

AGENDA PAPER

Item Number: 5
Date of Meeting: 6 March 2025
Subject: Update on IESBA's Firm Culture and Governance Project

Action required For discussion For noting For information

Purpose

To update the Board on the IESBA's Firm Culture and Governance Project.

Background

Given the significant public interest consequences when unethical behaviour occurs in firms, the International Ethics Standards Board for Accountants (IESBA) has determined to take a leadership role as the global ethics standard-setter in addressing firm culture and governance as a strategic priority in its current [2024-27 Strategy and Work Plan](#).

In December 2023, the Firm Culture and Governance Working Group (the Working Group) was formed, with its [Terms of Reference](#) being approved at the IESBA March 2024 meeting. APESB CEO and IESBA member Channa Wijesinghe chaired the Working Group.

The Working Group has undertaken extensive global stakeholder outreach, including regulators, standard setters, those charged with governance, finance executives and global and national firm leaders. It has also commissioned academic research. A project status update was provided at the Board meeting in September 2024 ([Agenda Item 10](#)).

Current developments

At their December 2024 meeting, the IESBA considered the Working Group's [Final Report](#) (the Final Report) and a draft project proposal.

Working Group's Final Report

The Final Report sets out the Working Group's findings and recommendations based on the information gathered in 2024 from extensive global stakeholder outreach. It highlights the critical role of culture and governance in addressing issues of ethical behaviour within accounting firms.

The Working Group identified key drivers of ethical firm culture, including ethical leadership, transparent accountability mechanisms, remuneration/incentives and governance frameworks that embed ethical values across all service lines.

The Report emphasises that fostering a strong ethical culture not only mitigates risks of unethical behaviour but also strengthens public trust, enhances firms' reputations, and reinforces the profession's public interest responsibilities.

The report also calls for further stakeholder engagement through global roundtables to gather input and refine the recommendations, ensuring the resulting standard and materials effectively address the public interest and promote an ethics-centred culture within the accounting profession.

The IESBA considered and accepted the Working Group's Final Report. A copy of the Working Group's Final Report is attached in Agenda Item 10 (a) for the Board's information.

The IESBA Project on Accounting Firm Culture and Governance

As noted above, the IESBA considered and approved a [Project Proposal](#) at its December 2024 meeting to commence two new work streams in 2025 as recommended by the Working Group:

1. A standard-setting project to address an accounting firm culture and governance framework that emphasises ethical values and supports the establishment of a strong ethical culture within accounting firms; and
2. The development of a series of Non-Authoritative Materials (NAMs) that will complement the output of the standard-setting project.

The IESBA will conduct a series of in-person and virtual global roundtables in March and April 2025 to gather views from a broad range of stakeholders. The in-person roundtables will be held in New York City, USA; Melbourne, Australia; Brussels, Belgium; and Kuala Lumpur, Malaysia. The virtual roundtables will be held in early April and will cover the African region and South America.

APESB CEO and IESBA Vice Chair Channa Wijesinghe has been appointed as the Lead Board Advisor to this project.

Further details about the project are available in the IESBA's [media release](#) and [project page](#).

Way Forward

Technical Staff will continue to update the Board on key developments for this IESBA project.

Recommendation

That the Board note the update on the IESBA's Firm Culture and Governance Project.

Materials presented

Agenda Item 5 (a) IESBA Firm Culture and Governance Working Group – Final Report

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Date: 22 February 2025