

BEYOND PRIVATE EQUITY: THIRD-PARTY OWNERSHIP IN THE ACCOUNTANCY AND AUDIT SECTOR

Risk and opportunities

Information paper

FACTS.

**PROFESSIONAL MATTERS
NOVEMBER 2025**

HIGHLIGHTS

This paper explores how third-party ownership, including Private Equity is reshaping the European accountancy and audit sector. Building on Accountancy Europe's June 2025 publication on private equity investments, it analyses the broader landscape of external capital participation.

This publication analyses and highlight both risks (such as quality, independence, governance) and opportunities (including innovation, investment and growth). It also examines the motivations driving third-party ownership investors to enter the accountancy and audit market, and why parts of the profession are increasingly open to this evolution.

Drawing on stakeholder input, public data, and regulatory insights, the paper maps how ownership models are evolving and seeks to help stakeholders balance the drive for modernisation with the need to preserve professional ethics and public trust.



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INTRODUCTION

The accountancy, and especially the audit profession, has long been structured by partnership models, professional self-governance, and gradual growth. These features have contributed to safeguarding independence, professional judgment and public trust.

Over the past decade, firms have faced significant shifts in their environment by digitalisation, new technologies, new service demands, and intensifying competition have required greater investment. Third party investors, especially private equity (PE) but not only, have recognised the profession's stable revenues and growth potential, resulting in a surge of PE transactions across Europe.

Our paper "[Private Equity investment in accountancy firms – 2015 to 2025](#)" (June 2025), maps these developments. It provides an overview of transactions that have occurred in Europe over the last 10 years until today. The publication offers a factual baseline on the scale and nature of PE investment in the accountancy sector.

OBJECTIVE

This second paper moves the discussion forward. It analyses the structure, risks and opportunities associated with third-party ownership in accountancy and audit firms. External capital can accelerate innovation, improve resilience and expand client service offerings. However, it also raises important considerations around governance, organisational culture, professional judgment, and market dynamics. Our paper explores these dynamics and aims to inform the debate on how third-party ownership may shape the future of the profession, and the safeguards or adjustments needed to balance innovation with public interest.

Accountancy Europe takes a neutral position in this debate: we provide evidence, highlight perspectives, and support informed policy discussions.

OWNERSHIP EVOLUTION IN THE AUDIT SECTOR – HISTORICAL OVERVIEW

From early days, nearly all professional accountancy firms were structured as partnerships, with practicing professionals as both owners and managers. Firms were often small and those providing accounting or taxation services and signing audit reports were also personally invested in the firm's reputation and performance. This design ensured accountability and independence. This model dates back well into the nineteenth century, although specific early days are not always documented.

As economies expanded and firms merged during the 20th century, partnership-based accountancy practices increasingly formed international networks. A [network](#) consists of distinct firms, usually organised as legally separate, independently owned entities at the national level, linked by shared quality standards, methodologies, brand and strategy, rather than as a single centrally owned legal entity.

It is important to distinguish between accountancy firms that provide audit services and those that do not. Firms offering only non-audit services, such as bookkeeping, tax compliance, payroll, and advisory work, are generally subject only to national company law requirements. In most jurisdictions, this means their ownership is open to a broad range of investors, with limited or no restrictions for their professional qualifications.

REGULATORY CHANGES

For audit firms, major corporate failures in the USA and Europe in early 2000s prompted the EU to strengthen the rules. The EU issued the Statutory [Audit Directive 2006/43/EC](#) to harmonise rules on statutory audit across all Member States. It introduced minimum requirements for approval, registration, independence, and oversight of statutory auditors and audit firms.

A part of the Directive focused on control and governance provisions:

- majority voting rights in an audit firm had to be held by statutory auditors or audit firms approved in an EU Member State.
- board/management composition also had to reflect auditor control: a majority of members of the administrative or management body had to be auditors.

After the 2008 financial crisis and subsequent concerns about auditors' role in corporate failures, the EU revisited the framework. [Directive 2014/56/EU](#) amended the 2006 Directive to reinforce independence and enhance public confidence.

Key changes included:

- tighter approval and registration rules for auditors across borders, strengthening consistency in the internal market.
- reinforced public oversight: Member States had to designate a single public oversight body, independent of the profession, responsible for approval, registration, quality assurance, inspections, and investigations.

The auditor-majority control principle was maintained. [Directive 2014/56/EU](#) was adopted alongside [Regulation 2014/537/EU](#), which applied specifically to audits of public-interest entities (PIEs). Together, they form the "EU audit reform package." While the Regulation addressed matters like mandatory audit firm rotation, periodic tenders and non-audit service restrictions, the Directive ensured that structural control rules remained unchanged, preserving audit firms' professional foundation.

