		Agenda Item
Meetings:	IESBA and IAASB Meetings	**4A | 7A**
Meeting Locations:	IESBA: New York, United States IAASB: Madrid, Spain	**IESBA IAASB**
Meeting Dates:	IESBA: December 7–10, 2026 IAASB: December 7–10, 2026	

Joint IESBA-IAASB Paper on Private Equity and Other External Investments (PE&OEI) in Accounting Firms – Overview of Themes Emerging from the Analysis of Feedback from Information-Gathering Activities

This paper summarizes the IESBA and IAASB Project Teams' (SSB PTs) overview of themes emerging from the analysis of feedback from the information-gathering activities undertaken to date, including:

- The responses to stakeholder questionnaires (see Agenda Items 6C–6D and 8C–8D of the September 2026 IAASB and IESBA meetings, respectively, for the questionnaires); and
- The 1-on-1 meetings with representatives of stakeholder organizations.

It is intended to support each Board's ongoing discussions of potential implications of PE&OEI in accounting firms[1] from each Board's perspective and inform whether further action should be considered by the Boards.

Introduction

1. This agenda item includes the following parts:

   (a) **Nature of Information Gathered to Date** (paragraphs 3–7), which explains the exploratory nature of the information-gathering activities, the limitations of the information obtained, and the further activities planned to complete Phase 1.

   (b) **Executive Summary** (paragraphs 8–23), which provides an overview of the key themes

[1] This paper uses the term "accounting firm" or "firm" to refer to a firm that provides professional services performed by professional accountants, for example, accounting, auditing, other assurance, tax advisory and compliance, consulting, etc. When the paper refers to a firm that provides only audit and/or other assurance engagements or a firm that provides only non-assurance services, the terms "audit firm" and "non-audit firm" are used, respectively.

emerging from the analysis of stakeholder feedback[2] and highlights potential implications of PE&OEI in accounting firms relevant to the IESBA's and the IAASB's respective mandates.

(c) **Emerging Themes and Potential Implications** (paragraphs 24–111), which presents a more detailed analysis of the themes identified, including potential implications for firms' ethical culture, governance, independence, and quality management.

(d) **Appendix 1:** List of Stakeholder and Outreach Activities that Informed the Themes Analysis.

2. IESBA and IAASB members are asked to provide their respective perspectives on the emerging themes and potential implications identified in this paper. In particular:

(a) IESBA members are asked for their views on Matters 1, 2, 3 and 5.

(b) IAASB members are asked for their views on Matters 1, 2, 4 and 5.

Nature of Information Gathered to Date

3. **Exploratory nature of information-gathering activities.** The SSB PTs' Phase 1 information-gathering activities are an exploratory exercise to understand potential implications of PE&OEI transactions on firms, drawing primarily on stakeholder observations, experiences and perspectives, supplemented by publicly available information. The information gathered to date includes a limited number of examples of PE&OEI arrangements shared by stakeholders. Given the diversity of PE&OEI arrangements, firm structures, and governance arrangements across jurisdictions, the findings are not intended to be globally representative.

4. **Nature and availability of information.** The level of detail obtained through stakeholder engagement varied, reflecting differences in stakeholders' experiences with PE&OEI arrangements, as well as the complexity and diversity of such arrangements. The confidentiality and commercial sensitivity of firm-specific information also affected the extent of detailed information which stakeholders were able to share. For example, some firms described policies and procedures for addressing conflicts of interest and independence threats, including changes made in response to PE&OEI arrangements, while information on changes to firms' system of quality management (SoQM) and implications for individual audit and assurance engagements were generally more limited.

5. **Rapidly evolving developments and inherent uncertainties.** The PE&OEI landscape continues to evolve rapidly, with many transactions being relatively recent and firms involved not yet having experienced a full investment cycle, including the exit of PE&OEI. Consequently, certain implications, particularly those arising over the longer term or at different stages of the investment cycle, may not yet be fully observable. These uncertainties are inherent in the evolving nature of PE&OEI

---

[2] The following qualifiers are used consistently throughout the stakeholder feedback analysis in **Agenda Item 4C** (IESBA) **/ 7C** (IAASB), and where relevant, in paragraphs 24 to 111, to indicate the extent to which particular views were expressed by stakeholders responding to the relevant questions:

- "Nearly all" refers to over 90% of stakeholders;
- "Majority" refers to more than 50% of stakeholders but no more than 90%;
- "Some" refers to three or more stakeholders, but no more than 50%; and
- "One stakeholder" or "two stakeholders" are used where applicable.

developments and may persist, notwithstanding further information-gathering or the passage of time. Accordingly, the findings provide an initial understanding of emerging themes and potential implications, rather than a basis for definitive conclusions about the prevalence or severity of potential risks, the effectiveness of firms' responses, or the actual and longer-term implications for the firms' ethical culture and governance, SoQM, and quality management at the engagement level.

6. As the information-gathering activities are ongoing, it would be premature for the SSB PTs to make recommendations at this stage regarding the nature and extent of any future work by the Boards. In Q1 2027, the SSB PTs will complete the remaining information-gathering activities outlined in paragraph 6 of **Agenda Item 4** (IESBA) / **7** (IAASB). Remaining activities include undertaking outreach with PE investors,[3] analyzing outstanding questionnaire responses, conducting targeted follow-up discussions with regulators, jurisdictional standard setters (JSSs), professional accountancy organizations (PAOs), and accounting firms in selected jurisdictions to supplement the geographical coverage and perspectives gathered. The SSB PTs will also engage with the IAASB's Academic Research Advisory Group to identify and review relevant academic studies in this area.

7. The additional feedback and research insights will inform the finalization of the analysis of common accounting firm structures and investment models, emerging ethical, independence, and quality management implications, and the review of relevant provisions of the Code[4] and requirements in the quality management standards.[5] This will provide the basis for the findings and recommendations in the Joint IESBA-IAASB Phase 1 Final Report.

Executive Summary

8. The following seven emerging themes encompass the key observations from the joint IESBA–IAASB information-gathering activities on PE&OEI in accounting firms. Stakeholder feedback highlights the diversity of investment arrangements and potential benefits of external investment, including opportunities for growth, modernization, operational efficiencies, and greater investment in technology and talent. It also identifies potential implications for governance, ethics, independence, firms' SoQM, and quality management at the engagement level, as well as responses being considered, implemented or evaluated by firms, regulators, and professional bodies. These include changes to firms' policies, procedures and SoQMs, and regulatory and professional initiatives.

9. The identification of potential risks and practical challenges does not by itself indicate that PE&OEI arrangements adversely affect a firm's ethical and independence matters, SoQM, and quality management at the engagement level. Importantly, PE&OEI arrangements do not change the existing legal, regulatory, and professional requirements applicable to firms. Firms remain subject to applicable ethical and independence requirements, as well as the relevant principles-based

---

[3] The extent of engagement with PE investors will depend on the availability of appropriate PE investor contacts and the extent to which investors have information relevant to the SSBs' mandates, particularly where they rely on the accounting firms in which they invest to comply with applicable professional standards and regulatory requirements. The SSB PTs will consider any insights obtained from PE investors alongside information gathered from other stakeholders.

