executives in the U.S.

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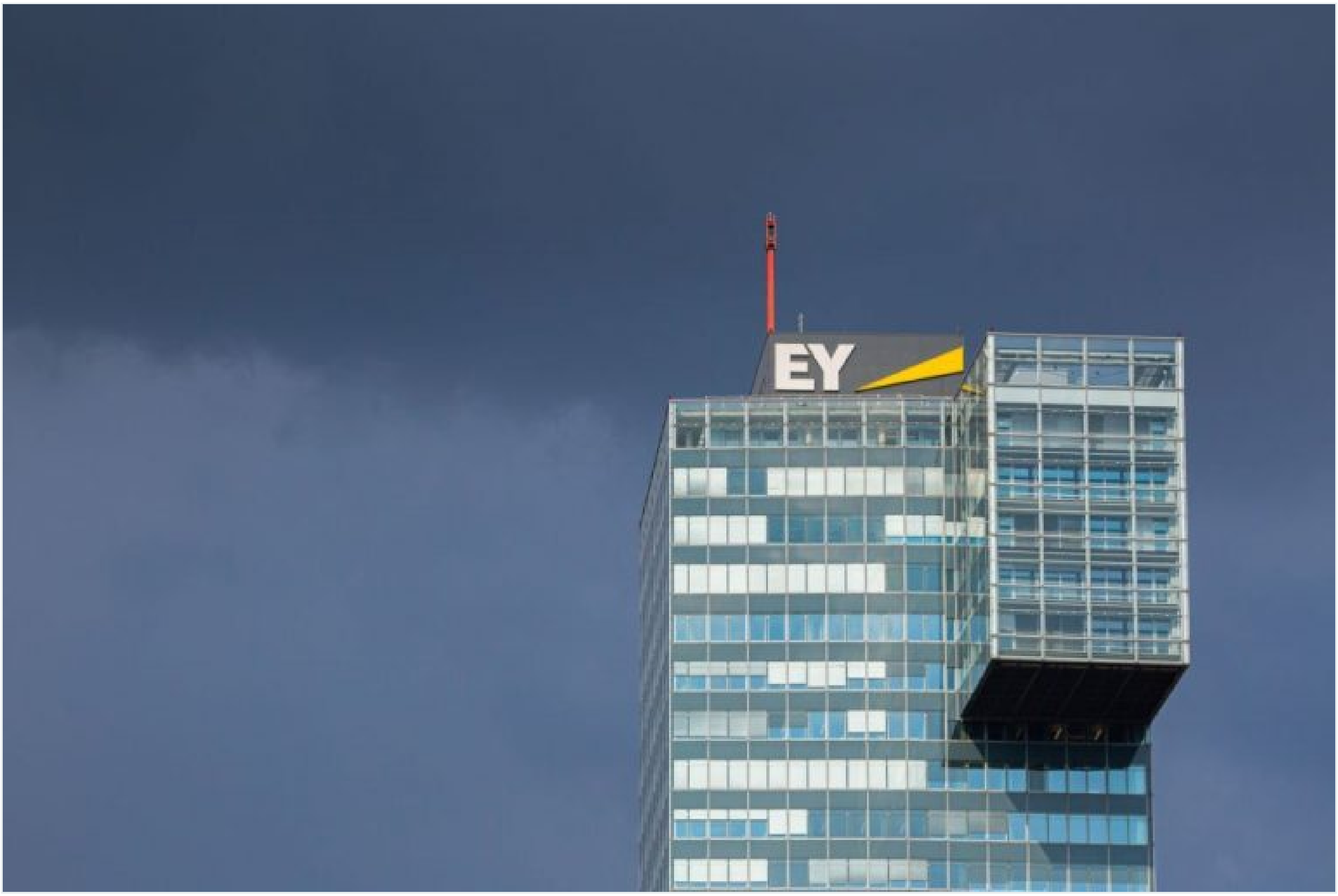

By Ananya Bhattacharya, Quartz (TNS)

EY is reversing its plan to break up its business.

One of the Big Four accounting giants in the U.S., EY was considering splitting up its audit and consulting units to avoid suggestions of a conflict of interest between the two practices. Following a split, EY would have been able to advise companies for which it also acted as auditor.

But the plan has been scrapped as a result of months of internal disagreement and

Project Everest was the nickname given to the plan to split business back in 2021, when the idea had first spawned internally. It drew ire from US executives—including senior executives like John King and Frank Mahoney—as they wanted auditors to get a bigger bite of the lucrative tax practice pie. Not only were current partners worried about the money, those who had retired were also concerned about their promised payouts.

"This is the beginning of a real period of nastiness," an EY U.S. partner who favored the deal told the Wall Street Journal.

If it had gone through, the EY split would've been the biggest overhaul the industry has seen in over two decades.

EY's Project Everest to break up the company, by the digits

- More than a year: How much time EY spent on Project Everest.
- More than $100 million: How much money EY spent on the effort to split the business.
- 40%: EY's revenues that the US accounts for, which is why the team can assert such sway on the decision.

Person of interest: Carmine Di Sibio

This is a setback for Carmine Di Sibio, EY's global chairman and chief executive, who championed the planned split. The executive, who was meant to retire in June, bagged a two-year extension to see the proposal through. Had the split happened, he would have led the consulting business, while U.S. leader Julie Boland would have overseen the audit business.

Company of interest: Arthur Andersen

- Deloitte: $59.3 billion
- PwC: $50.3 billion
- EY : $45.4 billion
- KPMG: $34.64 billion

What's next for EY?

Several countries won't let firms do consulting work for companies they audit. And the rules are tightening. For instance, the Financial Reporting Council, the U.K.'s auditing and accounting regulator, established a June 2024 deadline in 2020 for the Big Four firms to separate auditing as a standalone business.

In the note seen by FT, EY's global executive team added that it was still committed to "creating two world-class organizations that further advance audit quality, independence and client choice," but it didn't share how exactly it would do that with the physical breakup off the table now.

One more thing: EY is temporarily out of business in Germany

Earlier this month, Germany's accounting watchdog APAS doled out a 500,000 euro ($541,650) fine and two-year ban from taking on new audits for companies of public interest for two years to the 2016-18 auditor of Wirecard.

Although APAS didn't refer to EY by name, documents of the now insolvent German payments processor, whose executives were charged with forgery and fraud, show EY to be that auditor.

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