ANALYSIS REPORT

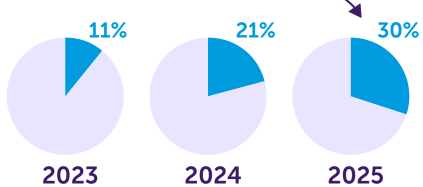
Private equity in the auditing industry: public interest under pressure

In short The market share of non-PIE audit firms with private equity investment has grown rapidly to around 30%. The effects of private equity investment therefore merit further examination. We see opportunities for private equity in the short term and risks in the long term. Our data analysis shows that changes are already occurring. The AFM believes the risks outweigh the opportunities. It is important that audit firms that engage with private equity focus on the public interest and prioritise the quality of statutory audits.

1

Collaboration between the auditing industry and private equity is increasing

The share of statutory audits performed by audit firms that collaborate with private equity is increasing: this year it is **estimated to be 30%**.



2

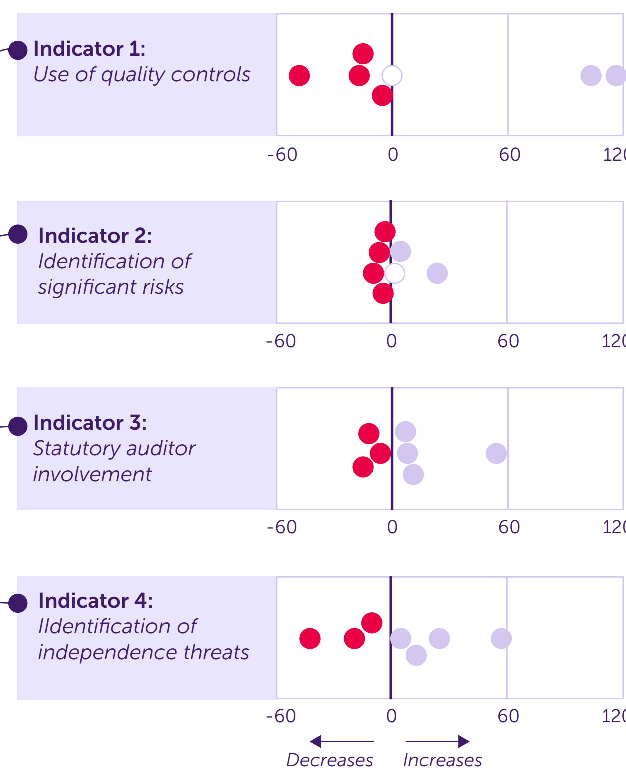
Changes are already visible

The effects will mainly be seen in the long term. However, our data analysis already points to short-term changes **in four indicators**.

Each dot represents one or more audit firms having the same private equity investor.

Decreases *None* *Increases*

Difference (%) between before and after the private equity interest or collaboration, in ...



% of audits in which quality control methods were used

average number of significant risks identified per statutory audit

% of hours spent by a statutory auditor relative to the total number of hours

% of engagements where one or more independence threats were identified

1. Contents

ANALYSIS REPORT

AFM

2. Summary

Private equity firms are increasingly investing in the Dutch auditing industry. In the space of a few years, the share of statutory audits performed by non-PIE audit firms that have joined forces with private equity has risen rapidly to around 30%. The time is therefore right for the AFM to review the effects of private equity. There are both opportunities and risks, but the AFM still believes the risks of private equity outweigh the opportunities. After all, auditors have an important public task. By performing audits of (annual) reports and giving an opinion on them, the auditor builds societal trust. The importance of carrying out these checks properly can come under pressure because of commercial incentives. Private equity in the audit industry may put further pressure on this fragile balance. Hence there is a constant need for counterpressure to be exerted internally (from the audit firm itself) and externally (from the AFM).

The opportunities of private equity

We see that private equity can offer short-term solutions to the challenges facing the Dutch auditing industry. Opportunities include economies of scale, the contribution of expertise, investment power and ensuring a stronger competitive position. It can also provide a solution to the succession problem experienced by some audit firms.

The risks of private equity

In the long term, we also see risks, particularly with regard to the pressure that can arise on the quality of statutory audits. Commercial incentives may strengthen the commercial interest of audit firms and thus exert pressure on the fragile balance between commercial interest and public interest. This could manifest itself in pressure to grow and/or become profitable too quickly, insufficient investment in structural improvements, uncertainty about exits, a failed leveraging strategy and threats to independence and confidentiality (such as the provision of non-audit services to audit clients).

Results of an initial analysis of our own data

There are some audit firms with private equity that use fewer quality controls, identify fewer significant risks and/or involve the auditor less in the statutory audit. There are also audit firms with private equity where the use of these indicators on the safeguards and preconditions for the quality of statutory audits increases.

Supervision by the AFM

The AFM supervises the ownership structure of audit firms and ensures that the majority of the voting rights remain in the hands of auditors or audit firms. We cannot stop investments by private equity firms. Since working with private equity can pose additional challenges in terms of quality assurance, we are in frequent dialogue with these audit firms that are already collaborating. In addition, we include private equity as a risk indicator in our supervision. This may mean that we include the audit firm more often in investigations or reviews of statutory audits.

