

Meeting: IESBA
Meeting Location: New York
Meeting Date: December 2-6, 2024

Agenda Item

4

Firm Culture and Governance

Objectives of Agenda Item

1. To consider:
 - (a) An update on the Firm Culture and Governance Working Group's (FCGWG)¹ outreaches in Q4
 - (b) And accept the FCGWG Final Report
 - (c) And approve the draft Project Proposal for the FCG project
 - (d) A status update on the Global Roundtable 2025.

Working Group Activities

2. The FCGWG conducted a series of outreach activities in Q4 2024 (See **Appendix 1**).
3. The FCGWG met via teleconference in Q4 2024 to develop the agenda materials attached, taking into strategic input received from the IESBA Planning Committee in November 2024.

September 2024 Board Key Comments

4. At the September 2024 Board meeting, the IESBA expressed strong support for the FCGWG's preliminary views and proposed recommendations as stated in its [Preliminary Report](#).
5. Among other matters, IESBA participants raised the following key comments:
 - Ethics should be a core value that permeates throughout a firm and should be treated as a value proposition by firms.

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

- A cohesive approach is needed, linking quality management, governance, and ethics with ethics prioritized in the firm's strategy.
- There should be a firm-wide accountability framework tied to rewards, recognition, and transparency; firms must demonstrate that there are consequences for bad behavior.
- Ethics education and training should go beyond knowledge of standards and case studies, focusing on instilling an ethical mindset where ethics is at the forefront of a person's decision-making.
- Firms should create a supportive environment where staff feel safe to raise concerns.
- Firms should have a person/s responsible for monitoring and assessing the effectiveness of its ethics initiatives.
- There is significant public interest in the provision of consulting services.
- The Emerging Issues and Outreach Committee should monitor the development of private equity investments in accounting firms and aim to release a staff alert on the subject.

Draft FCGWG Final Report

6. The FCGWG developed its draft Final Report (**Agenda Item 4-A**) by incorporating the Board's feedback into the Preliminary Report as well as enhancing the report's readability. Key changes include:
 - Enhanced readability by moving certain sections to the appendix.
 - Expanded on public interest issues, emphasizing ethics as a value proposition and highlighting public interest concerns in consulting services.
 - Expanded and refined the Working Group's findings on the governance framework, such as inserting a separate section on accountability and aligning the common characteristics of an ethical firm with the elements of the governance framework highlighted in the Final Report.
 - Better aligned the key elements of the standard-setting project recommendation with the governance framework highlighted in the Working Group Findings.
 - Added two illustrative examples in the appendix.

Draft Firm Culture and Governance Project Proposal

7. The draft project proposal has incorporated relevant requirements from the PIOB's [Public Interest Framework \(PIF\)](#) and includes the following sections:
 - Public interest issues and project objectives.
 - The PIF's qualitative characteristics of a standard relevant to this project.
 - Project scope and overview of the FCG Framework, covering various elements of a governance framework that the project aims to address (e.g. firm-wide accountability and education and training on ethics).
 - How the project serves the public interest and meets the needs of stakeholders.
 - Indicative timeline for the project.

Actions Requested

8. IESBA members are asked to consider and:
- (a) Accept the FCGWG final report (**Agenda Items 4-A**); and
 - (b) Approve draft project proposal (**Agenda Item 4-B**).

Material Presented

For discussion:

Agenda Item 4-A Firm Culture and Governance Working Group Final Report

Agenda Item 4-B Draft Firm Culture and Governance Project Proposal

APPENDIX 1

List of Stakeholders Outreach in Q4 2024

#	Abbrev.	Stakeholder	Region
Monitoring Group			
1.	IOSCO C1 Committee	International Organization of Securities Commissions	GLOBAL
Regulators and Oversight Authorities, Including MG members			
2.	US SEC	US Securities and Exchange Commission	North America
3.	OECD	Organisation for Economic Co-operation and Development	GLOBAL
Independent² National Standard Setters			
4.	AUASB	Australian Auditing and Assurance Standards Board	Asia Pacific
Professional Accountancy Organizations (PAOs)³			
5.	ICAEW	Institute of Chartered Accountants in England and Wales	Europe
Accounting Firms and Sole Practitioners			
6.	PwC	PricewaterhouseCoopers International Limited	GLOBAL
Others			
7.	FoF	Forum of Firms ⁴	GLOBAL
8.	ICGN	International Corporate Governance Network	Asia Pacific
9.	INE	Independent Non-Executive	GLOBAL
10.	SAC	Stakeholder Advisory Council ⁵	GLOBAL

² NSS that have the mandate to set national ethics standards, including independence requirements, in their jurisdictions and which do not belong to PAOs are categorized as “Independent National Standard Setters.”

³ For purposes of this categorization, a PAO is a member organization of professional accountants, of firms, or of other PAOs. PAOs include but are not limited to IFAC member bodies.

⁴ The [Forum of Firms](#) is an association of international networks of accounting firms that perform transnational audits. Members of the Forum have committed to adhere to and promote the consistent application of high-quality audit practices worldwide and use the ISAs as the basis for their audit methodologies. They also have policies and methodologies for the conduct of such audits that are based to the extent practicable on and use the International Standards on Auditing (ISAs), and policies and methodologies that conform to the IESBA Code and national codes of ethics as the basis for their audit methodologies.

⁵ The Stakeholder Advisory Council (SAC) provides strategic input and recommendations to the International Auditing and Assurance Standards Board (IAASB) and IESBA. It is a forum for the IAASB and IESBA to engage with diverse external stakeholders, thereby drawing on additional expertise and experience for their standard-setting projects.