

2. SECTION I: ABOUT THE RESPONDENT

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:

KPMG International Limited

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

Sheri Anderson

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:

Accounting Firm

Please specify the type of accounting firm:

Global 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:

Global

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).

The IAASB and IESBA (the "SSBs") should aspire to ensure their standards are fit for purpose, relevant, and capable of global adoption and consistent implementation. To drive global adoption and engagement quality, the standards should be scalable, practicable, capable of being interoperable with those issued by other standard-setters, and responsive to a rapidly evolving global environment.

The SSBs' workplans for the 2028-2031 survey period need to emphasize agility in strategy and execution. This means being able to identify when an urgent standard-setting response is needed and respond accordingly (whilst maintaining appropriate due process); to pivot priorities; to pause, narrow or discontinue projects, and to develop timely and targeted non-authoritative materials as an alternative to standard setting where appropriate. In doing so, the Boards should focus on ensuring that the standards achieve their intended public interest outcomes, recognizing that introducing additional prescriptive requirements or overly granular Code enhancements may conflict with the underlying premise that the standards are principles-based, and such changes may hinder adoption, reduce interoperability, and potentially drive fragmentation of standards across jurisdictions.

The SSBs' workplans should also incorporate a thorough assessment of whether any proposed action of standard-setting will realistically and directly address the identified problem (i.e., what problem are the SSBs trying to solve). If the measure does not target the identified problem, any eventual standard could add complexity without improving outcomes or behavior and such a

standard would be at greater risk of not being adopted by jurisdictional standard setters, furthering fragmentation, as discussed later in this survey.

The SSBs should also prioritize interoperability between their standards, particularly in ensuring that the IESBA Code operates seamlessly with the IAASB's quality management standards. Where requirements relating to the firm's system of quality management directly interact with ethics and independence obligations, such interoperability enables the standards to be applied together in a coherent, integrated way, without duplication, gaps, or conflicting expectations.

We emphasize the importance of wide-spread global adoption of the standards by jurisdictional standard setters. This requires close engagement by the SSBs with regulators and standard-setting bodies to set out the benefits of using the IAASB standards, underpinned by the IESBA Code, and to understand and address any barriers to adoption and consider practical challenges in jurisdictional application.

In addition, we believe it is important that the IAASB take the lead in terms of shaping the future of assurance, convening working groups of different parties, including regulators, standard-setters, the profession, and other stakeholders to discuss emerging issues and explore practical solutions, including developing materials to demonstrate how the assurance standards can be effectively applied to different subject matters.

In assigning a ranking to indicate the extent to which we consider that each trend is expected to increase or decrease in relative importance over the survey period, we consider the potential impact of each trend in terms of driving actions of both Boards. Trends assigned a higher ranking may not always be in relation to standard-setting activities as the primary response. Instead, they may relate to the development of implementation guidance to address emerging issues and challenges in practice, as well as involving outreach and advocacy for/promotion of the SSBs' standards. For certain trends or aspects of trends, the Boards may determine that the standards remain fit for purpose and that no response is necessary.

As this is a joint survey and the Boards have different remits, there are instances where we have assessed the relative importance of certain trends differently for the IAASB and the IESBA. However, the survey format allows only a single rating to be entered for each question, therefore in such cases the rating provided reflects the higher of the two different ratings for the two boards. The individual ratings are also clearly noted in the accompanying comments. We ask that both ratings be taken into account when considering the responses, and where differences exist, we have highlighted these and provided separate perspectives for each Board.

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?

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

We consider "Digital Transformation - Increasing Use of Emerging Technologies" to be the most critical of the trends identified by the SSBs, and we expect this trend to strongly increase in importance over the 2028-2031 strategy period. The impacts of emerging technologies are expected to be wide-ranging, and we expect the pace of change to accelerate. Emerging technologies are affecting both how entities prepare financial and non-financial information for external reporting, as well as how audit and assurance engagements are conducted, with increasing integration of AI enabled and other emerging technologies.

As certain emerging technologies are being developed by the profession in response to the evolving use of technology by entities subject to audit and assurance, it is crucial that the SSBs' standards enable responsible use of emerging technologies by the profession. If standards were to hinder or create barriers to adoption or use, it may become difficult or inefficient for auditors to obtain sufficient appropriate audit evidence over aspects of the financial information of certain entities, with such challenges becoming increasingly significant as the technology implemented by such entities becomes more complex/sophisticated.

While the adoption of emerging technologies introduces new risks that must be appropriately considered and managed, it is also critical to recognize that there are potentially significant opportunities to enhance audit and assurance quality through the responsible use of these technologies. Therefore, it is very important that the SSBs closely monitor this trend over the strategy period and ensure that the standards remain fit for purpose, principles-based, and evergreen to enable the responsible adoption and use of emerging technologies on audit, assurance and related services engagements, and in respect of business relationships with audit and assurance clients.

IAASB

We believe it is critical for the IAASB to recognize that certain core concepts/principles underpinning the existing IAASB standards may need to be reconsidered and possibly revised in the near future, to avoid barriers to the adoption and use of emerging technologies. In this regard, we believe that the IAASB should take the following actions:

- convene a working group of key stakeholders, including regulators, jurisdictional standard-setters, the profession and others, and facilitate discussions to understand and explore the benefits and challenges regarding use of AI-enabled and other emerging technologies (by both the auditor or assurance practitioner, and by the entity when preparing information subject to assurance). The Technology Consultation Group (TCG) could be used for this purpose;
- undertake specific standard-setting activities in the near term, to enable responsible use of emerging technologies by the profession;
- when appropriate, issue timely and targeted non-authoritative material that clearly demonstrates the application of existing principles and requirements in the IAASB standards to support the adoption and use of emerging technologies. We consider this to be more agile and responsive to user needs than introducing new and more prescriptive requirements through standard setting activities to respond to technological developments given the extent and pace of change, (see B3); and
- consider opportunities to enhance current processes to identify when an urgent standard-setting response is needed.

We believe these proposed actions will enable the IAASB to remain agile and responsive to developments, thereby enabling the profession to innovate and responsibly adopt technologies that can enhance audit and assurance quality in the public interest when performing engagements using the IAASB standards.

