

Accounting Firm Culture and Governance

IESBA Viewpoints – Context, Nature and Purpose

I. Background

1. In December 2024, the IESBA approved a [project proposal](#) to develop a principles-based accounting firm culture and governance (FCG) framework that promotes, supports and reinforces a high standard of ethical behavior by a firm's leadership, other partners and staff across all of the firm's services, thereby helping the firm to strengthen its reputation as a highly ethical firm, mitigate the risks of unethical behavior and strengthen public trust and confidence in all of its services. The project proposal anticipated that an exposure draft would be approved by the end of 2025. The IESBA also agreed to initiate a separate workstream to develop non-authoritative materials (NAMs) that would complement the output of the standard-setting project.
2. The IESBA's decision to launch the standard-setting project was based on the extensive fact-finding work its FCG Working Group had undertaken over the course of 2024 and the Working Group's conclusions and recommendations as embodied in its [final report](#) to the IESBA.¹ The IESBA took on FCG as a strategic priority following recurrent high-profile cases of unethical behavior in accounting firms in several jurisdictions in recent years that resulted in damaging consequences for individual professional accountants (PAs) as well as their firms and staff.
3. As the project proposal explained, unethical behavior in a firm can significantly tarnish its reputation, result in the delivery of poor-quality services, and have major adverse impacts on the firm and its employees, the profession, and the public. Further, ethical failures in a firm's non-assurance service lines may impact not only public trust in that service line but also all other service offerings of the firm, including its audit services. In this regard, consulting services, including tax advisory and services provided to government bodies, may also carry high levels of public interest. Additionally, where firms provide services that have banking, other industry or economy-wide effects or impact public services, the firms' actions may have broader impacts on industries and economies, with significant public interest implications.
4. Therefore, ensuring that ethics is a high priority across all of a firm's service lines is essential for the firm to maintain public trust and confidence in its work in the long term. As the project proposal stated, firms should recognize that adherence to the highest ethical standards across all service lines is a strategic value proposition, and this may be one of the best safeguards against reputational risks from unethical behavior and related consequences.
5. Thus, to facilitate firms operating as ethical firms and thereby mitigate the risk of ethical failure more holistically, it is essential to address not only ethical behavior at the individual level but also the broader organizational issues of ethical culture and governance, including leadership. These broader issues should be considered firm-wide, covering all service lines.

¹ The Working Group's charge included, among other matters, gathering an understanding of culture and governance and their impact on compliance with ethical requirements in accounting firms and, where applicable, their networks and developing recommendations to the IESBA. The development of the report was informed by extensive outreach to stakeholders, including regulators and oversight bodies, investors and the corporate governance community, accounting firms, professional accountancy organizations, jurisdictional standard setters (JSS) and the [Stakeholder Advisory Council](#) (SAC), as well as a review of academic literature.

6. The FCG framework will also serve the important public interest goal of providing a global and consistent point of reference for FCG. There is currently no global ethics baseline against which firms can assess their FCG practices across all their services lines.

II. Resequencing of Standard-setting and NAM Workstreams

7. As part of the public consultation process to inform the development of the proposed framework as well as the development of NAM, the IESBA embarked on a series of six global in-person and virtual [roundtables](#) in March and April 2025. The roundtable discussions generated rich and diverse perspectives, insights, observations and suggestions² regarding the eight elements of an FCG framework identified in the project proposal as fostering an ethical culture: (1) ethical leadership; (2) oversight and governance; (3) provision of independent input; (4) accountability; (5) incentives and rewards;³ (6) a culture of open discussion and challenge; (7) continuous education and training; and (8) transparency.
8. While there was broad agreement among roundtable participants that fostering an ethical culture requires more than just policy statements or compliance frameworks, there were also mixed views as to whether the IESBA should focus on developing a new standard, with a number of participants preferring a flexible, principles-based approach centered on NAM.
9. In addition to the global roundtables, the Project Team (PT) and Board Advisors to the PT also conducted additional outreach in Q2 2025, including meetings with the Forum of Firms, the International Forum of Independent Audit Regulators' (IFIAR) Standards Coordination Working Group, the IESBA-JSS liaison group and the International Federation of Accountants (IFAC) Small and Medium Practices Advisory Group. In gathering further input from these stakeholder engagements on the elements of the FCG framework, the IESBA noted support for setting clear expectations for those elements as part of the project. However, the IESBA also heard some questions regarding whether adding new provisions to the Code⁴ would be effective in terms of changing behaviors. Some of these stakeholders emphasized the relevance and usefulness of NAM over standard-setting.
10. Alongside the ongoing FCG work, the IESBA also engaged in discussions with the SAC and IESBA-JSS liaison group in Q2 2025 on key trends in the external reporting ecosystem and the potential implications for its standard-setting work.⁵ Also in Q2, IFAC and IESBA convened a multi-stakeholder summit on global standards focused on furthering the public interest. Among the key takeaways from these discussions were (1) stakeholders need time to assimilate a number of recently issued standards, and (2) greater priority should be given to developing NAM and other supporting materials as opposed to new standards. In light of this feedback and as part of the mid-cycle review of its Strategy and Work Plan 2024-2027 at its June 2025 meeting, the IESBA determined to slow down standards issuance and devote a greater focus on reinforcing support for adoption and implementation of the Code, among other calibrated adjustments to its forward strategy for 2025-2026.

² See the [summary of feedback from the global roundtables](#).