Quality of statutory audit must be guaranteed

It is important that audit firms that want to work with private equity carefully weigh the opportunities against the risks. When making this assessment, it is very important that there is sufficient counterpressure on the commercial interests of the private equity firm to continue guaranteeing the quality of statutory audits. In the case of audit firms that already work with private equity, it is also important to put safeguards in place to provide sufficient counterpressure on the commercial incentives on an ongoing basis. External pressure is also still needed to ensure quality, as the *Kwartiermakers* emphasised in their final report entitled 'Druk en tegendruk'. The AFM will continue to exert such counterpressure. This will contribute to the quality-oriented culture and quality of statutory audits.

3. An introduction to private equity in the auditing industry

Private equity has taken an increasing interest in the auditing industry in recent years. What are the motivations of this 'new' co-shareholder? And what is the nature of the collaboration between private equity and the auditing industry? An introduction.

The Dutch auditing industry is generally a financially healthy industry that achieves good financial results. There are legal requirements that determine when companies are subject to a statutory audit[1] and in the future this will also be the case for assurance in sustainability reporting[2]. In addition to this stable flow of assurance engagements, many audit firms also perform other activities, such as advisory services. This enables the auditing industry to generate stable income streams, both now and in the future.

Healthy industry with challenges

The auditing industry may be financially healthy, but there are also challenges. These include digitalisation, ageing, a lower influx of new employees and the development of new services (Accountancy Vanmorgen, 2024). Private equity firms can help to meet these challenges with their investments and growth ambitions (ING, 2023).

Characteristics of a private equity investment

Private equity firms focus on influence, growth and profit. Key features of a private equity investment generally include obtaining the majority of voting rights to influence the business and achieving a successful exit or profitable sale in five to seven years.

To achieve this result, a private equity firm will take measures to grow (through a buy-and-build strategy), improve the company's financial performance and/or increase its sale value upon exit (see, for example, Wright & Robbie, 1998; Kaplan & Sensoy, 2015; Boot, Ligterink & Martin, 2020).

Legal restrictions on acquiring a majority of voting rights

Although private equity firms generally strive for a majority interest in voting rights, this is not possible in the Dutch auditing industry. The law requires that the majority of the voting rights of the audit firms be held by auditors or audit firms.[3] This creates some tension with the strategy that private equity firms often pursue. On the one hand, the private equity firm wants to exert influence on the organisation of the audit firm, while on the other hand this is limited by the legislator.
The market share of private equity firms in Dutch non-PIE audit firms is still growing. Collectively, audit firms with private equity now account for about 30% of the market share of non-PIE licence holders.[4] Currently, private equity firms invest only in relatively large audit firms with a non-PIE licence and not in audit firms with a PIE licence. Incidentally, some audit firms earn the majority of their profits from activities other than statutory audits. These other activities can be of particular interest to private equity firms.

1 Organisations in the Netherlands are subject to an audit if they meet at least two of the following three criteria for two consecutive years: (i) net turnover greater than €15 million, (ii) balance sheet total greater than €7.5 million, and (iii) at least 50 employees.

2 CSRD legislation has not yet been implemented in the Netherlands, but it has already been determined that only audit firms with a PIE or non-PIE licence may issue CSRD assurance (Financieel Dagblad, 2024a).

3 In a European context, this follows from Article 3(4) of Directive 2006/43/EC. In Dutch law, the voting rights requirement is enshrined in Section 16b of the Audit Firms Supervision Act (Wta).

4 The market share is calculated as the share of the total number of statutory audits performed by non-PIE licence holders. The calculation is based on the date on which the investment was first announced in the media.

Forms of collaboration

Private equity firms and audit firms collaborate in various ways, which can affect the organisational structure and business operations. For example, some audit firms will continue their activities under their own name, while others will use a joint name. There are also differences, for example, in the extent to which a joint system of quality control is implemented and the extent to which shared services (such as HR, IT and finance services) are facilitated.

Situation abroad

In other countries, private equity firms also invest in audit firms, and sometimes these audit firms perform audits of public interest entities (PIEs). We see private equity investments in Belgium, the United Kingdom, Ireland and the United States, among others. In the United Kingdom, for example, private equity firms have invested in various PIE and non-PIE audit firms (FRC, 2024). In the United States, private equity firms have now invested in about a third of the thirty largest audit firms (Financial Times, 2024a).

Regulators abroad regularly voice concerns about private equity and indicate that they are monitoring developments. They also expect a further increase in private equity investments. In Belgium, for example, the Belgian Audit Oversight Board (BAOB) expects an increase in private equity investments in the coming years due to an ageing population in the industry and increasing compliance and digitalisation costs (CTR, 2024). In December 2024, the International Forum of Independent Audit Regulators (IFIAR) issued a statement saying that audit firms considering private equity investments should ensure that private equity firms continue to safeguard the quality of the statutory audit and do not allow commercial interests to impair this (IFIAR, 2024).

4. Opportunities and risks of private equity investments in the auditing industry

Private equity investments in the auditing industry offer opportunities. However, we also see risks. For the AFM, the risks outweigh the opportunities

4.1 Opportunities

Private equity can offer opportunities to tackle the major challenges in the auditing industry such as digitalisation, a tight labour market and the development of new services (such as assurance on sustainability reporting). Private equity can provide economies of scale, expertise and investment power. This can lead to a better competitive position. It can also offer a solution to the succession problem within the current goodwill-based partner model.

