

Agenda Item 3-C.11 (Supplemental)

IESBA and IAASB Joint Stakeholder Survey – D.1 Evolving Structures and Business Models of Accounting Firms - Alternative Ownership Structures

12.01. 0 – I do not agree that this is a trend to be considered

02. Users of Financial or Non-Financial Information

Jose Esposito (Credicorp Ltd.)

0 – I do not agree that this is a trend to be considered

06. Jurisdictional and National Standards Setters (JSS)

Brazil Institute of Independent Auditors (IBRACON)

0 – I do not agree that this is a trend to be considered

At least locally, alternative ownership structures are not a pervasive event.

07. Accounting Firms

BDO International Limited

0 – I do not agree that this is a trend to be considered

While the accounting profession is indeed experiencing significant changes in ownership structures, workforce composition, talent dynamics, and the expansion of non-assurance services, in our view these developments are fundamentally matters of business strategy, market adaptation and firm governance, rather than issues that should be addressed through audit, assurance, or ethics standard setting. Furthermore, introducing standards or guidance in these areas risks overstepping the boundaries of professional regulation and could inadvertently stifle innovation, limit competitive flexibility, and discourage investment, new structures and diversification within the profession or in particular jurisdictions. Excessive standard setting could also inhibit attractiveness of the profession. Such activities may also affect both SSBs' relevance given the different approaches to evolving structures and business models across individual firms and networks.

The primary remit of the IESBA and IAASB SSBs is to focus on the principles and requirements that underpin audit quality and ethical conduct, rather than intervening in how firms choose to structure, finance, or operate their businesses.

From a public interest perspective, as we have noted earlier on in our Survey responses, we would advocate that more focus and attention is spent by both SSBs on active monitoring and measurement of adoption and implementation and provision of NAM to aid this, rather than consideration of the 'D' series of suggested potential areas.

Deloitte Touch Tohmatsu Limited

0 – I do not agree that this is a trend to be considered

The trends covered in part D are something for IESBA to monitor as they evaluate the ongoing suitability of the Code and the definitions therein, and we encourage the Board to keep track of what jurisdictional standard-setters are doing in these areas to avoid fragmentation. However, we generally believe such topics are not in the remit of the international SSBs and are best addressed through jurisdiction-specific legal,

regulatory, and oversight frameworks, which are best positioned to reflect local conditions and enforcement mechanisms.

Grant Thornton International Ltd (GTI)

0 – I do not agree that this is a trend to be considered

We do not believe ownership structures fall within the remit of either SSB as ownership requirements are governed by jurisdictional laws and regulations. We suggest the SSBs focus on addressing other issues we rate as a higher priority in this survey.

Jack Schoeman (PWC)

The main point is that firm ownership does not change the fundamental requirement for quality and ethics. If the existing standards are robust, they already cover how a firm must be managed regardless of its financial backing. We do not need more legislation or more layers of regulation that treat private equity differently than traditional partnerships. Instead, the boards should focus on the consistent application of current rules rather than creating new ones for a non-issue. This is the only way to avoid unnecessary red tape while keeping the profession focused on what actually matters to the public interest.

0 – I do not agree that this is a trend to be considered

10. Member Bodies or Other Professional Accountancy Organizations

Chartered Accountants Ireland (CAI)

0 – I do not agree that this is a trend to be considered

While such developments may influence firm governance, investment decisions and structures, they are not considered a major driver of change for international ethics or auditing standards in their own right.

There is a risk that responding to ownership models through further prescriptive requirements could lead to duplication or overlap with national regulation and firm-level governance rules, which already address matters such as control, voting rights and accountability. The role of international standards should therefore remain focused on articulating clear ethical expectations and outcomes, rather than attempting to regulate ownership arrangements directly.

From a standard-setting perspective, the core safeguards already exist. In particular, quality management requirements, most notably under ISQM 1, including the role of the individual(s) assigned ultimate responsibility and accountability for the system of quality management, provide a framework capable of operating across different ownership models.

Accordingly, priority should be given to reviewing how existing ethics and independence requirements operate in practice across different firm structures, including evidence-gathering on their effectiveness. If challenges are identified, these may be better addressed through clarification or application-focused guidance, rather than through expansion of the Code or Standards.

Overall, alternative ownership structures should be monitored as part of the evolving context in which standards operate, with emphasis on preserving quality, independence and trust through proportionate, principles-based standards that remain fit for purpose. Requirements on the governance of legal entities should be left to national legislators and regulators.

12. Others

AIDS Committee of Toronto

0 – I do not agree that this is a trend to be considered

12.02. 3 – Slightly decreasing in importance

04. Those Charged With Governance

Kaori Ito (Yourmysyar Inc.)

3 – Slightly decreasing in importance

Alternative ownership structures may continue to evolve in response to capital, governance, and growth pressures within accounting firms. While relevant to independence and oversight considerations, these structural changes are unlikely, on their own, to address the deeper challenges around judgment quality and professional capacity that underpin the public-interest role of the SSBs.

07. Accounting Firms

PricewaterhouseCoopers International Limited (PWC)

3 – Slightly decreasing in importance

Our approach to assessing importance

The implications of alternative ownership structures, including private equity investment in accounting firms, are currently being considered by the IESBA. We have presumed that key matters relevant to this topic will largely be progressed through the remainder of the 2024-2027 strategy period. We do not anticipate that further alternative ownership structures are likely to emerge that would drive an increase in the importance of this trend for the SSBs through the 2028-2031 strategy period. While we have rated this as slightly decreasing in importance, we recognise that there may be unknown elements around how this may evolve in the future, including the views of regulatory bodies, therefore it may slightly increase or decrease in importance. Consequently, we believe it is important that the SSBs continue to monitor how this matter evolves and determine whether there is any potential impact to the international standards.

Matters specific to the IESBA

The IESBA's current work plan project on firm culture and governance, ongoing through 2027, will impact ethics and independence considerations raised by alternative ownership structures. Looking ahead, we encourage the IESBA to evaluate whether the output of this workstream is effective in addressing the emerging ethics and independence considerations that such structures may pose.

10. Member Bodies or Other Professional Accountancy Organizations

Malaysian Institute of Accountants (MIA Malaysia)

Our approach to assessing importance

The IESBA is currently considering the implications of alternative ownership structures, including private equity investment in accounting firms. We have assumed that the key matters in this area will largely be progressed through the remainder of the 2024–2027 strategy period. Looking towards 2028–2031, we do not foresee the emergence of new forms of alternative ownership that would substantially elevate the importance of this trend for the SSBs.

While we have rated this trend as slightly decreasing in importance, we recognize there are unknowns around how it may evolve as there is limited global convergence and a potential for divergent approaches across jurisdictions such as in Malaysia and in relation to ownership structures, governance and independence requirements. These uncertainties could result in differing regulatory outcomes or periods of more rapid change.

As such, we believe it is important for the SSBs to continue monitoring developments in this area, and to assess whether any potential impact on audit quality, firm governance and international standards may arise.

Matters specific to the IESBA

The IESBA's "firm culture and governance" workplan project, which extends until 2027, will shape the ethics and independence considerations raised by alternative ownership structures. Going forward, we would encourage the IESBA to evaluate if the deliverables from this workstream adequately address the evolving ethics and independence challenges that these structures may present.

