

Agenda Item 5-D.6 (Reference Material)

IESBA and IAASB Joint Stakeholder Survey – B.2 Changes in the Geopolitical and Regulatory Landscape - Risk of Fragmentation

07.01. 2 – Decreasing in importance

09. Public Sector Organizations

Sanford Rich (NYC Board of Education Retirement System)

2 – Decreasing in importance

I do not believe that financial reporting can do much more than describe risks of these types of events and the focus should be on disclosure. Management responses will define success or failure of companies/strategies and this is not the job of financial reporting.

10. Member Bodies or Other Professional Accountancy Organizations

Institute of Singapore Chartered Accountants (ISCA)

2 – Decreasing in importance

As stated in our response to B.1, while regulatory developments and risk of fragmentation remain a concern, we expect this trend will slightly decrease in importance over 2028 – 2031 given Singapore's clearly defined phased timelines in sustainability reporting and assurance (see response to C.1). In addition, Singapore's auditing and ethics standards are aligned with those issued by the IAASB And IESBA, with local adaptations as are necessary to conform to Singapore's regulatory environment and statutory requirements.

07.02. 3 – Slightly decreasing in importance

10. Member Bodies or Other Professional Accountancy Organizations

European Federation of Accountants and Auditors for SMEs (EFAA)

3 – Slightly decreasing in importance

EFAA considers the risk of fragmentation to remain a relevant issue for the profession, although we assess its importance as slightly decreasing compared with previous periods. While certain jurisdictions continue to place greater emphasis on national or regional approaches, recent efforts toward international convergence and the broader recognition of globally accepted frameworks have helped mitigate some of the risks associated with divergence.

Nevertheless, differing reporting frameworks, assurance requirements, and disclosure metrics across jurisdictions and sectors continue to create complexity for professional service providers and their clients, particularly for SMEs and SMPs operating across borders or serving internationally active businesses. Such fragmentation can increase compliance costs, administrative burdens, and uncertainty, and may weaken comparability and stakeholder confidence in both financial and non-financial reporting. For instance, with regard to the adoption of the ISA-LCE by the European Union, within the EU there are countries with local regulations for less complex entities (e.g. France and Germany), others that have adopted the ISA-LCE (Portugal, the Netherlands, and Nordic Countries) and others that are European non-EU entities that are very seriously considering the scalability of the standards to this type of entity (Great Britain).

EFAA therefore encourages the boards to continue promoting internationally consistent, principles-based standards and to support interoperability between global and jurisdiction-specific requirements, with a view to reducing unnecessary complexity and preserving trust in reporting and assurance practices.

11. Academics

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

3 – Slightly decreasing in importance

12. Others

Wenzel Reyes (MindBridge)

3 – Slightly decreasing in importance

07.03. 4 – Slightly increasing in importance

02. Users of Financial or Non-Financial Information

CFA Institute

4 – Slightly increasing in importance

The risk of fragmentation is high presently. So long as the benefits of global capital flows remain, the benefits of international standard setting remain as well, and we believe these benefits are as meaningful as ever. It is hard to judge whether fragmentation risk increases further or decreases. So far it seems that fragmentation has not delivered significant benefits in the various domains that it has been attempted (e.g., Brexit, tariffs, non-tariff barriers to trade on a variety of goods/services including technology, restrictions on cross-border transactions)

Koei Otaki (SMBC Nikko securities Inc)

4 – Slightly increasing in importance

03. Preparers or Issuers of Financial Statements or Other Information

Sevdalina Paskaleva

4 – Slightly increasing in importance

05. Regulators and Oversight Authorities

Martina Morrissey (IAASA)

4 – Slightly increasing in importance

06. Jurisdictional and National Standards Setters (JSS)

Auditing and Assurance Standards Board of Canada (AASBC)

- Scalability and proportionality of International Standards: Continued emphasis on scalability and proportionality within the international standards is critical to enhance applicability for SMPs. This consideration is particularly relevant in the Canadian context, which is characterized by a high prevalence of small and micro-businesses in the private sector, not-for-profit, and public sector entities.

4 – Slightly increasing in importance

Brazil Institute of Independent Auditors (IBRACON)

4 – Slightly increasing in importance

The risk of fragmentation is not common to all jurisdictions – we believe it is more specific to the European and US context. Although fragmentation is occurring in these contexts, maybe it's not necessary to address it globally.

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

4 – Slightly increasing in importance

Instituto Mexicano de Contadores Públicos (IMCP)

4 – Slightly increasing in importance

Contrary to what is happening in many other jurisdictions in terms of moving toward a more national or regional level, our country continues with an emphasis on convergence and adoption of more international standards in the fields of other assurance, reviews and related services engagements plus the international code of ethics. We recognize that there are also certain locally developed standards to comply more with specific regulatory requirements in law issued from a few organisms as well as refining local material applicable to ethics and independence which will cover topics such as professional education and personal sanctions. Implementation and operability of standards will become relevant. Nevertheless, we recognize that other changes may need to be developed locally to focus on events and conditions that may not be anticipated at this time but will result from the evolution of situations in the field of accounting, assurance, ethics and regulations.

Saudi Organization for Chartered and Professional Accountants (SOCPA)

4 – Slightly increasing in importance

Wirtschaftsprüferkammer (WPK)

IESBA:

The global adoption of the Code is inconsistent; further expansion could exacerbate these differences. The cause of fragmentation is not too few standards, but too many and overly complex ones. Therefore, priority should be given to simplifying the existing Code and improving its usability, rather than introducing new sets of rules.

IAASB:

Fragmentation may arise particularly due to the increasing complexity of standards and an insufficient cost-benefit ratio. We are convinced that consistent application can best be achieved by clearly demonstrating the value of international standards through robust cost-benefit analyses.

4 – Slightly increasing in importance

07. Accounting Firms

AFCA Desarrollos Profesionales

4 – Slightly increasing in importance

Se estan alineando otros bloques de paises por diferentes propositos a los tradicionales.

Alan Am

4 – Slightly increasing in importance

Piotr Witek (Moore Polska)

4 – Slightly increasing in importance

10. Member Bodies or Other Professional Accountancy Organizations

Belgian Institute of Tax Advisors and Accountants (ITAA)

4 – Slightly increasing in importance

In Europe is, at the moment, a different trend occurring. The focus lies on further standardisation so professions can practice in different countries.

Polish Chamber of Statutory Auditors (PIBR)

4 – Slightly increasing in importance

South African Institute of Chartered Accountants (SAICA)

The International Standards on Auditing (ISAs) and the IESBA Code have been adopted in full within the South African environment, reflecting strong support for globally consistent, high quality standards. South Africa did not adopt the ISA for Audits of Less Complex Entities (ISA for LCE), as it is our view that the existing ISAs already incorporate appropriate provisions for scalability and proportionality when applied with sound professional judgment.

The risk of fragmentation is however relevant for audits of South African subsidiaries of foreign holding companies in territories where the IAASB and IESBA standards have not been adopted.

The introduction of separate standards for specific categories of entities risks unintended consequences, including fragmentation and reduced comparability across jurisdictions. It is therefore critical that the standards and the Code remain firmly principles based, with scalability and proportionality embedded within a single, coherent framework that can be applied consistently across entities of differing sizes and complexities, thereby supporting global adoption and audit quality.

Fragmentation increases the burden on professional accountancy organisations (PAOs), who must support members navigating multiple frameworks.

This leads to:

- Increased cost of compliance and training,
- Challenges in consistent application and enforcement, and
- Risks to public trust due to inconsistent reporting.

IESBA should enhance coordination with global standard setters and enable aligned implementation support for PAOs.

4 – Slightly increasing in importance

11. Academics

Kenichi Akiba (Waseda University)

4 – Slightly increasing in importance

12. Others

Louise Willdridge (LBW Global)

4 – Slightly increasing in importance

07.04. 5 – Increasing in importance

02. Users of Financial or Non-Financial Information

First Nations Financial Management Board

5 – Increasing in importance

We agree that there does seem to be a risk of increased fragmentation on the global scale. We suggest that, along with other efforts that the SSBs will make, ensuring there is a backdrop of inclusive auditing and assurance standards is an essential element to combat fragmentation.

