

Meeting: Stakeholder Advisory Council (SAC)

Meeting Location: New York

Meeting Date: May 5–6, 2025

Agenda Item

2

Trends in the External Reporting Ecosystem – Understanding Key Opportunities and Challenges in Our Environment

Introduction

1. Identifying key trends and changes in the environment and understanding their potential implications for international standard setting will help the Standard Setting Boards (SSBs) design their approach for developing their respective Strategy and Work Plan (SWP) for 2028–2031.
2. After a short introduction of the topic by SSBs Staff, SAC Members will break into groups to share perspectives on key trends in today's external reporting ecosystem and their potential implications for the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA), as well as advice on how the SSBs may deepen their understanding of such trends as they begin developing their SWPs.
3. Please refer to the allocation of the breakout groups in the Appendix.

Trends Identified in the Accounting and Auditing Industry

4. To develop a summary of trends shaping the accounting and auditing industry in 2025 and beyond, the SSBs' Staff conducted a comprehensive review of a wide range of sources, including news and publications from jurisdictional auditing and ethics standard-setting bodies, leading financial news outlets, and industry research reports. This multi-source approach enabled the identification of recurring themes and data-supported forecasts across key areas of practice. By triangulating these insights, the summary aims to reflect both emerging innovations and the evolving expectations of stakeholders.
5. Each trend was selected for its potential impact on the accounting and auditing industry's strategic direction. To enhance practical relevance, some of the potential implications of each trend are also highlighted (see paragraphs 7–20 below). The summary is intended to provide a forward-looking, yet grounded, basis to support a meaningful and informed discussion with SAC members.
6. The discussion with the SAC on these and other trends (see questions 1–3 below) will inform the SSBs on the key trends to consider in developing their respective SWPs.

Digital Transformation and Automation

7. The accounting and auditing industry is undergoing a transformation driven by the adoption of emerging technologies such as generative Artificial Intelligence (AI), machine learning and robotic process automation. These technologies are not only streamlining workflows but also enhancing precision and reliability, reducing manual effort, and enabling more strategic decision-making. Emerging technologies also come with their own risks and challenges to be managed so to fully

realize their transformation potential, to spur industry innovation and to be accepted across different stakeholder groups.

8. Potential impacts from this trend, include:

- **Increased AI Investment:** Accounting firms will continue to embrace and invest in AI and other related technologies.
- **Increased Investment in Data Centers and Energy Infrastructure:** Demand for data centers and the power needs of data centers are expected to grow due to adoption of AI technologies.
- **Shift in Value-added work:** Traditionally, value added work came from human labor, but because of emerging technologies like AI this will change. For example, advanced automation software is handling repetitive tasks like reconciling accounts, processing invoices, and payroll.
- **Higher Reliance on Technology:** Technology is being increasingly relied on because of its capabilities, for example, predictive analytics help accountants forecast financial trends with precision and enhanced fraud detection tools help identify anomalies and better protect businesses from financial risks. There also is a risk of automation bias that can lead to overreliance on technology.
- **Quality Control in Audits:** Advanced technologies like generative AI are being leveraged for internal quality control checks. This technological integration aids in identifying potential errors or inconsistencies in audits, thereby improving their overall quality and reliability.
- **Ethical Implications:** Ongoing changes in technology will continue to raise ethical issues related to, for example, professional competence and due care, objectivity and confidentiality.

Digital Assets and Institutionalization of Digital Assets

9. Digital assets including cryptocurrencies have become more popular and their institutionalization is accelerating. For example, in the United States spot Bitcoin exchange-traded funds were approved by the Securities and Exchange Commission in early 2024, enabling traditional investors (e.g., pension funds) to more readily invest in Bitcoins.

10. Potential impacts from this trend, include:

- **Regulatory Environment to Evolve:** Regulation varies by jurisdictions, but the overall direction is likely to move towards clearer and more mature frameworks. In addition, demand will grow for digital assets to be regulatory compliant.
- **Investment in Digital Assets to Grow:** Institutional investors will increase their investments in digital assets.

Environmental, Social and Governance (ESG) Reporting and Assurance

11. ESG reporting is becoming a critical component of corporate transparency. Stakeholders, including investors and regulators, are demanding more comprehensive and reliable ESG disclosures.

