

## **Private Equity Investment in Accounting Firms**

### **A. Introduction**

1. Recently, there has been a significant increase in private equity investment in accounting firms<sup>1</sup> (PEI). Several factors contribute to the attractiveness of these investments for firms, including the need for capital to support business growth, whether through organic expansion or acquisition, as well as investment in technology. Furthermore, these investments are seen as helping to address issues related to succession planning, retirement funding, and recruitment/retention of younger talent. Private equity firms, in turn, recognize opportunities to allocate capital to accounting firms with stable and profitable businesses that have growth potential, with the objective of achieving returns on their capital in the medium term.
2. The IESBA has observed the emerging trend and, with the announcement of additional transactions in a number of jurisdictions, noted the growing interest among diverse stakeholders. This development was particularly noted by IESBA Staff during various stakeholder interactions, including through the stakeholder outreach conducted as part of the Firm Culture and Governance (FCG) Project.
3. At the May 2024 IESBA-Jurisdictional Standard Setters (JSS) meeting, the co-chair of a Task Force of the Professional Ethics Executive Committee (PEEC) of the American Institute of Certified Public Accountants (AICPA) provided an overview of Task Force's activities related to the prevalence of PEI and the ethics and independence implications for the firms involved. At the [June 2024 IESBA meeting](#), the Board received a similar presentation from the AICPA Task Force co-chair.
4. Staff of the IESBA and the International Federation for Accountants (IFAC) presented on the topic at the Stakeholder Advisory Council (SAC) meeting in November 2025. During breakout sessions, SAC members discussed potential implications of PEI relative to three fundamental themes – public trust, audit quality and independence, and governance and oversight. In the same month, IESBA staff attended the [Private Equity Summit](#) hosted by Accounting Today to gain a better understanding of PEI from accounting firms that have accepted investments and PE firms that are investing in accounting firms. Additionally, IESBA staff participated in research and stakeholder outreach, and leveraged input from the stakeholder outreach conducted by the Firm Culture and Governance Working Group.
5. In the light of the rapid rise of PEI and questions being raised by stakeholders regarding the ethics and independence implications of this development, the IESBA agreed that there is some urgency to respond to this matter, and accepted its Planning Committee's (PC) recommendation to allocate staff to research the development, in the context of the Emerging Issues and Oversight Committee's (EIOC) remit. At its November 2024 meeting, the PC agreed to recommend that the IESBA commission the development of an IESBA Staff Alert on the topic. This alert would aim to inform professional accountants in public practice (PAPPs), including firms, about several key

---

<sup>1</sup> The Code defines a firm as:

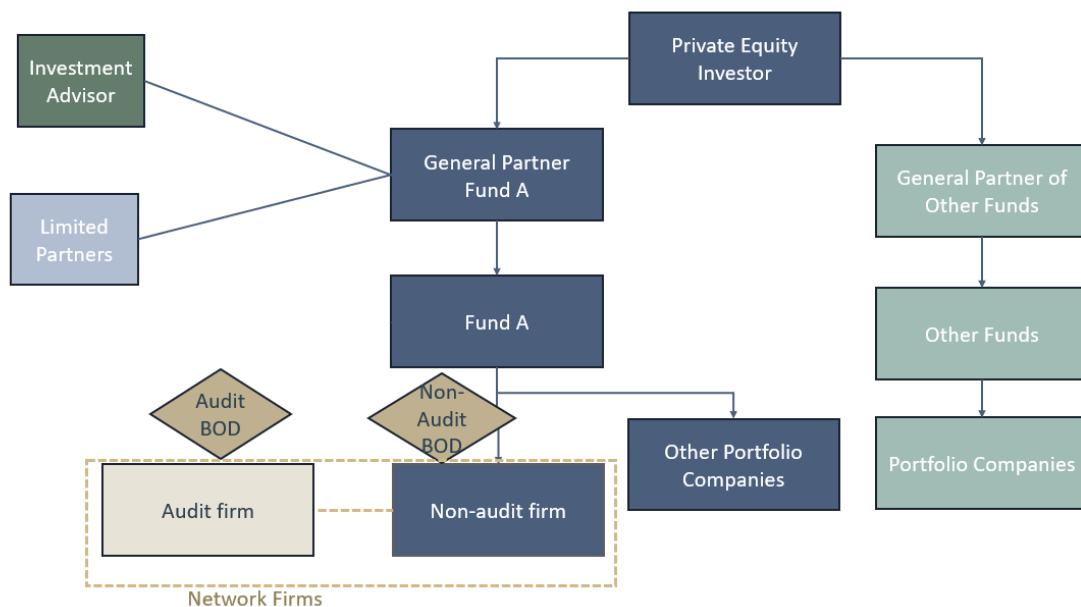
- (a) A sole practitioner, partnership or corporation of professional accountants;
- (b) An entity that controls such parties, through ownership, management or other means; and
- (c) An entity controlled by such parties, through ownership, management or other means.

