

Private Equity and Other External Investments (PE&OEI) in Accounting Firms – Cover Note

Objectives

The objectives of the IAASB discussion in September 2026 are to:

- (a) Provide an overview of PE&OEI in accounting firms.
- (b) Discuss the proposed IAASB approach to join the IESBA¹ in undertaking information-gathering activities to obtain an evidence-based understanding of PE&OEI in accounting firms.
- (c) Obtain the Board's views about the Joint IESBA-IAASB Action Plan for Phase 1 for undertaking information-gathering activities.
- (d) Provide initial feedback and receive the Board's reflections and views on the information-gathering activities undertaken to date.

Introduction

Background

1. In July 2025, recognizing the significant increase of private equity investments in accounting firms, the IESBA published a staff alert about the key ethics and independence considerations relating to private equity investments in accounting firms ([IESBA Staff Alert](#)) (see **Agenda Item 6–E**). Appendix 1 to the IESBA Staff Alert provides a high-level overview to facilitate understanding of private equity investments. The IESBA Staff Alert highlights that accounting firms may find private equity investments an attractive source of capital to support business growth, investments in technology, succession planning, retirement funding, and securing talent. Meanwhile, private equity organizations may see opportunities to invest in stable and profitable accounting firms with growth potential, aiming for consistent returns and a profitable exit in due course.
2. Since the publication of the IESBA Staff Alert, recent developments indicate that external investments and ownership arrangements in accounting firms are growing rapidly and becoming increasingly diverse and complex. In response, the IESBA agreed in March 2026 to prioritize a workstream to gather further information on developments beyond those considered in developing the IESBA Staff Alert. In June 2026, the IESBA approved the workstream's [Terms of Reference](#) (see **Agenda Item 6–F**). Additional information about the IESBA's PE&OEI workstream is available on the IESBA's webpage [here](#).
3. During the executive session at the June 2026 IAASB meeting, the IAASB Chair and Senior Staff updated the Board regarding developments and a proposal for the IAASB to join the IESBA in undertaking Phase 1 information-gathering activities and finalizing a report that could inform both Boards about any further actions within their respective remits. The Board was broadly supportive to proceed.

¹ International Ethics Standards Board for Accountants (IESBA)

4. This is viewed as a proactive means for both Boards to coordinate and collaborate on a topic that potentially has both ethics and quality management implications. In addition, it will contribute to addressing demands from stakeholders for early and elevated coordination between the IAASB and the IESBA, and that topics of common interest should be addressed in a holistic manner. Joining IESBA's planned Phase 1 work provides an appropriate opportunity for the IAASB, concurrently with the IESBA, to obtain a deeper understanding of the nature, extent and evolution of different accounting firm structures and ownership models, including their economic, governance and control characteristics and, for the IAASB, to consider possible quality management implications in the context of its quality management standards.²
5. As of July 1, 2026, two IAASB Staff and a Project Board Member have been assigned to this workstream to work collaboratively with the IESBA Project Team and Board Advisors (see **Appendix 1** for more information).

Materials Presented

Matters Addressed in This Paper

6. This paper has the following parts:
 - (a) **Part A:** PE&OEI in accounting firms;
 - (b) **Part B:** IAASB approach to Phase 1 of the workstream;
 - (c) **Part C:** Joint IESBA-IAASB Action Plan;
 - (d) **Part D:** Information-gathering activities undertaken to date; and
 - (e) **Part E:** Next steps.

Appendices and Other Agenda Items Accompanying This Paper

7. This Agenda Item includes the following appendices and accompanying agenda items:

Appendix 1	PE&OEI Information-Gathering Workstream Assignments and Activities
Agenda Item 6–A	Joint IESBA-IAASB Paper on PE&OEI in Accounting Firms
Agenda Item 6–B	Joint IESBA-IAASB Action Plan for Phase 1
Agenda Item 6–C	Joint IESBA-IAASB PE&OEI – Questionnaire for Professional Accountancy Organizations, Regulators or Oversight Bodies, and Jurisdictional Standard Setters
Agenda Item 6–D	Joint IESBA-IAASB PE&OEI – Questionnaire for Accounting Firms

² The IAASB's quality management standards comprises the International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, ISQM 2, *Engagement Quality Reviews* and International Standard on Auditing (ISA) 220 (Revised), *Quality Management for an Audit of Financial Statements*.