THIRD-PARTY OWNERSHIP TYPES IN THE ACCOUNTANCY AND AUDIT SECTOR

PRIVATE EQUITY

There is a growing trend of PE ownership in accountancy and audit sectors. These transactions typically occur when external investors, such as PE funds, acquire minority or majority ownership to provide capital for growth, technology investment, or geographic expansion. Unlike partnership models, ownership in PE-backed firms includes investors from outside the profession, while professional accountants and/or auditors continue to deliver the firm's services.

Our paper "[Private Equity investment in accountancy firms – 2015 to 2025](#)" (June 2025) showed that PE activity in the European accountancy sector, which typically ranged from 10 to 20 transactions a year, surged from 2023 onward. Approximately 100 transactions were recorded in 2023, rising to 200 in 2024, a trend continuing in 2025 with more big network names being backed by PE.

EU rules require that audit firms have a majority of voting rights held by statutory auditors or audit firms (or persons meeting equivalent qualification conditions), and that a majority of seats on the management or administrative board (up to 75%) are held by similarly qualified persons/firms (Article 3(4) Audit Directive). Roughly 60% of PE transactions focus on accounting, tax, and advisory firms, the remaining 40% involve firms also offering audit and assurance services. This suggests that EU ownership restrictions may influence but not prevent third party investor participation in the audit sector. Within this 40%, only a small number of firms also perform PIE audits.

While we have outlined the models and strategies that PE investors typically use in the accountancy and audit sector in our [June 2025 paper](#), we have not addressed the question of governance. Governance becomes a central issue whenever third-party ownership is involved, and this paper will cover this topic in the following section.

For accountancy firms providing accounting, tax, payroll, or advisory but no audit services, PE ownership is generally more straightforward, as there are no EU-wide restrictions and governance requirements vary by country. In practice, national rules tend to be less strict than those applied to statutory audit firms. By contrast, statutory audit firms in the EU, as well as in the UK, face specific legal constraints: they must have majority voting rights by qualified auditors. To comply, third party investors, including PE, usually structure their involvement in ways that separate audit and non-audit activities.

PRIVATE EQUITY FIRM STRUCTURE

A PE fund ordinarily invests in an accountancy and audit firm that undergoes legal restructuring into two distinct entities: an audit firm and a non-audit firm. The non-audit firm usually provides professional services and resources to the audit firm under an administrative services agreement (ASA).

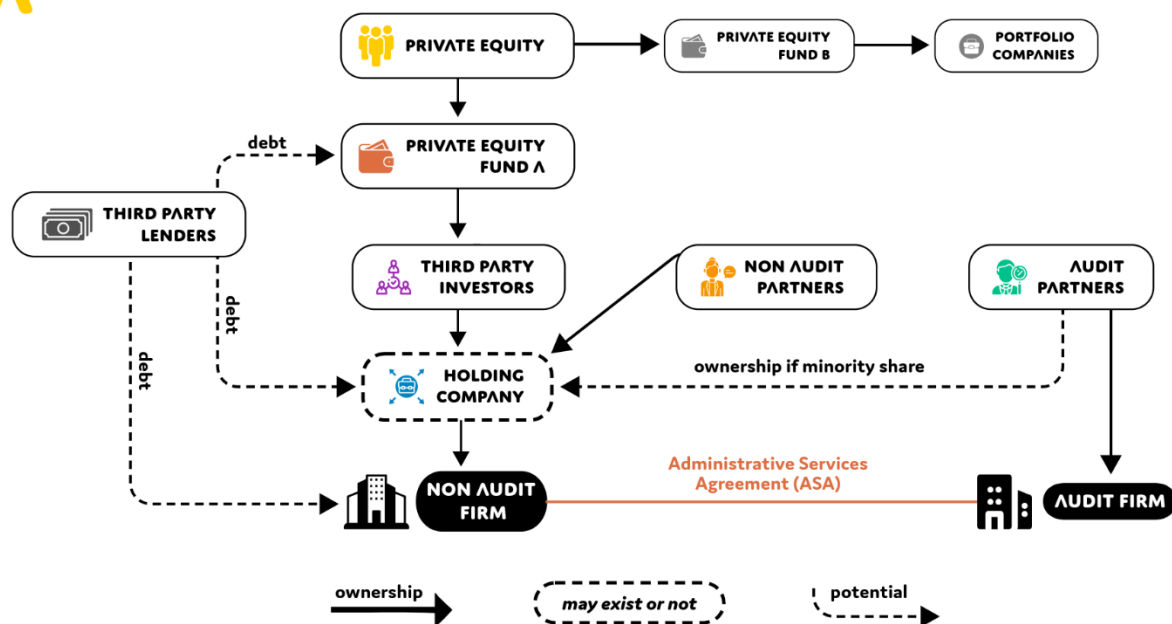
Ownership and control models

PE sometimes create holding company(s) to control these entities.

