

Meeting: IESBA
Meeting Location: New York
Meeting Date: March 9-12, 2026

Agenda Item 3

Firm Culture and Governance (FCG)

Objectives

1. To consider:
 - (a) Key stakeholder feedback from outreach conducted in Asia in January 2026;
 - (b) Upcoming stakeholder engagement, dialogues, and simulation on the IESBA viewpoints;
 - (c) Recent coordination activities with the International Auditing and Assurance Standards Board (IAASB); and
 - (d) Additional supporting materials and other communications initiatives.

Activities Since December 2025

2. At its December 2025 meeting, the IESBA accepted a package of documents for further stakeholder engagement in Q1-Q2 2026 in support of its strategic commitment to develop an accounting firm culture and governance framework. It includes:
 - (a) A contextual piece that sets out the background to the development of IESBA viewpoints on each of the eight elements of the FCG framework and the nature and purpose of the IESBA viewpoints;
 - (b) An overarching piece that provides an overview of the eight FCG elements and their interconnectivity;
 - (c) The IESBA viewpoints; and
 - (d) A document that explains the linkages and differences between the IESBA viewpoints and ISQM 1.¹
3. During January and February 2026, the Project Team² (PT):
 - Published a [briefing note](#), based on the package agreed by the IESBA in December 2025, to support stakeholder engagement. The briefing note contains four questions on which stakeholders will be invited to share views.
 - Launched the [FCG Dialogues](#) during outreach with Singapore, Malaysia and Hong Kong SAR stakeholders, including representatives of:
 - Small-medium and large firms.

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

² The Project Team comprises Kam Leung (IESBA Director and Project Lead), Laura Leal (IESBA Principal) and Joanne Holt (IESBA Senior Manager). The Board Advisors to the Project Team are Channa Wijesinghe (IESBA Vice Chair), Hector Lehuedé (IESBA Member) and Jon Walters (IESBA Member).

- The Singapore Accounting and Corporate Regulatory Authority (ACRA).³
- The Institute of Singapore Chartered Accountants (ISCA).
- The Securities Commission Malaysia (MY SECCOM).
- The Association of Chartered Certified Accountants Asia-Pacific (ACCA APAC).
- The Malaysian Institute of Accountants (MIA).
- The Hong Kong Institute of Certified Public Accountants (HKICPA).
- The Hong Kong Independent Commission Against Corruption (ICAC).
- The Hong Kong Accounting and Financial Reporting Council (HK AFRC).

See the **Appendix** for a summary of the feedback received.

- Organized three focus group meetings to gather in-depth feedback on the questions in the briefing note, with the objective of informing the IESBA's deliberations on how best to approach the development of the FCG framework at its June 2026 meeting.

The meetings will take place in late March and be with representatives of (i) the Global Public Policy Committee (GPPC), (ii) the IFAC Small and Medium Practices Advisory Group (IFAC SMP AG), and (iii) jurisdictional and global regulators and oversight bodies.

In addition, meetings with the (i) IAASB-IESBA Users Advisory Group, and (ii) all representatives from the focus group meetings, have been planned for May to further the dialogue after the PT has analyzed the focus group meeting feedback.

- Set up simulation exercises on the IESBA viewpoints with two firms – one large firm in the UK and a medium-sized firm in Dubai – to be facilitated by two experts in the field of human behavior, including human-centered communication, connection and critical thinking.⁴ The exercises are intended to gather deeper insights into how the two firms might contextualize and implement the IESBA viewpoints within their environments, with the objective of informing the IESBA's deliberations on how best to approach the development of the FCG framework at its June 2026 meeting.
- Kicked off an interview series with representatives of four firms to understand practices already in place that are deemed successful from the perspective of their individual firms. The interviews will be published in the IESBA newsletter focused on FCG over Q1-Q2.

Coordination with IAASB

4. At its December 2025 meeting, the IESBA agreed to continue developing the linkages document to ISQM 1 to cover all eight elements of the FCG framework. This is anticipated to be completed by the end of Q1 2026.
5. As part of the ongoing coordination efforts, the PT and Board Advisors will meet with IAASB representatives⁵ in early March 2026 to provide an update on the FCG project, and discuss the IAASB representatives' feedback on the linkages document.