At the moment, the SSBs do not have any Indigenous-specific standards. This is despite the materiality of entities' compliance (or lack thereof) with Indigenous rights and partnership with Indigenous Peoples in many industries around the world. Indigenous rights are inherent, meaning they are not created by legislation or international instrument: they are fundamental rights existing independently of government recognition.

The incorporation of Indigenous rights into corporate policies and core operational activities is essential for many entities in jurisdictions around the world. Auditing and assurance practitioners must be able to identify and assess the risks of material misstatements regarding Indigenous rights. Where there are no consistent guidelines from reputable standard setters like the SSBs, disclosures may become increasingly inconsistent. As the SSBs consider how best to combat fragmentation, we encourage the SSBs to consider how to incorporate standards regarding audit and assurance of Indigenous rights-related disclosures. This will support the SSBs' work being more relevant where Indigenous rights are implicated and may decrease fragmentation in those jurisdictions.

We strongly encourage the SSBs to connect with Canada's Auditing and Assurance Standards Board (the "AASB"). The AASB has adopted the International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements, as a new Canadian Standard on Sustainability Assurance (CSSA) 5000. The AASB has proposed a Canadian amendment related to Indigenous matters in CSSA 5000. The potential amendment would have "practitioners identify and assess the risks of material misstatement that are pervasive throughout the sustainability information related to the entity's adherence to Indigenous rights"

International Corporate Governance Network (ICGN)

5 – Increasing in importance

Fragmentation is a material risk to trust, comparability and confidence in financial and non-financial reporting. The SSBs should seek to reduce fragmentation by supporting adoption, implementation and interoperability of their standards, particularly in areas such as sustainability assurance and ethics.

Consistent global baselines are important for investors and other users operating across markets. From an investor perspective, comparability and consistency across jurisdictions support confidence, capital allocation and effective stewardship.

Investment Company Institute

5 – Increasing in importance

Clear implementation support
Transparency regarding implementation across jurisdictions

Jane Wilson (Wilsojay Investments)

5 – Increasing in importance

Some jurisdictions will simply refuse to deal with you.

Kei Tsuchiya (The Securities Analysts Association of Japan)

5 – Increasing in importance

I hold the same view as expressed in B1.

Martin Lawrence (Ownership Matters Pty Ltd)

5 – Increasing in importance

See above

03. Preparers or Issuers of Financial Statements or Other Information

Business Europe

5 – Increasing in importance

We agree with the short analysis and believe the risk of fragmentation should be addressed through stronger regional outreach and more active engagement with jurisdictions in order to counterbalance the tendency and/or need to diverge from international alignment.

Therefore, to remain the global baseline, the boards need to be proactive, responsive and relevant, thereby reducing the likelihood of carve-outs or local variations. This is linked to the response provided above. An important element to counter the risk of fragmentation is to ensure that the SSB's retains "Framework neutrality" in their approach to ensure the applicability of the standards to local reporting frameworks, local GAAPs, etc. This is in our view a fundamental premise for the continued success of the SSB's

04. Those Charged With Governance

Kaori Ito (Yourmysyar Inc.)

5 – Increasing in importance

The risk of fragmentation across jurisdictions poses a growing challenge to the consistent interpretation and application of global standards. While this trend is not irreversible, increasing divergence in regulatory expectations and local practices risks diluting shared meaning and comparability if not carefully addressed.

05. Regulators and Oversight Authorities

Botswana Accountancy Oversight Authority (BAOA)

5 – Increasing in importance

No matters to highlight

Hellenic Accounting and Auditing Standards Oversight Board (HAASOB)

– Increasing in importance

See below B3

Independent Regulatory Board for Auditors (IRBA)

5 – Increasing in importance

Fragmentation in the adoption or application of international standards poses a risk to the integrity of the global reporting ecosystem. Where jurisdictions diverge in their use of standards, comparability and regulatory confidence are weakened, making it more difficult for public oversight mechanisms to operate effectively. Over time, such divergence may reduce the usefulness of information across borders and undermine the role of international standards as a common reference point that supports trust, consistent outcomes, and financial stability.

Irish Auditing & Accounting Supervisory Authority (IAASA)

The risk of fragmentation, particularly calls for an easing of requirements, should not outweigh the public interest when amending the standards. Public interest is central to the development of the standards and the SSBs should ensure that their standards continue to reflect evolving best practice and support appropriate behaviour by auditors, that regulators can inspect and enforce, where appropriate.

5 – Increasing in importance

National Association of State Boards of Accountancy (NASBA)

5 – Increasing in importance

In the U.S., the SEC is planning to renew efforts for greater coordination between the U.S. and international standard-setters regarding accounting and auditing to reduce costs for multinational companies. The SEC has encouraged the PCAOB to align more closely with the IAASB to ensure consistency for auditors globally

Tokyo Stock Exchange

5 – Increasing in Importance

Reports have indicated concerns that regional conflicts and sanctions could increase volatility across broad financial markets, significantly affecting asset prices and government bond spreads. Furthermore, global companies may need to simultaneously comply with differing regulations across multiple jurisdictions, which could substantially increase their compliance burden. In light of these circumstances, it is believed that recent changes and fragmentation in the geopolitical and regulatory environment will not have an insignificant impact on the next strategic plan.

UK Financial Reporting Council (UK FRC)

5 – Increasing in importance

We are not aware of significant fragmentation in financial reporting for jurisdictions already committed to IFRS.

Sustainability reporting, on the other hand, is not as consistent across jurisdictions – and there appears to be increasing divergence. Further, some jurisdictions that believe sustainability reporting important nonetheless have concerns about regulatory costs and may limit information required to be reported or the need for assurance. This could affect the ability to obtain and/or assure sustainability information in groups with operations in multiple jurisdictions.

06. Jurisdictional and National Standards Setters (JSS)

GLASS Group of Latin American Accounting Standard Setters (GLENIF)

5 – Increasing in importance

Hong Kong Institute of Certified Public Accountants (HKICPA)

5 – Increasing in importance

The risk of fragmentation remains an important challenge where jurisdictions or markets adopt different regulatory frameworks, reporting requirements or interpretations, potentially increasing complexity and compliance costs for preparers and practitioners and reducing the comparability of information.

The SSBs play a critical role in mitigating fragmentation by developing globally relevant, principles-based standards supported by credible governance, inclusive due process and strong stakeholder engagement. Early dialogue with jurisdictional standard setters and regulators can help identify emerging divergence risks and support timely responses that reinforce international alignment where possible.

In addition, practical tools such as common terminology, baseline expectations and illustrative application guidance may assist in promoting consistent understanding and application across jurisdictions, while preserving flexibility for local legal or regulatory requirements. Ongoing coordination between the IAASB and IESBA remains important in addressing fragmentation risks holistically across audit, assurance and ethical standards.

Japanese Institute of Certified Public Accountants (JICPA)

5 – Increasing in importance

New Zealand Auditing and Assurance Standards Board (NZAuASB)

5 – Increasing in importance

RIISING FRAGMENTATION HEIGHTENS THE IMPORTANCE OF COORDINATED INTERNATIONAL STANDARD SETTING We recommend the SSBs continue to strengthen co-ordination between the SSBs and across other SSBs, to demonstrate leadership, despite increasing risks of fragmentation. Recent enhancements to coordination efforts, including this joint survey and enhanced transparency over consultation timelines are commended. We encourage the SSBs to continue to build on coordination in developing the SWP for 2028-2031. For example, by aligning consultation timelines when an issue affects both the Code and the auditing and assurance standards. Aligning consultations would enable users to consider the interaction of requirements holistically and would facilitate concurrent amendments to the Code and the ISAs, reducing the risk of divergence or fragmentation.

