# 2025 Inspection
# Ernst & Young LLP

(Headquartered in New York, New York)

July 22, 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

PCAOB RELEASE NO. 104-2026-089

PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

# EXECUTIVE SUMMARY

Our 2025 inspection report on Ernst & Young LLP provides information on our inspection to assess the firm's compliance with Public Company Accounting Oversight Board (PCAOB) standards and rules and other applicable regulatory and professional requirements. This executive summary offers a high-level overview of what is included in this report:

- Part I.A of the report discusses deficiencies ("Part I.A deficiencies") in certain issuer audits that were of such significance that we believe the firm, 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 internal control over financial reporting (ICFR).

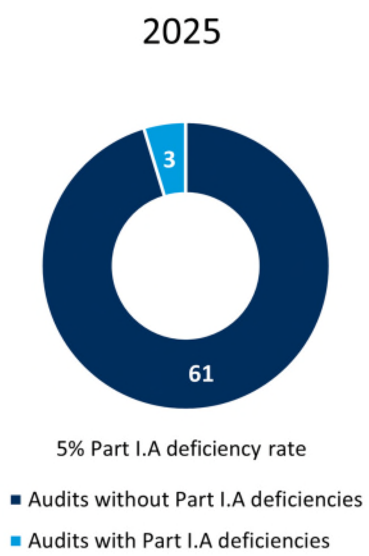
- Part I.B of the report discusses certain deficiencies ("Part I.B deficiencies") that relate to instances of non-compliance with PCAOB standards or rules other than those where the firm had not obtained sufficient appropriate audit evidence to support its opinion(s). This section does not discuss instances of apparent non-compliance with rules related to maintaining independence.

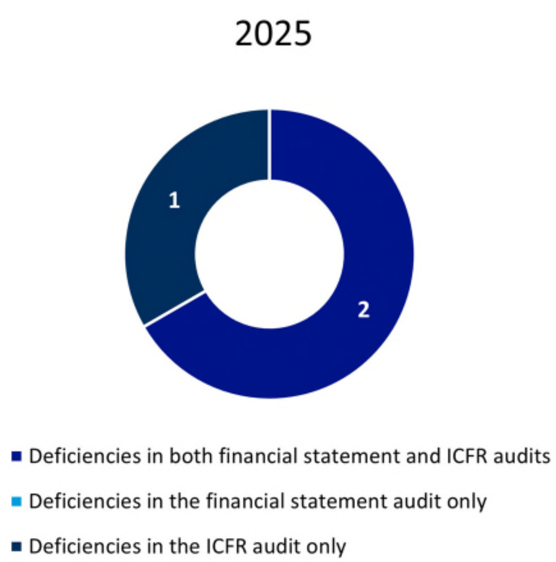
- Part I.C of the report discusses instances of apparent non-compliance with rules related to maintaining independence ("Part I.C deficiencies").

If we include a Part I.A or Part I.B deficiency in this 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. If we include a Part I.C deficiency in this report, it does not necessarily mean that the Board has concluded the firm was not objective and impartial throughout the audit and professional engagement period. If we include a deficiency in Part I.A, Part I.B, or Part I.C of this report, it does not necessarily mean that the firm has not addressed the deficiency.

## Overview of the 2025 Deficiencies Included in Part I

Three of the 64 audits we reviewed in 2025 are included in Part I.A of this report due to the significance of the deficiencies identified. The identified deficiencies related to the firm's testing of controls over and/or substantive testing of revenue and related accounts, income taxes, and insurance-related assets and liabilities, including insurance reserves.




The most common Part I.A deficiencies in 2025 related to testing the design or operating effectiveness of controls selected for testing.

The Part I.B deficiencies in 2025 related to retention of audit documentation, audit committee communications, audit planning, management communications, and Form AP.

The most common Part I.C deficiencies in 2025 related to financial relationships, employment relationships, non-audit services, and tax services for persons in a financial reporting oversight role.

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# 2025 INSPECTION

In the 2025 inspection of Ernst & Young LLP, the PCAOB assessed the firm's compliance with laws, rules, and professional standards applicable to the audits of issuers.

We selected for review 64 audits of issuers with fiscal years generally ending in 2024. For each issuer audit selected, we reviewed a portion of the audit. We also evaluated elements of the firm's system of quality control.

## What's Included in this Inspection Report

This report includes the following sections:

- **Overview of the 2025 Inspection and Historical Data by Inspection Year:** Information on our inspection, historical data, and common deficiencies.
- **Part I – Inspection Observations:**
  - **Part I.A:** Deficiencies that were of such significance that we believe the firm, 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.
  - **Part I.B:** 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). This section does not discuss instances of apparent non-compliance with rules related to maintaining independence.
  - **Part I.C:** Instances of apparent non-compliance with rules 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.
- **Part II – Observations Related to Quality Control:** Criticisms of, or potential defects in, the firm's system of quality control. 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.
- **Appendix A – Firm's Response to the Draft Inspection Report:** The firm's response to a draft of this report, excluding any portion granted confidential treatment.

## 2025 Inspection Approach

In selecting issuer audits for review, we use both risk-based and random methods of selection. We make the majority of our 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. We also select audits randomly to provide an element of unpredictability.

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 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 nor of all of the audit procedures performed for the audits reviewed.

Our target team performs inspection procedures in areas of current audit risk and emerging topics and focuses its reviews primarily on evaluating the firm's procedures related to that risk or topic. In 2025, our target team focused primarily on audit areas in which the firm outsourced certain audit procedures to offshore shared service centers, on audits in which the firm played a role but was not the lead/principal auditor, and on the firm's procedures to test the statement of cash flows and supplier financing arrangement disclosures.