3 – Slightly decreasing in importance

12. Others

Wenzel Reyes (MindBridge)

3 – Slightly decreasing in importance

12.03. 4 – Slightly increasing in importance

02. Users of Financial or Non-Financial Information

Investment Company Institute

Where appropriate, non-authoritative guidance or thought leadership materials may help stakeholders navigate evolving practices and risks.

4 – Slightly increasing in importance

Kei Tsuchiya (The Securities Analysts Association of Japan)

4 – Slightly increasing in importance

Takeshi Kimura (Nippon Life Insurance Company (Board Member, PRI) (Steering Committee Member, TISFD))

4 – Slightly increasing in importance

Alternative ownership structures, including private equity investment in firms, may raise questions regarding governance, incentives and ethical culture. From an investor perspective, clarity around how quality management and independence are safeguarded under new ownership models will be important to maintain confidence in the profession.

03. Preparers or Issuers of Financial Statements or Other Information

Sevdalina Paskaleva

4 – Slightly increasing in importance

05. Regulators and Oversight Authorities

Tokyo Stock Exchange

4 – Slightly increasing in importance

o special notes.

06. Jurisdictional and National Standards Setters (JSS)

Auditing and Assurance Standards Board of Canada (AASBC)

- Private equity investment in accounting firms: This global trend, highlighted in the IESBA Staff Alert, Private Equity Investment in Accounting Firms and Related Ethical and Independence Considerations, private equity investment in accounting and auditing firms has increased significantly over the past five years. This trend has raised concerns that such investors may prioritize short term profitability and cost-reduction strategies, including workforce reductions. These actions could adversely affect audit quality and compromise firms' ability to uphold their ethical and independence obligations in pursuit of new revenue goals.

4 – Slightly increasing in importance

Compagnie Nationale des Commissaires aux Comptes (CNCC) - Conseil National de l'Ordre des Experts Comptables (CNOEC)

The increase in private equity investment in the accounting profession raises the question of its potential impact, particularly in terms of ethics and audit quality. As a first step, we should test the Code's resilience in light of these changes in ownership structure.

4 – Slightly increasing in importance

Hong Kong Institute of Certified Public Accountants (HKICPA)

Alternative ownership models, such as private equity investment in accounting firms, raise ongoing considerations around independence, ethical culture, governance and quality management. Although uptake varies across jurisdictions, these models have seen increasing use in some markets, particularly in the United States and Europe. Against this backdrop, the SSBs should continue to monitor developments and assess whether existing standards and recent initiatives adequately address associated risks. While recent and ongoing IESBA work is expected to address many key issues in this area, continued monitoring therefore remains appropriate to identify whether new ownership models or market practices emerge that could warrant further guidance or action during the next strategy period.

4 – Slightly increasing in importance

Instituto Mexicano de Contadores Públicos (IMCP)

4 – Slightly increasing in importance

In our jurisdiction we have started to hear and see this trend of changes in the ownership structure in local firms that belong to an international network, but we recognize that over the next few years the markets will evolve and investors may look for more attractive opportunities funding accounting firms; triggering a series of considerations in terms of firm independence, dependencies, execution and performance, metrics and compliance with other ethical requirements. We encourage IAASB and IESBA to keep this topic on the agenda to drill down into more details regarding implications for practitioners, intended users and other stakeholders and potential safeguards in respect.

Japanese Institute of Certified Public Accountants (JICPA)

4 – Slightly increasing in importance

Royal Netherlands Institute of Chartered Accountants (NBA)

4 – Slightly increasing in importance

Private equity investment in accountancy firms has increased in recent years. While such investments can support growth, innovation, and succession planning on the shorter term, they also raise important questions about governance, quality management, independence, and professional control on the longer term. Our legislation requires that accountants retain a majority of voting rights and maintain decisive influence over the firm. In practice, however, complex ownership and governance structures involving private equity may create uncertainty as to whether this majority exists not only formally, but also in substance.

Alignment between the Code and the Standards is important. We urge the Boards to ensure that projects that have impact on both the Standards and the Code are conducted in an integrated approach and simultaneously open for public comment and consideration. For example, the IESBA has launched a workstream on private equity investment in accounting firms. However, private equity investments in accounting firms have also impact on the quality standards of the IAASB. It seems this is not included and a project solely by IESBA. Hence, we highlight the importance of working together in projects.

Wirtschaftsprüferkammer (WPK)

4 – Slightly increasing in importance

IESBA:

With regard to evolving alternative ownership structures, we note that these are governed by national laws and regulations but should not be regulated by international standard setters. However, compliance with existing professional and ethical requirements as stated in the current Code is of utmost importance and must be ensured.

IAASB:

For the IAASB, this topic is not relevant for standard-setting.

07. Accounting Firms

Alan Am

4 – Slightly increasing in importance

Baker Tilly International

4 – Slightly increasing in importance

Structures will continue to evolve. While a firm structure does not necessarily directly affect audit and assurance standards, the matters of ethics and independence arising from how a firm is structured will always be important. IESBA standards need to remain principles based and allow the profession to develop its funding, investment and ownership models as needs arise. The availability of capital will affect investment decisions and expectations about efficiency and profitability of firms, but good proportionate, principles based standards should continue to give a foundation of quality while allowing innovation and diversification.

Forvis Mazars Global Limited (Mazars)

It is not the role of standard setters to regulate ownership of accounting firms.

The SSBs should focus on principles-based standards supported by guidance on the application of those standards. In the context of alternative practice structures, it may be appropriate for IESBA in particular to issue non-authoritative material supporting the application of the IESBA Code in such circumstances, for example explaining the code to potential investors to help them understand the ethical principles that firms

must apply, how individuals fulfill their responsibilities, the importance of the code and the "Non-negotiables" for professional accountants.

4 – Slightly increasing in importance

José María Hinojal (BNFIX)

4 – Slightly increasing in importance

10. Member Bodies or Other Professional Accountancy Organizations

Pavel Dimitrov (Union of Accountants in Bulgaria)

4 – Slightly increasing in importance

Alternative ownership structures are an important area of development, particularly as firms adapt to new market pressures, technological demands, and talent models. However, their impact is more indirect compared to core public-interest priorities such as sustainability, regulatory alignment, and technology-enabled risks. A rating of 4 reflects that this topic is relevant and worth monitoring, but not among the highest-urgency priorities for global standard-setting in the 2028–2031 period.

South African Institute of Chartered Accountants (SAICA)

We regard this trend to have more relevance to the IESBA than to the IAASB.

Private equity ownership of audit and assurance firms is a jurisdiction specific matter and should be considered within the context of local legal and regulatory frameworks. In South Africa, the Auditing Profession Act currently does not permit the ownership of an assurance practice by a private equity firm. The move to allow such ownership would therefore require legislative amendments to the Act. This underscores the importance of the Boards recognising jurisdictional differences when considering matters relating to firm structures and ownership, and avoiding assumptions of uniform applicability across markets. Observations from global developments:

Private equity poses a real risk that professional accountants work primarily with profit as their first priority, rather than acting in the public interest. Private equity holders may not understand the nature and priorities of the work well, posing various risks to the profession.

With the continued advances in AI, there is rapidly increasing interest from parties (including private equity) that historically have not had interest in the profession or ability to challenge long-established incumbents, to see how AI and automation can be incorporated into the audit process and reduce the barriers to entry into the market.

The risk is that these new parties are aiming to disrupt the market through the introduction of 'quicker' and 'cheaper' service offerings and that there is huge incentive in being the first to market in offering such a service as they stand to corner it and become entrenched (i.e., to beat other parties with similar goals).