considerations and provisions in the [International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#) (the Code<sup>2</sup>) that are relevant to PEI.

6. This paper provides background information about PEI and is intended to illustrate potential situations that PAPPs may encounter when considering investment from PE firms.

## B. Background

7. The introduction of private equity investment typically leads to legal restructuring of the accounting firm into two distinct entities: an audit<sup>3</sup> and assurance practice (audit firm) that is owned exclusively by professional accountants (PAs), and a non-audit practice (non-audit firm) that receives private equity investment. IESBA staff's outreach revealed one jurisdiction in which private equity firms are allowed to invest in audit firms; however, this arrangement does not appear to be common.
8. Generally, PAs retain ownership in both firms, which allows them to have exclusive control and decision-making for the audit practice. The non-audit firm handles all other professional services and provides resources to the audit firm through a shared services agreement. This agreement covers matters like leasing professional staff, technology tools, administrative support, office space, and more.
9. Private equity structures can often be complex, involving numerous general partners and advisors, as well as multiple funds. Each fund within the structure may hold investments in various entities, known as portfolio companies (PCs), both under the fund investing in the non-audit firm and under sister funds. These investments in PCs typically allow for control or significant influence over the PCs, a factor that is relevant when considering compliance with the Code. The diagram below illustrates a common PEI in a non-audit firm.



<sup>2</sup> This summary reflects the changes from the 2024 version of the Code incorporating approved pronouncements effective in December 2026, i.e., [tax planning and related services](#) (June 2025) and [use of the work of external experts](#) (December 2026).

<sup>3</sup> Includes audit and review services

### C. Understanding the Nature of PEIs

10. Private equity deals can take various forms, including:
- Direct investment, with the private equity firm obtaining a minority or majority shareholding.
  - Direct investment by multiple private equity firms, each having a minority interest.
  - Direct lending, where the private equity firm extends credit instead of making an equity investment.
  - Growth through acquisition, enabling one firm to acquire another.
11. It is necessary to evaluate the level of investment to determine whether a private equity firm has control or significant influence. This assessment should consider the contractual terms of agreements between the parties. For example, when multiple private equity firms are investing, do voting agreements give control or significant influence to these investors? Additionally, do the terms of the agreements grant one or more private equity investors control through powers or veto rights? Typically, PEI investments result in at least one private equity firm having significant influence. Determining whether control or significant influence exists may affect compliance with the independence standards in the Code.

### D. General Considerations

12. All PAs in a firm or network firm,<sup>4</sup> are required to comply with the Code, **irrespective of their roles, professional duties, circumstances in which they perform their professional activities, or ownership of a firm or network firm.** This includes adhering to the fundamental principles of ethics set out in the Code, i.e., integrity, objectivity, professional competence and due care, confidentiality, and professional behavior. They must also apply the conceptual framework to identify, evaluate and address threats to compliance with those principles.
13. As reflected in section R120.4 of the Code, PAs performing professional activities pursuant to their relationship with the firm are required to comply with the provisions in Part 2 of the Code that apply to those circumstances. PAs are required to have an inquiring mind and apply the conceptual framework to address any potential issues that may arise concerning PEI, including conflicts of interest<sup>5</sup> and pressure to breach<sup>6</sup> the fundamental principles. For example, if a private equity firm suggests candidates to be employed by the accounting firm to ensure the latter meets its investment requirements, this potentially could create a conflict of interest for the individual employed.
14. Firms often establish larger structures with other firms and entities to enhance their capacity to deliver professional services. Whether these larger structures constitute a network depends on the particular facts and circumstances, rather than on the legal separation or distinction of the firms and entities involved.<sup>7</sup> Identifying network firms is crucial, as a network firm must maintain independence from



<sup>4</sup> A network firm is a firm or entity that belongs to a network. A network is a larger structure that is aimed at co-operation and other constructs, e.g., profit or cost sharing, control or management, common brand name.