The XRB's standard setting strategy continues to be internationally aligned and locally relevant. Fragmentation and deregulation will increase complexity and costs to the end user. We encourage the SSBs to mitigate the risk of fragmentation, given their role in influencing and connecting jurisdictions through aligned international standards. We have heard strong support from our stakeholders to continue to remain internationally aligned. There is a risk of further erosion of trust if there is a move away from global standards.

PRINCIPLES-BASED STANDARDS SUPPORT ACCESSIBILITY AND SCALABILITY IN SMALLER MARKETS

International alignment is increasingly a balancing act, given the nature of the companies in our market. New Zealand is made up of primarily small and medium-sized enterprises meaning that some aspects of international standards are perceived as being more complex than needed for our market. The current approach of adding to the existing standards is often increasing the length and complexity, making them harder to navigate. For example, the new Part 5 of the Code has significantly increased the size of the Code. We support principles-based standards and encourage the SSBs to consider the balance of the new requirements against the accessibility and understandability of the standards. We consider that there is an opportunity to rationalise and reduce standards back to the fundamental principles that can be applied in all circumstances.

Royal Netherlands Institute of Chartered Accountants (NBA)

5 – Increasing in importance

Emphasizing high-quality, scalable, and principles-based standards encourages global acceptance and helps prevent fragmented regulations across jurisdictions. It is also crucial to sustain and strengthen communication with standard setters and regulators in different regions to track and respond to new issues affecting international standards.

There is potential for closer alignment and simplification of jurisdictional and international standards, presenting an opportunity for substantial convergence.

07. Accounting Firms

Gats-Ratings Professionals

5 – Increasing in importance

Attention should be focused on harmonization and Integration of Auditing Standards across different Geopolitical zones.

José María Hinojal (BNFIX)

5 – Increasing in importance

08. Sustainability Assurance Providers other Than Accounting Firms

Anum Atique (Islamic Non Banking Financial Institution)

5 – Increasing in importance

Control takeover and the management layout impacts the security the human resource oversight protection control is important.

10. Member Bodies or Other Professional Accountancy Organizations

Asociación Interamericana de Contabilidad (AIC)

Los grupos comunitarios regionales como la comunidad europea, comunidad andina, mercosur, entre otros, y su funcionamiento adecuado y neutro, con los efectos financieros y económicos deben ser considerados.

5 – Increasing in importance

Association of Chartered Certified Accountants (ACCA)

5 – Increasing in importance

From an IAASB perspective, issues such as the scalability and complexity of standards, and initiatives such as the ISA for LCE, highlight the importance of achieving global applicability while accommodating different environments.

From an IESBA perspective, differing levels of adoption and implementation of ethics and independence standards may contribute to fragmentation, particularly in emerging areas such as sustainability in light of IESSA.

Using digital assets as an example which is linked to Section A above, the regulatory landscape is shifting rapidly and in ways that are far from uniform. As jurisdictions move at different speeds and in different directions, the profession faces a genuinely new challenge. The divergence already emerging between the European Union's structured approach to digital asset regulation and the United States' evolving stance on stablecoins and crypto is not simply a technical or legal matter. It reflects deeper geopolitical tensions that have real implications for how professional accountants advise clients, assess risk and apply independence and ethical judgements across borders. A fragmented global regulatory environment creates inconsistency, uncertainty and potential gaps that bad actors can exploit. Both IESBA and IAASB have an important role to play here. IESBA must ensure the Code is equipped to guide professional accountants through this complexity, providing a principles-based ethical anchor at a time when rules-based frameworks are pulling in different directions. IAASB must equally consider how auditing and assurance standards hold up when the assets being reported on and assured do not yet have a consistent global regulatory definition or treatment. Geopolitical developments and regional regulatory priorities may further reinforce these trends.

Addressing fragmentation may require continued emphasis on global coordination, interoperability, and support for adoption and implementation, rather than necessarily new standard-setting initiatives.

The risk of fragmentation is expected to increase in importance, driven by diverging regulatory approaches, regional priorities, and geopolitical developments.

In practice, challenges are already evident. For example, the application of certain standards and initiatives may vary across jurisdictions, and differences in adoption can lead to inconsistencies in practice.

Chamber of Hungarian Auditors (MKVK)

5 – Increasing in importance

No additional comments.

Chartered Accountants Australia and New Zealand (CAANZ)

5 – Increasing in importance

Shifts in geopolitics and regulatory approaches increase the risk of fragmentation.

To address the threat of fragmentation, the SSBs need to consider their strategies for:

- Continuing to prioritise fostering adoption of the standards in jurisdictions that are yet to adopt.
- Considering the pace of change in revising standards. A period of stability in the auditing standards gives practitioners in jurisdictions that have adopted the standards to embed the standards in methodology and practice to produce high quality audit outcomes. The SSBs should consider the balance of standard setting projects vs guidance and outreach. Pace of change may also impact adoption decisions in jurisdictions which are considering adoption.
- For the IAASB: The strategy for the evolution of the ISA for LCE standard to ensure it meets the needs of auditors of SMEs should be a priority.
- For the IESBA: Continued prioritisation on fostering adoption of the IESSA globally

Chartered Accountants Ireland (CAI)

5 – Increasing in importance

The risk of fragmentation away from internationally aligned frameworks is increasing and reflects not only jurisdictional responses, but also structural pressures within the global standard setting architecture. Fragmentation erodes trust, increases costs and complexity for businesses and society, and undermines the benefits of global mobility and comparability. In practice, fragmentation is already evident through uneven adoption of international standards, for example; with some jurisdictions continuing to apply significantly earlier versions of the Code of Ethics notwithstanding substantial subsequent revisions.

This risk is exacerbated by the speed and cumulative volume of international standard changes, coupled with a gradual shift towards more detailed and prescriptive requirements. This speed and cumulative volume of changes can outpace adoption and implementation capacity, particularly in jurisdictions and firms with limited resources, leading to further divergence.

Rather than expanding standards, the SSBs' strategic focus should be on holding the global framework together, supporting consistent application and reinforcing confidence in international standards as a trusted global benchmark. This includes greater attention to proportionality, scalability and cumulative implementation effects, particularly for smaller firms, as well as allowing meaningful periods of stability between major revisions.

Ongoing evaluation of the real-world impact of significant past changes, including through post-implementation reviews, is also critical to mitigating fragmentation and ensuring that international standards remain usable, credible and widely adopted.

Consejo General de Economistas de España

5 – Increasing in importance

We understand the risk of fragmentation as that which is a consequence of the adaptation of the rules differing substantially between jurisdictions, with the effect of losing or altering the relevant content of the regulation.

Institute of Public Accountants (IPA)

IPA agrees with the observation that:

"In many jurisdictions there is a move away from international alignment toward a more national / regional focus. As a result, different jurisdictions, industries, or organizations may use varied and sometimes conflicting frameworks, rules, and metrics for reporting information. Such fragmentation contributes to uncertainties, adds costs and administrative burdens for providers of professional services and their clients, and erodes trust and confidence in financial and non-financial reporting." (page 10) We therefore think fragmentation is an important risk that will shape how the SSB sets its standards. This is because the strength and benefits of the SSB standards are that they promote globally consistent practices and regulatory approaches, which serves the public interest. To mitigate the risk of fragmentation, the SSB needs to have greater agility in standard-setting and seeks greater diversity of voices from its stakeholders (refer to B.3 and B.4 for more detail).

5 – Increasing in importance

Malta Institute of Accountants (MIA Malta)

5 – Increasing in importance

To safeguard stakeholder trust, the IESBA and the IAASB should strengthen collaboration by jointly developing guidance on emerging risks where ethical and assurance considerations intersect. This includes

aligned standards for the use of AI in professional services, data governance, cybersecurity assurance, and sustainability related engagements, to ensure consistent application across jurisdictions.