It will therefore be of strongly increasing importance that standard setting keeps abreast of these fast-moving changes in technology and the knock-on impact on the industry to ensure that the value of assurance is not eroded as a consequence of failure to manage any technological transition and maintain the quality of the assurance provided.

As a starting point, the Boards should test the existing Code and Quality Managements standards for durability against these developments in ownership structures with the first response to be considered being supplementary guidance rather than revisions or the introduction of new standards.

In considering developments in firm ownership structures, it is essential that the profession as a whole—including standard setters—remains mindful of the need to preserve the core strengths and credibility of the accountancy profession. Any changes, whether driven by market forces or alternative capital models, should not erode the gains achieved through long standing adherence to the fundamental principles of the Code, including integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour. Safeguarding these principles is critical to maintaining public trust and ensuring that evolving firm structures continue to support, rather than undermine, audit quality and the public interest.

While private equity ownership is currently limited in South Africa due to regulatory constraints, it remains a globally relevant risk.

The IESBA should:

- Monitor whether existing provisions on independence and firm culture remain sufficient, and
- Consider whether additional guidance is needed to address threats arising from external ownership structures

4 – Slightly increasing in importance

11. Academics

European Accounting Association (EAA) Auditing, Assurance and Ethics Standard Committee

4 – Slightly increasing in importance

The Committee views firm culture and governance as a foundational issue with direct implications for audit quality, ethical behavior, and public trust and therefore of clear public interest relevance, as increasingly recognized by regulators and oversight bodies worldwide.

The key impact highlighted is that firm structures and incentive mechanisms, if not carefully designed, can create pressures that are difficult to reconcile with the independence and professional skepticism that auditing and assurance require. This is not merely an internal firm matter, but a systemic concern that warrants continued attention at the standard-setting level. In this regard, the Committee warmly welcomes the IESBA's ongoing work in this area and encourages continued dialogue between standard-setters, firms, and regulators. Greater transparency and shared understanding of good practice in shaping culture and incentives may prove at least as valuable as formal standard-setting in driving meaningful and lasting change.

Kenichi Akiba (Waseda University)

4 – Slightly increasing in importance

12.04. 5 – Increasing in importance

02. Users of Financial or Non-Financial Information

CFA Institute

5 – Increasing in importance

This trend seems to have great momentum, given the number of transactions that have taken place in the very recent past and because the impact of the change in ownership structure takes several years to manifest in outcomes (e.g., changes in staffing, compensation, incentives, and so on by new owners are not implemented on day one). The track record of impact from changes in ownership structure in other sectors such as healthcare services in the United States has not been positive for customers and employees of the entities and it is not clear why it would be different for accounting firms.

Goro Kumagai (The Securities Analysts Association of Japan)

Some global accounting firms are fully or partially owned by the external capital providers other than the internal partners. Salary gap between audit and assurance service and non-audit service such as consulting or advisory service may undermine the quality of people responsible for audit and assurance engagements.

5 – Increasing in importance

International Corporate Governance Network (ICGN)

5 – Increasing in importance

Changing ownership structures, including private equity investment in audit firms, may have significant implications for independence, firm culture, governance and audit quality. These models are not inherently problematic and may increase investment in technology and capability. However, the SSBs should consider whether and how these models create new risks to ethical behaviour, quality management, auditor independence, and the public interest role of audit and assurance. More broadly, this trend highlights the importance of governance and accountability in the audit ecosystem. Audit quality is affected not only by technical standards, but also by whether firm governance, ownership, incentives and accountability mechanisms support the auditor's responsibility to users of audited information.

Martin Lawrence (Ownership Matters Pty Ltd)

5 – Increasing in importance

Ethical catastrophes in Australia have shown difficulties of housing other practices - tax - in accounting firms

03. Preparers or Issuers of Financial Statements or Other Information

Ajinomoto Co., Inc.

5 – Increasing in importance

For companies, changes in firm structures raise important questions about independence and trust. Companies expect the SSBs to set out clear principles on ethics and governance that help create a trustworthy assurance environment.

Ascendia EOOD

5 – Increasing in importance

Business Europe

5 – Increasing in importance

The SSB's should continue to monitor the development in new ownership structures and the effect it may have. From our perspective, alternative ownership structures may have both positive and negative implications for the market.

Potential benefits include greater investment capacity in for instance new technology, innovation, new service models and the possibility of additional, global market entrants or entrants combining different industries.

Potential risks include effects of potential exit-strategies and possible effects on independence and long-term service quality. However, in the analysis it will be important to clearly identify whether the benefits and

risks originate from the specific ownership model or whether they are more general and should be addressed more horizontally, including the ability to provide non-assurance services.

Japan Business Federation – Keidanren

The disclosure of sustainability information differs in nature from that of financial information which is traditionally the domain of accountants, and the required levels of precision and stakeholders' expectations also vary.

Across jurisdictions, the knowledge and experience traditionally expected for accountants, as well as the content of qualification systems, do not necessarily appear to have been developed in a manner that meets such needs.

In light of these differences, while ensuring independence in assurance is important, the relevant requirements do not necessarily need to be identical to those applied in financial audits.

Furthermore, providers of assurance need not be limited to certified public accountants, and the participation of professionals with diverse expertise should be promoted.

Even within accounting firms, utilizing a broad range of talent without being constrained by traditional

5 – Increasing in importance

05. Regulators and Oversight Authorities

Botswana Accountancy Oversight Authority (BAOA)

5 – Increasing in importance

No matters or additional impacts to highlight.

Independent Regulatory Board for Auditors (IRBA)

5 – Increasing in importance

New and emerging forms of investment in audit firms can create risks for ethics and independence, with potential implications for public interest. Key risks include:

External investor influence over professional judgment;

Incentives that prioritise profitability over audit quality;

Impacts on firm culture, including how external investors may shape priorities;

Limited transparency over governance arrangements and their influence on operational decisions.

Coordination between the IESBA and the IAASB will be important to safeguard the public interest and support audit quality.

Irish Auditing & Accounting Supervisory Authority (IAASA)

5 – Increasing in importance

Alternative ownership structures — such as private equity investment and alternative practice structures — are continuing to develop and introduce new risks to audit quality, independence, and governance of the firms. These arrangements can create pressures linked to investor expectations, shorter term incentives, and increasingly complex organizational structures, making this an important area for further attention by the SSBs.

While we acknowledge IESBA's project on private equity investment, coordinated information gathering by both SSBs would help to build a shared understanding of how these models operate and where practical challenges arise. This should involve engaging a broad range of stakeholders, including regulators, to assess the implications for audit quality, ethics, and independence. As the SSBs continue to explore this topic, it will be important to consider how these developments interact with the existing quality management standards as well as the ethics and independence frameworks to determine whether the current standards remain sufficient or whether further action is needed

06. Jurisdictional and National Standards Setters (JSS)

GLASS Group of Latin American Accounting Standard Setters (GLENIF)

- Private equity investors must comply with current regulations when investing in professional entities. • It increases the complexity in identifying controls and final beneficiaries.
- It affects governance, accountability, and the scope of assurance.
- Greater rigor in terms of governance and environmental control.

5 – Increasing in importance

New Zealand Auditing and Assurance Standards Board (NZAuASB)

5 – Increasing in importance

The NZAuASB is aware that alternative ownership structures are being considered by some of the multinational firms, and these impact New Zealand firms. These new structures with a greater focus on return on investment may have cultural, ethical and independence implications for firms. There may also be implications for quality management. It is in the public interest that these implications be understood and managed as these structures evolve so that trust and confidence in the audit product is retained.

