EY’s UK arm drafts in Rothschild as $80bn break-up looms

The British arm of EY, the accountancy firm, has drafted in one of the City’s top investment banks to advise on an impending $80bn break-up that will shake up the global accountancy profession.

Sky News has learnt that EY’s UK board has asked Rothschild to advise on the implications of a separation of its audit and consulting businesses – a move that would trigger multimillion pound windfalls for hundreds of partners.

City sources said on Friday that Rothschild’s mandate might also extend to parts of EY’s European network.

Its UK firm is one of EY’s most financially significant globally, behind only the US, and the views of its partners will be influential in determining whether the landmark break-up can proceed.

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British-based partners were briefed on the break-up plans several weeks ago, although final details of the process to vote on and approve the deal have yet to be finalised.

A formal announcement from EY about the plan is expected within weeks.

EY's UK firm has nearly 800 partners, whose votes will be crucial.

The accountancy giant 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, dealmaking, tax and technology transformation – would seek a listing on a major international stock exchange.

This week, Carmine Di Sibio, EY's global chairman, told the

Financial Times that it could land a $10bn consulting fees bonanza from multinational technology companies by extricating itself from such conflicts.

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.

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.

“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,” he wrote in a recent memo.

“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.”

A spokesman for EY UK declined to comment.