

Firm Culture and Governance – Cover Note

Objective

The objective of the discussion in September 2025 is to:

- (a) Update the Board on the progress of the International Ethics Standards Board for Accountants' (IESBA) Firm Culture and Governance (FCG) project;
- (b) Update the Board on the Coordination activities between the IAASB and IESBA; and
- (c) Obtain the Board's views on the matters in (a) and (b) above.

Introduction

1. In the June 2025 meeting, IESBA Staff provided the IAASB with an update on their FCG project. Given the importance of close coordination on this project, IESBA staff will regularly join IAASB meetings to keep the IAASB informed on the progress and obtain the IAASB's feedback on identified matters.

Materials Presented

2. This paper sets out the following:
 - **Part A:** Background to the project.
 - **Part B:** Coordination Activities.
 - **Part C:** Way forward.
3. This agenda item includes the following appendices and other agenda items:

Appendix 1	Overview of the Project Team
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IESBA Materials Presented

4. IESBA's FCG Project Team presented the following papers to the IESBA for their September 2025 meeting, which are available on the IESBA meetings webpage:
 - Agenda Item 2 – [Cover Note](#)
 - Agenda Item 2-A – [Draft IESBA Viewpoints](#)
 - Agenda Item 2-B – [Preliminary plan for other supporting materials and initiatives](#)

Part A: Background to the Project

5. In recent years, there have been a number of high-profile cases of unethical behavior by or within accounting firms in several jurisdictions. Some of those cases resulted in major sanctions, multi-million-dollar penalties, and adverse publicity that have damaged the reputations of the firms involved and eroded public trust in the profession.

6. In light of these developments, the IESBA agreed to address FCG as a strategic priority under its [2024-2027 Strategy and Work Plan](#) and in March 2024, the IESBA established the FCG Working Group.
7. To understand the issues and identify the key themes, the FCG Working Group conducted extensive outreach with relevant stakeholders to obtain insights into, raise awareness about, and exchange views on the topic of FCG. In December 2024, the IESBA accepted the FCG Working Group's [Final Report](#) and recommendations and approved a [project proposal](#) for a new standard-setting project on the topic. The FCG Working Group's Final Report, including its findings and recommendations, was released in January 2025.
8. The objective of the IESBA's FCG project, as included in the project proposal, is to:
Develop a culture and governance 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 develop a reputation as a highly ethical firm, mitigate the risks of unethical behavior and strengthen public trust and confidence in all of its services.
9. As part of its public consultation process to inform the project and a related workstream on developing non-authoritative material (NAM), the IESBA agreed to hold a series of global roundtables. The following four in-person and two virtual roundtables were held:
 - March 13, 2025, New York City, USA
 - March 20, 2025, Melbourne, Australia
 - March 24, 2025, Brussels, Belgium
 - April 2, 2025, virtual roundtable for the Africa region
 - April 3, 2025, virtual roundtable for the Latin America region
 - April 28, 2025, Kuala Lumpur, Malaysia
10. The [Firm Culture and Governance: Summary of Feedback from Global Roundtables](#) publication captures stakeholder perspectives from the roundtables.
11. At its June 2025 meeting, the IESBA:
 - Considered highlights of key comments from the global roundtables and other stakeholder outreach in Q2 2025 as well as an external presentation by representatives of Principia on building and measuring ethical culture;
 - Supported the IESBA's FCG Project Team proposed revised strategic approach to the project which aligns with the IESBA's revised overall forward strategy for 2025-2026:
 - The revised strategic approach to the project includes a re-sequencing of the standard-setting and NAM work streams, with a focus on the development of NAM and other supporting materials over the next 15 to 21 months whilst continuing to explore the best approach to the FCG framework.
 - At its June 2026 meeting, the IESBA will reflect on feedback from engagement with stakeholders on the Viewpoints in considering the way forward on the FCG framework.
 - Agreed to develop a series of IESBA viewpoints on the FCG elements.

Part B: Coordination Activities

12. As part of the ongoing coordination efforts, Staff and Project Board Member met twice since the June 2025 IAASB meeting with IESBA representatives, including Channa Wijesinghe, IESBA Vice Chair, Rich Huesken, IESBA Member, and IESBA Staff. In these meetings IESBA representatives provided an update on the project and the materials to be presented at the IESBA's September 2025 meeting were discussed. In addition, the IESBA's FCG Project Team and IAASB Staff met throughout the quarter to facilitate effective and efficient coordination.
13. Among other matters, in the coordination meetings, IESBA representatives explained:
 - The plan for drafting the Viewpoints;
 - The guiding considerations for developing the Viewpoints;
 - The drafting convention for the Viewpoints; and
 - The plan for other supporting material and other initiatives.

Viewpoints

Plan for Drafting the Viewpoints

14. IESBA's FCG Project Team has drafted eight Viewpoints being:
 - Group A
 - Accountability across the firm;
 - Rewards;
 - Open discussion and challenge;
 - Education and training;
 - Transparency;
 - Group B
 - Ethical leadership;
 - Oversight and governance; and
 - Provision of independent input.
15. The IESBA's FCG Project Team recommended that IESBA members first review the five Viewpoints in Group A, followed by the remaining three in Group B which are more overarching in nature.
16. In addition to the eight Viewpoints, IESBA's FCG Project Team will develop an overarching viewpoint for the IESBA's consideration at its December 2025 meeting.
17. This overarching viewpoint will, among other things:
 - Set the context and background of the other eight Viewpoints;
 - Highlight the connectivity between the eight Viewpoints;
 - Explain the elements that are common to all Viewpoints.

18. Since the information to be included in this overarching viewpoint is dependent on the outcome of IESBA discussions on the eight Viewpoints at its September 2025 meeting, IESBA's FCG Project Team will develop the overarching viewpoint only after this meeting.