³ The Project Team has subsequently recharacterized the element of “incentives and rewards” as “incentives and disincentives” based on the discussions at the global roundtables and in other stakeholder outreach.

⁴ The IESBA's [International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#).

⁵ The discussion with the SAC was undertaken jointly with the International Auditing and Assurance Standards Board (IAASB).

11. Consistent with this strategic adjustment to the pace of standard-setting and the prioritization of NAM support, and taking into account feedback from the global roundtables and other outreach in Q2 2025 regarding the standard-setting work, the IESBA agreed in June 2025 to accept the PT's proposal to resequence the standard-setting and NAM workstreams.
12. The resequencing involves the IESBA:
 - (a) Developing a plan for practical guidance and other initiatives in 2026 to create awareness and dialogue among stakeholders around the elements of the FCG framework, and help firms foster an ethical culture that supports long-term public trust in all their services and activities; and
 - (b) With a view to determining by June 2026 how best to approach the development of the FCG framework, developing by December 2025 a set of "IESBA viewpoints" on each of the eight elements of an FCG framework for purposes of further engagement with stakeholders in Q1-Q2 2026.

III. Nature and Purpose of IESBA Viewpoints

13. In deciding to resequence the standard-setting and NAM workstreams, the IESBA made it clear that the resequencing did not mean that it had abandoned the standard-setting workstream.⁶ Instead, the resequencing will create space for the IESBA to:
 - (a) Analyze the input it has collected from its extensive information-gathering activities on the topic, including the research and other fact-finding as summarized in the Working Group's final report as well as the global roundtables and other stakeholder outreach;
 - (b) Distill from this analysis the essential, *consensus-driven* messages the IESBA heard from stakeholders concerning the eight elements of the FCG framework; and
 - (c) With the benefit of its own perspectives and reflections on the outputs from (a) and (b), develop and refine a series of IESBA viewpoints on the FCG elements by December 2025, which it will then use as a basis for further discussion with stakeholders in Q1-Q2 2026.
14. The IESBA viewpoints reflect the key characteristics of each element of the FCG framework. The key characteristics are outcome-oriented and are aimed at supporting, driving and shaping ethical behavior within firms. The operationalization of the key characteristics will differ from firm to firm, depending on factors such as a firm's size, the types of services it provides, the markets in which it operates, and the nature and types of clients it serves.
15. Through the engagement with stakeholders around the IESBA viewpoints in Q1-Q2 2026, the IESBA will:
 - (a) Seek their feedback on the usefulness, clarity, implementability and proportionality of the viewpoints; and
 - (b) Explore which of those viewpoints could evolve into draft FCG principles or guidance, forming a framework to guide firms' efforts to build and sustain a strong ethical culture and related governance practices.

⁶ See the [June 2025 IESBA minutes](#), pages 10 and 11.

Whether some of the viewpoints could evolve into draft FCG principles will depend on whether there is a broad consensus among stakeholders that they are fundamental levers to promote ethical culture and can do so effectively without necessarily requiring prescriptive requirements.

16. As part of the engagement with stakeholders around the IESBA viewpoints, the IESBA will also seek their feedback on how best to approach the development of the FCG framework, including its content, presentation, authority and location.⁷

IV. How the IESBA Viewpoints are Drafted

17. The IESBA viewpoints are drawn from the FCG Working Group's final report and the input received from the extensive stakeholder outreach conducted since the commencement of the project, particularly the six global roundtables held in 2025.
18. While the IESBA viewpoints are intended to be high-level but actionable:
- Some of them recognize that their application will vary depending on various factors.
 - The IESBA viewpoints do not include practical examples or specify any processes. The IESBA plans to develop supporting materials in 2026 to complement the IESBA viewpoints and provide practical guidance to help firms take steps towards strengthening their ethical culture.
19. The IESBA viewpoints reflect the fact that building and sustaining an ethical culture in a firm is a long-term commitment that extends to all levels of the firm. Importantly, they recognize the special responsibility of senior leadership of the firm, given their central role in driving a strong ethical culture, regardless of the size of the firm and the types of professional services provided and clients served.
20. In terms of applicability, the IESBA viewpoints:
- Are intended to be scalable and proportionate, given the wide diversity of firms, the types of clients they serve and the types of services they provide. Where relevant, the IESBA viewpoints incorporate specific scalability and proportionality considerations (e.g., see provision of independent input, and oversight and governance).
 - Are relevant to firms operating on their own or as part of a network. It will be important for network firms to apply the key characteristics reflected in the IESBA viewpoints consistently across the network, irrespective of changes in their ownership or structure, while recognizing the need to take into account local context.

V. Linkages Between FCG Framework and ISQM 1⁸

21. The IESBA recognizes that there is an important question regarding the nature and extent of the linkage between the FCG framework and ISQM 1, given that the latter speaks to some aspects of FCG as they relate to designing, implementing and operating a system of quality management.
22. In response to this question, the IESBA has developed, in coordination with the IAASB, a paper that explains at a high level the linkages between the IESBA viewpoints and ISQM 1, including the key differences. The paper also presents, for illustrative purposes, an overview of the linkages between

⁷ That is, whether the FCG framework should be incorporated into the Code.

⁸ ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

the IESBA viewpoints and ISQM 1 in relation to two FCG elements – Ethical Leadership, and Incentives and Disincentives. For purposes of explaining the linkages, the IESBA viewpoints are used as the FCG framework is not yet developed. See **Agenda Item 3-D**.