

Meeting: IESBA
Meeting Location: New York
Meeting Date: June 10 – 13, 2024

Agenda Item 2

Firm Culture and Governance

Objectives of Agenda Item

1. To consider:
 - (a) An update from the Firm Culture and Governance (FCG) Working Group¹ on its recent outreaches and fact-finding activities.
 - (b) Dr. Eva Tsahuridu's academic report and the Working Group's preliminary views.

Working Group Activities

2. As part of its initial information gathering, the Working Group conducted a series of outreach activities in April and May 2024, including several in-person meetings in Singapore. These activities sought diverse perspectives on the issues at hand.
3. The IESBA Chair and other IESBA representatives also engaged in discussions with stakeholders in Toronto, Tokyo, Sydney, and Melbourne. Please refer to **Appendix 1** to view the stakeholder group demographics. As part of the outreach events, the IESBA Chair and the Working Group Chair provided an update on the workstream. They participated in a panel discussion at a seminar hosted by CPA Australia, which over 1,600 participants attended.
4. In April 2024, Staff updated the Stakeholders Advisory Council (SAC) at its inaugural meeting and received feedback from SAC members through breakout group discussions. Staff also received feedback from representatives at the IESBA National Standard Setters (NSS) meeting in May 2024.

¹ The Working Group consists of the following IESBA members:

- Channa Wijesinghe, Chair of Working Group
- Rich Huesken
- Héctor J. Lehuedé
- Rania Uwaydah Mardini

It is also supported by:

IESBA STAFF

- Geoffrey Kwan
- Carla Vijian

CONSULTANT

- Richard Fleck

5. The Working Group engaged Dr. Eva Tsahuridu to prepare a short academic report synthesizing global research on firm culture and governance. The report focuses on the definition of culture and ethical culture, its components, and its impact on ethical behavior.
6. The Working Group met via teleconference in May 2024 to develop the agenda materials.

June 2024 IESBA Meeting

7. At the June 2024 IESBA meeting, the Working Group will provide:
 - A summary of the key comments raised by stakeholders to date (See **Agenda Item 2C**) and its' preliminary observations by themes based on the input received (See **Agenda Item 2A**).
 - An overview of Dr. Tsahuridu's academic report and several recent case studies (See **Agenda Item 2B**).
8. The Board will also receive a presentation from:
 - Ms. Julie Corden, IAASB Member and ISQM 1² Task Force Chair, on an overview of ISQM 1, focuses on the leadership and governance component, firm culture, and other elements related to firm culture and governance.
 - Mr. Mark Babington, IESBA member, on an overview of the United Kingdom Financial Reporting Council's (UK FRC) Audit Firm Governance Code, building on the information already received from Meses. Helen Gale and Claire Lindridge of the UK FRC in March 2024.

Next Steps

9. The Working Group will continue its stakeholder engagement activities to ensure that the views received are broadly represented both geographically and by stakeholder groups.
10. At its next in-person meeting in July 2024, the Working Group will consider the issues identified from its information gathering and develop preliminary views on how these matters could be addressed, the role of IESBA, and whether the Code should be further strengthened.

Actions Requested

11. IESBA members are asked to provide feedback on the matters for consideration set out in **Agenda Item 2-A**.

Material Presented

For discussion:

Agenda Item 2-A Firm Culture and Governance Presentation

Reference Materials:

Agenda Item 2-B Academic Report by Dr. Eva Tsahuridu

Agenda Item 2-C Summary of Outreach Meeting Discussion Notes by Stakeholder Groups

² ISQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

[UK FRC Audit Firm Governance Code 2022](#)

[The Council of Experts on the Audit Firm Governance Code \(Japan\) Principles for Effective Management of Audit Firms](#)

[Introduction to ISQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements](#)

List of Stakeholders and Outreach Activities to Date

