

Linkages between IESBA Viewpoints and ISQM 1

I. Introduction

1. This paper¹ explains at a high level the linkages, as well as the key differences, between the IESBA Firm Culture and Governance (FCG) viewpoints (IESBA viewpoints) accepted by the Board at its [December 2025 meeting](#) and ISQM 1.² It demonstrates the mutually supportive nature of the IESBA viewpoints and ISQM 1 while recognizing the distinctions in their objectives, scope, output and focus.
2. The appendix to this paper presents the linkages between the IESBA viewpoints and ISQM 1 in relation to the eight elements of the FCG framework (FCG elements).

Background to this Paper

3. This paper responds to calls from a number of stakeholders as well as IESBA and IAASB members to recognize and clarify the linkages between the IESBA viewpoints and ISQM 1.
4. The information presented in this paper helps a firm that has implemented a system of quality management (SOQM) in accordance with ISQM 1 to understand how its SOQM could be leveraged to meet the objectives and outputs of the IESBA viewpoints if the latter were to be adopted and implemented.
5. Whilst this paper seeks to explain the linkages between the IESBA viewpoints and ISQM 1, it does not purport to be a like-for-like assessment for the following reasons:
 - ISQM 1 is a standard that came into effect on December 15, 2022. The IESBA viewpoints do not constitute a standard and therefore do not have the level of authority of ISQM 1. They are a tool that the IESBA will use for stakeholder engagement in Q1-Q2 2026 to inform its future work regarding how best to approach the development of an FCG framework.
 - Unlike ISQM 1, the IESBA viewpoints have not been subject to due process, including public consultation.
6. Further information about the IESBA FCG project, including the nature and purpose of the IESBA viewpoints, is provided in **Section III** of the IESBA Briefing Note, “IESBA Viewpoints on Firm Culture and Governance”.

¹ This paper was developed in coordination with representatives of the International Auditing and Assurance Standards Board (IAASB) and agreed by the IESBA and IAASB at their December 2025 meetings.

² ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

II. The Relationship Between Ethical Culture and a Firm's System of Quality Management

7. ISQM 1 requires all firms that perform engagements within the scope of the IAASB's engagement standards³ to establish an SOQM designed, implemented and operated to provide the firms with reasonable assurance that the objectives of the SOQM are achieved, thereby enabling the consistent performance of quality engagements.
8. The IESBA viewpoints highlight how a firm can develop a strong ethical culture by prioritizing ethical values within the whole firm through the eight FCG elements. Such culture is important in driving ethical behavior within the firm.
9. There is an inherent connection between a firm's ethical culture and the firm's SOQM. In highlighting the importance of ethical culture, ISQM 1 recognizes that quality management is not a separate function of the firm, but that it is the integration of a culture that demonstrates a commitment to quality with the firm's strategy, operational activities and business processes.⁴ ISQM 1 also recognizes that the firm's culture is an important factor in influencing the behavior of personnel.⁵ It requires, under the governance and leadership component, that the firm demonstrates a commitment to quality *through a culture that exists throughout the firm* which recognizes and reinforces:⁶
 - (a) The firm's role in serving the public interest by consistently performing quality engagements; and
 - (b) The importance of professional ethics, values and attitudes.
10. The professional ethics that ISQM 1 refers to are those in relevant ethical requirements as defined in ISQM 1,⁷ such as the IESBA Code.⁸ Ethical values and attitudes are promoted, supported and reinforced through the firm's ethical culture.
11. As recognized by the IESBA Code,⁹ ISQM 1 contributes to an ethical culture within the firm through requirements and application material relating to firm culture *in the context of a firm's responsibilities to design, implement and operate an SOQM*. In particular, ISQM 1 requires that the firm establishes quality objectives that address the fulfillment of responsibilities in accordance with relevant ethical requirements to which the firm and the firm's engagements (those engagements that are within the scope of ISQM 1) are subject. This includes that the firm and its personnel (as well as others¹⁰ who are also subject to the same requirements):¹¹

³ The IAASB's engagement standards are the International Standards on Auditing (ISAs), the International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE), International Standards on Assurance Engagements (ISAEs), International Standards on Sustainability Assurance (ISSAs), International Standards on Review Engagements (ISREs), and International Standards on Related Services (ISRSs).

⁴ ISQM 1, paragraph A30

⁵ ISQM 1, paragraph A55

⁶ ISQM 1, paragraph 28(a)(i) and (ii)

⁷ ISQM 1, paragraph 16(t)

⁸ The [International Code of Ethics for Professional Accountants \(including International Independence Standards\)](#)

⁹ Section 120, *The Conceptual Framework*, paragraph 120.14 A1

¹⁰ Under ISQM 1, paragraph 29(b), others include the firm's network, network firms, individuals in the network or network firms, or service providers.

¹¹ ISQM 1, paragraph 29(a) and (b)

- (a) Understand the relevant ethical requirements; and
 - (b) Fulfill their responsibilities in relation to those relevant ethical requirements.
12. When firm personnel understand and fulfill their responsibilities in accordance with relevant ethical requirements such as the IESBA Code, this contributes to the firm's efforts to build and maintain an ethical culture within the firm.
13. Therefore, whilst the IESBA viewpoints focus on articulating the characteristics of the elements of a firmwide ethical culture and ISQM 1 focuses on the components of a firm's SOQM to support the consistent performance of quality engagements as further explained in the sections below, there is a mutually supportive and reinforcing relationship between the IESBA viewpoints and ISQM 1.

III. Key Differences Between IESBA Viewpoints and ISQM 1

Objectives

14. The IESBA viewpoints and ISQM 1 have different objectives and are intended to serve the public interest in different ways:

- ISQM 1¹² deals with a firm's responsibilities to design, implement and operate an SOQM for audits or reviews of financial statements, or other assurance or related services engagements, with the objective of providing the firm with reasonable assurance that:
 - The firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
 - Engagement reports issued by the firm or engagement partners are appropriate in the circumstances.

As per ISQM 1, the public interest is served by the consistent performance of quality engagements.¹³

- The objectives of the IESBA viewpoints are to enable a firm to build and sustain a strong ethical culture at all levels within the firm and across all the services it provides. A strong ethical culture helps the firm enhance its reputation and reduce organizational risks arising from unethical behavior within the firm. Ultimately, embedding ethical values into the firm's culture and governance helps the firm fulfil its responsibility to act in the public interest and builds public trust in the firm.

15. This difference in objectives may be demonstrated through some of the themes, concepts and mechanisms common to both the IESBA viewpoints and ISQM 1. For instance:

- The IESBA viewpoints on Ethical Leadership highlight senior leadership's responsibility for the firm's **ethical culture** and the demonstration of their commitment to **ethical values** through their decisions and actions.

ISQM 1's component on Governance and Leadership establishes the environment that supports the SOQM. The firm is required to establish certain **quality objectives**, which, among others, include that the firm demonstrates a commitment to **quality** through a culture that exists throughout the firm (see also paragraph 9) and that leadership is responsible and accountable for **quality** and demonstrates a commitment to **quality** through their actions and behaviors.¹⁴

- The IESBA viewpoints on Incentives and Disincentives point out that performance evaluation, incentives and disincentives that prioritize expected **ethical behavior** alongside other performance goals help encourage enduring **ethical behavior** and the long-term sustainability and reputation of a firm.

¹² ISQM 1, paragraphs 1 and 14

¹³ ISQM 1, paragraph 15

¹⁴ ISQM 1, paragraph 28(a) to 28(c)

ISQM 1 requires, through the establishment of **quality objectives** addressing resources, that personnel demonstrate a commitment to **quality** through their actions and behaviors and are held accountable or recognized through timely evaluations, compensation, promotion or other incentives.¹⁵ ISQM 1 also gives examples of actions a firm may take when personnel demonstrate actions or behaviors that negatively affect **quality**.¹⁶

16. See the **Appendix** for a comparison between the IESBA viewpoints and ISQM 1 on the eight FCG elements.

Scope

17. The IESBA viewpoints and ISQM 1 have different scopes:
 - The IESBA viewpoints apply to all firms and across all their service lines, including advisory and other service lines not covered by the IAASB's engagement standards, as well as to firms that do not perform engagements covered by IAASB standards (e.g., advisory-only firms).
 - ISQM 1 applies to firms performing audits or reviews of financial statements, or other assurance or related services engagements.¹⁷ If those firms perform other types of engagements (e.g., tax or consulting services), ISQM 1 recognizes that designing the SOQM and the firm's operational activities and business processes in an integrated manner may promote a harmonious approach to managing the firm, and enhance the effectiveness of quality management.¹⁸

Output

18. Implementing ISQM 1 leads a firm to establish an *SOQM* that provides the firm with reasonable assurance that the objectives of the *SOQM* are achieved, thereby enabling the consistent performance of quality engagements. ISQM 1 is a principles-based standard that requires the firm to apply a risk-based approach in establishing an *SOQM* in an interconnected and coordinated manner.¹⁹ Because of this, the implementation and application of ISQM 1 are scalable and, therefore, will vary from firm to firm. Two of the eight components of ISQM 1 also involve the *establishment of processes*: the firm's risk assessment process and its monitoring and remediation process.²⁰
19. The IESBA viewpoints address in a principles-based way the eight elements of an FCG framework necessary for a firm to develop an *ethical culture* that will promote, support and reinforce ethical behavior within the firm. Whilst the IESBA viewpoints include references to a firm's systems, policies and procedures, it is in the context of the firm's ethical culture.

¹⁵ ISQM 1, paragraph 32(b)

¹⁶ ISQM 1, paragraph A93

¹⁷ ISQM 1, paragraph 5

¹⁸ ISQM 1, paragraph A30.

¹⁹ ISQM 1, paragraph 7

²⁰ ISQM 1 consists of eight components that operate in an iterative and integrated manner: (i) the firm's risk assessment process; (ii) governance and leadership; (iii) relevant ethical requirements; (iv) acceptance and continuance of client relationships and specific engagements; (v) engagement performance; (vi) resources; (vii) information and communication; and (viii) the monitoring and remediation process.

Specificity and Granularity of Focus

20. The IESBA viewpoints focus on the eight FCG elements as identified in the [IESBA FCG Working Group Final Report](#). They elaborate at a principles level and in a holistic way the characteristics of each FCG element that altogether contribute to a strong ethical culture within the firm.
21. ISQM 1 refers to some of the FCG elements at different levels of detail, some in requirements and some in application material.
22. Because ISQM 1's focus is on quality management, it does not address all the FCG elements to the same degree of specificity and granularity as the IESBA viewpoints with respect to ethical culture. The IESBA viewpoints focus on the ethical values and behaviors that permeate every aspect of a firm culture, from strategy to operations to relationships between partners and staff, among others.
23. Therefore, the IESBA viewpoints are intended to help firms strengthen their ethical culture by providing a global and consistent point of reference with respect to the eight FCG elements.