<sup>5</sup> Section 210, *Conflict of Interests*, and paragraph 300.5 A1

<sup>6</sup> Section 270, *Pressure to Breach the Fundamental Principles*, and paragraph 300.5 A1

<sup>7</sup> Paragraph 400.50 A1

the audit/assurance clients of other firms within the network.<sup>8</sup> To assist audit firms in determining which entities qualify as network firms, paragraph R400.53 of the Code sets out characteristics of a network firm.

15. When an audit or non-audit firm accepts investment from a private equity firm, it is important to consider all the relevant facts and circumstances, including professional activities, interests and relationships that might threaten independence.

**E. Key Ethical Considerations Applicable to PAPPs When Performing Professional Activities**

16. Part 3 of the Code addresses ethical considerations that are relevant to all practices within a firm and network firm. The complexity of private equity funding and the diversity of the PCs may create unique circumstances which require evaluation for proper compliance with the Code. In addition, non-audit firms that have received PE funding may acquire additional businesses as part of their growth strategy. It is essential that firms and network firms maintain a comprehensive understanding of the ethics and independence standards that are applicable under the circumstances.
17. Due to the complexity and diversity of private equity arrangements, certain provisions of the Code may require greater attention when entering into PEI transactions, accepting clients, establishing business relationships, and integrating acquired businesses. In addition to independence requirements (as discussed in the section [Independence Considerations](#) below), the following areas are pertinent but not exhaustive:
  - Conflicts of interest<sup>9</sup> – A PA must take reasonable steps to identify circumstances that might create a conflict of interest before accepting a new client relationship, engagement or business relationship.<sup>10</sup> Additionally, they should remain alert to changes over time in the nature of the services, interests and relationships that might create conflicts of interest while performing an engagement.<sup>11</sup>
  - Confidentiality<sup>12</sup> – A PA must remain alert when sharing information within the firm or network and seeking guidance from third parties. Representatives from private equity firms involved with the network should be knowledgeable about the principle of confidentiality.
  - Professional arrangements<sup>13</sup> – The fundamental principles of integrity and professional behavior might be compromised by issues related to a client (including its owners, management, or activities).
  - Fees and remuneration<sup>14</sup> – The level and nature of fees and other remuneration arrangements might create a self-interest threat. For example, contingent fees could impair a PA's objectivity and independence.

---

<sup>8</sup> Paragraph R400.51

<sup>9</sup> Section 310, *Conflict of Interests*

<sup>10</sup> Paragraph R310.5

<sup>11</sup> Paragraph R310.6

<sup>12</sup> Paragraph R310.11

<sup>13</sup> Section 320, *Professional Appointments*

<sup>14</sup> Section 330, *Fees and Other Types of Remuneration*

- Inducements<sup>15</sup> – Offering or accepting inducements to improperly influence behavior breaches the fundamental principles of integrity, objectivity, and professional behavior.

## F. Independence Considerations

18. When performing audit and assurance engagements, the Code requires firms to comply with the fundamental principles and be independent.<sup>16</sup> The independence provisions of the Code are housed in Part 4A and Part 4B. Part 4A of the Code sets out specific requirements and application material on how to apply the conceptual framework to maintain independence when performing audit and review engagements. Part 4B of the Code sets out specific requirements and application material on how to apply the conceptual framework to maintain independence when performing other assurance engagements. If a firm performs both an audit or review engagement and another assurance engagement for the same client, the requirements in Part 4A continue to apply to the firm, a network firm, and the audit or review team members.<sup>17</sup> Thus, the aspects of the Code referenced should be given appropriate consideration as it relates to determining and maintaining independence given a PEI arrangement.