[4] *The International Code of Ethics for Professional Accountants (including International Independence Standards)*

[5] The IAASB's quality management standards comprise International Standard on Quality Management (ISQM) 1, *Quality Management for firms that Perform Audits or Reviews of Financial Statements*, ISQM 2, *Engagement Quality Reviews,* and International Standard on Auditing (ISA) 220 (Revised), *Quality Management for an Audit of Financial Statements*.

requirements in the quality management standards. Rather, the themes reflect areas warranting consideration as PE&OEI arrangements continue to evolve. The themes are discussed further in the sections that follow, with supporting stakeholder feedback analysis in **Agenda Item 4C** (IESBA) **/ 7C** (IAASB).

Theme I: Organizational Structures, Ownership Models, and Financing Arrangements

10. Stakeholder feedback highlights the diversity and complexity of PE&OEI arrangements, which may involve different organizational structures, ownership and financing models. These arrangements are being undertaken in accounting firms of varying sizes, network affiliations, and service offerings.

11. While external investment presents opportunities for growth, modernization, investment in technologies, and long-term sustainability, the risks and potential implications depend on the specific ownership, governance, and operational arrangements.

Theme II: Culture and Governance

12. Stakeholder feedback highlights the potential implications of PE&OEI arrangements for firms' ethical culture, governance structures, decision-making authority, and accountability. Some stakeholders indicated that PE&OEI may improve operational efficiencies and enhance firms' governance arrangements. However, complex ownership and contractual arrangements may also create challenges in determining the extent of investor influence and whether professional accountants retain effective control over audit firms in substance as well as in form. Investors' financial objectives, commercial incentives, and firms' leadership remuneration arrangements may also create tensions or conflicts with firms' commitment to ethical culture and quality management at both the firm and engagement levels and firms' public interest responsibility.

13. Stakeholders also identified challenges relating to cultural and governance integration following acquisitions, transparency of ownership and investor relationships, and effective oversight and information flows across interconnected entities, including tracking changes in the investors' portfolios. Regulatory and professional body responses remain at different stages of development. Ongoing monitoring, regulatory engagement and some inspection findings highlight the importance of ensuring that changes in ownership and governance arrangements are appropriately reflected and addressed in firms' ethics, independence, and quality management policies and procedures.

Theme III: Exit Strategies

14. Although relatively few PE investor exits from accounting firms have been observed to date, stakeholder feedback highlights potential tensions or conflicts between investors' investment horizons and financial return expectations and firms' need to sustain ethical culture and quality at both the firm and engagement levels and fulfill their public interest responsibility. These may influence firms' strategic priorities, resource allocation, and governance decisions throughout the investment lifecycle.

15. Stakeholders also identified potential risks to firm stability and business continuity arising from exit transactions, particularly where expected valuations cannot be achieved or future ownership arrangements are uncertain. Such circumstances may create financial and operational pressures

that could affect firms' ability to fulfill their professional responsibilities.

Theme IV: Application of Key Definitions

16. Stakeholder feedback raises questions regarding the application of existing definitions to complex PE&OEI structures, including in particular, the definitions of "firm," "network," and "network firm." The feedback, however, does not establish a clear need to revise those definitions. The recurring issues concern boundaries, control, cooperation, investor influence, and the allocation of responsibilities, with implications for both ethics (including independence) and quality management.

Theme V: Specific Ethical and Independence Considerations

17. Stakeholder feedback raises questions in identifying, evaluating, and addressing ethical and independence threats arising from complex PE&OEI arrangements. The recurring issues relate to investor influence/pressure, financial interests, business relationships, the scope and fulfillment of independence requirements, and access to the information required for ongoing compliance.

18. While stakeholders identified various safeguards and regulatory responses, the feedback indicates potential value in additional practical guidance from the IESBA to support the consistent application of existing Code provisions, taking into account differences in investment structures and jurisdictional requirements.

Theme VI: Specific Quality Management Considerations

19. Stakeholder feedback indicates that PE&OEI arrangements raise specific practical considerations in applying existing quality management requirements under ISQM 1 and ISA 220 (Revised), rather than indicating that there are gaps in the standards. Changes in ownership, governance, investor relationships, commercial priorities, and organizational structures may introduce new or changing quality risks, including those relating to ethics and independence, conflicts of interest, leadership's commitment to quality, and engagement acceptance and continuance.

20. External investment may provide opportunities to enhance technology, personnel, training, and quality management infrastructure, which may support firms' efforts to strengthen their SoQMs. However, acquisitions, integration activities, resource allocation, and complex structures resulting from PE&OEI arrangements may introduce additional quality risks. In some circumstances, external investments may amplify existing deficiencies in a firm's SoQM across multiple firms acquired through PE&OEI arrangements.

21. Other areas where stakeholders have highlighted practical challenges are communications about the SoQM, engagement quality reviews (EQRs), engagement direction, supervision and review (DSR), consultation, and the availability of sufficient and appropriate engagement resources. Investor influence and commercial objectives may affect professional judgment, professional skepticism, independence assessments, and engagement-level decisions, particularly during periods of rapid growth, acquisitions, and integration.

22. Overall, the feedback points to the importance of understanding the application of existing principles-based requirements to evolving PE&OEI arrangements; specifically, how a firm addresses this within its SoQM through identifying, assessing, and responding to the associated

quality risks.

Theme VII: Potential Non-Authoritative Material to Be Provided by SSBs

23. Stakeholders suggested that practical, non-authoritative material (NAM) and illustrative examples may be a proportionate near-term response to help firms, particularly smaller firms, apply existing requirements consistently and effectively across different PE&OEI arrangements. Such guidance could illustrate ownership and organizational structures, investor influence over governance and resource allocation, potential independence, ethical, and quality risks and possible responses, as well as practical considerations relating to personnel, information and communication, monitoring and remediation, and the integration of acquired firms' SoQM. The guidance could demonstrate how existing requirements may be applied in different circumstances without prescribing specific responses.

Emerging Themes and Potential Implications

Theme I: Organizational Structures, Ownership Models, and Financing Arrangements

24. Taken together, the stakeholder feedback highlights the diversity of organizational structures and ownership models associated with PE&OEI, including arrangements involving multiple entities, different forms of ownership, ability to exercise control, significant influence or otherwise, and varying degrees of operational integration. The feedback also provides insights into the characteristics of accounting firms attracting PE&OEI, including differences in firm size, network affiliations, and professional service offerings.

Organizational Structures and Ownership Models

25. Stakeholder feedback identifies a range of non-traditional organizational structures and ownership models, with holding companies and platform structures, and PE-backed or owned accounting firms featured prominently. Other organizational structures included multidisciplinary professional services firms, alternative practice structures, and common ownership of multiple accounting firms. Other ownership models identified included publicly traded firms and employee-owned firms. Venture capital-backed accounting firms were less frequently identified.

26. The feedback also indicated that organizational structures and ownership models are not mutually exclusive and may coexist within a single investment arrangement. For example, a PE-backed group may operate through a platform or holding company structure, while an accounting practice may retain a separate legal identity but rely on interdependent entities[6] for personnel or shared services. These observations suggest that understanding the nature and potential implications of PE&OEI arrangements requires the exercise of professional judgment in considering the substance of the broader ownership, governance, and operational relationships, rather than solely the immediate legal ownership of the accounting firm.

[6] In some jurisdictions, these entities are referred to as "closely aligned entities," reflecting arrangements in which they share substantial economic benefits and are operationally interdependent to a degree that makes their activities integral to one another.