Linkages between IESBA Viewpoints and ISQM 1 on the Eight FCG Elements

NOTE

The tables below illustrate the linkages, as well as the key differences, between the IESBA viewpoints accepted by the IESBA at its December 2025 meeting and ISQM 1 on the eight FCG elements.

The first column includes the IESBA viewpoints as presented in **Section V** of the [Briefing Note](#). The second column identifies ISQM 1 requirements and application material that correspond to each IESBA viewpoint where there is a linkage.

The third column “Observations Regarding Connection Between IESBA Viewpoints and ISQM 1” highlights where there is a mutually supportive relationship between the IESBA viewpoints and ISQM 1 (see paragraphs 7-13 above) as well as where there are differences (see paragraphs 14-23 above).

These tables are set out as comparisons between the IESBA viewpoints and ISQM 1. Because of the scalability of ISQM 1, the tables do not capture the variability of its implementation and therefore do not reflect how a firm might be addressing firm culture as part of its SOQM in accordance with ISQM 1. Paragraph 5 above also provides important context when reading these tables.

Ethical Leadership

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
|---|--|--|
| <p><u>Public Interest Rationale</u></p> <p>A1. The senior leadership of a firm play a pivotal role in driving and fostering a strong ethical culture within the firm.</p> | <p>28. The firm shall establish the following quality objectives that address the firm’s governance and leadership, which establishes the environment that supports the system of quality management:</p> <p>...</p> <p>(b) Leadership is responsible and accountable for quality.</p> | <p>The IESBA viewpoint highlights the pivotal role played by senior leadership in driving ethical culture.</p> <p>ISQM 1 requires leadership to take responsibility and accountability for quality and to demonstrate such commitment through their actions and behaviors.</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
|--|---|---|
| | (c) Leadership demonstrates a commitment to quality through their actions and behaviors. | |
| <p>A2. As ethical leaders, a firm’s senior leadership demonstrate that they understand that they and the firm have an overarching responsibility to act in the public interest under the IESBA Code in all of the firm’s professional services. This responsibility permeates the ethical culture of the firm and is fundamental to safeguarding public trust in, and the reputation of, the firm.</p> | <p>5. This ISQM applies to all firms performing audits or reviews of financial statements, or other assurance or related services engagements (i.e., if the firm performs any of these engagements, this ISQM applies and the system of quality management that is established in accordance with the requirements of this ISQM enables the consistent performance by the firm of all such engagements).</p> <p>28. The firm shall establish the following quality objectives that address the firm’s governance and leadership, which establishes the environment that supports the system of quality management:</p> <p>(a) The firm demonstrates a commitment to quality through a culture that exists throughout the firm, which recognizes and reinforces:</p> <p>(i) The firm’s role in serving the public interest by consistently performing quality engagements;</p> | <p>Both the IESBA viewpoint and ISQM 1 recognize the role of firms to act in the public interest.</p> <p>The IESBA viewpoint highlights that abiding by the IESBA Code underpins a firm’s ethical culture and that such culture is essential for the firm to fulfil its responsibility to act in the public interest.</p> <p>Professional ethics and fulfillment of responsibilities in accordance with relevant ethical requirements, and the firm’s role in serving the public interest are embedded in a firm’s SOQM under ISQM 1.</p> <p>The commitment to quality is reinforced through the establishment of specific quality objectives, including in relation to the other components of the SOQM. Whilst ISQM 1 refers to a culture that recognizes and reinforces the importance of professional ethics, it does not articulate ethics standards or the characteristics of a strong ethical culture. Those ethics standards are reflected in the IESBA Code. Whilst not required by the IESBA Code or ISQM 1, the IESBA viewpoints endeavor to articulate in a holistic and comprehensive way the characteristics of the elements of a firmwide ethical culture.</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
|---|---|--|
| | <p>(ii) The importance of professional ethics, values and attitudes;</p> <p>29. The firm shall establish the following quality objectives that address the fulfillment of responsibilities in accordance with relevant ethical requirements, including those related to independence: ...</p> | <p>The IESBA viewpoints apply to all firms and across all their service lines. ISQM 1 applies to firms performing audits or reviews of financial statements, or other assurance or related services engagements.</p> |
| <p><u>Ethics-Driven Senior Leadership</u></p> <p>A3. Senior leadership that are ethics-driven are committed to ensuring ethical conduct at every level of the firm and across all its professional services. They demonstrate this commitment when exercising their role as senior leaders by prioritizing ethics in all their decisions and actions including commercial considerations.</p> | <p>28. The firm shall establish the following quality objectives that address the firm's governance and leadership, which establishes the environment that supports the system of quality management:</p> <p>(a) The firm demonstrates a commitment to quality through a culture that exists throughout the firm, which recognizes and reinforces: ...</p> <p>(ii) The importance of professional ethics, values and attitudes; ...</p> <p>(iv) The importance of quality in the firm's strategic decisions and actions, including the firm's financial and operational priorities. ...</p> | <p>Both the IESBA viewpoint and ISQM 1 highlight that leadership plays a <i>primary</i> role through their decisions and actions (focusing on ethical culture in the IESBA viewpoint) or their actions and behaviors (focusing on quality management in ISQM 1).</p> <p>The IESBA viewpoint highlights that ethics-driven senior leadership prioritize ethics above all other considerations, including commercial considerations.</p> <p>Considerations relating to financial and operational priorities not compromising the achievement of quality objectives and not leading to inappropriate judgments about client relationships and engagements are embedded in ISQM 1.</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
|-----------------|--|---|
| | <p>(c) Leadership demonstrates a commitment to quality through their actions and behaviors.</p> <p>A56. The firm's strategic decision-making process, including the establishment of a business strategy, may include matters such as the firm's decisions about financial and operational matters, the firm's financial goals, how financial resources are managed, growth of the firm's market share, industry specialization or new service offerings. The firm's financial and operational priorities may directly or indirectly affect the firm's commitment to quality, for example, the firm may have incentives that are focused on financial and operational priorities that may discourage behaviors that demonstrate a commitment to quality.</p> <p>30. The firm shall establish the following quality objectives that address the acceptance and continuance of client relationships and specific engagements: ...</p> <p>(b) The financial and operational priorities of the firm do not lead to inappropriate judgments about whether to accept or continue a client relationship or specific</p> | |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| | <p>engagement.</p> <p>A73. Financial priorities may focus on the profitability of the firm, and fees obtained for the performance of engagements have an effect on the firm's financial resources. Operational priorities may include strategic focus areas, such as growth of the firm's market share, industry specialization or new service offerings. There may be circumstances when the firm is satisfied with the fee quoted for an engagement but it is not appropriate for the firm to accept or continue the engagement or client relationship (e.g., when the client lacks integrity and ethical values).</p> | |
| <p>A4. Senior leadership have an ethical mindset with a strong knowledge of the IESBA Code. They take an uncompromising stance in abiding by the IESBA Code's principles when making judgments and decisions, especially in difficult situations involving ethical conflicts or dilemmas.</p> | <p>28. The firm shall establish the following quality objectives that address the firm's governance and leadership, which establishes the environment that supports the system of quality management:</p> <p>(a) The firm demonstrates a commitment to quality through a culture that exists throughout the firm, which recognizes and reinforces: ...</p> <p>(ii) The importance of professional ethics, values</p> | <p>The IESBA viewpoint highlights that ethics-driven senior leadership have a strong knowledge and understanding of the IESBA Code and abide by the IESBA Code's principles – behavior grounded in ethics in all circumstances.</p> <p>Commitment to quality under ISQM 1 includes a commitment to professional ethics and fulfillment of ethical responsibilities and is part of leadership's responsibility and accountability for quality.</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| | <p style="text-align: center;">and attitudes;</p> <p>29. The firm shall establish the following quality objectives that address the fulfillment of responsibilities in accordance with relevant ethical requirements, including those related to independence: (Ref: Para. A62–A64, A66)</p> <p>(a) The firm and its personnel:</p> <p style="padding-left: 40px;">(i) Understand the relevant ethical requirements to which the firm and the firm’s engagements are subject; and (Ref: Para. A22, A24)</p> <p style="padding-left: 40px;">(ii) Fulfill their responsibilities in relation to the relevant ethical requirements to which the firm and the firm’s engagements are subject.</p> | |
| <p>A5. In their oversight capacity, these leaders embed the firm’s ethical values in the firm’s overall business strategy. They ensure that the firm’s governance, systems, policies, and procedures prioritize those values and minimize the risk of ethical failures. They accept full accountability for maintaining a</p> | <p>28. The firm shall establish the following quality objectives that address the firm’s governance and leadership, which establishes the environment that supports the system of quality management:</p> <p>(a) The firm demonstrates a commitment to quality through a culture that exists throughout the firm, which recognizes and</p> | <p>The IESBA viewpoint highlights the importance of embedding ethical values in the firm’s overall business strategy. ISQM 1 highlights the importance of quality in the firm’s strategic decisions and actions.</p> <p>The IESBA viewpoint highlights the role of senior leadership in ensuring the firm’s governance, systems, policies, and procedures – which apply</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| <p>strong ethical culture within the firm at all times.</p> | <p>reinforces: ...</p> <p>(ii) The importance of professional ethics, values and attitudes; ...</p> <p>(iv) The importance of quality in the firm's strategic decisions and actions, including the firm's financial and operational priorities.</p> <p>(b) Leadership is responsible and accountable for quality.</p> | <p>to the whole firm – prioritize ethical values and minimize the risk of ethical failures.</p> <p>In ISQM 1, the importance of quality in decisions and actions includes not compromising on quality for financial and operational priorities. In addition, leadership's responsibility and accountability for quality include their and others' commitment to professional ethics and fulfillment of ethical responsibilities.</p> <p>The IESBA viewpoint is therefore more specific from the perspective of establishing an ethical culture.</p> |
| <p>A6. In maintaining a strong ethical culture, senior leadership understand the value of independent input on strategic and governance matters, and they seek such input as needed.</p> | <p>N/A</p> | <p>N/A</p> |
| <p>A7. Senior leadership recruit and promote partners and staff who demonstrate alignment with the firm's ethical values. They also reward those who are champions of ethical behavior and hold partners and staff accountable for unethical behavior.</p> | <p>32. The firm shall establish the following quality objectives that address appropriately obtaining, developing, using, maintaining, allocating and assigning resources in a timely manner to enable the design, implementation and operation of the system of quality management:</p> <p><i>Human Resources</i></p> | <p>The IESBA viewpoint highlights the specific role of senior leadership in connecting recruitment, promotion and reward decisions to outstanding ethical behavior and accountability for unethical behavior.</p> <p>ISQM 1 does not articulate this specific role of leadership from the perspective of ethical culture. However, in the context of promoting the consistent performance of quality engagements,</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
|-----------------|---|--|
| | <p>(a) Personnel are hired, developed and retained and have the competence and capabilities to:</p> <p>(i) Consistently perform quality engagements, including having knowledge or experience relevant to the engagements the firm performs; ...</p> <p>(b) Personnel demonstrate a commitment to quality through their actions and behaviors, develop and maintain the appropriate competence to perform their roles, and are held accountable or recognized through timely evaluations, compensation, promotion and other incentives.</p> <p>A88. Competence is the ability of the individual to perform a role and goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of technical competence, professional skills, and professional ethics, values and attitudes. Competence can be developed through a variety of methods, including professional education, continuing professional development, training, work experience or</p> | <p>it recognizes the importance of personnel (i.e., partners and staff) demonstrating a commitment to quality, which includes a commitment to professional ethics.</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| | <p>coaching of less experienced engagement team members by more experienced engagement team members.</p> <p>A92. Positive actions or behaviors demonstrated by personnel may be recognized through various means, such as through compensation, promotion, or other incentives. In some circumstances, simple or informal incentives that are not based on monetary rewards may be appropriate.</p> | |
| <p><u><i>Tone at the Top</i></u></p> <p>A8. Senior leadership that are ethics-driven set the tone at the top on ethical behavior at all levels within the firm by demonstrating their commitment to the firm's ethical values through their decisions and actions. Their ethical behavior serves as a model for all partners and staff to follow.</p> | <p>28. The firm shall establish the following quality objectives that address the firm's governance and leadership, which establishes the environment that supports the system of quality management: ...</p> <p>(c) Leadership demonstrates a commitment to quality through their actions and behaviors. ...</p> <p>A58. Although leadership establishes the tone at the top through their actions and behaviors, clear, consistent and frequent actions and communications at all levels within the firm collectively contribute to the firm's culture and demonstrates a commitment to quality.</p> | <p>Both the IESBA viewpoint and ISQM 1 recognize that leadership sets the tone at the top through their decisions and actions (IESBA viewpoint) or their actions and behaviors (ISQM 1).</p> <p>The IESBA viewpoint focuses the tone at the top on senior leadership's commitment to the firm's ethical values.</p> <p>ISQM 1 focuses more broadly on leadership's commitment to quality.</p> |
| <p>A9. The tone of senior leadership</p> | <p>28. The firm shall establish the following</p> | <p>Both the IESBA viewpoint and ISQM 1 recognize</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
|--|---|---|
| <p>influences and impacts every aspect of the firm, including how ethics contributes to the strategic direction and overall governance of the firm.</p> | <p>quality objectives that address the firm's governance and leadership, which establishes the environment that supports the system of quality management:</p> <p>(a) The firm demonstrates a commitment to quality through a culture that exists throughout the firm, which recognizes and reinforces: ...</p> <p>(iv) The importance of quality in the firm's strategic decisions and actions, including the firm's financial and operational priorities.</p> | <p>leadership's role in creating an environment where ethics (IESBA viewpoint) or quality (ISQM 1) contributes to the firm's strategy.</p> |
| <p>A10. Senior leadership emphasize in their communication to all partners and staff the firm's ethical expectations and the importance of adhering to the IESBA Code in all professional activities and services. They reflect these expectations in the firm's performance evaluation, incentives and disincentives.</p> | <p>A58. Although leadership establishes the tone at the top through their actions and behaviors, clear, consistent and frequent actions and communications at all levels within the firm collectively contribute to the firm's culture and demonstrates a commitment to quality.</p> | <p>The IESBA viewpoint highlights the importance of internal communications by leadership from the perspective of ethical culture.</p> <p>ISQM 1 highlights that frequent internal communications by leadership contribute to the firm's culture and demonstrate a commitment to quality.</p> |
| <p>A11. Senior leadership are transparent in their decision-making, demonstrating how they have prioritized ethics in their decisions</p> | <p>N/A</p> | <p>N/A</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| and actions, for which they are accountable. | | |