With respect to identifying instances where targeted standard-setting activities in the near term may be necessary, we highlight three examples below, which we do not believe the current IAASB technology project is sufficiently directed to address, that we recommend the IAASB consider exploring further as a matter of priority:

- Using technology to design or perform audit procedures

ISA 200.13(d) defines the "auditor" as the "person or persons" conducting the audit, usually the engagement partner or other members of the engagement team. Many requirements in the ISAs include "the auditor shall...", for example, ISA 315.13 states: "The auditor shall design and perform risk assessment procedures...". While ISA 220 (Revised) recognizes that engagement resources comprise human, technological and intellectual resources, many ISA requirements are premised on the expectation that audit procedures are designed and performed by humans, who may use technology to assist them.

As AI-enabled technology evolves, it will increasingly be capable of performing certain types of audit procedures autonomously without any human involvement (e.g. inspecting and summarizing documents, performing certain types of analytical procedures, and drones may be able to autonomously perform inventory counts or measure biological assets).

Consequently, we recommend that the IAASB explore this topic further as a priority and consider what changes may be appropriate to the IAASB standards to enable the responsible use of such technologies, which would include recognizing that technology in certain circumstances is (or soon will be) capable of autonomously designing and/or performing audit procedures. This could also include exploring relevant considerations regarding the direction, supervision and review of work performed autonomously by AI-enabled or similar technologies, including whether there would always need to be a human-in-the-loop to perform such direction, supervision and review. In the shorter term, such considerations may include how a human might direct and supervise such technological tools (including prompt engineering and iterative or progressive prompting), and review the output and question/challenge the basis for the tool's output/findings, as well as how such direction, supervision and review should be documented.

- Inclusion of outcome-based requirements within the ISAs to enable a more flexible approach to how the auditors' objectives are achieved

Although the ISAs recognize that obtaining sufficient appropriate audit evidence is an iterative process, they are based on a linear and sequential concept of an audit, with distinct procedural categories, comprising risk assessment procedures to identify and assess risks and further audit procedures to respond to assessed risks. Additionally, further audit procedures are differentially classified between procedures that are performed to evaluate or test controls, and those that are substantive procedures, with the latter also discretely categorized as tests of details and substantive analytical procedures. Whilst this taxonomy has historically supported consistency and audit quality, we have concerns that, with the increasing use of multi-purpose/hybrid procedures, e.g. the use of AI and advanced analytics, the lines between these types of procedures are becoming increasingly blurred in application. As a result, such procedures may not clearly be identifiable as a particular type of procedure, or may constitute hybrid procedures with elements of different types. Furthermore, as auditors are able to interrogate 100% of a population, this can present challenges in designing and performing procedures and evaluating the results, as the ISAs direct the auditor to evaluate these differently, depending on the categorization of the procedure. Where such procedures are able to address audit risk holistically in the form of a single analysis, rather than address the components of audit risk individually, it is unnecessary, and sometimes not feasible, to evaluate the results based on the current categorizations of procedures as described in the ISAs. However, if the auditor does not do so, this may raise questions as to whether they have complied with the IAASB standards. To illustrate, we highlight the following two examples:

- The use of advanced anomaly detection capabilities that perform multiple analytical algorithms on each individual item in a population, the aggregation of which produces a 'risk score' that is indicative of the likelihood of each item being misstated. Such analysis can be designed with sufficient precision to reduce the risk of failing to detect a misstatement to an acceptably low level. This technique may be considered as an extremely robust and precise risk assessment, as a substantive procedure (as it is designed to detect a material misstatement), or a combination of both in that the quantified risk score is reflective of the residual audit risk in the population rather than specific components (inherent or detection risk). If the procedure is considered to contain a substantive element, it may be open to debate as to whether it is a test of detail (as the analysis is performed on specific characteristics of individual items) or whether it is a substantive analytical procedure as it uses analysis as the primary evidence-gathering technique. Furthermore, certain individual algorithms may also be designed to identify potential control deviations (for example empty authorization data fields) but be incorporated into an aggregated risk score with the results of other analyses which do not directly evaluate the operation of controls (for example identifying unusual transaction values).

We refer the IAASB to the AICPA AU-C 500, Audit Evidence, which takes a progressive approach in terms of the use of automated tools and techniques. This includes a comprehensive example, at A68 Exhibit A – Using ADAs to Simultaneously Accomplish Multiple Audit Procedures, which illustrates in detail the use of an audit data analytic (ADA) to perform anomaly detection as described above, in which the auditor uses a revenue transaction scoring model that simultaneously accomplishes the objectives of both risk assessment and response in the form of substantive audit procedures;

- Statistical predictive models (for example regression analysis or other data-driven models) are analytical procedures that can be used as risk assessment procedures to identify relationships, relevant drivers and deviations, thereby informing (and potentially revising) an auditor's assessment of inherent risk. However, as the predictive precision of a model is improved and appropriately validated, it may also be capable of generating sufficiently precise independent expectations against which financial statement elements can be compared, thereby providing substantive audit evidence, with the degree of precision directly affecting the level of detection risk. A highly precise model, characterized by low residual error and narrow prediction

intervals, with a pre-defined high confidence level can provide persuasive audit evidence capable of detecting relatively small misstatements, hence contributing to the reduction of detection risk. Conversely, a model with low precision (reflected in wide prediction intervals or low explanatory power) may only be capable of identifying larger and/or unusual deviations. Furthermore, in the latter circumstances, it may not be entirely clear whether the confidence obtained is due to more precisely measuring inherent risk, or whether it is reducing detection risk in response to an assessed risk of material misstatement, but not to an acceptably low level.

We also highlight that the confidence level and precision of such a predictive procedure can generally only be evaluated as the procedure itself is performed and validated, with the nature and persuasiveness of the audit evidence obtained therefore ultimately being dependent on the empirical performance of the model, including the stability of relationships and the distribution of residuals. As a result, it may not be possible, at the audit planning stage, to define such a procedure as being capable of providing sufficient appropriate audit evidence such that it would be initially classified as a substantive audit procedure, or whether it will remain primarily as a risk identification and assessment tool. Furthermore, given the iterative nature of an audit, and the fact that regression-based analytics operate along a spectrum, such tools may initially be used for risk assessment purposes (to inform assessment of inherent risk) but, depending on their demonstrated precision and reliability, may evolve as the audit progresses into further audit procedures that are capable of reducing audit risk by reducing detection risk.