Agenda Item 6–E (Supplemental)	IESBA Staff Alert – July 2025
Agenda Item 6–F (Supplemental)	IESBA PE&OEI Terms of Reference

Part A: PE&OEI in Accounting Firms

8. PE&OEI in accounting firms refer to arrangements in which external investors, such as private equity organizations and other third-party capital providers, invest in, acquire ownership interests in, or otherwise obtain financial or governance rights in accounting firms. These arrangements may take a variety of forms, including minority or majority equity investments, alternative practice structures, or other ownership and financing models that involve external participation in the firm's capital, governance or strategic direction. These external investments are occurring across multiple jurisdictions and among accounting firms of varying sizes, particularly within the mid-tier accounting firm segment.

Investment and Firm Structure

9. Many accounting firms have evolved into new structures as they seek to adapt to changing client needs and technology advancements and take in new capital from external investors. These firm structures go beyond traditional partnership or privately held corporate ownership models. Non-traditional firm structures or ownership models that apply to accounting firms may include the following:

Organizational Structures

- (a) Holding company, where ownership is held through a parent company with limited operational integration among subsidiary accounting firms;
- (b) Platform company, where the parent or investment entity holds controlling interests in multiple accounting firms and provides centralized management or shared services (e.g., technology, human resources, finance, marketing);
- (c) Merger creating a multidisciplinary professional services firm with PE or OEI;
- (d) Common ownership under a private equity firm; or
- (e) Accounting firm restructuring that separates advisory from audit/assurance services, with audit partners retaining responsibility for maintaining independence and audit quality. A long-term agreement governs staff, support services, workspace, and other resources provided to the audit entity.

Ownership Models

- (a) Publicly traded accounting firm on a stock exchange;
- (b) Employee-owned accounting firm through an employee stock ownership arrangement;
- (c) Private equity-backed accounting firm or accounting firm within a private equity-owned group; or

- (d) Venture capital-backed accounting firm.
10. Accounting firms may obtain capital through a variety of financing arrangements. Financing or capital models utilized by accounting firms may include:
- (a) Initial public offering;
 - (b) Private placement;
 - (c) Employee stock ownership plan or similar employee ownership arrangement;
 - (d) Private equity investment with minority or majority ownership stake;
 - (e) Venture capital investment with minority or majority ownership stake;
 - (f) Sovereign wealth fund investment;
 - (g) Pension fund investment;
 - (h) Other external investment with minority or majority ownership;
 - (i) Merger with another accounting firm;
 - (j) Acquisition by another accounting firm; or
 - (k) Traditional financing and capital models, including borrowings and partner capital.

Factors Influencing Firms to Adopt Non-Traditional Accounting Firm Structures (AFS) and Investment Models, Including Potential Risks

11. Regulators, oversight bodies, jurisdictional standard setters, accounting firms, professional accountancy organizations, investors and other users recognize both the potential opportunities and risks arising from these external investments.
12. Factors influencing accounting firms (i.e., potential benefits) to adopt varying AFS and investment models may include:
- (a) Growth through mergers or roll-up³ strategies;
 - (b) Growth through acquisitions or bolt-on⁴/add-on strategies;
 - (c) Capital for technology or other infrastructure investment;
 - (d) Talent attraction and/or retention;
 - (e) Existing capital needs, including retirement and succession planning, debt repayment and paying down pension liabilities;
 - (f) Expansion into new service lines;
 - (g) Expansion into new geographical regions;
 - (h) Improvements in operational efficiency; or
 - (i) Enhanced strategy and management and operational capabilities.

³ A roll-up merger is where smaller firms are bought and merged together to form a bigger firm.

⁴ Firms are purchased by a platform company firm and the firms continue to operate under their own names.

13. In addition to the potential benefits described in the previous paragraph, potential risks, or events or conditions that may drive potential risks, may include:
- (a) Changes in governance structures and decision-making authority;
 - (b) Commercial pressures that may influence strategic decision-making;
 - (c) Risks to firm culture, including the “tone at the top;”
 - (d) Challenges in maintaining auditor independence and objectivity;
 - (e) Potential conflicts between investor return expectations and maintaining audit quality;
 - (f) Increased emphasis on profitability, growth and operational efficiency; and
 - (g) Public confidence risks where external ownership is perceived to influence audit practices.