Economies of scale

Economies of scale can arise from the consolidation of a number of smaller audit firms. By combining different firms, private equity can offer shared services in the field of ICT, HR and finance services, as well as a knowledge network and assistance from other audit firms within the same private equity firm (see, for example, Financieel Dagblad, 2024b; Accountancy Vanmorgen, 2024). In this way, private equity can ease the pressure on auditors and increase auditors' direct involvement in statutory audits. In addition, private equity can help to standardise processes, thereby helping to improve the quality of statutory audits.

Expertise and investment power

Private equity can provide expertise and investment power, which can help audit firms to optimise their business operations. In addition, private equity can contribute to innovation. Indirectly, this innovation can benefit the attractiveness of the audit profession (see, for example, Financieel Dagblad, 2024b; Accountancy Vanmorgen, 2024).

Better competitive position

A better competitive position can help the audit firm to recruit employees and clients (Financial Times, 2024b), to reduce the prices of statutory audits and/or to increase the quality of statutory audits. Recent research shows that audit firms hire more after a private equity investment, but that these new employees do not perform statutory audits. They mostly perform non-audit services such as tax and other advisory services (Doan, Utke, Zhou & Zou, 2025).

Solution to the succession problem

Private equity can also offer a solution to the succession problem within the current goodwill-based partner model. The succession problem concerns a situation in which it is difficult for senior partners to leave in a way that is financially attractive. There are several causes for the succession problem, including (i) an ageing population of auditors, (ii) young professionals who are less likely to opt for a partner position (NBA Young Professionals, 2023), and (iii) obstacles preventing new partners from obtaining financing for goodwill when purchasing the shares of the incumbent partners (Accountant.nl, 2025). The private equity firm can offer a solution by (partially) buying out the incumbent partners. The buyout causes the partners' equity to become relatively smaller, which means they need less capital to buy themselves in.

4.2 Risks

While private equity offers opportunities, there are also risks that arise from the commercial incentives for private equity firms. Commercial incentives are focused on achieving certain financial objectives, such as achieving an increase in value, results and/or profit metrics (such as EBITDA). These incentives strengthen the audit firms' commercial interest and put pressure on the fragile balance between the commercial and public interest when performing statutory audits. The major risks we identify are: pressure to grow and become profitable, insufficient investments in structural improvements of audit quality, uncertainty about exits, a failed leveraging strategy and threats to independence and confidentiality.

Pressure to grow and become profitable

Private equity firms have strong commercial incentives to ensure that the investments within their funds perform well. Together with the audit firms with which they collaborate, they use a so-called 'buy-and-build' strategy. This leads them to increase the pressure on the directors and policymakers to grow quickly. Research shows that audit firms with private equity grow relatively faster than audit firms without private equity (Doan et al., 2025).

Pressure to become more profitable can result, for instance, in auditors being involved in relatively more audits, relatively inexperienced employees being assigned important tasks, cost savings such as lower or cheaper use of quality control measures and/or taking risks that may impede sustainable assurance of audit quality. This can distract attention from the public interest during the performance of statutory audits.

Insufficient investment in structural improvements of audit quality due to a focus on an exit in five to seven years

Commercial incentives may be stronger because private equity firms do not focus on the long term. Many private equity firms plan to exit the audit firm in around five to seven years (see, for example, Doan et al., 2025). As a result, private equity firms may have limited financial interest in structural improvements in audit quality, as most of the benefits of these investments will only be realised in the long term.

Uncertainty about exits

The five- to seven-year focus also creates uncertainty. Who will be the new owner after the private equity firm has exited? And what consequences will this have for the quality of the statutory audits and the focus on the public interest? The Securities and Exchange Commission (2022), for example, indicates that aspects of the audit firm's quality control system may be less effective after the first private equity firm has exited. American research in other industries shows, for example, that investments in innovation decline after an organisation is sold by the private equity firm (Wright, Thompson & Robbie, 1992; Long & Ravenscraft, 1993 Wright, Gilligan & Amess, 2009). There are two potential explanations for this finding. First, the new investor may not bring enough capital after a private equity exit to make new investments. Second, an acquisition by another private equity firm may lead to even more pressure on profitability. In the context of audit firms, this may mean that audit quality comes under pressure after the private equity firm has exited.

A failed leveraging strategy

Private equity firms can choose to create leverage[5] by attracting debt. This allows the return on equity to rise relatively faster (Boot, Ligterink & Martin, 2020). Leverage functions properly if the costs of debt are lower than the return on total assets. However, leverage also works the other way round: if performance is disappointing and the costs of debt turn out to be higher than the return on total assets, the return on equity falls relatively faster. This can put pressure on profitability, which can lead to additional risk-taking that can negatively affect audit quality. Additionally, the debt will likely end up with the new owner after the exit of a private equity firm. To remain profitable, this new owner will put additional pressure on the audit firm's financial performance.

5 *Leverage= return on total assets-cost of debt* debt/equity*

Threats to independence and confidentiality

Another risk is that private equity may negatively affect auditors' independence. First, audit firms may perform statutory audits of organisations in which the private equity firm invests. As a result, the auditor's independence from these organisations is no longer guaranteed. Second, audit firms may offer more non-audit services to their audit clients because of the strong commercial incentives. Indeed, recent research shows that revenue from non-audit services increases after a private equity investment, whereas revenue from statutory audits remains unchanged (Doan et al., 2025).

