2023 Inspection Ernst & Young Incorporated

(Headquartered in Johannesburg, South Africa)

June 21, 2024

THIS IS A PUBLIC VERSION OF A PCAOB INSPECTION REPORT

PORTIONS OF THE COMPLETE REPORT ARE OMITTED FROM THIS DOCUMENT IN ORDER TO COMPLY WITH SECTIONS 104(g)(2) AND 105(b)(5)(A) OF THE SARBANES-OXLEY ACT OF 2002

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2023 INSPECTION

In the 2023 inspection of Ernst & Young Incorporated, the Public Company Accounting Oversight Board (PCAOB) assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of public companies. Our inspection was conducted in cooperation with the South African Independent Regulatory Board for Auditors.

We selected for review three audits of issuers with fiscal years ending in 2022. For each issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm's system of quality control.

2023 Inspection Approach

In selecting issuer audits for review, we use a risk-based method of selection. We make selections based on (1) our internal evaluation of audits we believe have a heightened risk of material misstatement, including those with challenging audit areas, and (2) other risk-based characteristics, including issuer and firm considerations. In certain situations, we may select all of the firm's issuer audits for review.

When we review an audit, we do not review every aspect of the audit. Rather, we generally focus our attention on audit areas we believe to be of greater complexity, areas of greater significance or with a heightened risk of material misstatement to the issuer's financial statements, and areas of recurring deficiencies. We may also select some audit areas for review in a manner designed to incorporate unpredictability.

Our selection of audits for review does not necessarily constitute a representative sample of the firm's total population of issuer audits. Additionally, our inspection findings are specific to the particular portions of the issuer audits reviewed. They are not an assessment of all of the firm's audit work or of all of the audit procedures performed for the audits reviewed.

View the details on the scope of our inspections and our inspections procedures.

OVERVIEW OF THE 2023 INSPECTION

The following information provides an overview of our 2023 inspection. We use a risk-based method to select audits for review and to identify areas on which we focus our review. Because our inspection process evolves over time, it can, and often does, focus on a different mix of audits and audit areas from inspection to inspection and firm to firm. Further, a firm's business, the applicable auditing standards, or other factors can change from the time of one inspection to the next. As a result of these variations, we caution that our inspection results are not necessarily comparable over time or among firms.

Firm Data and Audits Selected for Review

	2023
Firm data	
Total issuer audit clients in which the firm was the principal auditor	2
Total issuer audits in which the firm was not the principal auditor	6
Total engagement partners on issuer audit work[1]	8
Audits reviewed	
Total audits reviewed[2]	3
Audits in which the firm was the principal auditor	1
Audits in which the firm was not the principal auditor	2
Integrated audits of financial statements and internal control over financial reporting (ICFR)	3
Audits with Part I.A deficiencies	3
Percentage of audits with Part I.A deficiencies	100%

If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In many cases, the firm has performed remedial actions after the deficiency was identified. Depending on the circumstances, remedial actions may include performing additional

[1] The number of engagement partners on issuer audit work represents the total number of firm personnel (not necessarily limited to personnel with an ownership interest) who had primary responsibility for an issuer audit (as defined in AS 1201, *Supervision of the Audit Engagement*) or for the firm's role in an issuer audit during the twelve-month period preceding the outset of the inspection.

[2] The population from which audits are selected for review includes both audits for which the firm was the principal auditor and those where the firm was not the principal auditor but played a role in the audit.

audit procedures, informing management of the issuer of the need for changes to the financial statements or reporting on ICFR, or taking steps to prevent reliance on prior audit reports.

Our inspection may include a review, on a sample basis, of the adequacy of a firm's remedial actions, either with respect to previously identified deficiencies or deficiencies identified during the current inspection. If a firm does not take appropriate actions to address deficiencies, we may criticize its system of quality control or pursue a disciplinary action.

If we include a deficiency in our report — other than those deficiencies for audits with incorrect opinions on the financial statements and/or ICFR — it does not necessarily mean that the issuer's financial statements are materially misstated or that undisclosed material weaknesses in ICFR exist. It is often not possible for us to reach a conclusion on those points based on our inspection procedures and related findings because, for example, we have only the information that the auditor retained and the issuer's public disclosures. We do not have direct access to the issuer's management, underlying books and records, and other information.