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

# OVERVIEW OF THE 2025 INSPECTION AND HISTORICAL DATA BY INSPECTION YEAR

The following information provides an overview of our 2025 inspection as well as data from the previous two inspections. We use a combination of risk-based and random methods 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 year to year and firm to firm. As a result of this variation, we caution that our inspection results are not necessarily comparable over time or among firms.

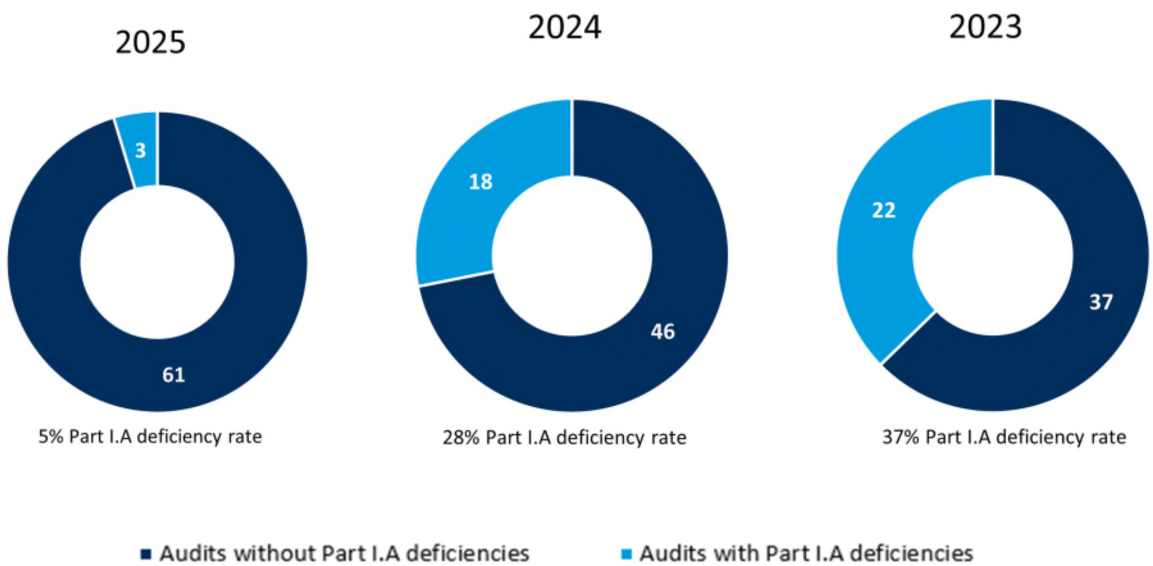
## Audits Selected for Review

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| **Total audits reviewed** | | | |
| **Total audits reviewed** | 64 | 64 | 59 |
| **Selection method** | | | |
| **Risk-based selections** | 48 | 48 | 43 |
| **Random selections** | 12 | 12 | 10 |
| **Target team selections**[1] | 4 | 4 | 6 |
| **Total audits reviewed** | **64** | **64** | **59** |
| **Lead/Principal auditor** | | | |
| **Audits in which the firm was the lead/principal auditor** | 62 | 63 | 58 |
| **Audits in which the firm was not the lead/principal auditor** | 2 | 1 | 1 |
| **Total audits reviewed** | **64** | **64** | **59** |
| **Audit type** | | | |
| **Integrated audits of financial statements and ICFR** | 59 | 59 | 51 |
| **Financial statement audits only** | 5 | 5 | 8 |
| **Total audits reviewed** | **64** | **64** | **59** |

[1] For further information on the target team's activities in 2024 and 2023, refer to those inspection reports.

## Part I.A Deficiencies in Audits Reviewed

In 2025, all audits appearing in Part I.A were selected for review using risk-based criteria. In 2024, 17 of the 18 audits appearing in Part I.A were selected for review using risk-based criteria. In 2023, 19 of the 22 audits appearing in Part I.A were selected for review using risk-based criteria.

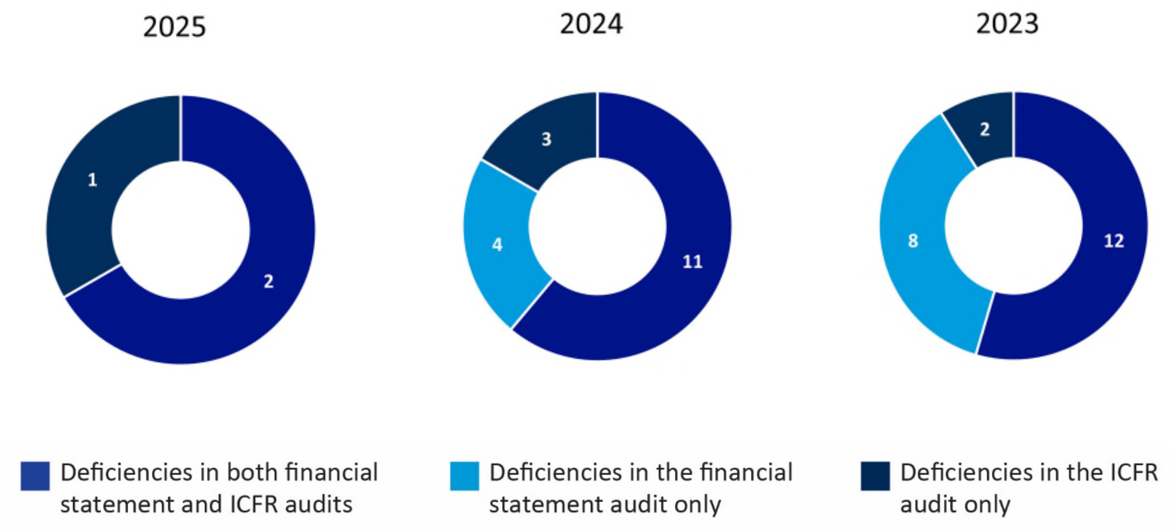



If we include a deficiency in Part I.A of our report, it does not necessarily mean that the firm has not addressed the deficiency. In certain cases, the firm may have performed remedial actions after the deficiency was identified. Depending on the circumstances, remedial actions may include performing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