- When PE holds a minority stake, audit partners can be part of the holding company.
- When PE ownership exceeds 50%, EU and UK laws require statutory audit firms to remain majority-controlled by qualified auditors, which restricts direct ownership or management by external investors. As a result, the audit firm must remain outside the PE holding structure so that audit partners retain the required majority control.

Holding companies can serve several purposes, for example, to facilitate acquisition debt or to accommodate co-investors who prefer not to sign the main purchase agreement, requiring additional corporate layers.

PRIVATE EQUITY FIRM STRUCTURE



Administrative services agreement (ASA)

ASAs have emerged as a practical mechanism to enable PE participation. Under this model, PE investors establish or acquire a separate non-audit entity that provides centralised support services (IT, HR, marketing, back-office, etc.) to the audit firm.

In principle, ASAs can help draw a clear line between audit activities and other operations, ensuring that professional obligations remain intact. However, it is unclear whether such agreements always achieve the intended balance, or whether they may allow influence that could compromise auditor independence in practice.

Independence and ethical considerations

When audit and non-audit entities are part of the same network, the audit firm must first and foremost remain independent from its audit clients. Governance rules also require that the non-audit firm, when part of the same network as the audit firm, must remain independent from those same clients, in line with the IESBA Code of Ethics. They must ensure that any service provided does not create conflicts with the audit firm's responsibilities or impair its independence.

Alternative practice structure (APS)

In our paper [“Private Equity investment in accountancy firms – 2015 to 2025”](#) (June 2025) we explained that PE transactions often involve leverage and third-party debt financing. External lenders typically provide the debt which can flow to the holding company, directly to the non-audit firm, or to the PE fund itself. In the U.S., accounting firms often use Alternative Practice Structure (APS) to separate the audit practice from other consulting or tax services to comply with independence and ownership rules similar to this model.

PLATFORM-BASED MODEL

Another way PE investors participate in the accountancy and audit sector is through the platform-based model. In this structure, PE investors establish or acquire a holding or service company that owns the brand, technology platforms, and intellectual property used by a network of independent professional firms.

Each local firm remains legally separate, retaining its own ownership, name, audit or professional services licenses, as well as professional responsibilities and clients, while operating ‘in the background’ under a shared brand and governance framework. The central company provides support services such as IT, HR, marketing,

training, and quality management, and generate revenues through service agreements paid by the member firms.

These governance models can be relevant for other third-party investors as well.

ANTI-MONEY LAUNDERING OBLIGATIONS AND TRANSPARENCY REQUIREMENTS

Under the EU Anti-Money Laundering (AML) framework, PE firms are not automatically considered obliged entities. They fall within the scope of the AML Regulation only if they conduct activities explicitly listed in [Article 3\(1\)](#) such as:

- acting as alternative investment fund managers (AIFMs)
- undertakings for Collective Investment in Transferable Securities (UCITS)
- trust and company service providers (TCSPs)

A PE firm that is structured as an AIF (alternative investment fund) or managed by an AIFM is an obliged entity because the AIFM itself is subject to AML under [Article 3\(1\)\(b\)](#) of the AML regulation. However, the portfolio companies in which the PE firm invests are not obliged entities unless they independently fall under one of the categories in Article 3(1).

The AML framework does not prohibit investing in a particular sector. They require that the AIFM / PE manager: conducts customer due diligence (CDD) on investors and counterparties, identifies beneficial owners of investors, and reports suspicious activity where applicable. These obligations increase transparency but do not prevent legitimate investments in any sector.

Additionally, all legal entities established within the EU, including PE structures, must comply with beneficial ownership disclosure obligations. This ensures that the natural persons who ultimately own or control an entity are identifiable in central registers, thereby enhancing transparency and accountability across the financial system.

PUBLIC LISTING

Public listing through an Initial Public Offering (IPO) is another form of third-party ownership. In this model, firms' shares are offered on a stock exchange, allowing external investors, who are not professional accountants or auditors, to become shareholders. Unlike traditional partnership structures, ownership is spread among public shareholders, while qualified professionals continue to manage and deliver services.