Accordingly, we recommend that the IAASB explore more explicit recognition/facilitation within the ISAs (in particular, ISA 315(R), ISA 330, ISA 500(R) and ISA 530) of an outcome-based approach to the performance of audit procedures i.e., that is focused on the primary objective of the overall reduction of audit risk to an acceptably low level, as we believe that such an outcome-based perspective would better accommodate the use of emerging technologies without undermining audit quality (indeed, these technologies may enhance audit quality). Such an approach would continue to be a risk-based audit model, however, auditors would not be constrained in terms of an expectation of a sequential risk/response approach that separately addresses the individual components of audit risk, i.e. inherent risk, control risk and detection risk and instead would emphasize the nature and persuasiveness of the audit evidence obtained, and the extent to which (in combination with other audit procedures) such evidence reduces overall audit risk.

• Different Ways of Obtaining Audit Evidence

Over the next few years, entities are expected to significantly expand their use of AI modelling, e.g., within the banking industry entities are expected to utilize machine learning to enhance predictive accuracy of expected credit losses. The ISAs currently direct auditors to understand the detailed internal architecture and decision-making logic of such models, and to identify inherent risks and control risks based on such understanding, in order to address risks of material misstatement (RMMs) at the assertion level. However, as models become increasingly sophisticated, using advanced techniques and complex algorithms that enable them to operate with greater processing volumes, it is becoming significantly more challenging to obtain sufficient appropriate audit evidence in this way.

Accordingly, we recommend that the IAASB explore alternative ways to obtain sufficient appropriate audit evidence, for example, when performing audit procedures to evaluate the reliability of information generated by such models that we intend to use as audit evidence, audit procedures may be better directed to evaluating the attribute of credibility of such information, including assessing the strength of governance over such models and then focusing on evaluating the results that they produce.

IESBA

Use of emerging technologies is a critical trend for ethics and independence, with broad, systemic effects rather than small incremental ones. AI and other emerging technologies can affect multiple parts of the ecosystem at the same time, including:

- how auditors use AI within audit methodologies and tools;
- reliance on third party technology providers embedded in those tools;
- how reporting entities use AI in the preparation of financial and non financial information;
- expectations around transparency and disclosure in AI influenced information; and
- responsible use of emerging technologies in other services provided to, and business relationships with, audit and assurance clients.

These developments raise questions about whether some existing requirements of the Code remain fit for purpose in an increasingly AI enabled environment. As technology becomes more embedded in professional services, some aspects of the current standards may need a fundamental reassessment. Ethics and independence requirements should remain grounded in clear principles and intended outcomes, including integrity, objectivity, accountability, and independence in fact and appearance. Standards should remain sufficiently robust while allowing flexibility and scalability in increasingly automated and technology-driven environments. This does not lower ethical or independence expectations; it recognizes that the same ethical objectives may be achieved in a manner that is operable across different jurisdictions and in evolving, technology-enabled environments.

Rather than adding new, more prescriptive requirements through standard setting, the IESBA should, when appropriate, issue timely and targeted non-authoritative materials that clearly demonstrate the application of existing principles and requirements in the IESBA Code to support the adoption and use of emerging technologies, especially in relation to non-assurance services.

The IESBA should also consider, and rectify where necessary, existing standards that unnecessarily restrict the responsible use of emerging technologies in audit, assurance and non-assurance services including where technology use impacts business relationships with audit and assurance clients. Specific considerations include how emerging technology may affect the evaluation of 1) permissibility of a business relationship, 2) assuming a management responsibility, 3) hosting client data and 4) creating a self-review threat. In doing so, the IESBA should ensure that its standards do not unnecessarily constrain auditor or assurance practitioner choice where the fundamental principles can otherwise be met.

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

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?

IAASB – 5 Increasing in importance, IESBA – 4 Slightly increasing in importance

In respect of the trend "Digital Assets and Institutionalization of Digital Assets", we believe that the institutionalization of digital assets, using holistic financial ecosystem-based infrastructure, such as decentralized platforms and distributed ledgers (e.g. blockchain), is likely to give rise to implications that will become increasingly important as a driver, in particular, of IAASB activities over the survey period. However, we consider that the increased use of digital assets themselves is expected to be of only slightly increasing importance over the survey period in terms of shaping the IAASB's and IESBA's strategic planning, as we believe that the ISAs and the IESBA Code currently address relevant considerations.

IAASB

The use of such infrastructure for digital asset transactions can be highly secure in respect of major established blockchain networks, with systems/platforms being distributed, interconnected and widely trusted in the market. Furthermore, such infrastructure provides a robust audit trail, with enhanced transparency regarding transactions, and immutable records, as compared to individual entity-based systems involving mainly bilateral transactions, and for which the audit trail may be paper-based.

However, despite systems/platforms, in particular, the major, distributed networks, becoming increasingly secure over time, and generally being capable of providing highly persuasive and reliable audit evidence, expectations appear to be emerging that in addition to understanding the underlying system architecture in order to evaluate the reliability of the information it produces, the auditor is also expected to test it, i.e. how output is generated. These expectations appear to remain anchored to current approaches to obtaining audit evidence over transactions executed within single entity systems, in which auditors may test controls in respect of risks of material misstatement at the assertion level, and perform substantive procedures to vouch

transactions to individual records.

We contrast this, in respect of the larger and established decentralized networks, with approaches taken today in respect of obtaining audit evidence generated by certain systems outside the control of the entity subject to audit, where such systems are widely accepted within the market, including by regulators. For example, when performing audit procedures regarding the reliability of audit evidence in the form of external confirmations from banks, or records of transactions processed by global messaging networks such as SWIFT, the auditor may consider the credibility of such information to be a significant attribute, and may, in evaluating this, consider that it is supported by the strong reputation of the bank or network, that the bank is regulated, and that the system is perceived in the market as secure and highly trusted on a global basis, rather than by directly testing the internal architecture of the bank's or messaging network's system.

