



For the attention of:
Geoff Kwan
Director
International Ethics Standards Board for Accountants
Email: Geoff Kwan <GeoffKwan@ethicsboard.org>

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5th June 2026

Dear Mr. Kwan,

Re: Investor perspectives on Audit Standard Setting Boards' workplan

We are writing to provide our submission to the IAASB and IESBA joint stakeholder [survey](#) seeking input on the Standard Setting Boards' (SSBs') strategic positioning for 2028-2031. Our contribution focuses on Q4 in Section 3 in the main survey document.

Sarasin & Partners LLP is a London-based investment manager serving charities, private clients and other institutions. Our goal is to deliver sustained investment returns through an active long-term investment approach, which emphasises stewardship. We invest globally and currently manage £16.3 billion (as at the end of March 2026) on behalf of our clients.

It has long been clear to us as global investors that an independent and rigorous audit system is critical to financial market stability and efficient functioning. It underpins trust in companies' accounts, enabling investors to allocate capital with greater confidence. This, in turn, supports economic growth.

Despite its importance, the governance, accountability frameworks and standard setting processes that are needed to align auditor incentives with investors are too often neglected by investors. This does not mean it is not important. The auditor is equivalent to a structural engineer checking there are no leaks that might destroy a dam or impinge on the integrity of a bridge. It is only when audit fails that we notice. And the consequences of failure can be devastating for staff, suppliers, customers and millions of people that have placed their savings in the audited companies' shares or debt.

Sarasin & Partners has long advocated for a transparent audit system that both ensures auditor independence from the entities they are auditing and also establishes clear and direct accountability of auditors to investors



as their ultimate clients. Independence from management and accountability to investors are two sides of the same coin, and critical to serving the public interest. Independence without clearly-defined accountability leaves the auditor unclear who they are there to serve and removes the anchor for determining audit quality. Put simply, a high-quality audit is not one which serves executives' requirements; it is one that enables executive accountability to shareholders.

In our attached submission we put forward three proposals for the IAASB and IESBA to take forward in their coming workplans (and ideally sooner), which we consider to be vital to tackling structural conflicts of interest in the audit market and establishing stronger mechanisms for shareholder accountability (which in turn are needed to prompt greater investor engagement) that are missing from the current framework. These are:

- **An Investor Accountability Standard** with clear expectations for auditors to enhance disclosures to investors (and the public) and strengthen levers for delivering meaningful accountability to investors.
- **An Audit Firm Governance Standard**, building on the Viewpoints published in 2025 by IESBA on Firm Culture & Governance.
- **Expand the Ethics Standards to Audit Governance, Accountability & Ethics Standards** to house the proposed Investor Accountability and Audit firm governance standards.

In addition to these proposals on the Standards, we highlight our growing concerns that the **governance framework for audit standard setting is in a perilous place**, requiring urgent action and undermining the ability of the SSBs to take forward any workplan for the forthcoming period.

For the fourth year running, the Public Interest Oversight Board (PIOB) has issued a Going Concern warning in its latest financial statement¹. This year, it has described its dependence on the audit profession for recent grants, including one that requires it to support an initiative to revise and 'simplify' the standard setting processes. No details of this Conditional Grant Agreement are public, raising concerns over transparency and impacts for the public interest. We are deeply concerned by the influence being exerted by the audit profession over what should be an independent oversight body.

In our response, we provide more details on the serious risks we see to independent audit and ethics standard setting and call on governments and regulators to act. Specifically, we propose that responsibility for audit standard setting should be given to a single multi-lateral public interest body, like International Organisation

¹ A Going Concern warning is an auditor's formal note added to a company's financial statements indicating substantial doubt about the business's ability to survive and pay its debts over the next 12 months.



of Securities Commissions (IOSCO) or the International Federation of Independent Audit Regulators (IFIAR), restructured and properly resourced to deliver on an expanded remit.