Prevalence of Non-Traditional Firm Structures and Ownership Models

27. PE-backed ownership and platform structures emerged as the most frequently identified non-traditional models in jurisdictions where such arrangements are established. However, the evidence was uneven across jurisdictions, with some stakeholders reporting limited market activity or insufficient information to assess prevalence. The findings therefore indicate emerging patterns rather than a comprehensive measure of prevalence across all stakeholder feedback.

Financing Arrangements

28. Traditional financing and capital models coexist with a broad range of PE&OEI arrangements that feature prominently in the stakeholder feedback. However, the feedback reflects stakeholder-reported awareness of financing models across geographical regions, rather than verified evidence of how frequently each model is used in practice.

Reasons for Accepting External Investments

29. Stakeholders' feedback suggests that accounting firms may seek PE&OEI for a range of strategic, operational, and financial reasons, depending on their circumstances and business objectives. Some cited reasons include obtaining capital investment in technology and modernization, such as cloud-based solutions, automation and artificial intelligence (AI); pursuing growth through mergers and acquisitions; attracting and retaining talent; improving operational efficiency; addressing existing financial obligations; and meeting retirement planning needs for partners nearing retirement. Other factors cited include evolving client expectations for broader advisory services as well as increasing competition and consolidation within the accounting profession.

30. From the perspective of PE investors, stakeholders noted that accounting firms may present attractive investment opportunities, including relatively stable revenue streams, a fragmented market with a large number of smaller firms, and the opportunity to expand service offerings into an established client base and scale the business geographically. These represent opportunities for the investors to enhance the value of their investments.

Firm Sizes

31. Stakeholders suggested that external investment appears to be relevant across different segments of the accounting profession, although smaller firms (up to 20 partners) are featured more prominently in the feedback, likely for the reasons mentioned immediately above. The potential implications of PE&OEI may vary depending on the size, nature, and circumstances of the firms involved.

Network Participation

32. Stakeholders specified that accounting firms targeted by external investors are frequently connected to international networks, often alongside local networks. This highlights the importance of considering network relationships,[7] cooperation arrangements, and SoQMs when assessing the potential implications of PE&OEI.

[7] Includes circumstances in which an audit firm is a member of more than one network.

Types of Professional Services

33. Stakeholders indicated that accounting firms associated with PE&OEI can provide a broad range of professional services, spanning audit, assurance, accounting, tax, consulting, and advisory services. Although stakeholders generally indicated that firms provide both assurance and non-assurance services, they also highlighted differences in service offerings, specialization, and the structures through which services are delivered. Feedback received also distinguishes between firms that audit public interest entities (PIEs), which represent a relatively small proportion of firms receiving external investment, and firms that do not. Regulators generally focus their attention on firms that audit PIEs. However, firms that audit non-PIE or firms with no audit or assurance service offerings may be more likely to attract external investments and may be more susceptible to implications resulting from external ownership (i.e., the level of threats or risks).

Theme II: Culture and Governance[8]

34. Stakeholder feedback highlights the interconnectivity between changes in accounting firms' organizational structures, ownership models, and financing arrangements arising from PE&OEI (see *Theme I: Organizational Structures, Ownership Models and Financing Arrangements*) and their culture and governance. While the arrangements vary in their legal form and degree of operational integration, they may change how strategic and operational decisions are made, the extent of investor influence over strategy and operations, the allocation of responsibilities and accountability, and the incentives affecting firm leadership. These changes may, in turn, have implications for firms' ethical culture, commitment to quality, and public interest responsibility.

35. Stakeholders emphasized that the firms' commitment to quality and professional responsibilities remains fundamental following external investment. Some stakeholders further highlighted that maintaining and enhancing quality is essential to sustaining firms' reputations, supporting long-term growth and protecting the value of business brands and investors' investments. Therefore, the pursuit of quality and investors' financial objectives are not necessarily competing priorities but can be mutually reinforcing.

36. Other stakeholders emphasized that the potential culture and governance implications of external investment should be assessed in a balanced, evidence-based manner, recognizing that such challenges are not unique to PE&OEI-backed firms and may arise under other ownership models. The key observations from the stakeholder feedback are summarized below.

Governance Arrangements, Decision-Making Authority, and Accountability

37. Stakeholder feedback highlights that PE&OEI arrangements may affect firms' governance and decision-making structures, particularly where ownership and management and operational responsibilities are distributed across audit firms, holding companies, investors, and related service entities. The nature and extent of investor influence may vary depending on the investment arrangements, including contractual rights and involvement in strategic or operational decisions. Stakeholders emphasized that the effects on culture and governance may be beneficial or adverse,

[8] IESBA Staff Alert, *Private Equity Investment in Accounting Firms: Key Ethics and Independence Considerations* (July 2025), paragraphs 20–24

while also cautioning that challenges relating to culture and governance are not unique to firms with PE&OEI investment and may arise under other ownership structures.

38. Stakeholders reaffirmed the importance of maintaining clear governance responsibilities, accountability, and appropriate oversight arrangements, including ensuring that qualified professional accountants retain substantive control over audit firms and their professional activities, notwithstanding the legal structure (i.e., substance over form).

39. Regulatory developments in certain jurisdictions have reinforced the importance of assessing not only formal ownership and governance arrangements, but also how control and influence are exercised in practice. This includes considering investor voting and approval rights, contractual arrangements, and other means of influencing strategic and operational decisions. Desktop research[9] further illustrates that regulatory frameworks may restrict investor veto and approval or instruction rights. Additionally, the research indicates that informal influence may be relevant to assessing whether professional accountants retain effective professional control of the audit firm pursuant to legal or regulatory requirements.

Cultural and Governance Integration Implications of Acquisitions

40. Stakeholder feedback indicates that acquisitions and consolidation associated with PE&OEI may introduce cultural and governance integration challenges. These include aligning management responsibilities, leadership arrangements, policies, personnel, IT systems, and communication processes across acquired firms. Desktop research also identifies instances where member firms within the same international network, operating in different jurisdictions, have received investments from different PE investors. Such arrangements may introduce additional complexities relating to governance, use of shared resources, network branding, and technology infrastructure.

41. Stakeholder feedback also highlights the potential for changes in governance and organizational arrangements to affect the integration of firms' SoQMs. Some stakeholders identified the importance of considering quality risks arising from acquisitions and reviewing related policies and controls.

Commercial Incentives, Leadership Remuneration, and Strategic Priorities

42. Some stakeholders raised concerns about potential tensions or conflicts between investors' commercial objectives, including profitability, growth, and financial returns, and firms' professional responsibilities and commitment to quality. Such tensions may arise where investor expectations influence strategic priorities, business decisions, resource allocation, or engagement-related judgments.

43. Other stakeholders emphasized that maintaining quality is aligned with the commercial interests of firms and their investors. They highlighted positive influences of external investment, including more effective business management, improved operational efficiencies, and increased investment in technology and other resources to support long-term growth and quality. They also indicated that investors generally focus on business strategy and operational matters, while professional accountants retain responsibility for their professional obligations, including compliance with ethical requirements, and engagement-related decisions.

---

[9] Refer to Agenda Item 8A and Agenda Item 6A of the IESBA and the IAASB September 2026 meetings, respectively.

44. Stakeholders also highlighted the potential implications of PE&OEI on leadership remuneration and performance measures, including the extent to which these arrangements reflect quality considerations alongside financial and commercial objectives.