We consider that the ISAs, in general, are fit for purpose at a principles level in terms of auditing transactions executed within such infrastructure, in particular, considering the proposed revisions to ISA 500R. Accordingly, we do not believe that changes to the standards themselves to introduce prescriptive requirements in this area are necessary at this time. Instead, we recommend that the IAASB develop non-authoritative guidance to address emerging trends and practical considerations in this area. This guidance would be more timely, targeted and enable discussion of issues and challenges in greater depth, while still having clear linkages to relevant principles and requirements in the standards. Such guidance may address the following matters:

- When entities transact using digital infrastructure, the concept of agreeing transaction records to other physical evidence, to vouch regarding their accuracy, or even to agree these to an expectation, is of reduced relevance as there is no non-electronic support. Instead, guidance may focus on the auditor considerations in respect of evidence generated within a holistic ecosystem, whether this is well established and widely decentralized, as this may itself significantly reduce audit risk.
- Audit procedures should be directed to obtaining an understanding of the structure of the network, including whether this is well established, widely decentralized, with high validator/miner participation, and evaluating an entity's system of internal control, in particular, controls related to governance in respect of such infrastructure, as well as considerations such as how access is managed, how risks of external cyber-attacks are reduced, and how ownership and control of digital assets is determined (see A3). Such guidance may discuss obtaining audit evidence regarding initiation and authorisation of blockchain transactions using the entity's private key, using cryptographic and on-chain evidence, e.g. by performing a micro-transaction test or by obtaining the digital signature in relation to a specific message.
- When evaluating information intended to be used as audit evidence that has been processed using these systems/platforms, the auditor's understanding of the related market consensus mechanisms and security permissions/access protocols may be sufficient to consider the information credible and/or authentic, and therefore reliable for use as audit evidence.

We recommend that the IAASB lead discussions exploring this area in more detail, convene working groups comprising affected entities/industry sectors, regulators and the profession, to consider the evolving role of the auditor in relation to use by entities of such infrastructure (see B1).

In addition to the above, we discuss, at A3, that the primary risks entities face in respect of fraud (both fraudulent financial reporting and misappropriation of assets) and financial crime are mutating as a result of the institutionalization of digital assets.

IESBA

From the IESBA perspective, digital assets remain relevant but are of lower importance than broader AI-driven developments affecting audit and assurance. While this trend should continue to be monitored, existing principles based standards are largely fit for purpose in this area, with the exception that they do not sufficiently recognize the relevance of materiality or de minimis situations.

Personal independence considerations associated with investments in digital assets such as cryptocurrencies, tokenized real world assets, non-fungible tokens (NFTs), and digital securities, can introduce additional complexity. For example,

- Digital platforms, as an inducement, can reward individuals with airdrops and unsolicited transfers of free tokens or coins,

placed in their digital wallets as a gift without the owner taking any action or even being aware of the token's existence. Some of these gifts can give rise to an individual inadvertently holding a prohibited financial instrument.

- Fractional ownership of digital assets may also not always be known or visible to the owner. For example, blockchains often leave tiny residual balances after transactions because of fees, rounding, or minimum unit sizes. These amounts can be fractions of a cent. Digital wallet user interfaces may hide very small balances and wallets can hold thousands of different tokens, including those the owner never actively acquired or interacted with. As a result, an individual may technically own a fractional crypto interest without realizing it. Furthermore, the independence rules do not account for the circumstances where such a financial interest is de minimis.

Trading activity today also encompasses evolving instruments such as prediction market contracts, which raise both personal independence and insider trading considerations, particularly where these prediction markets involve contracts linked to corporate outcomes.

As mentioned earlier, rather than introducing new or more prescriptive requirements through standard-setting, the IESBA should consider developing timely and targeted non-authoritative educational and scenario-based materials. These resources could illustrate how existing principles and requirements within the IESBA standards apply to emerging areas, such as digital assets and evolving markets, which may affect an individual's personal independence.

A.3 Digital Transformation – Financial Crimes Enabled by Technology

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?

IAASB – 4 Slightly increasing in importance, IESBA – 2 Decreasing in importance

We consider that the trend of "Financial Crimes Enabled by Technology" will slightly increase in importance over the survey period for IAASB's strategic planning, but decrease in importance in shaping the IESBA's planning. Advances in AI-enabled technology and quantum computing, in particular, have the potential to increase the scale and sophistication of certain types of fraud and financial crime. However, in relative terms, we believe this trend is likely to increase only modestly as a strategic driver for the IAASB because we consider that the primary risks entities face in respect of fraud and financial crime are mutating, rather than increasing overall, as follows:

- "Traditional" fraud risks arising from the ability of an entity's personnel to manipulate records in order to perpetrate fraud are reducing, given that, in respect of major networks, fraudulent transactions will be significantly more difficult to perpetrate unless there is a high degree of collusion across multiple entities. Furthermore, such infrastructure may provide a robust audit trail, with enhanced transparency regarding transactions, and immutable records, as compared to individual entity-based systems involving mainly bilateral transactions, and for which the audit trail may be paper-based. (However, we highlight that this is not always the case, in particular, in respect of less established networks, which may have higher validator/miner concentration and a less decentralized ecosystem);

- However, risks regarding unauthorized access by third parties to an entity's IT systems in order to commit fraud are increasing, as technological capabilities evolve, particularly in the area of quantum computing, and have the potential to significantly reduce/overcome the effectiveness of an entity's IT controls (such as controls over access to systems, e.g., password security). Furthermore, when such frauds do occur, they are increasingly likely to be in the form of more serious financial crime perpetrated by organized criminals and which are likely to be of significantly greater impact to entities.

We highlight that the evolving risks in respect of fraud and financial crime, with digital infrastructure reducing the likelihood of

occurrence of "traditional" frauds but also increasing the magnitude of the consequences of fraud/financial crime when it does occur, has significant implications for the ability of entities to prevent such events, as well as how auditors address associated risks when performing audit (or assurance) engagements. This changing landscape may contribute to an increase in the "expectation gap" in terms of stakeholders' expectations regarding the role and responsibilities of auditors to detect fraud and financial crime, and their professional responsibilities as set out in existing standards.

IAASB

We consider that, overall, the IAASB's standards are clear regarding the auditor's and assurance practitioner's responsibilities relating to fraud and non-compliance with laws and regulations, including, where applicable, financial crime.

However, we believe that the IAASB has an important role to play in convening discussions of key stakeholders, including entities, regulators, jurisdictional standard-setters, practitioners and others, in order to frame the debate regarding the relative roles and responsibilities of all parties within the financial reporting ecosystem. We also recommend that the IAASB liaise with IFAC to develop educational materials to help clarify the role and responsibilities of auditors in this evolving environment.

We consider that cybersecurity risks will remain ever-present, and while these can be monitored and mitigated by entities, e.g., by introducing enhanced controls that focus on security and safeguarding measures, such as key encryption and access protocols, they cannot be completely eliminated. In the current environment the risk of cyber-attacks on entities continues to increase, which, as demonstrated by recent, high-profile attacks on a number of entities across different jurisdictions, may have significant consequences for an entity and, in severe cases, may even impact an entity's ability to continue as a going concern.

