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

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

Objectives

1. The objectives of the respective IESBA and IAASB (together referred to as the Standard-Setting Boards (SSBs)) sessions at the December 2026 Board meetings are to consider:

   (a) An update on the SSB Project Teams' (SSB PTs') information-gathering activities performed in Q4 2026; and

   (b) The key themes emerging from the SSB PTs' analysis of stakeholder feedback obtained to date.

Background

2. The IESBA and the IAASB are undertaking information gathering as part of their collaborative PE&OEI workstreams, through coordinated activities to develop an evidence-based understanding of evolving ownership, governance, and financing arrangements in accounting firms,[1] and their potential implications on ethics, independence, a firm's system of quality management (SoQM) and quality management at engagement level, and public interest issues. This work is being undertaken in accordance with the IESBA workstream's Terms of Reference and builds on the IESBA's July 2025 Staff Alert on Private Equity Investment in Accounting Firms. Additional background information is available on the IESBA PE&OEI Project Page.

Previous SSBs' Deliberations

3. In September 2026,[2] the SSB PTs provided each Board with an update about the information-gathering activities as of that date. These activities included:

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[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.

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

(a) Desktop research on jurisdictional regulatory frameworks and oversight requirements for accounting firms; regulatory responses to PE&OEI in accounting firms; recent market developments in PE&OEI in accounting firms; and private equity investment in selected other industries; and

(b) Stakeholder outreach, including the development and dissemination of stakeholder questionnaires, which have been, or will be, followed up with 1-on-1 meetings with each stakeholder organization.

Activities Since the September 2026 IESBA and IAASB Meetings

4. During Q4 2026, the SSB PTs made significant progress implementing the Joint IESBA-IAASB Phase 1 Action Plan (Joint Action Plan) presented at the September 2026 SSBs' meetings, including the following key information-gathering activities:

(a) **Stakeholder questionnaires:** The SSB PTs continued obtaining stakeholder feedback on the questionnaires.[3] As previously reported, the selection of stakeholders for the questionnaires was informed by the analysis of PE&OEI transaction data compiled by the International Federation of Accountants (IFAC), as presented to the SSBs in September 2026. The SSB PTs prioritized jurisdictions with the highest observed transaction volumes to maximize coverage of PE&OEI market activity identified through the dataset. Within these jurisdictions, the SSB PTs sought input from relevant regulators and oversight authorities, jurisdictional standard setters (JSS), professional accountancy organizations (PAOs), and accounting firms.

(b) **Stakeholder 1-on-1 meetings:** The SSB PTs continued holding 1-on-1 meetings with relevant stakeholders identified in (a) above to obtain additional perspectives and contextual information on PE&OEI arrangements and their potential implications.

(c) **Stakeholder advisory meetings:** The SSB PTs had discussions with members of the IESBA and IAASB Stakeholder Advisory Council (SAC)[4] and the joint IAASB-IESBA User Advisory Group (UAG)[5] to obtain perspectives on the potential implications of PE&OEI for ethics, independence, firm culture and governance, and a firm's SoQM and quality management at engagement level.

5. Refer to **Appendix 2** for a full list of stakeholders organized by stakeholder group engaged to date, including stakeholders from whom we received responses to the questionnaires or with whom we held follow-up 1-on-1 meetings.

Stakeholder Type	Referred to in document	No.
Regulators and Oversight Authorities	Regulators	9

[3] Refer to Agenda Items 8C and 8D and Agenda Items 6C and 6D of the IESBA and the IAASB September 2026 meetings, respectively.

[4] The IESBA and IAASB SAC meeting was held 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 and quality management.

[5] The IAASB-IESBA UAG meeting was held 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, independence and ethics and quality management.

Stakeholder Type	Referred to in document	No.
Government and Public Sector Bodies	Government	1
JSS	Standard Setters	4
PAOs	Profession	8
Firms		9
Others		2
Total		**33**

Progress on the Joint Action Plan and Remaining Activities for Q1 2027

6. The following provides a high-level overview of progress to date on the Joint Action Plan and the remaining activities planned for Q1 2027. **Agenda Item 4B** (IESBA) / **7B** (IAASB) sets out the updated Joint Action Plan from what was presented to the SSBs in September 2026 and includes further details on the activities listed below.