Ethical Culture and Commitment to Quality

45. Stakeholder feedback highlights the potential influence of PE&OEI on firms' ethical culture and commitment to quality. Changes in ownership, leadership expectations, and commercial incentives may affect how firms balance business objectives with professional judgment, ethical responsibilities and the public interest.

46. Feedback from the IESBA and IAASB Stakeholder Advisory Council (SAC)[10] and the joint IAASB-IESBA User Advisory Group (UAG)[11] members emphasized the importance of effective governance, appropriate checks and balances, independent oversight, and clear accountability in maintaining an ethical culture. Members also raised concerns about potential differences between investors' financial objectives and professional accountants' public interest responsibility, including a potential risk that shorter-term investment horizons could weaken firms' long-term view of their public interest role and commitment to quality. See further discussions in *Theme III – Exit Strategies*.

Transparency, Information Flows, and Oversight Arrangements

47. Stakeholder outreach and desktop research highlight the importance of transparency regarding ownership arrangements, investor interests, governance structures, and the allocation of decision-making responsibilities. In complex investment structures, information relevant to governance, ethical compliance, and quality management may be held or managed by entities outside the audit firm.

48. Feedback also identified the importance of appropriate information-sharing and communication arrangements, including reporting to relevant governance bodies, monitoring identified risks and deficiencies, and maintaining accountability across entities involved in PE&OEI arrangements. The UAG also emphasized the importance of transparency and effective oversight in maintaining stakeholder confidence.

Regulatory and Professional Body Responses to Changes in Governance and Ownership Arrangements and Regulatory Inspection Findings

49. Stakeholder feedback and desktop research both indicate that regulatory and professional bodies are undertaking ongoing monitoring or assessment of PE&OEI developments. Some stakeholders indicated that their jurisdictions are considering, or may consider, additional regulatory requirements. Some stakeholders also reported having issued guidance or educational materials to assist firms in interpreting relevant statutory provisions.

---

[10] The IESBA and IAASB SAC held a meeting on October 21, 2026, during which SAC members discussed the interrelationship between PE&OEI arrangements and firm culture and governance, including potential implications for ethics, independence, quality management at the firm level and engagement level.

[11] The IAASB-IESBA UAG held a meeting on October 6, 2026, during which UAG members discussed the potential implications of PE&OEI arrangements for audit firms, including matters relating to firm culture and governance, professional judgment, commercial incentives, and quality management.

50. Regulatory engagement before finalizing external investment arrangements was also identified as an important consideration. A majority of stakeholders reported that firms consult with local regulators, oversight bodies, or PAOs before finalizing such arrangements, predominantly on a voluntary basis. The nature and timing of these consultations vary depending on the circumstances and may involve consideration of proposed investment structures, the treatment of individuals and entities within those structures, draft contractual arrangements, and independence implications.

51. Stakeholder feedback also identified a limited number of PE&OEI-related inspection findings. These included instances where firms' independence or quality management policies and procedures had not been appropriately updated to reflect changes in firm or network structures following external investment. Another concern raised was about inconsistent information disclosed in the publicly available financial statements of certain audit firms or their connected entities with respect to their actual structures and governance arrangements.

52. These regulatory observations highlight the interrelationship between changes in ownership and governance arrangements and the application of existing professional and regulatory requirements. They also indicate that regulatory responses remain at different stages of development, with monitoring and engagement continuing as experience with PE&OEI arrangements evolve.

Theme III: Exit Strategies

53. Stakeholder feedback provides some insights into the potential implications of PE investor exit strategies for firms' ethical culture, governance, stability, and commitment to quality, as well as public interest considerations. To date, limited exit transactions have been observed[12] and information available on their implications remains incomplete. Against this backdrop, stakeholders have raised concerns over potential pressures on firms to prioritize short-term financial returns over long-term investment in ethical culture and quality.

Types of Exit Strategies Observed Are Limited

54. A majority of stakeholders indicated that they had not observed major PE investor exits from accounting firms in their jurisdictions. Among those who anticipated such transactions, the most commonly identified exit strategy was a sale to another PE investor. Other arrangements included transactions involving continuation vehicles[13] and an initial public offering (IPO).

Potential Implications of Exit Strategies

55. Some stakeholder feedback raised concerns about potential tensions between PE investors' relatively short investment horizons and firms' need to sustain investment in quality management at both the firm and engagement levels. Desktop research also highlighted this inherent tension. Stakeholders noted that investors' expectations of premium financial returns within the relatively short investment horizon could influence firms' strategic and operational decisions, potentially creating

---

[12] For example, in 2025, PE funds managed by Blackstone acquired stakes in Citrin Cooperman Advisors LLC from New Mountain Capital LLC.

[13] A continuation vehicle is an investment structure through which a PE fund manager transfers one or more portfolio investments from an existing fund into a new investment fund, generally to extend the holding period.

challenges for firms in achieving commercial objectives while fulfilling their professional and public interest responsibilities.

56. Stakeholders identified potential risks to firm stability and business continuity associated with exit transactions. For example, one stakeholder raised concerns about the potential adverse effect on a firm's stability where an investor is unable to exit at the expected valuation. Such circumstances could create additional commercial pressures on firms, including potential pressure from investors to reduce costs or increase fees to enhance the attractiveness of the business to prospective investors. Related feedback also highlighted potential instability arising from changes in firms' ownership following an investor exit.

Matters for the SSBs' Consideration:

1. The SSBs are asked for their views on:
   (a) The key matters identified under **Themes I–III**; and
   (b) Whether there are additional matters relevant to these themes that warrant further consideration by the SSBs.

Theme IV: Application of Key Definitions

57. The diversity and complexity of these organizational structures and ownership models highlight the importance of considering how such arrangements are addressed under the Code and ISQM 1. In particular, the legal form of an arrangement may not necessarily reflect the nature and substance of the relationship between the entities involved, including their ownership, governance, control, and operational integration (also refer to *Theme II: Culture and Governance*). In this context, the relevant definitions in the Code, set out below, provide a starting point for considering how these arrangements may affect the application of the Code, including its independence provisions, and the quality management standards.

Definition and Application of "Firm"[14]

58. Stakeholder feedback raises questions regarding the application of the definition of "firm" in complex PE&OEI structures, particularly when determining whether it extends beyond the audit firm to other entities within the broader investment structure.

59. The feedback further highlights the need for a clear understanding of challenges in interpreting control, including its application throughout the ownership chain, and determining firm boundaries where ownership, management influence, service delivery, and quality management responsibilities are distributed across multiple entities. Further information and analysis are needed to determine whether the appropriate response to the challenges would be NAM, standard-setting, or a combination of both.

[14] IESBA Staff Alert, *Private Equity Investment in Accounting Firms: Key Ethics and Independence Considerations* (July 2025), paragraphs 31–36 and Appendix 2

Definition and Application of "Network" and "Network Firm"[15]

60. Stakeholder feedback raises questions with respect to the application of the definition of "network" and "network firm" to PE&OEI structures, particularly whether, and under what circumstances, PE investors, their portfolio companies, and firms under common ownership or investment arrangements are network firms or constitute a network. This includes where firms share common ownership but have separate management, quality management policies and brands, and the common ownership is not principally aimed at cooperation. Stakeholders noted that determining whether an entity constitutes a network firm depends on the assessment of whether a network exists, as well as the definition of a firm.