A recent and prominent example is [MHA](#) in the United Kingdom. [In April 2025](#), MHA, part of the Baker Tilly International network, listed on the London Stock Exchange's [Alternative Investment Market \(AIM\)](#). The IPO rose to approximately £98 million, giving the firm a market capitalisation of £271 million. The listing included MHA's tax, and advisory businesses, structured under the listed group with the audit practice ([MHA Audit Services LLP](#)) remaining operationally independent in line with regulatory requirements.

This model remains relatively rare in Europe, particularly for statutory audit firms, due to regulatory requirements that restrict non-professional ownership.

STAFF OWNERSHIP MODELS

Staff ownership arises when an accountancy or audit firm extends equity ownership to a broader group of employees beyond traditional partners. Ownership is distributed through employee share structures such as share schemes, trusts, cooperatives, or contractual arrangements, instead of limiting equity to senior professionals. In this model, professional staff holds a financial stake, while strategic control often remains with founders or senior leadership.

This approach is conceptually similar to [Management Incentive Plans \(MIPs\)](#) commonly used in private equity investments, where management and key staff are granted equity participation to align their interests with those of the owners or investors.

[In August 2023](#), BDO USA, the sixth-largest accounting firm in the United States, announced an Employee Stock Ownership Plan (ESOP), marking a shift away from the traditional partnership model. BDO's approach is distinctive: it is a leveraged ESOP financed through external private credit, making it structurally closer to a leveraged buyout (LBO) than to typical, internally funded ESOPs.

Earlier adopters include KSM (2016) and [Grassi \(2023\)](#), both top U.S. firms and [PrimeGlobal](#) members, which implemented ESOPs mainly to preserve independence by preventing external ownership or private equity participation.

In Europe, staff ownership via ESOPs has not yet become widespread in the accountancy and audit sector. However, employee ownership models are beginning to emerge. In the Netherlands, [AAFE](#), formed in 2024 through the merger of Alfa and ABAB, is now 100% employee owned. Ownership is structured through certificates administered by a [STAK \(trust/foundation\)](#), enabling collective control while maintaining governance stability.

An innovative example also exists in Ireland, where [ifac](#), a top 10 firm with around 500 staff, operates as a co-operative owned by its clients.

FAMILY OWNERSHIP MODELS

While the accountancy and audit sector in Europe has historically relied on partnership structures owned and managed by practicing professionals, some firms operate under non-professional ownership models, including family ownership.

These models typically emerge when accountancy firms are founded and expanded as family businesses or are integrated into larger diversified service groups. Unlike partnership models, ownership is concentrated in the hands of founders or family shareholders, with professional accountants employed as staff or managers rather than equity partners.

Such ownership arrangements are more common in the broader accounting and corporate services field than in statutory audit firms, due to EU regulatory requirements that generally require majority voting rights by professionals.

[Fiducial](#) provides a good example of how ownership structures in the accountancy sector can diverge from the traditional partnership model. Although its origins are rooted in the profession, Fiducial has developed into a big family-owned firm. Control is concentrated by the family through private holding companies.

[Auxadi](#) in Spain offers a variation on this theme. Established in 1979 by the Salamanca family, Auxadi began as a family-owned provider of accounting, tax and payroll services. [In 2020](#), the UK PE fund Inflexion acquired a minority stake.

WHAT ATTRACTS THIRD PARTY INVESTORS TO THE ACCOUNTANCY AND AUDIT SECTOR?

Based on our research and publicly available information, we have identified the most significant factors driving this trend from both third-party owners and accountancy firms' perspectives.

HIGH CLIENT RETENTION, STABLE AND PREDICTABLE CASH FLOWS

Accountancy firms generally benefit from very high client retention rates, often exceeding 85% annually¹. The long-term nature of professional relationships in areas such as statutory reporting, tax compliance, payroll processing, and audit is what drives this loyalty.

¹ Based on [Gitnux data](#).

Accountancy firms typically generate steady and recurring revenue streams linked to long-term client relationships, particularly in areas such as tax compliance, payroll, accounting services and audit. In several EU countries, audit engagements have a legal mandate of 3 to 6 years, creating predictable income and stable cash flows; compared to many other professional services.

Third-party investors highly value this revenue profile. Because these revenues are both recurring and predictable, investors view them as a solid basis for managing commitments and servicing debt used to finance the transaction.² It also gives investors a “base value” if things go wrong in the business’ advisory side. This is attractive to PE investors by comparison to other sectors where the “base value” is often nil.