Audit Areas Most Frequently Reviewed

This table reflects the audit areas we have selected most frequently for review in the 2023 inspection. For the issuer audits selected for review, we selected these areas because they were generally significant to the issuer's financial statements, may have included complex issues for auditors, and/or involved complex judgments in (1) estimating and auditing the reported value of related accounts and disclosures and (2) implementing and auditing the related controls.

2023	
Audit area	**Audits reviewed**
Revenue and related accounts	3
Cash and cash equivalents	3
Long-lived assets	2
Inventory	1

PART I: INSPECTION OBSERVATIONS

Part I.A of our report discusses deficiencies, if any, that were of such significance that we believe the firm, (1) at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s) on the issuer's financial statements and/or ICFR or (2) in audit(s) in which it was not the principal auditor, had not obtained sufficient appropriate audit evidence to fulfill the objectives of its role in the audit.

Part I.B discusses certain deficiencies, if any, that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s) or fulfill the objectives of its role in the audit(s). This section does not discuss instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

Part I.C discusses instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules, if any, related to maintaining independence.

Consistent with the Sarbanes-Oxley Act ("Act"), it is the Board's assessment that nothing in Part I of this report deals with a criticism of, or potential defect in, the firm's quality control system. We discuss any such criticisms or potential defects in Part II. Further, you should not infer from any Part I deficiency, or combination of deficiencies, that we identified a quality control finding in Part II. Section 104(g)(2) of the Act restricts us from publicly disclosing Part II deficiencies unless the firm does not address the criticisms or potential defects to the Board's satisfaction no later than 12 months after the issuance of this report.

Classification of Audits with Part I.A Deficiencies

Within Part I.A of this report, we classify each issuer audit in one of the categories discussed below based on the Part I.A deficiency or deficiencies identified in our review.

The purpose of this classification system is to group and present issuer audits by the number of Part I.A deficiencies we identified within the audit as well as to highlight audits with an incorrect opinion on the financial statements and/or ICFR.

Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

This classification includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's financial statements were determined to be materially misstated, and the issuer restated its financial statements. It also includes instances where a deficiency was identified in connection with our inspection and, as a result, an issuer's ICFR was determined to be ineffective, or there were additional material weaknesses that the firm did not identify, and the firm withdrew its opinion, or revised its report, on ICFR.

This classification does not include instances where, unrelated to our review, an issuer restated its financial statements and/or an issuer's ICFR was determined to be ineffective. We include any deficiencies identified in connection with our reviews of these audits in the audits with multiple deficiencies or audits with a single deficiency classification below.

Audits with Multiple Deficiencies

This classification includes instances where multiple deficiencies were identified that related to a combination of one or more financial statement accounts, disclosures, and/or important controls in an ICFR audit.

Audits with a Single Deficiency

This classification includes instances where a single deficiency was identified that related to a financial statement account or disclosure or to an important control in an ICFR audit.

PART I.A: AUDITS WITH UNSUPPORTED OPINIONS

This section of our report discusses the deficiencies identified, by specific issuer audit reviewed, in the audit work (1) supporting the firm's opinion(s) on the issuer's financial statements and/or ICFR and (2) in audit(s) in which it was not the principal auditor, to fulfill the objectives of its role in the audit.

We identify each issuer by a letter (e.g., Issuer A). Each deficiency could relate to several auditing standards, but we reference the PCAOB standard that most directly relates to the requirement with which the firm did not comply.

We present issuer audits below within their respective deficiency classifications (as discussed previously). Within the classifications, we generally present the audits based on our assessment as to the relative significance of the identified deficiencies, taking into account the significance of the financial statement accounts and/or disclosures affected, and/or the nature or extent of the deficiencies.

Audits with an Incorrect Opinion on the Financial Statements and/or ICFR

None

Audits with Multiple Deficiencies

Issuer A – Materials

Type of audit and related areas affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Inventory** and **Revenue**.

Description of the deficiencies identified

With respect to **Inventory**, for which the firm identified a significant risk:

The issuer used multiple information-technology (IT) systems to initiate, process, and record inventory and inventory-related transactions. In its testing of controls over inventory, the firm tested various automated and IT-dependent manual controls that used data and reports generated or maintained by these IT systems. As a result of the following deficiencies in the firm's testing of IT general controls (ITGCs) over certain of these IT systems, the firm's testing of these automated and IT-dependent controls was not sufficient. (AS 2201.46)

With respect to user access:

The issuer's IT systems had development, testing/quality assurance (QA), and production environments. Changes to the IT systems were typically tested in the testing environment prior to their migration to the production environment. Changes could, however, be made directly in the production environment in certain situations on an emergency basis.