At the same time, maintaining high quality, scalable, and principles based standards underpinned by stakeholder confidence in the standard setting process encourages global adoption and helps minimise fragmentation. Structured dialogue with local standard setters and regulators should be embedded in the standard setting cycle, enabling early identification of potential divergences and fostering consensus before differences become entrenched.

Pan African Federation of Accountants (PAFA)

5 – Increasing in importance

The risk of fragmentation is a critical and growing concern globally and is particularly pronounced from an African perspective. While international standards provide an important foundation, variations in adoption timing, interpretation, and enforcement across jurisdictions continue to create inconsistency in practice.

In Africa, this is further influenced by uneven regulatory capacity, differing national priorities, and varying levels of readiness in emerging areas such as sustainability reporting and digital assurance. Although regional integration efforts such as the AfCFTA provide opportunities for harmonisation, fragmentation at national level remains a real risk.

The IAASB and IESBA should therefore prioritise stronger global coordination, clearer implementation support, and targeted non-authoritative guidance to promote consistent application of standards while respecting jurisdictional contexts. Maintaining a coherent global baseline is essential to safeguarding trust, comparability, and cross-border confidence in reporting.

11. Academics

Nicole Ratzinger-Sakel (University of Hamburg Business School)

5 – Increasing in importance

12. Others

Cristian Emmanuel Munarriz

I think the SSBs should focus on issuing baseline standards that may accommodate to regional variations.

5 – Increasing in importance

Eri Murakami (Wood Design Studio Inc.)

5 – Increasing in importance

High risk and middle risk management for SSBs

Kazuhiro Yoshii (Securities Firm)

5 – Increasing in importance

Mahmoud Bilal (Unimar)

5 – Increasing in importance

Wai Man (Emily) Ho

5 – Increasing in importance

07.05. 6 – Strongly increasing in importance

02. Users of Financial or Non-Financial Information

Goro Kumagai (The Securities Analysts Association of Japan)

6 – Strongly increasing in importance

Impax Asset Management

6 – Strongly increasing in importance

Impax strongly believes the SSBs should:

- Act as anchors for global consistency, particularly in sustainability assurance and ethical expectations.
- Strengthen coordination with other international standard setters and regulators to promote interoperability rather than divergence.
- Clearly articulate the investor and public-interest costs of fragmentation when engaging with jurisdictions considering national or regional deviations.

Jose Esposito (Credicorp Ltd.)

6 – Strongly increasing in importance

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

6 – Strongly increasing in importance

The risk of fragmentation is of particular concern for diversified, long-term asset owners. Divergent national or regional frameworks reduce comparability, increase complexity and may ultimately impair efficient capital allocation. International standards play a critical role as a stabilizing anchor in an environment of geopolitical divergence. Preserving interoperability and global consistency should remain a strategic priority for both SSBs.

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

6 – Strongly increasing in importance

The risk of regulatory and reporting fragmentation represents a significant concern. Increasing divergence between jurisdictions risks reducing comparability, increasing costs and complexity, and ultimately weakening confidence in reported information. For investors and users operating across markets, globally coherent approaches are particularly important.

03. Preparers or Issuers of Financial Statements or Other Information

Ajinomoto Co., Inc.

Fragmentation in reporting and assurance frameworks significantly increases companies' disclosure costs and administrative burdens.

The SSBs are expected to support an environment in which companies can make consistent disclosures by enhancing interoperability through collaboration with other standard setters and regulators.

6 – Strongly increasing in importance

Ascendia EOOD

6 – Strongly increasing in importance

Japan Business Federation – Keidanren

As with B-1

6 – Strongly increasing in importance

07. Accounting Firms

Baker Tilly International

6 – Strongly increasing in importance

While regional and national focuses continue to develop, the world is becoming evermore interconnected, so the rationale for global consistent standards has never been stronger. Jurisdictional differences must not drive business behavior to locate in perceived lower regulation locations.

BDO International Limited

6 – Strongly increasing in importance

See our responses to Section III, Q4.

We strongly support both SSBs investing more time and effort to review the information provided through IFAC's Member Compliance Program (that tracks the adoption and monitoring of implementation challenges of their standards/the Code) with a view to determining where practical NAM (e.g., educational materials) can be developed to drive greater adoption and implementation of existing standards/the Code. This is essential to reducing the risk of fragmentation, enhancing the confidence of users and underpinning the public interest need to have functioning capital markets.

We recommend:

- Acceleration of post implementation reviews of new standards issued post-ISA 540 to gather information as to the issues facing firms in implementing the standards.
 - o This would cover ISA 315 and ISA 600 which gave rise to significant changes in firms methodologies and will likely provide information on inconsistent application and where engagement teams struggle to comply with requirements.
- Commencing a review prior to 2028 to ensure consistent conceptual alignment across standards/the Code and between both SSBs.
 - o Different projects and respective SWPs can introduce variations in definitions (e.g., 'significant' 'appropriate' 'sufficient' 'authenticity'), thresholds and evidence concepts which inevitably result in 'standards-drift'.
 - o Review of definitions across both SSBs to ensure greater alignment (e.g., on terms such as 'sustainability information') and to actively work to avoid future fragmentation of definitions across both SSBs
 - o This can then make it harder for (a) jurisdictions to adopt the suite of ISAs and the Code as a coherent whole and increases the likely of local adaptation, (b) leads to firms having to interpret between standards and the Code rather than applying a consistent framework, and (c) training, guidance and methodology become more complex than is necessary.
- o All of this contributes to a risk of fragmentation (as evidenced by the IAASB's project required on PIE Track II to align between both SSBs).

A recent example of the IAASB overlooking key stakeholders' views and comments, was the drafting of the ISA for LCE. This resulted in the regulators/national standards setters being unwilling to adopt and implement the standard or delaying their adoption – leading to a clear risk of fragmentation even in those

jurisdictions where the profile of entities would have been well suited to such a standard. Further, several jurisdictions are considering alternatives to the ISA for LCE audit, such as the UK revisiting their practice note (PN 28) on the topic.

A proper root cause analysis of why the Code still lags behind IAASB standards adoption - including a consideration as to why jurisdictions are developing their own guidance instead of adopting a standard - is essential to developing a SWP to boost adoption and implementation globally.

Deloitte Touch Tohmatsu Limited

6 – Strongly increasing in importance

Fragmentation risk is linked to the pace and volume of standard setting activity in recent years. The ecosystem would benefit from a slow-down to allow time for jurisdictions and firms to effectively absorb the changes. Additionally, we note recent examples of new standards that have not achieved widespread global adoption (e.g., ISA for LCE, NOCLAR in the IESBA Code), which contributes to fragmentation and a loss of confidence in global standard setting. The SSBs should prioritize post implementation reviews and other stakeholder outreach in the 2028-2031 SWP in order to understand challenges to global adoption/implementation and how this could be achieved going forward. The SSBs would benefit from transparent mechanisms for reaffirming stakeholder support for their projects throughout the development process to ensure there is clear intent to adopt upon finalization.

Forvis Mazars Global Limited (Mazars)

In the current environment there is a significant risk of fragmentation in the adoption and implementation of the international standards, much more so for the IESBA Code than the ISAs on the whole.

The ever-increasing complexity of auditing standards and the IESBA Code, and in some cases challenges with the interoperability of those standards, increases the risk of regulatory fragmentation due to difficulty in implementation and adoption, as a result of which many jurisdictions adapt the international standards rather than adopting them. Indeed, some jurisdictions have moved ahead of the standards boards in developing their own standards (e.g. ISA 240 and ISA 570 in the UK, ISRE 2410 in Australia). In our view, the standard boards' efforts would be better spent in supporting wider adoption and implementation of existing standards rather than further standard setting.

For both boards, when determining the need for a standard setting project, there needs to be a focus on whether standard setting meets the needs of all, or the majority of, stakeholders, to ensure that their standards are relevant and have broad applicability, making them more likely to be widely adopted both geographically and across audits of all types of entity. As an example, the ISA for LCE was developed as a response to a fragmentation risk arising from some jurisdictions developing their own LCE standard in response to increasing public interest entity focus in the ISAs – however, the ISA for LCE itself is not being widely adopted yet, suggesting the needs of the majority of stakeholders have not been met.