MARKET FRAGMENTATION AND BUY AND BUILD APPROACH

The accountancy sector in many European markets remains fragmented, composed of thousands of small and medium-sized firms. This fragmentation presents an opportunity for consolidation. Third party investors and PE firms often employ a “buy-and-build” strategy, acquiring a platform firm and integrating smaller firms to create a larger, more competitive group. This strategy can deliver synergies, economies of scale and operational efficiencies, making the investment more valuable. By consolidating, firms can also serve larger mid-market clients, enhancing their market relevance and potential valuation for a future exit.

A further driver of value creation is [multiple arbitrage](#): smaller firms are acquired at lower valuation multiples and then valued at the higher multiple of the combined group, thereby creating value through financial structuring. One of the best examples of “buy and build” is [Waterland](#), which over the past 5 years has heavily invested in accountancy and audit firms throughout Europe.

STRONG GROWTH POTENTIAL

Rising client demands, new compliance obligations, and market consolidation have powered growth in the accountancy sector. In Ireland and the UK, the profession’s total GDP contribution grew by [39% between 2017 and 2022](#), or 22% in real terms when adjusted for inflation. New service areas such as sustainability reporting, digitalisation, and data-driven advisory also reinforce growth prospects.

REPUTATION OF THE ACCOUNTANCY AND AUDIT SECTOR

Another factor that attracts third-party investors is the reputation of the audit and professional services sector itself. The profession is generally perceived as respected, reliable, and resilient, with established brands, strong client relationships, and steady demand driven partly by regulatory requirements. This combination of credibility and relative predictability, as well as the profession’s reputation for trustworthiness and stability, makes accountancy and audit firms appealing investment targets compared to other industries.

WHY DO ACCOUNTANCY FIRMS ENGAGE WITH THIRD PARTY OWNERS?

External funding can act as a catalyst for strategic growth. Many firms recognise that they need to achieve greater scale, create opportunities for career progression, retain key people, and broaden service offerings to fully leverage their advisory talent and remain competitive.

ACCESS TO CAPITAL FOR GROWTH AND EXPANSION

Most accountancy firms in Europe remain organised as partnerships, which limits their access to external equity. Traditional reliance on partner contributions or bank financing constrains firms’ capacity to invest in technology,

² In previous paper, [Private Equity investment in accountancy firms – 2015 to 2025](#) we analysed the use of leverage in PE investment.

scale-up internationally, or consolidate. In this context, third-party investment offers one of the few viable ways to access substantial capital, making it a powerful enabler of growth and expansion.

OPERATIONAL AND MANAGEMENT EXPERTISE

Third party investors typically bring experienced executives and operational expertise to their portfolio companies. This outside perspective can be a game-changer for many accountancy firms, especially those with a traditional partnership model. Third party investors' management can help improve decision-making processes and introduce new key performance indicators (KPIs) to monitor performance more effectively. They drive efficiencies in practice management and extract maximum benefit from technology investments. In many cases, this results in more streamlined operations, improved profitability, and better strategic clarity.

SUCCESSION PLANNING AND OWNERSHIP

A growing number of accountancy firms in Europe face challenges related to leadership succession and partner retirement. In traditional partnership structures, the financial requirements to buy into the firm or buy out retiring partners can be prohibitively high, especially when partner shares are structured to increase in value over time. This appreciation model, while rewarding for outgoing partners, creates a heavy financial burden for younger professionals who wish to step into ownership roles.

PE investors, for example, can offer a solution to succession and ownership challenges. By providing external capital, they can help fund partner exits, ease the financial pressure on incoming professionals, and ensure smoother transitions. In some cases, PE investment has also been linked to addressing retired partner pension liabilities that had not been fully funded.

RISKS LINKED TO THIRD PARTY OWNERSHIP IN THE ACCOUNTANCY AND AUDIT SECTOR

REGULATORY RISK AND EARLY ENGAGEMENT

Third-party ownership in accountancy and audit firms inevitably raises regulatory concerns, given the profession's public-interest role. A real risk for firms is regulatory scrutiny if such ownership structures are introduced without transparency or dialogue.

This has already been highlighted in the UK and the Netherlands, where both the UK [Financial Reporting Council \(FRC\)](#) and the [Dutch Authority for the Financial Markets \(AFM\)](#) publicly recommended that firms engage with them before entering into PE transactions, to safeguard audit quality, independence, and the profession's integrity.

Beyond regulatory engagement, some professional accountancy organisations (PAOs) have also developed resources to support their members considering third-party ownership, including tools such as - checklists.

QUALITY

A key concern with third party ownership in the accountancy and audit sector is the risk of undermining professional quality. Accountancy services rely on technical expertise, ethical standards, and long-term client relationships, all of which may come under pressure if short-term financial targets dominate.

