

Private Equity and Other External Investments in Firms

Terms of Reference

June 2026

A. Background

1. In recent years, there has been a significant increase in private equity (PE) and other external (OE) investments in accounting firms (PE&OEI), alongside a broader evolution in accounting firm structures and ownership models.¹ These include alternative practice structures (APS), multidisciplinary firms, public listings, employee ownership arrangements, venture capital investment, and other strategic partnerships with non-accounting entities.
2. These developments are increasing in scale and complexity, and present accounting firms with opportunities for innovation, access to capital, and scaling. At the same time, they raise important ethical, independence, and public interest considerations, including:
 - The potential influence of external investors on professional judgment.
 - Pressures related to profitability, growth, and exit strategies.
 - Governance and control arrangements potentially affecting compliance with the [*International Code of Ethics for Professional Accountants \(including International Independence Standards\)*](#) (the Code)
 - Implications for independence, ethical culture, audit quality and public trust.
3. The IESBA has already undertaken initial work in light of these developments, including:
 - Engaging with various stakeholders, including regulators and oversight bodies, firms, the Stakeholder Advisory Council,² the IESBA-Jurisdictional Standard Setters (JSS) liaison group³ and professional accountancy organizations (PAOs) to discuss trends and issues especially relating to PEI.
 - Issuing a [Staff Alert](#)⁴ highlighting key ethics and independence considerations when firms consider or accept PE investment.

¹ The IESBA has observed the emerging trend and noted the growing interest among diverse stakeholders beyond the accounting profession and PE investors. For example, the Netherlands Authority for the Financial Markets, the United States Securities and Exchange Commission (SEC) and the UK Financial Reporting Council, as well as other regulators such as the International Forum of Independent Audit Regulators (IFIAR) and International Organization of Securities Commissions (IOSCO), have made public statements regarding this development and the potential risks for firms, including with respect to conflicts of interest, independence, ethical culture and audit quality.

² [November 2024](#) and April 2026 SAC meetings

³ May 2024, May 2025, and May 2026 meetings

⁴ The Staff Alert outlines, among other matters:

- (a) Risks to compliance with the fundamental principles, including undue pressure and conflicts of interest;
- (b) Independence implications, such as changes to firm boundaries, network firm considerations, and financial interests;
- (c) The potential impact of PE investment on firm culture and governance; and

4. While this work has increased stakeholder awareness and provided high-level guidance regarding the relevance and applicability of key provisions in the Code, further information gathering and analysis are needed to develop a comprehensive and current understanding of evolving accounting firm structures and types of external investment in firms, and their implications from an ethics and independence perspective.
5. In this context, and consistent with its public interest mandate, the IESBA agreed to establish a dedicated workstream to gather more information regarding the nature and extent of different accounting firm structures and ownership models, including those arising from PE&OEI, and undertake analysis as a basis for assessing whether, and what in respects, revisions to the Code might be needed to ensure that it remains fit for purpose, or whether other actions are required.

B. Objectives

6. With the scope circumscribed to PE&OEI, the objectives of the Project Team (PT) are to:
 - (a) Taking into account the information gathering work already done to inform the development of the IESBA Staff Alert, pursue further information gathering on the nature, extent, and evolution of different accounting firm structures and ownership models;
 - (b) Understand the most common accounting firm structures and OEI models, including their economic, governance and control characteristics;
 - (c) Identify and analyze potential ethical (including independence) issues, including those relating to the purpose of the investment transaction, governance and control, investor influence, financial incentives, firm culture, and conflicts of interest;
 - (d) Review relevant provisions of the Code, including definitions, to assess whether they adequately address ethical and independence risks associated with investment models relating to accounting firms;
 - (e) Consider whether to commission non-authoritative material (NAM) to raise awareness of, and emphasize key provisions in, the extant Code relevant to PE&OEI, and related ethical and independence issues and challenges;
 - (f) 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; and
 - (g) Develop a report with findings and recommendations to inform the IESBA's decision-making with respect to standard-setting or other actions.

(d) Ongoing considerations post-investment, including monitoring changes in circumstances.

C. Focus

7. In relation to PE&OEI and the related accounting firm structures and most common ownership models, the PT will examine:
 - (a) Governance and control mechanisms;
 - (b) The role and influence of non-professional accountant owners of, or investors in, firms;
 - (c) Implications for compliance with the fundamental principles and other ethics provisions of the Code;
 - (d) Independence considerations (including with respect to firm boundaries, network firms, and financial interests);
 - (e) The impact on firm culture, including opportunities, incentives and pressures; and
 - (f) Jurisdictional regulatory frameworks.
8. The PT will also consider a range of emerging scenarios, including direct investment in individual firms, consolidation strategies involving multiple firms, and situations where investors hold interests across multiple firms or related service providers.
9. Consideration will also be given to:
 - (a) How entities and relationships may be characterized within Code concepts (e.g., firm, network firm and network);
 - (b) How relationships evolve over time, including exit strategies, such as IPOs or secondary PE transactions; and
 - (c) How public interest concerns are addressed.