There is a perception that the SSB's focus has been on the needs of public interest entity regulators and members of the monitoring group above other stakeholders, leading to a need for jurisdictions to adapt the standards, rather than adopt them.

6 – Strongly increasing in importance

Grant Thornton International Ltd (GTI)

6 – Strongly increasing in importance

IESBA

We view inconsistent global adoption of the IESBA Code as a significant risk to 1) establishing a global baseline for ethical and independence standards; and 2) ensuring the interoperability of the ISAs with ethical

and independence standards, especially as recent amendments to the IESBA Code include auditor performance requirements.

In recent public exposure periods, we have observed more exceptions to complying with the IESBA Code, noting comments that certain requirements are "not practical" or are more restrictive than local requirements. As an example, in the U.S., certain requirements in the IESBA Code are viewed as more restrictive than PCAOB and SEC independence requirements, which apply only to publicly traded entities, or alternatively do not reflect confidentiality considerations in the U.S. jurisdiction.

IAASB

We support the IAASB's outreach with jurisdictional standard setters and efforts that promote convergence of core audit principles. However, we caution against changes that may reduce scalability or global operability of the ISAs. We are aware of the PCAOB's March 2026 request for public comments on how the PCAOB can achieve greater alignment of its auditing standards with international auditing standards. We support convergence of overarching audit principles to promote global consistency, create operational efficiencies, and enhance audit quality, subject to high-quality standards being produced. We therefore encourage the IAASB to remain committed to developing and maintaining principles-based, scalable standards that can be applied across jurisdictions to entities of varying size, level of complexity, and degree of public interest considerations. Both SSBs We believe the biggest risk to fragmentation of the SSB's standards is the quality, interoperability, and timeliness of their standards. We recommend both SSBs focus on developing standards that are globally operable and actively support adoption and implementation of their respective standards. We remain supportive of a future project to develop certain differential performance requirements for public interest entities once a globally accepted baseline definition of public interest entities has been established.

Jack Schoeman (PWC)

6 – Strongly increasing in importance

The most significant matter here is the shift toward local and regional rules which threatens the global consistency of the SSBs' framework. This fragmentation could make audits more expensive and create confusion across different markets. We do not need more legislation or more layers of regulation that vary by country. Instead the boards should prioritize keeping the international standards as the primary global benchmark while ensuring they are flexible enough to be used everywhere. This is the only way to reduce the risk of different rules for the same work and ensure the profession remains relevant to the public interest in the world today.

Krzysztof Burnos

6 – Strongly increasing in importance

Need for the simplification.

Kudos International

6 – Strongly increasing in importance

MAH, Chartered Accountants

6 – Strongly increasing in importance

With ISA 600 requiring greater co-operation between the group/component auditors, increasing fragmentation can make things more difficult. In today's economy, groups seem to be getting more and more spread out through the world

PricewaterhouseCoopers International Limited (PWC)

Our approach to assessing importance
See trend B.1.

Overarching comments

A continued focus on high quality, scalable and principles-based standards, supported by stakeholder confidence in the standard setting due process, promotes jurisdictional adoption of international standards and reduces the risk of fragmentation. Strengthening structured dialogue with jurisdictional standard setters and regulators further supports consensus on the direction and outcomes of international standards and enables early identification of potential divergence.

Matters specific to the IAASB

We encourage the IAASB to monitor jurisdictional adoption of the ISA for LCE, including any modifications, to inform assessments of the cost benefit of future maintenance activities as part of its ongoing prioritisation and resource allocation.

Matters specific to the IESBA

For the IESBA, fragmentation risk may take a somewhat different form than for the IAASB. We recommend that the IESBA considers further research into the consistency of adoption of the Code across jurisdictions, recognising that the term 'adopted' may encompass a wide spectrum of implementation, including local amendments and adoption of older versions. While many jurisdictions purport to have adopted, or make reference to, the Code, a number have implemented additional or modified requirements (for example, partner rotation periods, or definitions of public interest entities), such that fragmentation exists even within apparent adoption. We encourage the IESBA to consider whether a more systematic approach to monitoring and understanding these jurisdictional deviations would be valuable, as this would help the IESBA determine whether the issue lies in the standards themselves or in communication and adoption support. This is particularly pressing for the IESSA, where there is a narrow window to invest in adoption support, including implementation guidance, jurisdictional outreach, and tailored non authoritative materials, before divergent approaches become entrenched. More broadly, we encourage the IESBA to enhance its adoption and implementation support infrastructure, leveraging the approaches that have supported jurisdictional adoption of IAASB standards.

6 – Strongly increasing in importance

RSM International Limited

As noted in our response to Question 5B.1, we believe that regulatory fragmentation, rather than regulatory change itself, represents one of the more significant challenges to the SSBs. Fragmentation may directly impact comparability, engagement quality and public confidence in international professional standards.

Divergent national or regional approaches, for example, in areas such as sustainability, risk undermining global adoption and consistent application of the standards. In our view, addressing fragmentation is a more productive focus for the SSBs than reacting to regulatory changes in individual jurisdictions. For example, jurisdictions are increasingly developing their own frameworks, timelines and requirements for sustainability reporting and assurance. While some degree of jurisdictional customisation may be unavoidable, increasing divergence may make it more difficult for firms operating globally to apply standards consistently and efficiently across engagements as well as within engagements involving multiple jurisdictions.

When national or regional approaches diverge from the international professional standards, we recommend that the SSBs consider whether the underlying standards are overly detailed or insufficiently principles based. Where appropriate, standards could be simplified and made more principles-based with supporting detail provided through non-authoritative materials. This approach may help maintain global consistency while allowing flexibility in application.

Adoption of IAASB and IESBA standards

International professional standards have not been adopted uniformly nor consistently across jurisdictions. In some cases, jurisdictions choose not to adopt new standards or adopt them with significant modifications. This uneven adoption generally undermines the objectives of international standard-setting, including the development of high-quality, globally accepted standards that enhance the quality and consistency in practice worldwide and strengthen public confidence in the profession. We encourage continued coordination between IESBA and IAASB. Joint initiatives may help minimise fragmentation and promote more consistent adoption. Such collaboration enhances the coherence of standards and may encourage jurisdictions to adopt international standards more fully and with fewer local modifications.

We recommend that the SSBs focus on understanding the reasons why jurisdictions choose to not adopt or why they modify international standards. Gaining insight into implementation challenges, regulatory constraints or practical barriers may provide a constructive basis for reducing fragmentation over time. Using this information, the SSBs can consider these issues in the standard-setting process and work with the International Federation of Accountants (IFAC), the Jurisdictional Standard Setters or regional organisations, such as the Confederation of Asian and Pacific Accountants to work toward consistent implementation.

6 – Strongly increasing in importance

Shreekant Prasad (Govindham Consultancy Services)

6 – Strongly increasing in importance

08. Sustainability Assurance Providers other Than Accounting Firms

Keung Ho Keung Ricky

6 – Strongly increasing in importance

10. Member Bodies or Other Professional Accountancy Organizations

Malaysian Institute of Accountants (MIA Malaysia)

6 – Strongly increasing in importance

Our approach to assessing importance
Please refer to our comments under trend B.1.

Overarching comments

The most effective defence against regulatory fragmentation is a continued focus on high-quality, scalable, and principles-based standards, underpinned by stakeholder confidence in the due process.

The SSBs should continue strengthening engagement with regulators, jurisdictional standard setters and oversight bodies to identify potential areas of divergence at an early stage and to promote greater alignment in adoption and implementation approaches. Early and structured regulatory dialogue may help reduce the need for significant jurisdictional modifications and support more consistent application of international standards globally.

