

## 2. SECTION I: ABOUT THE RESPONDENT

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### 1. From which perspective are you providing this feedback?

The view of an organization

#### Please complete:

Your name:

Your organization (if applicable):

E-mail address:

#### Please complete:

Organization:

European Federation of Accountants and Auditors for SMEs (EFAA for SMEs)

Name(s) of contact(s) for this submission:

Salvador Marin, EFAA President

E-mail address(es) of contact(s):

secretariat@efaa.com

### 2. Please select from the following options to which stakeholder group you or your organization belongs:

IFAC Member Body or Other Professional Accountancy or Professional Organization

#### Please specify the type of accounting firm:

#### Please specify:

Other Professional Accountancy or Professional Organization

#### Please specify:

#### Please specify:

#### Please specify:

### 3. Please select from the following options the geographical region that best matches you or your organization:

### **3. Please select from the following options the geographical region that best matches you or your organization:**

Europe

#### **4. SECTION III: SSBs' STRATEGIC POSITIONING FOR 2028–2031**

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**4. As the SSBs look toward the 2028–2031 period, they are reflecting on how to position their strategies and work plans to best serve the public interest within a rapidly changing global environment. This involves careful consideration of how the SSBs remain relevant, responsive, and impactful in their standard-setting and other related work. In that context, what do you believe the SSBs should aspire to achieve during their next strategy period, 2028–2031?**

**Your answer may touch on different dimensions, for example:**

**The relevance, responsiveness and impact of the SSBs' standard-setting and related activities.**

**Broader adoption and effective implementation of the SSBs' standards.**

**The SSBs' interaction and engagement with key stakeholder groups.**

**The SSBs' ability to serve the public interest.**

**The examples above are for illustrative purposes only and should not limit, direct, or otherwise influence your response.**

**Your answer should address the IAASB and IESBA collectively; however, you may wish to also highlight matters specifically for the IAASB or IESBA (if applicable, you could use separate headings to address such matters).**

EFAA for SMEs believes that during the 2028–2031 strategy period the IAASB and IESBA should aspire to strengthen trust in the accountancy profession while ensuring that global standards remain proportionate, implementable, and relevant for small- and medium-sized entities (SMEs) and SMPs, which together constitute the backbone of most economies.

Across all their activities, the SSBs should give full consideration to SMEs at the early policy development stage (Think Small First" principle and prioritize impact in practice, not only conceptual robustness. This requires a deliberate focus on usability, scalability, and consistent application across jurisdictions with diverse economic and regulatory environments.

The SSBs should aspire to be timely and pragmatic standard setters, capable of responding to rapid developments such as digitalization, sustainability reporting, and evolving public expectations, while avoiding unnecessary complexity. For SMEs and SMPs in particular, relevance is closely linked to proportionality. Standards that are overly complex risk reduced adoption or inconsistent application, ultimately undermining audit quality and ethical outcomes.

EFAA encourages the SSBs to embed proportionality more explicitly in their standard-setting approach, including through:

- Clear differentiation between requirements essential to public interest outcomes and those that may be scalable or guidance-based.

- Expanded use of implementation guidance, examples, and practical tools tailored to SME contexts.
- Clear promotion and communication of the quality of these standards, with a focus on SMPs and SMEs

In this regard, proportionality should be understood as an essential element for the effective quality of the audit and the ethical behaviour of auditors.

The SSBs should deepen their engagement with practitioners serving SMEs and SMPs, ensuring that their perspectives are systematically considered throughout the standard-setting lifecycle, not only during formal consultation phases. This includes:

- Early-stage outreach when identifying emerging issues.
- Targeted field testing and outreach in SME-dominated jurisdictions.
- Stronger collaboration with regional professional organizations such as EFAA.

IAASB specific comment:

Continued focus on scalable assurance solutions for SMEs, including the further embedding and support of SME-relevant standards, is essential as expectations expand to new areas such as sustainability information.

IESBA specific comment:

As ethical expectations evolve, especially around independence, technology, and sustainability-related services, the IESBA should ensure that ethical requirements remain principle-based, clear, and operable for SMPs providing a broad range of services to SMEs.

## 6. SECTION IV: KEY TRENDS IMPACTING THE SSBs

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### A.1 Digital Transformation – Increasing Use of Emerging Technologies

6 – Strongly increasing in importance

**Please explain why you do not believe this should be considered a relevant trend for the SSBs:**

**Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?**

Overall, EFAA for SMEs believes that digital transformation will be a defining trend for the SSBs' next strategy period. Its successful integration into standards and guidance will depend on a balanced, principle-based, and proportionate approach that supports innovation while safeguarding professional judgment, ethics, and public trust.

