
2024 Inspection Ernst & Young LLP

(Headquartered in London, United Kingdom)

March 26, 2026

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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2024 INSPECTION

In the 2024 inspection of Ernst & Young LLP, 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 Financial Reporting Council of the United Kingdom.

We selected for review three audits of issuers with fiscal years ending in 2023. For each issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm's system of quality control.

2024 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 2024 INSPECTION AND HISTORICAL DATA BY INSPECTION YEAR

The following information provides an overview of our 2024 inspection as well as data from the previous 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

	2024	2021
Firm data		
Total issuer audit clients in which the firm was the principal auditor	15	17
Total issuer audits in which the firm was not the principal auditor	114	141
Total engagement partners on issuer audit work¹	121	118
Audits reviewed		
Total audits reviewed²	3	3
Audits in which the firm was the principal auditor	1	2
Audits in which the firm was not the principal auditor	2	1
Integrated audits of financial statements and internal control over financial reporting (ICFR)	3	3
Audits with Part I.A deficiencies	1	1
Percentage of audits with Part I.A deficiencies	33%	33%

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.

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 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 2024 inspection and the previous 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.

2024		2021	
Audit area	Audits reviewed	Audit area	Audits reviewed
Revenue and related accounts	3	Revenue and related accounts	2
Cash and cash equivalents	1	Allowance for loan losses	1
Use of other auditors	1	Investment securities	1
Inventory	1	Inventory	1
Goodwill and intangible assets	1	Goodwill and intangible assets	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) and industry sector. 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 – Information Technology

Type of audit and related area 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 **Inventory**.

Description of the deficiencies identified

The component monitored certain inventory using a cycle count program, which was designed to ensure all inventory was counted at least once in a 12-month period. The component's net inventory balance included a reduction to reflect credit memos granted by suppliers, and the component maintained an excess and obsolescence reserve ("E&O Reserve"), which consisted of a general reserve and manual adjustments.

With respect to certain inventory that was monitored under the cycle count program, the following deficiencies were identified:

- The firm selected for testing two controls over this inventory that consisted of the issuer's (1) use of an algorithm to generate cycle counts based on stock records and inventory locations and (2) monitoring and approval of the cycle count program using a cycle count summary report, which relied on the algorithm from the first control to identify locations that had not been counted within the previous 12 months. The firm did not sufficiently test the design of these controls because it did not (1) identify that the algorithm used to generate cycle counts excluded inventory received during the previous 12 months from the population of inventory subject to cycle counts and (2) evaluate the effect of this exclusion on the controls' ability to effectively prevent or detect a material misstatement. (AS 2201.42)
- The firm selected for testing another control over this inventory that consisted of the issuer's performance of daily cycle counts. The firm did not sufficiently test the operating effectiveness of this control because it did not obtain evidence regarding the control's operation for an additional 25 randomly selected days, as specifically instructed by the principal auditor, and evaluate whether the system quantities were appropriately updated for discrepancies identified during those cycle counts. (AS 2201.44)
- Due to the deficiencies discussed above, the firm's testing of controls did not provide sufficient appropriate audit evidence that the cycle-count procedures the component used for this inventory were sufficiently reliable to produce results substantially the same as those that would have been obtained by a count of all items each year. (AS 2510.11)
- The firm did not perform sufficient procedures to test one of the component's inventory cycle counts that it observed because it did not evaluate whether inventory quantity, as recorded in the inventory management system, was appropriately updated for discrepancies identified during the cycle count, as specifically instructed by the principal auditor. (AS 2510.11)

With respect to the determination of the E&O reserve, the following deficiencies were identified:

- The firm did not identify and test any controls over management's review of certain key assumptions used by the component to (1) determine reservable inventory, which was used to estimate the general reserve, and (2) develop a manual adjustment to the general reserve. (AS 2201.39)

