

## 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:

Financial Reporting Council (UK)

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

Mark Babington

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

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

Regulator or Audit, Assurance or Ethics Oversight Body

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

#### Please specify:

#### 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

**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).**

Proportionality and scalability are generally raised as significant concerns, particularly by smaller practitioners, for both auditing and ethical standards. There is also a perception that guidance often simply takes the form of "in a less complex situation a less complex approach may be appropriate" which is not considered helpful practical advice. We encourage both SSBs to give practical examples in supporting materials of applying the standards on a proportional and scalable basis. More attention to proportionality and scalability may help encourage broader adoption and effective implementation of the standards, particularly in jurisdictions with high numbers of audits of smaller entities or that may be transitioning from less sophisticated standards.

Requirements should continue to be principles based and designed to achieve the objectives and desired outcomes. Such requirements are capable of application to a wide range of circumstances. Overly detailed requirements should be avoided as they may lack the necessary flexibility to be adaptable to changing circumstances; they may also encourage a rules-based mindset which would not be appropriate.

The post implementation reviews (PIRs) have a critical role. It is important that the objectives include consideration of how perceived complexities, including in the structure of the IESBA Code, can be addressed and the standards made more accessible and scalable. Addressing these issues would be a significant benefit to existing users and also assist adoption by new users. Accordingly the PIRs need to have a high priority in the work plans of both SSBs and be completed on a timely basis to ensure benefits are realized quickly.

While the SSBs are independent standard setting Boards they both fall under the umbrella of IFAC. Members of IFAC are expected to support the adoption of pronouncements issued by both the SSBs. Given this, the standards issued by both SSBs should be designed to be interoperable. To help facilitate interoperability, it is important to ensure coordination by the SSBs at the earliest possible opportunity and avoid the Boards addressing overlapping matters at different times, for example as happened for PIEs/listed entities (which IAASB addressed later than IESBA) and group audits (which IESBA addressed later than IAASB). This also assists each Board identify possible issues arising from actions proposed by the other and for both to work together in addressing them a timely manner. See also our comments in response to 5D-D1 about the IESBA Firm Culture and Governance Framework project,

Further, to avoid risks of misunderstanding, the terms used in the pronouncements of the SSBs should have the same meaning. This is particularly important for professional accountants undertaking audit and other assurance services. In its proposed strategy and work plan for 2024-2027, the IESBA identified that there are existing differences between the definitions of some terms in the Code and the definitions of the same terms in the IAASB standards and commented that "As many users apply both the IAASB standards and the Code simultaneously, the alignment of terms and definitions will eliminate ambiguity and improve the interoperability of the two Boards' standards, making it easier for adoption and implementation, including translation." However, in finalising the 2024-2027 work plan, the IESBA took the decision that, notwithstanding respondents' acknowledgment of the importance of alignment between the IESBA's and IAASB's terms and definitions and support for the topic to be included in the SWP, it was of lower priority and the IESBA planned to consider it towards the end of the strategy period, subject to agenda capacity and resources. This is an important issue, as confirmed by stakeholders, and the SSBs should not keep deferring attention to it.

We note that for the sustainability projects the SSBs paid particular attention to coordination, ensuring interoperability and aligning the definitions of terms used. We encourage the SSBs to continue operating in that manner going forwards.

The SSBs' ability to serve the public interest could be enhanced by effective horizon scanning to identify emerging issues and seeking to be proactive where possible rather than reactive. Working with stakeholders can help this.

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

### 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?**

The SSBs should continue to monitor the use of emerging technologies (including those that may develop beyond what is emerging now – e.g. quantum computing) and consider whether they give rise to threats to address or opportunities to exploit (we commend the recent IESBA 'decoding ethics' podcasts that have explored technology related developments, including quantum computing and AI). For information, we draw your attention to the UK government press release in October 2024 about the G7 Cyber Expert Group recommendation for action to combat financial sector risks from quantum computing: <https://www.gov.uk/government/news/g7-cyber-expert-group-recommends-action-to-combat-financial-sector-risks-from-quantum-computing>

We support the enhancements in recently revised standards that give more recognition to the use of information technology and encourage continuing attention to that going forwards. It is important, however, to ensure judgement can be applied in determining tools to be used and not give the impression certain tools are essential in all cases. There also needs to be clear provision for proportionality and scalability, recognising there might be a range of complexity/sophistication of tools appropriate

for different circumstances.

Principles established by the current requirements could be reviewed to determine whether they remain fit for purpose in identifying and responding to risks of material misstatement related to emerging technologies and digital assets. Updated examples in application material, including the appendices, may be particularly beneficial.

For the challenges that are created by developments and innovation in IT and models of service delivery for professional accountants there is likely to be considerable overlap of interests between the SSBs in developing an understanding of such implications. We encourage the SSBs to co-operate closely in this respect.

