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6 March 2024

Committee Secretary
Senate Standing Committee on Finance and Public Administration
PO Box 6100
Parliament House
Canberra ACT 2600

Via email: fpa.sen@aph.gov.au

RE: Questions on Notice

Dear Committee Secretary

Please find enclosed responses to the written questions provided by Senator David Pocock in his capacity as a member of the Committee on 14 February 2024.

Yours sincerely,

Leigh Walker
EY Oceania Risk and Independence Leader

1. How many sponsored parliamentary passes do your staff hold, giving them access to APH?

EY's response:

EY is aware of one employee who holds an access pass to APH – EY Oceania Chief Economist Cherelle Murphy.

2. Who are the members or senators who sponsor those passes?

EY's response:

We have been advised that the privilege to disclose this information rests with the Member of Parliament who sponsored the individual's pass.

3. What partnership arrangements or strategic alliances do you have with big tech companies like Microsoft, SAP and others?
4. What is the scope of these partnerships/alliances?

EY's response:

EY has over 60 alliance and strategic relationships globally in our Ecosystem, including with large technology companies such as IBM, Microsoft, SAP, Service Now, Dell Technologies, Infosys, Snowflake and UiPath. EY forms these alliances to provide the technology, capabilities and insights to serve our clients and deliver holistic solutions to address client needs.

These alliances allow us to partner more closely with these organisations, in order to offer more comprehensive technology offerings to clients. These arrangements are not exclusive. Depending on the relationship, we may team together to respond to specific client requests, or the alliance may recognize the depth of our knowledge in a specific technology and we may be referred opportunities, or refer opportunities to, the alliance partner.

Please see below a list of EY alliance partners as at 12/02/2024

- | | | |
|-----------------------------|--------------------|-------------------|
| • Adobe | • Fadata | • PTC |
| • Aera | • FINEOS | • Qualtrics |
| • AHB | • FintechOS | • RSA |
| • Alteryx | • FIS | • Sandbox AQ |
| • Appian | • GE Digital | • SAP |
| • ASAPP | • Guidewire | • SAS |
| • AuditBoard | • Hexagon | • Saviynt |
| • Automation anywhere | • HighRadius | • ServiceNow |
| • BlackLine | • IBM | • Shopify |
| • Blue Prism | • Infosys | • Snowflake |
| • Blue Yonder | • Insurity | • Software AG |
| • CCH Tagetik | • Kinaxis | • Splunk |
| • Celonis | • Kyndryl | • SymphonyAI |
| • Ceridian | • LeaseAccelerator | • Tanium |
| • Cisco | • Microsoft | • TaxBit |
| • CrowdStrike | • Mott MacDonald | • Tech Mahindra |
| • Databricks | • Nokia | • Temenos |
| • Dell Technologies | • Nottingham Spirk | • The King Center |
| • Duck Creek Technologies | • o9 Solutions | • Thomson Reuters |
| • EdgeVerve Systems Limited | • OM Partners | • Unqork |
| • EIS | • Pegasystems | • UiPath |
| • Enablon | • Planon | • VMWare |
| • EXL | • PROS | |

5. What financial incentives are attached to these partnerships/alliances – in what way is your firm rewarded by a partnering tech company when you work on a project above the line that favours, or results in, the use of their capabilities below the line?

EY's response:

EY Australia specifically prohibits payments as you have described for Government clients. We are also not aware of EY receiving any financial incentives from alliance partners in Australia related to private sector clients.

More broadly, EY Australia participates in financial incentive programs offered by our alliance partners that fall into two categories:

1. **Market Development Funds:** these are benefits offered by alliance partners to fund the development of jointly agreed assets such as a solution, or marketing, communications, event, and sales materials that promote the solution, Alliance Partner and EY Australia. These financial incentive programs do not involve clients directly.
2. **End Client Investment Funds:** these are programs that involve a specific client organization who wish to deploy a particular solution or the alliance partner is seeking to sell a solution to the 'End Client'. End Clients are made aware of these funds by both the alliance partner and EY, and they are typically used to either:
 - a. reduce the cost of "proving" the efficacy of a certain solution to solve their business need (e.g. a proof-of-concept), or
 - b. making it less costly to deploy a certain solution, and thus that solution is more competitive vs. alternative solutions.

End Clients may choose to refuse a particular application of funds, for example, because they'd rather see the funds applied elsewhere in their business with that alliance partner.

In practice, many corporate buyers see all of the incentives above as a means by which the service provider and technology provider can improve the economics of a specific service offering.

6. How many times in the last five years have you consulted above the line on a project for which one of your partner tech companies then delivered the capability below the line?
7. How many times over the last five years has your firm been involved in delivering a government project in both an above-the-line and below-the-line capacity?

EY's response:

None. EY partners with organisations who have below the line capability to deliver contracts that require this capability.

8. Who made the decision not to conduct an internal investigation into allegations that EY auditors were aware of fraud in coal testing results?
9. What efforts have been made to identify auditors of Peabody over the relevant period?
10. Are any of the auditors of Peabody still engaged as employees, partners or in any other relationship with EY?

EY's response:

Disclosure to Peabody in 2023

In early 2023, a disclosure was made to Peabody Energy Corporation in the US (Peabody US), the parent entity of Peabody Australia Holdco Pty Ltd (Peabody Australia), by a former employee of Peabody Coaltrade Australia Pty Limited (Peabody Coaltrade), a subsidiary of Peabody Australia. EY Australia understands the individual ceased employment with Peabody Coaltrade Pty Limited in 2008.