This concern is even more pronounced in audit, a regulated public-interest activity requiring professional scepticism, independence, and a sustained commitment to quality. PE investors typically operate on short investment horizons, often aiming to maximise returns within three to seven years to increase the firm value and sell it for a higher price.

The pressure to deliver high financial returns may encourage cost-cutting, aggressive fee negotiations, or rapid expansion strategies that strain resources and staff capacity. In such circumstances, profitability could take

precedence over the rigorous processes, resources and professional judgement required to maintain audit quality.

The [Institute of Chartered Accounts of Scotland \(ICAS\)](#) has urged for a comprehensive review of audit firm ownership rules, stressing that PE involvement, without proper safeguards, poses a threat to auditor independence and long-term trust. They call for an ownership framework that preserves the public interest mandate of the audit profession.

It has been reported that the UK Financial Reporting Council (FRC) has upgraded its risk assessment of PE involvement in audit firms from “medium” to “high”.³ In its [communication](#) on external private capital (2024), the FRC raised concerns that short-term profit pressures and ownership changes could undermine audit quality, independence, and long-term resilience. The FRC also emphasised the importance of early engagement between firms and regulators to safeguard the public interest.

The Dutch Authority for Financial Markets (AFM), in its [2025 Private Equity in the Auditing Industry report](#), noted that PE-backed non-PIE audit firms now represent about 30% of the market share in the Netherlands. The AFM raised concerns that commercial incentives may threaten audit quality and independence and emphasised the need for internal safeguards and regulatory oversight to preserve the public interest.

Chartered Accountants Ireland published “[The Secret to Successful Private Equity Deals](#)” providing practical guidance to management teams contemplating PE-backed buyouts, with advice on deal terms, benchmarking and preparation.

ETHICAL ISSUES

The concerns raised about quality, such as those highlighted by the AFM, the FRC, and ICAS, are often closely linked to ethical considerations. The question of independence is crucial for audit, while broader ethical principles apply across all areas of the accountancy profession.

Ethics form the foundation of the accountancy profession. Regardless of the service provided, professionals are expected to uphold principles such as integrity, objectivity, professional competence, due care, confidentiality and independence in audit. These ethical obligations are not only central to the professional code of conduct, such as [IESBA ethics code](#), but also underpin the trust that clients, investors, and the wider public place in the profession.

When third-party investors become involved in ownership, these ethical expectations remain unchanged. Yet the commercial pressures introduced by external capital may create tensions in how they are applied in practice.

POTENTIAL CONFLICT OF INTEREST IN AUDIT FIRMS

Third-party ownership in accountancy firms could create significant conflicts of interest, as most investors are fundamentally motivated by financial returns rather than by the profession’s public-interest obligations. PE funds generally operate on three to seven-year investment horizons, which is longer than the annual cycles typical of audit partnerships. However, their focus on maximising returns and planning for exit strategies may still diverge from the audit profession’s long-term commitment to independence and public confidence.

Conflicts can arise in several ways. For example, if an audit firm partly owned by a PE investor also audits (or provides assurance services to), one of the fund’s portfolio companies, this creates a potential threat to independence. The challenge is compounded by the dynamic nature of PE portfolios. Portfolio compositions change frequently, as companies are acquired, merged, or divested which could make it difficult for accountancy firms, PE firms and regulators to consistently track and manage potential conflicts.

Without rigorous monitoring systems, there is a risk that conflicts may go unnoticed, undermining not only the integrity of the audit process but also the firm’s broader independence. Robust conflict-identification

³ Based on [FnLondon.com](#)

mechanisms are equally important for detecting other potential conflicts, such as simultaneously acting for a buyer and a seller in a transaction, or representing both sides in a dispute.

While the IESBA Code does not specifically address circumstances involving external investment, regulators have indicated that firms should proactively inform and consult with them before entering such arrangements. Firms are generally expected to demonstrate how they will uphold the Code's fundamental principles—typically by avoiding audits of other companies within the same PE fund, refraining from joint service provisions or client referrals with the investor, and ensuring that independence risks are properly assessed and mitigated.

DIFFERENT WORKING CULTURE

Accountancy firms and PE firms often have different working cultures, which can create challenges. The ICAEW report [“Evolution of Mid-Tier accountancy firms 2025”](#) found that 80% of independent firms cited cultural and ethical alignment as a key reason for not pursuing PE investment. Many firms seek to mitigate this risk by seeking the right investor which best fits with their firm and the firm's needs and aspirations.