Other matters of importance relating to this trend include:

- The possible need to obtain an understanding/training to have the necessary competencies for an engagement or use of a particular tool (including for PAIBs).
- There may be challenges to effective professional judgment when machine learning and AI are used to support professional judgments if the 'audit trail' of the machine-based decisions and judgments is not transparent or requires specialized skills and knowledge.

To address these issues, it may, in part, be helpful to express required outcomes having regard to examples of developments in technology, but we would caution against being too specific, which could result in a lack of adaptability in an area where there is a relatively rapid rate of development.

Given the speed and importance of developments in emerging technologies, particularly the impacts of AI, we believe the SSBs should devote proportionally more resource to this going forwards. If the SSBs are not able to increase the overall total resource they have, consideration needs to be given to ensuring projects relating to emerging technologies are sufficiently prioritised ahead of other projects. These projects and the PIRs (see our comments above) should be the highest priorities of both SSBs.

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

6 – Strongly 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?**

IAPN 1000, Special Considerations in Auditing Financial Instruments, needs updating, including to address digital financial instruments.

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

6 – Strongly 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?**

AI is increasingly facilitating scams and fraud, including through the use of 'deep fakes'. ISA 240 has only recently been revised

and we do not suggest reopening it again at this time. However, we recommend the SSBs further explore the threats of financial crimes enabled by technology and whether guidance could be developed to assist professional accountants identify and address those threats.

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

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### 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?**

There are pressures developing in some jurisdictions for deregulation to help economic growth. However, there are also concerns not to reduce "quality". Ensuring the standards are clearly proportional and scalable is particularly important (see our comments above after paragraph 4) and helps alleviate some concerns about over-regulation.

In seeking to expand adoption of their standards, the SSBs may encounter requests for compromises to address perceived practical issues in some, particularly smaller or less sophisticated investment market, jurisdictions. In determining how to respond to such requests the SSBs need to give careful consideration as to what is appropriate to best serve the public interest, and alleviate concerns about threats to audit and assurance quality in all jurisdictions. The inclusion of limited time transitional periods for implementing new or revised standards may help address these concerns.

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

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?**

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

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

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

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?**

The SSBs generally take several years to complete projects to review and develop revised/new standards. Sustainability has been something of an exception, but on the whole the SSBs do not have a reputation for being particularly "agile". We strongly encourage the SSBs to maintain the level of responsiveness that sustainability has shown to be possible when undertaking their other projects.

Both SSBs typically undertake significant information gathering at the outset of contemplating a new project and in the period after agreeing a project proposal. Consideration should be given to whether the development of exposure drafts could be commenced somewhat sooner in the process, taking account of that there is often a particular issue already identified that started the contemplation of the project. For example, we note that for the IAASB's current audit evidence and risk response project information gathering started in March 2024, but a project proposal was not agreed until December 2024 with an ED targeted for June 2026 and the final revised standards targeted for December 2027 – if completed on time, that is almost four years from initiation of the information gathering to final approval.

Similarly, the IESBA's current firm culture and governance project was first raised at the IESBA's March 2024 board meeting with the project proposal agreed in December 2024 and final pronouncements unlikely to be seen until sometime in 2027. The completed tax planning and related services project took from September 2019 until April 2024.

We emphasise that we are not criticising the quality of the SSB's output, but there is a need to be more agile in getting it.

Further, we believe the SSBs need to think more about the balance between standard setting and developing non-authoritative material (NAM). Currently it appears that there is more focus on NAM. NAM can play a very beneficial role but it should never be a substitute for necessary standard setting. For example, if the PIRs identify how the standards could be improved, the standards should be revised accordingly rather than seeking to address issues by way of NAM. One of the downsides of NAM can be a lack of clarity as to the actual expectations of practitioners applying the related standards, which is unhelpful for all stakeholders, including users of the outcome of the work and regulators.

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

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?**

Seeking a "diversity of voices" has always been highly important – this is something to be maintained rather than increasing in importance. Stakeholders from all economies have the opportunity to respond to the SSBs' public consultations. However, it is possible that some stakeholders in emerging economies may feel they get less attention in outreach activities. Increasing the diversity of geographical locations for physical outreach may help, although the costs will be a consideration. Increasing the opportunities for virtual participation in outreach could be a more cost-effective approach.

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

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

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?**

See B.2

This is a matter for monitoring by both SSBs. Current trends seem to reflect cooling attitudes to mandatory assurance. However, jurisdiction positions could change. We believe ISSA 5000 and the IESSA to be sufficiently flexible.

We also believe that Part 4B is sufficient for non-IESSA sustainability engagements, including application by non-PAs, and does not need revision specifically for sustainability. Further, there is a risk that any such revision would upset the balance of Part 4B for the many other types of assurance engagement it is applied for.