Oversight and Governance

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| <p><u><i>Public Interest Rationale</i></u></p> <p>B1. Oversight and governance are foundational to cultivating a strong ethical culture within a firm.</p> <p>B2. Ethics-based oversight and governance reinforce ethical expectations across all of a firm’s professional services and the accountability of the firm’s senior leadership. Such oversight and governance help mitigate the risks of unethical behavior within the firm and safeguard the public interest.</p> | <p>28. The firm shall establish the following quality objectives that address the firm’s governance and leadership, which establishes the environment that supports the system of quality management:</p> <p>(a) The firm demonstrates a commitment to quality through a culture that exists throughout the firm, which recognizes and reinforces:</p> <p>(i) The firm’s role in serving the public interest by consistently performing quality engagements;</p> <p>(ii) The importance of professional ethics, values and attitudes;</p> <p>(iii) The responsibility of all personnel for quality relating to the performance of engagements or activities within the system of quality management, and their expected behavior; and</p> <p>(iv) The importance of quality in</p> | <p>The IESBA viewpoints highlight the pivotal role of oversight and governance in driving ethical culture.</p> <p>ISQM 1 establishes governance and leadership as a specific component of a firm’s SOQM, thereby highlighting its importance to quality management. ISQM 1 requires the firm to establish quality objectives that address the firm’s governance and leadership. Such objectives establish the environment that supports the SOQM.</p> <p>Both the IESBA viewpoints and ISQM 1 recognize the important role of governance, including the accountability of leadership. The IESBA viewpoints do this from an ethics perspective (reinforce ethical expectations) while ISQM 1 does this from a quality management perspective (establish an environment that supports the SOQM).</p> <p>The IESBA viewpoints explicitly focus on oversight. Under ISQM 1, it is implicitly a part, but not all, of leadership’s responsibilities. Others outside leadership may also have an oversight role. For example:</p> <ul style="list-style-type: none"> • ISQM 1, paragraph A35, explains that in a less complex firm, ultimate |