Guiding Considerations for the Viewpoints

19. IESBA's FCG Project Team developed the Viewpoints based on the following guiding considerations:
- The main target audience is the senior leadership of accounting firms (“firms”), regardless of the size of the firms and type of professional services provided.
 - The content of the Viewpoints is drawn from the FCG Working Group's [Final Report](#) and the information received from broad and extensive stakeholder outreach conducted during the project, particularly the six global [roundtables](#) held in 2025.
 - The Viewpoints should articulate high-level principles under each FCG element that are actionable by firms and their senior leadership. To strike a balance between these two considerations (i.e., high-level and actionable), the Viewpoints:
 - Include certain organizational matters or factors that can be considered by firms.
 - Do not include practical examples or specify any processes, which would be too granular and would vary from firm to firm.
 - The Viewpoints should be scalable and proportionate, given the diverse range of firms and the services they provide. Where relevant, the Viewpoints incorporate scalability and proportionality considerations (see e.g. provision of independent input, and oversight and governance).

Drafting Conventions for the Viewpoints

20. IESBA's FCG Project Team drafted the Viewpoints with the following drafting conventions in mind:
- Each Viewpoint commences with the section “Public interest considerations” which explains the reasons why a topic (e.g. ethical senior leadership) is fundamental to developing an ethical firm culture. The remaining sections in the Viewpoint articulate the high-level principles on the topic.
 - The Viewpoints use the present tense, and do not use ‘shall’, ‘should’ or similar verbs or expressions since they are NAM and are not part of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the Code).
 - The Viewpoints do not reference existing FCG-related provisions, either in the Code or ISQM1.¹

Preliminary Plan for Other Supporting Materials and Initiatives

21. As part of the FCG project's re-sequencing of work streams as agreed by the IESBA in June 2025, IESBA's FCG Project Team will develop a series of other supporting materials and initiatives in addition to the Viewpoints.

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

22. As noted in Agenda Item 2-B of IESBA's September 2025 meeting, one of the other supporting materials proposed is a document that aims to identify the linkages between the Viewpoints and the relevant provisions in ISQM 1 as it relates to the quality management practices of firms that particularly perform audits and other assurance engagements. The supporting material will be developed in Q2 2026 in coordination with the IAASB liaison team for the FCG project, following finalization of the Viewpoints.

Views and Recommendations

23. IAASB Staff and Project Board member shared the following key observations with IESBA representatives on the Viewpoints and the FCG project more widely:

- *Importance of alignment with ISQM 1.* Even though one of the drafting principles is that the Viewpoints do not reference existing FCG-related provisions, either in the Code or ISQM 1, IAASB Staff and Project Board member noted that questions will likely remain on how the Viewpoints link to ISQM 1. Therefore, it was recommended to align the wording in the Viewpoints and leverage concepts already included in ISQM 1, even if the concepts are not referenced in the Viewpoints, as this may avoid confusion in the marketplace.

IAASB Staff and Project Board member shared various suggestions on the eight Viewpoints, including:

- Suggestions on how the wording in the Viewpoints could be further aligned with ISQM 1.
- References to paragraphs in ISQM 1 that relate to the topics addressed in the Viewpoints. The paragraphs shared from ISQM 1 included opportunities for matters that may be addressed in the Viewpoints.
- *Developing Non-Authoritative Material Explaining the Linkage between the Viewpoints (and Other Related Outputs of the Project) and ISQM 1.* IAASB Staff and Project Board Member noted that a potentially valuable topic to be covered by future NAM to be developed by the IESBA is how the Viewpoints are expected to fit with the firm's system of quality management. To really demonstrate co-ordination between the two Boards, the NAM could be developed jointly. IAASB Staff and Project Board Member are of the view that such guidance will need to address comments from stakeholders on how the FCG project interacts with ISQM 1.

As noted in paragraphs 21 and 22 above, IESBA's FCG Project Team plans to develop a series of other supporting material in addition to the Viewpoints, including a proposed document that aims to identify the linkages between the Viewpoints and the relevant provisions in ISQM 1 as it relates to the quality management practices of firms that particularly perform audits and other assurance engagements. In the view of IAASB Staff and Project Board Member, this document will be very important for the IAASB as it will help firms and others to link the Viewpoints to ISQM 1.

Matters for IAASB Consideration:

1. The Board is asked to share their views on:
 - (a) The coordination activities undertaken; and
 - (b) In the context of the presentation from IESBA Staff, the draft Viewpoints and IESBA's plan for developing supporting materials and other initiatives insofar as they relate to ISQM 1.

Part C: Way Forward

24. For IESBA's December 2025 meeting, IESBA's FCG Project Team is proposing to:
 - Present a draft overarching viewpoint.
 - Taking into account the IESBA discussions in September 2025,
 - Further enhance the eight Viewpoints; and
 - Continue to develop the plan for the other supporting materials and initiatives.
25. IAASB Staff and Project Board Member will continue to coordinate closely with IESBA representatives on the development of any material by the IESBA that may be relevant to ISQM 1 or other IAASB standards.

Project Team Members and Activities

1. Information about IESBA's FCG project can be found [here](#).

Project Team Member

2. The Project Team consists of the following member:
 - Jasper van den Hout

Project Board Member

3. The IAASB Project Board Member is:
 - Greg Schollum (Supported by Misha Pieters)

Activities in the Period

4. Since the June 2025 IAASB meeting, the Project Team met every three weeks with the Project Board Member virtually.
5. As noted in paragraph 12 above, Staff and Project Board Member met twice since the June 2025 IAASB meeting with IESBA representatives, including Channa Wijesinghe, IESBA Vice Chair, Rich Huesken, IESBA Member, and IESBA Staff.