



**Building a better
working world**

Ernst & Young Global Limited
6 More London Place, London
SE1 2DA, United Kingdom

Tel: +44 20 7951 2000
Fax +44 20 7951 1345
ey.com

Carmine Di Sibio
EY Global Chairman & CEO

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Dear EY client,

Nothing is more important to EY than the quality of the service we provide. I want to assure you personally that we understand the seriousness of the Wirecard matter for your board, audit committee and other stakeholders.

Many people believe that the fraud at Wirecard should have been detected earlier and we fully understand that. Even though we were successful in uncovering the fraud, we regret that it was not uncovered sooner. The collusive acts of fraud at Wirecard were implemented through a highly complex criminal network designed to deceive everyone – investors, banks, supervisory authorities, investigating lawyers and forensic auditors, as well as ourselves. The public interest clearly requires that much more be done to detect fraud at its earliest stages. Innovative technologies are helping show how we can do that.

External reviews by local regulators of EY Germany's audit work are likely to go on for several months. EY Germany is fully cooperating with those reviews and providing every assistance to the investigators.

Part of EY's commitment to quality is a policy of continuous improvement, and we are acting already across the organization to implement innovations in our risk and audit procedures regarding fraud. We believe that these are imperative for the auditing profession as a whole. All of these raise the bar significantly and go beyond currently accepted professional standards:

- Leveraging the power of advanced technology, including:
 - Mandating the use of data analytics for fraud testing
 - Enhancing risk assessments and audit scoping by using more external data and information, such as social media, and ongoing checks on management probity
 - Using electronic confirmations for audit evidence wherever possible, moving in time to matching the company's records of banking transactions with those provided to EY by the bank
- Mandating annual forensics training for all audit professionals

Whilst the primary responsibility for the prevention and detection of fraud is with the management and supervisory boards, audits should play more of a role in the future to detect material frauds. In order to strengthen the focus on fraud, therefore, we have also developed a proprietary fraud risk assessment framework for use with audit committees and those charged with governance.

I am not going to pre-empt the outcome of any investigations, but I want to clarify a fact that I know is of considerable importance to you and all our clients. It illustrates perfectly the challenge presented by a management-led fraud: When external confirmations for trustee accounts were obtained, the evidence received (including bank confirmations) had been falsified. It is obvious, therefore, that we need innovative techniques and processes to tackle future fraud of this scale. Those that I have outlined above will be an important step in achieving that.

The partners and professionals of EY Germany have a proud and long history of delivering quality audits. Like our entire global organization, EY Germany continues to serve its clients with unwavering dedication and the highest levels of professionalism, and it is fully and uncompromisingly committed to serving the public interest. EY Global is equally committed to Germany. We pledge a relentless focus on ensuring rigorous quality, and we



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will provide EY Germany whatever they need to continue meeting the deservedly high-quality expectations of our clients and other stakeholders.

Best regards,

Carmine Di Sibio
EY Global Chairman and CEO