In addition, the private equity firm may use audit files to gather information about potentially interesting acquisition candidates. Auditors may experience undesirable pressure to disclose this information, despite their duty of confidentiality. The private equity firm's commercial interest may thus pose a threat to the confidentiality that is essential for auditors.

5. Private equity investments in other public interest sectors

The phenomenon of private equity firms investing in industries that have a public interest focus is not new in the Netherlands. For example, private equity firms have already invested in Dutch healthcare and childcare services. In response, private equity investments have been restricted in a number of industries and studies have been conducted into the impact of private equity investments in these industries.

5.1 Limits on private equity investments

In some cases, the prior assessment of mergers and acquisitions with private equity firms is mandatory and an important means of precluding undesirable effects. For example, there is a general obligation to report to the European Commission and to the Netherlands Authority for Consumers and Markets (ACM) in the case of large mergers, acquisitions and joint ventures.[6] In the healthcare industry, there is an additional condition whereby healthcare providers in which at least fifty people provide care must obtain prior approval from the Dutch Healthcare Authority (NZa).[7] In addition, mergers and investments among vital providers and companies that have sensitive technology are subject to an additional test based on the Investments, Mergers and Acquisitions (Security Assessment) Act (Vifo Act).

As in the case of the Dutch auditing industry, investments by private equity firms in a number of industries that serve the public interest are restricted by rules on the management and ownership of organisations. In the Netherlands, for example, it is not possible for a private equity firm to acquire a law firm. In the case of a law firm, the full economic ownership and voting rights must be in the hands of law firms or persons practising an admitted liberal profession, with no more than 10% of the profit going to persons who do not fall within such a profession but work within the law firm.[8] It should be noted that in 2024 the European Court of Justice ruled on the basis of preliminary questions in a German case that a ban on this type of investment in the legal profession is not necessarily contrary to the free movement of capital. Since an investor's interest is purely financial and focused on short-term profit, this may clash with professional rules and the social function of the legal profession, and restrictions on investments are permitted (European Court of Justice, 2024).

5.2 Effects of private equity investments in other industries

The commercial interests of private equity firms may clash with the public function of organisations. This may potentially be at the expense of the quality, affordability and accessibility of services. The effects of private equity are therefore being investigated in various industries.

An international study of private equity in the healthcare industry shows that this form of financing can have undesirable effects. An analysis of 55 international studies on the influence of private equity in the healthcare industry shows that private equity is associated with rising costs and regularly has undesirable effects on the quality of care (Borsa et al., 2023). A recent Dutch study finds no differences. A report by EY Consulting compares Dutch healthcare institutions with and without private equity investments in terms of the quality, accessibility and affordability of healthcare. On these three subjects, no or only minimal differences were found between healthcare institutions with private equity and other healthcare institutions (EY Consulting, 2024).

6 A merger, acquisition or joint venture must be notified to ACM if the companies that merge have an annual turnover of at least €150 million worldwide and at least two of the companies that merge each have an annual turnover of at least €30 million in the Netherlands (Section 29 of the Competition Act). It must be notified to the European Commission if the total turnover exceeds €5 billion and at least two of the companies have a turnover of €250 million in the EU (Article 1 of the European Merger Regulation).

7 Section 49a of the Healthcare Market Regulation Act in conjunction with Section 27 of the Competition Act.

8 Article 5.7(1)(c) and Article 5.8(1) and (3) of the Regulation on the Legal Profession.

Research by SEO Amsterdam Economics (2023) into the 70 largest childcare organisations in the Dutch childcare industry shows that private equity organisations charge higher prices, but violate quality rules less often than other organisations. Staff turnover also appears to be higher in organisations financed by private equity. There are no significant differences between private equity and non-profit organisations in terms of employment conditions, experiences of parents and employees, pedagogical quality and the number of child places (SEO, 2023). Subsequent scientific research into more than 9,500 daycare centres in the period 2016-2023 shows that organisations with private equity financing have fewer administrative violations, but do have more employment-related violations and higher prices (Erasmus University Rotterdam, 2024).

There is also discussion in other public interest sectors about possible undesirable effects of private equity. For example, in the report entitled 'Staat van de corporatiesector 2023', the Dutch Authority for Housing Corporations (Autoriteit woningcorporaties) points to the development whereby private equity firms are buying up maintenance companies focused on social housing. The Authority for Housing Corporations is monitoring this development critically, due to concerns about price increases (Autoriteit woningcorporaties, 2024).

Concerns about possible undesirable effects are also shared in politics. In 2023, a motion was passed to set up an advisory committee to advise on how to reduce the increase in private equity in industries that are largely collectively funded and responsible for essential services, such as childcare, healthcare and public housing, as well as (family) businesses (Kamerstukken II 2023/24, 36410, no. 30). The reason for this motion was that private equity is growing in these industries and this entails undesirable effects, such as higher costs and lower quality of service. In addition, in recent years parliamentary questions have frequently been asked about the increase in private equity investments in these types of industries. This attention has led to various studies on the impact of private equity investments on the quality of services, such as the Dutch studies in healthcare and childcare (Ministry of Economic Affairs, 2024).

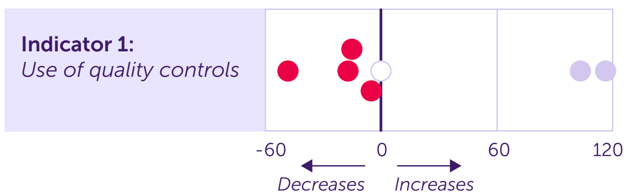
6. Initial analysis of short-term effects of private equity in the auditing industry

What? The effects of private equity investments in audit firms are expected to be seen in the long term. Our data analysis indicates that changes are already occurring.

