basel, Switzerland, and is a member firm of Ernst & Young Global Limited (“EY Global”). At all relevant times, EY Switzerland was registered with the Board pursuant to Section 102 of the Act and PCAOB rules. During the period covered by this Order, the Firm annually served as the principal auditor for six issuer clients.

B. Issuer

2. **STMicroelectronics N.V.** is a corporation organized under the laws of The Netherlands, with its corporate legal seat in Amsterdam, The Netherlands, and executive offices in Schiphol, The Netherlands. Its public filings disclose that it is a semiconductor company that designs, develops, manufactures, and markets a range of products. At all relevant times, STMicroelectronics was an “issuer” as that term is defined in Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii). On February 24, 2022, EY Switzerland issued an audit opinion on STMicroelectronics’ consolidated financial statements that STMicroelectronics included in its Form 20-F filed with the U.S. Securities and Exchange Commission for the year ended December 31, 2021 (the “2021 Audit”).

C. Other Relevant Entities

3. **EY & Associates** (“EY France”) is a simplified joint stock company headquartered in Courbevoie, France, and is a member firm of EY Global. At all relevant

¹ The findings herein are made pursuant to the Firm’s Offer and are not binding on any other person or entity in this or any other proceeding.

times, EY France was registered with the Board pursuant to Section 102 of the Act and PCAOB rules. EY France performed audit procedures in the 2021 Audit.

4. **Ernst & Young LLP** (“EY Singapore”) is a limited liability partnership headquartered in Singapore, and is a member firm of EY Global. At all relevant times, EY Singapore was registered with the Board pursuant to Section 102 of the Act and PCAOB rules. EY Singapore performed audit procedures in the 2021 Audit.

5. **EY S.p.A.** (“EY Italy”) is a corporation headquartered in Milan, Italy, and is a member firm of EY Global. At all relevant times, EY Italy was registered with the Board pursuant to Section 102 of the Act and PCAOB rules. EY Italy performed audit procedures in the 2021 Audit.

6. **Ernst & Young LLP** (“EY U.S.”) is a limited liability partnership headquartered in New York, New York, and is a member firm of EY Global. At all relevant times, EY US was registered with the Board pursuant to Section 102 of the Act and PCAOB rules. EY US performed audit procedures in the 2021 Audit.

7. **Ernst & Young PLT** (“EY Malaysia”) is a partnership headquartered in Kuala Lumpur, Malaysia, and is a member firm of EY Global. At all relevant times, EY Malaysia was registered with the Board pursuant to Section 102 of the Act and PCAOB rules. EY Malaysia performed audit procedures in the 2021 Audit.

8. **Ernst & Young Hua Ming LLP** (“EY Beijing”) is a limited liability partnership headquartered in Beijing, China, and is a member firm of EY Global. At all relevant times, EY Beijing was registered with the Board pursuant to Section 102 of the Act and PCAOB rules. EY Beijing performed audit procedures in the 2021 Audit.

9. **SyCip Gorres Velayo & Co.** (“EY Philippines”) is a partnership headquartered in Makati City, Philippines, and is a member firm of EY Global. At all relevant times, EY Philippines was registered with the Board pursuant to Section 102 of the Act and PCAOB rules. EY Philippines performed audit procedures in the 2021 Audit.

10. **Ernst & Young Malta Limited** (“EY Malta”) is a partnership headquartered in Msida, Malta, and is a member firm of EY Global. At all relevant times, EY Malta was registered with the Board pursuant to Section 102 of the Act and PCAOB rules. EY Malta performed audit procedures in the 2021 Audit.

11. **Ernst & Young Audit** (“EY France Audit”) is a limited liability corporation headquartered in Courbevoie, France, and is a member firm of EY Global. At all relevant times, EY France Audit was registered with the Board pursuant to Section 102 of the Act and PCAOB rules. EY France Audit performed audit procedures in the 2021 Audit.

12. **Ernst & Young ShinNihon LLC** (“EY Japan”) is a corporation headquartered in

Tokyo, Japan, and is a member firm of EY Global. At all relevant times, EY Japan was registered with the Board pursuant to Section 102 of the Act and PCAOB rules. EY Japan performed audit procedures in the 2021 Audit.

13. **Ernst & Young LLP** (“EY U.K.”) is a limited liability partnership headquartered in London, Great Britain, and is a member firm of EY Global. At all relevant times, EY U.K. was registered with the Board pursuant to Section 102 of the Act and PCAOB rules. EY U.K. performed audit procedures in the 2021 Audit.

14. **Ernst & Young Sarl** (“EY Morocco”) is headquartered in Casablanca, Morocco, and is a member firm of EY Global. EY Morocco is not currently, and never has been, registered with the Board. EY Morocco performed audit procedures in the 2021 Audit.

15. **Ernst & Young** (“EY Hong Kong”) is a partnership headquartered in Hong Kong, China, and is a member firm of EY Global. At all relevant times, EY Hong Kong was registered with the Board pursuant to Section 102 of the Act and PCAOB rules. EY Hong Kong performed audit procedures in the 2021 Audit.

16. **Ernst & Young** (“EY Australia”) is a partnership headquartered in Sydney, Australia, and is a member firm of EY Global. At all relevant times, EY Australia was registered with the Board pursuant to Section 102 of the Act and PCAOB rules. EY Australia performed audit procedures in the 2021 Audit.

17. **Ernst & Young Accountants LLP** (“EY Netherlands”) is a limited liability partnership headquartered in Rotterdam, Netherlands, and is a member firm of EY Global. At all relevant times, EY Netherlands was registered with the Board pursuant to Section 102 of the Act and PCAOB rules. EY Netherlands performed audit procedures in the 2021 Audit.