Particular consideration should also be given to SMPs and emerging economies, where resource constraints, differing regulatory infrastructures and implementation capacity challenges may increase the risk of inconsistent adoption or unintended divergence in practice. Scalability and proportionality should therefore remain important considerations in future standard-setting and implementation activities.

Matters specific to the IAASB

In our view, it would be helpful for the IAASB to monitor how the ISA for LCE is being adopted across jurisdictions — including any local modifications — as this would provide valuable input into cost-benefit

assessments of future maintenance activity, and support the Board's ongoing prioritisation and resource allocation decisions.

Matters specific to the IESBA

For the IESBA, fragmentation risk may present itself somewhat differently than it does for the IAASB. We recommend that the Board undertake research to assess the true consistency of the Code's adoption globally, recognizing that "adoption" can encompass a wide spectrum of outcomes, from minor local amendments to the use of outdated versions. Many jurisdictions that claim to have adopted the Code have, in practice, introduced significant modifications (e.g., on partner rotation or PIE definitions), creating fragmentation even where alignment appears to exist. A more systematic approach to monitoring these jurisdictional deviations is needed to identify the root cause—whether it lies within the standards themselves or in the surrounding communication and adoption support. This is particularly urgent for the IESSA, where there is a limited window to invest in robust adoption support before divergent practices become entrenched. More broadly, the IESBA should strengthen its adoption and implementation infrastructure, drawing lessons from the IAASB's successful approaches.

Pavel Dimitrov (Union of Accountants in Bulgaria)

6 – Strongly increasing in importance

The risk of regulatory and geopolitical fragmentation poses a direct threat to global consistency in reporting, assurance, and ethical standards. Divergent national or regional approaches can undermine comparability, weaken investor confidence, and create uncertainty for professional accountants and auditors. A rating of 6 reflects the critical importance of maintaining global alignment, supporting harmonization efforts, and ensuring that international standards remain a stabilizing force in an increasingly fragmented environment.

11. Academics

Kiran Seth (Sunway University)

6 – Strongly increasing in importance

12. Others

AIDS Committee of Toronto

6 – Strongly increasing in importance

Nations that opt out reduce the effect of globalization. As we've seen over and over, something that is legal/standard practice in one country is not in another and enforcement of rules becomes next to impossible.

07.06. Letters providing separate ratings for IAASB or IESBA

06. Jurisdictional and National Standards Setters (JSS)

Accounting Professional & Ethical Standards Board (APESB)

Matters for IESBA:

APESB observes that the geopolitical and regulatory environment is becoming increasingly complex and is directly influencing standard-setting. APESB highlights fragmentation as a significant risk, as differing regulatory priorities emerge across regions, particularly in areas such as sustainability, digital regulation, and financial market oversight. This fragmentation increases complexity for practitioners operating across borders and places additional pressure on the IESBA to ensure that international standards remain principles-based and adaptable to diverse regulatory environments.

APESB further notes that while the IESBA cannot control these developments, IESBA must be prepared for them, and its strategic planning should reflect this reality.

5 – Increasing in importance

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

IESBA and IAASB rating: 6

Conflicting domestic and global regulations could threaten standards' interoperability and create challenges for entities and practitioners across jurisdictions. The rapid pace of change in the global political and regulatory and standard setting environment is leaving practitioners with little lead time to respond. The pace and volume of changes to the code and related standards place a disproportionate burden on small and medium firms, which often lack the dedicated compliance resources available to larger firms, underscoring the need for greater proportionality, scalability, and sensitivity to cumulative implementation impacts.

Fragmentation results (1) when international solutions are viewed as not meeting a clear or broadly-based global need (e.g. ISAs for LCEs, and IESSA), (2) when profession-agnostic standards are developed that cannot be adopted by jurisdictions, (3) when the SSBs impose requirements that other jurisdictions disagree with, and (4) when ethics standards impose requirements more appropriate for performance standards (e.g., NOCLAR, public interest entities, external experts). The risk of fragmentation is further heightened by the pace of change in international standards and the code's shift away from a principles based approach toward more prescriptive and detailed requirements. When standards are tailored to address regional or specific needs (e.g., public interest entities), their global applicability diminishes, reducing the likelihood of full — or even partial — adoption across jurisdictions. This risk is particularly evident where application guidance becomes disproportionate to the underlying principles and requirements, potentially undermining clarity and operability.

Response 4 has several overarching suggestions for counteracting these trends. An additional practical step is to provide a period of stability by slowing the pace of new or revised standards, recognizing the significant downstream effort required for endorsement, training, translation, and implementation. We welcome the recent launch of post-implementation reviews and encourage the SSBs to treat these reviews as a core priority, using real-time input from professional accountants, firms, professional bodies, and regulators to evaluate whether the standards achieve their intended purpose.

6 – Strongly increasing in importance

Australian Auditing and Assurance Standards Board (AUASB)

5 – Increasing in importance

There is a risk of global fragmentation, with possible divergence on assurance standards for sustainability across jurisdictions having the potential to increase costs for those operating across borders. The IAASB should consider further initiatives to promote the adoption of ISSA 5000.

As noted above, relatively principles-based standards can be applied across a diverse range of circumstances and don't create bright lines that can be worked around.

Stakeholders felt that outreach by the IAASB should be broader and more inclusive. Greater outreach to stakeholders beyond large international firms—particularly in the Asia-Pacific region and emerging economies—may assist in addressing perceptions of Western-centric standard setting and enhance global acceptance.

Institut der Wirtschaftsprüfer (IDW)

5 – Increasing in importance

Fragmentation results when international solutions are viewed as not meeting the cost-benefit considerations (e.g. ISAs for LCEs, PIEs vs. Non-PIEs) or the pace of change leads to different versions of international standards being used globally. We believe a key consideration to promote harmonization is to prioritize cost-benefit consideration so that the value of international standards can be convincingly demonstrated.

The need for national solutions for national problems does not always lead to fragmentation: some "fragmentation" is not necessarily a bad thing because differences in environments (law, regulation, language, culture, markets) may require different solutions. Complete conformity may be counterproductive. In this context the IESBA and IAASB are not responsible for resolving regulatory fragmentation.

Cultural differences also need to be recognized and respected. While language is the most obvious example, there are broader considerations, such as differing cultural connotations and levels of acceptability around reporting misconduct. For instance, in some environments shaped historically by authoritarian systems, "denunciation" may carry negative associations, which can affect perceptions of, for example, whistleblowing mechanisms and related safeguards, among other factors. Standard setters need to actively work against unconscious bias in this context.

Nordic Federation of Public Accountants (NRF)

5 – Increasing in importance

Fragmentation is a global issue, and responsibility for it is shared across many actors — regulators, legislators, oversight bodies, and the profession itself. It should therefore not be viewed as arising solely from the work of the standard setting boards. What the SSBs can do to avoid contributing to further fragmentation is to prioritize adoption, simplification, and usability, rather than expanding the standards or the Code unnecessarily. Fragmentation is often driven by having too many and too complex requirements, not too few. Ensuring that the standards remain principles based, scalable, and fit for purpose is therefore essential.

From this perspective, the focus should be on supporting global adoption and reducing complexity, rather than introducing additional layers of requirements that risk widening the gap between jurisdictions.

07. Accounting Firms

Ernst & Young Global Limited (EY)

Regulatory fragmentation creates uncertainty for the profession's ability to adopt and apply global standards consistently across a network, particularly for those networks who are members of the FoF. We agree that this uncertainty increases cost and administrative burdens particularly for multi-national group audits. We also agree that increasing fragmentation erodes trust and confidence in financial and non-financial reporting. We refer to our response to Question 4 in which we set out our views on the strategic priorities of the Boards. We believe all these priorities are relevant to addressing the risk of fragmentation.