In making these proposals, we are not suggesting that the audit industry should have no role in standard setting – their professional and technical expertise is of vital importance. Indeed, through these governance and standard reforms, our view is the audit industry will become more aligned with investors and the public interest. For this to be achieved, however, we must be clear about the conflicts of interest that exist in the sector, and manage them robustly.

Finally, while implicit above, we would like to underline that we consider long-term investors and the public to have a shared interest in robust and dependable audit that underpins market efficiency and sustainable economic growth. We, therefore, believe that an audit system that works for investors collectively will also serve the public interest. Our submission is anchored in this belief.

We hope that these proposals spark a healthy debate and bold action.

Yours sincerely,

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Partner, Head of Stewardship

Cc
Gabriela Figueiredo Dias
Chair, International Ethics Standards Board for Accountants

Tom Seidenstein
Chair, International Audit and Assurance Standards Board

Alan Johnson
Chair, Stakeholder Advisory Council to the SSBs

Audit Standard Setting Boards' Strategic Positioning for 2028–2031

Sarasin & Partners LLP submission to IAASB and IESBA survey, May 2026

Sarasin & Partners LLP's submission to the International Audit and Assurance Standards Board's (IAASB) and the International Ethics Standards Board for Accountants' (IESBA's) [joint survey](#) focuses on Q4 in Section 3, covering the Standard Setting Board's strategic positioning for 2028–2031.

Question 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).

Investors depend implicitly on reliable accounting by investee companies. Company financial statements are the foundation for allocating capital and for holding company directors accountable through voting at Annual General Meetings. A robust and demonstrably independent audit system, therefore, is a core investor protection, underpinning investors' trust in company financial disclosures.

As noted in our cover letter, we consider long-term investors and the public to have a shared interest in robust and dependable audit that underpins market efficiency and sustainable economic growth. We, therefore, believe that an audit system that works for investors collectively will also serve the public interest. Our submission is anchored in this belief.

To contextualise our proposals, we start by identifying 1) what the goals of the SSBs are and 2) where there are weaknesses in the delivery against these goals today.

Goal

The SSBs' primary goal, as we understand it, is to support robust and independent audit and assurance that, in turn, underpins trust that company accounting is reliable, providing a true and fair view of corporate economic health and financial performance. Financial market efficiency and stability depends on strong auditing. Both investors and the public are, thus, plainly served by an effective audit system.

Problem statement

The reason regulators globally have taken a keen interest in the audit system is an acknowledgement of its vital public benefits but also a recognition that audit has been associated with a number of market failures, which result in inadequate audit services being provided in the absence of rigorous government or regulatory oversight. The core market failure is an agency problem: the ultimate beneficiaries/users (investors/the public) are not the direct payers, and thus they are not perceived as 'clients' by audit firms. They, therefore, have limited influence over the audit service. Added to this, is a problem of asymmetric information: investors lack visibility of the audit work and quality, undermining their ability to hold auditors accountable.

The result is, more often than not, that instead of focusing on the ultimate end users, auditors treat the preparers as their 'client'; despite them also being the target of the audit. Where an effective and independent Board-level Audit Committee – acting on behalf of shareholders – controls the audit appointment process and ensures full accountability, the agency problem can be mitigated.

Too often, however, Audit Committees themselves have limited interaction with shareholders and lean heavily on the preparers' finance teams in directing the audit, creating incentives for auditors to reach agreement with management rather than flagging concerns to shareholders. Audit Committees have also been found to favour smooth working relations between auditors and finance teams and are rarely inclined to highlight accounting concerns to shareholders². Where this occurs, the upshot is that the executives who are being audited end up with excessive influence over the audit, weakening auditors' ability to act independently with sufficient professional scepticism, posing a threat to audit quality and the public interest.