## Audits Affected by the Deficiencies Identified in Part I.A




In connection with our 2024 inspection procedures for one audit, the issuer restated its financial statements to correct a misstatement and the firm revised and reissued its report on the financial statements. In addition, in connection with our 2024 inspection procedures for this audit and another audit, the issuer revised its report on ICFR, and the firm revised and reissued its report on the effectiveness of the issuer's ICFR to include one or more additional material weaknesses.

In connection with our 2023 inspection procedures for two audits, the issuer revised its report on ICFR, and the firm revised its opinion on the effectiveness of the issuer's ICFR to express an adverse opinion and reissued its report. In addition, in connection with our 2023 inspection procedures for one of these audits, the issuer corrected a misstatement in a required disclosure in an amended Form 10-K.

The following tables and graphs summarize inspection-related information, by inspection year, for 2025 and the previous two inspections. We caution against making any comparison of the data provided without reading the descriptions of the underlying deficiencies in each respective inspection report.

## Most Frequently Identified Part I.A Deficiencies

| Deficiencies in audits of financial statements | Audits with Part I.A deficiencies | | |
|---|---|---|---|
| | 2025 | 2024 | 2023 |
| **Did not perform sufficient testing related to a significant account or disclosure or to address an identified risk** | 1 | 6 | 13 |
| **Did not perform sufficient testing of data or reports used in the firm's substantive testing** | 1 | 5 | 8 |

| Deficiencies in ICFR audits | Audits with Part I.A deficiencies | | |
|---|---|---|---|
| | 2025 | 2024 | 2023 |
| **Did not perform sufficient testing of the design and/or operating effectiveness of controls selected for testing** | 2 | 13 | 8 |
| **Did not identify and/or sufficiently test controls over the accuracy and completeness of data or reports that the issuer used in the operation of controls** | 1 | 10 | 9 |
| **Did not identify and test any controls that addressed the risks related to a significant account or relevant assertion** | 1 | 6 | 7 |

## Audit Areas Most Frequently Reviewed

This table reflects the five audit areas we have selected most frequently for review in each inspection year (and the related Part I.A deficiencies). 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.

| 2025 | | | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|---|---|
| Audit area | Audits reviewed | Audits with Part I.A deficiencies | Audit area | Audits reviewed | Audits with Part I.A deficiencies | Audit area | Audits reviewed | Audits with Part I.A deficiencies |
| **Revenue and related accounts** | 42 | 1 | **Revenue and related accounts** | 44 | 9 | **Revenue and related accounts** | 45 | 11 |
| **Inventory** | 20 | 0 | **Inventory** | 19 | 3 | **Business combinations** | 13 | 5 |
| **Goodwill and intangible assets** | 14 | 0 | **Goodwill and intangible assets** | 17 | 2 | **Inventory** | 13 | 3 |
| **Long-lived assets** | 10 | 0 | **Expenses** | 10 | 0 | **Goodwill and intangible assets** | 10 | 1 |
| **Business combinations** | 9 | 0 | **Investment securities** | 9 | 2 | **Investment securities** | 9 | 2 |

## Audit Areas with Frequent Part I.A Deficiencies

This table reflects the audit areas with the most frequently identified Part I.A deficiencies in each inspection year with the corresponding results for the other two years presented.

| Audit area | 2025 | | 2024 | | 2023 | |
|---|---|---|---|---|---|---|
| | Audits with Part I.A deficiencies | Audits reviewed | Audits with Part I.A deficiencies | Audits reviewed | Audits with Part I.A deficiencies | Audits reviewed |
| **Revenue and related accounts** | 1 | 42 | 9 | 44 | 11 | 45 |
| **Insurance-related assets and liabilities, including insurance reserves** | 1 | 7 | 1 | 3 | 0 | 4 |
| **Income taxes** | 1 | 5 | 0 | 3 | 0 | 3 |
| **Inventory** | 0 | 20 | 3 | 19 | 3 | 13 |
| **Long-lived assets** | 0 | 10 | 3 | 8 | 1 | 4 |
| **Business combinations** | 0 | 9 | 1 | 7 | 5 | 13 |

**Revenue and related accounts:** The deficiencies in 2025 related to testing controls over an accrual for customer sales incentives. The deficiencies in 2024 and 2023 related to substantive testing of, and testing controls over, revenue, including controls over information technology systems associated with revenue.

**Insurance-related assets and liabilities, including insurance reserves:** The deficiencies in 2025 related to substantive testing of insurance-related disclosures and testing controls over the valuation of insurance-related assets and liabilities. The deficiencies in 2024 related to substantive testing of, and testing controls over, the valuation of insurance-related assets and liabilities, including insurance reserves.

**Income taxes:** The deficiencies in 2025 related to substantive testing of, and testing controls over, deferred income taxes for undistributed foreign earnings that were considered indefinitely reinvested in certain subsidiaries.