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| | <p>the firm's strategic decisions and actions, including the firm's financial and operational priorities.</p> <p>(b) Leadership is responsible and accountable for quality.</p> <p>(c) Leadership demonstrates a commitment to quality through their actions and behaviors.</p> <p>(d) The organizational structure and assignment of roles, responsibilities and authority is appropriate to enable the design, implementation and operation of the firm's system of quality management. ...</p> | <p>responsibility and accountability for the SOQM may be assigned to a single managing partner with sole responsibility for the oversight of the firm.</p> <ul style="list-style-type: none"> • ISQM 1, paragraph A36, indicates that the individual(s) assigned operational responsibility for compliance with independence requirements is ordinarily responsible for the oversight of all matters related to independence. • ISQM 1, paragraph A197, explains that a firm may have an independent governing body that has non-executive oversight of the firm. |
| <p><u><i>Role of Oversight and Governance in Fostering an Ethical Culture</i></u></p> <p>B3. Oversight and governance that prioritize ethical values facilitate:</p> <ul style="list-style-type: none"> • Ongoing monitoring of ethical behavior within the firm; • Evaluation of the effectiveness of systems, policies and processes in reinforcing ethical conduct at all levels within the firm; | <p>34. In designing and implementing responses in accordance with paragraph 26, the firm shall include the following responses:</p> <p>(a) The firm establishes policies or procedures for:</p> <p>(i) Identifying, evaluating and addressing threats to compliance with the relevant ethical requirements; and</p> | <p>Both the IESBA viewpoint and ISQM 1 emphasize the importance of ongoing monitoring.</p> <p>The IESBA viewpoint recognizes that ongoing monitoring of ethical behavior, and the continual improvement of the firm's ethical culture and performance, can be facilitated through oversight and governance.</p> <p>ISQM 1 establishes "monitoring and remediation" as a specific component of a firm's SOQM with detailed requirements and</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| <ul style="list-style-type: none"> • Assessment of difficult situations involving ethical conflicts or dilemmas; and • Continual improvement of the firm's ethical culture and performance. | <p>(ii) Identifying, communicating, evaluating and reporting of any breaches of the relevant ethical requirements and appropriately responding to the causes and consequences of the breaches in a timely manner. ...</p> <p>35. The firm shall establish a monitoring and remediation process to:</p> <p>(a) Provide relevant, reliable and timely information about the design, implementation and operation of the system of quality management.</p> <p>(b) Take appropriate actions to respond to identified deficiencies such that deficiencies are remediated on a timely basis.</p> <p>A138. In addition to enabling the evaluation of the system of quality management, the monitoring and remediation process facilitates the proactive and continual improvement of engagement quality and the system of quality management. ...</p> | <p>guidance which facilitates the proactive and continual improvement of engagement quality and the SOQM.</p> <p>Similar to the IESBA viewpoint, ISQM 1 requires, through the design and implementation of responses to quality risks, the monitoring of compliance with relevant ethical requirements (i.e., ethical behavior). However, unlike the IESBA viewpoint, the process under ISQM 1 does not specifically focus on the continual improvement of the firm's ethical culture.</p> <p>Both the IESBA viewpoint and ISQM 1 recognize the role that the firm plays in establishing systems, policies and processes (IESBA viewpoint) or policies or procedures (ISQM 1) relating to ethical conduct at all levels within the firm (IESBA viewpoint) or compliance with relevant ethical requirements (ISQM 1).</p> <p>Both ISQM 1 and the IESBA viewpoint address the importance of ethical conduct. The IESBA viewpoint also emphasizes the role of oversight and governance in facilitating the assessment of difficult situations involving ethical conflicts or dilemmas.</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| <p>B4. Implementing effective oversight involves assigning ultimate responsibility for overseeing ethical conduct and culture within the firm to an individual or group of individuals with the appropriate authority for decision-making on matters of ethical conduct, including situations involving the firm's senior leadership. Whether such responsibility is assigned to an individual or group of individuals is a matter for the firm to determine.</p> | <p>20. The firm shall assign:</p> <ul style="list-style-type: none"> (a) Ultimate responsibility and accountability for the system of quality management to the firm's chief executive officer or the firm's managing partner (or equivalent) or, if appropriate, the firm's managing board of partners (or equivalent); ... (c) Operational responsibility for specific aspects of the system of quality management, including: <ul style="list-style-type: none"> (i) Compliance with independence requirements; ... <p>21. In assigning the roles in paragraph 20 the firm shall determine that the individual(s):</p> <ul style="list-style-type: none"> (a) Has the appropriate experience, knowledge, influence and authority within the firm, and sufficient time, to fulfill their assigned responsibility; and (b) Understands their assigned roles and that they are accountable for fulfilling them. <p>22. The firm shall determine that the</p> | <p>Both the IESBA viewpoint and ISQM 1 recognize the importance of assigning ultimate responsibility. The IESBA viewpoint focuses on ultimate responsibility for overseeing ethical conduct and culture, while ISQM 1 focuses on ultimate responsibility and accountability for the firm's SOQM.</p> <p>The IESBA viewpoint highlights the importance of assigning the ultimate responsibility for overseeing ethical conduct and culture within the whole firm to an individual or group of individuals – to be determined by the firm – with the <i>appropriate authority for decision-making</i>.</p> <p>ISQM 1 requires the ultimate responsibility and accountability for the SOQM to be assigned to certain individual(s) with, among others, the <i>appropriate influence and authority</i> within the firm to fulfill their responsibilities.</p> <p>ISQM 1 also addresses the assignment of operational responsibility for specific aspects of the firm's SOQM, including compliance with relevant ethical requirements (which includes independence requirements). In addition, ISQM 1 provides guidance relating to the assignment of operational responsibility for compliance with independence requirements, or more broadly compliance with relevant ethical requirements. ISQM 1 also explicitly</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| | <p>individual(s) assigned operational responsibility for the system of quality management, compliance with independence requirements and the monitoring and remediation process, have a direct line of communication to the individual(s) assigned ultimate responsibility and accountability for the system of quality management.</p> <p>28. The firm shall establish the following quality objectives that address the firm's governance and leadership, which establishes the environment that supports the system of quality management: ...</p> <p>(d) The organizational structure and assignment of roles, responsibilities and authority is appropriate to enable the design, implementation and operation of the firm's system of quality management. ...</p> <p>A36. Compliance with independence requirements is essential to the performance of audits, or reviews of financial statements, or other assurance engagements, and is an expectation of stakeholders relying on the firm's reports. The individual(s) assigned</p> | <p>requires that those with operational responsibilities have a direct line of communication to the individual(s) assigned ultimate responsibility and accountability for the SOQM.</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| | <p>operational responsibility for compliance with independence requirements is ordinarily responsible for the oversight of all matters related to independence so that a robust and consistent approach is designed and implemented by the firm to deal with independence requirements.</p> <p>A64. Other components may affect or relate to the relevant ethical requirements component.</p> <p><i>Examples of relationships between the relevant ethical requirements component and other components</i></p> <p>...</p> <ul style="list-style-type: none"> • As part of the resources component, the firm may: <ul style="list-style-type: none"> ○ Assign individuals to manage and monitor compliance with relevant ethical requirements or to provide consultation on matters related to relevant ethical requirements. ... | |
| <p>B5. Firm governance structures, including the organization of the senior leadership's roles and responsibilities, accountability mechanisms, and</p> | <p>N/A</p> | <p>N/A</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| <p>decision-making processes, that prioritize ethical values contribute to building trust in the firm irrespective of changes in leadership.</p> | | |
| <p>B6. Good governance that is grounded in ethical values guides the firm’s senior leadership in making challenging ethical decisions that uphold those values with integrity and transparency. Such governance also encourages ethical behavior across all levels of the firm, fostering a strong ethical culture.</p> | <p>28. The firm shall establish the following quality objectives that address the firm’s governance and leadership, which establishes the environment that supports the system of quality management:</p> <p>(a) The firm demonstrates a commitment to quality through a culture that exists throughout the firm, which recognizes and reinforces: ...</p> <p>(ii) The importance of professional ethics, values and attitudes; ...</p> | <p>The IESBA viewpoint emphasizes that good governance grounded in ethical values supports sound ethical decision-making across all levels of the firm, thereby contributing to a strong ethical culture.</p> <p>ISQM 1 emphasizes, as part of the governance and leadership component of the firm’s SOQM, the need for a culture that recognizes and reinforces the importance of professional ethics, values and attitudes.</p> |
| <p>B7. The appropriate governance mechanisms, systems and processes depend on the firm’s specific circumstances, including its size and nature of professional services it provides.</p> | <p>10. In applying a risk-based approach, the firm is required to take into account:</p> <p>(a) The nature and circumstances of the firm; and</p> <p>(b) The nature and circumstances of the engagements performed by the firm.</p> <p>Accordingly, the design of the firm’s</p> | <p>Both the IESBA viewpoint and ISQM 1 take into account proportionality and scalability considerations related to the specific nature and circumstances of the firm. The IESBA viewpoint mentions proportionality regarding the design of overall governance. ISQM 1 mentions scalability regarding the design of the SOQM.</p> <p>The IESBA viewpoint includes proportionality</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| | <p>system of quality management, in particular the complexity and formality of the system, will vary. For example, a firm that performs different types of engagements for a wide variety of entities, including audits of financial statements of listed entities, will likely need to have a more complex and formalized system of quality management and supporting documentation, than a firm that performs only reviews of financial statements or compilation engagements.</p> <p>27. The firm shall establish policies or procedures that are designed to identify information that indicates additional quality objectives, or additional or modified quality risks or responses, are needed due to changes in the nature and circumstances of the firm or its engagements. ...</p> | <p>considerations related to the size of the firm and nature of professional services it provides. ISQM 1 does not explicitly highlight the size of the firm. In an example, it addresses the nature of professional services the firm provides.</p> <p>In addition, ISQM 1 emphasizes the importance of revisions to quality objectives, quality risks or quality responses based on changes in the nature and circumstances of the firm or its engagements.</p> |
| <p>B8. For network firms, having consistent expectations regarding oversight and governance helps promote a shared understanding of expected ethical behavior across the whole network. In addition, regular dialogue about ethics-related matters within the network promotes shared learnings across the</p> | <p>N/A</p> | <p>ISQM 1 does not specifically address having expectations regarding governance and oversight across the network, as the IESBA viewpoint does. ISQM 1 was designed to address quality management at the firm level and as such it does not address quality objectives, risks and responses at the network level. For the information and communication</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| network. | | <p>component of a firm's SOQM, ISQM 1 establishes a general requirement for the firm to communicate relevant and reliable information to external parties, including within the firm's network, to enable the network to fulfill their responsibilities relating to the network requirements or network services or resources provided by them.</p> <p>The IESBA viewpoint also explicitly addresses regular dialogue about ethics-related matters within the network to promote shared learnings across the network. As noted above, ISQM 1 more generally requires firms to establish quality objectives relating to communicating information regarding the SOQM to external parties. This includes communicating information within the firm's network to enable the network to fulfill their responsibilities relating to network requirements or network services or resources.</p> |

Independent Input

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| <p><u>Public Interest Rationale</u></p> <p>C1. Independent input is impartial and comes from sources that are free from conflicts of interest. Incorporating such input into the decision-making processes for strategic and governance matters provides opportunities to obtain different perspectives and challenges that help achieve a balanced outcome. This contributes to the ethical culture of a firm.</p> <p>C2. Independent input, from an ethical and public interest perspective, helps decisions reflect broader stakeholder considerations on strategic and governance matters. This increases confidence and transparency in the firm's ethical decision-making processes and its commitment to the public interest.</p> | <p>A35 ... Scalability example to demonstrate how assigning roles and responsibilities may be undertaken ...</p> <ul style="list-style-type: none"> • In a more complex firm, there may be multiple levels of leadership that reflect the organizational structure of the firm, and the firm may have an independent governing body that has non-executive oversight of the firm, which may comprise external individuals. ... | <p>ISQM 1 does not have requirements or application material that address independent input directly. ISQM 1 includes, as an example, that a firm may have an independent governing body that has non-executive oversight of the firm.</p> <p>The IESBA viewpoints focus on the benefits of independent input from an ethical and public interest perspective. ISQM 1 focuses on the roles and responsibilities for supporting an effective SOQM and, within the SOQM, the monitoring and remediation process to hold individuals accountable.</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| <p><u>Obtaining Independent Input</u></p> <p>C3. There is no uniform approach to obtaining independent input on strategic and governance matters.</p> | N/A | N/A |
| <p>C4. Not all situations need or benefit from independent input. Identifying and describing the criteria under which independent input is sought promotes consistency in approach and shared understanding among senior leadership.</p> | N/A | N/A |
| <p>C5. Obtaining effective independent input involves selecting the individual(s) or organization with the relevant skills, knowledge, and experience, while being appropriately impartial and free from conflicts of interest.</p> | N/A | N/A |
| <p>C6. A firm can obtain independent input from a variety of sources. This may include independent non-executives (INEs), a committee of independent advisors to the firm, individuals with extensive business experience or regulatory expertise, professional accountancy organizations, other</p> | N/A | N/A |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| firms including within the firm's network, or retired partners of the firm. | | |
| C7. The appropriate source depends on factors such as the size of the firm, whether the firm provides audit and other assurance services or other engagements of a public interest nature, and the clients' profile. For instance, firms that audit public interest entities may consider appointing INEs as part of their governance structure. | N/A | N/A |
| C8. A firm may obtain independent input on an ad hoc basis, or through a formal mechanism or role within its organizational structure. The decision depends on factors such as the size and resources of the firm. | N/A | N/A |