Evidence of deficiencies:

In terms of hard evidence of weak audit quality, the most comprehensive review is provided by the International Federation of Independent Audit Regulators (IFIAR). In its 2025 Survey of Inspection Findings

² See for instance the UK Competition & Markets Authority final report into the audit market in 2019: https://assets.publishing.service.gov.uk/media/5cb89b2bed915d74fed24206/CMA_final_audit_market_report_A.pdf



(covering inspections in 52 jurisdictions conducted in 2025, published April 2026)³, members reported that 35% of audit inspected engagements had at least one finding (a significant deficiency in satisfying the requirements of auditing standards), up from 34% in the 2024 survey⁴. Importantly, the IFIAR threshold captures audit process failures that investors cannot observe — the auditor may have issued a clean opinion while failing to obtain the evidence that would have supported it. The percentage of audits with findings had declined from 47% in 2014, when IFIAR began tracking the data, to 26% in 2022, but then rose each year to reach 35% in 2025. In any industry, a deficiency rate of 35% should be a cause for concern.

While the IFIAR surveys offer one lens into audit performance, it does not assess the severity of deficiencies or whether this impacts the overall audit quality. National level regulator reports provide more insight. We note in particular that weaknesses in professional scepticism as a recurring theme. The UK's Financial Reporting Council's 2025 Annual Review identified insufficient challenge of management in areas of significant judgement as one of the most common findings at Tier 1 firms⁵. The US Public Company Accounting Oversight Board's (PCAOB's) 2024 Spotlight similarly identified failure to exercise appropriate professional scepticism, particularly in areas of significant estimation uncertainty, as a recurring theme⁶. The PCAOB's 2024 Part I.B findings — which are deficiencies below the threshold of not obtaining sufficient evidence but still reportable — included audit committee communications and consideration of fraud, both of which suggest inadequate scepticism.

What this means

While regulators play a critical role in addressing structural audit market failures in most markets, we believe that the SSBs have a key role also. Indeed, the foundation for an effective standard setting regime must be explicit audit governance standards that directly address structural conflicts of interest. Currently, this is missing.

This is a structural problem, not an ethical problem: While ethics standards are critical, framing the structural agency problem as a failure in ethics, in our view, mis-categorises the nature of the issue. Likewise, using ethical standards to solve a structural conflict of interest will fail because it does not get to the root cause of the agency problem: misaligned incentives for auditors.

³ <https://www.fsa.go.jp/ifiar/2025SurveyReport.pdf> - note that 91% of the inspections relate to audits with year-ends in 2023 or 2024, reflecting the time lag inherent in finalising inspection reports.

⁴ A 'finding' does not necessarily indicate that the audited financial statements are misstated — the threshold is whether sufficient appropriate audit evidence was obtained to support the opinion, not whether the opinion itself was wrong.

⁵ https://media.frc.org.uk/documents/Annual_Review_of_Audit_Quality_2025.pdf

⁶ <https://pcaobus.org/documents/staff-update-2024-inspection-activities-spotlight.pdf>

Auditors treat preparers as their client because it is generally the preparers who directly or indirectly (through the influence they exert over audit committees) control their appointment and remuneration. To resolve this conflict, we need to tackle these incentives directly. This is not just about establishing independence from management but requires action to establish a meaningful line of accountability to investors. Key to this: the most material aspects of auditors' work must be visible to investors and they should be accountable for it. Where auditors produce low quality audits, they should expect to be sanctioned. Conversely, high quality audits should be rewarded, even where this is uncomfortable for executive teams.

Proposal 1: Investor Accountability Standard

We suggest that the SSBs develop an Investor Accountability Standard. Ideally, such a standard would set clear expectations/requirements covering the following elements particularly targeted at publicly-listed entities:

- Enhanced auditor communication with investors to give them genuine insight – We need to move beyond limited Key / Critical Audit Matters (KAM/CAM), which are too often high-level and use boiler-plate language, not sufficiently tailored to the specific audited entity and not providing meaningful information on the points of contention or the substance of auditor challenge⁷. We already see a range of practices across jurisdictions, with UK-listed companies providing more detailed and informative KAM/CAMs than US and continental European peers, for instance. Disclosures could be further enhanced, modelled on the existing Audit Committee communication standard for auditors – ISA260 – which details a number of disclosures important to understanding audit quality and accounting rigour. For instance, the auditor could provide more visibility of significant difficulties encountered during the audit (e.g., lack of information, management delays, or restrictions); significant matters discussed with management, including disagreements over accounting or auditing matters; or other significant matters arising from the audit that, in the auditor's judgment, are relevant to the oversight of financial reporting.
- Regular competitive tenders are needed to counteract complacency that comes from automatic reappointment; to mitigate risks to independence that comes with long tenures; and to reinforce incentives to constantly strive for higher-quality audits (including associated disclosures noted above).
- Annual auditor elections by investors to establish direct accountability to investors, and support the alignment of auditors with shareholders, their ultimate clients. While annual auditor elections are already practiced in many jurisdictions, this is not universal. Continental European markets and

⁷ Key Audit Matters (KAMs) and Critical Audit Matters (CAMs) refer to auditor disclosures to shareholders in their Audit Report on the financial statements where they provide a view on the accounting assumptions/judgements that are most impactful and subjective and thus a source of potential reporting risk. Requirements for KAMs were included in International Standard on Auditing 701 and adopted in the UK, EU, Australia and most other jurisdictions outside the US. CAMs are the equivalent used by the PCAOB under Auditing Standard 3101, applicable to audits of US public companies.

Japan are cases where auditors are appointed for multiple years, inhibiting shareholder accountability.

- Regular public meetings between auditor, Audit Committee members and investors where investors can provide feedback to their auditors and Audit Committee members on key areas they would like the audit focused to alleviate any concerns with company accounting. As long as this is held in a public format, and minutes of the discussion published by the Board, this would further reinforce auditors' accountability to shareholders and ensure the audit is targeted where it most needed.

We appreciate that currently too few investors seek to engage with their auditors, and it is rare to see shareholders exercise their votes at AGMs to remove an auditor, even where there is evidence of failure (e.g., in the case of Wirecard, EY was repeatedly reappointed even when there was evidence of potential fraud). However, it is our view that this disinterest reflects, above all, a lack of meaningful information with which investors can engage. Where auditors pivot their attention to understanding what accounting matters concern investors, and then report back on these topics, the investment community is more likely to take notice, triggering a positive dynamic and, ultimately, raising audit quality.

We note that while the above proposals focus on expectations for auditors, facilitation by Audit Committees will often be needed. In our view, however, this should not become an excuse for inaction in establishing more direct relationship between investors and their auditors. Indeed, Audit Committees should play a key role in enhancing investor-auditor communication and thus alignment. As long as auditors have limited exposure to investors' requirements, they will find it hard to respond to investor concerns.

It is also important to ensure any standards consider the regulatory framework. However, in our experience, while regulators may set minimum requirements, they rarely block enhanced auditor disclosures and/or accountability to investors. Indeed, for the most part regulators have underscored the need for auditors to treat investors as their clients⁸.

Proposal 2: Audit Firm Governance Standard

In June 2025, IESBA scaled back plans to introduce new Firm Culture and Governance (FCG) standards due to pressure from 'stakeholders'⁹. In its briefing paper on the project, IESBA described the step to "resequence the

⁸ See, for instance, the US PCAOB's AS 1000 issued in August 2024 which speaks explicitly to the fact that auditors should be viewing investors as their clients: "*The auditor has a fundamental obligation to protect investors through the preparation and issuance of informative, accurate, and independent auditor's reports. This responsibility transcends an auditor's relationship with management and the audit committee of the company under audit, providing the foundation for an objective and independent audit.*" (<https://pcaobus.org/oversight/standards/auditing-standards/details/as-1000--general-responsibilities-of-the-auditor-in-conducting-an-audit>)

⁹ <https://www.ethicsboard.org/publications/firm-culture-and-governance-dialogues>



standard-setting and non-authoritative material workstreams within the project...to develop a set of “IESBA viewpoints” on each of the eight elements of an FCG framework”.