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

As for B.1 and C.1.

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

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### 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?**

Increasing investment by PEOs introduces ethical considerations/challenges, as highlighted in the July 2025 IESBA Staff Alert. It may also introduce considerations and challenges for firm quality management.

This could be a matter to address within a Firm Culture and Governance Framework (including drawing on material from the Staff Alert). However, this is an area where there are significant regulatory considerations that may vary across jurisdictions and any pronouncements from the SSBs need to be sufficiently flexible to accommodate those considerations.

It is essential that IESBA continues to include IAASB in collaboration on the Firm Culture and Governance Framework project – the linkages with ISQM 1 and clarity where there may be incremental considerations need to be addressed in the final framework. Further, it is important to recognise that a holistic culture and governance framework includes matters such as embedding a culture of scepticism and professional judgment. These are supported by the material within the Code on "having an inquiring mind" and "exercising professional judgment" but, for example, the linkages to the concept of "professional scepticism" in the auditing standards would benefit from strengthening.

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

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?**

This is not something new. Accounting and auditing firms have employed non-professional accountants in various service lines, particularly consultancy, for many years. In some firms, audit is a minority service line.

A developing trend now might be increasing use of non-professional accountants in audit and assurance teams. IT specialists have been involved for many years but the proportion and variety of skill sets is likely increasing. Centralised technology teams are also growing in size and importance. There could also be other specialists involved such as actuaries and sustainability experts.

Large "accounting firms" are increasingly really multi-disciplinary firms in which employed PAs are a minority (although generally ownership is needed to be by a majority of PAs). Even for traditional accounting-based services, including audit, AI and other developments may lead to an accountancy based background becoming less relevant than other potential skill sets.

Issues include ensuring an appropriate ethical culture across the entire firm, particularly to address actual and perceived threats to independence on audit and assurance engagements; ensuring staff have the necessary expertise to perform their role; and, for audit engagements, the risks that non-professional accountant staff performing procedures might not identify issues that would be apparent to a professional accountant with an understanding of the relevant accounting standards. These issues are also relevant in the context of ensuring appropriate quality management.

With firms employing a broader range of staff, IESBA could consider whether all parts of the Code should be profession agnostic to support a whole firm ethical culture.

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

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

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

This is a matter for the profession to address rather than the SSBs.

We are aware of the issues some firms are facing in attracting and retaining the "best" candidates (e.g. as described in a Financial Times article on 16 March 2026 titled "Accountancy's partnership pipeline risks running dry") but those issues are not driven, and cannot be addressed, by the standards produced by 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?**

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

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?**

We believe this is appropriate to monitor, but we not aware of new issues emerging. The non-assurance services provisions in the independence standards are, in our view, proportionate for mandatory audits. Some firms dealing with small clients who don't have, for example, in-house accounting/tax expertise would welcome more leniency, but it is a fundamental tenet that, for an "independent" audit, threats to independence are eliminated or, if that is not possible, reduced to a level where a reasonable and informed third party would likely conclude that the auditor's integrity, objectivity and professional scepticism are not compromised.

**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.**

No

**Additional trends**

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

**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.

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

**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

Rank 2 : A3

Rank 3 : A2

Rank 4 : D1

Rank 5 : B3

## 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.**

We recommend that both Boards, as a matter of standard practice, give due consideration whenever a new initiative is contemplated to whether it could have possible implications for the other Board and, if so, commence cooperation as appropriate at the earliest opportunity. This will assist each Board identify possible issues arising from actions proposed by the other and for both to work together in addressing them a timely manner. It helps avoid the risk of one Board addressing an initiative at a later time and identifying an issue that would have been better addressed earlier.

For the topics covered in this survey, we believe those with implications for both Boards include:

A: Digital transformation – For example, the development and use of technological tools can have considerations relating to whether that may involve specialists, who may not be professional accountants, and the ethics provisions such specialists need to comply with. Or, an audit firm may identify circumstances where a client could implement software that would help facilitate better interaction with the firm's own audit software, but the client needs help from the firm for that implementation, with consequent ethics considerations.

B3: Greater agility in standard setting – We comment above that both Boards need to improve their general agility. The Boards should work together on common approaches to achieve that.

B4: Greater diversity of voices – The Boards should work together to coordinate outreach where appropriate to avoid possible duplication of requests for stakeholders' time.

C1: Continuing demand for sustainability reporting and assurance – Coordination has already been established in this area and should be maintained.

D1: Alternative ownership structures – There are implications here for how engagements may be entered into, audit/assurance evidence obtained, and related ethics considerations.

D2: Increased involvement of non-PAs – See above for considerations in relation to this.

Also, there are some ongoing projects where coordination has been started and needs to be maintained, including:

NOCLAR

ISRE 2410

Technology quality management

Firm culture and governance

Audit firm – audit client relationship