The firm performed a review of the security settings in place over certain of the issuer's accounting systems using an unapproved custom software audit tool that included tests of privileged access, password settings, and client production settings. The firm also selected for testing a control over user access to the production environment of these IT systems that consisted of (1) a security setting in these systems that would not allow any direct changes to be made in the production environment by any user and (2) management's review and approval of a system-generated report that listed any changes made to the system security settings. The following deficiencies were identified:

- The firm did not perform any procedures to evaluate the reliability of the information produced from the custom software audit tool that was used to test the security settings of these IT systems. (AS 1105.04 and .06)

- The firm did not select for testing any instances in which the control over user access to the production environment of these IT systems operated because there were no changes made to the system security settings during the periods that were selected for testing. (AS 2201.42 and .44)

The issuer managed the provisioning of emergency privileged access rights, which allowed users with such rights to make direct changes to the production environments of certain IT systems. The firm selected for testing controls over the assignment of privileged access rights for these systems that consisted of the system administrators' review and approval of privileged access requests. The following deficiencies were identified:

- The firm did not evaluate the specific review procedures that the control owners performed to assess the appropriateness of the provisioning and activity during the privileged access sessions to ensure that only approved activity was executed on these systems. (AS 2201.42 and .44)

- For one control, the firm did not perform sufficient procedures to test, or test any controls over, the completeness of the population of privileged access requests from which it made its selection for testing because the firm limited its selection to the population of active accounts of users with privileged access rights. (AS 1105.10) In addition, the number of privileged access requests selected for testing did not provide sufficient appropriate audit evidence because the firm limited its selection to one account for one month and did not perform any procedures to test the effectiveness of the control over the remaining audit period. (AS 2201.46)

Access to another IT system was controlled through the assignment of roles, such as "read-only," "edit," and "administrator," to users for access to this system and related database for the accounting tables and modules. The firm selected for testing a control over user access to this system and related database that consisted of management's periodic review of a list of users with administrator roles to determine whether (1) the assignment of such roles was authorized, (2) the access profiles were valid, and (3) all manual changes made to the tables agreed to an approved change request. The following deficiencies were identified:

- The firm did not identify and test any controls over the accuracy and completeness of the reports used in the operation of the control. (AS 2201.39)

- The firm did not evaluate the specific review procedures that the control owners performed to determine whether access was appropriate and that the roles were adequately restricted or granted to users to prevent unauthorized and inappropriate access to this system and related database. (AS 2201.42 and .44)

With respect to change management:

The firm selected for testing change management controls over an IT system that consisted of the documentation, review, testing, and approval of changes in the testing/QA environment prior to their migration into production. The firm did not obtain evidence that testing was performed and reviewed by the control owners for nearly half of the system changes selected for testing. (AS 2201.42 and .44)

The firm selected for testing change management controls over another IT system that consisted of the (1) approval of changes after deployment in the production environment by the business users to confirm that they were satisfied with the changes and had tested them, (2) periodic review of a list of all manual changes made to the accounting database tables by users with direct database access to verify that all changes agreed to an approved change request, and (3) review and approval of all direct changes made to published data. The following deficiencies were identified:

- For the first control, the firm did not perform procedures to test, or test any controls over, the completeness of the population of changes from which it made its selections for testing. (AS 1105.10) In addition, the firm did not evaluate the specific review procedures that the control owner or business users performed to validate and approve the appropriateness of the migrated changes to the production environment. (AS 2201.42 and .44)

- For the second control, the firm did not evaluate the effect of the control owner excluding certain information when performing the control on the control's ability to effectively prevent or detect a material misstatement. (AS 2201.42)

- For the second and third controls, the firm did not evaluate the specific review procedures that the control owners performed to validate the appropriateness of direct data changes to the system database. (AS 2201.42 and .44)

- For the third control, the firm did not identify and test any controls over the completeness of direct data changes to the system database. (AS 2201.39)

With respect to other tests of controls and substantive procedures related to inventory, certain of which were affected by the audit deficiencies discussed above related to user access and change management, the following additional deficiencies were identified:

- The firm selected for testing controls that consisted of the configuration of an IT system used to test inventory ("inventory testing system") to automatically calculate the assay results of each sample based on a pre-established formula and the issuer's periodic validation of those calculations. The firm used a "test of one" approach to test these controls but did not evaluate whether the tested configurations were applied to all relevant metals and locations across the inventory testing system and an inventory subledger system to support the use of such an approach. (AS 2201.46)

- The firm selected for testing a control that consisted of the configuration of the inventory subledger system to automatically calculate the metal content of each data entry based on the weight and assay results. The firm did not test all significant processing alternatives of this control for each relevant metal content type used for calculating the value of inventory. (AS 2201.42 and .44)

- The firm selected for testing controls that consisted of management's review and approval of the assay results in the inventory testing system. For one of these controls, the firm did not evaluate the specific review procedures that the control owner performed to assess the accuracy of the assay results. (AS 2201.42 and .44) For the other control, the firm did not test an aspect of the control related to the control owner's assessment of the reasonableness of the assay results for more than half of the assay results selected for testing. (AS 2201.44)

- The firm selected for testing a control that consisted of management's verification and approval of the recorded weight of certain inventory. The firm did not evaluate the effect of certain exceptions identified during its substantive audit procedures related to inventory on its conclusions regarding the operating effectiveness of this control. (AS 2201.B8)

- To test the existence of certain inventory, the firm observed the physical inventory counts at all locations and performed procedures to test the rollforward of inventory from the dates in which the inventory was physically counted to year-end using system-generated reports provided by the issuer. The firm did not perform sufficient procedures to test the existence of certain inventory. Specifically, the firm's observation procedures were not suitable because the firm did not perform any substantive procedures to reconcile the quantities of certain inventory counted, as reflected in the stock count records, to the issuer's inventory records. Therefore, these observations did not provide sufficient evidence of the quantity of inventory at these locations. (AS 2510.09) In addition, the firm did not perform sufficient procedures to evaluate the reliability of a report used to test the rollforward of certain inventory quantities from the dates in which the inventory was physically counted to year-end because it did not evaluate the nature and cause of certain exceptions identified during its substantive audit procedures. (AS 1105.04 and .06)

- The firm did not perform procedures to extend its conclusions regarding the existence and valuation of inventory assay results from the interim date in which the audit procedures were

performed to year-end beyond obtaining and reviewing minutes from certain laboratory quality review meetings and the accompanying presentations. (AS 2301.45)

With respect to **Revenue**:

The firm's approach for substantively testing revenue consisted primarily of performing a software-assisted analysis to test the relationships among revenue, accounts receivable, and cash receipts. The reliability of the audit evidence obtained from this analysis was dependent upon the firm's testing of cash receipts data underlying the analysis. To test this data, the firm agreed a sample of cash receipts to bank statements, customer invoices, and other documents, such as packing lists, delivery notes, and transfer requests. The firm identified that certain cash receipts selected for testing did not relate to revenue and a corresponding receivable. The firm did not perform sufficient procedures to evaluate whether the cash receipts data was appropriate for use in the analysis because it did not evaluate the implications of these unrelated cash receipts on the sufficiency and appropriateness of the data. (AS 1105.10)

Issuer B

Type of audit and related areas affected

In our review of an audit in which the firm played a role but was not the principal auditor, we identified deficiencies in connection with the firm's role in the financial statement and ICFR audits related to **Revenue**, **Accounts Receivable**, and **Long-Lived Assets**. The firm's internal inspection program had inspected this audit and reviewed certain of these areas but did not identify certain of the deficiencies below.

Description of the deficiencies identified

With respect to **Revenue**, for which the firm identified a fraud risk; **Accounts Receivable**; and **Long-Lived Assets**:

The issuer used multiple IT systems to initiate, process, and record transactions related to revenue, accounts receivable, and long-lived assets. In its testing of controls over these accounts, the firm tested various automated and IT-dependent manual controls that used data and reports generated or maintained by these IT systems. As a result of the following deficiencies in the firm's testing of ITGCs over certain of these IT systems, the firm's testing of these automated and IT-dependent controls was not sufficient. (AS 2201.46)

With respect to user access:

The firm performed a review of the security settings in place over the issuer's accounting system using an unapproved custom software audit tool that included tests of privileged access, password settings, and client production settings. The firm identified certain exceptions involving the segregation of duties of two users who had administrator access to the system, which enabled them to migrate changes into production. The firm also identified that the system's production environment had been opened multiple times during the year by these two users. The following deficiencies were identified:

- The firm did not determine the effect of the exception identified on the operating effectiveness of the user access controls over the system. (AS 2201.48)

- The firm did not identify and test any controls over the appropriateness of the activity that the two privileged access users performed when opening the system's production environment. (AS 2201.39)

- The firm did not perform any procedures to evaluate the reliability of the information produced from the custom software audit tool that was used to test the security settings of this system. (AS 1105.04 and .06)

The firm selected for testing controls over the assignment of privileged access rights to certain other IT systems that consisted of management's review and approval of privileged access requests. The following deficiencies were identified:

- The firm did not identify and test any controls over the accuracy and completeness of the reports used in the operation of these controls. (AS 2201.39)

- The firm did not evaluate the specific review procedures that the control owners performed to determine whether access was appropriate and that the roles were adequately restricted or granted to users to prevent unauthorized and inappropriate access to these systems. (AS 2201.42 and .44)

With respect to change management:

The firm selected for testing change management controls over certain IT systems that consisted of (1) the authorization of changes prior to development, (2) testing and approval of changes prior to their migration into production, and (3) the establishment of segregation of duties and the restriction of users with the ability to develop and migrate changes to production to authorized personnel. The firm did not perform procedures to test, or test any controls over, the completeness of the population of changes from which it made its selections for testing. (AS 1105.10)

With respect to **Revenue**, which was affected by the audit deficiencies discussed above related to user access and change management, the following additional deficiencies were identified:

- The firm selected for testing a control that consisted of the issuer's review of price changes made in the accounting system, as reflected in a customized system-generated report, to determine whether they were properly approved. The firm did not identify and test any controls over the accuracy and completeness of the report used in the operation of the control. (AS 2201.39) In addition, the firm did not test an aspect of the control related to the issuer's review of certain price changes. (AS 2201.42 and .44)

- The firm selected for testing an automated control that consisted of the configuration of the issuer's accounting system to automatically update invoiced sales prices to reflect those within the system's price list and used a "test of one" approach to test the control. The firm did not perform sufficient procedures to support the use of such an approach because it did not test the configuration or programming of the control during the audit period or perform other

procedures that would have provided sufficient appropriate audit evidence that the control was designed and operating effectively. (AS 2201.46)

- The firm selected for testing controls that consisted of management's review and approval of printed sales orders. The firm did not perform procedures to test, or test any controls over, the completeness of the population of certain sales orders from which it made its selections for testing. (AS 1105.10)

- The firm selected for testing controls that consisted of the reconciliation of revenue and inventory sold, and management's review and approval of the reconciliations. The firm did not identify and test any controls over the accuracy and completeness of the reports used in the operation of these controls. (AS 2201.39)

- The firm selected for testing an automated control that consisted of automatic interfaces between the issuer's accounting system and certain of its production and dispatch related systems and used a "test of one" approach to test the control. The firm did not perform sufficient procedures to support the use of such an approach because it did not test the interface configuration or programming of the control or perform procedures to test the design of the control as it relates to each relevant interface. (AS 2201.46)

- The firm's approach for substantively testing revenue consisted primarily of performing a software-assisted analysis to test the relationships among revenue, accounts receivable, and cash receipts. The reliability of the audit evidence obtained from this analysis was dependent upon the firm's testing of cash receipts data underlying the analysis. To test this data, the firm reconciled certain cash activity used in the analysis to the respective cash accounts in the issuer's general ledger and agreed a sample of cash receipts to bank statements and customer remittance advices. The firm did not perform sufficient procedures to evaluate whether the cash receipts data was appropriate for use in the analysis because it (1) did not reconcile all cash activity used in the analysis to the respective cash accounts in the issuer's general ledger, (2) made the majority of its cash receipts selections from the population of trade accounts receivable and unallocated receivable journal entries rather than the cash journal entries used in the analysis, and (3) did not evaluate whether certain cash receipts selected for testing related to revenue and were appropriately included in the cash data underlying the analysis. (AS 1105.10)

With respect to **Accounts Receivable**, which was affected by the audit deficiencies discussed above related to user access and change management, the following additional deficiencies were identified:

- The firm did not identify and test any controls over the posting of cash receipts to customer accounts and invoices. (AS 2201.39)