We recommend that the IAASB monitor the ongoing evolution of technological developments, and the resulting impacts on audits, with a view to developing guidance in respect of how risks of technology-enabled fraud and financial crime may be considered and addressed as part of an audit. As discussed elsewhere in our response, we consider that the issuance of non-authoritative guidance that can be developed rapidly, targeted at specific areas of auditor concern, and which can explore such matters in greater depth, is preferable to making incremental changes to the standards themselves.

IESBA

In the context of the IESBA's overall priorities, this trend is of lower relative importance. Existing principles based standards already provide a robust framework from an ethics and independence perspective for addressing threats arising from technology-enabled financial crimes.

Technology enabled financial crime is an emerging risk, with AI increasing the scale and sophistication of certain types of misconduct. These developments have contributed to a growing expectation gap between what stakeholders increasingly expect in AI enabled environments and the principles-based professional responsibilities defined in existing standards, which focus on judgment, accountability, and ethical behavior rather than outcomes.

The primary need in this area is therefore clarification and communication, including to demonstrate how existing principles in the Code apply in AI-enabled environments. This would help manage expectations about the role and responsibilities of professional accountants, rather than introducing changes to the Code itself.

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?

IAASB – 5 Increasing in importance, IESBA – 5 Increasing in importance

We consider "Regulatory Changes" to be a trend that is expected to be of increasing importance to the SSBs over the survey period as there is an increasingly complex and dynamic regulatory landscape, with various factors driving greater regulation in certain markets and deregulation activities in others. In certain cases, increasing regulation is driving a need for assurance over a variety of subject matter areas (such as AI governance, controls etc.). In this environment, strong global coordination, advocacy, and clarity around the role and value of international standards is critical.

IAASB

Focused Outreach and Advocacy for IAASB Standards

To address the implications of such regulatory changes, we recommend that the IAASB focus on the following actions/considerations over the survey period:

- Engage in outreach with relevant bodies (including both global and regional/jurisdictional regulators, and standard-setters, including jurisdictional standard-setters) that are responsible for establishing laws and regulations in respect of financial and non-financial reporting and related requirements for audit/assurance across jurisdictions. Such engagement should involve better understanding of the views, concerns and plans of these bodies, to advocate for the adoption of IAASB standards, in particular, assurance standards, and to avoid regulatory fragmentation across jurisdictions (refer to B2 for further discussion).

Such advocacy should include education about the benefits of using IAASB standards, emphasizing the following attributes, as the standards are:

- underpinned by the IESBA Code;
 - premised on requirements for an engagement performed in accordance with such standards to be performed by a practitioner that is a member of a firm that is subject to ISQM 1 (or, in respect of assurance engagements, ISQM 1 or requirements regarding the firm's responsibility for its system of quality management that are at least as demanding);
 - principles-based;
 - proportionate and scalable, supporting both reasonable and limited assurance, and which are focused on the information needs of intended users; and
 - framework-neutral.
- We also suggest that, as regulators and other bodies consider how to reduce regulatory burden on entities, including amending rules and requirements, and the thresholds at which different types of engagement are required, that the IAASB liaise with such bodies to remind them of the full range of IAASB standards and work with IFAC to advocate for their use. These support a wide range of engagement deliverables to meet different user needs, which may be performed alone or in combination. For example, a review engagement performed in accordance with ISAE 2400, Engagements to Review Historical Financial Statements that provides limited assurance over an entity's financial statements may better meet user needs in respect of a small and less complex entity, in a cost effective manner, as compared to an ISA audit, in certain jurisdictions.

Future of Assurance

- We strongly encourage the IAASB to lead the dialogue regarding the future of "assurance" in a broad sense, both in respect of sustainability/ESG assurance further to the issuance of ISSA 5000, as well as assurance regarding other subject matter areas, e.g. in respect of technology and controls. We suggest that the IAASB monitor trends regarding global demand for such assurance, as well as any implementation challenges that arise, and convene working groups comprising relevant stakeholders

to shape discussions and drive solutions that are appropriate, practical and address user information needs.

- Additionally, to support the delivery of high-quality assurance engagements across a wide range of subject matters, we recommend that the IAASB update ISAE 3000 (Revised), being a foundational assurance standard, and ISAE 3402, given the anticipated demand in respect of assurance over controls, to align with ISSA 5000, as relevant.
- We support the IAASB's intentions, in collaboration with others, to perform outreach to identify, and monitor on an ongoing basis, subject matter areas that are expected to experience significant demand for assurance, and develop practical guidance to highlight the relevant considerations for a practitioner when planning, performing and reporting on such information (similar to the EER guidance that was originally developed in conjunction with jurisdictional standard-setters for applying ISA 3000R to sustainability information).

IESBA

From the IESBA perspective, regulatory change (whether new regulations or deregulation depending on the market) continues to play a significant role in shaping how ethics and independence standards operate globally. Many jurisdictions are working to keep pace with the speed of economic, technological, and workforce change, and there is increased risk that rules become outdated or misaligned with professional practice. The IESBA should be mindful of the pace of standard setting, particularly where rapid change may challenge consistent or timely adoption across jurisdictions and contribute to fragmentation. The IESBA should additionally consider whether the current pace of standard setting supports global operability, including consistent and timely application across jurisdictions.

The priority for the IESBA is to ensure that international standards remain relevant, scalable, and operable across jurisdictions. This will be best achieved through strong coordination with regulators, jurisdictional standard setters and the profession, and an emphasis on principles based approaches that can adapt to evolving circumstances over time. As a global standard setter with mature standards, the IESBA's focus should be on determining where new guidance might be needed to appropriately apply the existing principles of the Code, as further noted in sections A.1, A.2, A.3, C.1, and D.2.

In an increasingly complex and fragmented regulatory environment, the continued role of globally consistent, principles based ethics and independence standards is critical to supporting high quality audit and assurance engagements and sustaining public trust.

The IESBA should continue to proactively engage in outreach with relevant bodies (specifically jurisdictional standard-setters) that are responsible for establishing laws and regulations in respect of ethics and independence requirements for audit/assurance across jurisdictions. To avoid regulatory fragmentation, such engagement should involve better understanding the views and concerns of standard-setting bodies and the profession, as well as barriers to adoption and plans of the standard-setting bodies to adopt the current IESBA Code. See response to B.2.