### *Audit, Assurance and Engagement Team Members*

19. Part 4A of the Code applies to all audit team members, including engagement team members.<sup>18</sup>
20. The engagement team for an audit includes all partners and staff in the firm who perform audit work on the engagement, and any other individuals who perform audit procedures. These include individuals from a network firm, a firm that is not a network firm, and any other service providers.<sup>19</sup>
21. In addition to engagement team members, any individuals within or engaged by the firm (or within a network firm) who can directly influence the outcome of the audit or assurance engagement are considered part of the audit<sup>20</sup> or assurance team.<sup>21</sup> These individuals may include:

---

<sup>15</sup> Section 340, *Inducements, including Gifts and Hospitality*

<sup>16</sup> Paragraphs 400.6 and 900.5

<sup>17</sup> Paragraph 900.10

<sup>18</sup> Paragraph 400.8

<sup>19</sup> Paragraph 400.9

<sup>20</sup> An audit team includes:

- (a) All members of the engagement team for the audit engagement
- (b) All others within, or engaged by, the firm who can directly influence the outcome of the audit engagement, including:
  - (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the audit engagement, including those at all successively senior levels above the engagement partner through to the individual who is the firm's Senior or Managing Partner.
  - (ii) Those who provide consultation regarding technical or industry-specific issues, transactions or events of the engagement; and
  - (iii) Those who perform an engagement quality review, or a review consistent with the objective of an engagement quality review, for the engagement; and
- a) Any other individuals within a network firm who can directly influence the outcome of the audit engagement.

<sup>21</sup> An assurance team includes:

- (a) All members of the engagement team for the assurance engagement;

- Board members of a network firm who recommend compensation of the audit firm partners.
  - Those who provide supervisory, management or other oversight over the audit firm partners, when those partners are also employees of the non-audit firm.
22. Family or personal relationships with client personnel might create self-interest, familiarity or intimidation threats. The Code sets out specific provisions prohibiting an individual from participating as a member of the audit/assurance team when any of that individual's immediate family holds certain positions within the audit/assurance client.<sup>22</sup>

#### *Firms and Network Firms*

23. In addition to engagement team and audit team members, the Code requires a firm performing an audit engagement to be independent from the audit client.<sup>23</sup> A similar requirement applies to a firm performing an assurance engagement for an assurance client.<sup>24</sup>
24. When a firm is associated with larger structures<sup>25</sup> comprising other firms and entities, the Code requires the firm to:
- (a) Exercise professional judgment to determine whether a network is created by the larger structure;
  - (b) Consider whether a reasonable and informed third party would be likely to conclude that the other firms and entities in the larger structure are associated in such a way that a network exists; and
  - (c) Apply such judgement consistently throughout such a larger structure.
25. It is important to consider whether the entities within the private equity structure of firms and entities form a network.<sup>26</sup> If so, the Code may apply to such entities based on the facts and circumstances.

#### *PEI in an Audit Firm*

26. When a private equity firm invests directly in an audit firm, it is important to determine whether:
- A minority investment results in significant influence over the audit firm.
  - A majority interest results in control over the audit firm.

- 
- (b) All others within, or engaged by, the firm who can directly influence the outcome of the assurance engagement, including:
- (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the assurance engagement in connection with the performance of the assurance engagement;
  - (ii) Those who provide consultation regarding technical or industry-specific issues, transactions or events of the assurance engagement; and
  - (iii) Those who perform an engagement quality review, or a review consistent with the objective of an engagement quality review, for the engagement.

<sup>22</sup> Paragraphs R521.5 and R921.5

<sup>23</sup> Paragraph R400.18

<sup>24</sup> Paragraph R900.11

<sup>25</sup> Paragraphs R400.52 and R400.53

<sup>26</sup> Paragraphs R400.52 and R400.53

27. In situations where a private equity firm's investment results in control over the audit firm, it is important to consider whether the private equity firm will be regarded as being part of that audit firm and thus required to be independent from all of its audit and review clients. The private equity firm will be considered part of the audit firm if it controls the audit firm through ownership, management or other means.
28. Conducting an audit, review or other assurance engagement of a portfolio company within a private equity structure is prohibited under the Code when the private equity firm is considered part of the audit firm and holds a direct or material indirect financial interest in the portfolio company.<sup>27</sup>
29. When a private equity firm holds a non-controlling interest in the audit firm:
- The PA should apply the conceptual framework to identify, evaluate and address any threats to the firm's independence from its audit, review or assurance clients, based on the facts and circumstances relating to the private equity firm holding of a non-controlling interest in the audit firm.
  - The PA should apply the conceptual framework to identify, evaluate and address any threats to the audit firm's independence from any portfolio companies held by the private equity firm.
  - In situations where individuals within the private equity firm are considered part of the audit team (as outlined in paragraph 21), additional independence requirements are applicable.<sup>28</sup>