- The firm selected for testing a control that consisted of the issuer's review and analysis of accounts receivable, as reflected in a customized system-generated accounts receivable aging report. The firm did not evaluate whether the automated aspect of this control, which consisted of the system's aging of customer account balances, was configurable and programmable and, if so, perform procedures to test the configuration and programming of the control. (AS 2201.42) In addition, the firm did not perform procedures to test the accuracy and completeness of the

reports and calculations produced by the system to determine whether the automated aspect of the control operated as it was designed. (AS 2201.44)

Issuer C – Consumer Staples

Type of audit and related areas affected

In our review of an audit in which the firm played a role but was not the principal auditor, we identified deficiencies in connection with the firm's role in the ICFR audit related to **Revenue**, **Accounts Receivable**, and **Long-Lived Assets**.

Description of the deficiencies identified

With respect to **Revenue** and **Accounts Receivable**:

The following deficiencies were identified:

- The firm selected for testing a control that consisted of the configuration of the issuer's accounting system to automatically apply cash receipts to specific invoices and the manual investigation of outstanding items and unapplied cash receipts in the cash in-transit accounts. The firm did not test the automated aspect of this control related to the automatic application of cash receipts to specific invoices. (AS 2201.42 and .44)

- The firm selected for testing an automated control that consisted of the configuration of the issuer's accounting system to automatically record sales transactions based on revenue recognition triggers contained in the sales order and customer master files. The firm did not test whether the system accurately retrieved information from customer master files that was associated with the recorded sales. (AS 2201.42 and .44)

- The firm selected for testing a control that consisted of the reconciliation of goods invoiced to goods shipped and delivered. The firm did not perform procedures to test the design and operating effectiveness of this control. (AS 2201.42 and .44)

- The firm selected for testing a control that consisted of the issuer's verification of the shipment and delivery dates recorded in the accounting system to determine whether the transfer of title and recognition of revenue was based on accurate information. The firm did not identify and test any controls over the completeness of a customized system-generated report used in the operation of this control. (AS 2201.39)

- The firm selected for testing controls that consisted of the issuer's (1) use of revenue recognition triggers to consistently recognize revenue for each billing type, (2) matching of sales invoices to documents supporting proof of delivery and transfer of title, and (3) verification of the shipment and delivery dates recorded in the accounting system to determine whether the transfer of title and recognition of revenue was based on accurate information. The firm did not perform procedures to test, or test any controls over, the completeness of the population of a customized system-generated report from which it made its selections for testing. (AS 1105.10)

With respect to **Long-Lived Assets**:

The firm selected for testing a control that consisted of the completion of impairment indicator surveys and the issuer's review and approval of impairment calculations and related testing. The firm did not evaluate the specific review procedures that the control owner performed to determine the accuracy and completeness of the consolidated impairment indicator questionnaires. (AS 2201.42 and .44)

Audits with a Single Deficiency

None

PART I.B: OTHER INSTANCES OF NON-COMPLIANCE WITH PCAOB STANDARDS OR RULES

This section of our report discusses certain deficiencies that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s) or fulfill the objectives of its role in the audit(s). This section does not discuss instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

When we review an audit, we do not review every aspect of the audit. As a result, the areas below were not necessarily reviewed on every audit. In some cases, we assess the firm's compliance with specific PCAOB standards or rules on other audits that were not reviewed and include any instances of non-compliance below.

The deficiencies below are presented in numerical order based on the PCAOB standard or rule with which the firm did not comply. We identified the following deficiencies:

- In one of three audits reviewed, the firm did not exercise due professional care when planning and performing the audit because it did not perform procedures to determine whether all individuals who participated in the audit were in compliance with independence requirements. In this instance, the firm was non-compliant with AS 1015, *Due Professional Care in the Performance of Work*.

- In two of three audits reviewed, the firm did not include all relevant work papers in the final set of audit documentation it was required to assemble. In these instances, the firm was non-compliant with AS 1215, *Audit Documentation.*

- In one audit reviewed, the firm did not (1) establish a sufficient understanding of the terms of the audit engagement with the audit committee, as the firm did not communicate to the audit committee the responsibilities of the auditor and the responsibilities of management, (2) record an understanding of the terms of the audit engagement in an engagement letter, and (3) provide the engagement letter to the audit committee. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*.