61. The feedback also indicates differing interpretations and practices, including instances where regulators consider commonly owned firms to constitute a network, and where firms adopt a broader approach to identifying network relationships for independence purposes.

62. Stakeholders raised questions regarding the meaning of "cooperation," particularly where relationships involve non-audit or other professional services entities, the treatment of investors and their portfolio companies held through different funds, and situations where firms belong to multiple networks.[16] The feedback also highlights uncertainty regarding whether platform or group structures create network relationships among otherwise independent firms, including smaller firms outside established international networks, and the application of the definition to accounting organizations beyond audit firms.

63. Some of the questions highlight scope for practical guidance to support consistent application of the existing definitions, with some stakeholders expressing a view that it would be important to maintain alignment of the definition of a network with the European Union network definition to avoid potential challenges arising from definitional differences. Stakeholders noted, for example, the need for specific guidance on:

    (a) The meaning of "cooperation" in the context of PE&OEI, including where entities share common ownership but have limited or no operational interaction;

    (b) The impact on independence when firms appear to belong to two or more networks, including across jurisdictions;

    (c) How the network definition applies across different investment funds, including where a PE investor holds interest in multiple accounting firms or other portfolio companies; and

    (d) The application of the reasonable and informed third party test when assessing network relationships, particularly where entities operate separately and regulatory interpretations differ across jurisdictions.

64. Additional information and analysis are needed to determine whether there is evidence of a need to revise the definitions of network and network firm.

---

[15] IESBA Staff Alert, *Private Equity Investment in Accounting Firms: Key Ethics and Independence Considerations* (July 2025), paragraphs 37–39

[16] Where an investment entity holds controlling interests in multiple accounting firms which may result in the formation of a network and those firms are already members of local or international networks and provide centralized management or shared services.

Definitions of "Audit Team," "Review Team," "Assurance Team," and "Sustainability Assurance Team"[17] and Their Application

65. Taken together, the stakeholder feedback highlights questions regarding the application of these definitions in PE&OEI structures, particularly where individuals employed by or acting on behalf of investors, either directly or through holding companies or shared service entities, may influence staffing, budgets, technology, engagement performance, or quality-related decisions.

66. Stakeholders noted differences between jurisdictional[18] definitions and the Code, as well as uncertainty regarding applicability to accounting organizations beyond audit firms. Further analysis of the feedback is needed to determine whether there is a need for guidance or some other response.

Additional Considerations Regarding Definitions in the Context of Quality Management Standards

67. The definitions of "firm,"[19] "network"[20] and "network firm"[21] also have significant implications for the application of ISQM 1 in the context of PE&OEI arrangements.[22] They are integral to determining the responsibilities of firms in designing, implementing, and operating their SoQMs, including in relation to network requirements or network services. Given the diversity and complexity of PE&OEI arrangements as discussed, determining the boundaries of a firm and whether entities constitute part of a network may involve significant judgment.

68. While some stakeholders did not identify a need to amend the existing definitions, others suggested that practical guidance could support their consistent and effective application to PE&OEI arrangements. Any such guidance should maintain consistency between the IESBA Code and the IAASB Standards, while recognizing that the application of the definitions depends on the facts and circumstances of individual arrangements.

Matters for the SSBs' Consideration:

2. SSBs members are asked for views on:
   (a) The key matters identified under **Theme IV**; and
   (b) Whether there are additional matters relevant to this theme that warrant further consideration by the SSBs.

---

17 IESBA Staff Alert, Private Equity Investment in Accounting Firms: Key Ethics and Independence Considerations (July 2025), paragraphs 40–45

18 IESBA Staff Alert, *Private Equity Investment in Accounting Firms: Key Ethics and Independence Considerations* (July 2025), paragraph 44 states: "The concept of a "covered person" under certain regulatory frameworks may be broader in scope compared to the concept of an "audit team" as defined in the Code."

19 See ISQM 1, paragraph 18(i)

20 See ISQM 1, paragraph 18(k)

21 See ISQM 1, paragraph 18(j)

22 The definitions of "firm," "network firm" and "network" are set out in paragraphs 18(i), 18(j) and 18(k) of ISQM 1, respectively. Requirements relating to a firm that performs audits or reviews of financial statements or other assurance or related services engagements are pervasive throughout ISQM 1, reflecting the firm's responsibility for its SoQM. Paragraphs 50–54 establish specific requirements relating to network requirements or network services, including monitoring activities undertaken by the network across network firms.

Theme V: Specific Ethical and Independence Considerations

69. Building on the considerations relating to firm structures and the application of relevant definitions in the Code, this section summarizes stakeholder feedback on potential ethical and independence threats arising from PE&OEI arrangements.

70. Taken together, the feedback highlights considerations of threats relating to commercial incentives, investor influence, financial interests, business relationships, and conflicts of interest, as well as practical challenges in identifying, evaluating, and addressing these threats within complex ownership and governance structures.

71. The section also outlines safeguards and other actions reported by stakeholders to support compliance with the Code, including regulatory and jurisdictional responses, the extent to which investors would fall within the scope of ethical and independence requirements, and reported instances of auditor resignations for independence reasons.

Ethical and Independence Threats[23]

72. Complex or opaque investment structures, including firms' relationships with investors' portfolio companies, and the creation of new network relationships, were identified by stakeholders as potential sources of conflicts of interest and potentially creating threats to independence.

73. Other ethical and independence considerations stakeholders highlighted included the potential influence of investors on engagement decisions, whether investor personnel would come within the scope of independence requirements, confidentiality[24] and resource-sharing arrangements, and uncertainties associated with investor exit strategies.

74. The feedback also highlights the potential value of illustrative guidance to support the application of existing Code provisions to different investment arrangements, including mergers and acquisitions (M&A), conflicts of interest, long association, and the provision of audit and non-audit services.

Financial Interests[25]

75. Stakeholder feedback highlights potential independence considerations arising from financial interests and relationships within complex PE investment structures, particularly where an investor may influence an audit firm's strategic or operational decisions without being classified as a network firm.

76. Stakeholders also identified practical challenges in determining the scope of relevant financial interests and relationships, including those held through separate investment funds, identifying "covered persons," and obtaining and maintaining up-to-date information. Differences between local regulatory requirements and the Code were also noted.

---

[23] IESBA Staff Alert, *Private Equity Investment in Accounting Firms: Key Ethics and Independence Considerations* (July 2025), paragraphs 6–19

[24] IESBA Staff Alert, *Private Equity Investment in Accounting Firms: Key Ethics and Independence Considerations* (July 2025), paragraphs 17–19

[25] IESBA Staff Alert, *Private Equity Investment in Accounting Firms: Key Ethics and Independence Considerations* (July 2025), paragraphs 47–51

77. The feedback also highlights the potential value of additional guidance on identifying, monitoring, and addressing personal and indirect financial interests in complex ownership structures.[26]

Business Relationships[27]

78. Stakeholder feedback highlights potential independence considerations arising from business relationships within complex PE investment structures, particularly where acquired firms operate under common ownership but remain separate entities.

79. Stakeholders identified challenges in determining the scope of relevant business relationships, including those involving investors and their portfolio companies, and obtaining and maintaining up-to-date information necessary for independence assessments. Differences were also noted in how the Code and local laws and regulations address business relationships from an independence perspective.