The cultural differences can lead to tensions in decision-making. PE investors may prioritise aggressive growth targets, cost efficiency, or expansion into new service lines. By contrast, partners and professionals tend to be more cautious, prioritising regulatory compliance, maintaining professional standards, and safeguarding the quality of services delivered.

ENGAGING EXTERNAL ADVICE AND EXPERTISE

Another consideration is involving the right external experts when accountancy firms engage with PE or other third-party investors. Legal, financial, merger & acquisition and governance specialists are critical in structuring transactions, ensuring regulatory compliance, and safeguarding professional obligations.

Clear and legally sound contractual arrangements are equally important. A robust shareholder agreement with the investor, and a service agreement between the audit and non-audit parts of the business, are essential. These agreements should not only address the entry into the transaction but also provide clarity for the ongoing relationship and potential exit. This is particularly relevant given that accountancy firms often have little or no say in the choice of exit strategy or the future purchaser, which can create significant risks for continuity, independence, and professional integrity.

IMPACT ON THE AUDIT MARKET

Firms backed by external investors, particularly PE, often prioritise higher-margin advisory or mid-market assurance work. This can lead to increased risk aversion, with firms stepping back from audits of PIEs that are complex, heavily regulated and higher risk for reputational damage if something would go wrong.

If third-party ownership were to dominate the sector, a structural imbalance could develop, with capacity concentrated in certain segments of the market while others, at both the larger and smaller ends of the market spectrum, become underserved. This could eventually require regulatory intervention to maintain competition and protect audit quality.

EXIT STRATEGY FOR PRIVATE EQUITY

PE investments typically operate within a defined time horizon, often aiming for an exit within three to seven years. Several potential exit routes can materialise for accountancy firms, including secondary sales to other PE firms, trade sales to larger accountancy or consulting networks, long-term passive investors like pension funds and, in rarer cases, initial public offerings (IPOs).

Accountancy firms are an appealing target for value creation and profitable exits through the sector's combination of recurring revenues, profitable businesses, operational efficiency gains, and consolidation opportunities. However, based on current evidence, there have been very few actual exits to date, and most of those have been sales to other PE investors rather than to strategic buyers or listings on public markets.



This reflects the fact that large-scale PE investment in the accountancy sector is a relatively recent phenomenon. Many investments made over the past five years have not yet reached their exit phase. As a result, the full range of viable exit strategies remains largely untested, creating uncertainty for firms, professionals, and regulators alike. The coming years will provide greater insights into how these investments perform over the long term and how investors ultimately choose to realise returns.

A further concern is that once PE investors acquire a significant or controlling stake, the choice of the exit route rests primarily with them, not with the accountancy firm's partners. This lack of influence over who ultimately acquires the firm, and on what terms, represents a significant risk that firms must carefully weigh before entering into third-party ownership arrangements.

A good practice is to set out clear provisions within the Administrative Services Agreement (ASA) that preserve a degree of influence for the firm's partners over any future ownership changes. Well-designed ASAs can help align the interests of the private equity investor and the firm, ensuring that partners and staff support the choice of subsequent investors and remain committed to running and growing the business following the transaction.

OPPORTUNITIES FROM THIRD PARTY OWNERSHIP IN THE ACCOUNTANCY AND AUDIT SECTOR

INVESTMENT IN INNOVATION AND TECHNOLOGY

One key reason accountancy firms engage with third parties is access to capital. The injection of capital in medium and small firms is vital to survive the competition.

As innovation and technology evolve rapidly and competition intensifies; accountancy and audit firms struggle to keep up with their peers. Investing in technology is particularly challenging for mid-tier firms and small & medium-sized practitioners (SMPs).

One of the main opportunities of having third-party ownership in accountancy and audit firms is the ability to invest in innovation and technology. According to the ICAEW report ["Evolution of Mid-Tier accountancy firms 2025"](#) 100% of independent firms identified investing in technology as an important factor.

External investors provide capital that enables firms to adopt advanced audit tools, including AI, data analytics, and automation. For example, this investment allows the automation of routine processes, freeing professionals

to focus on higher-value work. Firms can also improve the client's experience through digital portals, real-time reporting dashboards, and secure cloud-based collaboration platforms.

CONSOLIDATION, EFFICIENCY AND SYNERGIES

Third party ownership can drive consolidation in a highly fragmented European accountancy market. For example, PE investors frequently apply "buy-and-build" strategies, acquiring multiple small and mid-sized firms and integrating them into larger platforms. This creates economies of scale, allowing firms to centralise support functions, standardise methodologies, and streamline processes across offices and service lines. The result is greater operational efficiency and improved profitability.