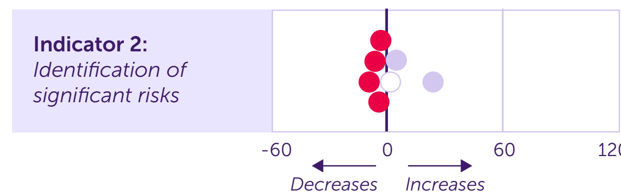
How? We used data from the 'data request for statutory audits for non-PIE audit firms' for the period from 2022 to February 2025. From these data we extracted four variables that are possible indicators of safeguards and preconditions for the quality of statutory audits. We looked specifically at the audit firms that are collaborating with private equity. Appendix 2 provides a detailed explanation of how the data analyses were performed and the limitations involved.

How to read the charts? Each dot represents one or more audit firms having the same private equity investor. We look at the difference (%) before and after private equity acquired an interest or started collaborating with the audit firm(s).

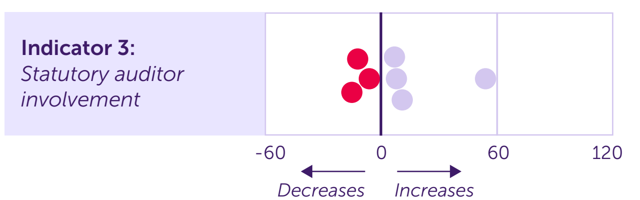
Decreases *None* *Increases*



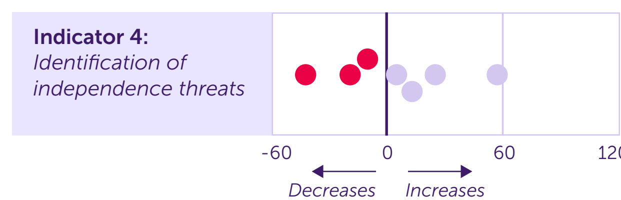
Difference (%) in the percentage of audits in which quality control methods were used, before and after the private equity interest or collaboration.



Difference (%) in the average number of identified significant risks identified per statutory audit, before and after the private equity interest or collaboration.



Difference (%) in the percentage of hours spent by a statutory auditor relative to the total number of hours, before and after the private equity interest or collaboration.



Difference (%) in the percentage of engage-ments in which one or more independence threats were identified, before and after the private equity interest or collaboration.

Preliminary effects of acquisition by private equity

The AFM is also examining the short-term effects of private equity on the safeguards and preconditions for the quality of statutory audits. This chapter explains the results of the initial analysis.

This initial data analysis focuses on four data points that are potential indicators for safeguards and preconditions for the quality of statutory audits[9]:

1. The use of quality controls
2. The identification of significant risks
3. The statutory auditor's involvement in the statutory audit
4. The identification of threats to auditor independence.

To investigate whether private equity has led to changes in the four indicators, we use self-reported data of non-PIE audit firms. We compare statutory audits signed off in the period before audit firms started collaborating with private equity with those signed off in the subsequent period. The change is expressed as a percentage and is calculated on the basis of the score after private equity minus the score before private equity, divided by the score before private equity. Appendix 2 provides additional information on the data used and justification of the analyses as presented below.

Our initial analysis shows changes in the above four indicators in a number of audit firms (detailed in sections 5.1 to 5.4). We are alert to these changes and monitor the indicators over the long term to identify trends. We will discuss the results of this initial analysis with the audit firms in order to improve our understanding, for instance of the characteristics of the audit firm that are driving the changes.

6.1 Use of quality controls

We find a wide variation in the use of quality controls by audit firms with private equity. In some audit firms with private equity, the use of quality controls is decreasing (ranging from -0.3% to -48%; Figure 1). A possible consequence of the commercial incentives that private equity brings is that the audit firm will try to save costs, for example by reducing the use of often expensive quality controls. Quality controls include engagement-oriented quality assessments and file coaching. A decrease in the use of quality controls may put pressure on the quality of the statutory audit. However, we also see audit firms where the use of quality controls increases after private equity (ranging from +103% to +116%).

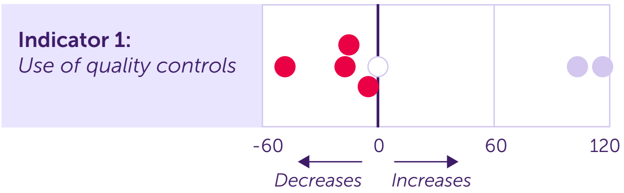


Figure 1. Difference (%) in the percentage of audits in which quality control methods were used, before and after the private equity interest or collaboration.

9 The AFM also takes other indicators into account in its data-driven supervision. These indicators have not been included in this report because their effects are only expected to become visible in the longer term.

6.2 Identification of significant risks

After private equity, audit firms identify on average 3% fewer significant risks in the statutory audit (Figure 2). The identification of risks of material misstatement (significant risks) is an important part of the statutory audit, as the identification and assessment of these risks provides the basis for the design and performance of further audit procedures (Standard 200; 315). Commercial incentives may lead the statutory auditor to identify fewer significant risks, as this can reduce the amount of audit work and thus speed up the audit. We observe that the number of identified significant risks increases for some audit firms (ranging from +2% to +24%), whereas it decreases for others (ranging from -2% to -11%).