Accountability Across the Firm

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| <p><u>Public Interest Rationale</u></p> <p>D1. Accountability of all partners and staff across a firm contributes to the firm's ethical culture as it promotes personal responsibility, making it clear that each partner's and staff's ethical conduct matters and contributes to the ethical standing of the firm.</p> | <p>28. The firm shall establish the following quality objectives that address the firm's governance and leadership, which establishes the environment that supports the system of quality management:</p> <ul style="list-style-type: none"> (a) The firm demonstrates a commitment to quality through a culture that exists throughout the firm, which recognizes and reinforces: ... <ul style="list-style-type: none"> (ii) The importance of professional ethics, values and attitudes; (iii) The responsibility of all personnel for quality relating to the performance of engagements or activities within the system of quality management, and their expected behavior; ... <p>32. The firm shall establish the following quality objectives that address appropriately obtaining, developing, using, maintaining, allocating and</p> | <p>The IESBA viewpoint emphasizes how accountability across the firm contributes to the firm's ethical culture and the ethical standing of the firm, including the personal responsibility of all partners and staff in this regard.</p> <p>ISQM 1 drives the establishment of an environment that supports the firm's SOQM and a culture that demonstrates a commitment to quality. The quality management perspective highlights the need for a culture that recognizes and reinforces the importance of professional ethics, values and attitudes. In this context, ISQM 1 recognizes the responsibility of all personnel (i.e., partners and staff) for quality and being held accountable for their actions and behaviors.</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| | <p>assigning resources in a timely manner to enable the design, implementation and operation of the system of quality management: ...</p> <p>(b) Personnel demonstrate a commitment to quality through their actions and behaviors, develop and maintain the appropriate competence to perform their roles, and are held accountable or recognized through timely evaluations, compensation, promotion and other incentives. ...</p> | |
| <p><u><i>Personal Accountability of Partners and Staff</i></u></p> <p>D2. All partners and staff share a personal responsibility for adhering to the IESBA Code and upholding the firm's ethical values from the moment they join the firm, regardless of their role and seniority.</p> | <p>4. This ISQM is to be read in conjunction with relevant ethical requirements. Law, regulation or relevant ethical requirements may establish responsibilities for the firm's management of quality beyond those described in this ISQM.</p> <p>29. The firm shall establish the following quality objectives that address the fulfillment of responsibilities in accordance with relevant ethical requirements, including those related to independence:</p> | <p>The IESBA viewpoint identifies the IESBA Code as the ethical standard with which all partners and staff across the firm's services are expected to adhere.</p> <p>ISQM 1 reinforces that the firm's management of quality encapsulates responsibilities established by law, regulation or relevant ethical requirements, and the IESBA Code is referenced in related application material. Regarding the relevant ethical requirements component of the firm's SOQM, ISQM 1 requires that the firm establish quality objectives for the firm and its personnel (i.e., partners and staff) to understand and fulfill their</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| | <p>(a) The firm and its personnel:</p> <p>(i) Understand the relevant ethical requirements to which the firm and the firm's engagements are subject; and</p> <p>(ii) Fulfill their responsibilities in relation to the relevant ethical requirements to which the firm and the firm's engagements are subject.</p> <p>...</p> <p>A2. The IESBA Code contains requirements and application material for professional accountants that enable professional accountants to meet their responsibility to act in the public interest. ...</p> | <p>responsibilities in relation to the relevant ethical requirements which the firm and the firm's engagements are subject to.</p> |
| <p>D3. Making a commitment to acting in accordance with the IESBA Code and the firm's ethical values supports the accountability of partners and staff to the firm. This includes being answerable for those ethical values and accepting the consequences if ethical expectations are not met. It also includes justifying decisions and actions when warranted in the circumstances.</p> | <p>28. The firm shall establish the following quality objectives that address the firm's governance and leadership, which establishes the environment that supports the system of quality management:</p> <p>(a) The firm demonstrates a commitment to quality through a culture that exists throughout the firm, which recognizes and</p> | <p>The IESBA viewpoint focuses on the commitment of partners and staff to act in accordance with the IESBA Code and is specific that this includes being answerable for and accepting the consequences of actions related to ethical expectations.</p> <p>ISQM 1 also addresses the notion of "commitment" by all personnel, but from the perspective of quality, and that leadership demonstrates this commitment to quality</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| | <p>reinforces: ...</p> <ul style="list-style-type: none"> (ii) The importance of professional ethics, values and attitudes; (iii) The responsibility of all personnel for quality relating to the performance of engagements or activities within the system of quality management, and their expected behavior; ... (c) Leadership demonstrates a commitment to quality through their actions and behaviors. ... <p>32. The firm shall establish the following quality objectives that address appropriately obtaining, developing, using, maintaining, allocating and assigning resources in a timely manner to enable the design, implementation and operation of the system of quality management: ...</p> <ul style="list-style-type: none"> (b) Personnel demonstrate a commitment to quality through their actions and behaviors, develop and maintain the appropriate competence to perform their roles, and are held | <p>through their actions and behaviors. In addition, ISQM 1 requires that the firm establishes a quality objective around holding personnel accountable for their actions and behaviors through evaluations and incentives.</p> <p>The IESBA viewpoint explicitly includes justifying decisions and actions as part of being accountable for them. ISQM 1 does not.</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| | <p>accountable or recognized through timely evaluations, compensation, promotion and other incentives. ...</p> | |
| <p><u>Promoting Accountability</u></p> <p>D4. Continuous education and training programs on ethics help to promote awareness and understanding of the IESBA Code and the firm's ethical values, against which partners and staff are accountable.</p> | <p>32. The firm shall establish the following quality objectives that address appropriately obtaining, developing, using, maintaining, allocating and assigning resources in a timely manner to enable the design, implementation and operation of the system of quality management:</p> <p><i>Human Resources</i></p> <p>(a) Personnel are hired, developed and retained and have the competence and capabilities to: ...</p> <p>A88. Competence is the ability of the individual to perform a role and goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of technical competence, professional skills, and professional ethics, values and attitudes. Competence can be developed through a variety of methods, including professional education, continuing professional development, training, work</p> | <p>The IESBA viewpoint highlights the role of continuous education and training programs on ethics in supporting the accountability of partners and staff.</p> <p>ISQM 1 is not specific about continuous education and training programs on ethics, but it addresses the need to maintain personnel's competence (i.e., the integration and application of technical competence, professional skills, and professional ethics, values and attitudes). The application material also highlights that a variety of methods can be used, including professional education, continuing professional development, training, work experience or coaching.</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| | <p>experience or coaching of less experienced engagement team members by more experienced engagement team members.</p> | |
| <p>D5. Performance evaluation that includes evaluating the behavior of partners and staff against ethics criteria helps to support personal accountability.</p> | <p>32. The firm shall establish the following quality objectives that address appropriately obtaining, developing, using, maintaining, allocating and assigning resources in a timely manner to enable the design, implementation and operation of the system of quality management: ...</p> <p>(b) Personnel demonstrate a commitment to quality through their actions and behaviors, develop and maintain the appropriate competence to perform their roles, and are held accountable or recognized through timely evaluations, compensation, promotion and other incentives. ...</p> <p>A57. The responses designed and implemented by the firm to hold leadership responsible and accountable for quality include the performance evaluations required by paragraph 56.</p> | <p>The IESBA viewpoint expressly makes the connection between performance evaluations that include ethics criteria and personal accountability.</p> <p>ISQM 1 recognizes the importance of performance evaluations or evaluations of actions and behaviors from a quality perspective in terms of personnel's commitment to quality, including, for example, their competence areas and other performance measures, as well as holding leadership responsible and accountable for quality.</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| | <p>A90. <i>Examples of policies or procedures relating to hiring, developing and - retaining personnel</i></p> <p>The policies or procedures designed and implemented by the firm relating to hiring, developing and retaining personnel may address: ...</p> <ul style="list-style-type: none"> • Evaluation mechanisms that are undertaken at appropriate intervals and include competency areas and other performance measures. ... | |
| <p>D6. Enforcing appropriate consequences for unethical behavior through clearly defined disincentives, including specific sanctions which may vary depending on the circumstances, underscores the importance of ethical conduct of partners and staff.</p> | <p>A93. The manner in which the firm holds personnel accountable for actions or behaviors that negatively affect quality, such as failing to demonstrate a commitment to quality, develop and maintain the competence to perform their role or implement the firm's responses as designed, may depend on the nature of the action or behavior, including its severity and frequency of occurrence. Actions the firm may take when personnel demonstrate actions or behaviors that negatively affect quality may include:</p> <ul style="list-style-type: none"> • Training or other professional | <p>Both the IESBA viewpoint and ISQM 1 address the importance of consequences for actions in holding partners and staff (personnel) accountable – consequences for unethical behavior (IESBA viewpoint) and consequences for actions or behaviors that negatively affect quality (ISQM 1). Application material in ISQM 1 also draws attention to consequences for breaches of relevant ethical requirements.</p> <p>The IESBA viewpoint highlights that consequences involve clearly defined disincentives, including specific sanctions. ISQM 1 provides guidance about the types of actions a firm may take to address actions or</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| | <p>development.</p> <ul style="list-style-type: none"> • Considering the effect of the matter on the evaluation, compensation, promotion or other incentives of those involved. • Disciplinary action, if appropriate. <p>A119. Matters the firm may address relating to breaches of the relevant ethical requirements include: ...</p> <ul style="list-style-type: none"> • Determining the appropriate actions to be taken in relation to the individual(s) responsible for the breach. | <p>behaviors that negatively affect quality.</p> |
| <p>D7. Firms' governance structures and mechanisms through which they monitor and reinforce accountability may vary depending on the firm's specific characteristics and circumstances, including their size and nature of professional services they provide.</p> | <p>10. In applying a risk-based approach, the firm is required to take into account:</p> <ul style="list-style-type: none"> (a) The nature and circumstances of the firm; and (b) The nature and circumstances of the engagements performed by the firm. <p>Accordingly, the design of the firm's system of quality management, in particular the complexity and formality of the system, will vary. ...</p> <p>28. The firm shall establish the following quality objectives that address the firm's</p> | <p>The IESBA viewpoint emphasizes the importance of monitoring and reinforcing accountability through governance structures and mechanisms.</p> <p>ISQM 1 incorporates monitoring and remediation as a component of a firm's SOQM (which also includes relevant ethical requirements as a component) that addresses the principle of continuous improvement. It does not specifically refer to monitoring and reinforcing accountability through governance structures and mechanisms.</p> <p>Both the IESBA viewpoint and ISQM 1 recognize scalability and proportionality</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| | <p>governance and leadership, which establishes the environment that supports the system of quality management: ...</p> <p>(d) The organizational structure and assignment of roles, responsibilities and authority is appropriate to enable the design, implementation and operation of the firm's system of quality management. ...</p> | <p>aspects when setting up the governance structures. In the case of the IESBA viewpoint, for the monitoring and reinforcement of accountability and in the case of ISQM 1, for the design, implementation and operation of the SOQM.</p> |