18. The entities described in paragraphs 3 through 17 are “public accounting firms,” as that term is defined in Section 2(a)(11) of the Act and PCAOB Rule 1001(p)(iii).

D. EY Switzerland Failed to Make Required Audit Committee Communications in Violation of AS 1301

19. Pursuant to PCAOB auditing standards, an auditor should communicate with a company’s audit committee regarding certain matters related to the conduct of an audit and obtain certain information from the audit committee relevant to the audit.² The auditor should communicate to the audit committee an overview of the overall audit strategy, including the

² AS 1301.01, *Communications with Audit Committees*.

timing of the audit, and discuss with the audit committee the significant risks identified during the auditor's risk assessment procedures.³

20. PCAOB standards specify that each auditor, as part of communicating the overall audit strategy, should communicate with the audit committee the names, locations, and planned responsibilities of other independent public accounting firms⁴ or other persons, who were not employed by the auditor, that performed audit procedures in the current period audit.⁵

21. In connection with the 2021 Audit, EY Switzerland failed to inform the audit committee of STMicroelectronics of the name, location, and planned responsibilities of the following independent public accounting firms that performed audit procedures in the 2021 Audit: EY France, EY Singapore, EY Italy, EY U.S., EY Malaysia, EY Beijing, EY Philippines, EY Malta, EY France Audit, EY Japan, EY U.K., EY Morocco, EY Hong Kong, EY Australia, and EY Netherlands.

22. Accordingly, EY Switzerland violated AS 1301.10d in connection with the 2021 Audit.

³ *Id.* at .09. In the adopting release for Auditing Standard No. 16 (now known as AS 1301) ("AS 1301 Adopting Release"), the Board indicated that "[c]ommunications between the auditor and the audit committee allow the audit committee to be well-informed about accounting and disclosure matters, including the auditor's evaluation of matters that are significant to the financial statements, and to be better able to carry out its oversight role." See *Auditing Standard No. 16—Communications With Audit Committees; Related Amendments to PCAOB Standards; and Transitional Amendments to AU Sec. 380*, PCAOB Rel. No. 2012-004, at 2 (August 15, 2012).

⁴ The term "other independent public accounting firms" includes "firms that perform audit procedures in the current period audit regardless of whether they otherwise have any relationship with the auditor." AS 1301.10d, Note.

⁵ *Id.* In the AS 1301 Adopting Release, the Board explained the rationale for identifying other independent public accounting firms for the audit committee as follows: "The audit committee should be aware of all the participants in the audit. This communication regarding other participants in the audit would enable the audit committee to inquire or otherwise determine, for example, whether the other participants are registered with the Board and are subject to PCAOB inspections and whether they have disciplinary history with the Board or other regulators." AS 1301 Adopting Release at Appendix 4, p. A4-15.

IV.

23. EY Switzerland has represented to the Board that, since this deficiency was identified by the PCAOB during its 2021 inspection, it has implemented updated audit planning and results guidance for communicating the names, locations, and planned responsibilities of other independent public accounting firms performing audit procedures in an audit for the purpose of providing EY Switzerland with reasonable assurance of compliance with PCAOB standards for communications with audit committees.

V.

In view of the foregoing, and to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports, the Board determines it appropriate to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), the Firm is hereby censured;
- B. Pursuant to Section 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4), a civil money penalty in the amount of \$45,000 is imposed upon the Firm.
 - 1. All funds collected by the Board as a result of the assessment of this civil money penalty will be used in accordance with Section 109(c)(2) of the Act.
 - 2. The Firm shall pay this civil money penalty within ten (10) days of the issuance of this Order by: (1) wire transfer pursuant to instructions provided by Board staff; or (2) United States Postal Service money order, bank money order, certified check, or bank cashier's check (a) made payable to the Public Company Accounting Oversight Board, (b) delivered to the Office of Finance, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006, and (c) submitted under a cover letter, which identifies the Firm as a respondent in these proceedings, sets forth the title and PCAOB release number of these proceedings, and states that payment is made pursuant to this Order, a copy of which cover letter and money order or check shall be sent to Office of the Secretary, Attention: Phoebe W. Brown, Secretary, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006.

3. If timely payment is not made, additional interest shall accrue at the federal debt collection rate set for the current quarter pursuant to 31 U.S.C. § 3717. Payments shall be applied first to post-Order interest.
 4. With respect to any civil money penalty amounts that Respondent shall pay pursuant to this Order, Respondent shall not, directly or indirectly (a) seek or accept reimbursement or indemnification from any source including, but not limited to, any current or former affiliated firm or professional or any payment made pursuant to any insurance policy; (b) claim, assert, or apply for a tax deduction or tax credit in connection with any federal, state, local, or foreign tax; nor (c) seek or benefit by any offset or reduction of any award of compensatory damages, by the amount of any part of Respondent's payment of the civil money penalty pursuant to this Order, in any private action brought against Respondent based on substantially the same facts as set out in the findings in this Order.
 5. Respondent understands that failure to pay the civil money penalty described above may result in summary suspension of Respondent's registration, pursuant to PCAOB Rule 5304(a), following written notice to Respondent at the address on file with the PCAOB at the time of the issuance of this Order.
- C. Pursuant to Section 105(c)(4)(G) of the Act and PCAOB Rule 5300(a)(9), EY Switzerland is required to comply with its audit committee communications policies and procedures, including those intended to provide reasonable assurance that, as part of communicating its overall audit strategy, EY Switzerland communicates with the audit committee the names, locations, and planned responsibilities of other independent public accounting firms or other persons, who were not employed by the auditor, that performed audit procedures in the audit.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

September 24, 2024