6 – Strongly increasing in importance

KPMG International Limited

6 – Strongly increasing in importance

IAASB – 6 Strongly increasing in importance, IESBA – 6 Strongly increasing in importance

We expect the "Risk of Fragmentation" trend to strongly increase in importance over the survey period, which threatens global

adoption of the SSBs' standards. Fragmentation of reporting laws and regulations, frameworks, standards and metrics across jurisdictions is increasing, with certain jurisdictions appearing to move away from international alignment towards a more national/regional focus, driven in part by their response to current uncertainty (see B1). We believe this presents one of the greatest challenges to both SSBs as we have concerns that the momentum in respect of global adoption of the IAASB standards and the IESBA Code is slowing and at risk of stalling.

A key concern is the widening gap in adoption between IAASB and IESBA standards, despite their intended interoperability. Adoption of the IESBA Code continues to lag, with many jurisdictions applying earlier versions or introducing carve outs, delayed adoption, or partial implementation, diluting the benefits of a global standards framework. Inconsistent approaches to fees reporting and PIE determination reflect the fragmented environment, illustrating how differences in adoption create complexity for firms and users across jurisdictions.

We consider that addressing fragmentation risks should therefore be a central strategic priority of both SSBs. Accordingly, we recommend that both boards place significant emphasis on closely monitoring the (full and partial) adoption of IAASB standards and the IESBA Code across different jurisdictions. This should include identifying fragmentation risks and their underlying drivers, including understanding barriers, both actual and perceived, to adoption and implementation of IAASB standards and the IESBA Code. This will necessitate extensive engagement by both Boards with regulators, standard-setters, including jurisdictional standard setters, and other key bodies, including to actively reinforce the significant public interest benefit of global adoption and consistent implementation of high quality international IAASB standards, that are underpinned by a robust IESBA Code.

In the current environment, we consider such outreach to be critically important, and likely to have significantly greater impact in addressing fragmentation issues than standard-setting activities, including development of new standards or making incremental changes to existing standards. In fact, we believe that if the SSBs continue to undertake certain standard-setting activities without first addressing adoption and implementation challenges, this may exacerbate fragmentation risks, potentially undermining the objectives of international standards regardless of their technical quality. Accordingly, we recommend that the SSBs focus on the following areas in performing outreach activities:

IAASB

Global adoption and consistent implementation of the IAASB's assurance standards

While global demand for assurance engagements continues to increase, including for subject matters other than sustainability information, the assurance market is considerably less mature than audit and therefore at greater risk of fragmentation. As we describe at B1, different jurisdictions are implementing requirements for assurance over a wide range of subject matters, and applying different rules, reporting standards, frameworks and metrics, and this trend may result in significant variability with respect to the assurance standards applied and reporting formats that are required to be used for each type of subject matter. We are concerned that without concerted action by multiple stakeholders, the fragmentation that is emerging in these early stages may persist in the medium to longer term, which we do not believe would be in the public interest. Accordingly, before any fragmentation becomes embedded, we support the IAASB's plans to play a leading role in outreach discussions on selected subject matters for which there appears to be significant emerging demand for assurance (e.g., in respect of AI governance, and controls), to understand users' core information needs and to help identify and develop appropriate assurance solutions, and demonstrating how the IAASB assurance standards can be applied to meet these needs.

Furthermore, there is a broad spectrum in terms of stakeholder understanding of the term "assurance", ranging from reasonable and limited assurance engagements as contemplated by the SSBs, to compliance-based or checklist approaches as envisaged within other standards and frameworks, e.g. International Organization for Standardization (ISO) standards, and other attestation and certification models. These may even be based on methodologies developed by individual practitioners (and may result in practitioner reports that contain potentially misleading statements, e.g. that the assurance methodology is "based on" IAASB standards), and/or which may take the form of providing recommendations.

Important next steps could include working closely with regulators, jurisdictional standard-setters and other bodies to develop guidance and illustrative examples to help drive adoption and consistent implementation of IAASB assurance standards (and the IESBA Code) for assurance engagements on subject matters with significant emerging demand. We recommend that IAASB prioritize the following actions:

- Update ISAE 3000 (Revised) and ISAE 3402, to align with ISSA 5000, as relevant. Furthermore, we recommend that the IAASB explore the delivery of guidance and illustrative examples to demonstrate how the IAASB assurance standards can be applied to particular subject matters in practice (refer to B1 and B3).
 - Actively promote the benefits of using IAASB assurance standards as compared with other offerings in the marketplace.
 - Emphasize the benefits of adoption and consistent implementation of IAASB standards across jurisdictions, to reduce the risk that individual jurisdictions take the initiative and develop local standards or assurance solutions, which may be less robust and may not be interoperable with IAASB standards. We recommend that the IAASB anticipate and meet market demand in a proactive manner, and seek to understand regional/jurisdictional needs and concerns and attempt to address these, where appropriate, through the development of implementation guidance, and non-authoritative materials (see B1 and C1).
- As part of such active outreach and advocacy, we recommend that the IAASB promote, in particular, the merits of ISSA 5000 (see C1 and C2).

Scalability of the ISAs

We continue to believe that a project focused on improving scalability of the ISAs should be a high priority, given the significant global demand for further guidance/clarity in this area and the risks of fragmentation if application of the ISAs is considered to be unnecessarily burdensome in particular jurisdictions.

We recognize the efforts of the IAASB as part of the ISA for LCE project, however, we believe there is still significant demand for greater scalability in respect of application of the ISAs to audits of less complex entities. Accordingly, we recommend that the IAASB explore issues in relation to scalability in greater depth, liaising with regulators, standard-setters and other bodies, and the profession, to understand where concerns and challenges arise in practice and to develop solutions. It may be beneficial for such outreach to involve undertaking a more formal consultation project. Solutions may include expanded use of differential performance and reporting requirements in the ISAs, the development of more detailed, non-authoritative practical guidance that illustrates how to scale certain aspects of the ISAs in a manner that is proportionate to an entity's circumstances and the expected level of audit risk, as well as working with other providers to develop a technology-based solution to assist auditors with more efficiently identifying the ISA requirements that are relevant to an audit of less complex entity in their specific circumstances.

IESBA

From the IESBA perspective, the risk of fragmentation also represents one of the most significant threats to the effectiveness of global ethics and independence standards. A key concern is the widening gap in adoption between IAASB and IESBA standards, despite their intended interoperability. Adoption of the IESBA Code continues to lag, with many jurisdictions applying earlier versions or introducing carveouts, delayed adoption, or partial implementation, diluting the benefits of a global standards framework.

This fragmented environment is reflected, for example, in inconsistent approaches to PIE determination and fees reporting, creating complexity for firms and confusion for users operating across jurisdictions. According to IFAC adoption data (even allowing for some outdated data), the IESBA Code has been fully adopted in fewer jurisdictions than the ISAs, with partial adoption still widespread. Given that the IAASB standards are intended to operate in tandem with the IESBA Code (or an equivalent framework), this divergence risks undermining the effectiveness and credibility of international standards as a whole.

High quality standards can only serve the public interest if they are widely accepted, implemented, and used in practice. Addressing fragmentation should therefore be a central strategic priority. This requires placing greater emphasis on understanding barriers to adoption, engaging with regulators, jurisdictional standard setters, and the profession, and promoting the scalability and operability of international standards.

In this context, issuing additional or more detailed standards without addressing adoption challenges risks furthering fragmentation, potentially undermining the relevance and impact of international standards

regardless of their technical quality. We therefore believe it is important for both SSBs to work with IFAC to advocate for the use of ISAs in combination with the IESBA Code. This should include greater outreach and engagement with Professional Accountancy Organizations (PAOs) and others with standard setting responsibilities to promote the benefits of adoption, as well as to understand the status of the jurisdictions' adoption plans and identify any potential barriers to full adoption.

09. Public Sector Organizations

United States Government Accountability Office (GOA)

5 – Increasing in importance

Concerning the risk of fragmentation mentioned in B2, we suggest that the IESBA and IAASB consider whether recent, ongoing, and planned projects are appropriately scaled, given that standards that are too detailed or proscriptive may not be adopted if they conflict with local laws, regulations, customs, and industries. We believe that promulgating standards that are principles based, with specific performance requirements added only when necessary to prevent undesirable diversity in practice, will reduce fragmentation and permit adoption in a manner consistent with local legal and regulatory environments.