The SSBs are asked to consider whether the evolution of firms' structures or regional hubs that combine multiple country firms into one regional entity may have an impact on quality management if the accountability and responsibility for quality management systems and processes is held at a regional level rather than country specific.

07. Accounting Firms

Piotr Witek (Moore Polska)

5 – Increasing in importance

09. Public Sector Organizations

Audit Board of Republic Indonesia

5 – Increasing in importance

Private sectors are always in the front for adoption yet for public sectors ownership and commitment will accelerate the adoption

10. Member Bodies or Other Professional Accountancy Organizations

Association of Chartered Certified Accountants (ACCA)

5 – Increasing in importance

The emergence of alternative ownership structures, including increased private equity investment in accounting firms, is expected to increase in importance bringing implications for audit, assurance, and ethics.

These developments may influence firm governance, culture, and incentives, with potential impacts on audit quality and the public interest role of the profession.

From an IAASB perspective, this trend may have implications for quality management at the firm and engagement level, including leadership, governance, and the management of risks to audit quality.

From an IESBA perspective, alternative ownership structures may give rise to new or heightened threats to independence and ethical behaviour, including conflicts of interest and pressures arising from investor expectations.

Addressing these issues may require continued monitoring, guidance, and potentially targeted enhancements, rather than necessarily broad new standard-setting initiatives.

Belgian Institute of Tax Advisors and Accountants (ITAA)

5 – Increasing in importance

It has come to an uprise and seems to stay very relevant in the future. Private equity is taking over the market in Europe.

Chamber of Hungarian Auditors (MKVK)

5 – Increasing in importance

We are aware of the international trend of the increasing number of PE investments in accounting firms, but in our jurisdiction it is not the case.

Chartered Accountants Australia and New Zealand (CAANZ)

5 – Increasing in importance

While we have not yet seen large volumes of private equity investment in firms within Australia or New Zealand, there is some activity and we are aware of the rapid rise of such activity in other jurisdictions. It is important that the standards address the concerns raised by the inherent tensions between public interest and profit motivations that are present when firms have private equity investment, to ensure that audit quality and ethical standards are maintained. We believe the ethical principles in the Code and the quality management principles of the IAASB Standards are fit for purpose in this regard.

Consejo General de Economistas de España

5 – Increasing in importance

SSBs:

Alternative ownership structures, including private equity investment in auditing and professional services firms, should be a joint IAASB–IESBA priority. These structures can provide capital for technology, talent, succession, and growth, but they can also create risks to the independence, ethical culture, resource allocation, effective professional control, and long-term resilience of the audit market. Any external investment model should be compatible with the public interest only if it is demonstrated, in practice and not only formally, that independence, audit quality and professional control by qualified auditors are preserved. Private equity investment in audit firms can only be considered compatible with the audit market when it demonstrably ensures – in substance and in a verifiable manner – that the quality of the audit is strengthened, real independence is preserved and that effective professional control remains firmly in the hands of the auditors. Mere formal compliance with legal requirements of ownership or governance is not

enough; It must be clearly evidenced that there is no loss of independence, objectivity or professional control in practice. Also, define clear safeguards, compliance with transparency criteria and coherent supervision approaches so that Private Equity investment does not compromise the quality of the audit, the independence and resilience of the SME audit market.

Institute of Public Accountants (IPA)

IPA is of the view that changing ownership structures may raise quality management, and ethics and auditor independence considerations, including on firms' ethical culture. This is especially where private equity organisations are increasingly investing in accounting firms, driving growth and injecting the necessary capital for technological innovation.

However, we think the same high level of ethical requirements should apply irrespective of the organisational structure. It is therefore important that the SSB provide guidance on how this can be achieved.

5 – Increasing in importance

Institute of Singapore Chartered Accountants (ISCA)

5 – Increasing in importance

While private equity (PE) involvement in Singapore's professional services sector remains limited, international developments reflect a clear rise in PE investor backed models that are reshaping the traditional partnership structure. As these global trends continue to gain traction, we anticipate that more accounting firms in Singapore may consider alternative ownership structures, including PE investment to access capital, technology and other specialist expertise. The SSBs will need to ensure that standards remain robust while accommodating different firm structures without compromising public interest. As a result, we expect this trend to increase in prominence for the strategy period 2028 – 2031.

Pan African Federation of Accountants (PAFA)

5 – Increasing in importance

5 – Increasing in importance

From an African perspective, alternative ownership structures, including private equity investment in audit firms, are an emerging and increasingly important trend with significant implications for audit quality, independence, and ethical culture. For IAASB, this reinforces the need to strengthen firm-level and engagement-level quality management standards, particularly around governance, leadership, client acceptance, and accountability structures in increasingly complex ownership models. For IESBA, there is a need to address ethical and independence risks arising from new ownership structures, including potential threats to objectivity, conflicts of interest, and pressures on firm culture. Clear guidance on safeguarding ethical culture in commercially driven environments is essential.

Both Boards should also consider the multidisciplinary and commercial evolution of firms, ensuring that the Code of Ethics and quality management standards remain fully applicable across evolving business models while protecting public trust.

This is a highly significant trend from an African perspective, as firms increasingly integrate professionals from technology, data science, law, sustainability, and consulting disciplines to meet evolving client needs. While this enhances innovation and capability, it also raises challenges for audit quality, consistency, supervision, and ethical alignment across multidisciplinary teams.

For IAASB, there is a need to strengthen quality management frameworks to ensure effective supervision, accountability, and integration of non-accounting specialists into audit engagements.

For IESBA, emphasis is required on ensuring consistent application of ethical principles across diverse professional backgrounds, particularly regarding competence, professional skepticism, confidentiality, and independence. The priority should be to ensure that multidisciplinary practice strengthens, rather than dilutes, audit quality and ethical consistency.

12. Others

Wai Man (Emily) Ho

5 – Increasing in importance

12.05. 6 – Strongly increasing in importance

02. Users of Financial or Non-Financial Information

Impax Asset Management

6 – Strongly increasing in importance

Impax believes this trend warrants heightened focus from both SSBs, including:

- Clear expectations around governance, tone from the top, and quality management under alternative ownership structures.
- Strong ethical and independence safeguards to address conflicts of interest and short-term financial incentives.
- Greater transparency to ensure trust in the profession's public-interest role is preserved.

Jane Wilson (Wilsojay Investments)

A lesson is learned from the Bond Rating agencies going public, and most of their income comes from the companies they rate. It is no surprise that they have much less credibility than 50 years ago. Accounting firms face the same conflicts and sometimes their consulting side also gets led astray. The Arthur Andersen implosion is a case in point. We have to fear the day when accounting firms think they should go public.

6 – Strongly increasing in importance

Koei Otaki (SMBC Nikko securities Inc)

6 – Strongly increasing in importance

The European Federation of Investors and Financial Services Users (BETTER FINANCE)

6 – Strongly increasing in importance

The emergence of alternative ownership models, including private equity investment in accounting firms, may create new opportunities but also raises important questions concerning governance, incentives, firm culture and independence. Audit and assurance activities fulfill a public-interest role that differs from many other commercial activities. Changes to ownership structures should therefore be carefully assessed to ensure that commercial incentives do not undermine ethical culture, audit quality or perceptions of independence.