The SSBs should emphasize that technology is an enabler, not a substitute, for professional judgment and professional skepticism. Clear messaging and guidance are needed to avoid over-reliance on automated tools, especially in environments where data quality, governance, or model transparency may be weak.

Proportionality is critical. Standards and guidance relating to emerging technologies should be scalable and implementable for SMPs, avoiding implicit assumptions that firms have access to advanced in-house technological expertise.

The IAASB should carefully assess whether and how new forms of assurance engagements (e.g., over systems, cybersecurity, or AI governance) can be developed in a way that remains accessible and economically viable in the SME context. Importantly, technological efficiency does not imply a reduction in the substantive effort to carry out the audit of the assignment; it implies a greater effectiveness of the auditor's work.

### A.2 Digital Transformation – Digital Assets and Institutionalization of Digital Assets

4 – Slightly increasing in importance

**Please explain why you do not believe this should be considered a relevant trend for the SSBs:**

**Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?**

EFAA for SMEs considers the growing use and institutionalization of digital assets to be a slightly increasingly relevant trend for both the IAASB and IESBA over the 2028–2031 strategy period. While digital assets are not yet pervasive across all SMEs, their gradual integration into mainstream business activities, payment systems, and investment arrangements is already creating practical challenges for auditors and professional accountants, including those serving smaller entities.

Any future assurance initiatives in this area should remain scalable and clearly scoped, avoiding implicit expectations that SMPs perform highly specialized technology audits.

### **A.3 Digital Transformation – Financial Crimes Enabled by Technology**

5 – Increasing in importance

**Please explain why you do not believe this should be considered a relevant trend for the SSBs:**

**Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?**

From an EFAA perspective, the rise of technology-enabled financial crime is clearly a cross-cutting risk trend that should be reflected in the agendas of the IAASB and IESBA.

The IAASB and IESBA should explicitly address risks arising from AI-enabled fraud, cyber-enabled manipulation of accounting records, digital evidence reliability, and professional reliance on automated tools. Particular attention should be given to the proportional impact on SMEs and SMPs, including practical guidance on fraud risk assessment, cyber controls, NOCLAR implications, and ethical use of AI in professional services.

## **7. SECTION IV: KEY TRENDS IMPACTING THE SSBs**

### **B.1 Changes in the Geopolitical and Regulatory Landscape – Regulatory Changes**

5 – Increasing in importance

**Please explain why you do not believe this should be considered a relevant trend for the SSBs:**

**Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?**

EFAA considers regulatory change to be a trend of growing importance for the accounting and auditing profession. Financial markets and professional services firms are operating in an increasingly complex and evolving regulatory environment, shaped

by the dual objectives of safeguarding market stability and preventing economic disruption, while also supporting competitiveness, innovation, and sustainable economic growth.

From EFAA's perspective, this evolving landscape has important implications for standard setting. Frequent changes in reporting, assurance, ethics, and sustainability-related requirements increase implementation complexity, particularly for SMEs and SMPs, which often face more limited resources and compliance capacities than larger entities and networks. At the same time, regulatory simplification initiatives and efforts to reduce administrative burdens may affect expectations regarding assurance, governance, and transparency.

EFAA therefore encourages the boards to closely monitor the impact of regulatory developments on the profession and to ensure that standards remain clear, proportionate, and capable of being implemented effectively across firms of different sizes. Particular attention should be given to supporting consistent application, avoiding unnecessary complexity, and preserving public trust while enabling innovation and economic resilience. Again, clear promotion and communication of the quality and value of these standards is key.

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## **B.2 Changes in the Geopolitical and Regulatory Landscape – Risk of Fragmentation**

3 – Slightly decreasing in importance

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**Please explain why you do not believe this should be considered a relevant trend for the SSBs:**

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**Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?**

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

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

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

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## **B.3 Changes in the Geopolitical and Regulatory Landscape – Call for Greater Agility in Standard Setting**

4 – Slightly increasing in importance

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**Please explain why you do not believe this should be considered a relevant trend for the SSBs:**

## **Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?**

EFAA considers the call for greater agility in standard setting to be slightly increasing in importance. In a rapidly evolving business, regulatory, and technological environment, professional accountants and other stakeholders increasingly require timely and practical responses to emerging issues. Delays in addressing new risks and developments may reduce the relevance and effectiveness of standards and implementation guidance.