12. Potential impacts from this trend are:

- **Increased Demand for ESG Reporting:** Companies will face growing pressure to provide ESG disclosures and users of ESG disclosures will demand assurance to enhance their confidence about the disclosures.
- **Role of Accountants in ESG:** Accountants will continue to play a crucial role in developing data collection processes, ensuring the relevance and reliability of ESG reports, and enhancing communication with stakeholders.
- **Regulatory Changes:** The regulatory landscape for ESG reporting will continue to evolve, with potential amendments to existing regulations and the introduction of new standards. See Session 4 of the SAC Agenda on the topic of “Deregulation and its Potential Implications for Sustainability and other International Standards”.

Talent Shortage and Upskilling

13. The accounting and auditing industry is facing a significant talent shortage, particularly among younger generations, driven by perceptions of the industry as less dynamic and the allure of alternative career paths.
14. Potential impacts from this trend include:
 - **Educational Reforms:** Industry leaders are advocating for changes in educational requirements.
 - **Upskilling Initiatives:** Firms will increasingly invest in upskilling programs to retain existing talent and attract new professionals by offering training in, for example, emerging technologies and soft skills.

Regulatory Changes

15. The accounting and auditing industry is navigating a complex regulatory environment, with ongoing changes. On the one hand, these changes are driven by the need for market stability and to prevent economic disruptions caused by corporate failures. On the other hand, there is a trend towards reducing regulatory burdens and streamlining processes to foster innovation and economic growth (see Session 4 of the SAC Agenda on the topic of “Deregulation and its Potential Implications for Sustainability and other International Standards”).
16. The potential impacts from this trend may be different in each jurisdiction. For example:
 - In the United States, the Trump Administration is expected to continue efforts to reduce federal regulations, potentially easing oversight in certain sectors.
 - In the United Kingdom, the establishment of the Audit, Reporting and Governance Authority aims to strengthen regulatory oversight and corporate governance.

Cybersecurity and Information Technology (IT) Audits

17. With increasing cyber threats, accountants are focusing on IT controls, data security, cybersecurity, cloud security to protect sensitive financial information. A dynamic regulatory environment increases complexity, scrutiny and pressure.

18. Potential impacts from this trend include:

- **Increased Focus on Cybersecurity:** Accountants will need to prioritize cybersecurity measures, implementing robust security protocols and staying updated on best practices to protect financial data.
- **Regulatory Complexity:** The dynamic regulatory environment will increase the demand for and complexity of IT audits or similar assurance services, requiring auditors to be adaptable and responsive.

Private Equity and Venture Capital Investments

19. Private equity and venture capital firms are increasingly investing in audit firms, driving growth and technological innovation but raising concerns about auditor independence as well as their internal culture.

20. Potential impacts from this trend include:

- **Increased Private Equity Involvement:** For example, it has been reported that by the end of 2025, more than half of the largest 30 United States accounting firms will have either sold an ownership stake or part of their business to private-equity investors, up from zero in 2020.
- **Impact on Ethics and Auditor Independence:** The impact of private equity investments on an accounting firm's ownership structure may have implications for auditor independence as well as the ethical culture within the firm.
- **Regulatory Updates:** Some regulators and standard setters are closely monitoring audit quality with respect to firms that have received private equity investments, and may consider updating their independence rules to address the growing role of private equity in accounting firms.

Other Trends in the Global Landscape

21. SSBs Staff recognizes that trends outside the accounting and auditing industry may have an impact on the industry as well. Therefore, SSBs Staff have included below some major trends that were identified based on agendas of recent G20 summits:

- **Geopolitical Multipolarity:** There is a shift toward a more multipolar world order, with greater inclusion of voices from developing countries. Also, there are calls to reform global institutions (e.g., United Nations, International Monetary Fund and the World Bank) to amplify developing countries' representation.
- **Fairer Global Tax Systems:** There are stronger calls to reform international tax rules so that corporations and the ultra-wealthy pay their fair share globally.
- **Climate Change and Energy Transition:** Even though some jurisdictions are backtracking from the Paris agreements, climate change and the push for green transitions are still an important topic as the world faces more frequent extreme weather events and the urgent need to meet international climate goals.

- *Digital Transformation and Data Governance*: It has been recognized that the rapid digital transformation can drive economic growth while, on the other hand, it also creates challenges. For example, there is a need to emphasize the importance of building digital public infrastructure and establishing norms for data governance (such as standards for cross-border data flows and data privacy) to balance innovation with trust and security.
- *Geopolitical Tensions*: Recent major conflicts and crises have had a significant impact on global stability. Examples include the war in Ukraine and recent trade wars. In addition, there is a move away from globalism toward a more national focus.
- *Inequality*: In the context of post-pandemic supply chain shocks and cost-of-living increases, there is increased emphasis on reducing inequality to ensure progress reaches poorer nations and marginalized communities sooner.
- *Global Health Preparedness*: In the wake of COVID-19, global health preparedness has been on the rise with a focus on strengthening health systems against future pandemics.