**Inventory:** The deficiencies in 2024 primarily related to testing controls over inventory. The deficiencies in 2023 related to substantive testing of, and testing controls over, inventory.

**Long-lived assets:** The deficiencies in 2024 primarily related to substantive testing of, and testing controls over, the possible impairment of long-lived assets. The deficiencies in 2023 primarily related to substantive testing of, and testing controls over, long-lived assets and depreciation expense, including testing for impairment.

**Business combinations:** The deficiencies in 2024 related to substantive testing of, and testing controls over, the valuation of acquired loans. The deficiencies in 2023 primarily related to evaluating the reasonableness of assumptions the issuer used to determine the fair values of assets acquired and liabilities assumed; substantive testing of, and testing controls over, the accuracy and completeness of data used; and testing controls over the issuer’s review of assumptions used to value assets acquired and liabilities assumed.

## Auditing Standards Associated with Identified Part I.A Deficiencies

The following lists the auditing standards referenced in Part I.A of the 2025 and the previous two inspection reports, and the number of times that the standard is cited in Part I.A.

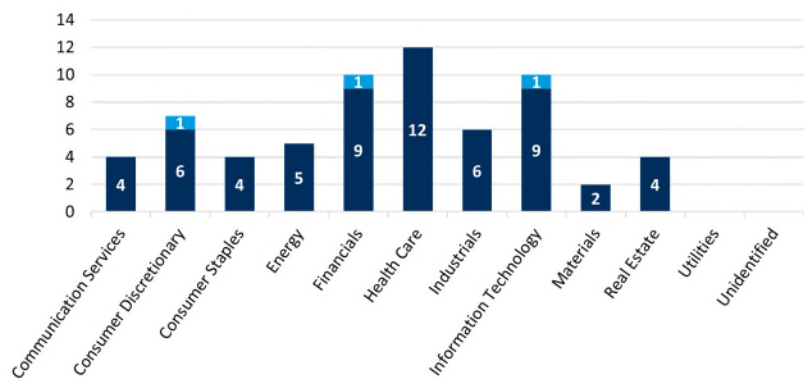
| PCAOB Auditing Standards | 2025 | 2024 | 2023 |
|---|---|---|---|
| **AS 1105, *Audit Evidence*** | 1 | 10 | 14 |
| **AS 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*** | 4 | 54 | 49 |
| **AS 2301, *The Auditor's Responses to the Risks of Material Misstatement*** | 1 | 11 | 17 |
| **AS 2305, *Substantive Analytical Procedures*** | 0 | 1 | 1 |
| **AS 2310, *The Confirmation Process*[2]** | 0 | 1 | 0 |
| **AS 2315, *Audit Sampling*** | 0 | 4 | 7 |
| **AS 2401, *Consideration of Fraud in a Financial Statement Audit*** | 0 | 0 | 1 |
| **AS 2501, *Auditing Accounting Estimates, Including Fair Value Measurements*** | 0 | 3 | 4 |
| **AS 2510, *Auditing Inventories*** | 0 | 1 | 1 |
| **AS 2810, *Evaluating Audit Results*** | 0 | 1 | 2 |

[2] The citations in this report refer to AS 2310, *The Confirmation Process*, which was in effect for this audit. This standard was replaced by AS 2310, *The Auditor's Use of Confirmation*, which became effective for audits of financial statements for fiscal years ending on or after June 15, 2025.

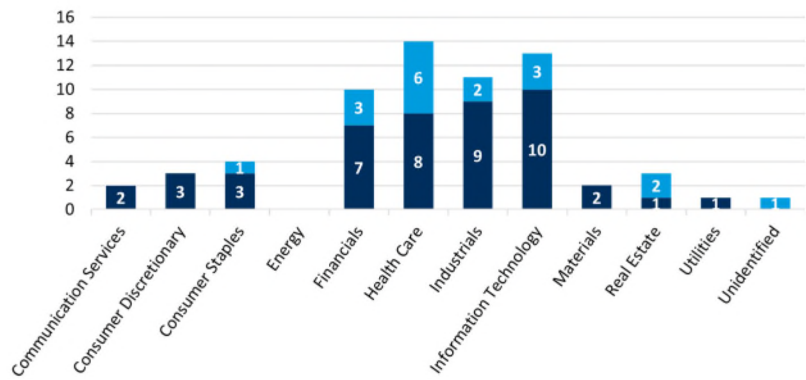
# Inspection Results by Issuer Industry Sector

The majority of industry sector data is based on Global Industry Classification Standard (GICS) data obtained from Standard & Poor's (S&P). In instances where GICS data for an issuer is not available from S&P, classifications are assigned based upon North American Industry Classification System data. In instances where classifying an issuer using its industry sector could make an issuer identifiable, we have instead classified such issuer(s) as "unidentified."