D. Approach

10. The PT will take a phased approach to achieve the objectives set out in Section B.
11. The work will be grounded in a principles-based, substance-over-form approach, focusing on the economic and strategic reality of arrangements rather than solely their legal structure.
12. The PT will maintain a dynamic and responsive approach throughout the information-gathering process. Given the rapidly evolving nature of PE&OEI arrangements and accounting firm structures, the PT may refine areas of focus, stakeholder outreach activities, and information-gathering priorities as new developments emerge.

Phase 1

13. As part of gathering an understanding of accounting firm structures and related ethical issues and challenges, the PT will undertake the following activities:
 - (a) Build on existing IESBA outputs, including analysis of:

- Issues identified through Board discussions; and
 - Key themes and considerations from the July 2025 Staff Alert;
- (b) Conduct desktop research, including:
- Academic and industry literature;
 - Regulatory publications or announcements relating to the topic; and
 - Public disclosures and case studies;
- (c) Understand the most common accounting firm structures, recognizing jurisdictional requirements, and investment models globally, identifying trends, variations and emerging patterns;
- (d) Engage with stakeholders to obtain insights on market developments, risks, benefits, and safeguards; and
- (e) Analyze implications for the Code, including identifying any potential gaps or areas requiring clarification.
14. The PT will coordinate closely with the IAASB on the information gathering, given potential matters of mutual interest from a quality management perspective and broader audit quality considerations. This will include, as appropriate, IAASB participation in the information-gathering activities.
15. The PT activities and deliverables will be informed and guided by the IESBA's SMART framework.⁵
16. To support this work, the PT will plan to reach out to the following, either individually or collectively:
- (a) Accounting firms (including PE-backed firms);
 - (b) PE organizations and other investors;
 - (c) Regulators and oversight bodies (including IOSCO and IFIAR);
 - (d) PAOs;
 - (e) The IESBA-JSS Liaison Group;
 - (f) The IAASB and IESBA Stakeholder Advisory Council;
 - (g) The IAASB-IESBA User Advisory Group;
 - (h) Academics and ethics researchers; and
 - (i) The International Federation of Accountants Private Equity Investment in Accounting Firms Task Force.

⁵ The SMART framework (Simplification, Mobilization, Adoption, Responsiveness and Targeted Action) is a stakeholder-centric approach to how the IESBA plans, delivers, and communicates its work.

17. Outreach could take various forms, including in-person or virtual meetings, focus group meetings, roundtables, interviews, detailed surveys, and electronic communications.
18. The PT will liaise with other IESBA workstreams on overlapping considerations or issues, as appropriate. Specifically, the PT will liaise with the IESBA Firm Culture and Governance (FCG) Project Team, given the strong interrelationship between PE&OEI and firm culture considerations.
19. The PT will consider, and where relevant recommend to the IESBA, issuing appropriate communications as it progresses its work, including identifying outreach opportunities to share knowledge and promote the Code. Where significant ethical or independence issues are identified during the course of its work, the PT may also recommend timely actions or other appropriate responses for the IESBA's consideration.
20. The PT will aim to present to the IESBA its final Phase 1 report and recommendations no later than March 2027.

Phase 2

21. The Phase 1 findings will inform the IESBA's future work on this topic, including potential standard-setting or the development of non-authoritative material or other actions.

E. Deliverables

22. Under Phase 1, the PT will:
 - (a) Update the IESBA quarterly on activities undertaken and issues identified for the IESBA's consideration and direction;
 - (b) Conduct outreach as part of information-gathering activities;
 - (c) Develop NAM as appropriate to raise awareness of, and emphasize key provisions in, the extant Code relevant to PE&OEI; and
 - (d) Present a final report on the PT's findings and recommendations.
23. Deliverables and terms of reference for Phase 2 will be determined by the Phase 1 work and the IESBA's agreement to the recommended way forward as stated in the Phase 1 report. Should the IESBA determine to launch a project to develop appropriate changes to the Code or commission NAM or pursue other initiatives, a separate timeline and proposal, with full consideration of coordination with the IAASB as needed, will be developed for that workstream.

F. Project Team Composition

24. The PT will consist of three IESBA staff members, advised by three IESBA Board Advisors.
25. An IESBA Board Advisor to the IESBA's FCG workstream will act as a liaison member to this workstream to ensure alignment and coordination on overlapping issues.

26. The PT will coordinate closely with allocated IAASB staff, supported by an IAASB Board member(s), on the information gathering.