Consolidation also enables synergies in client service and expertise. Larger, PE-backed firms are better positioned to attract and afford highly specialised professionals, for example, valuation experts, data analysts, or sustainability reporting specialists. Consolidation also makes it easier to monetise investments in people and technology.

Traditional mid-sized audit partnerships often lack the financial capacity to employ such niche talent, as the cost cannot be justified within their limited scale. By contrast, under a consolidated structure, these costs can be spread across a wider client base, enabling the firm to offer broader and higher-value services that would otherwise be out of reach.

TALENT RETENTION AND DEVELOPMENT

Talent is the most critical asset in the accountancy profession, yet firms across Europe struggle to attract and retain skilled professionals. High workloads, increasing regulatory demands, and competition often make it difficult for firms to keep their best people.

Third-party ownership can help by providing the resources to design and implement structured talent programs. With external capital, firms are better able to invest in comprehensive training, leadership development, and career progression frameworks. Employee ownership, for example, can help firms attract and retain talent over the long term while maintaining strong alignment between ownership, culture, and purpose.

Another advantage is the ability to professionalise support functions. PE-backed firms can hire dedicated HR specialists, recruitment teams, and learning & development managers — roles that many traditional audit firms cannot justify due to cost. This professional approach to people management strengthens employee engagement, reduces turnover, and makes the firm a more attractive employer in a competitive labour market.

ENHANCED BRAND VISIBILITY AND MARKET REACH

Third-party ownership can significantly boost a firm's visibility, credibility, and market positioning. External investors often bring not only capital but also professionalised marketing, branding, and business development capabilities that traditional partnership firms have historically under-invested in.

For small and mid-sized firms, in particular, partnering with a PE investor or going through a public listing provides a platform to grow their brand beyond local recognition. Being associated with an investor-backed group or a listed company increases credibility with larger clients, international businesses, and institutional stakeholders who may otherwise favor global networks. It also allows smaller firms to differentiate themselves by presenting a stronger, more modern image in a competitive marketplace.

Investor support can also facilitate expansion into new regions and sectors. With resources to establish new offices, join international networks, or form cross-border alliances, firms can extend their reach far beyond their traditional geographic footprint. This broader presence enhances their ability to win larger mandates, particularly in areas like international tax, transaction services, and sustainability reporting.

ACCESS TO BROADER BUSINESS NETWORKS

Many third-party investor firms maintain deep, well-established networks across industries, regions, and professional service sectors. For accountancy firms that do not perform statutory audits, partnering with an investor can open access to these ecosystems, which often include portfolio companies, advisory partners, and other invested entities. This can create valuable cross-referral and cross-selling opportunities for services such as tax, payroll, or advisory support.

Beyond direct client introductions, PE firms can also act as connectors, facilitating partnerships with technology providers, legal advisors, or consulting specialists. Such alliances enable accountancy firms to broaden their service range, implement new technologies, or accelerate entry into new markets.

Professionals are increasingly moving from partnerships or employee-owned firms to PE-backed firms which offer meaningful ownership participation, a stronger sense of purpose, and closer client relationships. Such firms can position themselves as client-centric, focusing on a broader set of success measures beyond valuation and exit potential, appealing both to staff and clients who value impact and long-term engagement.

OUTLOOK

Third party ownership is on the rise. Models such as PE are becoming more common across Europe and are reshaping the accountancy and audit profession. This trend comes with both opportunities and challenges, from growth and innovation to questions about independence, governance and audit quality. The debate is therefore not about whether third-party ownership will shape the future of the profession, but how its implications will be managed in practice.

Accountancy Europe does not take a position for or against third-party ownership. Our aim is to bring together different perspectives so that policymakers, regulators, investors and the profession can have an informed and constructive dialogue.

Regardless of how ownership structures evolve, Accountancy Europe emphasises the importance of delivering high-quality, ethical services and ensuring a fair legal framework for audit and accounting professionals.

NEXT STEPS

This is Accountancy Europe's second publication on third-party ownership in the accountancy and audit sector. The topic remains highly important for us and our members, and we will continue to monitor developments closely. Looking ahead, we also see value in exploring a platform for dialogue to further discuss and reflect on the evolving role of third-party ownership in the profession.



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ABOUT ACCOUNTANCY EUROPE

Accountancy Europe unites 49 professional organisations from 35 countries that represent close to 1 million professional accountants, auditors and advisors. Accountancy Europe translates their daily experience to inform the public policy debate in Europe and beyond.

Accountancy Europe is in the EU Transparency Register (No. 4713568401-18).