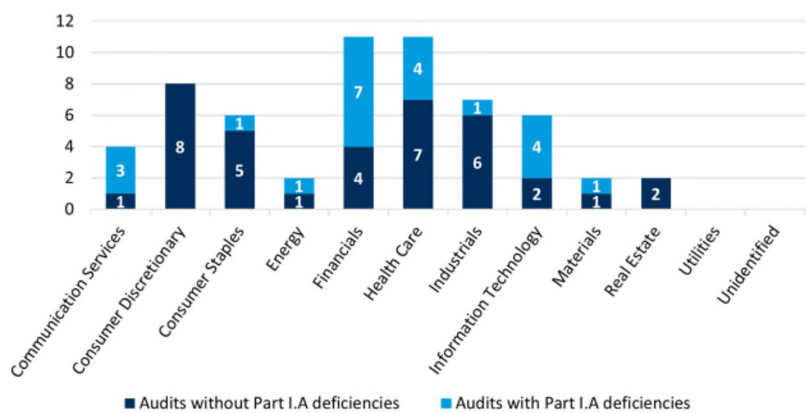
**2025**



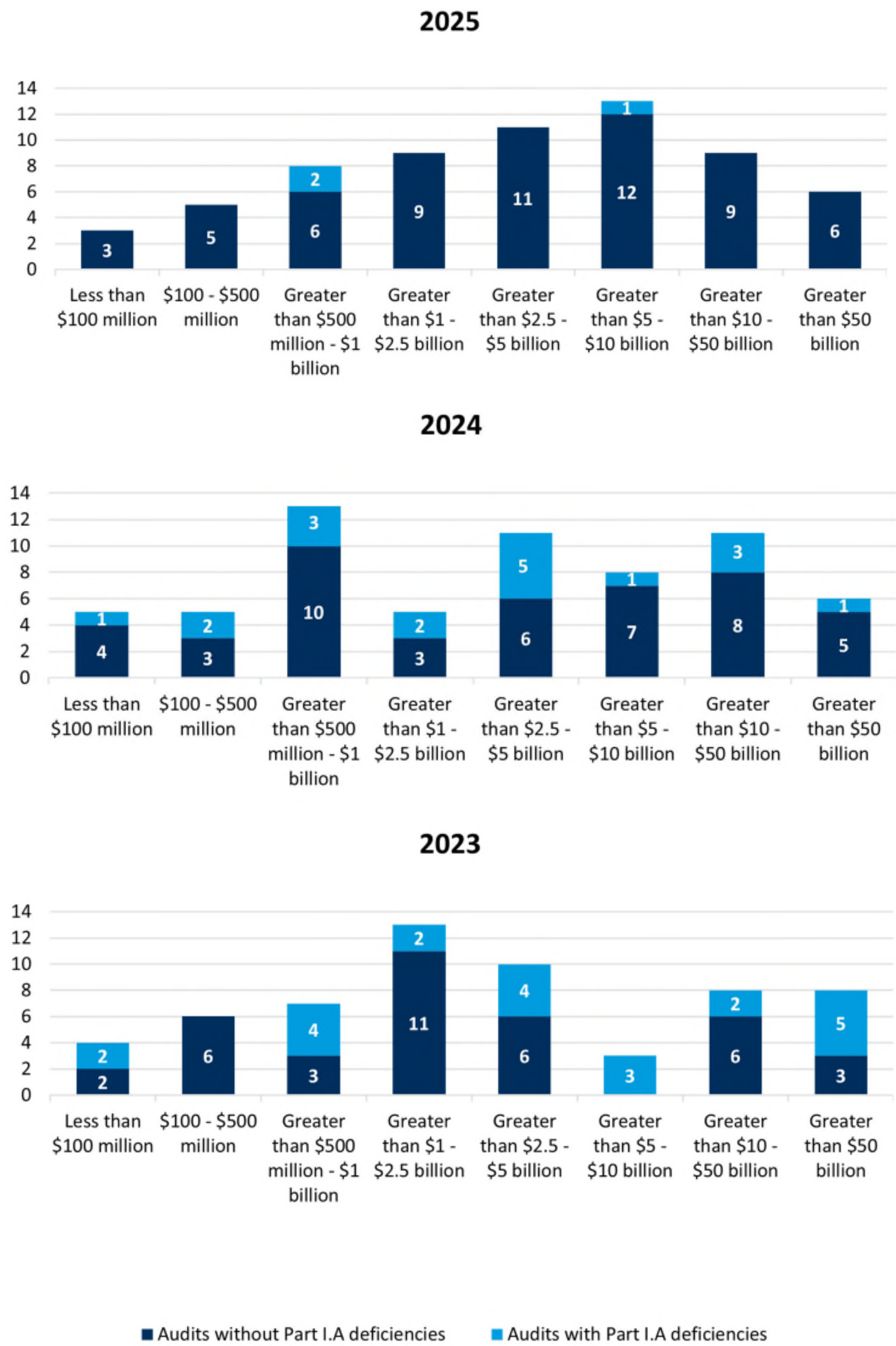

**2024**




**2023**

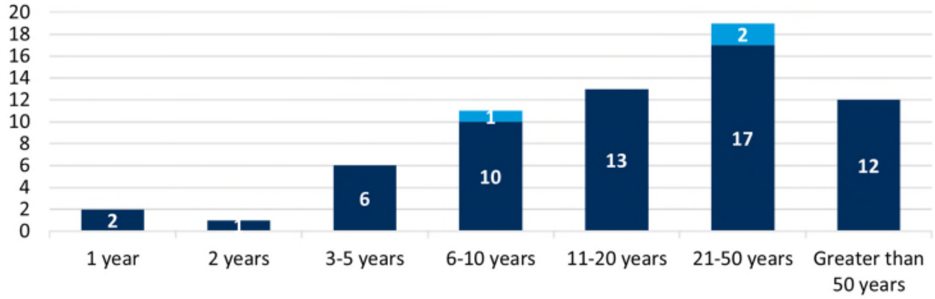


# Inspection Results by Issuer Revenue Range

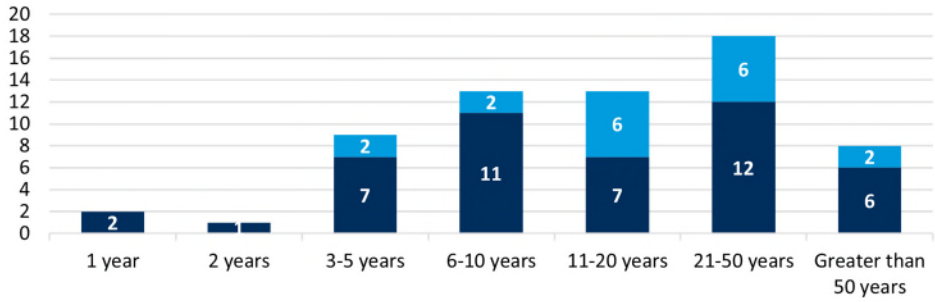


## Inspection Results by the Firm’s Tenure on the Issuer

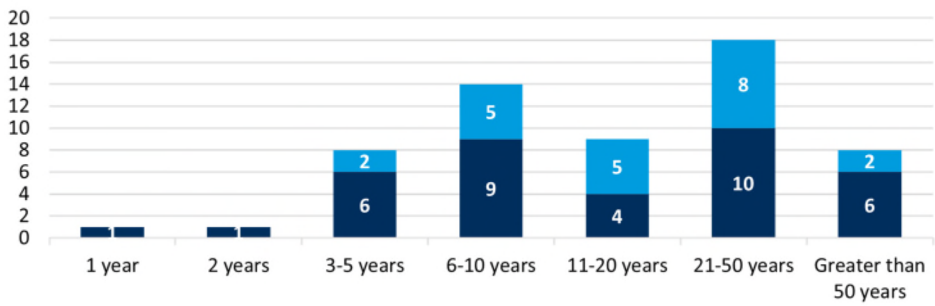
**2025**




**2024**

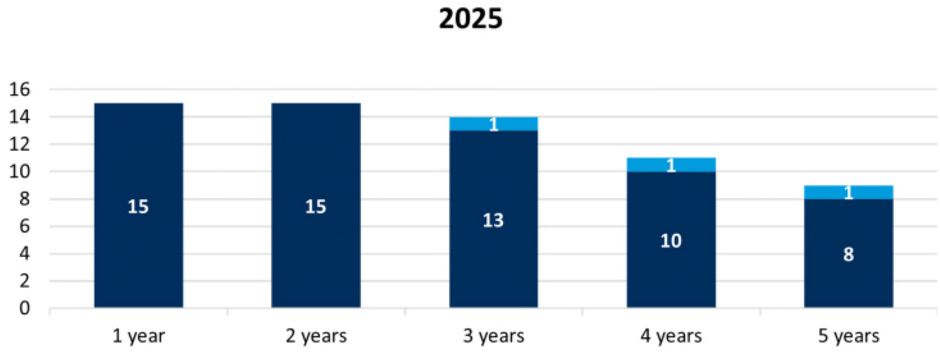


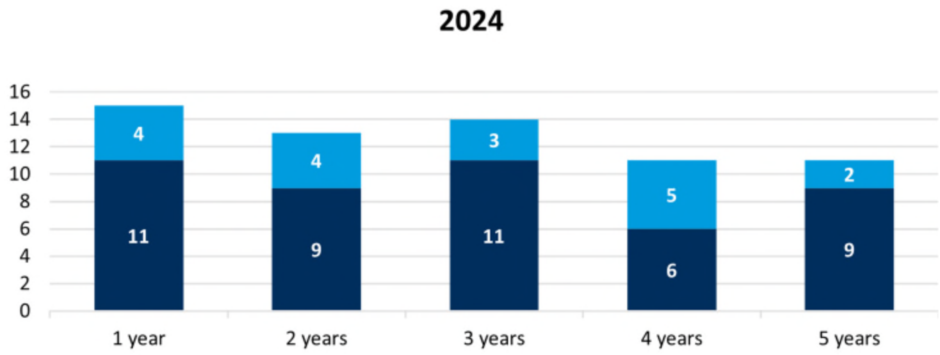

**2023**

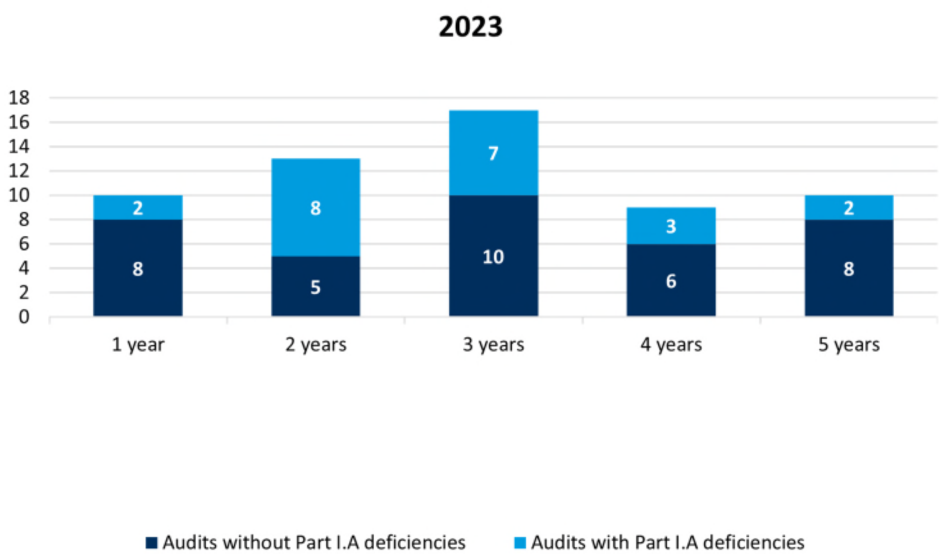



■ Audits without Part I.A deficiencies ■ Audits with Part I.A deficiencies

## Inspection Results by the Engagement Partner's Tenure on the Issuer



## 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.

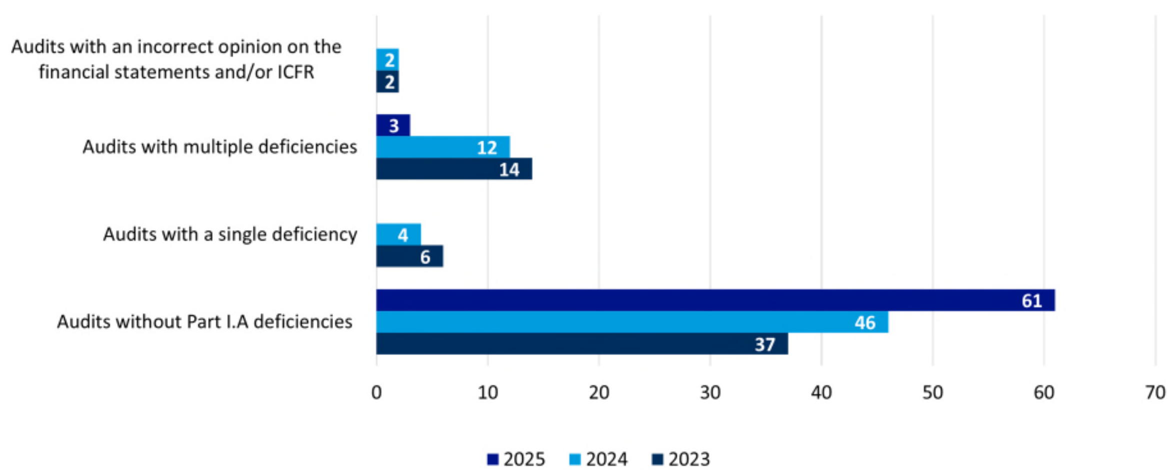
### Audits with Multiple Deficiencies

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.

## Number of Audits in Each Category



# PART I: INSPECTION OBSERVATIONS

Part I.A of our report discusses deficiencies that were of such significance that we believe the firm, 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.

Part I.B 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). This section does not discuss instances of apparent non-compliance with rules related to maintaining independence.

Part I.C discusses instances of apparent non-compliance with rules related to maintaining independence.

Consistent with the 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.