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

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?

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

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

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

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

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

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

IAASB

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

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

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

Important next steps could include working closely with regulators, jurisdictional standard-setters and other bodies to develop guidance and illustrative examples to help drive adoption and consistent implementation of IAASB assurance standards (and the

IESBA Code) for assurance engagements on subject matters with significant emerging demand. We recommend that IAASB prioritize the following actions:

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

As part of such active outreach and advocacy, we recommend that the IAASB promote, in particular, the merits of ISSA 5000 (see C1 and C2).

Scalability of the ISAs

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

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

IESBA

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

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

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

In this context, issuing additional or more detailed standards without addressing adoption challenges risks furthering fragmentation, potentially undermining the relevance and impact of international standards regardless of their technical quality. We therefore believe it is important for both SSBs to work with IFAC to advocate for the use of ISAs in combination with the IESBA Code. This should include greater outreach and engagement with Professional Accountancy Organizations (PAOs) and others with standard setting responsibilities to promote the benefits of adoption, as well as to understand the status of the jurisdictions' adoption plans and identify any potential barriers to full adoption.

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

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?

IAASB – 5 Increasing in importance, IESBA – 5 Increasing in importance

We believe the trend "Call for Greater Agility in Standard Setting" will increase in importance over the survey period, as a result of a growing need to issue materials more rapidly and in a more targeted manner to address emerging issues and evolving areas of focus. An agile approach would allow the Boards to focus limited resources on areas of greatest public interest impact, while ensuring that existing standards remain relevant/current and capable of consistent implementation.

IAASB

Development of Guidance and Other Materials

We believe that a critical component of agility for the IAASB is to encompass greater flexibility in how issues are addressed, recognizing that issuing a new standard or making incremental changes to existing standards is not always the most effective response to emerging issues and practical challenges. We recommend that the IAASB explore alternative avenues to develop material that better supports the needs of auditors/assurance practitioners and other stakeholders without impacting on the principles-based approach taken by the standards themselves.

In particular, we recommend that the IAASB consider issuing non-authoritative material (including guidance and/or FAQs), which is able to be developed on a more timely basis to respond to emerging issues as they arise, with reduced formality of due process, and is better able to be kept current. Such guidance can be targeted more specifically to address emerging challenges, or priority areas, and, as practice matures, may later be codified within the standards themselves. For example, guidance and illustrative examples may be developed to address particular assurance engagement subject matters (e.g. in respect of technology), and/or specific aspects of the assurance engagement itself (e.g. in respect of group entities, or materiality) in greater depth, to support implementation of ISSA 5000 (or ISAE 3000 (Revised)). We refer the IAASB to their Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability and Other Extended External Reporting (EER) Assurance Engagements, which was well received.

To develop materials, we recommend that the IAASB convene working groups and facilitate discussions of key stakeholders to understand and explore emerging issues and specific challenges, with the IAASB having a critical role in framing the debate and shaping discussions to enable the working groups to form views as to best practice. We recommend that such working groups draw representatives from the following, in order to help develop output that is (and is seen to be) independent, taking care to avoid "scope creep" in terms of inadvertently establishing requirements that would be above and beyond those set out in the standards themselves:

- the profession, to draw on their significant expertise and detailed insights in relation to developing practical solutions to emerging issues;
- regulators, both those that regulate the profession, as well as, where relevant, those that regulate industry sectors such as the banking sector or markets, to draw on their deep insights into emerging issues as a result of their close interaction and discussions with the profession and with industry, as well as through their inspection and oversight roles. Regulatory involvement also helps to provide a recognized basis for views formed and positions reached within materials that are non-authoritative;
- standard-setters, including jurisdictional standard-setters with deep expertise and who may also have developed practical guidance for use locally, which is able to be leveraged/adapted for global use (e.g. the EER guidance); and
- others, including academia, which have conducted detailed research and are able to provide significant contributions in terms of thought leadership.

Adapting Workplans to Respond to Emerging Issues

In connection with the above, we also recommend that the IAASB's strategy and workplan include more flexibility to enable the IAASB to re-prioritize, pause or discontinue projects; to amend the scope of projects, even when the project plan has been formally approved; and to pivot to new projects, where evidence, including feedback received, demonstrates that such changes would be in the public interest.

We also recommend that the IAASB explore their staff secondment model, to ensure that there is an appropriate mix of the following:

- experienced resources with deep technical expertise, capable of addressing longer-term projects and cross-cutting issues;
- resources with appropriate specialist knowledge and skills, who may be seconded on a shorter-term basis; and
- resources with practical experience, to consider implementation issues and solutions to emerging challenges.

IESBA

From the IESBA perspective, the need for greater agility in standard setting is also increasing in importance, particularly as technological change and market developments accelerate and become harder to predict. There is a growing need not only to plan for emerging issues, but also to respond quickly when new risks or practices arise unexpectedly, including those linked to emerging technologies.

Agility should encompass:

- greater flexibility in how issues are addressed, recognizing that issuing a new or revised standard is not always the most timely or effective response;
 - increased use of non authoritative or targeted materials to respond more quickly, yet balanced with the need for appropriate due process, to challenges in practice and, where appropriate, inform later standard setting;
 - more timely post implementation reviews, with a willingness to adjust standards where evidence shows they are not operating as intended; and
 - a readiness to pivot priorities, pause, narrow or discontinue projects when evidence supports a different approach.
- Such agility is essential for the IESBA to remain responsive as conditions evolve over the strategy period. The ability to adapt work plans and outputs over time will be important to maintaining relevance, supporting adoption, and serving the public interest

in an increasingly fast changing environment.

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

2 – 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?

IAASB – 2 Decreasing in importance, IESBA – 2 Decreasing in importance

We expect the trend of "Greater Diversity of Voices Sought" to decrease in importance over the survey period, relative to other significant trends identified by the SSBs. Although we believe that ensuring a diversity of perspectives remains an important element of the SSBs' due process and stakeholder engagement, we consider that existing consultation mechanisms are generally appropriate.

In an increasingly uncertain and dynamic environment, we recommend that the SSBs give greater focus to using stakeholder input more strategically to support broad adoption and consistent implementation of the SSBs' standards across jurisdictions, rather than attempting to seek views of an ever broader stakeholder group. As discussed further at B2, this includes the need to understand any barriers, whether actual or perceived, to adoption and implementation of both IAASB standards and the IESBA Code.