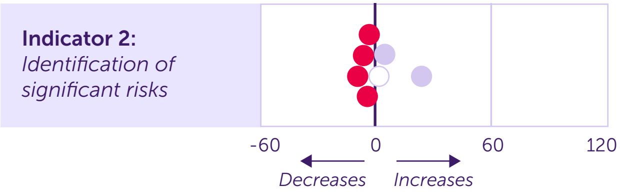


Figure 2. Difference (%) in the average number of significant risks identified per statutory audit, before and after the private equity interest or collaboration.

6.3 Involvement of the statutory auditor in the statutory audit

We observe a variation in the extent to which the statutory auditor is involved in the statutory audit after private equity. On average, the involvement of statutory auditors decreases by 11% (Figure 3). Commercial incentives may reduce the time spent by statutory auditors on performing the statutory audit, for example because the auditors spend more time on commercial activities or because the number of clients per statutory auditor increases. The quality of the statutory audit may therefore decrease. We also observe audit firms where statutory auditors are more involved in the statutory audit after private equity (ranging from +7% to +54%), which may benefit the quality of the statutory audit.

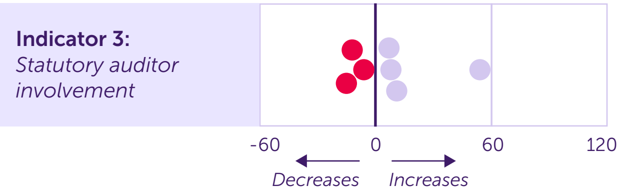


Figure 3. Difference (%) in the percentage of hours spent by a statutory auditor relative to the total number of hours, before and after the private equity interest or collaboration.

6.4 Identification of threats to independence

We observe both increases and decreases in the number of identified independence threats per statutory audit (ranging from -42% to +56%; Figure 4). There are several potential causes for the observed changes. Large increases may indicate, for example, increased awareness of independence threats as a result of private equity, or an increase in non-audit services among statutory audit clients. Large decreases may indicate, for example, a declining awareness of threats to independence or a more conscious client acceptance policy.

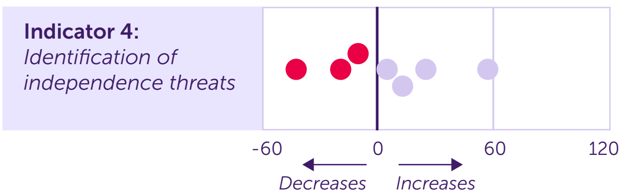


Figure 4. Difference (%) in the percentage of engagements where one or more independence threats were identified, before and after the private equity interest or collaboration.

7. The AFM pays attention to private equity in its supervision

The AFM cannot prevent private equity investments in audit firms. We supervise audit firms and the way in which they safeguard the high quality of the statutory audit. To this end, we carry out the following activities with regard to private equity:

- We maintain a dialogue with audit firms that intend to work with private equity. We expect audit firms to at least comply with the voting rights requirement and the requirement for persons in charge of day-to-day policy (Article 16 and 16b of the Wta). First, this means that the majority of an audit firm's day-to-day policy is determined by auditors or audit firms. Second, the majority of the voting rights of the audit firm are held by auditors or audit firms. We maintain close contact with audit firms prior to their collaboration with a private equity firm, in order to promote that the agreements regarding the structure meet the legal requirements. In addition, we expect these audit firms to be aware of the risks and to apply appropriate safeguards within the audit firm.

- We pay particular attention to audit firms that are already working with private equity. We carry out risk-based and data-driven supervision, and private equity is included in this as a risk indicator. This means we may include the audit firm more often in investigations or reviews of statutory audits. We expect audit firms to carefully consider and actively limit the risks of private equity themselves.

- The AFM will continue to evaluate this development and draw attention to this subject. We will map the developments and risks of private equity by means of data analysis.

- External pressure remains necessary to guarantee quality, as the Kwartiermakers emphasised in their final report entitled 'Druk en tegendruk' (*Kwartiermakers* toekomst accountancy, 2023). The AFM will continue to exert such pressure. This will contribute to the quality-oriented culture and quality of statutory audits.

Appendix 1: Bibliography

Sources were consulted in March 2025.

Accountancy Vanmorgen (2024). Fusies en overnames | Gebrek aan mensen jaagt consolidatie aan. Link: https://www.accountancyvanmorgen.nl/2024/05/15/fusies-en-overnames-gebrek-aan-mensen-jaagt-consolidatie-aan/

Accountant.nl (2025). Directie Moore DRV: 'Onze hoge waardering bedreigde de continuïteit'. 12 February 2025. Link: https://www.accountant.nl/achtergrond/2025/2/directie-moore-drv-onze-hoge-waardering-bedreigde-de-continuiteit/

Autoriteit woningcorporaties (2024). Staat van de corporatiesector 2023. Link: https://www.rijksoverheid.nl/documenten/rapporten/2024/02/14/staat-van-de-corporatiesector-2023

Boot, A.W.A., Ligterink, J.E. & Martin, J.K. (2020). Private equity en waardecreatie. *Ondernemingsrecht, 2020*(17), pp. 813-820.