# 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 supporting the firm's opinion(s) on the issuer's financial statements and/or ICFR.

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(s) 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 – Financials

#### Type of audit and related area affected

In our review, we identified deficiencies in the financial statement and ICFR audits related to **Insurance-related Assets and Liabilities, Including Insurance Reserves**.

### Description of the deficiencies identified

The firm selected for testing a control that consisted of the issuer's review of the actuarial valuation of certain insurance-related assets and liabilities. The firm did not evaluate the specific review procedures that the control owner performed to identify and assess variances that existed in the data that the issuer used to perform this actuarial valuation. (AS 2201.42 and .44)

The firm used certain issuer-prepared schedules in its substantive testing of the issuer's insurance-related disclosures but did not perform any procedures to test, or test any controls over, the accuracy of these issuer-prepared schedules. (AS 1105.10)

## Issuer B – Consumer Discretionary

### Type of audit and related area affected

In our review, we identified deficiencies in the ICFR audit related to **Revenue and Related Accounts**, for which the firm identified a fraud risk.

### Description of the deficiencies identified

The issuer offered various forms of sales incentives to customers that were recorded as deductions to revenue with a corresponding accrual for sales incentives. The firm selected for testing a control that consisted of the issuer's review of certain accrued sales incentives, including the customer-level budgets that were used to develop these accrued sales incentives. The firm did not evaluate the specific review procedures that the control owners performed to assess the reasonableness of these budgets. (AS 2201.42 and .44) In addition, the firm did not identify and test any controls over the accuracy and completeness of certain data that the control owners used in the operation of this control. (AS 2201.39)

## Issuer C – Information Technology

### Type of audit and related area affected

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

### Description of the deficiencies identified

The issuer disclosed that it had not recorded deferred income tax liabilities for undistributed foreign earnings that it considered indefinitely invested in certain subsidiaries. The following deficiencies were identified:

- The firm did not identify and test any controls that addressed the issuer's specific plans for the reinvestment of these undistributed foreign earnings. (AS 2201.39)
- The firm did not perform any substantive procedures to evaluate the issuer's evidence of specific plans for the reinvestment of these undistributed foreign earnings, beyond inquiring of management. (AS 2301.08)