*PEI in a Network Firm of an Audit Firm*

30. When audit and non-audit firms are part of the same network, the non-audit firm should be independent of all audit and review clients of the audit firm, regardless of the size of investment by the private equity firm.<sup>29</sup>
31. If a private equity firm directly invests in a non-audit firm within a network that includes the audit firm, it is important to determine whether:
- A minority investment results in significant influence over the non-audit firm, or
  - A majority interest results in control over the non-audit firm.
32. In situations where a private equity firm's investment results in control<sup>30</sup> of the non-audit firm, the private equity firm will be considered part of the non-audit firm.
33. If a private equity firm is considered to be part of the non-audit firm, the PA should assess whether the private equity firm is a network firm of the audit firm<sup>31</sup> under the Code.<sup>32</sup> If so, the private equity firm should be independent of all audit and review clients of the audit firm.

---

<sup>27</sup> Paragraphs R510.4 and R910.4

<sup>28</sup> Paragraph 400.8

<sup>29</sup> Paragraph R400.51

<sup>30</sup> Through ownership, management or other means

<sup>31</sup> Paragraph 400.50 A1

<sup>32</sup> Paragraphs R400.53 – 400.53 A9

34. Conducting an audit or review of a portfolio company within a private equity structure is prohibited when the private equity firm is considered part of the network and holds a direct or material indirect financial interest in the portfolio company.<sup>33</sup>
35. When a private equity firm holds a non-controlling interest in the non-audit firm:
- The PA should apply the conceptual framework to identify, evaluate and address any threats to the audit firm's independence from its audit, review or assurance clients, based on the facts and circumstances relating to the private equity firm holding of a non-controlling interest in the non-audit firm.
  - The PA should apply the conceptual framework to identify, evaluate and address any threats to the audit firm's independence from any portfolio companies held by the private equity firm.
  - In situations where individuals of the private equity firm are considered to be part of the audit team (as outlined in paragraph 21), additional independence requirements are applicable.<sup>34</sup>

*Independence Considerations With Respect to a Related entity of the Audit/Assurance Client*

36. As mentioned, the Code requires an audit firm to be independent of the audit/assurance client. An audit client will always include its related entities when the client is a publicly traded entity,<sup>35</sup> otherwise the audit client includes those related entities over which the client has direct or indirect control.<sup>36</sup>
37. The Code also requires that when the audit team knows, or has reason to believe, that a relationship or circumstance involving any other related entity of a client, is relevant to the evaluation of the firms' independence, the audit team include that related entity when identifying, evaluating and addressing threats to independence from the client.<sup>37</sup>
38. Similarly, when an assurance team knows or has reason to believe that a relationship or circumstance involving a related entity of an assurance client is relevant of the firm's independence from the client, the Code requires the assurance team to include that related entity when identifying, evaluating and addressing threats.<sup>38</sup>

---

<sup>33</sup> Paragraph R510.4

<sup>34</sup> Paragraph 400.8

<sup>35</sup> An entity that issues financial instruments that are transferable and traded through a publicly accessible market mechanism, including through listing on a stock exchange.

<sup>36</sup> A related entity is defined in the Code as an entity that has any of the following relationships with the client:

- (a) An entity that has direct or indirect control over the client if the client is material to such entity.
- (b) An entity with a direct or indirect financial interest in the client if that entity has significant influence over the client and the interest is material to such entity.
- (c) An entity over which the client has direct or indirect control.
- (d) An entity in which the client, or an entity related to the client under (c) above, has a direct financial interest that gives it significant influence over such entity and the interest is material to the client and its related entity in (c); and
- (e) An entity which is under common control with the client (a "sister entity") if the sister entity and the client are both material to the entity that controls both the client and sister entity.

<sup>37</sup> Paragraph R400.27

<sup>38</sup> Paragraph R900.17



39. In the context of PEI, the independence considerations applicable to related entities may be relevant if certain portfolio companies of the private equity firm are related entities of the audit, review or assurance client of the audit firm.

