EY to brief UK partners on plans for $80bn global break-up

Senior executives at the big four accountant EY's UK firm will be briefed next week on plans for the professional services giant to pursue an $80bn (£66bn) break-up.

Sky News has learnt that EY's 780 UK partners have been invited to a summit at a central London hotel to hear its leadership team outline the next steps in a process which would emit shockwaves through the global audit profession.

One EY UK partner said on Thursday that they had been told to expect details of the firm's growth plans for the next financial year, as well as updates on "strategic" initiatives.

The UK ranks as the second-biggest firm in EY's global network, behind the US, meaning that the views of its partnership will be crucial to implementing the overall separation.

EY has been working on plans for months to carve out its consulting business from its audit firm in the belief that by removing conflicts of interest between the two sides, each would be more highly valued on a standalone basis.

The audit firm would continue to be owned by its partners, while the consulting business – which provides advice to companies on areas such as financial restructuring, deal-making, tax and technology transformation – would seek a listing on a major international stock exchange.

Although EY's global firm may announce its intention to pursue such a radical shake-up as soon as the next fortnight, partner votes are expected to take several months to organise, with approval also required by audit regulators around the world.

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Details of the voting arrangements are yet to be finalised, but it is thought that national EY firms which vote against the proposals would not be forced to implement the split.

A partner at the firm said they had been assured that the vote on the firm’s future would be “fair and equitable”, although a spokesman declined to comment on any details.

Among the top executives presenting at next week’s partner conference will be Hywel Ball, EY’s UK chairman, and Omar Ali, the firm’s financial services regional managing partner for Europe, the Middle East, India and Africa.

A spokesman for EY UK said in response to an enquiry from Sky News: “EY partners in the UK have not been able to gather together physically for two years.

“They will be getting together to reflect on the last financial year, look at plans for the forthcoming year and hear strategic updates from leaders.”

EY looks certain to become an outlier among the big four audit firms if it does implement a break-up.

Deloitte and PricewaterhouseCoopers have both pledged to retain the existing integrated model, while Sky News revealed last week that the boss of KPMG had taken a swipe at EY’s plan by implying to colleagues that it was akin to an act of corporate vandalism.

Bill Thomas, KPMG’s global chairman, told partners that the longevity of KPMG’s existing structure was one of its major attributes.

“We are a partnership that has been strong and growing in some countries for over 150 years,” he wrote in a memo.

“Our culture fuels this growth and stability.

“Our responsibility is to leave the firm better than we found it for those who come after us – we are stewards of the business for our mentees and the next generation.

“To monetize the goodwill of our firm that has been created for over a hundred years, at the expense of the next generation, would be entirely contrary to our culture.”

The board of KPMG Global is said to have discussed the issue at a meeting earlier this month, with a determination that it would retain its present structure even in the event that the other members of the big four followed EY’s lead.

The break-up debate has been fuelled by growing pressure on the world’s biggest auditors to extricate themselves from conflicts of interest which have beset the industry in recent years.

In the UK, the collapses of companies including BHS and Carillion have stoked anger about the performance of auditors, prompting moves to create a new statutory regulator.