

**Parliamentary Joint Committee on Corporations and Financial Services
Inquiry into the regulation of auditing in Australia**

EY Responses to Questions on Notice 14 May 2020

Question Number:	22-01
------------------	-------

Total Big 4 retirement payments: Provide the total amount paid out over each year for the last five years and corresponding number of former staff (indicate where it is paid to the estate of a deceased member) amongst whom that is spread.

Answer: The ability for a partner to join the Ernst & Young Retirement Income Plan ceased in 2000 and the amount paid to each legacy retired partner was fixed in 2000.

Under the Ernst & Young Retirement Income Plan, a pension was payable to a retired partner until the earlier of expiry of 20 years from the date of retirement or death. If a partner dies before retirement, their spouse, or in the absence of a spouse the partner's children, may be entitled to payments.

EY has not introduced any scheme in replacement of the Retirement Income Plan.

For the year ended 30 June 2019 payments were made to 87 beneficiaries of the Ernst & Young Scheme, being 80 retired partners and 7 spouses who were members of the pension plan in 2000.

Ernst & Young Retirement Income Plan	
FY16	\$3,755,769
FY17	\$3,818,269
FY18	\$3,978,518
FY19	\$4,009,583
FY20	\$4,075,843

Payment recipients		
	<i>Partner</i>	<i>Spouse</i>
FY16	75	6
FY17	76	6
FY18	79	7
FY19	80	7
FY20	80	7

EY manages payments for two other legacy pension plans, for former partners of Arthur Young and Ernst & Whinney, which merged in 1989 to form Ernst & Young.

Recipients include 62 former partners and their spouses and payments of \$4,621,243 are forecast for the 2020 financial year.

Given the members of the legacy Arthur Young and Ernst & Whinney pension plans are over 78 years old as of the time of writing those payments have been excluded from the above tables.

Question Number:

22-02

Highest and lowest Big 4 retirement payments: The highest annual payment received and the lowest annual payment received for each of the last five years.

Answer: Please see below the highest and lowest payments made under the Ernst & Young retirement income scheme.

Highest

Ernst & Young Retirement Income Plan	
FY16	\$105,020
FY17	\$106,397
FY18	\$108,659
FY19	\$110,724
FY20	\$112,199

Average

Ernst & Young Retirement Income Plan	
FY16	\$46,368
FY17	\$46,564
FY18	\$46,262
FY19	\$46,087
FY20	\$46,849

Lowest

Ernst & Young Retirement Income Plan	
FY16	\$4,874
FY17	\$4,938
FY18	\$5,043
FY19	\$5,139
FY20	\$5,207

Given the members of the legacy Arthur Young and Ernst & Whinney pension plans are over 78 years old as of time of writing those payments have been excluded from the above tables.

Question Number:	22-03
------------------	-------

Changes in Big 4 retirement policies and practices: The nature and dates of any changes to those policies or practices over the last 5 years?

Answer: There have been no changes over the last five years.

Question Number:	22-04
------------------	-------

Notification about Big 4 retirement practices: Any public or private notifications to public entities or regulators about these practices.

Answer: No notifications have been made.

Question Number:	22-05
------------------	-------

Former Big 4 partners in public service capacity: Provide the names and roles (of recipients of payments after departure) who are currently or have served in a public service capacity.

Answer: We are not aware of any former partners receiving retirement payments who are serving, or have served, in a public service position with the Australian Government, including any agency, statutory body, or Boards of organisations that are wholly funded by the Australian Government.

Question Number:	22-06
------------------	-------

Former Big 4 partners in listed Australian companies: Provide the names and roles (of recipients of payments after departure) who are currently or have served on a publicly listed Australian company.

Answer: The Corporations Act places certain restrictions on EY when a retired partner becomes an officeholder in an EY audit client, as a result, EY imposes an obligation on retired partners not to accept such roles, if that role would impair EY's independence.

EY is aware of seven former partners receiving retirement plan payments from the Ernst & Young Retirement Income Plan and whom currently hold roles as directors of listed companies. EY can confirm that three of these listed companies have engaged EY as their financial statement auditor.

EY expects the retired partners would disclose their financial relationship with EY to the Board.

As the Committee has heard from other witnesses, under the Corporations Act, former audit partners are prohibited from taking up an officer role with companies they audited for a cooling off period of a minimum of two years, and in some cases, the two year period may commence after they have already retired from the audit firm.

Question Number:	22-07
------------------	-------

Former Big 4 partners working as lobbyists: Provide the names and roles (of recipients of payments after departure) who are currently registered as lobbyists in any Australian jurisdiction.

Answer: EY is not aware of any former partners receiving retirement plan payments who are registered, or have been registered, as lobbyists.