#### *Business Relationships*

40. Having a close business relationship with an audit/assurance client or its management might create a self-interest or intimidation threat. The Code prohibits a firm, network firm or an audit/assurance team member to have a close business relationship with an audit/assurance client or its management unless the financial interest is immaterial and business relationship insignificant to the parties mentioned.<sup>39</sup>
41. Further consideration is necessary when a firm, network firm, audit team member or any of that individual's immediate family has a business relationship involving the holding an interest in a closely held entity when an audit client or a director or officer of the client, or any group thereof, also holds an interest in that entity.<sup>40</sup>
42. In the context of PEI, the independence considerations applicable to business relationships may become relevant as specific business relationships develop or evolve within the PEI structure.

#### *Financial Interests*

43. Based on whether a private equity firm is part of the audit firm or a network firm, a direct financial interest or a material indirect financial interest is prohibited<sup>41</sup> in an audit/assurance client by:
- The firm or network firm;
  - An audit team member or any other of that individual's immediate family;
  - Any other partner in the office in which an engagement partner practices in connection with the audit engagement, or any of that partner's immediate family; or
  - Any other partner or managerial employee who provide non-audit services to the audit/assurance client, except for whose involvement is minimal, or any of that individual's immediate family.
44. A similar but less extensive prohibition applies with respect to an assurance client.<sup>42</sup>

#### *Other Independence Considerations*

45. Certain other provisions of the Code may require more focus when a private equity firm is part of the audit firm or a network firm. These provisions include, but are not limited to:
- The loan or guarantee with an audit/assurance client<sup>43</sup>

---

<sup>39</sup> Paragraphs R520.4 and R920.4

<sup>40</sup> Paragraph R520.5

<sup>41</sup> Paragraph R510.4

<sup>42</sup> Paragraph R910.4

<sup>43</sup> Section 511, *Loans and Guarantees* and Section 911, *Loans and Guarantees*

- Serving as a director or officer of an audit/assurance client<sup>44</sup>
- Employment relationships with an audit/assurance client<sup>45</sup>
- The loan of personnel to an audit client<sup>46</sup>

#### *Non-assurance Services*

46. Firms and/or network firms might provide a range of non-assurance services to their audit/assurance clients, consistent with their skills and expertise. Providing non-assurance services to audit/assurance clients might create threats to compliance with the fundamental principles and threats to independence. In the PEI context, there may be a greater likelihood that an audit firm or its network firms will provide more non-assurance services to audit clients given the business imperatives of private equity firms.
47. The Code<sup>47</sup> requires a firm to apply the conceptual framework to identify, evaluate and address any threat to independence that might be created by the firm or a network firm providing a non-assurance service to an audit client. When providing multiple non-assurance services to an audit client, the firm is required to consider, in addition to the individual threats, if the combined effect of services provided creates or impacts threats to independence.<sup>48</sup> (Similar provisions in Section 950 of the Code apply with respect to the provision of non-assurance services to an assurance client.)
48. It is important to note that the requirements in Section 600 also apply where a firm or network firm uses technology to provide non-assurance services; or provides, sells, resells or licenses technology resulting in the provision of non-assurance services by the firm or a network firm, to an audit client or an entity that provides services using such technology to audit clients of the firm or network firm.<sup>49</sup>
49. The Code requires a firm or network firm, before providing a non-assurance service, to determine whether the provision of that service might create a self-review threat by evaluating if:
- (a) The results of the service will form part of or affect the accounting records, internal controls or the financial statements of the audit client; and
  - (b) If the audit team will evaluate or rely on any judgements made or activities performed by the firm or network firm when providing the service.<sup>50</sup>
50. Firms should have the necessary processes, systems and controls in place to evaluate non-assurance services and business relationships of network firms. This is required in addition to evaluating personal independence of audit and engagement team members.

---

<sup>44</sup> Section 523, *Serving as Director or Officer of an Audit Client* and Section 923, *Serving as Director of an Assurance Client*

<sup>45</sup> Section 524, *Employment with an Audit Client* and Section 924, *Employment with an Assurance Client*

<sup>46</sup> Section 525, *Temporary Personnel Assignments*

<sup>47</sup> Section 600, *Provision of Non-assurance Services to an Audit Client*

<sup>48</sup> Paragraph R600.13

<sup>49</sup> Paragraph 600.6

<sup>50</sup> Paragraph R600.15

51. When an audit client is a public interest entity (PIE), stakeholders have heightened expectations regarding the firm's independence. The Code contains specific requirements (prohibitions<sup>51</sup>) and application material that applies when a firm audits a PIE.