Incentives and Disincentives

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| <p><u>Public Interest Rationale</u></p> <p>E1. Incentives and disincentives that promote ethical behavior strengthen a firm ethical culture and underscore its commitment to ethical values and the public interest.</p> <p>E2. Performance evaluation and incentives and disincentives that prioritize expected ethical behavior alongside other performance goals help encourage enduring ethical behavior and the long-term sustainability and reputation of a firm.</p> <p>E3. Designing and implementing incentives and disincentives that recognize, support and promote ethical behavior, and establish clear consequences for unethical behavior, signal to all partners and staff the importance of ethical values. They also act as motivating factors to achieve the expected ethical behavior and set up a “standback” mindset, reducing the risk of unethical behavior.</p> | <p>32. The firm shall establish the following quality objectives that address appropriately obtaining, developing, using, maintaining, allocating and assigning resources in a timely manner to enable the design, implementation and operation of the system of quality management: ...</p> <p>(b) Personnel demonstrate a commitment to quality through their actions and behaviors, develop and maintain the appropriate competence to perform their roles, and are held accountable or recognized through timely evaluations, compensation, promotion and other incentives. ...</p> | <p>Both the IESBA viewpoints and ISQM 1 highlight the use of incentives and related mechanisms.</p> <p>The IESBA viewpoints focus on using incentives, disincentives and performance evaluation to promote ethical values and behavior.</p> <p>ISQM 1 focuses on demonstrating a commitment to quality by holding personnel accountable or recognizing them through timely evaluations, compensation, promotion and other incentives.</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| <p><u><i>Incentives Aligned with Ethical Behavior</i></u></p> <p>E4. Incentives that promote and recognize ethical behavior reinforce a firm’s expectations on all partners and staff to act in accordance with the firm’s ethical values and the public interest.</p> | <p>N/A</p> | <p>N/A</p> |
| <p>E5. Rewarding outstanding ethical behavior (such as proactively championing the importance of ethical behavior) of partners and staff, whether through compensation, promotion or other incentives, reinforces the firm’s commitment to ethical values and contributes to the development of ethical leaders.</p> | <p>32. The firm shall establish the following quality objectives that address appropriately obtaining, developing, using, maintaining, allocating and assigning resources in a timely manner to enable the design, implementation and operation of the system of quality management: ...</p> <p>(b) Personnel demonstrate a commitment to quality through their actions and behaviors, develop and maintain the appropriate competence to perform their roles, and are held accountable or recognized through timely evaluations, compensation, promotion and other incentives. ...</p> <p>A57 The responses designed and implemented by the firm to hold leadership responsible and accountable for quality include the</p> | <p>The IESBA viewpoint highlights the role of incentives and disincentives in promoting ethical behavior across the firm and strengthening the firm’s ethical culture.</p> <p>ISQM 1 highlights the role that recognition and accountability play in the design, implementation and operation of the SOQM. It does not specifically focus on the role of recognition and accountability in promoting ethical behavior.</p> <p>The IESBA viewpoint focuses on outstanding behavior, i.e. behavior that goes beyond the expected ethical behavior. ISQM 1 focuses on “positive actions or behaviors” (in paragraph A92).</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| | <p>performance evaluations required by paragraph 56.²¹</p> <p>A92. Positive actions or behaviors demonstrated by personnel may be recognized through various means, such as through compensation, promotion, or other incentives. In some circumstances, simple or informal incentives that are not based on monetary rewards may be appropriate.</p> | |
| <p>E6. Factoring the ethical behavior of partners and staff, such as acting with integrity when confronted with difficult situations, into promotion decisions helps firms select partners and staff with the right ethical values and mindset for leadership positions.</p> | <p>A92. Positive actions or behaviors demonstrated by personnel may be recognized through various means, such as through compensation, promotion, or other incentives. In some circumstances, simple or informal incentives that are not based on monetary rewards may be appropriate.</p> | <p>The IESBA viewpoint focuses on taking into account a partner's or staff's <i>ethical behavior</i> in promotion decisions.</p> <p>In ISQM, personnel's positive actions or behaviors that demonstrate a commitment to <i>quality</i> may be recognized through promotion.</p> |
| <p><u>Disincentives</u></p> <p>E7. Implementing disincentives reinforces the importance of acting</p> | <p>32. The firm shall establish the following quality objectives that address appropriately obtaining, developing, using, maintaining, allocating and assigning resources in a timely manner to enable the</p> | <p>Both the IESBA viewpoint and ISQM 1 recognize the importance of holding firm personnel accountable.²²</p> <p>The IESBA viewpoint focuses on acting ethically.</p> |

²¹ ISQM 1, paragraph 56 states that: The firm shall undertake periodic performance evaluations of the individual(s) assigned ultimate responsibility and accountability for the system of quality management, and the individual(s) assigned operational responsibility for the system of quality management. In doing so, the firm shall take into account the evaluation of the system of quality management.

²² Accountability across the firm is the subject of a separate set of IESBA viewpoints.

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| ethically and promotes accountability. | <p>design, implementation and operation of the system of quality management: ...</p> <p>(b) Personnel demonstrate a commitment to quality through their actions and behaviors, develop and maintain the appropriate competence to perform their roles, and are held accountable or recognized through timely evaluations, compensation, promotion and other incentives.</p> | ISQM 1 focuses on personnel's commitment to quality through actions and behaviors. |
| E8. Regularly communicating the consequences of unethical behavior helps deter behaviors that fail to meet the firm's ethical values and expectations. | <p>34. In designing and implementing responses in accordance with paragraph 26, the firm shall include the following responses:</p> <p>(a) The firm establishes policies or procedures for: ...</p> <p>(ii) Identifying, communicating, evaluating and reporting of any breaches of the relevant ethical requirements and appropriately responding to the causes and consequences of the breaches in a timely manner.</p> | <p>The IESBA viewpoint specifically highlights how regular communication about the consequences of unethical behavior deters such behavior and contributes to reinforcing the firm's ethical values and expectations.</p> <p>ISQM 1 recognizes more broadly the importance of the firm having a quality response to communicate any breaches of the relevant ethical requirements and to appropriately respond to the causes and consequences of the breaches in a timely manner.</p> |
| E9. Responding to unethical behavior in a timely, decisive, consistent and fair manner demonstrates to internal and external stakeholders that | A119. Matters the firm may address relating to breaches of the relevant ethical requirements include: ... | In appropriately responding to breaches of relevant ethical requirements, ISQM 1 highlights taking action in relation to the individual(s) involved. The IESBA viewpoint focuses on the |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| <p>senior leadership prioritize ethical behavior as a key performance measure and a strategic objective. This, in turn, contributes to building public trust in the firm.</p> | <ul style="list-style-type: none"> • Determining the appropriate actions to be taken in relation to the individual(s) responsible for the breach. | <p>decisive nature of the response and connects this with leadership's prioritization of ethical behavior and the impact on building public trust through its ethical culture.</p> |
| <p>E10. The manner in which firms apply disincentives depends on factors such as the nature of the unethical behavior, including its severity and frequency of occurrence, and the roles of the offending partners or staff.</p> | <p>A93. The manner in which the firm holds personnel accountable for actions or behaviors that negatively affect quality, such as failing to demonstrate a commitment to quality, develop and maintain the competence to perform their role or implement the firm's responses as designed, may depend on the nature of the action or behavior, including its severity and frequency of occurrence. Actions the firm may take when personnel demonstrate actions or behaviors that negatively affect quality may include:</p> <ul style="list-style-type: none"> • Training or other professional development. • Considering the effect of the matter on the evaluation, compensation, promotion or other incentives of those involved. • Disciplinary action, if appropriate | <p>The IESBA viewpoint focuses on unethical behavior.</p> <p>ISQM 1 focuses on the SOQM holding personnel accountable for actions or behaviors that negatively affect quality.</p> |