While IESBA does not make clear which stakeholders pushed back on the proposed standards, as long-term investors, we view this decision as a retrograde step. Strengthening audit firm governance standards to provide more transparency and strengthen internal controls to protect against conflicts of interest is essential to aligning auditors with investors and the public interest.

We, therefore, propose that the SSBs develop formal audit firm governance standards. These standards should build on what is set out in the IESBA Viewpoints to incorporate the following key elements¹⁰:

- Clear identification of the agency problem in audit relationships and thus structural conflicts of interest that require active management¹¹. Too often this is not spelt out, which then leads to weaker prescribed actions.
- Investor Advisory Group to audit firms: This could complement or be an alternative to having an investor representative join the audit firm’s Board. A single investor-representative on a board is at risk of being isolated and disregarded. An investor advisory group would offer an important mitigant, especially where the Advisory Group provides a formal annual assessment of the audit firm’s governance performance.
- Audit quality dashboard for the firm: while audit quality is not easy to measure, there are a growing number of metrics that provide insights — e.g., independence threats and safeguards; regulator inspection findings and restatement rates; concentration risk by client or sector; significant accounting judgements across the portfolio; results of AGM investor votes on auditor reappointments; results of investor client performance surveys at audited entities; and partner workload and tenure metrics. Ensuring a standardised list of metrics would improve transparency across audit firms. Audit firms could complement the dashboard with steps they are taking to mitigate any risks.
- Public financial statements: This would be an obvious step to ensure audit firms provide the same transparency as other public-interest entities on their financial strength, important commercial

¹⁰ The key limitation of the FCG framework is that it is inward-facing — focused on accounting firms ethical values, their partners and staff, their clients, and the public interest in an abstract sense. Investor accountability as a distinct constituency receives almost no attention. This need to be addressed.

¹¹ The IESBA’s FCG Viewpoints never explicitly define “clients” — but the context throughout makes clear that clients means the companies and entities that engage and pay the firm for services, not the investors who rely on the outputs of those services. This fundamentally mis-portrays the purpose of audit to support investor protection.

relationships, likely liabilities (including litigation), related-party transactions and key revenue drivers.

- Advocacy disclosures: Audit firms are active participants in standard-setting consultations, regulatory reviews, and political lobbying on accounting and audit matters. This advocacy is not currently disclosed in any structured or comprehensive way. Given the influence exerted by the industry, investors and the public have an interest in knowing how audit firms are lobbying to ensure it aligns with investor/public interests.

These requirements could alternatively be incorporated into International Standard on Quality Management (ISQM) 1, which governs audit firm quality management¹². At the very least, ISQM 1 should more explicitly recognise the central importance of firm governance (tone at the top, the incentive structures, the independence framework, investor accountability, transparency, the oversight mechanisms) in delivering high quality audits.

Proposal 3: Audit Governance, Accountability & Ethical Standards

We suggest that the two proposed standards above (an Investor Accountability Standard and an Audit Firm Governance Standard) are combined with existing Ethics Standards under expanded Audit Governance, Accountability & Ethics Standards. These standards for auditors would mirror Corporate Governance standards required of publicly-listed and public-interest entities.

In our view, this shift in emphasis towards governance and accountability would address a major gap in the SSBs' framework and is vital if audit firms are to align with investors and the public interest. Ethics standards are important but, in the end, ethical behaviour cannot be prescribed; it must be incentivised. Consequently, the standards should focus on delivering an incentive framework which rewards professional scepticism, by reinforcing independence from the audited entity and supporting alignment with investors. Governance and accountability mechanisms need to be at the heart of such a framework.