   (A) **Information Gathering:** Substantial work has been completed related to desktop research, stakeholder outreach, and engagement with PAOs, regulators, JSS, accounting firms, and other stakeholders. Questionnaires have been distributed, and further analysis of responses, targeted follow-up discussions, and additional information gathering, including outreach with PE investors,[6] will continue during Q1 2027.

   (B) **Understanding Common Accounting Firm Structures and Investment Models:** Substantial work has been completed, including preliminary identification and mapping of common ownership and investment structures, governance and control arrangements, and economic characteristics. The remaining analysis, including further consideration of operational arrangements and investment lifecycle scenarios, is expected to be completed in Q1 2027.

   (C) **Ethical, Independence, SoQM and Quality Management at Engagement Level, and Public Interest Implications:** Substantial work has been completed, including preliminary identification of potential implications arising from different ownership and investment arrangements. Further analysis of these potential implications, including potential threats, quality risks, and related responses, will be undertaken in Q1 2027, informed by the remaining stakeholder feedback and research. There are currently very few examples of exit strategies involving PE&OEI from which the SSB PTs can draw meaningful insights. Accordingly, continued monitoring of developments in this area will be important to fully understand the potential risks and implications that such exits may pose.

[6] Engagement with PE investors may vary depending on the availability of appropriate 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 in 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.

(D) **Review of Relevant Provisions of the Code[7] and the Principles-Based Requirements in the Quality Management Standards:**[8] This review will be undertaken during Q1 2027, following the completion of the information-gathering activities and substantive analysis under components (B) and (C). It will assess whether existing provisions and principles-based requirements adequately address the identified threats or risks or whether potential gaps exist.

(E) **Non-Authoritative Material (NAM):** During outreach, stakeholders noted areas where NAM could be helpful. The SSB PTs do not consider it appropriate to develop NAM ahead of the completion of the Joint Phase 1 Final Report. Each Board's decision on whether NAM is needed, and its potential scope, should be informed by the findings and recommendations in this report and aligned to each Board's consideration of the appropriate way forward.

(F) **Joint IESBA-IAASB Phase 1 Final Report:** The SSB PTs will consolidate the findings from activities undertaken as outlined in components (A) through (D) above and develop recommendations during Q1 2027, with the Final Report to be presented to the SSBs no later than March 2027.

Emerging Themes and Potential Implications Identified to Date

7. **Agenda Item 4A** (IESBA) / **7A** (IAASB) sets out an overview of the following emerging themes and potential implications identified by the SSB PTs from the analysis of stakeholder feedback obtained to date. **Agenda Item 4C** (IESBA) / **7C** (IAASB) provides a more detailed analysis of the stakeholder feedback and serves as the basis of the emerging themes identified.

   (a) Theme I: Organizational Structures, Ownership Models, and Financing Arrangements

   (b) Theme II: Culture and Governance

   (c) Theme III: Exit Strategies

   (d) Theme IV: Application of Key Definitions

   (e) Theme V: Specific Ethical and Independence Considerations

   (f) Theme VI: Specific Quality Management Considerations

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

Nature of Information Gathered to Date

8. Paragraphs 3–5 of **Agenda Item 4A** (IESBA) / **7A** (IAASB) explain that the nature of the Phase 1 information-gathering activities are exploratory, drawing primarily on stakeholder perspectives and experiences, supplemented by publicly available information, and a limited number of examples of PE&OEI arrangements and exit transactions observed to date. The findings are not intended to be globally representative, as the nature and availability of information varies across stakeholders and jurisdictions, with confidentiality and commercial sensitivities limiting some of the details available. Further, the PE&OEI landscape is rapidly evolving, and the relatively recent nature of many transactions means that the longer-term implications, including those arising over a full investment

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

[8] 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*.

cycle (such as exit strategies), may not yet be observable. 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 threats or risks or the effectiveness of firms' responses.