05. Regulators and Oversight Authorities

Hellenic Accounting and Auditing Standards Oversight Board (HAASOB)

6 – Strongly increasing in importance

A spectrum of investment and ownership structures and Business Models have appeared in the auditing profession depending on regulatory restrictions. The business models that have occurred are namely:

- Private Equity Structures
- Platform Based Models
- Direct Minority or Majority Investments (mostly non-PIE audit firms)
- Buy and Build
- Growth Capital Funding
- Management Buyouts / Leveraged Buyouts
- Public Listings
- Staff Ownership

Each Business Model has its advantages and disadvantages which can impact audit quality, auditor independence and audit firm culture in a different way.

Martina Morrissey (IAASA)

6 – Strongly increasing in importance

This area is of concern as it is moving fast. A more coordinated approach across NCAs and guidance for regulators in this area would be helpful.

National Association of State Boards of Accountancy (NASBA)

6 – Strongly increasing in importance

Alternative ownership structures – primarily alternative practice structures funded by private equity – in accounting firms is a trend that has accelerated in the U.S. When private equity investors become closely aligned with CPA firms through alternative practice structures, complex relationships emerge that may threaten both actual and perceived independence. These structures may involve shared ownership, common investors, affiliated entities, or financial relationships that are not obvious to clients, the public or regulators due to lack of visibility into the underlying agreements. The public's ability to make informed decisions about professional services depends on clear, accessible information about firm ownership, service boundaries and regulatory oversight.

UK Financial Reporting Council (UK FRC)

6 – Strongly increasing in importance

Increasing investment by PEOs introduces ethical considerations/challenges, as highlighted in the July 2025 IESBA Staff Alert. It may also introduce considerations and challenges for firm quality management.

This could be a matter to address within a Firm Culture and Governance Framework (including drawing on material from the Staff Alert). However, this is an area where there are significant regulatory considerations that may vary across jurisdictions and any pronouncements from the SSBs need to be sufficiently flexible to accommodate those considerations.

It is essential that IESBA continues to include IAASB in collaboration on the Firm Culture and Governance Framework project – the linkages with ISQM 1 and clarity where there may be incremental considerations need to be addressed in the final framework. Further, it is important to recognise that a holistic culture and governance framework includes matters such as embedding a culture of scepticism and professional judgment. These are supported by the material within the Code on "having an inquiring mind" and "exercising professional judgment" but, for example, the linkages to the concept of "professional scepticism" in the auditing standards would benefit from strengthening.

06. Jurisdictional and National Standards Setters (JSS)

Saudi Organization for Chartered and Professional Accountants (SOCPA)

6 – Strongly increasing in importance

07. Accounting Firms

AFCA Desarrollos Profesionales

6 – Strongly increasing in importance

Es un modelo de gestion de las firmas que evoluciona de manera notoria y necesaria.

Gats-Ratings Professionals

6 – Strongly increasing in importance

Krzysztof Burnos

6 – Strongly increasing in importance

Increase of SMPs due to AI

Kudos International

6 – Strongly increasing in importance

SSBs need to consider this - especially in context of ISQM1

The profession needs to ensure that profit does not trump ethics and standards

MAH, Chartered Accountants

6 – Strongly increasing in importance

The end goal of private equity is usually seen as exiting and selling the business for a profit, in a short/medium term. Although traditional ownership structures also wanted to make a profit each year, they would normally be assumed as taking care of the long term benefit of the firm, as this would also be in their self interest if they planned to work there for the long term future.

But the private equity owners may try to aggressively cut costs or boost sales etc and there could be pressure to increase profits in the short term, but which could lead to problems later down the line.

RSM International Limited

6 – Strongly increasing in importance

We believe that alternative ownership structures of firms, including private equity (PE) investment and other non-traditional ownership models, represent one of the most significant developments facing the profession over the 2028–2031 period. We consider this to be a high-priority topic for the SSBs, particularly for IESBA. We also encourage the IAASB to assess the implications for firm-level and engagement-level quality management standards and related implementation guidance.

Downstream effects

Our primary concern is not the initial introduction of external capital, but the potential downstream effects as ownership cycles evolve. PE ownership models typically operate on investment horizons of approximately 5–7 years, meaning firms may experience multiple ownership transitions, restructurings or consolidations

within the period under consideration. These longer term implications are less well understood and may present more significant challenges.

These transitions may not be isolated events but part of repeated ownership cycles or refinancing or consolidation strategies. Each transition can introduce new investors, governance arrangements or commercial incentives creating complexity over time and making the consistent application of independence and quality management requirements more challenging.

Ethics and independence risks

We believe that alternative ownership structures introduce increased complexity in applying ethics and independence requirements. Ownership interests may span multiple firms, service lines or jurisdictions, creating relationships that existing independence frameworks may not fully address. This presents a practical and growing risk to engagement quality and public trust. See our responses to Questions 5D.2 and 5D.4 for additional details.

We are also concerned that a lack of guidance may result in inconsistent application of independence rules. For example, PE owned structures may assert that assurance and consulting entities are 'operationally separate'[FN2], despite common ownership, potentially enabling arrangements that would not be permitted under traditional firm or network structures. This may lead to scenarios where non-assurance services are provided to assurance clients in ways that would not be permissible under existing interpretations for those structures.

In addition, we are concerned that a lack of guidance on assessing the independence of alternative practice structures may result in a lack of independence due to an increased complexity in applying the independence rules to entities within the structure, such as when a PE-owned assurance firm monitors the independence of other portfolio companies of its PE holding company.

We also note that independence risks may arise not only within the firm or its immediate structure, but across the broader investor group. For example, other portfolio companies within a PE structure may enter into financial, commercial or service relationships with audit and other assurance clients, potentially creating independence threats that are difficult to identify, monitor or control in practice.

In such cases, effective independence compliance may depend on the availability of group-wide information, systems and governance arrangements that were not designed with audit and other assurance requirements in mind.

We further note that certain ownership structures may inadvertently meet the definition of a 'network' under the 'International Code of Ethics for Professional Accountants (including International Independence Standards)' issued by IESBA (the Code) [FN2], thereby extending independence requirements across a wider group of entities than initially anticipated. This creates uncertainty for firms in assessing the scope of their obligations and may have significant practical implications.

Additionally, there may be differences in governance and professional requirements within certain ownership models. For example, there is a risk that some structures may not require the same level of professional accountability, such as a professional accountant taking responsibility for an audit or other assurance engagement, which could have implications for quality and oversight. See our response to Question 5D.2 for additional details.

More broadly, alternative ownership structures may introduce tensions between investor return expectations and the public interest role of audit and other assurance services. For example, shorter investment horizons and performance targets may influence decision-making in ways that are not fully aligned with long-term audit and other assurance quality, professional scepticism and investment in capability.

Standard-setting considerations

In addressing alternative practice structures, we emphasise the importance of maintaining a principles-based approach to standard-setting and carefully considering potential unintended consequences. Overly

prescriptive or insufficiently informed guidance may constrain firms' ability to develop appropriate governance structures or create practical challenges that are difficult to resolve over time.

We support the SSBs undertaking further research and information-gathering to better understand how alternative operating structures operate in practice. Based on these findings, the SSBs should determine the most appropriate response, which may include developing new or revised standards, where justified. We expect that greater clarity on the practical implications of the alternative ownership structures will emerge over the 2028–2031 period. We encourage the SSBs to be prepared to respond in a way that protects the public interest without stifling legitimate business evolution.