SSB governance and financing reform

Beyond our proposals to embed clearer investor accountability and stronger firm governance as key to unlocking alignment with the public interest and higher quality audits, the current governance and funding structure for the SSBs requires urgent review. Specifically, there are worrying signs that reforms introduced

¹² ISQM 1 was issued by the IAASB in December 2020, and became effective for firms on 15 December 2022. See <https://www.iaasb.org/publications/international-standard-quality-management-isqm-1-quality-management-firms-perform-audits-or-reviews>



three years ago to insulate audit standards setting from the undue influence of the audit profession are being reversed. This is happening largely out of the public eye, and thus not getting the attention it deserves.

Context: The funding and oversight of the SSB's has long been a challenge due to the inherent free-rider problem. Audit standards are classic public goods, benefiting all users in the system. Governments and regulators, therefore have a clear role in providing these standards, just as they oversee, for instance, airline standards, or health and safety standards.

Currently, audit and assurance standard setting is housed within the [International Foundation for Ethics and Audit](#) (IFEA), a nonprofit organization. The IAASB and the IESBA develop standards independently, overseen by the [Public Interest Oversight Board](#) (PIOB). In addition, a Monitoring Group sits at the apex of the structure, bringing together representatives from key international entities that have an interest in an effective audit system, including the Basel Committee on Banking Supervision, the European Commission, the Financial Stability Board, the International Association of Insurance Supervisors, the International Forum of Independent Audit Regulators, the International Organization of Securities Commissions, and the World Bank. The Monitoring Group does not oversee individual standard-setting decisions, but monitors the overall governance of the system, appoints PIOB members, and issues recommendations for reform.

The current governance system was established in 2022-23 on advice from the Monitoring Group to replace oversight of standard setting that had previously been led and funded by the audit profession, through the International Federation of Accountants (IFAC)¹³. The goal of the reforms was to ensure independent standard setting and reinforce the public interest.

Problem: While the goals of the reform agenda were well-intentioned, challenges have come with implementation. Even with the new structures, the audit profession still exerts notable influence, both through participation in key decision-making structures and through their ongoing funding of IFEA, the SSBs and the PIOB. The situation has deteriorated markedly in 2025 and 2026.

Take the key oversight body for the SSBs, IFEA. Of the six trustees, two are appointed by IFAC, with the other four appointed by the PIOB. The PIOB's latest financial statements make clear that decision-making at IFEA Board is by consensus, not majority, giving the IFAC appointed trustees an effective veto¹⁴.

In terms of funding, IFAC and the large global audit networks have provided the lion's share of funding as well as in-kind contributions for the SSBs, channelled through IFEA. Based on the latest Financial Statements

¹³ https://www.iosco.org/about/monitoring_group/pdf/2020-07-MG-Paper-Strengthening-The-International-Audit-And-Ethics-Standard-Setting-System.pdf

¹⁴ PIOB's 2025 financial statements Note 1, p. 5 (see <https://piob.org/publications/?S=PIOB%20Financial%20Statements%202025>)

for IFEA, \$19.0mn of IFEA's total income of \$19.3mn (98%) came from IFAC with the balance provided by the Australian Department of the Treasury for sustainability assurance work¹⁵.

Turning to the PIOB, who's mandate is to provide **independent** oversight of IFEA's standard-setting activities, roughly half of all funding has come from IFAC (directly and via IFEA) in 2024 and 2025, representing a direct conflict of interest. How can the PIOB independently oversee IFEA and the SSBs, where it relies on IFEA for 50% of its funding?

This dependence on auditor funding is also a major risk, as the audit profession in line with the Monitoring Group's recommendations has sought to reduce its funding. In the last four years, the PIOB has issued Going Concern warnings due to its lack of revenue security, with operations only continuing due to emergency and non-recurring grants by IFEA/IFAC¹⁶.