³ The IESBA Chair also participated in a panel on FCG and Private Equity Investments in Accounting Firms at an event organized by ACRA.

⁴ Christine Shaefer, Ph.D. and Enrique Martínez-González of the consultancy "LiveBothAnd"

⁵ Greg Schollum, IAASB Member, Misha Pieters, IESBA Technical Advisor, and IAASB Staff

Action Requested

6. IESBA members are asked to share views on, or reactions to, the updates provided by the PT.

Appendix

Summary of Outreach in Q1 2026

Introduction

1. In Q1 2026, the FCG PT and IESBA representatives engaged with several stakeholders in Singapore, Malaysia, and Hong Kong SAR as part of the launch of the FCG Dialogue Series. The key takeaways from these meetings are provided below.

Representatives from ACCA APAC – January 12, 2026

2. The importance of FCG was acknowledged.
3. A question was raised about the FCG project's intended outputs and potential difficulties around broader investor engagement.

Conference at the Accounting and Corporate Regulatory Authority (ACRA), Panel on Firm Culture & Governance and Private Equity Investments in Accounting Firms – January 13, 2026

4. Key comments from panelists included:
 - Panelists underscored the role of ethical senior leadership in setting the tone at the top, and the importance of having a robust process for selecting senior leaders.
 - Senior leadership should be reinforced by strong accountability mechanisms, measurement systems and robust governance, so that individuals across the firm are held accountable and the firm embeds an ethical culture that endures leadership changes.
 - There was a question around how to manage financial interests against ethical values.
 - Panelists emphasized the value of open discussion and ongoing dialogue on ethics.
 - Comments noted firm heterogeneity due to differences in size, service lines and jurisdiction. There was also a question as to how complex versus high-level a global baseline on ethical culture should be.

Representatives from Singapore firms⁶ – January 13, 2026

5. Participants agreed that the FCG viewpoints are comprehensive and generally supported the framework as a useful, global baseline that could help protect firm value and safeguard reputation.
6. Views were mixed on whether the FCG framework should be mandatory or voluntary: several participants favored voluntary adoption to avoid checklist behavior, while others questioned whether voluntary adoption would be meaningful without some sort of commitment.
7. Key comments raised by participants included:
 - Questions about what FCG adds beyond ISQM 1, and whether ISQM 1 alone would be sufficient to address the issues FCG seeks to tackle. Equally, a recognition that there are gaps in terms of what ISQM 1 does not cover with respect to some parts of the firm from an FCG perspective.
 - Support for the “whole-of-firm” focus, as unethical conduct in non-audit service lines can adversely impact the overall firm reputation, including that of the audit service line.

⁶ Representatives of ACRA and ISCA were also present.

- Clarification sought from IESBA that the oversight and governance viewpoints refer to internal oversight, not external or regulatory oversight.
- A suggestion to position the FCG framework as a differentiating “premium” or a strategic advantage, rather than as an additional compliance layer or checklist.
- A suggestion for the IESBA to take a balanced approach and avoid skewing to high-profile ethical failures.

Representatives from MIA – January 15, 2026

8. Key comments from participants included:

- Participants welcomed the FCG project but highlighted the overlap with existing Code requirements and asked for careful analysis of what would be incremental.
- Questions over whether the FCG framework would be in the Code or outside the Code and whether it would be principles-based or more prescriptive.
- There was a question around potential implications for SMPs and preparers (whether or not professional accountants), with a comment that implementation challenges will vary by firm size and local culture.

Representatives from MY SECCOM – January 15, 2026

9. Participants expressed support for the FCG project and characterized ethics ultimately as a cultural challenge shaped by the broader environment.

10. Additional key comments from participants included:

- A suggestion to embed a “public interest person,” or equivalent, within decision-making structures to represent the public interest of the firm.
- Independent input could be provided through risk management functions, such as a risk management partner.

Representatives from Malaysian firms⁷ – January 16, 2026

11. Participants generally supported the FCG project and noted the importance of building an ethical culture in firms and the clarity and comparability a global FCG framework would provide in that regard.