We also note that the regulatory environment in this area is evolving, with increasing scrutiny from regulators and oversight bodies. The SSBs should consider how their response interacts with potential future regulatory developments to avoid duplication, gaps, or unintended inconsistencies. See our responses to Question 5B.1 for additional details.

If the SSBs do not address this issue, we believe that there is a risk that individual jurisdictions may develop divergent approaches, leading to increased fragmentation and reduced interoperability.

This risk may be heightened when jurisdictions respond at different speeds or with differing interpretations of how existing independence and network concepts apply to alternative ownership models.

We believe that alternative ownership structures should not be addressed in isolation. Given the interdependencies between firm governance, independence, quality management and stakeholder confidence, we strongly encourage coordination between IESBA and IAASB to ensure assurance and ethics standards and the risks arising from alternative ownership structures are addressed comprehensively.

[FN2] Paragraph 400.51 A1 of the Code clarifies that it is not necessary for an entity to meet the definition of a firm to be a network firm. Paragraph R400.52 of the Code requires a firm to exercise professional judgement to determine if a network is created by a larger structure. In determining if such a structure creates a network, Paragraph R400.53 of the Code requires the firm to conclude that a network exists when the structure is aimed at co-operation.

Shreekant Prasad (Govindham Consultancy Services)

6 – Strongly increasing in importance

08. Sustainability Assurance Providers other Than Accounting Firms

Anum Atique (Islamic Non Banking Financial Institution)

6 – Strongly increasing in importance

Keung Ho Keung Ricky

6 – Strongly increasing in importance

09. Public Sector Organizations

Sanford Rich (NYC Board of Education Retirement System)

6 – Strongly increasing in importance

I believe that acquirers of accounting firms are attempting to benefit from the economic impact of artificial intelligence productivity changes and the benefit of scale in the consolidation of the industry. It will be interesting to track success.

10. Member Bodies or Other Professional Accountancy Organizations

Asociación Interamericana de Contabilidad (AIC)

6 – Strongly increasing in importance

La independencia técnica, profesional, y reputacional está en alto riesgo.

European Federation of Accountants and Auditors for SMEs (EFAA)

6 – Strongly increasing in importance

EFAA considers alternative ownership structures to be strongly increasing in importance. The growing involvement of private equity and other external investors in accounting firms is a significant development for the profession, with potentially far reaching implications for quality management, governance, ethical culture, and auditor independence.

While such ownership models may provide firms with access to capital, technological innovation, and opportunities for growth and consolidation, they also raise important questions regarding incentive structures, governance oversight, and the preservation of the public interest role of the profession. In particular, EFAA believes that the potential influence of external investors on strategic priorities, remuneration models, and operational decision-making warrants close attention, as these factors may affect firms' ethical culture, independence, and commitment to audit quality.

EFAA therefore encourages the boards to treat this area as a priority for continued monitoring and, where appropriate, to assess whether existing standards and guidance sufficiently address the implications of evolving ownership structures. Particular consideration should be given to safeguarding independence, objectivity, and robust quality management systems across firms of different sizes, including SMEs and SMPs. The analysis of ownership structures should go beyond formal ownership and consider the effective influence on decision-making, including economic incentives, governance models and control mechanisms, which can affect audit independence and quality management.

Malta Institute of Accountants (MIA Malta)

6 – Strongly increasing in importance

The IESBA is already addressing alternative ownership structures including private equity investment in accounting firms. The SSBs should continue monitoring this matter as it continues to evolve for potential impacts on international standards

Polish Chamber of Statutory Auditors (PIBR)

6 – Strongly increasing in importance

11. Academics

Kiran Seth (Sunway University)

6 – Strongly increasing in importance

Nicole Ratzinger-Sakel (University of Hamburg Business School)

6 – Strongly increasing in importance

PE-investments in accounting firms will change ownership structures. Important is that the cornerstone of auditor independence is maintained.

12. Others

Cristian Emmanuel Munarriz

6 – Strongly increasing in importance

I think IAASB should address its impact on quality management whereas IESBA should focus on the impact on ethics and independence. I think they should address these issues primarily through non-authoritative material and narrow scope amendments.

Eri Murakami (Wood Design Studio Inc.)

6 – Strongly increasing in importance

I would like you to develop your expressive skills. While technical ability can sometimes be determined by one's date of birth, anyone can cultivate and hone their expressive skills; aesthetic sensibility, however, is an innate talent.

Kazuhiro Yoshii (Securities Firm)

6 – Strongly increasing in importance

Due to factors such as the need to adapt to AI, audit firms' capital requirements are expected to increase, and as a result, we anticipate a rise in cases where private equity firms provide funding. While private equity firms are expected to push for improvements in audit firm governance, there is also a risk that they may pressure audit firms to prioritize short-term profits, leading to a decline in audit quality. Furthermore, there is a risk that audit independence could be compromised if the audited companies themselves invest in private equity firms. It is necessary to closely monitor trends in private equity investment and related discussions.

Louise Willdrige (LBW Global)

6 – Strongly increasing in importance

The PE investment trend is giving the profession a huge shake up and it feels like SSBs are on the backfoot in terms of regulations, governance and guidance.

Mahmoud Bilal (Unimar)

6 – Strongly increasing in importance

12.06. Letters providing separate ratings for IAASB or IESBA

06. Jurisdictional and National Standards Setters (JSS)

Accounting Professional & Ethical Standards Board (APESB)

5 – Increasing in importance

Matters for the IESBA:

APESB notes that the emergence of alternative ownership structures, particularly increased private equity investment in accounting firms, is raising important ethics, independence and quality management considerations. APESB notes that new ownership models may influence firms' strategic priorities, commercial pressures, and internal culture, including how firms make decisions and what they prioritise.

This reinforces the need to ensure that ownership and funding arrangements do not compromise ethical culture or the consistent application of the fundamental principles.

APESB observes that private equity involvement is also associated with accelerated growth and technological investment. While these developments can support innovation, they may also introduce new risks if commercial imperatives outweigh professional obligations. APESB considers that the IESBA should continue to monitor these trends and assess whether additional guidance is needed to ensure that alternative ownership structures do not undermine auditor independence, objectivity, or the public interest focus of the profession.

American Institute of Certified Public Accountants - Professional Ethics Executive Committee and Auditing Standards Board (AICPA PEEC & AICPA ASB)

3 – Slightly decreasing in importance

IESBA and IAASB rating: 3

IESBA

Responding to the six-point rating approach to this topic was a challenge because IESBA already committed to a project and the project timetable indicates that the terms of reference will be brought to the Q2 2026 meeting. As such, we rated this as 3 which is the mid-point of the selection criteria.

Professional accountants in public practice are held to one set of ethical and quality management expectations regardless of a firm's ownership structure or financing model. For that reason, the code should continue to function as the global ethical baseline and should be amended only when there is clear, compelling evidence of a new, globally relevant risk that cannot be addressed through existing requirements. If making amendments, IESBA should consider differences in legal, governance, and regulatory frameworks across jurisdictions to help ensure that any resulting provisions remain globally operable and can be applied consistently in practice, thus minimizing fragmentation risk.

We acknowledge that private equity investment can broaden and intensify a firm's independence and conflict-of-interest considerations and, in some cases, expand the entities captured within a firm's network. However, these are not new concepts — they are addressed in the code's existing framework and can be applied effectively in this context without introducing additional, prescriptive requirements that may create unnecessary complexity or unintended consequences.