10. Member Bodies or Other Professional Accountancy Organizations

Accountancy Europe (AE)

4 – Slightly increasing in importance

Fragmentation is driven by the volume and complexity of standards, not by a lack of them. The priority should be simplification through focused post-implementation reviews, not additional requirements

IAASB rating: 4 Slightly increasing in importance

ISAs are generally well adopted globally. Fragmentation is therefore not primarily an IAASB issue. The main challenge is the increasing complexity of standards, which affects usability and consistent application, particularly for smaller and less complex entities. The focus should be on simplification and proportionality, not additional standard-setting.

IESBA rating: 4 Slightly increasing in importance

Adoption of the Code is uneven across jurisdictions and is a more significant source of fragmentation. Further expansion of the Code risks increasing divergence if usability and operability are not addressed

Global Accountancy Alliance (GAA)

6 – Strongly increasing in importance

Combined Rating: 6

As noted in question 4, fragmentation is not a stand-alone issue; it is the cumulative result of weaknesses in the other strategic areas cited:

a) Evidence-based standard setting and proportionate prioritization: When standard setting is not sufficiently evidence-based, proportionate, or disciplined at the pre-initiation stage, projects may proceed without a clearly demonstrated global need, leading to requirements or materials that are harder for jurisdictions to endorse consistently.

b) Global adoption, implementability, and stability: When adoption, implementability, and periods of stability do not receive enough weight, the pace and volume of amendments can outstrip the ability of jurisdictions and firms to absorb, translate, train on, and implement change, which in turn produces uneven uptake and divergence in practice.

c) Stakeholder engagement, project discipline, and remit: When stakeholder engagement is not broad enough, or projects move beyond remit or are not reassessed as they develop, standard setting can drift toward matters that are jurisdiction-specific, profession-agnostic, or overlapping between boards, creating

duplication, interoperability challenges, and added complexity. In our view, correcting fragmentation therefore requires the SSBs to address all three causes together: pursue only projects supported by clear evidence of a systemic global issue, embed adoption and implementation objectives throughout the project lifecycle, preserve meaningful stability and reliance on post-implementation review, and apply stronger discipline around remit, stakeholder engagement, and cross-board coordination so that international standards remain a durable and globally operable baseline.

Institute of Chartered Accountants in England and Wales (ICAEW)

5 – Increasing in importance

IAASB rating: 5

IESBA rating: 5

ICAEW notes with concern that the adoption and implementation of the IESBA Code remains uneven across IFAC jurisdictions. This regrettably significant source of fragmentation runs the risk of being increased by any further expansion of the Code; as those jurisdictions which have not yet updated their Codes risk falling further and further behind.

ICAEW also notes uneven adoption across other standards such as the ISA for Less Complex Entities. The SSBs should prioritise:

- 1) enhancing adoption;
- 2) implementation;
- 3) maintenance; and
- 4) post-implementation reviews of existing standards over development of new and additional ones.

Institute of Chartered Accountants of Scotland (ICAS)

6 – Strongly increasing in importance

Combined IESBA and IAASB Rating – 6

Standard-setting should respond to clearly evidenced public-interest need, not political or regulatory cycles. Nor do we believe it is the SSBs' role to resolve regulatory fragmentation, as efforts to do so risk making the work of the Boards more prescriptive and jurisdiction-specific, thereby reducing global relevance and potentially increasing fragmentation. The public interest need is for a principles-based Code and Standards that can be applied consistently across jurisdictions.

Fragmentation is not a stand-alone issue but the product of weak project discipline, insufficient focus on adoption and implementation, and inadequate attention to remit and stakeholder engagement. In our view, it should be addressed by pursuing only clearly evidenced global issues, embedding adoption and implementation considerations throughout the project lifecycle, preserving stability and reliance on post-implementation review, and applying stronger discipline around remit and cross-board coordination so that international standards remain a durable and globally operable baseline.

The failure of the Monitoring Group to establish a wider stakeholder funding model for the auditing and ethics standard setting boards, despite this being a cornerstone of its 2020 revisions to the model, which it had originally proposed in its 2017 consultation, presents a risk to fragmentation. Unless this risk can be satisfactorily mitigated then there is a threat to the future viability of the current global standard setting model

Another risk is that the adoption of the IESBA Code around the world is piecemeal with various jurisdictions still applying earlier versions of the Code, despite various fundamental revisions to the Code having subsequently been made. This illustrates the need for IESBA, and indeed the Monitoring Group, to play a far more effective role in assisting IFAC to promote adoption and implementation of the Code around the globe.

To assist in this process IESBA needs to continue with a period of stability and remove the uncertainty of any early further revisions to the Code. We, therefore, welcome the recent announcement by IESBA of its

launch of post implementation reviews on the restructured Code and Non-Compliance with Laws and Regulations (NOCLAR). This will help professional accountants on the ground and regulators around the globe grappling to keep up with the pace of change.

International Federation of Accountants (IFAC)

IFAC agrees that the risk of fragmentation is an important issue for the SSBs. The survey describes fragmentation as a movement away from international alignment toward more national or regional approaches, with potential consequences for cost, administrative burden, uncertainty, and trust in financial and non-financial reporting. The causes of fragmentation should therefore be examined carefully. Fragmentation is likely to occur when the standards are perceived not to serve the needs of a particular jurisdiction. Fragmentation may reflect concerns about the standards themselves, including complexity, cost, scalability, SME/SMP relevance and jurisdictional operability.

IFAC therefore encourages the SSBs to treat fragmentation as both an external risk and a feedback signal. The SSBs should analyze why jurisdictions do not adopt, delay adoption, modify standards, or struggle to implement them. Future work plans should prioritize quality, proportionality, scalability, understandability, cost-benefit analysis and global operability before launching new major standard-setting activity. Simplification of existing standards should also be given due consideration.

5 – Increasing in importance

07.07. No rating provided but with comments

01. Monitoring Group

International Organization of Securities Commissions (IOSCO) Committee

- support high-quality audit outcomes, not merely compliance;
- promote professional skepticism, sound judgment, and accountability, particularly in areas involving estimation uncertainty, emerging risks, and management bias;
- are principles-based but also sufficiently clear, operational, and scalable to support consistent application, inspection, and enforcement across jurisdictions; and
- responsive to stakeholder feedback throughout the process.

When the Boards' projects remain focused on these outcomes, and decisions are guided by thorough cost-benefit evaluations and balanced input from diverse stakeholders, they help promote global consistency and interoperability, reducing the risk of frameworks that allow inconsistent application or interpretation. Conversely, global fragmentation can undermine comparability, raise the cost of capital for reporting entities, and increase the overall cost of financial reporting, particularly in jurisdictions that relying solely on domestic standards, ultimately affecting investors and capital markets.

B.2 Risk of Fragmentation

Consistent with past feedback from IOSCO, members continue to strongly advocate for audit and ethics standards that:

10. Member Bodies or Other Professional Accountancy Organizations

CPA Australia

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

B.2 Risk of fragmentation:

Fragmentation may be inevitable and unavoidable in some circumstances. Jurisdictional changes/tweaks to an international standard does not immediately indicate "fragmentation", especially where the standards are focused on principles, which can be and, in some cases, must be applied in different ways in different

jurisdictions. The adaptation of robust, principles-based standards to fit jurisdictional requirements are not necessarily weakened by this.

07.08. No specific response

01. Monitoring Group

International Federation of Independent Audit Regulators (IFIAR)

02. Users of Financial or Non-Financial Information

Sarasin & Partners

05. Regulators and Oversight Authorities

Canadian Public Accountability Board (CPAB)

Committee of European Auditing Oversight Bodies (CEAOB)

Public Accountants and Auditors Board Zimbabwe (PAABZ)

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

09. Public Sector Organizations

Audit Board of Republic Indonesia