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International Auditing
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Standards Board®

IESBA

International
Ethics Standards
Board for Accountants®

Future of Accounting Firm

Geoff Kwan, IESBA Director

Linda Biek, IESBA Director

Carla Vijian, IESBA Principal

Jeanne Viljoen, IESBA Senior Manager

Stakeholder Advisory
Council Meeting
November 4-5, 2024
New York, New York

AGENDA



Part A: Charting a Path Forward on Firm Culture and Governance

- Presentation
- Discussion



Part B: Impact of Private Equity on Firms

- Presentation
- Breakout Groups
- Report Back

Part A: Charting a Path Forward on Firm Culture and Governance

FACT FINDING WORK TO DATE

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FCGWG preliminary
report presented at
September 2024
IESBA meeting



FCG Working Group fact-finding to date:

- Conducted extensive [stakeholder outreach](#) (40+ meetings) with regulators, TCWG, INEs, preparers, NSS, firms, PAOs and others
- Commissioned [academic research](#) on ethical culture, factors influencing culture and impact on ethical behavior
- Reviewed extant provisions of IESBA [Code](#) on culture, leadership and governance
- Reviewed [ISQM 1](#) and [audit firm governance codes](#) in UK and Japan

Q3 OUTREACHES – KEY FEEDBACK

- Stakeholders supportive of key themes identified:
 - Senior leadership must set the tone for firm-wide ethical behavior
 - Governance framework and role of INEs to bolster oversight of and provide appropriate challenges to leadership
 - Clear accountability mechanisms with a focus on ethics and service quality
 - Align rewards and incentives with expected ethical behavior to influence positive cultural outcomes
 - Encourage a culture of consultation and challenge to help deter unethical practices
 - Continuous ethics education and training are essential
- Stakeholders support of WG's recommendations



WORKING GROUP'S PRELIMINARY VIEWS

PUBLIC INTEREST ISSUES

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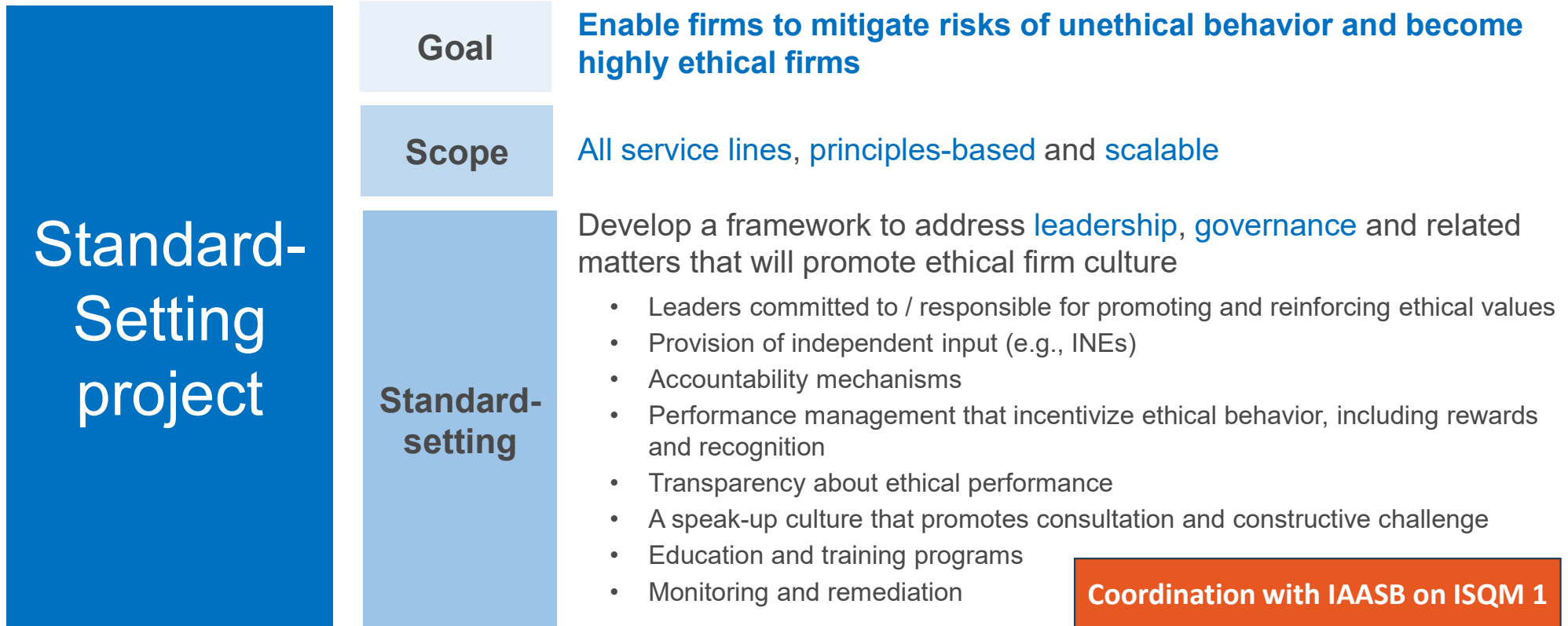
Unethical behavior
within firms impacts
public trust

Significant growth in
non-audit/non-
assurance services that
outpaces
audit/assurance
services

Strengthen ethical
culture and
governance to
mitigate the risk of
unethical behavior

Ethics as a value
proposition – firms
being highly ethical
firms

WORKING GROUP PRELIMINARY RECOMMENDATIONS



THE INFLUENCING FACTORS OF ETHICAL LEADERSHIP AND GOVERNANCE



- ❑ Strong ethical culture helps mitigate the risks of unethical behavior and enhance reputation
 - Ethical leadership and effective governance are two key influencing factors
 - Integrate ethical leadership into business models as a strategic imperative
- ❑ Important to embed ethics into broader governance structure, including measures such as:
 - independent non-executives
 - accountability mechanism
 - non-financial performance metrics
 - public disclosure of ethical performance

WORKING GROUP PRELIMINARY RECOMMENDATIONS



Non- authoritative materials (NAM)

- Develop a framework that raises awareness about the **roles and responsibilities of key players** within the ecosystem (e.g., regulators, standard setters, investors, TCWG, PAOs) that will contribute to firms being highly ethical firms
- Shorter timeline but **complementary** to the proposed standard-setting project
- Consideration of **other NAM / awareness-raising materials**
 - E.g., thought pieces, roundtable feedback statements, articles developed in partnership with others

QUESTIONS FOR SAC MEMBERS



- 1) At a strategic level, besides ethical leadership and governance, are there any other dimensions that also have a substantive impact on a firm's ethical culture?
- 2) From the perspective of investors, users, or the accountancy profession, what specific challenges or risks do you foresee in the implementation of the FCGWG's two recommendations? How can these challenges or risks be mitigated to ensure success in implementing the recommendations?

NEXT STEPS

December 2024 IESBA meeting

- Consideration of WG final report and recommendations
- Approval of project proposal
- Resource mobilization and timeline

Q1-2 2025

- Release of WG final report and summary statement
- Global roundtables



Part B: Impact of Private Equity on Firms

Structure of Discussion

Introduction and Overview of PEI in Accounting Firms

Breakout Session

Report Back

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Closing

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