Importantly, in considering these matters, IESBA should not venture into regulating the day-to-day operations or overall governance of firms. Those matters are more appropriately addressed through jurisdiction-specific legal, regulatory, and oversight frameworks, which are best positioned to reflect local conditions and enforcement mechanisms.

Accordingly, IESBA should approach private equity and similar ownership models with discipline and restraint — prioritizing targeted analysis and limiting any code changes to circumstances where a clear, evidence-based gap is identified and cannot be addressed through the current framework. IESBA should work to ensure any outcomes remain globally operable and capable of consistent application across jurisdictions, recognizing differences in legal, governance, and regulatory regimes.

IAASB

IAASB members need to monitor global developments along with staff. The IAASB may determine it is appropriate to work with IESBA on developing nonauthoritative material to the extent alternative ownership structures, including the increasing involvement of private equity investments in firms, which may affect a firm's system of quality management, engagement quality, and independence required for IAASB audit and assurance engagements.

Australian Auditing and Assurance Standards Board (AUASB)

6 – Strongly increasing in importance

We encourage all parties involved in the financial reporting ecosystem to continue to recognize the importance of ISQM 1 and strong quality management principles, particularly in light of evolving business structures and ownership.

Institut der Wirtschaftsprüfer (IDW)

2 – Decreasing in importance

Ownership structures is per se a topic that lies outside the scope of IESBA and IAASB standard setting remit. The structure and ownership of accounting firms are determined by legal and regulatory frameworks rather than ethical, quality management or engagement standards, limiting the IESBA's and the IAASB's ability to address these developments directly. The existing ethical, quality management and engagement requirements already apply regardless of the ownership structure and business models of the accounting firms. Nevertheless, an integrated approach from the boards on ethical and quality management is essential to ensure that related risks are addressed consistently from an ethical and quality management perspective.

Nordic Federation of Public Accountants (NRF)

4 – Slightly increasing in importance

IAASB rating: 2 Decreasing in importance

This does not fall within the remit of the IAASB per se, as the structure and ownership of accounting firms are matters defined by law and regulation.

However, as new business structures evolve, including private equity invested firms, a broader discussion has emerged around how these firms maintain high quality. The IAASB already has a strong foundation through ISQM 1, which provides a principles based framework adaptable to different firm contexts. The emergence of new ownership models does not in itself suggest a need to revise that standard. Rather, it highlights the importance of continuing to apply ISQM 1 effectively and of responding thoughtfully—rather than reactively—to emerging developments.

IESBA rating: 4 Slightly increasing in importance

Private equity ownership within the profession is growing, bringing renewed attention to quality, ethical culture, and independence. While some concepts may be new in these ownership structures, this does not necessarily indicate deficiencies in the Code, given its principles based nature. It may nonetheless be appropriate for the IESBA to stress test whether emerging business structures and ownership models create situations not specifically covered. Regulators have expressed increasing concern, including regarding firms auditing entities within the same private equity fund that also holds a stake in the audit firm. Some have indicated that such arrangements may not be acceptable, even if current rules do not explicitly prohibit them. One area that may warrant further consideration is the definition of a network firm. In this context, rather than broad expansion, targeted revisions could be explored, supported by enhanced coordination between the IESBA and IAASB to ensure coherence across ethics and audit frameworks. At the same time, it would be preferable to first assess whether non authoritative guidance could adequately address these matters before any expansion of the Code is contemplated.

07. Accounting Firms

Ernst & Young Global Limited (EY)

How audit firms and networks are structured and owned is regulated in the jurisdictions in which they operate. Therefore, we support the Boards' monitoring jurisdictional developments as well as related activities of regulatory bodies such as IFIAR, but standard setting is not needed on an international level because ISQM 1 and the IESBA Code are fit for purpose, regardless of the ownership structure of firms. If there are relevant considerations identified related to the application of ISQM 1 or the IESBA Code by firms with alternative ownership structures, we believe the development of NAM that includes example considerations is the appropriate approach.

5 – Increasing in importance

KPMG International Limited

3 – Slightly decreasing in importance

IAASB – 3 Slightly decreasing in importance, IESBA – 3 Slightly decreasing in importance

We recognize the emergence of alternative ownership structures of firms, in particular in the form of private equity investment in firms. We note that such arrangements vary widely in form and objective, making it difficult to draw broad conclusions about their impact on the profession. However, while we consider that this should be an area for the SSBs to monitor, we do not believe that the trend of "Alternative Ownership Structures" will increase in importance over the survey period as it relates to a specific response for standard-setting activities from the SSBs. Accordingly, we recommend that both boards continue to monitor developments in this area and, if necessary, consider developing targeted guidance to address any implications that may arise as a result of this trend.

IAASB

From an IAASB perspective, we consider that the IAASB's existing standards, in particular, the Quality Management standards, continue to be fit for purpose in terms of identifying and addressing any impacts arising from firms' evolving structures and business models, and, being principles-based, are appropriate to address any specific pressures on audit quality and/or independence matters that may arise.

IESBA

From an IESBA perspective, alternative ownership structures may raise important questions in relation to ethics and independence where investors have significant or controlling interests in audit firms. However, it is not yet clear that these risks are systematically greater than those already present in traditional firm models. Existing guidance and recent IESBA staff communications address these issues at a high level. Overall, the trend does not yet clearly justify significant new action but continued monitoring and targeted analysis.

09. Public Sector Organizations

United States Government Accountability Office (GOA)

5 – Increasing in importance

We believe that the IESBA should determine if an updated standard or guidance is needed to address issues related to ethics and independence raised by private equity investments in firms. Areas of concern could include the impact of profitability measures on quality management practices and independence when a private equity fund also owns a stake in the firm's clients.

10. Member Bodies or Other Professional Accountancy Organizations

Accountancy Europe (AE)

4 – Slightly increasing in importance

IAASB rating: 2 Decreasing in importance

This topic does not fall within the remit of auditing standard setting.

The structure and ownership of accounting firms are matters defined by law and regulation, not by auditing standards. IAASB cannot meaningfully address these developments through standard-setting. However, coordination with the IESBA may be important to ensure consistent treatment of related risks from an audit perspective.

IESBA rating: 4 Slightly increasing in importance

IESBA has already taken initial steps in this area, including the publication of material such as staff alerts addressing alternative practice structures and private equity involvement. This work is useful and relevant, as it highlights key risks, particularly around independence, and provides a basis for further consideration. However, coordination with the IAASB may be important to ensure consistent treatment of related risks from an audit perspective.

There is increasing concern from regulators, including on specific matters such as the ability of firms to audit entities within the same private equity fund also holding a stake in the audit firm. Some regulators have already indicated that such situations may not be acceptable, even where current rules do not explicitly prohibit them. This suggests that certain aspects of the current framework, such as definition and scope of network firms, may not fully capture the risks arising from alternative practice structures.

In this context, rather than expanding the Code more broadly, consideration could be given to targeted revisions, including a review of the network firm definition, to better reflect these developments. In addition, enhanced coordination between the IESBA and IAASB would be beneficial to ensure a consistent and coherent approach across ethics and audit frameworks.

In addition, Accountancy Europe has contributed to this discussion with two papers:

<https://accountancyeurope.eu/publications/private-equity-investments-in-accountancy-firms/>

<https://accountancyeurope.eu/publications/beyond-private-equity-third-party-ownership-in-the-accountancy-and-audit-sector/>

Global Accountancy Alliance (GAA)

0 – I do not agree that this is a trend to be considered

Combined Rating - 0

Private equity investment in accountancy firms is increasing, particularly in the U.S., EU, and the U.K. and those investments may create (or appear to create) threats to independence. Therefore, any IESBA response should be evidence-based and lead to Code changes only where a clear issue is identified, with due regard to jurisdictional differences to ensure global operability and consistent application.