From EFAA's perspective, a more adaptive standard-setting approach can enhance responsiveness while maintaining due process and the quality of standards. Depending on the nature and urgency of the issue, this may include the use of non-authoritative guidance, implementation support materials, staff publications, or targeted narrow-scope amendments where a full standard-setting project may not be necessary or proportionate.

EFAA therefore encourages the boards to continue exploring flexible mechanisms to address emerging matters in a timely manner, while ensuring clarity, consistency, and sufficient stakeholder consultation. Such agility is particularly important for supporting SMEs and SMPs, which benefit from prompt, practical, and proportionate guidance in areas of rapid change.

## **B.4 Changes in the Geopolitical and Regulatory Landscape – Greater Diversity of Voices Sought**

3 – Slightly decreasing in importance

### **Please explain why you do not believe this should be considered a relevant trend for the SSBs:**

## **Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?**

EFAA considers the call for greater diversity of voices in standard setting to remain an important matter, although we assess its relative importance as slightly decreasing. The continued broad use and growing recognition of global standards have strengthened the foundations for international dialogue, while existing outreach efforts have already contributed to improved inclusiveness in the standard-setting process. Nevertheless, EFAA continues to support meaningful engagement with a wide range of stakeholders, including representatives from emerging economies and jurisdictions with differing market structures and levels of institutional development. Such engagement remains important to facilitate effective adoption and implementation of global standards and to ensure that standards and guidance remain relevant across diverse economic and regulatory contexts.

EFAA therefore encourages the SSBs to maintain inclusive outreach and consultation practices, while balancing the need for global consistency, proportionality, and operational feasibility in the development of standards and implementation guidance.

## **8. SECTION IV: KEY TRENDS IMPACTING THE SSBs**

### **C.1 Evolving Expectations Concerning Sustainability Information – Continuing Demand for Sustainability Reporting and Assurance**

5 – Increasing in importance

### **Please explain why you do not believe this should be considered a relevant trend for the SSBs:**

## **Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?**

EFAA considers the continuing demand for sustainability reporting and assurance to be increasing in importance. Sustainability information has become an increasingly important component of corporate transparency and decision-useful reporting, driven by growing expectations from investors, regulators, lenders, customers, and other stakeholders for comprehensive, reliable, and comparable disclosures.

From EFAA's perspective, the growing interconnection between sustainability information and financial information further reinforces the need for robust reporting and assurance frameworks. Matters such as climate-related risks, transition plans, governance, and social impacts increasingly influence enterprise value, financial performance, risk assessments, and strategic decision-making. This strengthens the case for high-quality assurance standards that support credibility and trust in sustainability disclosures.

EFAA therefore encourages the boards to continue prioritising clear, proportionate, and globally consistent standards and guidance that support effective implementation across entities of different sizes, including SMEs and SMPs. Particular attention should be given to interoperability between sustainability and financial reporting frameworks and to practical implementation support for assurance engagements in this evolving area.

Moreover, it is important to ensure that sustainability assurance frameworks are designed in such a way that they are applicable in environments of varying complexity, avoiding implicit assumptions that require structures typical of large firms and that may limit the participation of SMPs.

## **C.2 Evolving Expectations Concerning Sustainability Information – Regulatory and Geopolitical Changes**

4 – Slightly increasing in importance

### **Please explain why you do not believe this should be considered a relevant trend for the SSBs:**

## **Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?**

EFAA considers regulatory and geopolitical changes in the sustainability reporting and assurance landscape to be slightly increasing in importance. The regulatory environment has evolved significantly beyond climate-related disclosures, with expanding requirements covering broader environmental, social, and governance matters, alongside amendments to existing frameworks and the possible emergence of additional jurisdictional and international obligations. At the same time, EFAA notes that some jurisdictions are recalibrating or revisiting previously announced sustainability reporting and assurance requirements. This creates uncertainty for preparers, assurance providers, and users of information, particularly where timelines, scope, or assurance expectations differ across regions.

From EFAA's perspective, these developments underscore the importance of internationally consistent, interoperable, and proportionate standards that can accommodate evolving jurisdictional requirements while preserving comparability and trust in sustainability disclosures. Particular attention should be given to supporting SMEs and SMPs in navigating this changing landscape and in managing the associated compliance and implementation challenges.