Coordination

9. In Q4 2026, the SSB PTs coordinated with the SSBs' Firm Culture and Governance (FCG) PTs[9] to identify and consider potential interconnections[10] between PE&OEI, FCG, and quality management. A firm's ownership and financing arrangements may influence leadership decisions, incentives, governance and accountability, with implications for ethical behavior, auditor independence, conflicts of interest, and transparency. PE&OEI may also influence a firm's SoQM through its effects on firm culture and governance, including leadership, decision-making, commercial incentives and accountability, with potential implications across the various components of ISQM 1. As part of this coordination, the PE&OEI and FCG PTs held joint sessions with the SAC and the UAG to seek stakeholder perspectives in this area. In November 2026, the SSB PTs also shared relevant sections of the preliminary themes analysis with the FCG PTs for their input and consideration. Feedback received from the FCG PTs has been reflected in the analysis of the themes in **Agenda Item 4A** (IESBA) / **7A** (IAASB).

Next Steps

10. In Q1 2027, the SSB PTs will complete the remaining information-gathering activities outlined in paragraph 6 and the updated Joint Action Plan in **Agenda Item 4B** (IESBA) / **7B** (IAASB), including outreach with PE investors. The SSB PTs will also engage with the IAASB's Academic Research Advisory Group to identify and review relevant academic studies in this area.

11. 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. Once finalized, this will inform the SSB PTs' review of relevant provisions of the Code and principles-based requirements in the quality management standards. Collectively, these activities will provide the basis for the findings and recommendations in the Joint Phase 1 Final Report.

Action Requested

12. SSB members are asked for their views and observations on the key matters identified under the themes as set out in **Agenda Item 4A** (IESBA) / **7A** (IAASB).

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[9] IESBA FCG project team members: Kam Leung, Laura Leal, Joanne Holt; IESBA Board Advisors to FCG project: Channa Wijesinghe (IESBA Vice Chair), Héctor Lehuedé and Jon Walters

IAASB staff liaison with FCG project: Jasper van den Hout; IAASB member liaison with FCG project: Greg Schollum

[10] Refer to **Agenda Item 4** of the SAC October 2026 meeting.

Materials Presented

13. This agenda item includes the following appendices and other agenda items:

Appendix 1	PE&OEI Information-Gathering Workstream Assignments
Appendix 2	List of Stakeholders
Appendix 3	List of Publicly Available Resources Relating to PE&OEI in Accounting Firms Examined as Part of its Information-Gathering Activities
Agenda Item 4A (IESBA) / 7A (IAASB)	Joint IESBA-IAASB Paper on PE&OEI in Accounting Firms – Overview of Themes Emerging from the Analysis of Feedback from Information-Gathering Activities
Agenda Item 4B (IESBA) / 7B (IAASB)	Joint IESBA-IAASB PE&OEI Action Plan for Phase 1
Agenda Item 4C (IESBA) / 7C (IAASB)	Joint IESBA-IAASB Reference Material – Stakeholder Analysis

APPENDIX 1

PE&OEI Information-Gathering Workstream Assignments

1. The SSB PTs, Board Advisors and Project Board Member for each Board are composed of the following:

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

APPENDIX 2

List of Stakeholders

#	Abbrev.	Respondent	Region
Regulators and Oversight Authorities			
1.	ACRA	Accounting and Corporate Regulatory Authority – Singapore	Asia
2.	AFM	The Dutch Authority for the Financial Markets	Europe
3.	BAOB	Belgian Audit Oversight Board	Europe
4.	CVM	Comissão de Valores Mobiliários	Europe
5.	DBA	Erhvervsstyrelsen (Danish Business Authority)	Europe
6.	IFIAR SCWG	International Forum of Independent Audit Regulators Standards Coordination Working Group	Global
7.	IOSCO C1	International Organization of Securities Commissions, Accounting, Disclosure and Auditing (ADA) Committee	Global
8.	PRH	Tilintarkastusvalvonta (Finnish audit regulator)	Europe
9.	UK FRC	United Kingdom Financial Reporting Council	Europe
Government and Public Sector Bodies			
10.	MEF	Ministero dell'economia e delle finanze- Dipartimento della Ragioneria generale dello Stato- Ispettorato generale di finanza-Ufficio (Unit) XIII (Italy)	Europe
Jurisdictional Standard Setters (JSS)[11]			
11.	AICPA	American Institute of Certified Public Accountants	North America
12.	CFC	Conselho Federal de Contabilidade	South America
13.	NBA	Royal Netherlands Institute of Chartered Accountants (known in Dutch as Koninklijke Nederlandse Beroepsorganisatie van Accountants)	Europe
14.	WPK	Wirtschaftsprüferkammer	Europe
Professional Accounting Organizations			
15.	FAR	Föreningen Auktoriserade Revisorer (Sweden)	Europe