Principles of ethics and quality management transcend ownership models and in our view the Code's conceptual framework is generally capable of addressing heightened complexity (including potential network implications) arising from varying ownership models. Accordingly, we do not believe IESBA needs to pursue standard setting over firm operational or governance structures. Any such regulation is better handled through local regimes.

Institute of Chartered Accountants in England and Wales (ICAEW)

IAASB rating: 2

IESBA rating: 4

It would be highly unusual for the SSBs to be so closely involved with the business models of accounting firms. ICAEW notes that in the UK, issues relating to the structure and ownership of accounting firms are primarily matters for domestic law and regulatory oversight by the FRC.

As such ICAEW does not consider that there is a need for standards in this area. However, ICAEW considers that there may be value in the development of practical non-authoritative guidance on this topic by the SSBs. In this regard, ICAEW notes the FAQ guidance / Staff Guidance Note previously issued by IESBA and recent material published by IFAC could be the basis for helpful guidance.

4 – Slightly increasing in importance

Institute of Chartered Accountants of Scotland (ICAS)

Combined IESBA and IAASB – Rating - 0

Recent years have seen considerable activity from Private Equity Houses in relation to their investment in accountancy firms, with particular focus in certain jurisdictions, including the US, Europe and the UK. Private equity investment may create, or appear to create, independence threats. We note that IESBA recently decided to launch a new workstream to analyse ethical and independent implications of private equity investment in accounting firms. We believe that this should only result in any proposed changes to the Code if these are seen as crucial to ensuring the Code remains fit for purpose. In our view, the Code's conceptual framework is generally sufficient to address risks arising from different ownership models, including related network implications. We therefore do not support standard-setting on firm ownership, governance, or operational structures, which are better addressed through local regulatory regimes. Any IESBA response should be evidence-based and lead to changes to the Code only where a clear need is demonstrated, with due regard to jurisdictional differences and global operability.

0 – I do not agree that this is a trend to be considered

International Federation of Accountants (IFAC)

0 – I do not agree that this is a trend to be considered

IFAC acknowledges that alternative ownership structures, including private equity investment in accounting firms, are a real market development and may raise questions relating to auditor independence, ethics, firm culture and quality management. However, firm ownership structures are often shaped by national law, regulation, firm governance and network arrangements. The existence of new ownership models should therefore not automatically be treated as a new SSB standard-setting priority.

IFAC believes the appropriate starting point is to test whether existing ethics, independence and quality management standards remain sufficiently resilient and principles-based to address potential threats arising from different ownership and financing models. Any further action should be based on clear evidence of a gap in existing standards, rather than on the existence of alternative ownership structures alone.

For IESBA, the key question is whether the Code remains sufficient to address threats to independence, objectivity, undue influence and professional behavior irrespective of how a firm is financed or owned. For IAASB, the relevance appears more limited and should be considered through the lens of quality management only where a clear standards gap is evidenced.

12.07. No rating provided but with comments

01. Monitoring Group

International Federation of Independent Audit Regulators (IFIAR)

Alternative Ownership Structures

15. Private investment in audit firms is a major trend that IFIAR identified as an area that poses risks to audit quality. Close collaboration between the IAASB and IESBA will be important in responding to evolving risks associated with alternative ownership structures, including private equity investment in audit firms. These developments raise fundamental questions about firm culture, governance, and the safeguarding of auditor independence and objectivity.

16. Timely guidance or standards will be essential to respond to emerging challenges and ensure that:

- The public interest is protected as firm ownership and incentive structures evolve.
- Quality management systems adequately address risks arising from new ownership models.
- The value, credibility and trust in the audit are maintained.

International Organization of Securities Commissions (IOSCO) Committee

external investor expectations, economic interdependencies between audit and non-audit entities, shorter-term incentive horizons, and increasingly complex cross-entity arrangements. Given the potential implications for firms' quality management systems and the public interest, we agree that this is an important area for attention.

We acknowledge IESBA's recent decision to launch a project on PE investment in accounting firms. However, we believe coordinated information-gathering across both Boards will help establish a shared understanding of how these structures are operating and where practical challenges may arise. This should include engaging with a diverse set of stakeholders to assess the implications related to audit quality, independence and ethics, including engaging with other regulatory authorities and standard-setting bodies that have begun work in this area, as their insights could further inform the Boards' understanding.

As we support the Boards to continue to explore this area, it will be important to reflect on how these developments interact with the existing quality management, ethics, and independence frameworks. Such insights can help the Boards determine whether the current standards continue to provide a sufficient foundation or whether emerging issues may warrant further consideration over the strategy period.

D.1 Alternative Ownership Structures – Moderate-High Influence

Alternative firm ownership models, including private equity (PE) investment and alternative practice structures (APS), continue to evolve and may introduce new risks to audit quality, independence, and firm-level governance. These models can create pressure points arising from

05. Regulators and Oversight Authorities

Canadian Public Accountability Board (CPAB)

Alternative Ownership Structures

CPAB supports close collaboration and coordination between the IAASB and IESBA to respond to evolving risks related to alternative ownership structures, including private equity investment in audit firms. These developments raise fundamental questions about firm culture, governance, and the safeguarding of auditor independence and objectivity.

Timely guidance or standards will be essential to ensure that:

- The public interest is protected as firm ownership and incentive structures evolve.
- Quality management systems appropriately address risks arising from new ownership models.
- The value and credibility of the audit are not diminished.

Committee of European Auditing Oversight Bodies (CEAOB)

Evolving Structure and Business Models of Accounting Firms

18. Alternative ownership structures — such as private equity investment and alternative practice structures — are continuing to develop and introduce new risks to audit quality, independence, and governance of the firms. These arrangements can create pressures linked to investor expectations, shorter-term incentives, and increasingly complex organizational structures, making this an important area for further attention by the SSBs.

19. While we acknowledge IESBA's project on private equity investment, coordinated information-gathering by both SSBs would help to build a shared understanding of how these models operate and where practical challenges arise. This should involve engaging a broad range of stakeholders, including regulators, to

assess the implications for audit quality, ethics, and independence. As the SSBs continue to explore this topic, it will be important to consider how these developments interact with the existing quality management standards as well as the ethics and independence frameworks to determine whether the current standards remain sufficient or whether further action is needed.

10. Member Bodies or Other Professional Accountancy Organizations

CPA Australia

0 – I do not agree that this is a trend to be considered

D.1 Alternative ownership structures (e.g., private equity):

Primarily a jurisdictional and firm-level governance matter; the SSBs should avoid attempting a global structural solution. For the IAASB, no audit standard changes are indicated, monitor for any evidenced impacts on audit quality and consider through ISQM post-implementation channels. For the IESBA, use the trend as a stress test of the Code's resilience (culture, independence, conflicts), responding with monitoring and targeted guidance only if recurring, global application issues emerge. The real question in this area will be for the regulators if they see a shift in audit quality and independence requirements not being adhered to.

12.08. No specific response

02. Users of Financial or Non-Financial Information

First Nations Financial Management Board

Sarasin & Partners

05. Regulators and Oversight Authorities

Public Accountants and Auditors Board Zimbabwe (PAABZ)

Public Company Accounting Oversight Board (PCAOB) – Views of the PCAOB Chief Auditor