- The firm did not identify and test any controls over the accuracy and completeness of certain data used by the component to determine reservable inventory, which was used to estimate the general reserve. (AS 2201.39)
- The firm selected for testing a control over the determination of the E&O Reserve that consisted of the component's review of the reserve calculation. The firm did not perform procedures, beyond inquiries of management, to test certain attributes of this control related to the (1) accuracy and/or completeness of data underlying various manual adjustments to the general reserve and (2) accuracy of the adjustments themselves. (AS 2201.42 and .44)
- The firm did not perform any procedures to test, or (as discussed above) sufficiently test controls over, the accuracy and completeness of certain data used by the component to (1) estimate the general reserve and (2) develop certain manual adjustments to the general reserve. (AS 1105.10)
- The firm did not perform sufficient procedures to test, or (as discussed above) sufficiently test controls over, the accuracy and completeness of certain data used by the component to develop another manual adjustment to the general reserve. Specifically, the firm did not perform (1) sufficient procedures to test the accuracy of certain data because the sample size the firm used to test the data was smaller than the sample size the firm determined necessary for these procedures and (2) any procedures to test the accuracy and completeness of certain other data, as specifically instructed by the principal auditor. (AS 1105.10)
- The firm did not perform sufficient procedures to evaluate whether the method used by the component to develop a manual adjustment to the general reserve was appropriate for the nature of the account, taking into account its understanding of the component and its environment. Specifically, the firm did not evaluate how the underlying adjustment reflected consideration of certain data and whether the data was appropriately used beyond the evaluation of one adjustment. (AS 2501.10)
- The firm did not evaluate the reasonableness of the significant assumptions used by the component to develop a manual adjustment to the general reserve. (AS 2501.16)

With respect to the reduction in inventory to reflect credit memos granted by suppliers, the following deficiency was identified:

- To test the accuracy of the credit balances included in net inventory related to credit memos granted by suppliers, the firm sent positive confirmation requests to the component's suppliers for four key item balances. The firm did not evaluate the nature and implication of certain additional information that was included in one of the responses and whether it represented an exception, including the implications, both quantitative and qualitative, of the potential exception. (AS 2310.33)

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 area below was 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.

We identified the following deficiency:

In one audit reviewed, the firm's communication of a critical audit matter in the audit report included a description of an audit procedure that the firm did not perform. 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*.

PART I.C: INDEPENDENCE

This section of our report discusses instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence. An instance of potential non-compliance with SEC rules or an instance of non-compliance with PCAOB rules does not necessarily mean that the Board has concluded the firm was not objective and impartial throughout the audit and professional engagement period. Although this section includes instances of potential non-compliance that the firm brought to our attention, there may be other 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.

PCAOB-Identified

We did not identify any instances of potential non-compliance with SEC rules or instances of non-compliance with PCAOB rules related to maintaining independence.

Firm-Identified

During the inspection, the firm brought to our attention that it had identified, through its independence monitoring activities, 17 instances across eight issuers,³ in which the firm or its personnel appeared to

³ The firm-identified instances of potential non-compliance do not necessarily relate to the issuer audits that we selected for review.

have impaired the firm's independence because it may not have complied with Rule 2-01(c) of Regulation S-X related to maintaining independence. Approximately 47% of these instances of potential non-compliance involved associated firms.

While we have not evaluated the underlying reasons for the 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 any 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 these firm-identified instances of potential non-compliance across firms.

The instances of potential non-compliance related to financial relationships, employment relationships, partner rotation, and audit committee pre-approval:

- The firm reported 14 instances of potential non-compliance with Rule 2-01(c)(1) of Regulation S-X regarding financial relationships, eight of which occurred at the firm or involved its personnel. All of these instances related to investments in audit clients. One of these financial relationships was an instance where a partner in the same office as the engagement partner for an issuer had a financial relationship with that issuer. Thirteen of these instances related to a member of an audit engagement team.
- The firm reported one instance of apparent non-compliance with Rule 2-01(c)(2) regarding employment relationships. This instance related to a staff-level employee of an associated firm who was also employed by an audit client.
- The firm reported one instance of apparent non-compliance with Rule 2-01(c)(6) regarding partner rotation. This instance related to the performance of services by the lead partner for more than the maximum period permitted.
- The firm reported one instance of apparent non-compliance with Rule 2-01(c)(7) regarding audit committee pre-approval. This instance related to non-audit services provided by an associated firm without the engagement having been pre-approved by the audit committee.

The firm has reported to us that it has evaluated the instances of potential non-compliance for issuer audit clients in which the firm was the principal auditor and determined in all instances that its objectivity and impartiality were not impaired. The firm also reported to us that it communicated these instances to the issuers' audit committees as required by PCAOB Rule 3526. In addition, the firm reported to us that it has communicated the remaining instances of potential non-compliance to the respective principal auditor and that the principal auditor determined in all instances that its objectivity and impartiality were not impaired.

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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28 January 2026

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Public Company Accounting Oversight Board
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Response to the Draft Inspection Report on the 2024 Inspection of Ernst & Young LLP (Headquartered in London, United Kingdom)

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 2024 inspection of Ernst & Young LLP (Headquartered in London, United Kingdom).

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 conclusions. 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.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Peter Wallace', written in a cursive style.

Peter Wallace
For and on behalf of Ernst & Young LLP