## **9. SECTION IV: KEY TRENDS IMPACTING THE SSBs**

### **D.1 Evolving Structure and Business Models of Accounting Firms – Alternative**

## Ownership Structures

6 – Strongly increasing in importance

**Please explain why you do not believe this should be considered a relevant trend for the SSBs:**

**Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?**

EFAA considers alternative ownership structures to be strongly increasing in importance. The growing involvement of private equity and other external investors in accounting firms is a significant development for the profession, with potentially far-reaching implications for quality management, governance, ethical culture, and auditor independence.

While such ownership models may provide firms with access to capital, technological innovation, and opportunities for growth and consolidation, they also raise important questions regarding incentive structures, governance oversight, and the preservation of the public interest role of the profession. In particular, EFAA believes that the potential influence of external investors on strategic priorities, remuneration models, and operational decision-making warrants close attention, as these factors may affect firms' ethical culture, independence, and commitment to audit quality.

EFAA therefore encourages the boards to treat this area as a priority for continued monitoring and, where appropriate, to assess whether existing standards and guidance sufficiently address the implications of evolving ownership structures. Particular consideration should be given to safeguarding independence, objectivity, and robust quality management systems across firms of different sizes, including SMEs and SMPs. The analysis of ownership structures should go beyond formal ownership and consider the effective influence on decision-making, including economic incentives, governance models and control mechanisms, which can affect audit independence and quality management.

## D.2 Evolving Structure and Business Models of Accounting Firms – Increased Involvement of Non-Professional Accountants in the Accounting and Auditing Profession

3 – Slightly decreasing in importance

**Please explain why you do not believe this should be considered a relevant trend for the SSBs:**

**Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?**

EFAA considers the increased involvement of professionals from non-accounting disciplines to remain a relevant development for the profession, although we assess its relative importance as slightly decreasing. Accounting and auditing firms are increasingly operating as multidisciplinary organisations, drawing on expertise from areas such as technology, data science, law, consulting, and sustainability to respond to evolving client needs and the growing complexity of reporting and assurance engagements.

From EFAA's perspective, this development brings clear benefits, including broader technical capabilities, innovation, and improved capacity to address emerging areas such as digitalisation and sustainability reporting. At the same time, it continues to require careful attention to governance, quality management, ethical culture, and the clear delineation of responsibilities within engagement teams.

EFAA therefore encourages the boards to continue ensuring that standards and guidance appropriately support multidisciplinary team structures, while preserving the central role of professional judgment, accountability, and ethical principles in the delivery of high-quality services. Particular attention should be given to practical implementation for SMEs and SMPs that increasingly rely on external specialists and cross-functional expertise.

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### **D.3 Evolving Structure and Business Models of Accounting Firms – Challenges to Attracting and Retaining Talent**

5 – Increasing in importance

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**Please explain why you do not believe this should be considered a relevant trend for the SSBs:**

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**Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?**

EFAA considers the challenge of attracting and retaining talent to be increasing in importance and views this as a strategic issue for the future resilience and quality of the profession. Accounting and auditing firms are facing growing competition for skilled professionals, not only from within the broader financial services sector but also from technology, consulting, sustainability, and other rapidly evolving fields that may be perceived as offering more dynamic career paths.

This challenge is further intensified by the rapid pace of technological change. Firms increasingly require capabilities in areas such as data analytics, artificial intelligence, cybersecurity, digital reporting, and sustainability assurance, where competition for qualified talent is particularly strong. From EFAA's perspective, the ability of firms to attract, develop, and retain professionals with these skills is essential to maintaining audit quality, ethical standards, and the profession's capacity to respond to new market and regulatory demands. The challenges in attracting and retaining human talent are closely related to regulatory complexity, administrative burdens, and perception of the profession. An overly formalistic environment can negatively affect the attractiveness of a career in auditing.

EFAA therefore encourages the boards to consider the broader implications of talent shortages for the implementation of standards, quality management, and ethical compliance, particularly for SMEs and SMPs, which often face more acute resource constraints. Supporting a profession that is future-oriented, innovative, and attractive to a diverse talent pool should remain a priority.