Regulatory Response to PE&OEI in Accounting Firms

14. Audit firm ownership requirements vary across jurisdictions, as do audit regulators’ mandates for oversight of transactions involving private equity investments. Subject to jurisdictional law, regulation or arrangements, regulators have generally not prohibited external investments. However, regulators remain alert to the possibility that the economic substance of a transaction may conflict with its legal compliance with local regulations. In jurisdictions where PE&OEI are permitted, firms ordinarily engage closely with relevant regulators when entering into these types of arrangements.
15. Recent regulatory initiatives (e.g., regulatory statements on PE&OEI in accounting firms) commonly emphasize:
- (a) Appropriate governance arrangements;
 - (b) Clear accountability for audit quality;
 - (c) Complexities of maintaining auditor independence;
 - (d) Firm culture and professional ethical behavior.
 - (e) Management of conflicts of interest;
 - (f) Transparency regarding ownership and control;
 - (g) Appropriate oversight by those responsible for governance; and
 - (h) Demonstrating that commercial objectives do not override audit quality objectives.
16. Therefore, from a quality management perspective, regulatory focus reinforces principles underpinning a firm’s system of quality management by emphasizing, for example, governance, leadership, ethical behavior and accountability as key mechanisms for ensuring that external ownership or investment arrangements should not adversely affect audit or other assurance quality. These regulatory initiatives highlight matters that firms may need to consider when identifying and assessing quality risks and designing responses within their systems of quality management.

Part B: IAASB Approach to Phase 1 of the Workstream

A Collaborative Workstream Approach

17. As explained in the Background section of this paper, subsequent to the IAASB and IESBA June 2026 Board meetings, the IAASB joined the IESBA in undertaking Phase 1 information-gathering

activities related to PE&OEI as contemplated in the relevant IESBA Terms of Reference (see paragraphs 20–21 that discusses the objective and key aspects in the IESBA Terms of Reference that support a collaborative workstream approach).

18. A collaborative workstream approach between the IAASB and the IESBA, through closely coordinated information-gathering activities, seeks to develop an evidence-based understanding of:
 - (a) The evolving models of accounting firm ownership and external investment in accounting firms; and
 - (b) Their implications for ethics, independence, quality management, audit and other assurance quality, and the public interest.
19. This collaborative approach is intended to enable the IAASB and the IESBA to consider matters of mutual interest in an efficient and informed manner, while respecting the distinct mandates of each Board and maintaining interoperability between their standards.
20. The IESBA PE&OEI Terms of Reference include the following objective that supports collaboration between both Boards:

Objective
“Identify matters that may need coordination with, or merit the attention of, the International Auditing and Assurance Standards Board (IAASB), including from the perspective of maintaining full interoperability between the two Boards’ standards.” (Terms of Reference, paragraph 6(f))

21. The following key aspects in the Terms of Reference, together with the broader IAASB-IESBA coordination framework, support a collaborative workstream approach:

Key Aspects in Terms of Reference	Description
(a) Recognition of matters of mutual interest	The Terms of Reference recognizes that PE&OEI in accounting firms raises issues of mutual interest to both Boards, including implications for ethics, independence, quality management, audit quality and the public interest. (Terms of Reference, paragraphs 2 and 14)
(b) Coordinated information gathering, including active participation in outreach activities	The IESBA will coordinate closely with the IAASB in gathering information on PE&OEI developments. The IAASB will, as appropriate, participate in outreach activities, such as with regulators, accounting firms and other stakeholders to help both Boards obtain a common evidence-based understanding of emerging issues. (Terms of Reference, paragraphs 14, 22, 23 and 26)
(c) Sharing information to avoid duplication of efforts	The information obtained through outreach and research is intended to be shared between the Boards so that each can evaluate implications within its mandate. This collaborative

Key Aspects in Terms of Reference	Description
	approach reflects the Boards' commitment to coordinate closely on matters of mutual interest to their standards, which enhances relevance and impact of outputs, as well as efficiency in our ways of working. (Terms of Reference, paragraph 14, and is consistent with the broader IAASB-IESBA coordination framework)
(d) Potential further action	Phase 1 of the workstream focuses on information gathering. The findings in Phase 1 will inform any further actions by both Boards (e.g., standard setting, the development of non-authoritative materials (NAM), or other initiatives). If further action is indicated, that will represent Phase 2 that would be subject to a separate timeline and proposal. (Terms of Reference, paragraph 23)