The disclosure contained allegations of fraud related to coal quality certifications in Australia prior to 2008, as well as allegations of awareness and/or involvement of the Peabody US Audit Committee and EY.

EY US, as group auditor of Peabody US, was made aware of the 2023 disclosure and made EY Australia aware of the matter. Specifically, the disclosures in relation to EY were general in nature as to EY's knowledge and involvement and contained no specific evidence, reference to EY people or documentation supporting the allegations.

Actions Taken in Response

Peabody US, as the entity receiving the disclosure, engaged an independent legal counsel with expertise in such matters to conduct an investigation. EY US discussed the matter with Peabody US management to understand the nature of the allegations and evaluated whether the investigation being undertaken by Peabody US to identify whether fraudulent behaviour had occurred was appropriate or whether additional procedures or investigations needed to be undertaken as part of the scope of the audit. In assessing the scope of the investigation, EY US involved members from EY US Forensics and the EY Professional Practice Group who have experience with similar matters and provided expertise in investigations to support the Peabody audit team. EY US assessed the scope of the investigation of the claims made in the disclosure and deemed the scope appropriate in the context of the audit.

The matter was appropriately investigated by the independent legal counsel (including their engaging of external forensic accounting specialists where required) and the scope and results of the investigation appropriately considered by EY US and EY Australia. The EY Australia Assurance Professional Practice Director was consulted with during this process and was satisfied with the procedures undertaken. No evidence of fraudulent coal testing was identified. We note that the external counsel tried multiple times to engage with the former employee to provide evidence or additional testimony to support the allegations, however the former employee did not respond to these requests.

Any EY Australia audit files from the period of the allegation (i.e., from 2008 and prior) were destroyed prior to the allegation being surfaced in early 2023, in accordance with the firm's 7-year document retention policies we are required to follow. Accordingly, EY Australia had no records to enable any further investigations to be undertaken.

We do not have a record of such allegations regarding Peabody matters in Australia having been brought directly to EY US or to EY Australia.

The EY Australia Assurance Practice Director met with each of the audit partners who have led the audits of Peabody Australia since the period of the allegations. Any partner prior to this period has long left the firm. These discussions identified two individuals who remain with the firm and were involved in audit work at Peabody Coaltrade during the period of the allegations. The first individual who is a partner, was not a partner during that period and has had no involvement with Peabody since early 2016. This individual's recollection does not support the allegations made by the former employee and the individual has no recollection or awareness of coal testing discrepancies being identified or discussed during this period.

The second individual identified was the partner who signed audit opinions for Peabody Coaltrade in 2008 and remains a partner. Similarly, this individual has no recollection or awareness of coal testing discrepancies being identified or discussed during this period. This individual has not been involved in any Peabody audit work since 2009.

Neither individual had any involvement in the assessment of the investigation conducted by Peabody US in 2023.

Coal Industry Practice

We also bring to your attention the standard coal industry practice where it is contracted that customers have the right to test the quality of coal on receipt and dispute original testing undertaken on despatch where anomalies are detected. Once the coal has been accepted and invoices paid, all coal samples are generally destroyed after 90 days and customers cannot dispute the coal quality after this period in line with the contract terms. The audit partners referred to previously have confirmed they are not aware of any evidence of material customer disputes that would suggest systematic testing anomalies during the period in question or suggest that revenue was recognised inappropriately. To the best of their recollection, all historical sales had been paid in cash in full. The nature of coal is one such that it is burned soon after receipt and cannot be recalled for further testing.

Submission to Parliamentary Joint Committee on Corporations and Financial Services

When the Parliamentary Joint Committee on Corporations and Financial Services ("Joint Committee") received a submission regarding the above matter, as shared with EY Australia in December 2023, we considered its contents specific to the above procedures performed. As the allegations from this submission had more specific references to EY Australia and its people, we discussed again the alleged interactions with the individual with whom the allegations were made against. The individual confirmed their recollection had not changed and denied any such interactions or suggestion EY Australia was in collusion of an alleged fraud. This is supported by the evidence presented from the aforementioned investigation. As such, EY Australia determined there was no new substantive information in this allegation which required additional procedures over and above that performed earlier in 2023.

Further, from the responses published by the Joint Committee on 8 February 2024, we note both ALS Limited (on behalf of its subsidiary ACIRL Quality Testing Services Pty Limited) and SGS expressly denied the allegations and any involvement in their supporting alleged accounting fraud by Peabody and EY Australia.

EY Australia Conclusion

Given the above evidence, EY Australia concluded, as stated to the Finance & Public Administration References Committee's public hearing on 9 February 2023, there is no evidence to support the former employee's allegation of a fraud occurring and accordingly, it is completely without basis that EY Australia had knowledge or awareness of a fraud.

Documents tabled in Parliament

We would also like to address the matter of the documents Senator David Pocock produced and provided copies of, to EY Australia, during the hearing on 9 February 2023 that were returned to Senator Pocock at the conclusion of the hearing. These documents were subsequently tabled in Parliament on 12 February by the Hon Andrew Wilkie MP. Having now had the opportunity to examine the documents, it is clear that none of these documents relate to Peabody. They relate to another completely unrelated company and to a period some ten years after the period of the former employee's allegations and the period of employment at Peabody Coaltrade. That company is a former audit client of EY Australia. EY Australia notified ASIC with respect to issues relating to coal testing at that company.