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### **D.4 Evolving Structure and Business Models of Accounting Firms – Non-Assurance Service Line**

3 – Slightly decreasing in importance

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**Please explain why you do not believe this should be considered a relevant trend for the SSBs:**

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**Do you wish to highlight any matters relating to this trend or identified impacts, or any additional impacts, for the IAASB or IESBA or both the SSBs?**

EFAA considers the growth of non-assurance service lines to remain an important matter for the profession, although we assess its relative importance as slightly decreasing. Non-assurance services continue to represent a significant source of revenue for many firms and can support innovation, multidisciplinary expertise, and broader client service capabilities. At the same time, EFAA recognizes that the expansion of these service lines continues to raise important considerations for independence, conflicts of interest, ethical safeguards, and public perception. In particular, where corporate failures or scandals are associated

with the provision of non-assurance services, there is a risk of undermining trust in the profession and its public interest role, including confidence in audit and assurance services more broadly.

EFAA therefore encourages the boards to continue monitoring developments in this area and to ensure that standards and ethical requirements remain clear, proportionate, and effective in safeguarding independence, objectivity, and public trust. Particular attention should be given to practical guidance for SMEs and SMPs in managing these risks within multidisciplinary service models.

## 10. SECTION IV: KEY TRENDS IMPACTING THE SSBs - OTHER TRENDS AND RANKING

### 6. Are there trends or related areas or matters that you believe the SSBs should consider that are not covered? If so, please provide details.

Yes

#### Additional trends

##### Please number your additional trend (O.1, O.2, O.3, ...)

O.1. Continuous Audit powered by AI

##### Please describe the additional trend

On a scale of 1 to 6, indicate the extent to which you believe this trend will increase or decrease in importance for the SSBs for their next strategy period starting in 2028.

5 – Increasing in importance

##### Do you wish to explain your rating or highlight any matters relating to this trend for the IAASB, IESBA, or both the SSBs?

EFAA believes that the growing use of AI-enabled tools and data analytics to support continuous audit and continuous assurance should be considered as an additional trend by the SSBs.

Advances in artificial intelligence, machine learning, and real-time data processing are increasingly enabling more continuous forms of risk assessment, transaction monitoring, anomaly detection, and control testing. This development has the potential to transform traditional periodic assurance models toward more dynamic and technology-enabled approaches that provide more timely insights and strengthen the detection of errors, fraud, and emerging risks.

From EFAA's perspective, this trend raises important considerations for both boards. For the IAASB, continuous audit powered by AI may have implications for audit methodology, audit evidence, documentation, professional judgment, and the application of standards in environments where testing and monitoring occur on an ongoing basis. For the IESBA, it raises ethical considerations relating to professional competence, professional skepticism, accountability for AI-generated outputs, confidentiality, and the risk of overreliance on automated tools.

EFAA therefore encourages the SSBs to consider whether existing standards and guidance remain fit for purpose in a more continuous and AI-enabled assurance environment and whether further guidance or targeted standard-setting

activities may be needed.

**7. Based on your evaluation of the identified trends, please rank what you believe are the TOP FIVE most important trends for the SSBs to consider for their next strategy period starting in 2028.**

Rank 1 : A1 Increasing use of emerging technologies

Rank 2 : B1 Changes in Geopolitical Landscape

Rank 3 : A3 Technology-enabled crime

**11. SECTION V: AREAS FOR JOINT ACTIONS IN SSBs' WORK PLANS**

**8. Please share your views about areas of common interest and possible joint or parallel work plan topics (e.g., standard-setting or non-authoritative materials), or other initiatives or activities.**

EFAA believes that attracting and retaining talent should be considered an important area of common interest for both the IAASB and the IESBA, and one that may merit joint or parallel consideration in the 2028–2031 strategic work plan period.

The profession is facing increasing challenges in attracting, developing, and retaining qualified professionals, driven by evolving skill requirements, technological transformation, changing workforce expectations, and increasing complexity in reporting and assurance demands. These developments have implications not only for the capacity of firms to deliver high-quality assurance and ethical services, but also for the long-term resilience and public trust of the profession.

From EFAA's perspective, this topic intersects both boards' remits. For the IAASB, talent-related challenges affect audit quality, professional competence, and the effective application of standards in increasingly complex engagement environments, including technology-enabled assurance and sustainability reporting. For the IESBA, the issue is closely linked to ethical culture, professional behavior, competence, integrity, and the evolving expectations placed on professional accountants in business and practice. A coordinated approach by both boards could help address how standards, guidance, and implementation support can contribute to a profession that remains attractive, future-oriented, and capable of responding to market and societal needs, including for SMEs and SMPs.