22. The above collaborative workstream approach for Phase 1 seeks to:
- (a) Develop a common understanding of evolving PE&OEI structures and business models;
 - (b) Identify issues that have implications for ethics, independence, quality management, audit and other assurance quality, and the public interest;
 - (c) Conduct coordinated outreach and research activities where appropriate;
 - (d) Promote information sharing and avoid unnecessary duplication of effort; and
 - (e) Enable each Board to reflect on the findings in the context of its standards, while recognizing the commonality of issues across their standards, to determine whether there is a need for any further action and, if so, the nature of such action.
23. Information obtained from these collaborative information-gathering activities will also help inform each Board on how best to position their strategies and work plans as it relates to PE&OEI in accounting firms (see **Agenda Item 3** regarding the Board discussion on strategy and work plan).

Focus on Quality Management Considerations

24. For the IAASB, the focus of the Phase 1 information-gathering activities will be on potential quality management considerations of PE&OEI in accounting firms. Specifically, to understand whether and, if so, how firms are addressing events, conditions or circumstances related to accepting PE&OEI through their systems of quality management. This will inform the Board about the application of existing quality management principles to such events, conditions or circumstances and whether those principles remain fit-for-purpose or any gaps exist. Paragraphs 26–30 set out at a high-level the matters to be considered from a quality management perspective to identify and explore relevant quality management considerations.
25. Appendix 3 to **Agenda 6–A** sets out a list of publications relating to PE&OEI in accounting firms.

Definitions

26. Depending on the facts of each case, PE&OEI in accounting firms may impact the application of the definitions of the terms “firm,” “network” and “network firm.”

Quality Management Processes

27. PE&OEI in accounting firms represents an event(s), condition(s) or circumstance(s) that would be expected to be addressed within a firm's system of quality management, through its risk assessment, and monitoring and remediation processes. Specifically, in relation to the following aspects of these processes, accepting PE&OEI in accounting firms may result in:
- (a) Additional or modified quality objectives (see paragraph 28, that addresses quality risks and quality responses in the context of the other components of a system of quality management);
 - (b) New or modified network requirements or network services;
 - (c) New or modified monitoring activities;
 - (d) Changes with respect to the nature or evaluation of findings and deficiencies in the system of quality management;
 - (e) New or modified remediation activities; or
 - (f) Changes to monitoring activities undertaken by the network.

Other Components of a Firm's System of Quality Management

28. PE&OEI in accounting firms may give rise to additional quality risks or reassessing existing quality risks, and the need for corresponding quality responses to address such risks in the following components of the entity's system of quality management:
- (a) Governance and leadership;
 - (b) Relevant ethical requirements;
 - (c) Acceptance and continuance of client relationships and specific engagements;
 - (d) Engagement performance;
 - (e) Resources (including human, technological and intellectual resources and service providers); or
 - (f) Information and communication.

Certain Specified Responses Under ISQM 1

29. PE&OEI in accounting firms may impact the following specified responses under ISQM 1:
- (a) Policies or procedures that address communication about an audit firm's system of quality management with those charged with governance or other external parties; or
 - (b) Policies or procedures that address engagement quality reviews.

Engagement-Level Considerations

30. PE&OEI in accounting firms may impact the following aspects of quality management at the engagement level:
- (a) Engagement partner responsibilities;
 - (b) Relevant ethical requirements, including those related to independence;

- (c) Acceptance and continuance of client relationships and audit engagements;
- (d) Engagement resources;
- (e) Direction and supervision of members of the engagement team and review of their work;
- (f) Consultation;
- (g) Engagement quality review; or
- (h) Monitoring and remediation – interaction between firm level and engagement level activities.