80. The feedback also highlights the potential value of additional NAM, including illustrative examples, to support the consistent application of existing requirements, particularly where professional judgment is needed to assess whether relationships are "insignificant" or "immaterial."[28]

Safeguards or Other Actions to Comply with the IESBA Code, Including Independence Requirements

81. Stakeholder feedback identified a range of safeguards and other actions to support compliance with the Code. These include maintaining separate governance and leadership structures for audit and non-audit entities, retaining responsibility for audit engagements within the audit firm, and treating interdependent entities as part of the audit firm for independence purposes. Other measures included enhanced independence monitoring, information-sharing arrangements with investors, pre- and post-investment due diligence and conflict checks, and procedures to identify and assess investors' other interests and relationships based on control, significant influence, and the relevant facts and circumstances.

82. Stakeholders also highlighted restrictions on information-sharing about clients and marketing activities involving investors and their investees, appropriate services agreements to support compliance with independence and quality management requirements, and consultation with regulators.

Geographical and Jurisdictional Responses to Ethical and Independence Threats

83. Stakeholder feedback highlights a range of regulatory, professional, and firm-level responses to potential ethical and independence threats arising from PE&OEI, including:

    (a) Existing restrictions on audit firm ownership and decision-making authority;

    (b) Regulatory guidance clarifying regulatory expectations concerning governance and

---

[26] Paragraph R510.4 of the Code

[27] IESBA Staff Alert, *Private Equity Investment in Accounting Firms: Key Ethics and Independence Considerations* (July 2025), paragraphs 52 - 57

[28] Paragraph R520.4 of the Code

management responsibilities;

(c) Ongoing monitoring and market engagement with local regulators, oversight bodies, or PAOs;

(d) Preventive audit quality inspections;

(e) Review or update of existing interpretations of ethical requirements; and

(f) Development of further guidance as required.

84. Other responses emphasized the responsibility of audit firms to identify, evaluate, and address relevant threats through their SoQMs, governance arrangements, and internal controls. Measures reported at firm level included enhanced conflict-checking tools, integration and consultation processes, compliance structures, and education and training programs.

Application of Ethical and Independence Requirements to Investors

85. Stakeholder feedback indicates that whether PE investors fall within the scope of ethics and independence requirements depends on the specific facts and circumstances of the investment arrangements, including the nature of ownership, control, and influence. Stakeholders described assessing whether investors or investor-related entities fall within the Code's definitions of a "firm," "network," or "network firm," and whether individuals associated with those investors are subject to relevant ethical and independence requirements under the Code.

86. The feedback also highlights the importance of ongoing assessments as investment structures and relationships evolve, and the application of the conceptual framework where specific requirements do not explicitly address particular circumstances.

Instances Where PE&OEI Has Led to Auditor Resignations for Independence Reasons

87. Some stakeholders were not aware of instances where PE&OEI had resulted in auditors resigning from engagements for independence reasons, while others reported that resignations had occurred. Where resignations had occurred, the reasons identified included circumstances similar to those arising from traditional M&A, alignment of long-association policies, the creation of new network relationships, and close connections between investors in audit firms and potential audit clients.

Matters for the IESBA's Consideration:

3. IESBA members are asked for views on:

   (a) The key matters identified under **Theme V**; and

   (b) Whether there are additional matters relevant to this theme that warrant further consideration by the IESBA.

Theme VI: Specific Quality Management Considerations

Quality Management Processes Under ISQM 1[29]

88. Stakeholder feedback suggests that PE&OEI arrangements may give rise to new or changing quality risks that firms need to consider through their risk assessment processes under ISQM 1. In particular, changes in ownership structures, investor relationships, and organizational arrangements may affect the nature and circumstances of a firm and give rise to new quality risks, including those relating to relevant ethical requirements, including independence. SAC members advocated for an unbiased assessment, noting that external investment does not necessarily adversely affect quality management and that its implications should be assessed based on evidence rather than assumptions.

89. The feedback also indicates that some firms have considered PE&OEI arrangements in their quality risk assessments and undertaken related activities. This includes reviewing ethics and independence policies and controls, performing quality management assessments following acquisitions, and developing processes to evaluate prospective investors and identify potential independence and conflict of interest concerns. For networks where PE&OEI transactions are subject to review by the global firm, the global firm may also assess investors' strategies, motivations and willingness to comply with applicable requirements in order to protect the network's brand and reputation. Feedback also highlighted potential challenges in determining the appropriate changes to a firm's SoQM when firms become part of PE-backed groups. Additionally, the feedback also emphasized the importance of ongoing information sharing about investors and their related entities.

90. The existing principles-based requirements of ISQM 1 provide a framework for firms to identify, assess and respond to quality risks arising from PE&OEI arrangements. In this regard, feedback highlights potential benefits of shared expertise and resources for firms, particularly for smaller firms seeking to manage increasingly complex regulatory and professional requirements, while emphasizing that individual firms remain responsible for establishing and operating their own SoQMs. While the stakeholder feedback provides examples of firms applying these requirements, limited visibility into firms' SoQMs and the relatively early stage of some PE&OEI arrangements make it difficult to draw broader conclusions about how firms identify, assess and respond to new or changing quality risks in practice. Nevertheless, the feedback highlights practical considerations arising from the nature and complexity of PE&OEI arrangements that may be relevant to any further actions the IAASB decides to undertake.

Other Components of a Firm's SoQM and Specified Responses Under ISQM 1[30]

91. Taken together, the stakeholder feedback highlights how PE&OEI arrangements may affect multiple components of a firm's SoQM and specified responses under ISQM 1. While the nature and extent of these implications will depend on the particular arrangements and circumstances of individual firms, the following considerations emerge from the feedback.

---

[29] See ISQM 1, paragraphs 25–29 and 37–49.

[30] See ISQM 1, paragraphs 30–36.

Governance and Leadership

92. PE&OEI arrangements may have significant implications for firms' governance and leadership through changes in ownership, decision-making structures, strategic priorities, leadership remuneration, and commercial incentives. Feedback also highlights the importance of maintaining professional control over audit decisions and ensuring clear accountability for the SoQM, particularly where ultimate responsibility rests with individuals who may not have an audit or assurance background. Feedback also indicates that acquisitions may introduce additional transition and integration risks affecting personnel, culture, policies, systems and communication. Given the influence that those charged with governance (TCWG) may exercise over a firm's strategic and operational decisions, these changes may also have broader implications across other components of the firm's SoQM, as discussed below.

Relevant Ethical Requirements, Including Those Related to Independence

93. PE&OEI arrangements may introduce additional complexity in identifying, evaluating, and addressing ethical threats, particularly those relating to independence, conflicts of interest, and confidentiality. Investor relationships, affiliated entities, and portfolio companies will likely expand the range of relationships that firms need to consider in applying relevant ethical requirements, including those related to independence. This underscores the importance of appropriate policies, procedures, and information systems to identify and monitor relevant relationships and address associated ethical threats. Feedback highlights the importance of timely access to complete and current information about these relationships, together with appropriate policies and processes for conflict checks, monitoring restricted entities, consultations, independence confirmations and training. Confidentiality risks may also arise from any access to, or sharing of, client and engagement information across investor-related entities and shared-service arrangements. Some stakeholders noted that contractual restrictions or limited information-sharing arrangements may constrain firms’ ability to obtain information needed for independence assessments.