As detailed in the Notes to the PIOB's 2025 Financial Statements, of particular concern was that in 2025 the budget shortfall of €0.7 million led not just to significant cost reductions (and thus oversight work) but an IFEA grant of €500,000 came with conditions to restructure the standard setting process. While the Conditional Grant Agreement is not publicly available, which itself raises transparency concerns, Note 3 (Income and Cost Recognition) and Note 2 (Going Concern) of the PIOB's 2025 Financial Statements provide insights as to its content:

- **The original agreement September 4, 2025** (between the PIOB and IFEA) included provisions under which the PIOB may be required to return the grant amount unless the PIOB takes all reasonable and necessary steps to: 1) Jointly prepare with IFEA a Proposed Plan on the enhancement of efficiency and simplification of the current standard-setting structure comprising the PIOB and IFEA, by October 15, 2025; and 2) Support the presentation of the Proposed Plan to the Monitoring Group for consideration, input and amendment.
- **December 2025 amendment:** On December 18, 2025 the parties signed an amendment to the Conditional Grant Agreement which 1) removed the obligation to repay the funding after December 31, 2025, 2) extended the deadline for preparation of the proposed plan from October 15, 2025 to March 31, 2026; and 3) stated that assuming the Proposed Plan is approved by the Monitoring Group, IFAC and the PIOB, IFEA and PIOB agree to commence reasonable implementation steps by September 30, 2026, for realisation in January 2027.

¹⁵ <https://ifacweb.blob.core.windows.net/publicfiles/2025-11/IFEA-2024-Financial-Statements.pdf>

¹⁶ <https://piob.org/publications/?S=PIOB%20Financial%20Statements%202025>, Note 2

- **May 2026 update:** Subsequent to the December amendment, a date of May 15, 2026 was agreed with the Monitoring Group Chair for submission of the Proposed Plan, and the implementation timeline will necessarily be over 2026 and 2027.

In addition to the Conditional Grant Agreement, a separate indemnification agreement was also signed on the same date as the Conditional Grant Agreement to cover €1 million legal liabilities of PIOB Trustees in the event of liquidation¹⁷. Given the level of financial and personal legal liability protection being provided by the audit industry via IFEA, it is hard to see how PIOB trustees can act independently.

For 2026, the Monitoring Group approved a budget, this time with another IFEA contribution of €750,000, leaving a residual shortfall of €0.17 million. Critically, according to **Note 2 (Going Concern) of the PIOB's 2025 financial statements**, "*there are no assurances at this point that adequate funding for 2027 will be forthcoming.*"

To put it plainly, the body tasked with providing independent public interest oversight of international audit and ethics standard-setting, the PIOB:

- Has been subject to a going concern warning for four consecutive years and has no confirmed funding for 2027.
- Resolved its 2025 deficit only through a conditional grant from IFEA — the entity it oversees — which came with conditions attached requiring the PIOB to jointly prepare a "Proposed Plan on enhancement and simplification" of the standard-setting structure, with little transparency provided publicly on what this means.
- Is dependent on a €1 million liquidation indemnity (to cover legal liabilities of PIOB Trustees in the event of liquidation) from IFEA, further impairing its ability to act independently and robustly to protect the public interest.

This is a perilous position for the world's audit standard setting watchdog to be in. It is also disappointing given the small size of its annual budget of approximately €2.2 million — less than the annual package for senior partner at a Big Four firm.

To make matters worse, the apparent defunding of the PIOB and the rising risks that standard setting could move back under the purview of the audit industry is happening at a time of rising business and financial risks across the system. It is investors and the public who will suffer if auditing standards are weakened.

¹⁷ <https://ipiob.org/publications/?S=PIOB%20Financial%20Statements%202025>, Note 3 under 'Income and cost recognition'

Proposal 4: Fold the SSBs into a multilateral organisation with a remit for investor protection and financial market stability

As a classic public good, oversight of auditing standards should be provided by governments and regulators. If we want a globally consistent set of standards, this will require international coordination and burden sharing. While the Monitoring Group has helpfully driven efforts to ensure audit standards are set independently of the profession and provided an oversight function, it has failed to ensure sustainable funding for the SSBs and the PIOB. In 2025, only three Monitoring Group members (IOSCO, IFIAR and the European Commission) provided a combined €609,529, or 29% of the PIOB's funding. Audit Standards, it seems, are no-one's responsibility. This needs to change if we are to preserve and build on the reforms of the past 3 years.