Matters for IAASB Consideration:

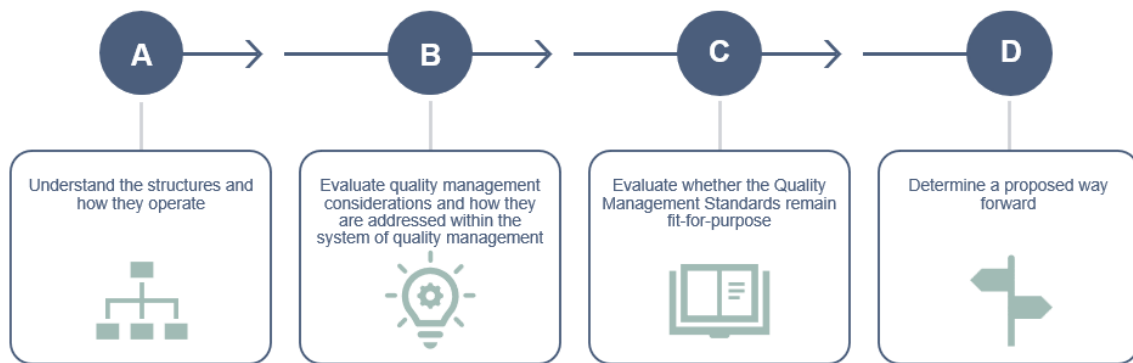
1. Does the Board agree with the collaborative workstream approach as set out in **Part B** (see paragraphs 17–23) above?
2. The Board is asked for their views about whether the focus on quality management considerations as set out in **Part B** (see paragraphs 24–30) is appropriate, including whether there are any other matters to be considered in undertaking the information-gathering activities.

Part C: Joint IESBA-IAASB Action Plan

31. **Agenda Item 6–B** sets out the proposed Joint IESBA-IAASB Action Plan (Joint Action Plan) outlining the information-gathering activities in accordance with the IESBA Terms of Reference. The Joint Action Plan elaborates on the nature of information gathering, including desktop research and stakeholder outreach, to be undertaken (Component A of **Agenda Item 6–B**), and the actions to be taken in seeking to:⁵
- (a) Understand the nature, extent and evolution of PE&OEI, including their ownership, governance, control, economic and operational characteristics (Component B of **Agenda Item 6–B**). This is important because the risks associated with external investment cannot necessarily be assessed by only looking at the legal structure of the accounting firm. The Joint Action Plan explicitly contemplates examining the economic, operational and exit arrangements surrounding the investment, which may give rise to quality risks and, therefore, may require corresponding responses to address such quality risks.
 - (b) Identify and analyze ethical, independence, quality management, audit and other assurance quality, and public interest issues, including investor influence, financial incentives, firm culture, conflicts of interest and pressures on professional judgment and professional skepticism (Component C of **Agenda Item 6–B**). This is relevant in understanding the implications for the quality management standards, including the Joint Action Plan’s emphasis on a substance-over-form approach:
 - (i) That focuses not only on whether an ownership structure satisfies a formal legal or regulatory requirement, but also whether the substantive ability of professional accountants to exercise professional judgment and professional skepticism is preserved.

⁵ Items (a) to (d) correspond with Components B, C, D and F, of the Joint Action Plan, respectively. Component E of the Joint Action Plan represents a placeholder should the IESBA consider during Phase 1 of the workstream that there is a need for a rapid response to clarify a matter(s) in view of previous work they had published. If this should arise, any NAM will be developed in close coordination with the IAASB.

- (ii) When considering the implications for independence, including firm boundaries, network-firm and network assessments, financial interests, investors, and any potential effects on engagement quality and public trust.
 - (c) Evaluate whether both Boards' standards remain fit-for-purpose in light of these evolving structures as a basis to determine whether there is a need for any further action (Component D of **Agenda Item 6–B**). This is aimed at identifying challenges in applying, or gaps in, the principles of the quality management standards when dealing with varying AFS and investment models, or where clarification may be needed (e.g., common quality risks associated with these external investments and the responses to address such quality risks).
 - (d) Develop findings and recommendations to enable the Boards to determine an appropriate way forward (Component F of **Agenda Item 6–B**). The IESBA Terms of Reference and the Joint Action Plan envisage the issuance of a Phase 1 Final Report by latest March 2027, setting out findings and recommendations to inform the decision-making of each Board.
32. With respect to matters relevant to the IAASB, a useful way of characterizing the Joint Action Plan is shown in the following diagram (which corresponds with matters discussed in (a) to (d) of paragraph 31):