Borsa, J.D., Bejerano, G., Ellen, M. & Bruch, J.D. (2023). Evaluating trends in private equity ownership and impacts on health outcomes, costs, and quality: systematic review. *The BMJ, 382*. Link: https://doi.org/10.1136/bmj-2023-075244

CTR (2024). Actieplan 2024. Link: https://www.ctr-csr.be/sites/default/files/media/files/2024-03/2024_actieplan_nl.pdf

Doan, T., Utke, S., Zhou, Y. & Zou, Y. (2025). The Consequences of Private Equity Investment in Auditors. Link: https://ssrn.com/abstract=5147703

Erasmus University Rotterdam (2024). De invloed van private equity op Nederlandse kinderopvang: kosten, kwaliteit en marktdynamiek. Link: https://www.eur.nl/nieuws/de-invloed-van-private-equity-op-nederlandse-kinderopvang-kosten-kwaliteit-en-marktdynamiek

European Court of Justice (2024, 19 December). Halmer Rechtsanwaltsgesellschaft (C295/23). ECLI:EU:C:2024:1037.

EY Consulting (2024). Onderzoek Private Equity in de zorg. In opdracht van het Ministerie van Volksgezondheid, Welzijn en Sport. Link: https://www.rijksoverheid.nl/documenten/rapporten/2024/04/08/onderzoek-private-equity-in-de-zorg

Financial Times (2024a). Private equity buyers snap up two more US accounting firms. Link: https://www.ft.com/content/c30585d8-40d1-4b1a-b62b-32511214fa30

Financial Times (2024b). Private equity's interest in audit raises red flags. Financial Times 6 August 2024. Link: https://www.ft.com/content/3ab6c4c1-022b-41e8-948d-7e44155ddba4

Financieel Dagblad (2024a). Alleen accountant mag handtekening zetten onder duurzaamheidsverslag. Link: https://fd.nl/bedrijfsleven/1519740/alleen-accountant-mag-handtekening-zetten-onder-duurzaamheidsverslag

Financieel Dagblad (2024b). Accountantskantoren met partners steken vrijwel nooit geld in innovatie. Link: https://fd.nl/bedrijfsleven/1507550/accountantskantoren-met-partners-steken-vrijwel-nooit-geld-in-innovatie

FRC (2024). Annual Review of Audit Quality. Link: https://media.frc.org.uk/documents/Annual_Review_of_Audit_Quality_2024_7yhxTsi.pdf

IFIAR (2024). Statement on Private Equity Investment in Audit Firms. Link: https://www.ifiar.org/?wpdmdl=17670

ING (2023). Investeringsgolf in accountancy en consultancy houdt aan. Link: https://www.ing.nl/zakelijk/sector/services/investeringsgolf-in-accountancy-en-consultancy-houdt-aan

Kamerstukken II 2023/24, 36410, no. 30. Link: https://zoek.officielebekendmakingen.nl/kst-36410-30.html

Kaplan, S.N. & Sensoy, B.A., (2015). Private equity performance: A survey. *Annual Review of Financial Economics, 7*, pp. 597-614. Link: https://doi.org/10.1146/annurev-financial-111914-041858

Kwartiermakers toekomst accountancy (2023). Druk en tegendruk: Slotrapportage kwartiermakers toekomst accountancy. Link: https://open.overheid.nl/documenten/92348e83-becb-4988-bdfc-4312f5a288c0/file

Long, W.F. & Ravenscraft, D. (1993). LBOs, debt and R&D intensity. *Strategic Management Journal, 14*, pp. 119-135.

Ministerie van Economische Zaken (2024). Kamerbrief over private equity in sectoren die grotendeels collectief worden bekostigd. Link: https://www.rijksoverheid.nl/documenten/kamerstukken/2024/12/20/kamerbrief-motie-private-equity

NBA Young Professionals (2023). Opvattingen over het accountantsberoep. Link: https://www.nba.nl/tools-en-ondersteuning/publicaties/2023/young-professionals-opvattingen-over-het-accountantsberoep/

Securities and Exchange Commission (2022). Auditor independence and ethical responsibilities: Critical points to consider when contemplating an audit firm restructuring. 29 August 2022. Link: https://www.sec.gov/newsroom/speeches-statements/munter-statement-auditor-independence-ethical-responsibilities-082922

SEO (2023). De markt voor kinderopvang: De rol van private equity binnen de kinderopvangsector. Link: https://open.overheid.nl/documenten/ronl-43185ced2a23805d88be9318f60e1a7f4e7fdfcf/pdf

Wright, M. & Robbie, K. (1998), Venture capital and private equity: A review and synthesis. *Journal of Business Finance & Accounting, 25*, pp. 521-570.

Wright, M., Gilligan, J. & Amess, K. (2009). The economic impact of private equity: What we know and what we would like to know. *Venture Capital, 11*(1), pp. 1-21. Link: https://doi.org/10.1080/13691060802151887

Wright, M., Thompson, S. & Robbie, K. (1992). Venture capital and management-led leveraged buy-outs. A European perspective. *Journal of Business Venturing, 7*, pp. 47-71. Link: https://doi.org/10.1016/0883-9026(92)90034-O

Appendix 2: Explanation and justification of conducted data analyses

B2.1 Data and sample

In this report, we use data on 3,100 statutory audits. The data were supplied to us directly by non-PIE audit firms that collaborate with private equity firms. These data are collected annually through a questionnaire (data request for statutory audits [10]) and provide insight into the basic data of the audited entity, acceptance and continuation of the engagement, risk assessment, execution, completion, judgement and hours spent on the statutory audit. The data used were collected in the period from 2022 to 20 February 2025. The data for the years 2022 and 2023 were incomplete due to growth pathways under agreements with the audit firms.