In this context, the IESBA should also consider whether its outreach strategy aligns with the intended focus of its projects. While engagement with the Forum of Firms, regulators, and standard setters is appropriate given their influence and reach, there is value in ensuring the most relevant voices for the specific issues under examination are appropriately prioritized.

8. SECTION IV: KEY TRENDS IMPACTING THE SSBs

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

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?

IAASB – 3 Slightly decreasing in importance, IESBA – 3 Slightly decreasing in importance

We expect the trend of "Continuing Demand for Sustainability Reporting and Assurance" to slightly decrease in importance over the strategy period relative to other trends identified by the SSBs as set out in this survey, in respect of driving standard-setting and related activities of the SSBs. We consider ISSA 5000 to be a robust, foundational standard that is capable of providing assurance over all types of sustainability information, just as the IESSA is the relevant ethics and independence standard when

providing such assurance. Consequently, we believe the focus of both Boards should be on supporting global adoption and consistent implementation of these standards, rather than on further expansion of sustainability assurance standards.

IAASB

As noted elsewhere in our response, we recommend that the IAASB strongly advocate for the adoption of ISSA 5000 as a robust, principles-based, scalable, foundational standard capable of providing limited and reasonable assurance for all types of sustainability information. We believe that the IAASB should focus on monitoring the adoption and implementation of ISSA 5000 and providing timely responses to implementation questions or challenges, including the need to develop further guidance. (See also B3 regarding greater flexibility and agility in developing materials, and C2 regarding jurisdictional customization activities in respect of ISSA 5000).

In this context, we recommend that the IAASB does not undertake additional standard-setting activities relating to assurance engagements over sustainability information during the survey period unless there is a critical need to, as amending or introducing new requirements during the implementation phase may discourage adoption and/or create interoperability challenges with other standards. We suggest that the IAASB conduct a detailed post-implementation review, once practice is more established, to inform future updates, as well as evaluate whether further changes may be necessary as a result of changes to the ISAs, to ensure alignment of audit and assurance standards, where appropriate.

IESBA

Similarly, from the IESBA perspective, the emphasis should be on supporting implementation and monitoring how existing standards are applied in practice, rather than on further expansion of the Code. Where issues have been identified (see C.2), these should be addressed to support effective and consistent application. Given the scale of change already introduced, a period of stability, without the introduction of additional new standards, would allow jurisdictions time to focus on adopting and implementing what is already in place.

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?

IAASB – 4 Slightly increasing in importance, IESBA – 5 Increasing in importance

We expect the trend "Regulatory and Geopolitical Changes" to increase in importance for IESBA, and slightly increase in importance for the IAASB, over the survey period, in terms of impacting the sustainability reporting landscape and therefore as a driver of sustainability related actions for the SSBs.

IAASB

As noted elsewhere in our response, we recommend that the IAASB strongly advocate for the adoption of ISSA 5000 as a robust, principles-based, scalable, foundational standard capable of providing limited and reasonable assurance for all types of sustainability information.

We believe it is important for the IAASB to undertake outreach and engagement with regulators, standard-setters, including jurisdictional standard-setters, and other bodies, to promote the benefits of the global adoption and consistent implementation of

ISSA 5000 for sustainability assurance engagements, and to understand the potential barriers to doing so. We consider that robust advocacy of ISSA 5000 is critical to help drive adoption as a global baseline.

Furthermore, we note that in certain jurisdictions, regulators and standard-setting bodies are exploring jurisdictional customization of ISSA 5000, including adaptations and carve-outs of aspects of the standard, which increases fragmentation. We support the IAASB's work with bodies, in particular, relevant European policy makers and other stakeholders at the EU and national level within Europe, to promote consistent understanding that ISSA 5000 is framework-neutral, and scalable. As such, the requirements therein are applicable only as relevant, and in a manner that is proportionate in the engagement circumstances. Therefore, there should be little need for adaptations or carve outs of the standard. Where jurisdictions plan to undertake customization activities, we recommend that the IAASB discourage them from making detailed, line-by-line modifications and amendments, which would cause significant divergence on a global basis. Instead, we believe the IAASB's focus should be on collaborative activities with reporting standard-setters such as ISSB, EFRAG and others, and regulators, to discuss concerns and practical challenges and develop supplemental guidance. The objective of such guidance should be to enable ISSA 5000 to remain a global baseline, and to ensure interoperability, where possible, for jurisdictions that elect to adopt a modified version of ISSA 5000 or adopt alternative assurance standards.

IESBA

Regulatory and geopolitical developments are increasing in importance as a driver of sustainability related work for the IESBA. Approaches are diverging across jurisdictions, with some being recalibrated or scaled back. At the same time, there is a growing disconnect between political agendas and public expectations. Together, this creates uncertainty and complexity for preparers, practitioners, and users.

Given the recent development of the IESSA, rather than further expansion, the priority should be effective post implementation management. Accordingly, the focus should be on responding in an agile manner to emerging issues with implementation of the IESSA including:

- monitoring regulatory developments;
- analyzing specific barriers to adoption and significant operational challenges such as:
 - o independence requirements extended to entities within the value chain;
 - o practical application of group sustainability assurance engagements;
 - o rotation of key sustainability assurance leaders where service prior to the effective date of the IESSA is included in the count of years served; and
 - o use of another practitioner where the IESSA may not be used as the ethical and independence standard.
- revisiting such provisions in the IESSA to determine if the provisions are essential in supporting the quality of sustainability assurance engagements and serving the public interest. Where they are not, narrow-scope amendments or other avenues to alleviate such barriers and ease operational concerns should be pursued.

9. SECTION IV: KEY TRENDS IMPACTING THE SSBs

D.1 Evolving Structure and Business Models of Accounting Firms – Alternative Ownership Structures

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?

IAASB – 3 Slightly decreasing in importance, IESBA – 3 Slightly decreasing in importance

We recognize the emergence of alternative ownership structures of firms, in particular in the form of private equity investment in firms. We note that such arrangements vary widely in form and objective, making it difficult to draw broad conclusions about their impact on the profession. However, while we consider that this should be an area for the SSBs to monitor, we do not believe that the trend of "Alternative Ownership Structures" will increase in importance over the survey period as it relates to a specific response for standard-setting activities from the SSBs. Accordingly, we recommend that both boards continue to monitor developments in this area and, if necessary, consider developing targeted guidance to address any implications that may arise as a result of this trend.