33. In developing the Joint IESBA-IAASB Phase 1 Final Report (no later than March 2027), the IAASB will need to:
- (a) Allocate sufficient staffing resources and consider changes to the current and future Work Plans, as appropriate;
 - (b) Allocate sufficient Board plenary time to deliberate significant matters;
 - (c) Allocate sufficient time to engage with the IAASB-JSS Liaison Group, as needed;
 - (d) Allocate sufficient time to engage with the International Federation for Accountants' Small and Medium Practices Advisory Group, as appropriate;
 - (e) Allocate sufficient time to consult with the IAASB-IESBA Stakeholder Advisory Council, as appropriate, to discuss public interest issues requiring significant decisions; and
 - (f) Allocate sufficient time to consult with the Public Interest Oversight Board on its public interest issues relevant to the PE&OEI workstream.

Matter for IAASB Consideration:

3. The Board is asked for their views on the proposed Joint Action Plan set out in **Agenda Item 6–B**, including any additional matters that the Project Team should consider in undertaking the information-gathering activities and developing a final report for Phase 1.

Part D: Information-Gathering Activities Undertaken to Date

34. **Agenda Item 6–A** is the IESBA-IAASB Joint Paper that sets out initial feedback based on the information-gathering activities undertaken to date, including:
 - (a) Desktop research on jurisdictional regulatory frameworks and oversight requirements for accounting firms; regulatory responses to PE&OEI in accounting firms; recent developments in PE&OEI in accounting firms; and private equity investment in other industries. See Part II of **Agenda Item 6–A**.
 - (b) Stakeholder outreach, including the development and dissemination of stakeholder questionnaires. See Part III of **Agenda Item 6–A**.
35. **Appendix 1** to this agenda paper summarizes the stakeholders engaged on the topic of PE&OEI in accounting firms during the quarter.

Matter for IAASB Consideration:

4. The Board is asked to share their reflections and initial views on the feedback from the information-gathering activities undertaken to date set out in **Agenda Item 6–A**.

Part E: Next Steps

36. For the IAASB December 2026 meeting, the IAASB Project Team, in collaboration with the IESBA Project Team, will:
 - (a) Continue executing the Joint Action Plan;
 - (b) Consider the IESBA desktop research that started before July 1, 2026 (as reported in Section II of **Agenda Item 6–A**) to ascertain whether there may be any additional information to be reflected from a quality management or audit and other assurance quality perspective; and
 - (c) Update the Board on the information-gathering activities performed during the quarter and the feedback obtained therefrom.

Appendix 1

PE&OEI Information-Gathering Workstream Assignments and Activities

Project Teams and Project Board Members

- The Project Teams, Board Advisors and Project Board Member for each Board are composed of the following:

Assignments	IAASB	IESBA
Project Team	- Willie Botha - Hankenson Jane L. Talatala - Kristie Bin Zhang	- Ken Siong - Jon Reid - Jeanne Viljoen - Elaine Cahoon
Board Advisor/ Project Board Member	Greg Schollum	- Saadiya Adam - Mark Babington - Luigi Nisoli

Activities in the Period

- Since July 1, 2026, the IAASB Project Team has been involved in the following PE&OEI information-gathering activities:
 - An IAASB-IESBA virtual meeting among Board Advisors, Project Board Member and Project Teams on July 30, 2026;
 - Three joint IAASB-IESBA virtual meetings between Project Teams on July 1, 15 and 27, 2026; and
 - Four IAASB virtual meetings between Project Board Member and Project Team on July 29, August 13, 20 and 25, 2026.
- During the quarter, the IAASB Project Team participated in outreach activities with the following stakeholders:

#	Abbrev.	Stakeholder	Region
Regulators and Oversight Authorities			
1.	ACRA	Accounting and Corporate Regulatory Authority – August 6, 2026	Asia
2.	UK FRC	United Kingdom Financial Reporting Council – August 12, 2026	Europe

#	Abbrev.	Stakeholder	Region
Jurisdictional Standard Setters			
3.	AICPA	American Institute of Certified Public Accountants – August 25, 2026	North America
4.	NBA	Royal Netherlands Institute of Chartered Accountants (known in Dutch as Koninklijke Nederlandse Beroepsorganisatie van Accountants) – August 16, 2026	Europe