In the analyses, we compare statutory audits that were signed off before private equity with those that were signed off after private equity. To determine which audit falls in which category, we use the date on which the private equity investment became effective (the so-called closing date). This approach allows us to analyse changes in several indicators since the private equity involvement. An inherent limitation of this method is that, for some indicators, the effects of private equity will only become visible in the longer term. In addition, an audit may have been signed off after the private equity investment became effective, whereas some activities such as client acceptance and agreements on the audit fee took place earlier. Nevertheless, we already see differences before and after audit firms started working with private equity firms.

B2.2 Variables

The variables we used in this report are explained below.

- **Private equity**: captures whether the audit firm was financed by private equity at the time of the completion of the statutory audit. This indicates whether the statutory audit was signed off before the audit firm was funded with private equity (value = 0) or after (value = 1). This is based on the closing date of the private equity investment. For almost all audit firms, this time is later than the date on which the private equity investment was first announced in the media.
- **Use of quality controls**: Whether quality controls were used during the statutory audit. This is measured using an indicator variable that takes the value 1 if quality controls were used during the statutory audit and value 0 otherwise. Subsequently, we calculated the percentage of statutory audits with quality assurance for each audit firm, signed off before and after financing with private equity. We used the following calculation: (new percentage – old percentage)/old percentage. As an illustration, quality controls were used before private equity investment on average in 62.64% of the statutory audits, and after private equity investment in 67.18% of the statutory audits. This means that the use of quality controls has increased by approximately 7%: (0.6718-0.6264)/0.6264.
- **Significant risks**: This is measured as the number of significant risks identified during a statutory audit. This number is averaged at the audit firm level and the percentage change in the average is calculated as: (new percentage – old percentage)/old percentage. As an illustration, 3.87 significant risks are identified on average before private equity investment and 3.74 after private equity investment. This means that the number of identified significant risks has decreased by approximately 3%: (3.74-3.87)/3.87.

10 Data on completed statutory audits

- **Statutory auditor involvement**: The proportion of statutory audit hours spent by the statutory auditor. This is measured as: (Number of hours the statutory auditor spent on the audit)/(Total number of hours spent on the audit)*100%. A higher percentage indicates that the statutory auditor was relatively more involved in the statutory audit. Subsequently, the involvement of the statutory auditor is averaged at audit firm level and the percentage change in the average is calculated as (new percentage – old percentage)/old percentage. As an illustration, the statutory auditor covered on average 10.4% of the total number of hours in a statutory audit before private equity investment and 9.3% after private equity investment. This means that the involvement of the statutory auditor has decreased by approximately 11%: (0.093-0.104)/0.104.
- **Identification of independence threats**: Whether the auditor identified independence threats during a statutory audit. This is measured by an indicator variable that takes the value 1 if one or more threats to independence were identified during the statutory audit and the value 0 if no threats to independence were identified. The percentage change in the statutory audits with a threat to independence before and after private equity was then calculated for each audit firm as (new percentage – old percentage)/old percentage. As an illustration, a threat to independence was identified on average in 58.75% of statutory audits before private equity and in 65.63% of statutory audits after private equity. This means that the number of audits with independence threats has increased by approximately 13%: (0.6563-0.5875)/0.5875.

B2.3 Limitations

The disadvantage of using percentage changes on a percentage is that the change may be limited and/or not meaningful. This is illustrated with a fictitious example. Suppose that audit firm A uses quality controls in 2% of statutory audits before private equity and in 10% of statutory audits after private equity. Suppose that audit firm B uses quality controls in 75% of statutory audits before private equity and then in 100% of audits after private equity. This means that audit firm A has increased the use of quality controls by 500%, while audit firm B has increased their use by 33%. It may seem as if audit firm B has improved less than audit firm A. However, this is not the case, because an audit firm cannot use quality controls in more than 100% of the statutory audits (limited). In all analyses, we therefore checked whether the changes were meaningful and found that extreme values were not present.

The analyses provide an initial indication of changes after private equity, but conclusions about potential causes cannot yet be drawn for several reasons. In the first place, identified differences may be caused by advancing insight into audit approaches and/or other developments, for example in response to internal and external results of inspections. Second, identified differences may be caused by policy choices made by the audit firm that were already in place before private equity was involved. Due to the relatively long lead times of statutory audits, the indicators used in the analyses in this report may incorrectly give the impression that the changes are caused by private equity. Third, the dates on which the audit firms collaborate with private equity differ. Therefore, a number of audit firms have few observations before private equity and many after (or many observations before and few after). In addition, several audit firms only started to collaborate with private equity midway through 2024, which may result in seasonal effects. The AFM will therefore stay in touch with the audit firms in order to gain a better understanding of these results. We will monitor the development of these four and other indicators over the longer term.

The analyses were carried out with self-reported data. The AFM and audit firms have implemented various safeguards to increase the quality of the data. Nevertheless, a potential disadvantage of using self-reported data is that different audit firms interpret and answer the same questions in a different way. For example, there are audit firms that only specify the partner hours on an audit at group level, whereas others break these hours down further for parts of the group.