Open Discussion and Challenge

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| <p><u><i>Public Interest Rationale</i></u></p> <p>F1. An environment of open discussion and challenge promotes ethical decision-making and accountability within a firm. It encourages partners and staff to feel empowered to raise ethical concerns and seek guidance from others in the firm who might have dealt with similar matters, including ethical dilemmas.</p> | <p>28. The firm shall establish the following quality objectives that address the firm's governance and leadership, which establishes the environment that supports the system of quality management:</p> <p style="margin-left: 20px;">(a) The firm demonstrates a commitment to quality through a culture that exists throughout the firm, which recognizes and reinforces: ...</p> <p style="margin-left: 40px;">(ii) The importance of professional ethics, values and attitudes; ...</p> <p style="margin-left: 20px;">(c) Leadership demonstrates a commitment to quality through their actions and behaviors. ...</p> <p>31. The firm shall establish the following quality objectives that address the performance of quality engagements: ...</p> <p style="margin-left: 20px;">(d) Consultation on difficult or contentious matters is undertaken and the conclusions agreed are implemented.</p> <p style="margin-left: 20px;">(e) Differences of opinion within the engagement team, or between the</p> | <p>The IESBA viewpoint is specific in emphasizing the importance of an environment of open discussion and challenge in promoting ethical decision-making and accountability, including encouraging partners and staff to engage on ethics-related matters.</p> <p>ISQM 1 requires at a general level that the firm demonstrates a commitment to quality through a culture that exists which recognizes and reinforces the importance of professional ethics, values and attitudes. Such culture recognizes and reinforces the responsibility of personnel (i.e., partners and staff) to exchange information with the firm and with one another regarding the design, implementation and operation of the SOQM.</p> <p>The IESBA viewpoint highlights the importance of partners and staff raising ethical concerns and discussing ethical matters across all service lines. ISQM 1 requires the firm to establish quality objectives that address difficult or contentious matters and differences of opinion in the performance of quality engagements within the scope of ISQM1.</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| | <p>engagement team and the engagement quality reviewer or individuals performing activities within the firm's system of quality management are brought to the attention of the firm and resolved.</p> <p>...</p> <p>33. The firm shall establish the following quality objectives that address obtaining, generating or using information regarding the system of quality management, and communicating information within the firm and to external parties on a timely basis to enable the design, implementation and operation of the system of quality management: ...</p> <p>(b) The culture of the firm recognizes and reinforces the responsibility of personnel to exchange information with the firm and with one another. ...</p> | |
| <p>F2. Such an environment enables timely identification, consideration and mitigation of ethical issues, thus contributing to public trust in the firm.</p> | <p>33. The firm shall establish the following quality objectives that address obtaining, generating or using information regarding the system of quality management, and communicating information within the firm and to</p> | <p>Following on from F1, the IESBA viewpoint highlights the benefits of an environment of open discussion and challenge, including enabling the timely identification, consideration and mitigation of ethical issues.</p> <p>In the context of the information and</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| | <p>external parties on a timely basis to enable the design, implementation and operation of the system of quality management: ...</p> <p>A82. The firm may encourage that differences of opinion are identified at an early stage, and may specify the steps to be taken in raising and dealing with them, ...</p> | <p>communication component of the firm's SOQM, ISQM 1 focuses more generally on the establishment of quality objectives that address communicating information within the firm and to external parties on a timely basis.</p> <p>Also, ISQM 1 highlights in application material that the firm may encourage that differences of opinion are identified at an early stage from a quality management perspective.</p> |
| <p><u><i>Culture of Open Discussion and Challenge</i></u></p> <p>F3. A culture of open discussion and challenge involves the cultivation of a psychologically safe environment of mutual respect and trust for dialogue, where partners and staff are empowered to engage in dialogues about ethics-related matters and raise concerns without fear of adverse consequences.</p> | <p>A55. The firm's culture is an important factor in influencing the behavior of personnel. Relevant ethical requirements ordinarily establish the principles of professional ethics, and are further addressed in the relevant ethical requirements component of this ISQM. Professional values and attitudes may include: ...</p> <ul style="list-style-type: none"> • Maintaining an open mind to new ideas or different perspectives in the professional environment. ... <p>A64. ... <i>Examples of relationships between the relevant ethical requirements component and other components</i></p> <ul style="list-style-type: none"> • The information and communication component may address the communication of various matters related to relevant | <p>The IESBA viewpoint highlights that a culture of open discussion and challenge encapsulates a psychologically safe environment of mutual respect and trust, where partners and staff can engage on ethics-related matters without fear of adverse consequences.</p> <p>ISQM 1 recognizes the role of relevant ethical requirements in establishing the principles of professional ethics in the context of firm culture and personnel behavior. Application material to the ISQM 1 requirement for establishing a culture that demonstrates a commitment to quality recognizes the notion of being open minded, specifically in the context of professional ethics, values and attitudes. ISQM 1 does not specifically mention the concept of a psychologically safe environment of mutual respect and trust for dialogue.</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| | <p>ethical requirements, including: ...</p> <ul style="list-style-type: none"> ○ Personnel and engagement teams communicating relevant information to the firm without fear of reprisals, such as situations that may create threats to independence, or breaches of relevant ethical requirements. ... | <p>In addition, as an example about the relationship between the relevant ethical requirements component and other components of the firm's SOQM, ISQM 1 illustrates the importance of communicating relevant information to the firm without fear of reprisals.</p> |
| <p>F4. Acknowledging that mistakes are part of the learning process and that ethical dilemmas can be complex encourages and normalizes transparent conversations about ethics-related matters.</p> | <p>N/A</p> | <p>N/A</p> |
| <p>F5. In an environment of open discussion and challenge, partners and staff understand how to engage in constructive dialogue and are encouraged to speak up on behalf of themselves and others.</p> | <p>N/A</p> | <p>N/A</p> |
| <p>F6. A culture of open discussion and challenge benefits from a firm's policies and internal mechanisms on resolving differences of opinion. Such a culture is also strengthened by clear, accessible</p> | <p>31. The firm shall establish the following quality objectives that address the performance of quality engagements: ...</p> <p>(e) Differences of opinion within the</p> | <p>Both the IESBA viewpoint and ISQM 1 address resolving differences of opinion, although in different contexts and in different ways.</p> <p>The IESBA viewpoint recognizes that when a</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| <p>and confidential speak-up channels, and where applicable whistleblowing mechanisms, by allowing ethical issues to come to light, promoting transparency and accountability.</p> | <p>engagement team, or between the engagement team and the engagement quality reviewer or individuals performing activities within the firm's system of quality management are brought to the attention of the firm and resolved.</p> <p>...</p> <p>A82. The firm may encourage that differences of opinion are identified at an early stage, and may specify the steps to be taken in raising and dealing with them, including how the matter is to be resolved and how the related conclusions should be implemented and documented. In some circumstances, resolving differences of opinion may be achieved through consulting with another practitioner or firm, or a professional or regulatory body.</p> | <p>firm has policies and internal mechanisms for the resolution of differences of opinion, this supports a culture of open discussion and challenge.</p> <p>ISQM 1 requires the firm to establish a quality objective related to the identification and resolution of differences of opinion in the context of the performance of quality engagements.</p> <p>The IESBA viewpoint highlights the important role of confidential speak-up channels and whistleblowing mechanisms to bring ethical issues to light. ISQM 1 includes application material that highlights that the firm may specify the steps to be taken in raising and dealing with differences of opinion. ISQM 1 does not specifically mention the role of internal speak-up mechanisms like the IESBA viewpoint does, but draws attention to external sources such as consulting with another practitioner or firm, or a professional or regulatory body.</p> |
| <p>F7. Timely and consistent resolution of ethical issues raised reinforces the firm's commitment to ethical behavior and demonstrates to partners and staff that their concerns are listened to and addressed.</p> | <p>34. In designing and implementing responses in accordance with paragraph 26, the firm shall include the following responses:</p> <p>(a) The firm establishes policies or</p> | <p>The IESBA viewpoint emphasizes that the firm's commitment to ethical behavior is reinforced by the timely and consistent resolution of ethical issues raised.</p> <p>ISQM 1 focuses more generally on the firm's policies or procedures regarding compliance</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| | <p>procedures for:</p> <ul style="list-style-type: none"> (i) Identifying, evaluating and addressing threats to compliance with the relevant ethical requirements; and (ii) Identifying, communicating, evaluating and reporting of any breaches of the relevant ethical requirements and appropriately responding to the causes and consequences of the breaches in a timely manner. ... | <p>with relevant ethical requirements – threats to compliance and breaches of relevant ethical requirements. The firm’s policies or procedures should include responding to the causes and consequences of breaches in a timely manner.</p> |
| <p>F8. For network firms, having shared expectations of what a culture of open discussion and challenge looks like encourages all partners and staff to communicate openly and freely, regardless of cultural differences across jurisdictions.</p> | <p>N/A</p> | <p>ISQM 1 does not specifically address expectations regarding a culture of open discussion and challenge across the network, as the IESBA viewpoint does. This is because ISQM 1 was designed to address quality management at the firm level and as such it does not address quality objectives, risks and responses at the network level. However, ISQM 1 does require firms to establish quality objectives relating to communicating information within the firm’s network, enabling the network to fulfill its responsibilities.</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| <p><u><i>Role and Expectations of Leadership</i></u></p> <p>F9. Leaders at all levels of the firm have critical roles in creating a psychologically safe environment where partners and staff feel comfortable and safe in voicing their perspectives and concerns.</p> <p>F10. Senior leaders cultivate such an environment when they consistently model the firm’s ethical values, engage authentically with partners and staff, and demonstrate alignment between personal conduct and the ethical values promoted by the firm.</p> | <p>28. The firm shall establish the following quality objectives that address the firm’s governance and leadership, which establishes the environment that supports the system of quality management:</p> <p>(a) The firm demonstrates a commitment to quality through a culture that exists throughout the firm, which recognizes and reinforces: ...</p> <p>(ii) The importance of professional ethics, values and attitudes; ...</p> <p>(c) Leadership demonstrates a commitment to quality through their actions and behaviors. ...</p> | <p>Both the IESBA viewpoints and ISQM 1 recognize the important role that leadership plays in establishing the culture of the firm.</p> <p>The IESBA viewpoints highlight such role in cultivating a psychologically safe environment where partners and staff feel comfortable and safe in voicing their perspectives and concerns in supporting the firm’s ethical values.</p> <p>ISQM 1 focuses on the firm’s SOQM, including recognizing the importance of professional ethics, values and attitudes for a culture that demonstrates a commitment to quality. ISQM 1 recognizes that leadership’s actions and behaviors should demonstrate a commitment to quality.</p> |
| <p>F11. Other leaders, such as engagement leaders and managers, through their regular interactions with partners and staff, can directly support and encourage ethical conversations as a part of day-to-day operations where open discussion and challenge are not only encouraged, but expected.</p> | <p>A58. Although leadership establishes the tone at the top through their actions and behaviors, clear, consistent and frequent actions and communications at all levels within the firm collectively contribute to the firm’s culture and demonstrates a commitment to quality.</p> | <p>Both the IESBA viewpoint and ISQM 1 highlight the role that others in the firm play – other than senior leadership (IESBA viewpoint, e.g., engagement leaders and managers) or other than leadership (ISQM 1, i.e., at all levels within the firm). ISQM 1 approaches this from an “commitment to quality” perspective, while the IESBA viewpoint approaches this from an ethics perspective.</p> |

Education and Training

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| <p><u><i>Public Interest Rationale</i></u></p> <p>G1. Continuous education and training on ethics matters play an important role in fostering an ethical culture in a firm as they equip partners and staff with the knowledge, skills and judgment needed to navigate ethical dilemmas and act in the public interest.</p> | <p>29. The firm shall establish the following quality objectives that address the fulfillment of responsibilities in accordance with relevant ethical requirements, including those related to independence:</p> <p style="padding-left: 20px;">(a) The firm and its personnel:</p> <p style="padding-left: 40px;">(i) Understand the relevant ethical requirements to which the firm and the firm's engagements are subject;</p> <p style="padding-left: 40px;">...</p> <p>32. The firm shall establish the following quality objectives that address appropriately obtaining, developing, using, maintaining, allocating and assigning resources in a timely manner to enable the design, implementation and operation of the system of quality management:</p> <p><i>Human Resources</i></p> <p style="padding-left: 20px;">(a) Personnel are hired, developed and retained and have the competence and capabilities to: ...</p> <p style="padding-left: 20px;">(d) Engagement team members are assigned to each engagement,</p> | <p>The IESBA viewpoint highlights the important role that continuous education and training on ethics matters play in fostering an ethical culture.</p> <p>ISQM 1 requires that the firm and its personnel understand the relevant ethical requirements to which the firm and the firm's engagements are subject. In addition, ISQM paragraph 32 (a) requires that the firm establish a quality objective to hire, develop and retain personnel to have certain competence and capabilities to perform activities or carry out responsibilities in relation to the operation of the firm's SOQM (which includes relevant ethical requirements). In this regard, the firm's policies and procedures may include training programs and continuing professional development.</p> <p>ISQM 1 also highlights that competence is the integration and application of technical competence, professional skills, and professional ethics, values and attitudes. It also highlights that competence can be developed through a variety of methods, including training.</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| | <p>including an engagement partner, who have appropriate competence and capabilities, including being given sufficient time, to consistently perform quality engagements. ...</p> <p>A88. Competence is the ability of the individual to perform a role and goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of technical competence, professional skills, and professional ethics, values and attitudes. Competence can be developed through a variety of methods, including professional education, continuing professional development, training, work experience or coaching of less experienced engagement team members by more experienced engagement team members.</p> <p>A90. <i>Examples of policies or procedures relating to hiring, developing and retaining personnel</i></p> <p>The policies or procedures designed and implemented by the firm relating to hiring, developing and retaining</p> | |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| | <p>personnel may address: ...</p> <ul style="list-style-type: none"> • Training programs focused on developing the competence of personnel and continuing professional development. ... | |
| <p><u><i>An Ethical Mindset</i></u></p> <p>G2. Effective education and training on ethics not only enhance knowledge of the IESBA Code and other relevant ethical standards, policies, rules and regulations, but also develop an ethical mindset of partners and staff across all service lines that brings ethical behaviors to be top-of-mind.</p> | N/A | N/A |
| <p>G3. Such education and training strengthen the ability of partners and staff to identify ethical issues, which can be complex in nature, and make judgments and decisions that uphold ethical values and are in the public interest.</p> | N/A | N/A |
| <p><u><i>Effective Education and Training on Ethics</i></u></p> <p>G4. Embedding mandatory education and training programs at the commencement of employment and throughout the careers of partners and staff with the firm reinforces the foundational role of ethical</p> | <p>A89. Law, regulation or professional standards may establish requirements addressing competence and capabilities, such as requirements for the professional licensing of engagement partners, including</p> | <p>The IESBA viewpoint highlights that mandatory, ongoing education and training programs on ethics contribute to positioning ethical decision-making on par with technical competence.</p> <p>ISQM 1 recognizes that law, regulation or</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| <p>values. Such programs position decision-making on ethical matters as a core ability on par with technical competence.</p> | <p>requirements regarding their professional education and continuing professional development.</p> | <p>professional standards, such as the IESBA Code, may establish requirements addressing competence (which includes professional ethics, values and attitudes) and capabilities. This may include requirements regarding professional education and continuing professional development.</p> |
| <p>G5. Leadership's involvement in education and training programs demonstrates the strategic importance of ethical values to the firm and facilitates open discussion.</p> | <p>N/A</p> | <p>N/A</p> |
| <p>G6. Effective education and training programs use practical, relatable, and interactive scenarios that connect abstract principles to everyday ethical dilemmas as well as focus on grey areas.</p> | <p>N/A</p> | <p>N/A</p> |
| <p>G7. Taking into consideration the partner's or staff's background (professional accountants or not), role, seniority and service line enables a firm to deliver relevant and fit for purpose education and training programs.</p> | <p>A88. Competence is the ability of the individual to perform a role and goes beyond knowledge of principles, standards, concepts, facts, and procedures; it is the integration and application of technical competence, professional skills, and professional ethics, values and attitudes. Competence can be developed through a variety of methods, including</p> | <p>Both the IESBA viewpoint and ISQM 1 mention the role of education and training programs (IESBA viewpoint) or training programs and continuous professional development (ISQM 1). The IESBA viewpoint specifically highlights that relevant and fit for purpose education and training programs on ethics take into account multiple characteristics of the partners and staff, notably their background, role, seniority</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| | <p>professional education, continuing professional development, training, work experience or coaching of less experienced engagement team members by more experienced engagement team members.</p> <p>A90. <i>Examples of policies or procedures relating to hiring, developing and retaining personnel</i></p> <p>The policies or procedures designed and implemented by the firm relating to hiring, developing and retaining personnel may address: ...</p> <ul style="list-style-type: none"> • Training programs focused on developing the competence of personnel and continuing professional development. ... | <p>and service line. ISQM 1 addresses competence (that can be developed through training) which is specific to the role of an individual.</p> |
| <p>G8. Regularly updating education and training programs to incorporate developments in the IESBA Code and other relevant ethical standards, policies, rules and regulations enables such programs to address emerging ethical issues.</p> | <p>N/A</p> | <p>N/A</p> |
| <p>G9. Firms with limited internal resources to develop their own ethics training programs may use external resources</p> | <p>32. The firm shall establish the following quality objectives that address appropriately obtaining, developing,</p> | <p>Both the IESBA viewpoint and ISQM 1 recognize that a firm may use external resources when the firm does not have the</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| <p>that suit their needs, such as materials developed by professional accountancy organizations, commercial organizations specializing in training, or academia.</p> | <p>using, maintaining, allocating and assigning resources in a timely manner to enable the design, implementation and operation of the system of quality management: ...</p> <p>(h) Human, technological or intellectual resources from service providers are appropriate for use in the firm's system of quality management and in the performance of engagements, taking into account the quality objectives in paragraph 32 (d), (e), (f) and (g).</p> <p>A105. In some circumstances, the firm may use resources that are provided by a service provider, particularly in circumstances when the firm does not have access to the appropriate resources internally. Notwithstanding that a firm may use resources from a service provider, the firm remains responsible for its system of quality management. ...</p> | <p>appropriate resources internally.</p> <p>The IESBA viewpoint is more explicit than ISQM 1 in focusing on ethics training programs, while ISQM 1 addresses the notion more generally in the context of human, technological or intellectual resources.</p> |