1. *In your view, what are the key trends in the external reporting ecosystem and the environment in which professional accountants operate, and why?*¹
2. *What are the potential implications of these trends on the SSBs' global standard-setting work?*
3. *How could the SSBs best position themselves in navigating these trends?*

Strategy Development

22. IAASB and IESBA periodically set their SWPs to guide their work during a certain period. The current SWPs for the IAASB and IESBA are for 2024–2027.^{2 3} The SSBs will start working on their respective SWPs for 2028–2031 later this year.
23. As a first step in developing their SWPs, the SSBs will conduct surveys to obtain general input from stakeholders. In addition, the SSBs will discuss the development of their SWPs with key stakeholders as part of their general outreach programs, including joint engagements with stakeholders.
24. Based on this information gathering, the SSBs will commence developing their respective SWPs on which they will consult publicly through a consultation paper process and additional stakeholder outreach. The feedback received will provide the basis for the two Boards' separate and joint deliberations in finalizing, in the second half of 2027, their SWPs for 2028–2031.

¹ You may refer to the trends highlighted in paragraphs 7-21 above or other trends you believe are relevant.

² IAASB's SWP for 2024–2027: <https://www.iaasb.org/publications/elevating-trust-audit-and-assurance-iaasb-s-strategy-and-work-plan-2024-2027>

³ IESBA's SWP for 2024–2027: <https://www.ethicsboard.org/publications/towards-more-sustainable-future-advancing-centrality-ethics>

4. *To further develop our understanding of the key trends to inform the development of the SSBs' strategies and work plans:*
- *What else do we need to consider?*
 - *Who should we engage with?*

Way Forward

25. The SSBs will start working on their SWPs for 2028-2031 later this year and the surveys on the SWPs will be published in early 2026.

Material Presented

Agenda Item 2-A Presentation: Trends in the External Reporting Ecosystem

Appendix

Break-Out Group Allocations⁴

	SAC Member	Organization
Break-Out Group 1 (Orange Room)		
1.	Alan Johnson	SAC Chair
2.	Chikako Matsumoto	Sumitomo Mitsui Trust Bank
3.	Javier de Frutos	European Federation of Financial Analysts' Societies
4.	Koichiro Kuramochi	Japan Financial Services Agency
5.	Nicole Ratzinger-Sakel	University of Hamburg
6.	Iheanyi Anyahara	Financial Reporting Council of Nigeria
7.	Jennifer Haskell	Deloitte
8.	<i>Nana Li</i>	<i>Impax Asset Management</i>
9.	<i>Conchita Manabat</i>	<i>International Association of Financial Executives Institutes</i>
10.	<i>Ashley Rangel</i>	<i>United States Office of the Comptroller of the Currency</i>
Break-Out Group 2 (Green Room)		
1.	Doug Niven	Australian Auditing and Assurance Standards Board
2.	Abdelilah Belatik	General Council for Islamic Banks and Financial Institutions
3.	Hilde Blomme	Accountancy Europe
4.	Steven Lipiner	Pacific Investment Management Company
5.	Toshimitsu Suzuki	Daiwa Institute of Research Ltd.
6.	Vicki Myburgh	PwC
7.	Monica Foerster	Confidor

⁴ Virtual attendees are in italic

	SAC Member	Organization
8.	Claes Norberg	FAR
9.	Natasha Landell-Mills	Sarasin & Partners
10.	Bello Lawal Danbatta	Accounting and Auditing Board of Accounting and Auditing Organisation for Islamic Financial Institutions
11.	<i>Isabelle Grauer-Gaynor</i>	<i>European Securities and Markets Authority</i>
Break-Out Group 3 (Committee Room)		
1.	Nikolaos Papadimos	Hellenic Accounting and Auditing Standards Oversight Board
2.	Duane DesParte	EY
3.	Dr. Jianhua Tang	Chinese Institute of Certified Public Accountants
4.	Susan Coffey	United States Association of International Certified Professional Accountants
5.	Ivanyra Correia	Board Member and Finance Executive (Brazil)
6.	George Kabwe	International Monetary Fund
7.	James Ferris	United Kingdom Financial Reporting Council
8.	<i>Jose Esposito</i>	<i>Banco de Credito del Peru / Credicorp Ltd</i>
9.	<i>Hina Usmani</i>	<i>Usmani & Co.</i>
10.	<i>David Correia</i>	<i>Office of the Superintendent of Financial Institutions (Canada)</i>