#### *Subsequent Changes in Ownership*

52. Private equity firms typically hold portfolio companies for 3 to 5 years, influenced by various factors. Subsequent changes to agreements, including those between private equity investors, should result in a fresh assessment of whether an entity is a network firm and whether a private equity firm has significant influence or control.<sup>52</sup> Other considerations that should be reevaluated include:
- Who is defined as audit, assurance and engagement team members.
  - All financial interests held (direct or material indirect) by, for example, the firm, network firms, or audit team members (or any of these individuals' immediate family).
  - All business relationships and family and personal relationships.
  - What services are provided to the private equity complex (private equity firm and all portfolio companies).

### **G. Other Considerations**

#### *Firm Culture and Governance*

53. PEIs in accounting firms have the potential to significantly impact the ethical culture and governance of the firm involved.<sup>53</sup> The IESBA has launched a project<sup>54</sup> to develop a firm culture and governance framework that emphasizes ethical values and supports the establishment of a strong ethical culture within accounting firms. The proposed IESBA Staff Alert will not include considerations related to a firm's culture and governance. However, it will include reference to the work of the IESBA in this regard.

#### *Coordination with the International Auditing and Assurance Standards Board (IAASB)*

54. The increase of PEI in the accounting industry also raises questions about its influence on audit quality and the overall integrity of the profession.<sup>55</sup> ISQM 1<sup>56</sup> deals with a firm's responsibility to design, implement and operate a system of quality management. ISQM 1 applies to all firms performing audit or review engagements, or other assurance or related services engagements. IESBA staff will coordinate with and obtain feedback from the IAASB on any matters to be considered

---

<sup>51</sup> [Summary of Prohibitions Applicable to Audits of Public Interest Entities](#)

<sup>52</sup> Recent transactions have shown that private equity firms can potentially obtain effective control of accounting firms by purchasing both a minority share and smaller investors' shares, leading to majority ownership. (See [Blackstone joins private equity deal wave in US accounting sector, Financial Times - January 7th, 2025.](#))

<sup>53</sup> Paragraph 88 of the [IESBA Firm Culture and Governance Working Group Final Report](#)

<sup>54</sup> [Firm Culture and Governance Focus Page](#)

<sup>55</sup> The Accounting Review Registered Report Proposal: Does Private Equity Investment in Accounting Firms Affect Perceived and Actual Audit Quality? [https://assets.pcaobus.org/pcaob-dev/docs/default-source/economicandriskanalysis/conference/conference---spring/session\\_1\\_borysoff\\_conaway\\_riedl.pdf?sfvrsn=78eec07b\\_1](https://assets.pcaobus.org/pcaob-dev/docs/default-source/economicandriskanalysis/conference/conference---spring/session_1_borysoff_conaway_riedl.pdf?sfvrsn=78eec07b_1)

<sup>56</sup> ISQM 1, *Quality Management for Firms that Perform Audit or Review Engagements of Financial Statements, or Other Assurance or Related Services Engagements*

relating to PEI in accounting firms.

*Call to Action*

55. The United States Securities and Exchange Commission (SEC)<sup>57</sup> and the UK Financial Reporting Council,<sup>58</sup> as well as other regulators such as the International Organization of Securities Commissions (IOSCO), the Dutch Authority of the Financial Markets<sup>59</sup> and the International Forum of Independent Audit Regulators,<sup>60</sup> have made statements regarding this development and the potential impacts on auditor independence and audit quality.
56. The IESBA Staff Alert will emphasize recent regulatory calls for greater vigilance by audit firms concerning compliance with independence requirements and their obligations to uphold audit quality.

---

<sup>57</sup> Auditor independence and ethical responsibilities: Critical points to consider when contemplating an audit firm restructuring  
<https://www.sec.gov/newsroom/speeches-statements/munter-statement-auditor-independence-ethical-responsibilities-082922>

<sup>58</sup> [UK accounting watchdog tells audit firms to report approaches from private equity \(ft.com\)](#)

<sup>59</sup> [Private-equity-investeringen in accountancysector; houd oog voor het risico](#)

<sup>60</sup> [IFIAR Statement on Private Equity Investment in Audit Firms, December 2024](#)