We are therefore proposing that a single multi-lateral body is assigned responsibility for audit standard setting, subsuming the PIOB and SSBs to become the lead multilateral agency overseeing robust global auditing standards to support securities markets. It seems to us that IOSCO and/ or IFIAR offer the greatest alignment in remits. IOSCO's mandate to promote investor protection, market integrity and financial stability is clearly highly relevant; while IFIAR provides audit inspection expertise and an investor advisory group mechanism.

Critically, both are independent of the audit profession. IOSCO's members are the securities regulators who oversee the capital markets that depend on audit quality; while IFIAR's members are national level audit regulators. Moreover, both are members of the Monitoring Group¹⁸, which IOSCO chairs; and both currently contribute funding to the PIOB. IOSCO shares office space in Madrid with the PIOB and has a track record of engagement with audit-related standards¹⁹.

Neither IOSCO or IFIAR currently have a large institutional footprint, so our proposal for either to subsume the PIOB and SSBs would require a material increase in size and a change in organisational structure (IOSCO's 2024 revenues was €7.6 million with 39 staff, IFIAR's Secretariat has 6 staff and a budget of just €1.5 million, versus a combined PIOB/IFEA operation costing approximately €20 million per year)²⁰. We propose that this is explored to provide an appropriate foundation for audit standard setting as a key international public good.

¹⁸ We note that while the Monitoring Group Chair position is formally held by an IOSCO-nominated representative, currently the individual who holds that role is an SEC official (as the SEC is an IOSCO member).

¹⁹ See for instance the Monitoring Group's initial consultation paper in November 2017 led by IOSCO titled *Strengthening the Governance and Oversight of the International Audit-Related Standard-Setting Boards in the Public Interest* (<https://www.iosco.org/library/pubdocs/pdf/IOSCOPD586.pdf>); also subsequent comment letters to the IAASB: (https://www.iosco.org/v2/publications/?subsection=iosco_comment_letters&subSection1=iaasb)

²⁰ See IOSCO's latest Annual Report (https://www.iosco.org/annual_reports/2024/pdf/annualReport2024.pdf); IFIAR's (<https://www.ifiar.org/about/publications/>) and IFEA's financial statements (<https://ifacweb.blob.core.windows.net/publicfiles/2025-11/IFEA-2024-Financial-Statements.pdf>)



Conclusion

It has long been clear to us as global investors that an independent and rigorous audit system is critical to financial market stability and efficient functioning. It underpins trust in companies' accounts, enabling investors to allocate capital with greater confidence. This, in turn, supports economic growth.

Despite its importance, the governance, accountability frameworks and standard setting processes that are needed to align auditor incentives with investors are too often neglected by investors. In this submission, we propose new standards to enhance auditors' direct accountability to investors; to strengthen governance practices in audit firms and to broaden SSB's remit to cover both.

In addition, we call for audit and ethics standard oversight to be moved out from the purview of the audit industry and housed within a public multilateral body funded by member governments (which may in turn be funded through a levy on the audit industry). We suggest that the most aligned organisations to take on this role would be either IOSCO or IFIAR. We recognise that this would require a substantial expansion in the resourcing of these entities and restructuring, but believe this would offer a more credible and sustainable long-term governance structure than the current model.

In making these proposals, we would like to stress that we are not suggesting that the audit industry should have no role in standard setting – their professional and technical expertise is of vital importance. Indeed, through these governance and standard reforms, our view is the audit industry will become more aligned with investors and the public interest. For this to be achieved, however, we must be clear about the conflicts of interest that exist in the sector, and manage them robustly.

We hope that these proposals spark a healthy debate and bold action.