Transparency

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| <p><u>Public Interest Rationale</u></p> <p>H1. A firm’s transparency about relevant ethics-related aspects of the firm’s performance highlights its commitment to its ethical values, the public interest, and accountability to its clients, partners, staff, and other stakeholders.</p> | <p>33. The firm shall establish the following quality objectives that address obtaining, generating or using information regarding the system of quality management, and communicating information within the firm and to external parties on a timely basis to enable the design, implementation and operation of the system of quality management:</p> <ul style="list-style-type: none"> (a) The information system identifies, captures, processes and maintains relevant and reliable information that supports the system of quality management, whether from internal or external sources. (b) The culture of the firm recognizes and reinforces the responsibility of personnel to exchange information with the firm and with one another. (c) Relevant and reliable information is exchanged throughout the firm and with engagement teams, including: ... | <p>The IESBA viewpoint highlights that transparency about ethics-related matters is a tool that demonstrates the firm’s commitment to ethical values, the public interest and accountability.</p> <p>ISQM 1 requires the firm to establish quality objectives that address communication of relevant information related to all components of the SOQM (which includes relevant ethical requirements) both internally and externally on a timely basis.</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| | (d) Relevant and reliable information is communicated to external parties, including: ... | |
| <p>H2. Subject to confidentiality restrictions, reporting as appropriate on a firm's policies or actions to drive ethical behavior, or how a firm has responded to ethical failures, contributes to an ethical firm culture and builds or rebuilds public trust in the firm.</p> | <p>34. In designing and implementing responses in accordance with paragraph 26, the firm shall include the following responses: ...</p> <p>(e) The firm establishes policies or procedures that:</p> <ul style="list-style-type: none"> (i) Require communication with those charged with governance when performing an audit of financial statements of listed entities about how the system of quality management supports the consistent performance of quality audit engagements (ii) Address when it is otherwise appropriate to communicate with external parties about the firm's system of quality management; and (iii) Address the information to be provided when | <p>The IESBA viewpoint highlights the importance to the firm's ethical culture of reporting on its policies or actions to drive ethical behavior or how the firm has responded to ethical failures. This is subject to any confidentiality restrictions.</p> <p>ISQM 1 requires a firm to establish policies and procedures that cover when to communicate externally about the firm's SOQM, what to communicate and to consider any restrictions, for example, a duty of confidentiality under law, regulation or relevant ethical requirements. This is focused on the firm's SOQM.</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| | <p>communicating externally in accordance with paragraphs 34(e)(i) and 34(e)(ii), including the nature, timing and extent and appropriate form of communication. ...</p> <p>A115. In some cases, law or regulation may preclude the firm from communicating information related to its system of quality management externally.</p> <p><i>Examples of when the firm may be precluded from communicating information externally</i></p> <ul style="list-style-type: none"> • Privacy or secrecy law or regulation prohibits disclosure of certain information. • Law, regulation or relevant ethical requirements include provisions addressing the duty of confidentiality | |
| <p><u>Internal Transparency</u></p> <p>H3. A firm's senior leadership being transparent to partners and staff about their decisions and actions to promote and uphold ethical values demonstrates the firm's commitment to ethical values</p> | <p>33. The firm shall establish the following quality objectives that address obtaining, generating or using information regarding the system of quality management, and communicating information within the firm and to</p> | <p>The IESBA viewpoint is explicit about the firm's senior leadership being transparent to partners and staff about their ethical decisions and actions, and how that contributes to demonstrating the firm's commitment to ethical values and compliance with the IESBA Code.</p> |

| IESBA Viewpoint | ISQM 1 | Observations Regarding Connection Between IESBA Viewpoints and ISQM 1 |
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| <p>and compliance with the IESBA Code.</p> | <p>external parties on a timely basis to enable the design, implementation and operation of the system of quality management: ...</p> <p>(c) Relevant and reliable information is exchanged throughout the firm and with engagement teams, including:</p> <p>(i) Information is communicated to personnel and engagement teams, and the nature, timing and extent of the information is sufficient to enable them to understand and carry out their responsibilities relating to performing activities within the system of quality management or engagements; ...</p> | <p>ISQM 1 addresses internal communication in a general way and requires firms to establish quality objectives relating to the firm (with leadership having been assigned responsibility and accountability) communicating information to personnel (partners and staff) that is relevant to their responsibilities within the SOQM or engagements.</p> |
| <p>H4. For network firms, sharing ethics-related learnings and experiences promotes consistency of approaches and helps to reduce the risk of similar cases of unethical behavior occurring in other parts of the network.</p> | <p>33. The firm shall establish the following quality objectives that address obtaining, generating or using information regarding the system of quality management, and communicating information within the firm and to external parties on a timely basis to enable the design, implementation and operation of the system of quality management: ...</p> | <p>The IESBA viewpoint highlights the benefits for network firms of sharing learnings and experiences related to ethics.</p> <p>ISQM 1 requires firms to establish quality objectives relating to communicating information within the firm's network as that information pertains to the SOQM (including relevant ethical requirements), enabling the network to fulfill its responsibilities relating to network requirements or network services or</p> |

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| | <p>(d) Relevant and reliable information is communicated to external parties, including:</p> <p>(i) Information is communicated by the firm to or within the firm's network or to service providers, if any, enabling the network or service providers to fulfill their responsibilities relating to the network requirements or network services or resources provided by them; ...</p> <p>A113. In addition to the firm communicating information to or within the firm's network or to a service provider, the firm may need to obtain information from the network, a network firm or a service provider that supports the firm in the design, implementation and operation of its system of quality management.</p> <p><i>Example of information obtained by the firm from within the firm's network</i></p> <p>The firm obtains information from the network or other network firms about clients of other network firms, where there are independence requirements</p> | <p>resources. ISQM 1 also covers obtaining information from the network, which may include information needed for purposes of the firm's compliance with independence requirements.</p> |

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| | that affect the firm. | |
| <p><u>External Transparency</u></p> <p>H5. Public disclosure of relevant information by a firm on how it prioritizes ethical values helps demonstrate the firm's commitment to ethical behavior and responsibility to act in the public interest.</p> | <p>33. The firm shall establish the following quality objectives that address obtaining, generating or using information regarding the system of quality management, and communicating information within the firm and to external parties on a timely basis to enable the design, implementation and operation of the system of quality management: ...</p> <p>(d) Relevant and reliable information is communicated to external parties, including: ...</p> <p>(ii) Information is communicated externally when required by law, regulation or professional standards, or to support external parties' understanding of the system of quality management.</p> <p>34. ... the firm shall include the following responses: ...</p> <p>(e) The firm establishes policies or procedures that: ...</p> | <p>The IESBA viewpoint highlights the benefit of public disclosure of relevant information on ethics to demonstrate the firm's commitment to ethical behavior and the public interest.</p> <p>ISQM 1 addresses communication with external parties about the firm's SOQM. ISQM 1 recognizes that such communication may be required by law, regulation or professional standards, such as the IESBA Code, and that the firm's policies or procedures should address when communication to external parties is appropriate, what to communicate and the appropriate form of communication.</p> |

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| | <ul style="list-style-type: none"> (ii) Address when it is otherwise appropriate to communicate with external parties about the firm's system of quality management; and (iii) Address the information to be provided ... | |
| <p>H6. External transparency may also contribute to building and strengthening public trust in the firm.</p> | <p>A124. The firm's ability to maintain stakeholder confidence in the quality of its engagements may be enhanced through relevant, reliable and transparent communication by the firm about the activities that it has undertaken to address quality, and the effectiveness of those activities.</p> | <p>The IESBA viewpoint links transparency to building and strengthening public trust in the firm whereas ISQM 1 links communication to maintaining stakeholder confidence in the quality of engagements performed by the firm.</p> |