Acceptance and Continuance of Client Relationships and Specific Engagements

94. PE&OEI arrangements may affect firms' acceptance and continuance processes through investor-related relationships, potential conflicts of interest, and commercial incentives. In particular, the availability of current information about relevant investor interests and their portfolio companies is important for identifying potential independence and conflict-of-interest issues, while commercial pressures may influence decisions to accept or retain client relationships and engagements. The risk arises from the speed at which private equity firms execute transactions, which may leave audit firms with insufficient time to assess the implications for their independence and could result in auditors having to resign from engagements when they are no longer able to meet the applicable independence requirements. Feedback noted potential investor influence, through business preferences, growth objectives or profitability pressures, on decisions to accept or retain engagements that may otherwise be declined or discontinued, including decisions relating to particular industries, engagement portfolios and long association. In contrast, some feedback indicates that discussions with investors had led firms to reduce their risk appetite or focus more closely on core market segments. These considerations reinforce the importance of maintaining appropriate professional judgment in acceptance and continuance decisions.

Engagement Performance

95. PE&OEI arrangements may affect engagement performance through changes in commercial priorities, engagement resources, methodologies and the use of technology, particularly following acquisitions or integration activities. SAC members noted that investment in technology and automation may improve engagement performance. While investments in technology and standardized methodologies may support the performance of quality engagements, as noted by SAC members, other feedback recognizes the risks of commercial pressures in relation to the development and application of audit methodologies, and the use of technological resources that have not been appropriately vetted. Stakeholders emphasized that qualified audit professionals should retain responsibility for, and decision-making authority over, audit and assurance engagements, regardless of ownership arrangements. These considerations reinforce the importance of maintaining appropriate professional responsibilities, supervision, and professional judgment in the performance of audit and assurance engagements. While some stakeholders questioned whether existing requirements adequately address circumstances arising from PE&OEI, others considered the existing principles-based requirements sufficient to address the identified risks.

Resources

96. PE&OEI arrangements may provide opportunities for firms to enhance their resources, including investments in technology, personnel, training, and quality management infrastructure. Feedback notes that the consolidation of firms through PE&OEI arrangements may provide an opportunity to achieve greater consistency in firms' audit methodologies, processes, and technologies used across a network, while shared expertise and centralized resources may help smaller firms manage increasingly complex regulatory and professional requirements. At the same time, changes in resource allocation, shared-service arrangements, acquisitions, and operational structures may give rise to new or changing quality risks. The key consideration under ISQM 1 is whether firms have sufficient and appropriate resources to support the operation of their SoQMs and the consistent performance of quality engagements. This includes appropriately obtaining, developing, using, maintaining, allocating, and assigning resources in a timely manner.

Information and Communication

97. PE&OEI arrangements may increase the complexity of information flows and communication, particularly where ownership structures, shared services, or operational arrangements involve multiple entities. Effective quality management may depend on access to complete and current information about relevant investor relationships and portfolio companies, including for independence assessments and acceptance and continuance decisions. Feedback highlights the importance of incorporating investor communications into quality management processes, monitoring ethical and governance risks, evaluating deficiencies, and taking timely corrective action. This also includes monitoring whether the separation between audit and advisory businesses operates as intended and whether the audit firm retains its decision-making authority. Appropriate communication processes are also important for ensuring that quality-related matters are communicated to those responsible for taking action, while maintaining the confidentiality of information shared across entities.

Policies or Procedures that Address Communication about an Audit Firm's SoQM with TCWG or Other External Parties

98. Stakeholder feedback suggests that PE&OEI may affect the nature, content, and timing of communications about a firm's SoQM with TCWG or relevant external parties, particularly when ownership changes affect governance, independence arrangements, integration, monitoring, or remediation.

Policies or Procedures that Address EQRs

99. PE&OEI arrangements may affect how firms apply or revise their existing EQR policies and procedures. Relevant considerations include independence and other ethical matters, investor relationships, potential influence on significant judgments of firms and auditors, and changes arising from acquisitions and post-acquisition integration, or long-association that may give rise to engagement quality risks. However, stakeholder feedback did not generally indicate that PE&OEI arrangements, in themselves, require a fundamentally different EQR model.

Overall Considerations

100. A consistent theme emerging from the stakeholder feedback is that the existing principles-based requirements of ISQM 1 are capable of enabling firms to identify, assess, and respond to new or changing quality risks arising from PE&OEI arrangements, including in relation to specified responses. Some stakeholders did not identify specific gaps in the standards. Nevertheless, the feedback highlights areas where applying these requirements may involve additional complexity, depending on the nature and circumstances of individual arrangements. The feedback also indicates that the quality implications of PE&OEI are not necessarily negative, as external investments may provide firms with additional resources, improve technology, and support operational efficiencies. These considerations may be relevant to any further actions the IAASB may consider in supporting the consistent and effective application of ISQM 1 in the context of PE&OEI arrangements.

Engagement-Level Considerations[31]

101. Stakeholder feedback highlights potential implications of PE&OEI arrangements for engagement-level quality management under ISA 220 (Revised). These implications relate principally to the interaction between investor interests and relationships, commercial incentives, engagement resources, and the professional responsibilities of engagement partners and engagement teams. The nature and extent of these implications may vary depending on the ownership and organizational structures, investment arrangements, and circumstances of individual firms.

102. In addition, stakeholders emphasized an evidence-based assessment of any implications for quality management at both the firm and engagement levels, including recognition of the potential benefits of PE&OEI arrangements such as additional resources, technology and improved quality management processes.

103. Considerations pertaining to relevant ethical requirements, acceptance and continuance of client relationships and specific engagements, and engagement resources at the firm level under ISQM 1

[31] See ISA 220 (Revised), paragraphs 13–39.

(discussed above) may also have implications for these elements at the engagement level under ISA 220 (Revised). In addition, the sections below focus on other engagement level quality management elements.

Engagement Partner Responsibilities

104. Stakeholders emphasized the importance of engagement partners retaining responsibility for, and authority over, engagement-related decisions, irrespective of PE&OEI arrangements. Concerns were raised that investor expectations relating to profitability, growth, and resource allocation could create pressures affecting engagement staffing, audit approaches, and the exercise of professional judgment. These considerations highlight the importance of the unfettered discharging of responsibilities by engagement partners for managing and achieving quality at the engagement level.

Direction, Supervision and Review

105. Stakeholders identified potential challenges in maintaining sufficient experienced personnel and time to support appropriate engagement direction, supervision, and review, particularly during periods of rapid expansion or integration. Although the feedback has not identified specific deficiencies in these activities attributable to PE&OEI, the concerns raised about staffing, workload, and commercial pressures may have implications for how engagement partners and teams discharge their responsibilities.

Consultation

106. Commercial and efficiency pressures may affect the time and resources available for consultation on complex engagement matters. Investor-related relationships may also introduce ethical and independence considerations requiring timely consultation. Stakeholder feedback highlights the importance of maintaining access to appropriately experienced individuals and effective mechanisms for resolving matters that arise during engagement performance.

Monitoring and Remediation — Interaction Between Firm-Level and Engagement-Level Activities

107. Stakeholders raised concern that potential resource constraints, rapid expansion, integration, and commercial pressures may also have implications for the interaction between firm-level monitoring and remediation and engagement-level quality management. Effective communication between engagement teams and firm-level quality management functions is important to support the identification, evaluation, and timely resolution of quality-related matters. The feedback did not establish a direct link between PE&OEI arrangements and deficiencies in engagement-level monitoring or remediation.

