



Ms Carla Vijian
Firm Culture and Governance Working Group
IESBA

By email

21 October 2024

Dear Ms Vijian,

RE: FIRM CULTURE AND GOVERNANCE, PRELIMINARY REPORT

Thank you for inviting comments on the preliminary report of the IESBA Firm Culture and Governance Working Group, which was published on the IESBA website in September this year: [IFAC Normal Template](#)

ICAEW Ethics Standards Committee welcomes this initiative and broadly supports the Working Group's findings. We believe this project is crucial for addressing potential erosion of trust in the profession. However, we also see opportunities for refining its scope and enhancing its practical application. Our detailed comments are set out below.

Support for the project

ICAEW was delighted to meet with the Chair and members of the Working Group as part of its extensive outreach programme earlier this year, and very much appreciates the opportunity to comment on the preliminary report. We:

- Agree with the key elements identified in the report as being necessary to create and underpin a culture of embedded ethical values.
- Support the development of non-authoritative material to bring leadership and governance frameworks to life. This could include case studies, best practice guides, and implementation toolkits tailored to firms of different sizes and specialties.
- Emphasise the importance of firms providing a strong employee supportive framework, including:
 - Availability of counselling
 - Programmes to develop resilience to pressure and life events
 - A safe and constructive working environment that respects their privacy and personal dignity.
- Consider that a marker of “good” ethical culture includes a genuine concern for the well-being of partners and employees, rather than mere productivity monitoring.

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Standards and scope of the initiative

While welcoming the opportunity to emphasise the crucial importance of ethical culture and good governance to the profession, ICAEW suggests:

- Emphasising more clearly that the project includes all lines of service offered by practice firms, not just audit.
- Expanding the initiative beyond practice firms to include businesses, including by leveraging the role of Professional Accountants in Business and expanding the project to encompass the profession's significant contribution to business culture. This expansion would align with the existing obligations in Part 2 of the Code and ensure consistency across the profession. Failing to do so risks the development of divergent standards and practices among accountants in different sectors.
- Exploring the development of "profession agnostic standards" that could be adopted by directors and members of other professions advising business and sitting on boards. Recent corporate failures highlight the critical role of boardroom culture, not just audit failures.

Support for a principles-based approach and cognizance of cultural differences

ICAEW fully supports:

- A principles-based approach in the Code to avoid potential conflict with domestic legislation.
- Development of principles and guidance which are broad enough to take account of potential cultural differences between jurisdictions, but which nevertheless commits the profession to a high global base line.
- Recognition of the challenge for international network firms, to develop a coherent approach that works for all parts of the network.

Proportionality and Enforceability

To drive required changes, ICAEW recommends that any new standards and guidance should:

- Address the "how" of achieving desired results, including specific and actionable steps.
- Include practical and measurable approaches without descending into mere compliance or a "tick box" exercise.
- Identify and encourage the use of measurable KPIs, such as:
 - Employee satisfaction and retention rates
 - Frequency and outcomes of ethical consultations
 - Training hours dedicated to ethics and culture
 - Client feedback on perceived ethical standards.
- Consider the potential impact on smaller firms.
For example, ICAEW notes the reference to the UK FRC's Audit Firm Governance Code. While useful for larger firms, ICAEW doubts whether smaller firms could fully comply with such a standard.

Concern about continued expansion of the Code of Ethics

ICAEW notes the exponential expansion of the IESBA Code of Ethics in recent years and recommends:

- A reflective pause to consider the continued practicality and usability of the document.
- Reverting to a more principles-based focus to address potential drift from this approach in recent years.
- Undertaking an implementation review across the various jurisdictions in which the Code applies.

Closing observations

ICAEW appreciates the opportunity to comment on this preliminary report and looks forward to continued engagement with the Working Group, including at the global roundtables scheduled for Q1/2 next year.

In summary, whilst we strongly support this initiative, we encourage IESBA to consider refining its scope, ensuring practicality for firms of all sizes, and maintaining a principles-based approach that can adapt to diverse cultural contexts.

Yours sincerely,

Gareth Brett
Interim Director of Trust and Ethics
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We promote inclusivity, diversity and fairness and we give talented professionals the skills and values they need to build resilient businesses, economies and societies, while ensuring our planet's resources are managed sustainably.

ICAEW is working towards becoming net zero, demonstrating our commitment to tackle climate change and supporting [the UN's Sustainable Development Goal 13](#).

ICAEW is a founding member of Chartered Accountants Worldwide (CAW), a global family that connects over 1.8m chartered accountants and students in more than 190 countries. Together, we support, develop and promote the role of chartered accountants as trusted business leaders, difference makers and advisers.

We believe that chartered accountancy can be a force for positive change. By sharing our insight, expertise and understanding we can help to create sustainable economies and a better future for all.

* includes parent companies. Source: ICAEW member data February 2024, Interbrand, Best Global Brands 2023