IAASB

From an IAASB perspective, we consider that the IAASB's existing standards, in particular, the Quality Management standards, continue to be fit for purpose in terms of identifying and addressing any impacts arising from firms' evolving structures and business models, and, being principles-based, are appropriate to address any specific pressures on audit quality and/or independence matters that may arise.

IESBA

From an IESBA perspective, alternative ownership structures may raise important questions in relation to ethics and independence where investors have significant or controlling interests in audit firms. However, it is not yet clear that these risks are systematically greater than those already present in traditional firm models. Existing guidance and recent IESBA staff communications address these issues at a high level. Overall, the trend does not yet clearly justify significant new action but continued monitoring and targeted analysis.

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

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?

IAASB – 4 Slightly increasing in importance, IESBA – 4 Slightly increasing in importance

The trend of "Increased Involvement of Non Professional Accountants (Non-PAs) in the Accounting and Auditing Profession", particularly those with expertise in using advanced technology and AI, as well as subject matter experts (SMEs) in the assurance arena, is expected to become of slightly increased importance over the survey period. Engagement team structures and composition are evolving in practice and the balance in terms of the skills and competencies of such engagement teams is moving from a primary focus on "traditional" assurance skills and techniques to also recognize that expertise in the fields of

technology (e.g. the use of AI-enabled technology) or emerging subject matter areas in terms of assurance is increasingly an important aspect of a multi-disciplinary team.

IAASB

We consider that the IAASB's standards currently are fit for purpose to address this trend, even as it accelerates. ISQM 1 addresses firm-level processes and controls, including in respect of the recruitment, training and development, and monitoring of staff, and ISA 220 (Revised), as well as assurance standards (in particular, ISSA 5000), address the professional competence and capabilities of engagement teams, on a collective basis, including where those with expertise in fields other than audit and assurance form part of an engagement team.

IESBA

Ethics and independence requirements are generally applied as relevant across a firm, not just applied to professional accountants in the firm (for example, independence requirements for all members of the engagement team and not just the professional accountants on the team). While existing principles based standards provide an appropriate foundation, the priority for the IESBA is guidance to help ensure that ethics and independence requirements are well understood and operable in multidisciplinary environments.

The IESBA may wish to consider whether the personal independence requirements operate proportionately in practice, and whether limited recognition of materiality or de minimis situations could support the attractiveness of the profession, in particular for non-PAs and SMEs, while maintaining robust independence outcomes.

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

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?

IAASB – 4 Slightly increasing in importance, IESBA – 4 Slightly increasing in importance

We believe that the trend "Challenges to Attracting and Retaining Talent" will continue to be important over the survey period, particularly as firms increasingly need to recruit individuals with specialized skills and expertise in advanced technology, as well as subject matter experts in the assurance arena, for whom there is increasing competition.

Furthermore, the growing use of AI-enabled technology is changing the role of traditional professional accountants, with a need for firms to attract the right talent, both at the start of a career, as well as in upskilling and retaining those that are mid-career.

IAASB

While we recognize that there are significant challenges associated with attracting and retaining the right talent in firms, we believe this trend will only slightly increase in importance over the survey period in terms of being a key driver of the IAASB's strategic initiatives, in particular, in relation to core standard-setting and related activities.

We believe that the IAASB has a role to play in supporting IFAC and others in these discussions, in setting out the benefits of the role of a professional accountant and shaping a narrative about the positive aspects of the changing environment, e.g., the profession's leadership in advanced technology and AI.

IESBA

From an ethics and independence perspective, this trend raises questions about whether personal independence and business relationship requirements are appropriately calibrated for future workforce and business models. In some cases, overly restrictive or outdated requirements may act as a barrier to attracting talent and remaining competitive employers.

This trend supports continued monitoring and consideration of operability, including whether existing requirements remain fit for purpose as work models continue to evolve.

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

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?

IAASB – 3 Slightly decreasing in importance, IESBA – 3 Slightly decreasing in importance

The growth of non-assurance services, particularly technology-enabled services supported by AI specialists and other SMEs intersects closely with the talent and service delivery considerations described above in D3.

We consider that the trend "Non-Assurance Service Line" is expected to be of slightly decreasing importance over the survey period in terms of being a key driver of the SSBs' strategic initiatives. We consider that the IAASB standards, in particular ISQM 1, that addresses firm-level quality management, and the IESBA Code, are already fit for purpose to address challenges that may arise in this area. Accordingly, we recommend that both boards continue to monitor developments in this area.

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 – Need for incremental, ongoing improvement of standards

Please describe the additional trend

An additional trend to consider is the growing importance of enabling incremental, meaningful updates and clarifications to standards, rather than relying primarily on large scale standards revisions. In a rapidly evolving environment, standards need mechanisms that allow them to be refined, adjusted and simplified as practice develops, with greater

focus on how existing standards can be improved.

Matters related to this trend include:

- More timely post implementation reviews, with a pathway to targeted amendments that are developed more quickly where issues are identified, without compromising technical quality and due process; and
- Standard-setting projects on a more regular update cycle, where appropriate, but which are of a more limited nature than the current approach under which the focus is on comprehensive revision to standards on an infrequent basis. This would enable certain standards to be enhanced at a more appropriate cadence in a rapidly changing environment. Such an approach, with changes made more frequently, but which are narrower in scope, may be similar to the IASB annual improvements process, or the activities of the FASB's Emerging Issues Task Force (EITF).

This approach would allow the Boards to focus limited resources on areas of greatest public interest impact, such as technology and AI, while ensuring existing standards remain relevant, interoperable, and capable of consistent adoption. Importantly, this mindset should begin influencing current work plan prioritization, rather than waiting until the 2028–2031 period.

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?

IAASB – 5 Increasing in importance, IESBA – 5 Increasing in importance

The reasons for this grading are addressed above.

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 : A.1

Rank 2 : B.2

Rank 3 : B.3

Rank 4 : B.1

Rank 5 : O.1

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.

In the responses to the individual questions in this survey, we provide recommendations for actions to be taken by both Boards, certain of which would involve the Boards working together, where appropriate. We also recommend that the IAASB and IESBA should maintain close coordination in monitoring emerging trends, including regulatory developments, technological change, and evolving market expectations. These insights should be used to inform outreach activities and future work plan decisions. In this context, joint messaging and aligned engagement will be increasingly important to help manage stakeholder expectations and reinforce trust in standards that are consistent and high quality.