12. Several participants called for the FCG framework to be outside the Code for more flexibility, citing concerns around inadvertently introducing a “box ticking” mentality and the need for proportionality for smaller firms. Some suggested that a non-authoritative approach through examples of what good looks like and other practical implementation materials would be more helpful than detailed requirements.

13. Additional key comments raised by participants included:

- A concern around the potential lack of a level playing field as accounting firms compete with other firms that provide similar services but are not subject to the Code, especially if the FCG framework were to be placed in the Code.

⁷ Representatives of MY SECCOM were also present.

- A recognition that there are pros and cons to locating the FCG framework inside the Code, including the fact that enforcement would be more challenging if it were outside the Code.
- FCG is key to firms' long-term sustainability and good reputation. The IESBA viewpoints provide a good roadmap regarding how to implement an FCG framework and will help firms think about culture. However, implementation should be gradual to allow firms time to invest in the necessary efforts.
- Suggestions for a phased approach, such as starting outside the Code first before considering gradually integrating it into the Code, or if in the Code, focusing first on the audit service line before expanding across other service lines.
- The difficulty around codifying, measuring, and documenting something as intangible as culture.
- Potential difficulties in ensuring consistent application of an FCG framework across service lines.
- Suggestions to create strategic alignment between the FCG framework and ISQM 1 to avoid duplication, and questions as to whether it would be possible to leverage existing ISQM 1 infrastructure in firms to implement the FCG framework.
- The need for clarity on the problem that is being addressed, including clarity around the root causes of recent ethical failures. Without sufficiently targeting the root causes, solutions will not be effective.

Representatives from ICAC – January 19, 2026

14. ICAC representatives provided an overview of the newly launched Integrity Compliance Management System (ICMS) and ICAC's work with the profession and the business sector.
15. ICAC representatives indicated openness to collaboration with IESBA due to the similarities between IESBA's FCG project and the ICMS.

Representatives from Hong Kong firms⁸ – January 21, 2026

16. Participants generally supported the FCG project and the development of an FCG framework.
17. Key comments from participants included:
 - The IESBA viewpoints are beneficial as culture can be rather vague and difficult to implement. Having some principles and baseline of what is expected is helpful, but they need to be proportionate.
 - Principles should be actionable and practical, with examples of what good governance and controls for ethical behavior look like in different firm contexts and service lines.
 - Clearer articulation of how the FCG framework differs from the Code and ISQM 1 would help mitigate perceptions that it is simply an additional compliance burden. To this effect, it was suggested that a root cause analysis, including how the FCG framework would address the root causes of ethical failures, would also be beneficial.
 - The challenge is to explain how the FCG framework will reduce the incidence of ethical failures, given that the Code already contains the fundamental principles. Within large

⁸ Representatives of the HKICPA were also present.

firms, there are personnel who are not professional accountants. The challenge is to how to apply elements of the FCG framework, such as accountability, to them as they tend to have more of a business mindset. Hence, helping firms implement the FCG framework across service lines would be helpful.

- A comprehensive global baseline that is flexible and not one-size-fits-all would be beneficial for SMPs. However, there were concerns regarding costs of implementation, and that Code-level requirements could create disproportionate compliance burdens for SMPs.
- A phased approach in implementing the FCG framework would be helpful as culture cannot be implemented overnight.
- The simulation of the IESBA viewpoints would be a good exercise to undertake.
- A question as to how to guide firms in providing the right incentives to nudge appropriate behavioral changes, as engagement profitability is an important KPI for partners across service lines.
- A question as to whether implementing the FCG framework would have any impact on firms' ability to meet reporting deadlines.
- A suggestion to reflect carefully on implementation and timelines as firms have been under significant pressure to implement a number of new standards in recent years.

Representatives from HK AFRC – January 21, 2026

18. Key comments from participants included:

- Tone at the top is necessary but insufficient without checks and balances, oversight, and monitoring structures that detect issues early.
- Concerns regarding audit fee pressures that could undermine a firm's long-term sustainability.
- While it is crucial for people to understand firm values, rewarding values-based and ethical behavior is not easy; it is easier to penalize unethical conduct.
- The importance of recognizing qualitative contributions, such as to a firm's brand, beyond quantitative revenue generation.