[11] 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.	Respondent	Region
16.	FLE	Félag löggiltra endurskoðenda (Iceland)	Europe
17.	FSR	Foreningen af Statsautoriserede Revisorer Danske Revisorer (Denmark)	Europe
18.	GAA	Global Accounting Alliance	Global
19.	IDW	Institut der Wirtschaftsprüfer in Deutschland e.V.	Europe
20.	ICAEW	Institute of Chartered Accountants in England and Wales	Europe
21.	ICAS	Institute of Chartered Accountants of Scotland	Europe
22.	ST	Suomen Tilintarkastajat ry (Finland)	Europe
Firms			
23.	AP	Accru Partners	Europe
24.	Azets	Azets UK	Europe
25.	BT	Baker Tilly International	Global
26.	CBIZ	CBIZ CPAs P.C	North America
27.	EP	EMME & Ps S.R.L	Europe
28.	FoF	Forum of Firms	Global
29.	GT	Grant Thornton International Global	Global
30.	MG	Moore Global Network Limited	Global
31.	PKF	PKF International	Global
Others			
32.	IFAC PETF	International Federation for Accountants Private Equity Task Force	Global
33.	IFAC SMPAG	International Federation for Accountants Small and Medium Practices Advisory Group	Global

APPENDIX 3

List of Publicly Available Resources Relating to PE&OEI in Accounting Firms Examined as Part of Information-Gathering Activities

As part of information-gathering activities, the SSB PTs have gathered below a list of publicly available resources examined relating to PE&OEI in accounting firms. These resources have been published by various stakeholders, including a Monitoring Group member, regulators and oversight bodies, JSS, PAOs, and others.

(a) Wirtschaftsprüferkammer (July 2026), *Indirect third-party ownership of auditing firms – Auditors' Directive and Auditors' Regulations point the way*

(b) Accountancy Europe (July 2026), *Private Equity in European Accountancy and Audit Firms: An update on market activity, January 2025 - April 2026*

(c) Accountancy Europe (November 2025), *Beyond private equity: third party ownership in the accountancy and audit sector*

(d) Accountancy Europe (June 2025), *Private equity investments in accountancy firms*

(e) Wirtschaftsprüferkammer (July 2025), *Private Equity: Statement by the Board of Management [Vorstand] of the German Chamber of Public Accountants on the Audit Market*

(f) Accounting and Corporate Regulatory Authority (ACRA) (April 2026), *Practice Direction No.1 of 2026 External Private Capital Arrangements in Accounting Entities*

(g) Autorite des marches financiers (the Netherlands) (AFM) (April 2025), *Private Equity in the Auditing Industry: Public Interest Under Pressure*

(h) Financial Reporting Council (FRC) (September 2024), *External Private Capital and UK Audit Firms*

(i) International Federation of Accountants (IFAC) (March 2026), *Private Equity Investment in Accountancy*

(j) Institute of Chartered Accountants England and Wales (ICAEW) (May 2026), *Evolution of Mid-Tier Accountancy Firms*

(k) Institute of Chartered Accountants England and Wales (ICAEW) (2025), *Evolution of mid-tier accountancy firms*

(l) Institute of Chartered Accountants Scotland (ICAS) (May 2025), *Private Equity and Audit: A threat or an opportunity?*

(m) International Forum of Independent Audit Regulators (IFIAR) (December 2024), *IFIAR Statement on Private Equity Investment in Audit Firms*

(n) SSRN (February 2025), *The Consequences of Private Equity Investment in Accounting Firms by Tuan Doan, Steven Utke, Ying Zhou, Youli Zou*

(o) Supervision Interpretation of the Autorite des marches financiers (the Netherlands) (AFM) (June 2026), *Interpretation of Wta Sections 16 and 16b*

(p) United States Securities Exchange Commission (US SEC) (August 2022), *Auditor Independence and Ethical Responsibilities: Critical Points to Consider When Contemplating an Audit Firm Restructuring*