Matters for the IAASB's Consideration:

4. IAASB members are asked for views on:
   (a) The key matters identified under **Theme VI**; and
   (b) Whether there are additional matters relevant to this theme that warrant further consideration by the IAASB.

Theme VII: Non-Authoritative Material to Be Provided by SSBs

108. Stakeholders highlighted that practical NAM[32] could provide a proportionate near-term response to support firms, particularly smaller firms (up to 20 partners), in the consistent and effective application of existing requirements to different PE&OEI arrangements. Potential areas suggested for such guidance include:

- **Ownership and organizational structures:** Illustrative examples of different structures, including arrangements between audit and non-audit entities and the extent of investor influence over governance and resource allocation.
- **Ethics, independence, and quality management risks:** Illustrative examples of potential threats or risks arising from investor relationships, financial interests, and complex investment structures, together with possible responses.
- **Application of existing definitions:** Illustrative examples to support the consistent interpretation and application of relevant definitions in the Code and quality management standards in the context of different PE&OEI structures and relationships.
- **Application of existing requirements:** Practical examples illustrating how the Code applies to complex PE&OEI arrangements, including matters relating to financial interests, business relationships, conflicts of interest, M&A, long association, and the provision of audit and non-assurance services.
- **Quality management considerations:** Practical guidance relating to personnel resources, information and communication, monitoring and remediation, and the integration of quality management systems following acquisitions.

Other Matters Raised by Stakeholders

109. Beyond the application of existing ethics, independence, and quality management requirements, PE&OEI may have broader implications for the profession and the public interest. These implications may extend to the broader market, potentially affecting market concentration, the availability of audit services, succession planning particularly for smaller firms, and the long-term attractiveness of the profession. Stakeholders, however, emphasized the importance of distinguishing risks specific to PE&OEI from commercial pressures that may arise under traditional firm structures.

110. Stakeholder feedback supports continued monitoring of PE&OEI developments and coordination between the IESBA and the IAASB as further evidence and practical experiences emerge. To date, stakeholders generally consider the existing principles-based requirements in the quality management standards to be adequate. Continued coordination between the two Boards is important to identify emerging implications relating to ethics, independence and quality management, promote a consistent understanding of the interaction between their respective standards, and avoid duplication of efforts. Given the limited evidence and practical experience available to date, stakeholders cautioned against premature conclusions about further actions, while recognizing the respective responsibilities of the SSBs, regulators and TCWG.

---

[32] NAM could include illustrative examples, case studies, or Questions and Answers.

111. Stakeholders also note that any further actions, including potential standard-setting activities, should be informed by incremental stakeholder engagement, emerging evidence and a demonstrated need to address identified gaps or practical challenges with the application of existing standards. This approach would support a proportionate, internationally relevant response that accommodates differences in jurisdictional and firm circumstances without presuming that PE&OEI arrangements inherently compromise ethics, independence, or a commitment to quality.

Matters for the SSBs' Consideration:

5. SSB members are asked for views on:

   (a) Whether there are any additional areas, beyond those identified by stakeholders in **Theme VII**, for which NAM would be helpful in supporting the consistent application of the relevant ethics, independence, and quality management standards to PE&OEI arrangements;

   (b) Whether there are other matters relating to PE&OEI arrangements that warrant further consideration by the SSBs; and

   (c) How the SSB PTs should prioritize **Themes I** to **VII** and matters identified through the information-gathering activities, including the factors that should inform such prioritization.

APPENDIX 1

List of Stakeholder and Outreach Activities that Informed the Themes Analysis

Below is a list of stakeholder organizations from which responses to Questionnaires were received to date or for which 1-on-1 meetings were already held to date.

#	Abbrev.	Stakeholder	Region	Response Received	Meeting Held
Regulators and Oversight Authorities					
1.	ACRA	Accounting and Corporate Regulatory Authority – Singapore	Asia	Yes	Yes
2.	AFM	The Dutch Authority for the Financial Markets	Europe	Yes	Yes
3.	BAOB	Belgian Audit Oversight Board	Europe	Yes	–
4.	CVM	Comissão de Valores Mobiliários	Europe	Yes	TBC
5.	DBA	Erhvervsstyrelsen (Danish Business Authority)	Europe	Yes	Yes
6.	PRH	Tilintarkastusvalvonta (Finnish audit regulator)	Europe	Yes	TBC
7.	UK FRC	United Kingdom Financial Reporting Council	Europe	Yes	Yes
Government and Public Sector Bodies					
8.	MEF	Ministry of Economy and Finance of Italy (Ministero dell'economia e delle finanze)	Europe	Yes	Yes
Jurisdictional Standard Setters[33]					
9.	AICPA	American Institute of Certified Public Accountants	North America	Yes	Yes
10.	CFC	Conselho Federal de Contabilidade	South America	Yes	–
11.	NBA	Royal Netherlands Institute of Chartered Accountants (known in Dutch as Koninklijke	Europe	Yes	Yes

[33] The IESBA has a liaison relationship with a group of JSS (both independent JSS and organizations that hold dual JSS-PAO roles) that share the common goal of promulgating high-quality ethics standards, including independence requirements, and seeking convergence for those standards. Participating jurisdictions include Australia, Canada, China, France, Germany, Hong Kong SAR, India, Japan, the Netherlands, New Zealand, South Africa, Saudi Arabia, the United Kingdom, and the United States of America.

The IAASB similarly has a JSS liaison group and all the jurisdictions mentioned above for IESBA also have representation on the IAASB's group. For more information, see the IAASB-JSS link on the About IAASB webpage.

#	Abbrev.	Stakeholder	Region	Response Received	Meeting Held
		Nederlandse Beroepsorganisatie van Accountants)			
12.	WPK	Wirtschaftsprüferkammer	Europe	Yes	–
Professional Accounting Organizations					
13.	FAR	Föreningen Auktoriserade Revisorer (Institute for the Accountancy Profession in Sweden)	Europe	Yes	–
14.	FLE	Félag löggiltra endurskoðenda (The Institute of State Authorized Public Accountants in Iceland)	Europe	Yes	–
15.	FSR	Foreningen af Statsautoriserede Revisorer – Danske Revisorer (Danish Auditors)	Europe	Yes	Scheduled
16.	GAA	Global Accounting Alliance	Global	–	Yes
17.	IDW	Institut der Wirtschaftsprüfer in Deutschland e.V.	Europe	Yes	–
18.	ICAEW	Institute of Chartered Accountants in England and Wales	Europe	Yes	–
19.	ICAS	The Institute of Chartered Accountants of Scotland	Europe	Yes	–
20.	ST	Suomen Tilintarkastajat ry (Finnish Association of Authorised Public Accountants)	Europe	Yes	–
Accounting Firms					
21.	AP	Accru Partners	Europe	TBC	Yes
22.	Azets	Azets UK	Europe	Yes	–
23.	BTI	Baker Tilly International	Global	–	Yes
24.	CBIZ	CBIZ CPAs P.C.	North America	–	Scheduled
25.	EP	EMME & Ps S.R.L.	Europe	Yes	Yes
26.	GT	Grant Thornton International Ltd	Global	–	Yes
27.	MGNL	Moore Global Network Limited	Global	–	Yes
28.	PFK	PFK International	Global	TBC	Yes
Total responses received and meetings held				**21**	**13**