## 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). This section does not discuss instances of apparent non-compliance with 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 64 audits reviewed, the firm did not include all relevant work papers in the final set of audit documentation it was required to assemble. In this instance, the firm was non-compliant with AS 1215, *Audit Documentation*.
- In one of 61 audits reviewed, the firm did not provide a copy of the management representation letter to the audit committee. In this instance, the firm was non-compliant with AS 1301, *Communications with Audit Committees*, and AS 2805, *Management Representations*.
- In two of 61 audits reviewed, the firm did not perform procedures to determine whether all individuals who participated in the audit were in compliance with independence requirements. In these instances, the firm was non-compliant with AS 2101, *Audit Planning*.
- In one of 52 audits reviewed, the firm, as the lead auditor, did not obtain and review (1) a written affirmation from an other auditor regarding that other auditor's policies and procedures for compliance with SEC and PCAOB independence and ethics requirements and (2) a written affirmation regarding whether the other auditor was in compliance with these requirements. In this instance, the firm was non-compliant with AS 2101, *Audit Planning*.
- In one of 59 audits reviewed, the firm did not communicate to management, in writing, all control deficiencies identified during the audit. In three additional audits reviewed, the firm did not inform the audit committee when such communication had been made. In these instances, the firm was non-compliant with AS 2201, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*.
- In six of 59 audits reviewed, the firm reported in writing to the audit committee that no significant deficiencies were identified during the audit, even though an ICFR audit does not provide assurance that all deficiencies less severe than a material weakness have been identified. In these instances, the firm was non-compliant with AS 2201*, An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*.

- In two of 61 audits reviewed, the firm's report on Form AP included inaccurate information related to the participation in the audit by an other accounting firm. In these instances, the firm was non-compliant with PCAOB Rule 3211, *Auditor Reporting of Certain Audit Participants*.
- In one of 61 audits reviewed, the firm did not describe, in writing and in connection with seeking pre-approval, to the audit committee the fee structure of certain permissible tax services. In this instance, the firm was non-compliant with PCAOB Rule 3524, *Audit Committee Pre-Approval of Certain Tax Services*.

# PART I.C: INDEPENDENCE

PCAOB Rule 3520, *Auditor Independence*, requires a firm and its personnel to be independent of the firm's audit clients. This requirement encompasses not only an obligation to satisfy the independence criteria set out in PCAOB rules and standards but also an obligation to satisfy all other independence criteria applicable to an engagement, including the independence criteria set out by the SEC in Regulation S-X, 17 C.F.R. § 210.2-01, *Qualifications of Accountants* ("Rule 2-01").

This section of our report discusses identified instances of apparent non-compliance with PCAOB Rule 3520. An instance of apparent non-compliance with PCAOB Rule 3520 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 apparent non-compliance with PCAOB Rule 3520 that the firm brought to our attention, there may be other instances of non-compliance with 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 apparent non-compliance with PCAOB Rule 3520.

## Firm-Identified

During the inspection, the firm brought to our attention that it had identified, through its independence monitoring activities, for a 12-month period, 105 instances across 62 issuers,[3] representing approximately 4% of the firm's total reported issuer audits, in which the firm or its personnel may not have complied with Rule 2-01(b) and/or Rule 2-01(c) or PCAOB Rules 3523 or 3500T related to maintaining independence. Approximately 30% of these instances of apparent non-compliance involved non-U.S. associated firms.

While we have not evaluated the underlying reasons for the instances of apparent non-compliance with PCAOB Rule 3520, the number, large or small, of firm-identified instances of apparent non-compliance may be reflective of the size of the firm, including the number of non-U.S. associated firms in the global network; 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 apparent non-compliance across firms.

The most common instances of apparent non-compliance related to financial relationships, employment relationships, non-audit services, and tax services for persons in a financial reporting oversight role:

- The firm reported 80 instances of apparent non-compliance with Rule 2-01(c)(1) regarding financial relationships, 20 of which involved non-U.S. associated firms. Of these 80 instances, 73 related to investments in audit clients, 36 of which involved a member of an engagement team

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

and 25 of which were instances where a partner in the same office as the engagement partner for an issuer had a financial relationship with that issuer.

- The firm reported five instances of apparent non-compliance with Rule 2-01(c)(2) regarding employment relationships. Of these instances, four related to staff-level employees of the firm or a non-U.S. associated firm who were also employed by an audit client. One instance related to a former partner of the firm who was employed at an audit client in a financial reporting oversight role.

- The firm reported five instances of apparent non-compliance with Rule 2-01(c)(4) regarding non-audit services. All of these instances related to services provided by non-U.S. associated firms that the firm determined to be prohibited, such as performing bookkeeping services or management functions for a company that was an affiliate of an issuer.

- The firm reported five instances of non-compliance with PCAOB Rule 3523, which related to prohibited tax services provided by the firm to persons in a financial reporting oversight role at an issuer.

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

# 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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EY
Shape the future
with confidence

May 27, 2026

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

Re: Response to Part I of the Draft Report on the 2025 Inspection of Ernst & Young LLP

Dear Ms. Gunia:

Ernst & Young LLP (the firm) is pleased to submit this response to the Public Company Accounting Oversight Board's (PCAOB) Draft Report on the 2025 Inspection of Ernst & Young LLP (the Report). We hold our responsibility to serve the public interest in the highest regard by performing high-quality audits that promote confidence in the capital markets.

We have seen our best inspection results ever due to our efforts in our multiyear transformation journey. We are confident that the actions we have taken will drive sustained quality in our audit execution.

We have evaluated the matters described in Part I of the Report and have taken appropriate actions to address the findings in accordance with relevant standards.

We appreciate that our stakeholders may have a further interest in understanding the actions the firm is taking to improve audit quality. Our audit quality report describes factors that drive audit quality for the firm and how we measure our performance at the individual partner level, the engagement level and firmwide. Our audit quality report is available at https://www.ey.com/ourcommitmenttoauditquality.

We look forward to continuing to work with the PCAOB and its staff to sustain audit quality and serve the public interest.

Respectfully submitted,

Julie A. Boland
US Chair and Managing Partner

Dante D'Egidio
US Chair and Managing Partner-Elect
US Vice Chair of Assurance

A member firm of Ernst & Young Global Limited