- In one audit reviewed, the engagement team performed procedures to determine whether or not matters were critical audit matters but, in performing those procedures, did not include certain matters that were communicated to the audit committee and that related to accounts or disclosures that were material to the financial statements. In this instance, the firm was non-compliant with AS 3101, *The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*. This instance of non-compliance does not necessarily mean that other critical audit matters should have been communicated in the auditor's report.

PART I.C: INDEPENDENCE

In the 2023 inspection, we did not identify, and the firm did not bring to our attention, any instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence. Although this section does not include any instances of potential non-compliance that we identified or the firm brought to our attention, there may be instances of non-compliance with SEC or PCAOB rules related to independence that were not identified through our procedures or the firm's monitoring activities.

While the firm did not bring to our attention any instances of potential non-compliance, the number, large or small, of firm-identified instances of potential non-compliance may be reflective of the size of the firm, including the number of associated firms; the design and effectiveness of the firm's independence monitoring activities; and the size and/or complexity of the issuers it audits, including the number of affiliates of those issuers. Therefore, we caution against making any comparison of firm-identified instances of potential non-compliance across firms.

PART II: OBSERVATIONS RELATED TO QUALITY CONTROL

Part II of our report discusses criticisms of, and potential defects in, the firm's system of quality control.

We include deficiencies in Part II if an analysis of the inspection results, including the results of the reviews of individual audits, indicates that the firm's system of quality control does not provide reasonable assurance that firm personnel will comply with applicable professional standards and requirements. Generally, the report's description of quality control criticisms is based on observations from our inspection procedures.

This report does not reflect changes or improvements to the firm's system of quality control that the firm may have made subsequent to the period covered by our inspection. The Board does consider such changes or improvements in assessing whether the firm has satisfactorily addressed the quality control criticisms or defects no later than 12 months after the issuance of this report.

When we issue our reports, we do not make public criticisms of, and potential defects in, the firm's system of quality control, to the extent any are identified. If a firm does not address to the Board's satisfaction any criticism of, or potential defect in, the firm's system of quality control within 12 months after the issuance of our report, we will make public any such deficiency.

APPENDIX A: FIRM'S RESPONSE TO THE DRAFT INSPECTION REPORT

Pursuant to Section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(a), the firm provided a written response to a draft of this report. Pursuant to Section 104(f) of the Act and PCAOB Rule 4007(b), the firm's response, excluding any portion granted confidential treatment, is attached hereto and made part of this final inspection report.

The Board does not make public any of a firm's comments that address a nonpublic portion of the report unless a firm specifically requests otherwise. In some cases, the result may be that none of a firm's response is made publicly available.

In addition, pursuant to Section 104(f) of the Act, 15 U.S.C. § 7214(f), and PCAOB Rule 4007(b), if a firm requests, and the Board grants, confidential treatment for any of the firm's comments on a draft report, the Board does not include those comments in the final report. The Board routinely grants confidential treatment, if requested, for any portion of a firm's response that addresses any point in the draft that the Board omits from, or any inaccurate statement in the draft that the Board corrects in, the final report.

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Ms. Christine Gunia
Director, Division of Registration and Inspections
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

22 March 2024

Response to the Draft Inspection Report on the 2023 Inspection of Ernst & Young Incorporated (Headquartered in Johannesburg, South Africa)

Dear Ms Gunia,

We are pleased to provide our response to the draft inspection report (the Report) from the Public Company Accounting Oversight Board (the Board or PCAOB) pertaining to the 2023 inspection of Ernst & Young Incorporated (Headquartered in Johannesburg, South Africa).

Our overriding objective is to make certain that all aspects of our auditing and quality control processes are of the highest quality for the continued benefit of the capital markets in which the public participates and on which they rely. The PCAOB's inspection process assists us in achieving that objective.

We respect the PCAOB's inspection process and understand that judgments are involved in performing audits, as well as in subsequent inspections of those audits. We have thoroughly evaluated all matters described in Part I, *Inspection Observations*, and have taken actions, where appropriate, in accordance with PCAOB standards and our policies. These actions did not change our audit conclusion, nor did the actions affect our reports on the issuer's financial statements or reports to the principal auditor with respect to our role in the audit. We have reviewed the remainder of the Report and have no further comments.

We appreciate the opportunity to provide our response to the Report and look forward to continuing to work with the PCAOB on matters of interest to our U.S. SEC issuer auditing practice.

Respectfully submitted,

DocuSigned by:
Roger Hillen
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Roger Hillen
Professional Practice Director
Ernst & Young Incorporated